MEETING DATE: February 23, 2015

AGENDA ITEM: (1) Receipt and Filing of the Fiscal Year 2014-2015 Mid-Year General Fund Budget Monitoring Report, (2) Receipt and Filing of the General Fund Financial Forecast, (3) Provide Notification to Public Inviting Comment and Input for the Upcoming Proposed Budget for Fiscal Year 2015/2016, and (4) Approval of Proposed Budget Amendments.

ATTACHMENTS

City of Culver City

MID-YEAR BUDGET REPORT
FISCAL YEAR 2014-15
Through December 31, 2014

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INTRODUCTION

This Mid-Year Budget Report presents an overview of the City's operating revenues and expenditures for the first half of Fiscal Year 2014-15 as compared to budgeted amounts, explaining any notable aberrations or trends in the numbers. The revenue and expenditure information in this report is organized into two sections: General Fund and Other Major Funds.

An important component to the ongoing management of the City's annual budget process, the Mid-Year Budget Report's purpose is threefold. First, it illustrates the City's focus on monitoring its revenues and expenditures, with the intent to proactively respond to unanticipated changes or emerging trends. Secondly, and equally important, the report is to provide fiscal transparency of City finances as the City is ultimately accountable to its residents for the use of revenue. Finally, an important reason to provide such information is that it serves as a starting point for preparing the FY 2015-16 Budget.

The close of December encompasses the first six months of the City's fiscal year, presenting an ideal point of analysis to determine the viability of the adopted budget, or if and where adjustments should be considered. The Finance Department staff has reviewed all line items and compared actual results against budget expectations, historical trends, seasonality and other known factors affecting either revenue or spending streams to determine if recommendations for reductions or increases should be made. As the defined mid-point of the fiscal year, although the presumed expectation is that most categories should be at 50%, City revenues historically lag expenditures at this point in the fiscal year because of year-end accounting adjustments to major revenues and because the bulk of the property tax and business licenses revenues are received later in the fiscal year.

REPORT HIGHLIGHTS:

- The City's one half cent **Measure Y – Sales Tax** remains strong, and is expected to come in slightly higher than original projections. The year-end revenue total is projected at $8.6 million.

- The City's overall general fund operating revenues are above expectations for the first half of FY 2014-15. **General Fund Operating Revenues** through December are **$33.81 million**, or 8.2**%** higher than the same period last year. Not included in this amount is one-time revenue of $14.2 million for sale of properties. Analysis suggests the City's overall recurring General Fund revenues are expected to outpace the current revised budget total for the fiscal year. **It is therefore recommended that budget amounts for recurring operating revenues be increased by $3.114 million, and one-time revenues be increased by $14.2 million.**

- **General Fund Expenditures** through December total **$41.322 million,** or 1.0% *lower* than the same period last year. Higher personnel vacancies during the first six months of the fiscal year compared to the prior year are the main reason for this lower amount. Vacancies will be slightly lower during the 2nd half of the fiscal year, mainly due to current Police Recruits enrolled in the academy that will ultimately fill vacant safety positions.

- A brief mid-year overview is included in this report for Enterprise Funds and Internal Service Funds, both of which appear to be operating within expectations.

The following pages present the detailed discussion of the City's Mid-Year actual results and recommendations by revenue and expenditure categories.

GENERAL FUND REVENUES

At the time of the Fiscal Year 2014-15 Adopted Budget, it was estimated that revenues would slightly exceed FY 2013-14 levels, with overall increases attributable to increased Sales Tax and TOT receipts along with an increase in development related revenues. This estimate marked the second year where recurring revenues would cover ongoing expenditures. As of the December 31, 2014, General Fund operating revenues are displaying continued growth, exceeding estimated revenues with receipts totaling $33.81 million, or 36.5% of the current revised revenue budget at the close of the 2nd quarter. This percentage is less than the 50% one would presume as the mid-year total due to payments received in July and/or August for many of the major revenue categories such as sales tax, utility taxes, property tax, transient occupancy tax and business tax being accrued back to the prior fiscal year. Recurring receipts (not including the land sale) through December 2014 are $2.5 million, or 8.2%, higher than the same period last year, with increases largely driven by Sales Tax, Transient Occupancy Tax, and Utility User Taxes. One-time revenues were received for the sale of properties totaling $14.2 million. These properties are the Pacific Theaters and the former Fire Station #3 property on Segrell Way.

The table below displays the comparison between revenues received as of December 31st for the current and prior fiscal year:

GENERAL FUND REVENUES	2013-14 REVENUE AS OF 12/31/2013	2013-14 REVENUE TOTAL	2014-15 REVENUE AS OF 12/31/2014	2014-15 REVISED BUDGET TOTAL	PROJECTED REVENUES 2014-15
Property Tax	$ 1,507,560	$ 5,447,052	$ 1,709,222	$ 4,428,000	$ 4,428,000
Sales Tax	4,629,416	18,817,179	5,238,233	19,302,825	19,631,000
Sales Tax - Measure Y	1,818,944	8,189,558	2,510,648	8,304,000	8,440,000
Public Safety Sales Tax (PSAF)	163,715	429,102	140,358	359,000	359,000
Business Tax	475,437	11,214,234	743,727	11,000,000	11,200,000
Franchise Tax	326,349	1,449,956	317,849	1,370,000	1,400,000
Real Property Transfer Tax	794,318	1,861,564	1,837,226	1,500,000	2,750,000
Electricity UUT	3,054,192	6,266,653	3,461,124	6,283,000	6,433,000
Gas UUT	315,678	1,040,876	318,579	979,000	1,035,000
Water UUT	824,001	1,728,841	700,209	1,326,000	1,400,000
Telecomm UUT	2,080,599	5,000,907	2,219,956	5,040,000	5,040,000
Cable UUT	282,811	802,597	329,402	882,000	882,000
Transient Occupancy Tax (TOT)	2,389,493	5,608,151	2,826,914	5,408,000	5,600,000
Commercial/Industrial Dev. Tax	709,654	884,591	430,273	450,000	600,000
Licenses and Permits	2,084,016	3,632,898	1,569,495	3,174,000	3,077,000
Intergovernmental	33,425	3,893,140	84,417	3,835,825	3,993,000
Charges for Services	3,825,005	8,083,168	3,759,238	7,179,335	7,752,000
Fines and Forfeitures	1,796,424	4,162,444	1,645,504	3,707,000	3,850,000
Use of Money & Property	544,593	1,555,285	1,009,554	1,585,700	1,461,000
Interfund Revenues	1,938,003	3,875,980	1,722,787	3,895,574	3,895,574
Transfers In	1,541,615	2,699,989	1,082,611	2,165,222	2,062,222
Other Revenues	127,728	588,181	14,350,435	390,360	14,535,000
	$ 31,262,975	**$ 97,232,344**	**$ 48,007,759**	**$ 92,564,841**	**$ 109,823,796**

- **Property Tax –** As of the close of the 2nd Quarter, the City has received $1.71 million in Property Tax, which is 13.4% higher than this point last year. Last year's annual total included a residual payment from the Successor Agency that is not expected to recur this year. Property Tax is currently on track to end the year at the current projection, excluding any further residual payments from the Successor Agency.

- **Sales Tax –** Sales Tax receipts as of current mid-year exceed prior year mid-year totals by 13.2%. Only 27.1% of the budgeted revenues have been received because at this point in the fiscal year only four months of receipts have been recorded. In accordance with government accounting standards, sales tax revenues received in July and August are moved back to the prior fiscal year because the actual transactions took place in the prior year. It is recommended to increase Sales Tax receipts by approximately $328,000.

- **Sales Tax - Measure Y –** In the November 2012 election, Culver City voters approved a sales tax increase which went into effect in April 2013. The City is on track to surpass the current revised budgeted total of $8.304 million in Measure – Y revenue. It is recommended to increase this category by approximately $136,000.

It is important to note in the upcoming years, the additional revenue generated from the Measure-Y Sales Tax will be instrumental in helping to balance the City's budget. However, the sales tax increase sunsets in nine years (March 31, 2023); so unless extended the additional revenue does not fully address the City's structural deficit. As communicated in the *General Fund Financial Forecast: FY 2015-16 - FY 2021-22 Report,* the City must continue to manage revenues in an efficient and sustainable manner, and control expenses accordingly in order to continue progress toward long-term fiscal health.

- **Business Tax –** Business Tax renewals are due by the end of February. Receipts in this category for FY 13-14 were $1 million higher than FY 12-13. Business Tax receipts are anticipated to remain at approximately the FY 13-14 level for this fiscal year. It is recommended to increase this category by $200,000.

- **Utility Users Taxes (UUT) –** Most Utility Users Taxes are outperforming revenues received compared with the same period last year. In accordance with the same accounting standards that apply to sales tax receipts, UUT receipts in July are moved back to the prior fiscal year, so at this point in the year only five months of receipts have been recorded. With accrual calculations taken into account, receipts have grown in all UUT areas with the exception of Water UUT, which is lagging slightly behind last year at his time. Water UUT is performing lower than the same levels last year, but it is anticipated to come in slightly higher than projections by the end of the year.

  It is recommended that the Electricity UUT projection be increased by $150,000; Gas UUT increased by $56,000; and Water UUT by $74,000. These increases align with growth rates as noted for each UUT area.

- **Transient Occupancy Tax (TOT) –** In April 2012, Culver City voters approved a measure to increase the Transient Occupancy Tax (TOT) from 12% to 14%. Due to increased occupancy rates coupled with the higher tax rates, current year receipts are $2,826,914 or 18.3% higher than this point last year.

  In accordance with the same accounting standards that apply to UUT receipts, receipts in July are moved back to the prior year, so at this point in the year five months of receipts have been recorded. Based on the growth in receipts, it is recommended that the TOT budget be increased by $192,000.

- **Real Property Transfer Tax –** Real Property Transfer Tax is difficult to predict as it relies on high value property sales, which fluctuate tremendously from month to month. At this point in the fiscal year, receipts are more than twice the amount they were at this point last year due to some large commercial property transactions. To account for this large increase, it is recommended to increase Real Property Transfer Tax by $1.25 million for FY 14-15. It is important to note, though, that large receipts in this category are mainly considered one-time revenue and not recurring.

- **Commercial/Industrial Development Tax –** Compared to last year, Commercial/Industrial Development Tax receipts are about 40% *lower* than last year. Receipts through December 31st have almost met the adopted budget amount, and it is recommended that the budget for Commercial/Industrial Development Tax be increased by $150,000.

- **Licenses & Permits –** Like the Commercial/Industrial Development Tax, Licenses and Permits revenue is driven by residential and commercial construction activity. Mid-year revenues total $1.569 million which accounts for 49.5% of the adopted budget total. This is approximately 25% lower than the same point last year. It is recommended that the budget for Licenses and Permits be decreased by $97,000.

- **Intergovernmental Revenue –** Intergovernmental revenue is mostly comprised of the motor vehicle license fees from the State Department of Motor Vehicles. The majority of this revenue is received in January and May. It is recommended to increase this category by $157,175.

- **Charges for Services –** The Charges for Services category is comprised of a variety of revenues ranging from recreation fees to police services and plan checks. Recreation related fees and room rentals have performed better than anticipated, along with plan check fees and film parking. It is recommended that the overall Charges for Services category be increased by $572,665.

- **Fines and Forfeitures –** Fines and Forfeitures category is primarily comprised of red light camera violations and moving violations written by Culver City traffic enforcement, and parking violations written by Culver City parking enforcement. Current year revenue is lower than this point last year by $150,000. Current projections, though, show this category coming in slightly higher than the adopted budget. It is recommended that Fines & Forfeitures budget be increased by $143,000.

- **Use of Money and Property –** Use of Money and Property includes interest income and income from the rental of city property. It is recommended to decrease this category by $124,700.

- **Other Revenues** – Other Revenues is comprised of loan payments, land sale proceeds, donations and miscellaneous revenues. The City received proceeds for the Pacific Theaters ($12.95 million) sale to the City, and sale of the property at the old Fire Station #3 location on Segrell Way ($1.25 million). It is recommended to increase this category by approximately $14.14 million to account for these sales of properties and adjustments to some smaller donation accounts.

The recommended Mid-Year revenue adjustments total **$17.26 million** in increases above the current revised budget. Of this amount, increased recurring revenues total $3.06 million, and one-time revenue totals $14.2 million.

GENERAL FUND EXPENDITURES

Overall, General Fund expenditures through mid-year are **$41.32** million or **43.1%** of projected appropriations, which is slightly lower when compared to this point last fiscal year.

The table below provides a comparison between the first six months of Fiscal Year 2014-15 and Fiscal Year 2013-14:

GENERAL FUND EXPENDITURES					
	2013-14 EXPENDITURE AS OF 12/31/2013	2013-14 EXPENDITURE TOTAL	2014-15 EXPENDITURE AS OF 12/31/2014	2014-15 REVISED BUDGET TOTAL	2014-15 PROJECTED EXPENDITURES
ADMINISTRATION	619,256	1,345,339	690,970	1,503,635	1,535,570
CITY CLERK	137,789	413,668	128,522	346,201	288,400
CITY ATTORNEY	830,117	1,900,806	849,910	1,988,970	2,066,700
FINANCE	2,064,735	4,847,722	2,118,766	4,748,668	4,785,000
HUMAN RESOURCES	565,881	1,134,826	477,345	1,141,174	1,097,855
INFORMATION TECH.	1,564,094	2,971,770	1,579,225	3,374,642	3,108,500
PARKS, REC. & COMMUNITY SVCS	3,114,876	6,857,433	3,346,775	7,458,437	7,212,200
POLICE DEPARTMENT	14,272,215	32,422,023	13,774,932	32,547,059	32,051,000
FIRE DEPARTMENT	8,089,380	18,076,429	8,177,443	19,098,560	18,687,000
COMMUNITY DEVELOPMENT	2,610,543	5,819,648	2,744,966	6,955,317	6,344,000
PUBLIC WORKS	4,343,088	9,517,136	4,493,980	10,317,715	10,108,000
NON-DEPARTMENTAL	1,500,983	3,452,100	1,740,882	4,108,693	4,256,234
Transfers	2,017,525	2,571,696	1,198,081	2,384,766	2,369,766
TOTAL EXPENDITURES	**41,730,483**	**91,330,595**	**41,321,796**	**95,973,837**	**93,910,225**

Total expenditures are $409,000 lower than this point last year. This is mainly attributable to higher position vacancies through the first six months of the year compared to last year. The mid-year expended average for Departments is 43.06% of budgeted expenditures. No departments are currently over the 50% mark at mid-year, but a few are estimated to fall above the FY 14-15 revised budget at year end, based on labor agreements approved after the adopted budget. For departments with few to no vacancies and O & M costs that should be fully realized for the year, these salary and benefit increases will place them slightly above the adopted budget amount. The departments currently anticipated to be above the revised budget are Administration, City Attorney, and Finance Department.

Based on the number of vacancies and spending trends, it is projected that the current year General Fund expenditures will total $93.91 million. This is $2.06 million lower than the Adjusted Budget and 2.8% higher than the total expenditures last fiscal year. The increase from last year is mainly due to employee bargaining group MOU changes, employer paid retirement increases, and an increased contribution to the retiree health prefunding trust fund.

OTHER MAJOR FUNDS

A brief overview follows for the City's Enterprise and Internal Service Funds.

ENTERPRISE FUNDS

The City has three Enterprise Funds: Refuse, Transportation, and Sewer, which account for the provision of direct services to the general public where all or a substantial portion of the costs involved are paid in the form of user charges or fees for such services.

- **Refuse Disposal Fund** was established to account for the operation of the City's refuse disposal, transfer station operation, recycling efforts, and street sweeping services.
- **Transportation Fund** is used to account for the operation, as well as the capital assets, of the City's Municipal Bus Lines. Other funding assistance comes from FTA Section 9 (Federal-Capital), TDA and STA (Capital and Operating), and Proposition A and Proposition C.
- **Sewer Fund** is used to account for revenues collected through sewer charge fees and sewer facilities charges. These funds are used for expenditures related to the operation and maintenance of sewer disposal facilities, capital projects, and debt service on bonds for sewer facility improvements.

At mid-year, the Refuse Fund operating expenditures are $5.616 million, or 44.3% of adjusted budget appropriations. This is 2.7% ahead of expenditures at this time last year. A contributing factor to the low overall mid-year expenditure percentage is Refuse Disposal Fees being less than anticipated (29.9% of budget). Personnel costs are at 47.5% of budget at mid-year, and are expected to come in slightly below projections. The overall projected year-end expenditures are expected to come in at approximately 96.3% of the revised budget.

Refuse Disposal Fee receipts at mid-year are $1.36 million, or 39.2% of budgeted revenues. The payment from the County of Los Angeles for Refuse Fees that brings us to the half-way point has been recorded in January. Bin Service and Tonnage Charges are recorded at higher than 50% on average at mid-year and are driven by increased home improvement and development activity. Overall Refuse Fund revenues are on track and are expected to be fully realized at fiscal year-end.

The Transportation Fund mid-year expenditures are $9.99 million, or 29.2% of adjusted budget appropriations. This is approximately 0.7% ahead of expenditures at this time last year.

The Transportation Fund currently has $9.8 million appropriated for capital outlay items. As of mid-year, less than 0.01% of these funds have been expended. Projects in this category include: Bus Signal Priority; Line 6 Rapid Bus Signal Priority and Furnishings – Sepulveda Corridor; Real-time Bus Arrival Information Project; Bus Stop Improvement Program; Bus Wash Rebuild; and CNG Station Compressor project. Capital projects not implemented or finished during a fiscal year are carried over to subsequent fiscal years.

Transportation Fund revenues are $7.01 million or 25.3% of projected receipts. Much of this revenue will be received once expenditures for capital items are expended. Transportation Fund revenues are mostly a combination of Federal, State and Local funding sources along with farebox revenues.

Mid-year Sewer Fund operating expenditures are approximately $3.86 million, or 37% of adjusted budget appropriations. The low expenditure percentage at mid-year is mostly due to a lower than estimated payment to the City of Los Angeles for the Hyperion Treatment Plant. Personnel costs are at 46.7% of revised projections.

Sewer Fund revenues at mid-year are $3.76 million, or 40% of budget. Sewer operating receipts from property taxes have been recorded in January, which brings the receipts to 50.1% of budgeted revenues. Sewer Fund revenues are also on track to be fully realized at fiscal year-end.

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for services and commodities furnished by designated funds of the City to user departments of the City.

- **Equipment Replacement Fund** is used to hold annual replacement payments from designated user departments and to use those funds to purchase equipment for general City purposes.
- **Equipment Maintenance & Fleet Services (EMFS) Fund** accounts for all activities of the City's central equipment maintenance operations, the costs of which are distributed among designated user departments.
- **Self-Insurance Fund** receives and disburses funds pertaining to the public liability and workers' compensation insurance programs. It also funds the Employee Disability (IOD) program for employee long-term work-related disabilities.
- **Central Stores** accounts for the timely purchase of needed materials, supplies and auto parts in advance of actual need. Departments are billed as items are issued for use.

At mid-year, Equipment Replacement Fund actual expenditures are $263,600, or 9.6% of adjusted budget appropriations. Currently there is $1.01 million encumbered for vehicles/equipment set to be received in the next few months. The total revised budget appropriation amount of $2.75 million is projected to be expended by year end for the City Council approved vehicle/equipment purchases for FY 2014-15.

Equipment Replacement revenues, which are the contributions from the various funds for replacement costs, will be fully recognized at year-end. These are recorded on a monthly basis, and at mid-year are 50.0% of budget.

The EMFS Fund mid-year expenditures are $3.51 million, or 45.9% of adjusted budget appropriations. The low percentage is mostly due to fuel expenditures in the amount of $623,800 being 38.4% of revised budget appropriations at mid-year.

EMFS Fund revenues are on track to be fully realized at fiscal year-end. All expenditures will be covered to ensure this Fund continues to operate in a financially sound manner.

The Self-Insurance Fund (SIF) expenditures at mid-year are $3.69 million, or 62.8% of adjusted budget appropriations. This is 3.0% lower than this time last year. Expenses for claims and liability are recorded in the first six months of the year, which increases the mid-year percentage.

Personnel expenditures are significantly down at mid-year at $428,700, or 52.3% of adjusted budget appropriations. At this point last year, personnel expenditures were $304,000. The increase is mainly due to a higher number of injured-on-duty (IOD) incidents in FY 2014-15. Insurance premiums are slightly higher than the adjusted budget appropriations, but overall expenditures are projected to be within adjusted budget appropriations at year-end.

Revenues for the SIF Fund are on track and will be fully realized at fiscal year-end.

The Central Stores Fund operations continue to be on track for FY 2014-15. Continued streamlining of purchasing practices and policies has enabled the City to save time and money by centralizing various purchases.

CONCLUSION

General Fund projections for Fiscal Year 2014-15 show total estimated revenues at $109.824 million, $17.26 million more than the current revised budget total. Operating revenues total $95.624 million and one-time revenues are $14.2 million. Total expenditures are estimated at $93.91 million, $2.06 million less than the revised budget. Estimated improvements to operating revenues and modest expenditure savings are expected to result in a $1.7 million operating surplus for the year. Additionally, $14.2 million in one-time revenues for property sales has been realized and will add to reserves. The addition of these surpluses will be added to the reserves pursuant to the City's financial policies.

The number of General Fund revenue budget increases can be assumed as indication of Culver City's rebounding economy. This Mid-Year Budget Monitoring Report illustrates sustained year-over-year growth in building activity, higher occupancy rates at hotels, rising property values, and increased retail sales. As with the last fiscal year, these signs of progress, however, come following years of fiscal challenges and distress. Continued monitoring of resources is yet a priority to ensure adequate funding for City services, public facilities, and infrastructure necessary to meet the community's present and future needs. This report should be considered in conjunction with the General Fund Financial Forecast, which takes a longer-term view of the City's financial position.

MID-YEAR RECOMMENDED EXPENDITURE CHANGES

DESCRIPTION	AMOUNT
EXPENDITURES - GENERAL FUND	
Increase to appropriations in Non-Departmental - Utilities to cover increased electricity rates per from SCE (10116100.513000)	$ 185,000
Increase to Non-Departmental Appropriated Reserves (10116100.910200)	$ 100,000
Transfer to Successor Agency to cover necessary expenses such as legal fees and audit services (10116100.952550)	$ 341,500
Increase to appropriations to cover ActiveNet fees for recreation programs (10130100.520210)	$ 40,000
Increase to appropriations for additional security services at Veterans Auditorium (10130110.619800)	$ 13,000
Increase Contributions to Other Agencies to fund agreement with CCUSD for use of facilities (10130200.517500) (Amount covers arrearages for two prior years)	$ 9,100
Increase to Part-time Salaries for Parks & Playgrounds Programs (10130211.411200)	$ 3,200
Increase to Part-time Salaries for Rec & Enrichment Programs (10130212.411200)	$ 10,000
Increase to Part-time Salaries for Youth Center Programs (10130260.411200)	$ 25,000
Increase to Part-time Salaries for Sr. & Social Services to staff Sr. Center fitness room (10130400.411200) (Off set by billing to Sr. Center Assn. for this staff coverage [see revenue increase below])	$ 22,500
Increase to Overtime for Police Department to correctly account for Transit Security Program (10140200.411310)	$ 100,000
Increase Departmental Special Equipment in Engineering Division for purchase of portable radar trailer (10160150.732120) (Funds transferred in from Parking Meter Maintenance Fund 421)	$ 22,000
TOTAL GENERAL FUND EXPENDITURE CHANGES	**$ 871,300**
EXPENDITURES - OTHER FUNDS	
Reduce incorrect appropriation of Regular Salaries for this account (41430902.411100)	$ (15,000)
Increase to Departmental Special Supplies for Transportation to correctly reflect initial budget request (20370200.514100)	$ 48,000
Increase to Conference & Conventions for Transportation to correctly reflect initial budget request (20370200.516500)	$ 9,850
TOTAL OTHER FUND EXPENDITURE CHANGES	**$ 42,850**

MID-YEAR RECOMMENDED REVENUE CHANGES

DESCRIPTION	AMOUNT
REVENUES - GENERAL FUND	
Decrease Passport Processing Fee budget due to lower than projected revenues from restructuring of program (10111100.353100)	$ (30,000)
Increase Sales Tax budget due to higher than projected revenues (10116100.313000)	$ 328,175

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ATTACHMENT 2

DESCRIPTION	AMOUNT
Increase Sales Tax-Measure Y budget due to higher than projected revenues (10116100.313020)	$ 136,000
Increase Comm Industrial Develop Tax budget due to increased construction activity during first six months of the fiscal year (10116100.319000)	$ 150,000
Increase Utilities budget due to higher than projected revenues (10116100.325000)	$ 10,000
Increase SB90 Mandates budget to reflect actual receipts received (10116100.343000)	$ 46,383
Increase State Motor Vehicle License Fee In-Lieu budget due to anticipated revenues at year end (10116100.345010)	$ 89,175
Increase P-Card Incentive Program budget to reflect current activity (10116100.370610)	$ 2,500
Increase City Hall-P1 Parking to reflect current monthly revenue activity (10116100.371560)	$ 20,000
Decrease Pacific Theater revenues to reflect actual receipts for the year (10116100.383170)	$ (240,954)
Increase Land Sale Proceeds budget due to actual receipts from property sales (10116100.386350)	$ 14,214,806
Decrease Transfer-In from Landscape Maintenance Fund (10116100.391425)	$ (124,832)
Increase Transfer-In from Parking Meter Maintenance fund for purchase of equipment (10116100.391421)	$ 22,000
Increase UUT-Electricity budget due to higher than projected revenues (10114400.312100)	$ 150,000
Increase UUT-Gas budget due to higher than projected revenues (10114400.312110)	$ 56,000
Increase UUT-Water budget due to higher than projected revenues (10114400.312120)	$ 74,000
Increase Business License Fee budget to reflect activity equal to last fiscal year (10114400.315110)	$ 200,000
Increase Transient Occupancy Tax budget due to increased taxes and growth in receipts (10114400.318000)	$ 192,000
Increase Franchise Tax budget due to higher than projected revenues (10114400.316000)	$ 30,000
Increase Real Property Transfer Tax to reflect actual receipts and higher than projected revenues through year end (10114400.317000)	$ 1,250,000
Increase Senior Center Rental budget due to increased activity and higher than projected revenues (10130110.365710)	$ 18,000
Decrease Teen Center Rental budget due to lower than projected revenues (10130110.365720)	$ (5,000)
Increase Meeting Room Rental budget due to increased activity and higher than projected revenues (10130110.365730)	$ 48,000
Increase Auditorium Rental budget due to increased activity and higher than projected revenues (10130110.365740)	$ 9,000
Increase Parks Program Revenues budget due to higher than projected revenues (10130211.365250)	$ 14,500

2014-15 MID-YEAR REPORT

ATTACHMENT 2

DESCRIPTION	AMOUNT
Increase Day Camp Fees budget due to increased activity and higher than projected revenues (10130212.365210)	$ 36,000
Increase City Plunge Admissions budget due to higher than projected revenues (10130220.365510)	$ 20,000
Increase Pool Rental & Passes budget due to higher than projected revenues (10130220.365520)	$ 19,000
Decrease Aquatics Program budget due to lower than projected revenues (10130220.365530)	$ (6,000)
Decrease Enrichment Class budget to better reflect actual revenues at year end (10130250.365410)	$ (62,700)
Increase Teen Center Membership Fee budget due to higher than projected memberships (10130260.365600)	$ 15,000
Increase Special Events budget to reflect actual revenue activity (10130280.365110)	$ 13,000
Increase Miscellaneous Revenues in Sr. & Social Services from Sr. Center Association (10130400.386100)	$ 22,500
Increase Police Alarm Permits budget due to higher than projected revenues (10140200.328100)	$ 2,500
Decrease Police False Alarm Permits due to lower than projected revenues (10140200.328150)	$ (17,000)
Increase Vehicle Code Fines budget due to higher than projected revenues (10140200.3382000)	$ 100,000
Increase POST Program budget to reflect actual receipts received (10140200.342100)	$ 21,410
Increase Live Scan Fees budget due to higher than projected revenues (10140200.368300)	$ 40,000
Decrease Admin Citations budget due to lower than projected revenues (10140400.3384000)	$ (1,500)
Increase Fire Inspection-Business budget due to higher than projected revenues (10145200.367300)	$ 110,000
Decrease Hazardous Material Fees budget due to lower than projected revenues (10145200.367500)	$ (20,000)
Increase Plan Check Fees budget due to increased initial construction activity (10145600.371300)	$ 120,000
Increase Film Parking budget due to increased filming activity within the City (10150120.372160)	$ 90,000
Increase Farmer's Market budget due to higher than projected revenues (10150120.383160)	$ 15,000
Increase Lease-Economic Development Agreements budget due to higher than projected revenues (10150120.383190)	$ 34,300
Increase Plan Check Fees budget due to increased initial construction activity (10150150.371300)	$ 78,920
Increase Building Permits budget due to increased construction activity (10150150.321000)	$ 90,000
Decrease Electric Permits budget due to lower than projected revenues (10150150.322000)	$ (53,000)

2014-15 MID-YEAR REPORT

ATTACHMENT 2

DESCRIPTION	AMOUNT
Increase Residential Building Records budget due to higher than projected revenues (10150150.323000)	$ 17,500
Decrease Plumbing and Heating Permits budget due to lower than projected revenues (10150150.324000)	$ (135,000)
Decrease Plan Zone, Subdivision budget due to lower than projected revenues (10150200.364100)	$ (100,000)
Increase Community Benefit Contribution due to higher than projected revenues (10150200.364500)	$ 65,000
Increase Stormwater Plan Check Fees budget due to higher than projected revenues (10160150.369410)	$ 5,000
Increase Traffic Impact Study Fee budget due to higher than projected revenues (10160150.369460)	$ 4,000
Increase Plan Check Fees budget due to increased initial construction activity (10160150.371300)	$ 75,000
TOTAL GENERAL FUND REVENUE CHANGE	**$ 17,258,683**

GENERAL FUND FINANCIAL FORECAST

FY 2014-15 - FY 2023-24

CITY OF CULVER CITY, CALIFORNIA

A current and long-range assessment of financial conditions and costs for City Services

CITY OF CULVER CITY

General Fund Financial Forecast

Fiscal Year 2014-15 To 2023-24

PREPARED BY:

FINANCE DEPARTMENT

JEFF S MUIR, CHIEF FINANCIAL OFFICER

MARY V. NOLLER, BUDGET & FINANCIAL OPERATIONS MANAGER
ERICA McADOO, SENIOR BUDGET MANAGEMENT ANALYST

February 23, 2015

CITY OF CULVER CITY
GENERAL FUND FINANCIAL FORECAST FY 2014-15 – FY 2023-24

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OVERVIEW AND SUMMARY

OVERVIEW AND SUMMARY

The General Fund Financial Forecast provides a current and long-range financial assessment addressing revenues, City services and programs, and financial reserve policies. The primary objective of the Forecast is to provide the City Council and the community with an early financial assessment and identify significant issues that need to be addressed in the budget development process. While historically the forecast looked out five years, the scope of this forecast has been extended out to FY 2023-24 in order to fully capture both known increases in pension funding contributions as well as the expiration of Measure Y in March of 2023 (if not extended by the electorate). .

The forecast information presented in this document combines projected resources, current service expenditures, and mandated expenditures to illustrate the financial impact to the General Fund and the ending balances for the fund. Recent revenue trends and economic assumptions (many of which can be found in the Economic Outlook section of this document) are used to develop these figures. Service expenditures required to sustain the current (FY 2014-15) level of services are used throughout the forecast period based in part on the projected rate of inflation. The net result of this combined data highlights any adjustments needed over the forecast period to maintain a balanced budget as required by City policy and state law. Many of the assumptions, projections, and cost estimates within this document are based on early and preliminary information that may be refined and changed as the FY 2015-16 Proposed Operating Budget is developed and presented to City Council.

GENERAL FUND

During the forecast period through FY 2022-23, General Fund operating revenue is expected to change annually at rates ranging between 2.0% to 2.8% growth, with an overall average of 2.4% annual growth. In FY 2023-24, operating revenues are projected to decrease by 7.9% based on the sunset of Measure Y. The FY 2014-15 revenue forecast estimate is approximately $17.4 million higher than the current year revised budget, or an overall increase of 18.8%. Some significant increases in one-time revenue categories that are not projected to be recurring account for a large portion of this increase. The rate of operating revenue change forecasted in FY 2014-15 compared to FY 2013-14 Estimated Revenues is actually a 1.9% reduction, after factoring out certain non-recurring items (in particular, $14.2 million for sale of properties). Operating revenue growth beyond FY 2014-15 is forecasted at rates of 2.1% in FY 2015-16, 2.0% in FY 2016-17, 2.8% in FY 2017-18, 2.7% in FY 2018-19, 2.8% in FY 2019-20, 2.5% in FY 2020-21, 2.0% in FY 2021-22, 2.1% in FY 2022-23, and then a 7.9% decrease in FY 2023-24 if Measure Y does sunset.

Projections show that while revenue growth gradually increases over the forecast period, cost drivers over the same period will cause expenditures to catch up to revenue growth towards the end of the projection, and the sunset of Measure Y in March 2023 would result in a deficit of over $11 million in FY 2023-24. The increased growth in expenditures over the forecast period is primarily due to increased costs for pensions (a certainty), anticipated cost-of-living increases, and anticipated general inflation in operating and maintenance accounts. The General Fund

Forecast Schedule calls out additional revenues assumed as certain development projects are expected to come online throughout the forecast period. These revenues are further categorized into one-time and operating. The expenditures section shows the aggregate annual projected expenditures required to sustain the current FY 2014-15 level of services, with the assumptions provided later in this document. Displayed separately are transfers for infrastructure projects and assumed one-time expenditure costs. The additional expenditures/policy issues section includes amounts to illustrate the impacts of funding anticipated debt service costs for storm water discharge requirements from the General Fund. Also listed, for illustration purposes, are additional amounts towards infrastructure projects to reduce deferred maintenance, and increased pre-funding towards long-term liabilities. These items will be further considered and evaluated during the FY 2015-16 budget process and are shown in the schedule only to provide estimated impacts to the General Fund Available Fund Balance, and aid with the discussion for the potential uses of reserves in excess of the Contingency Reserve requirement.

In FY 2014-15, the General Fund Adopted Budget assumed a $1.1 million operating surplus but recommended using $3.2 million for one-time operating and capital costs, resulting in a projected draw of $2.1 million from reserves. After review of six months of actual revenue and expenditure trends and other updated information, estimated improvements to operating revenues and modest expenditure savings result in an estimated $1.7 million operating surplus for the year. Additionally, as mentioned previously, $14.2 million in one-time revenues for property sales has been realized and will add to reserves. This should improve the total financial reserves of the General Fund to approximately $61.6 million, $34.4 million in excess of the 30% Contingency Reserve requirement. Specific FY 2014-15 assumptions and projections are further detailed in the separate Fiscal Year 2014-15 Mid-Year Report.

Utilizing economic and other data, General Fund revenues and expenditures have been forecasted out to FY 2023-34. FY 2019-20 is expected to be the final year of major increases to pension costs due to phased in changes to actuarial assumptions and practices by CalPERS. The forecast shows that while revenues are expected to outpace expenditures during the next several years, by the end of the forecast period cost increases will drive the General Fund into just about a break-even status, and the sunset of Measure Y would then push the General Fund into a significant operating deficit. It is also critical to note that the forecast does not assume a recession during this period.

This forecast argues for continued vigilance in controlling costs, encouraging economic development and a focus on maintaining service levels. It also argues further discussion and consideration regarding the scheduled sunset of Measure Y well prior to that time.

FORECAST METHODOLOGIES AND ASSUMPTIONS

REVENUES

The Finance Department works with departments responsible for administering the services and/or collecting the associated revenues to develop revenue projections based on an analysis of various factors. These include historical trends, current economic conditions, projected economic activity, and any known future factors. Revenue projections do not include fee or rate increases and are based on current service levels. More information on assumptions and other factors is available in the detailed revenue category analysis.

EXPENDITURES

Expenditures assumed in the Forecast are based on the current service level, or funding needed to provide today's level of recurring City services. FY 2014-15 expenditure estimates are based on an analysis of current fiscal year expenditure trends by using six months of actual expenditures to project estimated expenditure levels at the end of FY 2014-15. The FY 2015-16 base projection modifies current service costs for price changes and assumes the removal of one-time improvements. Inflation rates are also used to project certain non-personnel services expenditures derived from Consumer Price Index (CPI) projections for each year from FY 2015-16 through FY 2023-24 (See Economic Outlook section for more detail on CPI projections used). Overall, operating expenditures are projected to grow at a faster rate than revenues during the first five years of the projection primarily due to increasing pension costs.

Cost-of-living adjustments for safety personnel (police and fire) are controlled by the Salary Initiative Ordinance (SIO), which provides that Culver City safety personnel receive one-half of salary adjustments provided by the City of Los Angeles and one-half of salary adjustments provided by the County of Los Angeles. Historically (prior to the recession), SIO increases averaged about 3% per year. Due to rising pension costs faced by all governments, including the City of Los Angeles and the County of Los Angeles, the SIO assumption for safety through this projection is 2% annually. For non-safety employees an assumption of 2% base salary increase per year is built into this projection. Inflation in the City's contribution towards wellness benefits (health, dental, vision and life insurances) is estimated at the full 4% annual cap included in the bargaining agreements.

Of most significance are increases in the employer contribution rates to CalPERS. Based on the most recent actuarial report issued by CalPERS, these rates are expected to rise between FY 2014-15 through FY 2019-20 from 19.1% to 26.1% for non-safety, and from 39.2% to 56.6% for safety.

Change assumptions for each expenditure category and CalPERS employer rates are listed below.

Category	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Non-Safety COLA %	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Safety COLA %	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Non-Safety PERS Employer Rate Projection from CalPERS	20.63%	22.20%	23.50%	24.70%	26.10%	26.10%	26.10%	26.10%	26.10%
Safety PERS Employer Rate Projection from CalPERS	42.04%	46.60%	50.00%	53.30%	56.60%	56.70%	56.70%	56.70%	56.70%
Health Insurance Inflation Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Workers' Comp	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Retiree Medical Insurance	3.0%	4.0%	4.5%	4.5%	5.0%	5.0%	5.0%	5.0%	5.0%
OPEB Pre-Funding	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Office Supplies & Exp	1.8%	2.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Travel / Training / Dues	1.8%	2.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Public Notices / Ads	1.8%	2.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Repair / Maintenance	1.8%	2.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Other O&M	1.8%	2.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Equipment Maintenance Charges	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Equipment Amortization Charges	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Legal Services	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contract Services	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Property Insurance Premiums	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Liability Reserve Charges	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Capital	1.8%	2.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Other	1.8%	2.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Transfers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Annual Projected % Change in Operating Expenditures	**4.8%**	**3.5%**	**3.1%**	**3.1%**	**3.2%**	**2.2%**	**2.2%**	**2.2%**	**2.2%**

GENERAL FUND FORECAST

General Fund Forecast *[in thousands]*

	2013-14 Actual	2014-15 Estimate	2015-16 Projection	2016-17 Projection	2017-18 Projection	2018-19 Projection	2019-20 Projection	2020-21 Projection	2021-22 Projection	2022-23 Projection	2023-24 Projection
RESOURCES											
Beginning Balance (Excluding Contingency Reserve)	39,749	18,535	34,376	34,769	35,164	31,756	27,823	22,923	16,996	10,938	4,725
CURRENT REVENUES											
Operating Revenue	89,043	87,184	89,027	90,614	93,019	95,455	97,975	100,327	102,244	104,217	106,252
Measure Y	8,190	8,440	8,651	9,000	9,367	9,695	10,077	10,396	10,707	11,159	0
Additional Operating Rev from Development	0	0	342	420	611	738	490	0	0	0	0
One-Time Revenue - Development	0	0	997	1,975	1,600	1,400	1,020	0	0	0	0
One-Time Revenue - Sale of Properties	0	14,200	0	0	0	0	0	0	0	0	0
TOTAL CURRENT REVENUES	**97,232**	**109,824**	**99,017**	**102,009**	**104,597**	**107,288**	**109,562**	**110,723**	**112,951**	**115,376**	**106,252**
EXPENDITURES											
Current Service	90,388	90,629	95,010	98,288	101,351	104,497	107,800	110,205	112,651	115,162	117,739
Infrastructure / Facilities Projects	943	2,057	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
One-time Costs - Elections & Other	0	1,224	250	325	250	325	250	325	250	325	250
1% Assumed Savings - Vacancies, O&M, etc.	0	0	(950)	(983)	(1,014)	(1,045)	(1,078)	(1,102)	(1,127)	(1,152)	(1,177)
TOTAL EXPENDITURES	**91,331**	**93,910**	**95,310**	**98,630**	**101,587**	**104,777**	**107,972**	**110,428**	**112,775**	**115,336**	**117,812**
ANNUAL SURPLUS / (DEFICIT)	**5,902**	**15,914**	**3,707**	**3,379**	**3,010**	**2,511**	**1,591**	**295**	**177**	**40**	**(11,560)**
ADDITIONAL EXPENDITURES/POLICY ISSUES											
Storm Water Discharge Requirements					3,500	3,500	3,500	3,500	3,500	3,500	3,500
Increased Infrastructure Funding			1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Increased Pre-Funding of Long-Term Liabilities			1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Additional Expenditures	0	0	2,000	2,000	5,500	5,500	5,500	5,500	5,500	5,500	5,500
CONTINGENCY RESERVE REQUIREMENT	***27,116***	***27,189***	***28,503***	***29,486***	***30,405***	***31,349***	***32,340***	***33,061***	***33,795***	***34,549***	***35,322***
ENDING BALANCE EXCLUDING CONTINGENCY	**18,535**	**34,376**	**34,769**	**35,164**	**31,756**	**27,823**	**22,923**	**16,996**	**10,938**	**4,725**	**(13,108)**
ENDING TOTAL BALANCE	**45,651**	**61,565**	**63,272**	**64,651**	**62,161**	**59,172**	**55,263**	**50,057**	**44,734**	**39,274**	**22,214**

GENERAL FUND FORECAST SCHEDULE EXPLANATION

BEGINNING BALANCE

"Beginning Balance" reflects the amount of funds available for use at the beginning of the fiscal year. The balance is the result of the net prior year-end revenues-to-expenditures, except in years projected to have a negative ending balance. The Beginning Balance does not include the City's Contingency Reserve requirement.

CURRENT REVENUES

"Current Revenues" highlights the Operating Revenue – including taxes and all other sources, including fines and fees and other charges for current service. Also included are projected additional operating revenues to be added in future years as a result of specific developments. Projections for one-time revenues also associated with development or other occurrences are also included.

EXPENDITURES

"Current Service" shows the aggregate annual projected expenditures required to sustain the current FY 2014-15 level of services throughout the forecast period. Separately listed are the projected minimum annual contributions towards needed infrastructure and facilities capital improvement projects. Additionally, an anticipated amount for miscellaneous one-time expenditure needs is factored in. Lastly, an assumption of 1% of annual expenditure savings against the projected budget amount due to position vacancies, unexpended Operations and Maintenance funding, etc., is included.

ADDITIONAL EXPENDITURE/POLICY ISSUES

These are the incremental cost of various items outside of the standard operating budget that are to be considered during policy discussions.

CONTINGENCY RESERVE REQUIREMENT

Represents the required General Fund Contingency Reserve amount based on thirty percent of Current Service and Infrastructure/Facilities Projects expenditures.

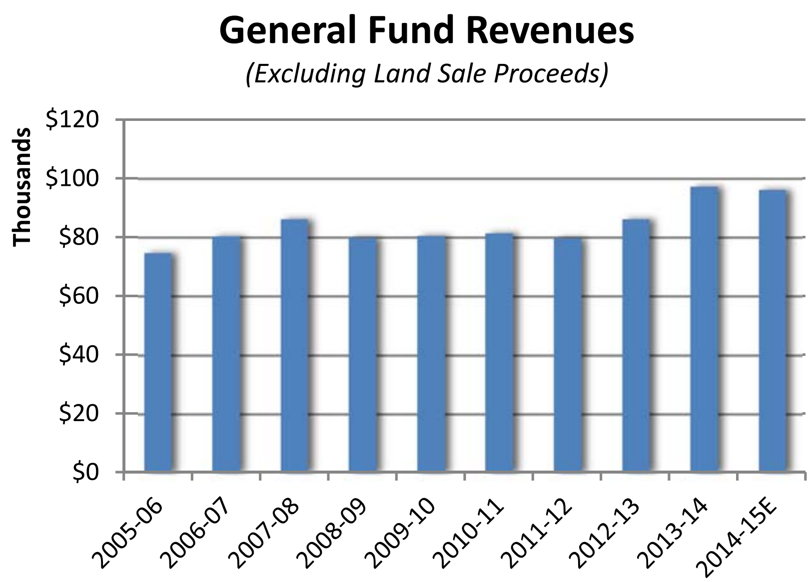
ENDING AVAILABLE BALANCE

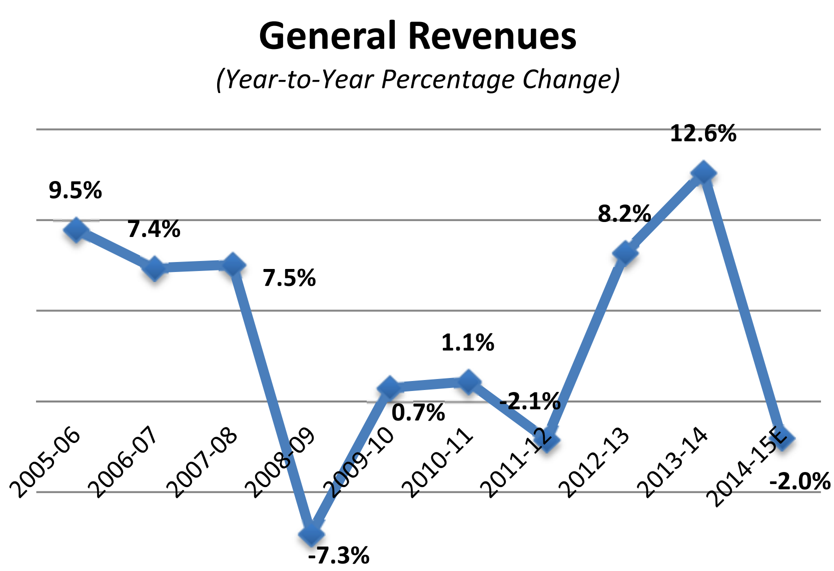
Represents fund balance in excess of the Contingency Reserve Requirement. This amount can be appropriated towards one-time purposes by the City Council, pursuant to City financial policies.

GENERAL FUND REVENUES

Looking Back

Over the past ten years, General Fund Revenues have grown at an average rate of 3.5%, after factoring out land sale proceeds. However, during this period there was great volatility, with the housing bubble fueling revenue gains that were unrealistic in the long-term. The Great Recession saw revenues reduced and then flat for several years. Fiscal Year 2012-13 saw total General Fund revenues recover to the pre-recession high from Fiscal Year 2007-08. This growth persisted, with Fiscal Year 2013-14 receipts reaching record high levels in recent history, flattening out into Fiscal Year 2014-15. The graphs below represent the ten year history of total General Fund revenues, as well as the year-to-year changes.





Looking Forward

The FY 2014-15 revenue forecast estimate is approximately $17.4 million higher than the current year revised budget, or an overall increase of 18.8%. Some significant increases in certain revenue categories that are not projected to be recurring account for a large portion of this increase. Over the forecast period, excluding the final year, operating revenues are expected to increase at an average annual rate of 2.4%, with a significant decrease in FY 2023-24 caused solely by the sunset of Measure Y.

General Fund Forecast of Current Revenues
(in thousands)

	2014-15 Estimate	2015-16 Proj.	2016-17 Proj.	2017-18 Proj.	2018-19 Proj.	2019-20 Proj.	2020-21 Proj.	2021-22 Proj.	2022-23 Proj.	2023-24 Proj.
Property Tax	4,428	4,871	5,358	5,519	5,685	5,856	6,032	6,213	6,399	6,591
Sales Tax	19,631	21,555	21,176	22,041	22,812	23,711	24,460	25,194	25,950	26,729
Measure Y	8,440	8,651	9,000	9,367	9,695	10,077	10,396	10,707	11,159	0
PSAF Tax	359	394	383	396	410	422	435	448	461	475
Business License Tax	11,200	11,452	11,765	12,206	12,651	13,015	13,348	13,648	13,955	14,269
Franchise Tax	1,400	1,421	1,442	1,464	1,486	1,508	1,531	1,554	1,577	1,601
Real Prop. Transfer Tax	2,750	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
UT. User Tax (Elect.)	6,433	6,626	6,884	7,117	7,329	7,538	7,723	7,877	8,035	8,196
UT. User Tax (Gas)	1,035	1,066	1,107	1,144	1,178	1,212	1,242	1,267	1,292	1,318
UT. User Tax (Water)	1,400	1,428	1,469	1,519	1,564	1,609	1,648	1,681	1,715	1,749
UT. User Tax (TEL)	5,040	5,484	5,720	5,720	5,554	5,387	5,225	5,068	4,916	4,769
UT. User Tax (Cable TV)	882	900	891	873	847	822	806	790	774	759
Transient Occupancy Tax	5,600	5,768	5,941	6,119	6,598	7,105	7,622	7,774	7,929	8,088
Comm/Ind. Dev. Tax	600	400	400	400	400	400	400	400	400	400
Licenses and Permits	3,077	3,139	3,202	3,266	3,331	3,398	3,466	3,535	3,606	3,678
Intergovernmental	3,993	4,053	4,114	4,176	4,239	4,303	4,368	4,434	4,501	4,569
Charges For Service	7,752	7,907	8,065	8,226	8,391	8,559	8,730	8,905	9,083	9,265
Fines and Forfeitures	3,850	3,927	4,006	4,086	4,168	4,251	4,336	4,423	4,511	4,601
Use Of Money And Property	1,461	804	820	836	861	887	922	959	997	1,037
Interfund Revenues	3,896	3,935	3,974	4,014	4,054	4,095	4,136	4,177	4,219	4,261
Other Revenues	335	335	335	335	335	335	335	335	335	335
Transfers In	2,062	2,062	2,062	2,062	2,062	2,062	2,062	2,062	2,062	2,062
Operating Revenue Sub-total	**95,624**	**97,678**	**99,614**	**102,386**	**105,150**	**108,052**	**110,723**	**112,951**	**115,376**	**106,252**
Recurring New Development Revenues										
Sales Tax		209	120		208	37				
Business Tax		54	172	167	78	39				
Transient Occupancy Tax				350	368	368				
UUT		79	128	94	84	46				
Additional Operating Revenue	**-**	**342**	**420**	**611**	**738**	**490**	**-**	**-**	**-**	**-**
One-Time Revenues										
One-Time Development Permit Fees		997	1,975	1,600	1,400	1,020				
Property Sale Proceeds	14,200									
TOTAL GF REVENUES	**109,824**	**99,017**	**102,009**	**104,597**	**107,288**	**109,562**	**110,723**	**112,951**	**115,376**	**106,252**

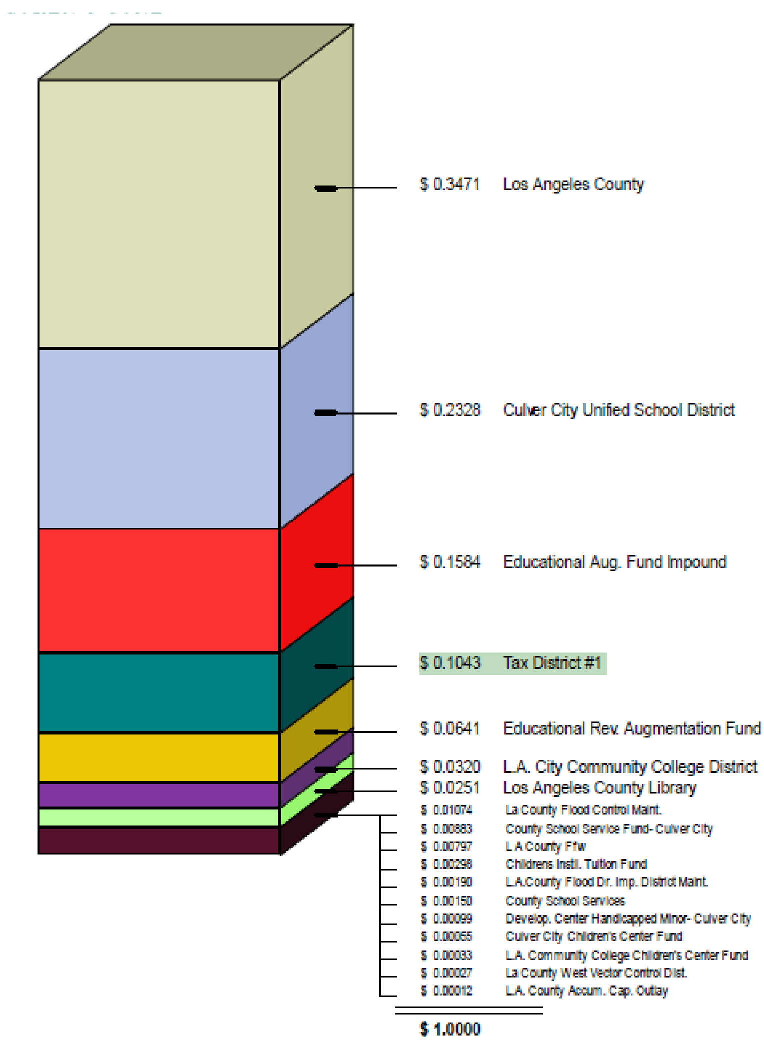
The table below represents a consolidated view of the assumed rates of change in each revenue category over the course of the forecast. This data is repeated in each individual revenue category section.

Change Rate Assumptions

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Property Tax	10.00%	10.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Sales Tax	9.80%	-2.70%	3.50%	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%
Measure Y	2.50%	4.03%	4.08%	3.50%	3.94%	3.16%	3.00%	4.21%	-100.00%
PSAF TAX	9.80%	-2.70%	3.50%	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%
Business License Tax	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Franchise Tax	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Real Property Transfer Tax	-45.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Utility Users Tax - Electricity	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Utility Users Tax - Gas	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Utility Users Tax - Water	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Utility Users Tax - Telecomm	8.80%	4.30%	0.00%	-2.90%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%
Utility Users Tax - Cable TV	2.00%	-1.00%	-2.00%	-3.00%	-3.00%	-2.00%	-2.00%	-2.00%	-2.00%
Transient Occupancy Tax	3.00%	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Commercial/Industrial Dev Tax	-33.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Licenses and Permits	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Intergovernmental	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Charges for Services	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Fines and Forfeitures	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Use of Money and Property	-45.00%	2.00%	2.00%	3.00%	3.00%	4.00%	4.00%	4.00%	4.00%
Interfund Revenues	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Other Revenues	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Transfers-In	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Annual Projected % Change in Operating Revenue	**2.1%**	**2.0%**	**2.8%**	**2.7%**	**2.8%**	**2.5%**	**2.0%**	**2.1%**	**-7.9%**

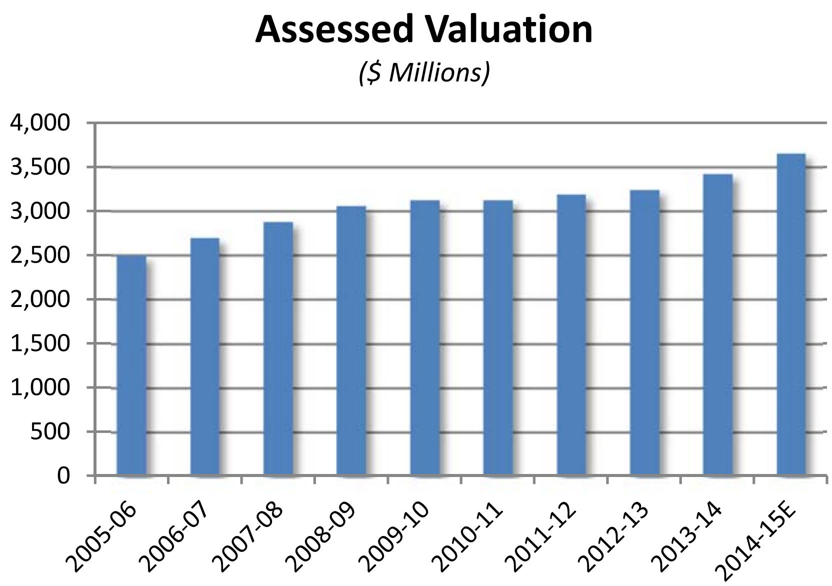
PROPERTY TAX

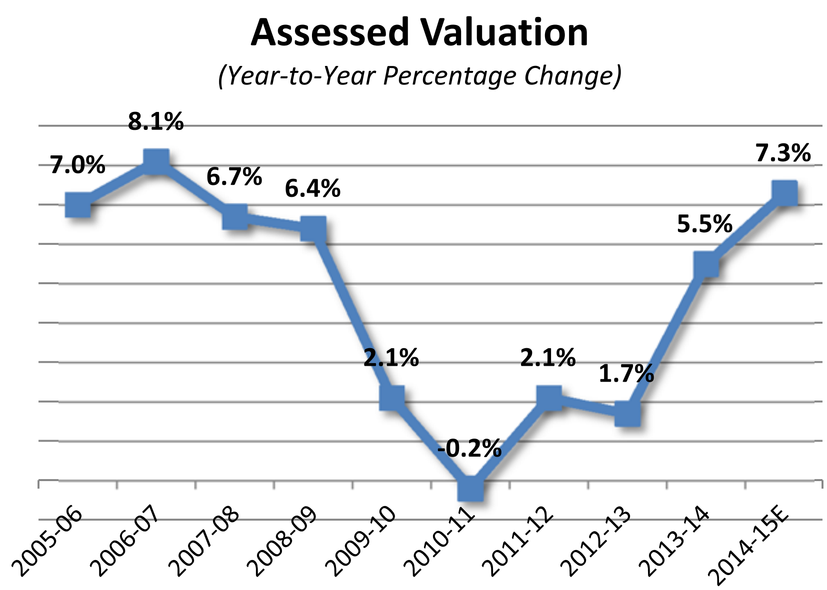
The valuation of property in the City is determined by the Los Angeles County Tax Assessor, except for public utility property which is assessed by the State Board of Equalization. The County levies a base tax of one percent of assessed valuation (subject to annual growth limitations of two percent). In 1993, the state passed legislation that resulted in the transfer of property tax revenues to schools from cities and counties. This transfer resulted in the City's share of property tax revenues being reduced to about 10.5 percent of the one percent County levy. The graph below represents the breakdown of a property tax dollar in a non-redevelopment project area (Tax District #1 refers to the City):



Also included in the Property Tax revenue category is the City's share of pass-through payments of incremental property taxes generated by the former Redevelopment Agency (now Successor Agency). The on-going portion of this revenue is expected to decrease based on a recent decision in a lawsuit between the Los Angeles Unified School District and Los Angeles County. Additionally, as part of the redevelopment dissolution process, any property tax revenues allocated to the Successor Agency in excess of required obligation payments over a six month period are distributed to the various taxing entities. When this occurs, the City will receive its 10.5% share of such distributions. Large distributions occurred in Fiscal Years 2012-13 and 2013-14, but this is considered one-time revenue as it cannot be counted on to recur.

Property Tax revenues are remitted by the County based on actual payments. There can be minor fluctuation year-to-year based on late payments. Therefore, reviewing the City's assessed valuation is a better predictor than actual Property Tax receipts from year-to-year.





A significant recovery in the housing market returned assessed valuation growth in FY 2014-15 to over 7%. It is expected that this level of growth begin to taper off in FY 2017-18 and trend back down towards the 3% inflationary assumption over the span of the forecast. However, it is also anticipated that annual property tax transfers from the Successor Agency to the Culver City Redevelopment Agency will increase in FY 2015-16 and FY 2016-17, and carry forward.

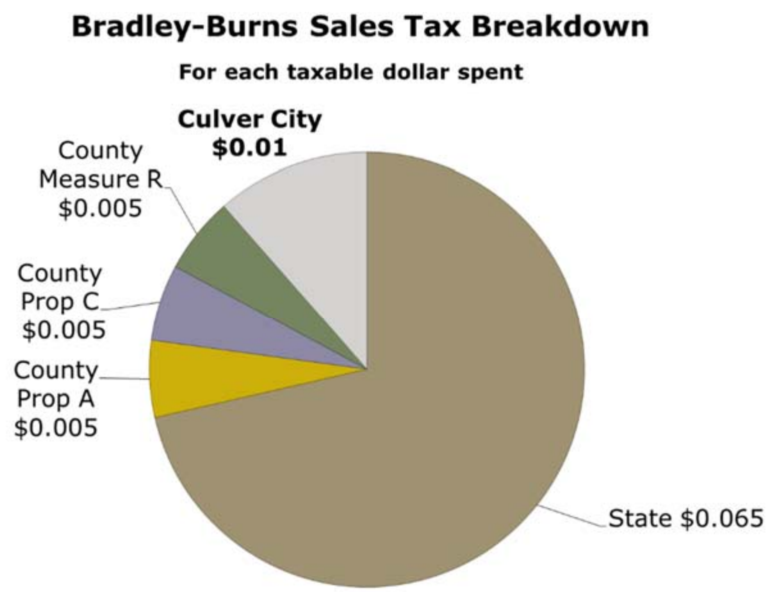
Projected Annual Rates of Change

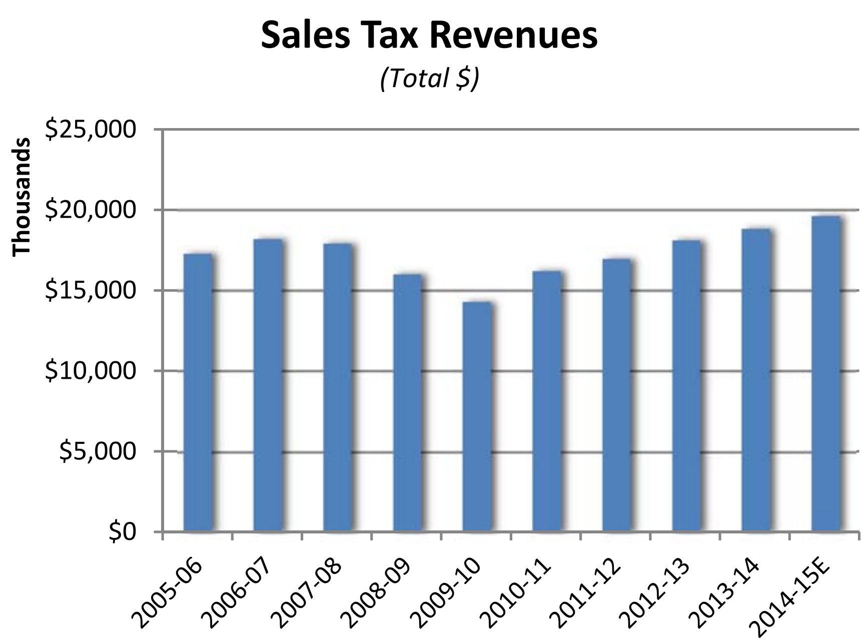
FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
10.00%	10.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

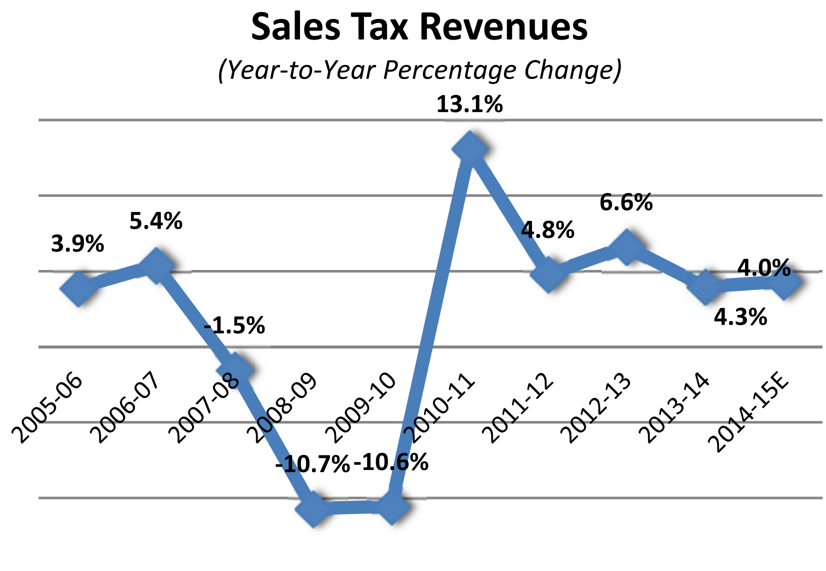
SALES TAX

Bradley-Burns Sales Tax

In accordance with the California Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the State of California imposes a 7.5 percent sales and use tax on all taxable sales in the City. The City receives 1.0 percent of the transactions subject to the sales and use tax. An additional 0.5 percent is authorized by "Proposition A", another 0.5 percent by "Proposition C," and another 0.5 percent by “Measure R”, all of which are levied within Los Angeles County for various transportation purposes. The breakdown is represented by the following graph:







Sales Tax is the City's largest revenue source representing approximately 17.9 percent of estimated Fiscal Year 2014-15 General Fund revenue. This revenue source can be volatile based on economic conditions. This is evidenced by the dramatic drops during the recession. Significant recovery has occurred, and modest growth is projected during the balance of the projection, based on input from the City's sales tax consultant. A significant one-time increase in FY 2015-16 is expected as a result of the State unwinding the Sales Tax Triple-Flip. An overall decrease in FY 2016-17 is then projected to normalize this occurrence.

Public Safety Sales Tax (PSAF)

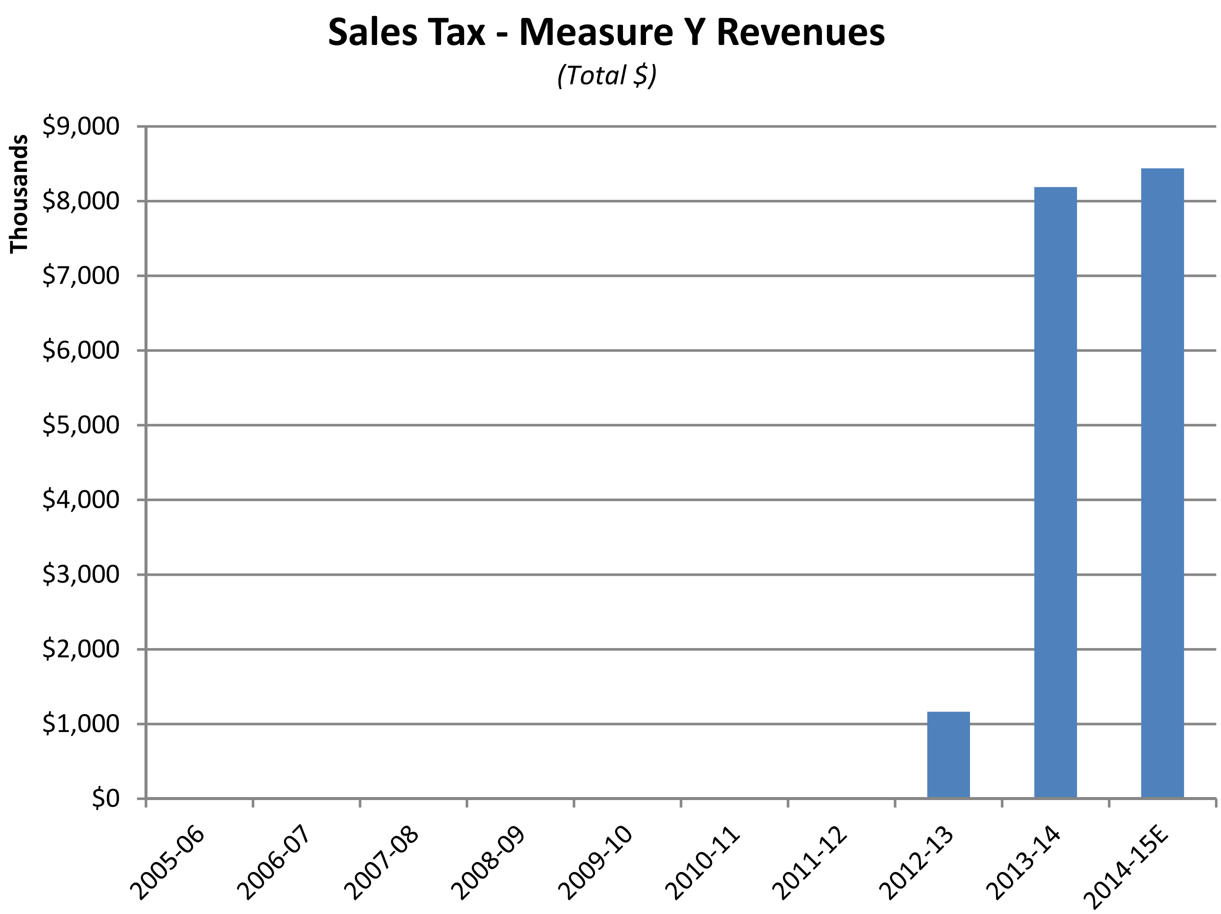
The City also receives one-half percent levy of the Public Safety Sales Tax, approved by the voters in November 1993. For FY 2014-15, revenues are estimated to be $359,000. Changes in this revenue source are forecasted at the same level as sales tax.

Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
9.80%	-2.70%	3.50%	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%

MEASURE Y

In November 2012, Culver City residents overwhelming voted for a 10-year ½ cent Transactions and Use Tax. Measure Y took effect on April 1, 2013. With the exception of certain goods sold to operators of common carrier aircraft, the transactions and use tax is imposed on the same goods and merchandise as the local sales and use tax. However, where the Bradley-Burns Sales and Use Tax is generally allocated to the jurisdiction where the sale is negotiated or the order is taken, the transactions and use tax is allocated to the district where the goods are delivered or placed into use. This results in the receipts from Measure Y being slightly less than half of the Bradley-Burns receipts. Measure Y receipts are forecasted as a factor of the Bradley-Burns amount. The estimated factor used for the duration of the forecast was developed in conjunction with the City's sales tax consultant.

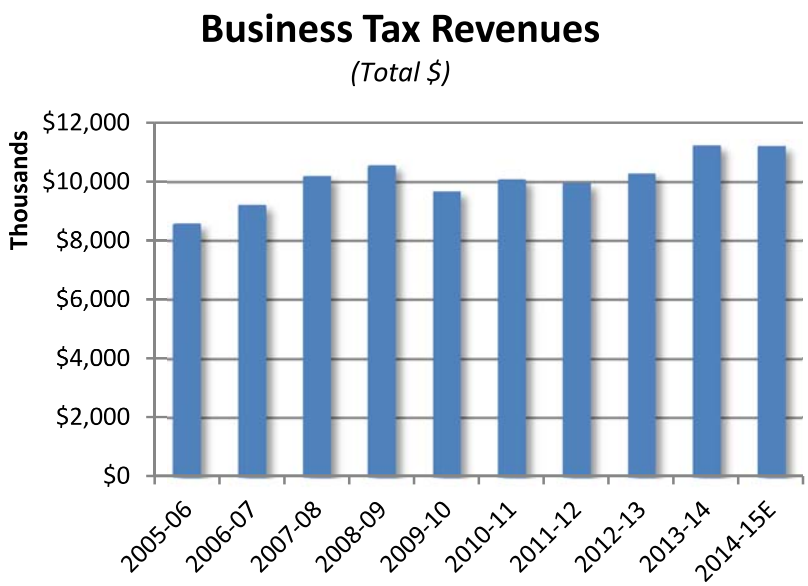


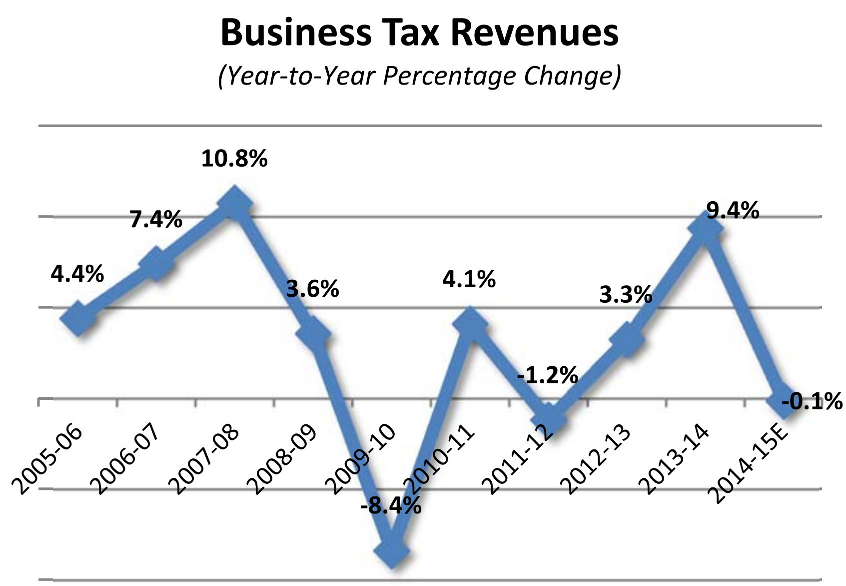
Projected Percentage of Bradley-Burns

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
42.50%	42.50%	42.50%	42.50%	42.50%	42.50%	42.50%	42.50%	42.50%

BUSINESS LICENSE TAX

Culver City Municipal Code requires a tax certificate as a prerequisite for conducting businesses, trades or professions in the City. The Code further imposes an annual tax for the privilege of conducting such businesses at different rates, depending on the type of business. Generally, this revenue is projected to change at a level similar to Sales Tax.



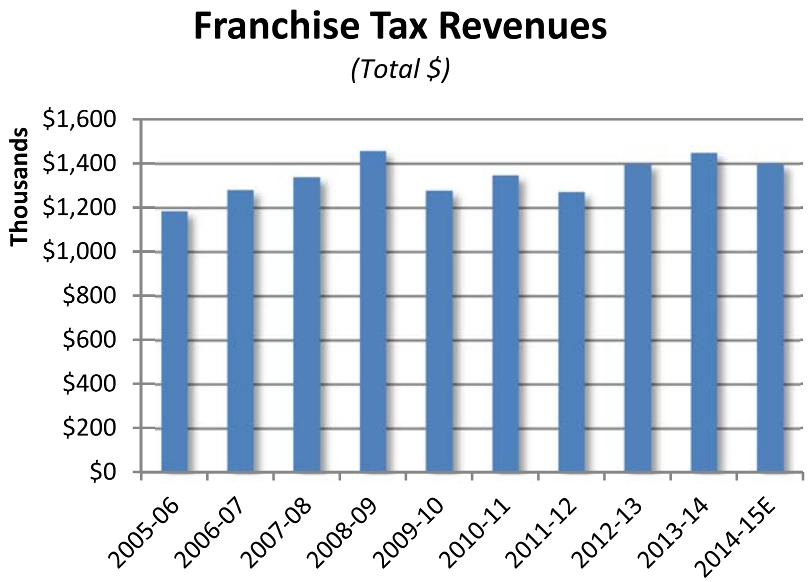


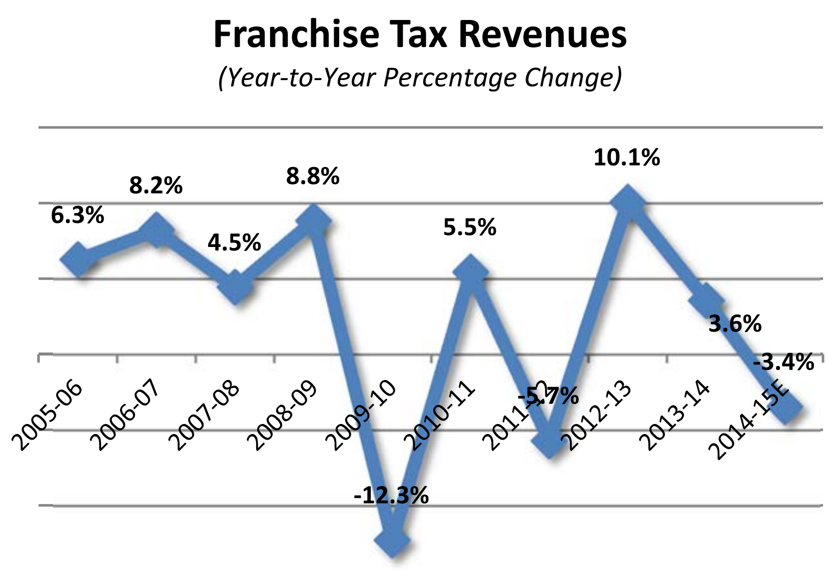
Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

FRANCHISE TAX

The City imposes fees on gas, electric, cable television and oil pipeline companies for the privilege of using City streets. Although there is year-to-year variation, this revenue has consistently remained between $1.2 million and $1.4 million for the last nine years.



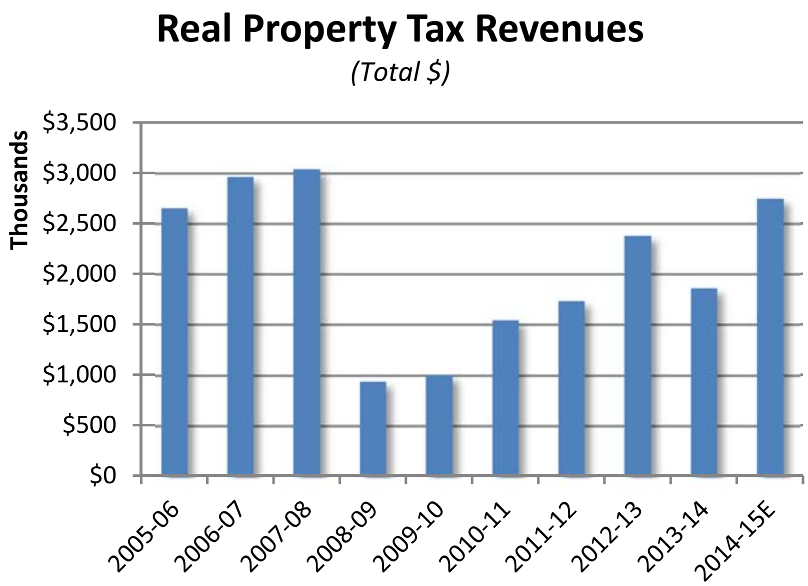


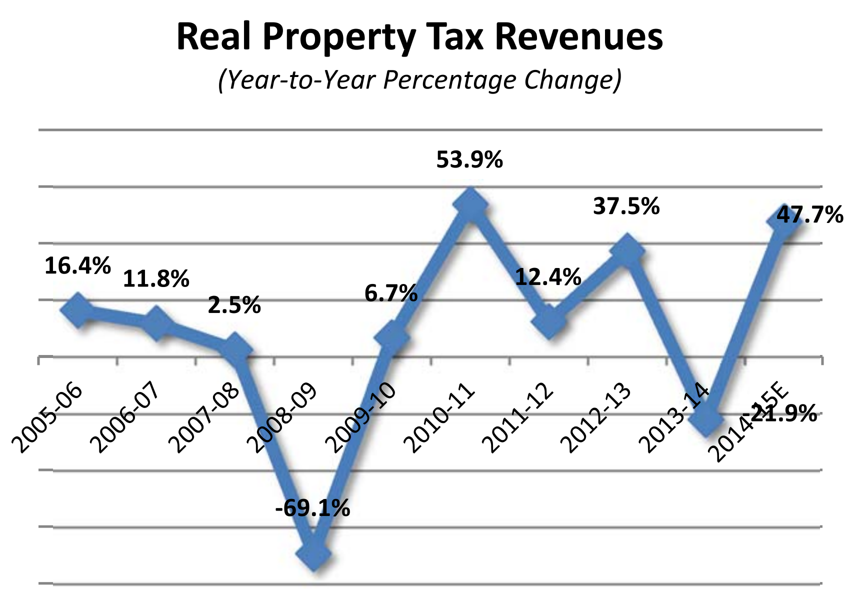
Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

REAL PROPERTY TRANSFER TAX

The Culver City Municipal Code authorizes the imposition of a transfer tax on real property sold in the city. The rate is $2.25 per $500 of purchase value. This source of revenue can fluctuate dramatically based on the real estate market. Because of this a flat amount of $1.5 million per year is the base assumption.



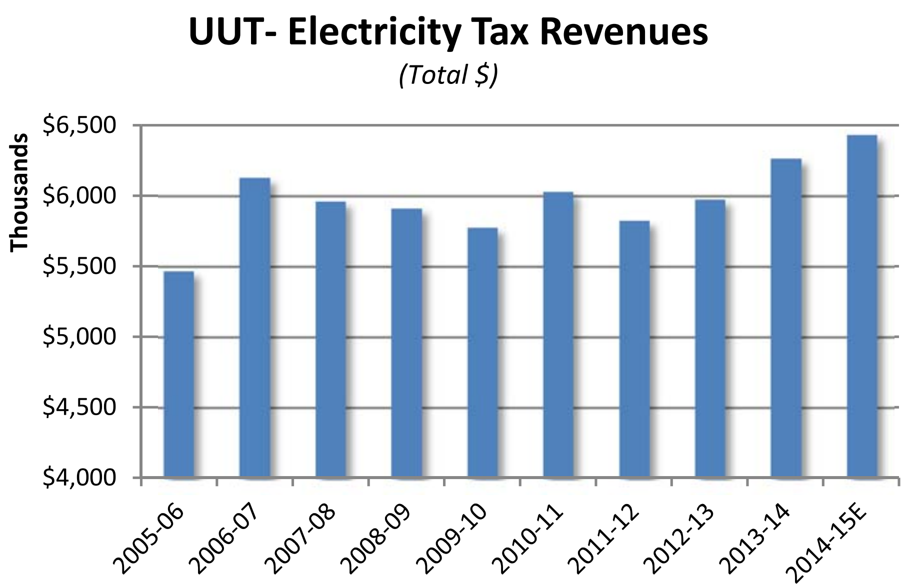


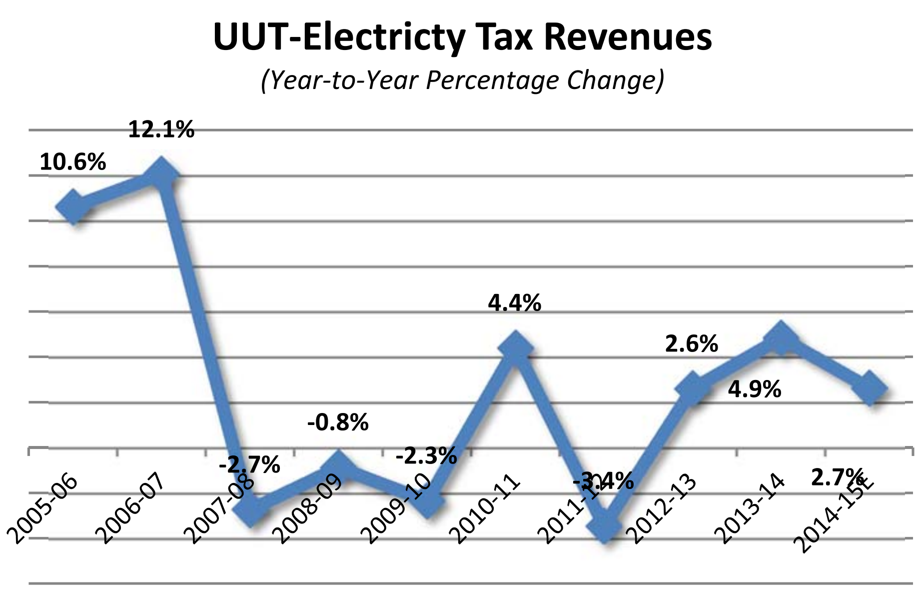
Projected Annual Rates of Change

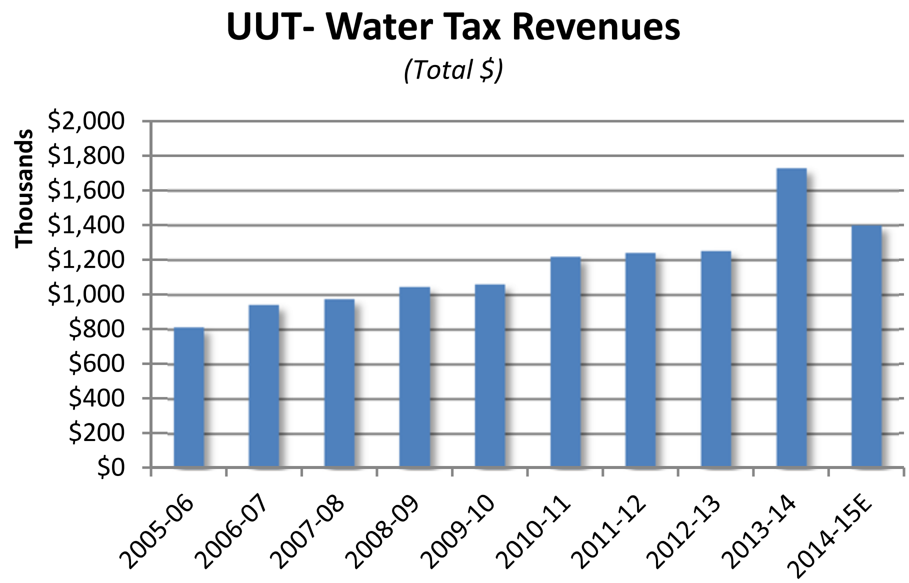
FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
-45.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

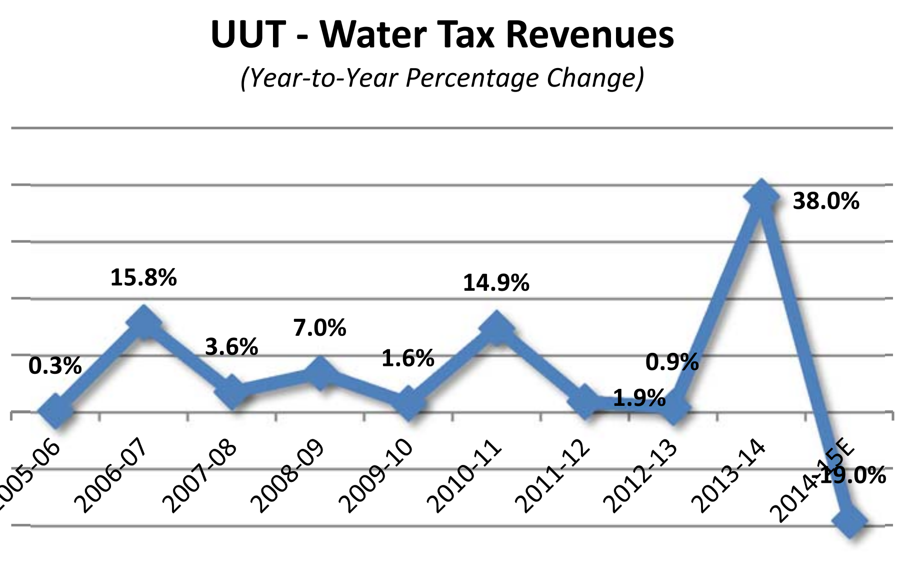
UTILITY USERS TAX (UUT)

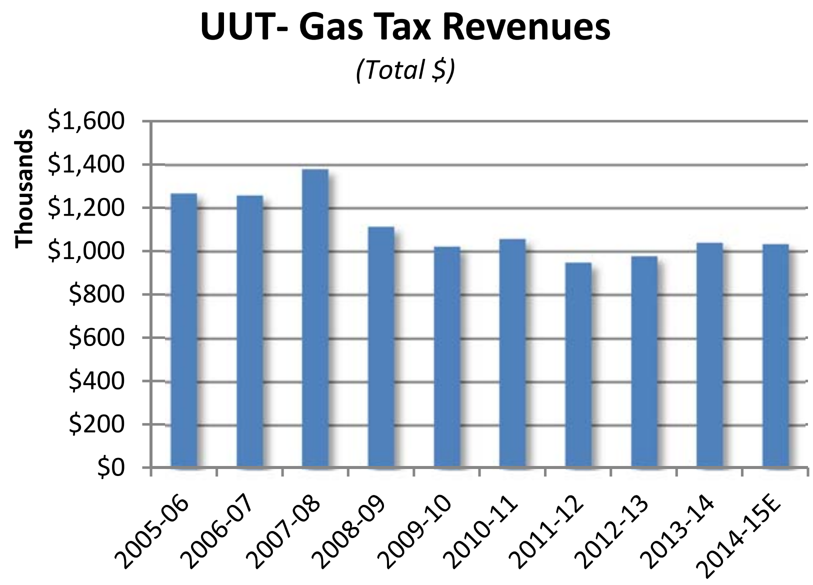
As authorized by the Culver City Municipal Code, an 11.0 percent utility tax is levied on electricity, water, gas, cable TV, and both wired and cellular/mobile telephone service. Utility taxes are collectively the second largest revenue source for the General Fund. Seasonal and annual weather fluctuations can impact utility consumption. Generally, the combination of consumption and cost are expected to increase in the coming years for electricity, natural gas and water, resulting in modest annual increases in UUT revenues. However, dramatic technology and consumption changes in the telephone and cable television industries are expected to result in consistent reductions in revenue in future years.



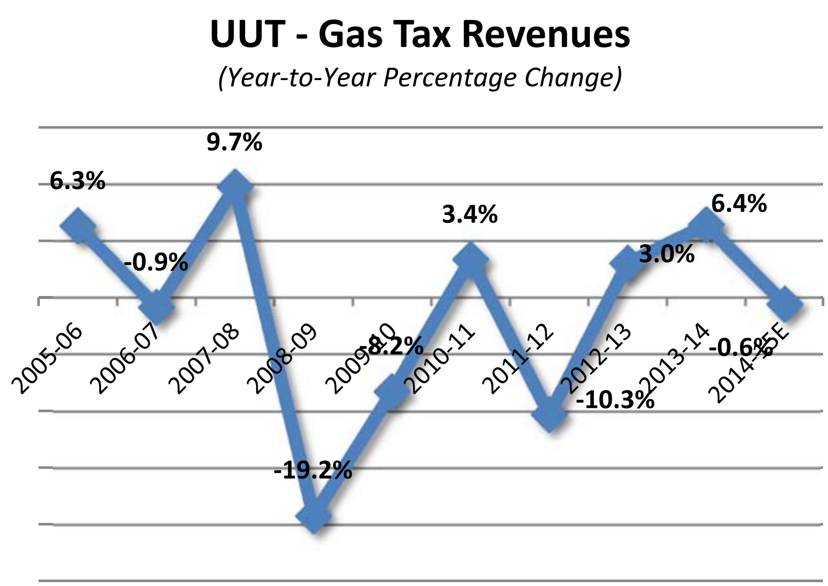



UUT- Water Tax Revenues
(Total $)
Thousands
$2,000
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15E

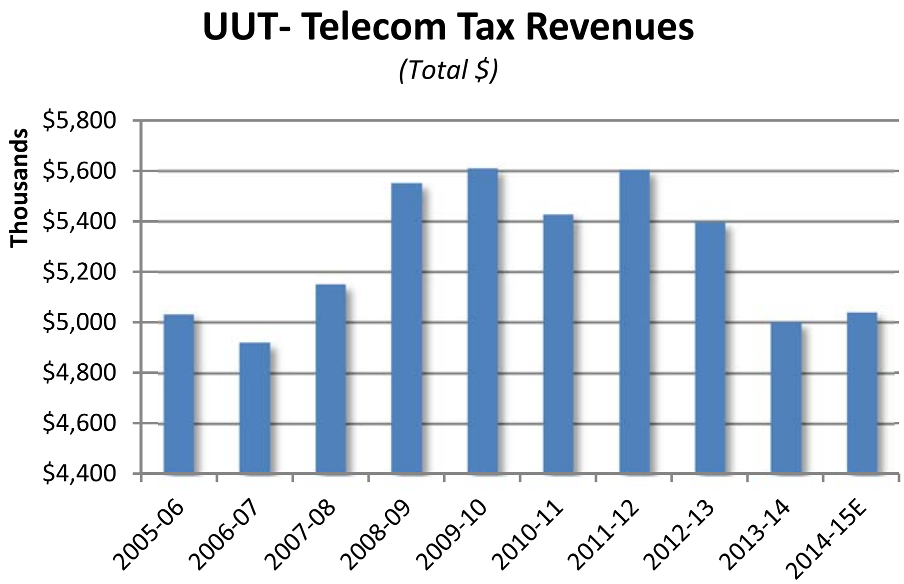

UUT - Water Tax Revenues
(Year-to-Year Percentage Change)
0.3%
15.8%
3.6%
7.0%
1.6%
14.9%
1.9%
0.9%
38.0%
-19.0%
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15E

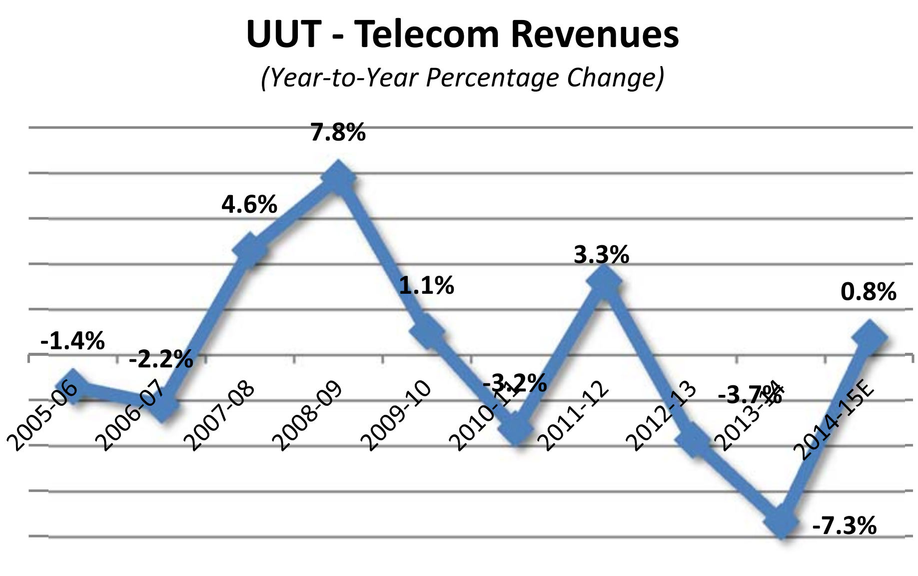


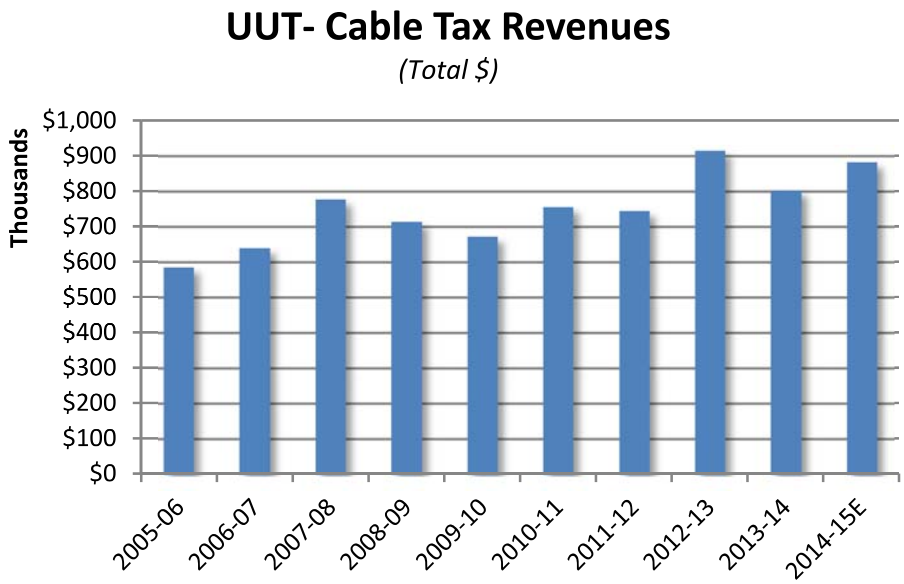
UUT- Gas Tax Revenues
(Total $)
Thousands
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15E

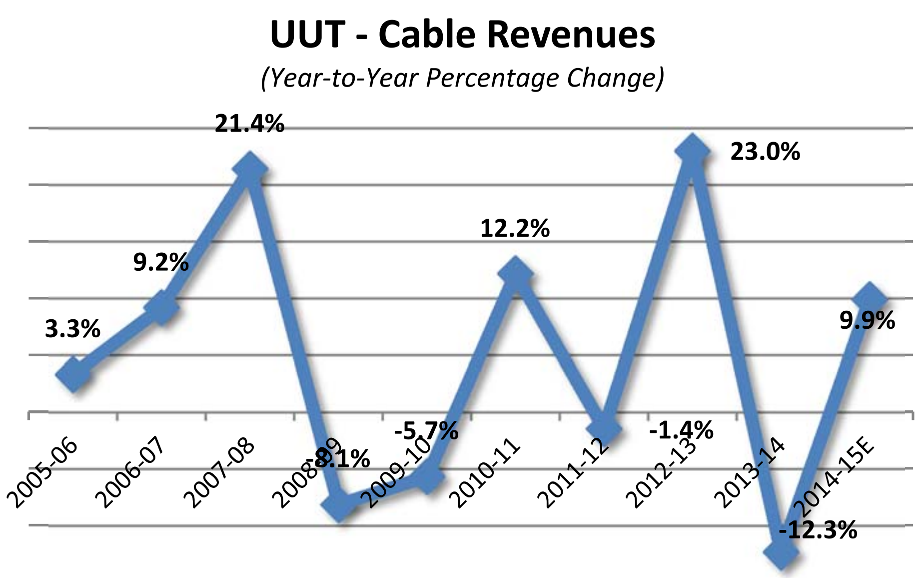


UUT - Gas Tax Revenues
(Year-to-Year Percentage Change)
6.3%
-0.9%
9.7%
-19.2%
-8.2%
3.4%
-10.3%
3.0%
6.4%
-0.6%
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15E


UUT- Telecom Tax Revenues
(Total $)
Thousands
$5,800
$5,600
$5,400
$5,200
$5,000
$4,800
$4,600
$4,400
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15E


UUT - Telecom Revenues
(Year-to-Year Percentage Change)
-1.4%
-2.2%
4.6%
7.8%
1.1%
-3.2%
3.3%
-3.7%
-7.3%
0.8%
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15E



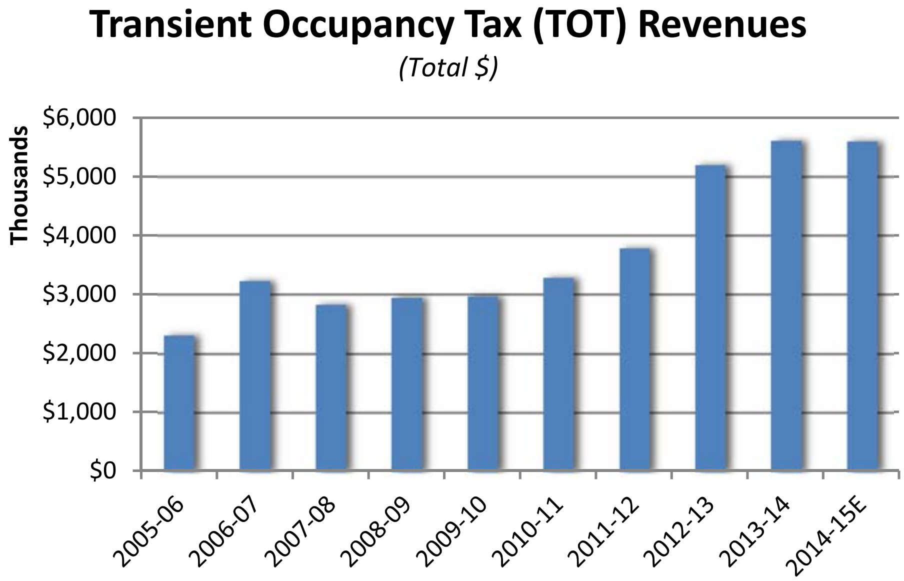


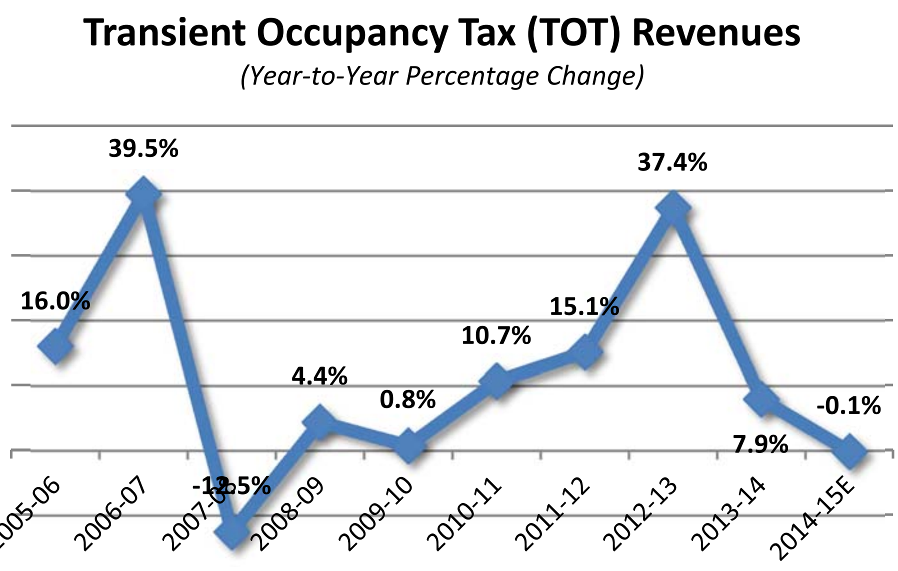
Projected Annual Rates of Change

	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
Electricity	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Gas	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Water	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Telecom	8.80%	4.30%	0.00%	-2.90%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%
Cable	2.00%	-1.00%	-2.00%	-3.00%	-3.00%	-2.00%	-2.00%	-2.00%	-2.00%

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. In April 2012, Culver City residents approved a ballot measure that increased the rate from 12.0 percent to 14.0 percent (a 16.67% rate increase), to be consistent with surrounding cities. This revenue source spiked in fiscal year 2012-13 with a 37% increase over the prior year, well beyond the 16.67% increase in the tax rate. With occupancy and nightly room rates both rising, TOT revenues reached record levels for fiscal year 2013-14, improving an additional 8%.



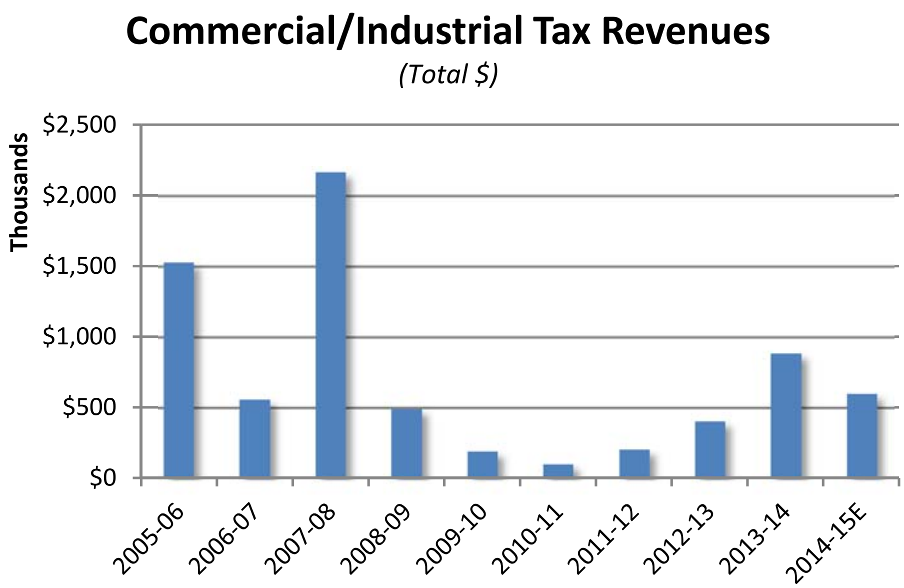


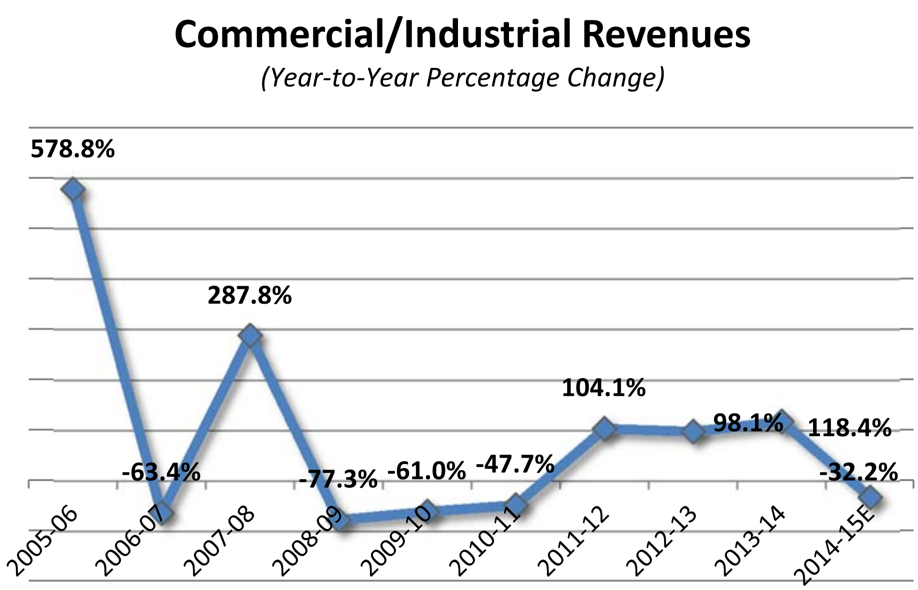
Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
3.00%	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

COMMERCIAL/INDUSTRIAL DEVELOPMENT TAX

In 1990, Culver City imposed a general tax on all commercial/industrial development in the City. The rate is $25 for the first $250,000 in building permit valuation and 1.5 percent of valuation thereafter. This is a tax that varies wildly from year-to-year depending on the level and type of new development activity that occurs in a given year, as evidenced by the graph below. The baseline estimate for this tax will be set at a flat $400,000 for the duration of the projection.





Projected Annual Rates of Change

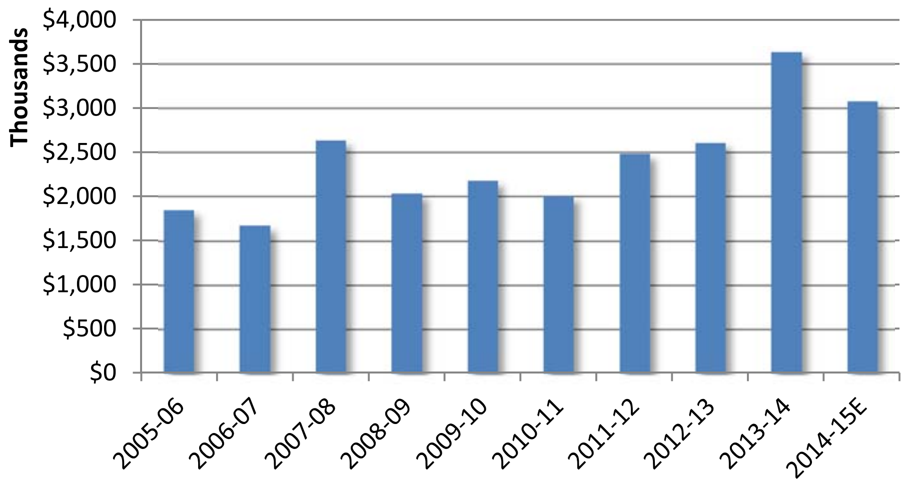
FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
-33.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

LICENSES AND PERMITS

The California Government Code and the State Constitution give cities the authority to assess certain license and permit fees as a means of recovering the cost of regulating various activities. Examples include building, electrical and plumbing permits, filming permits, taxi permits and police alarm permits.

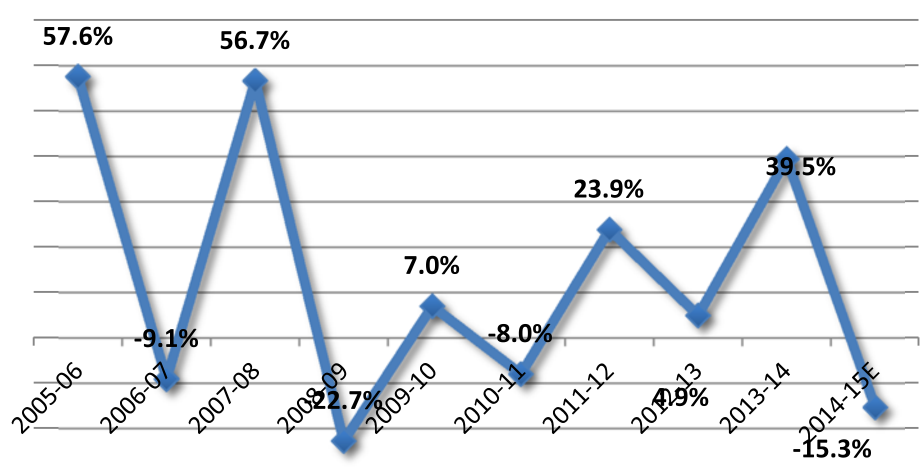
License & Permits Tax Revenues

(Total $)



License & Permits Revenues

(Year-to-Year Percentage Change)

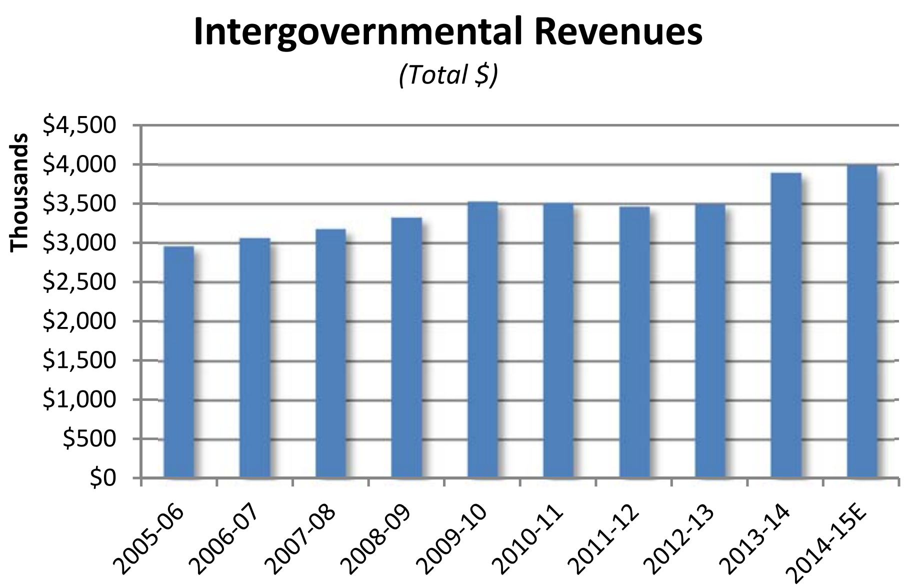


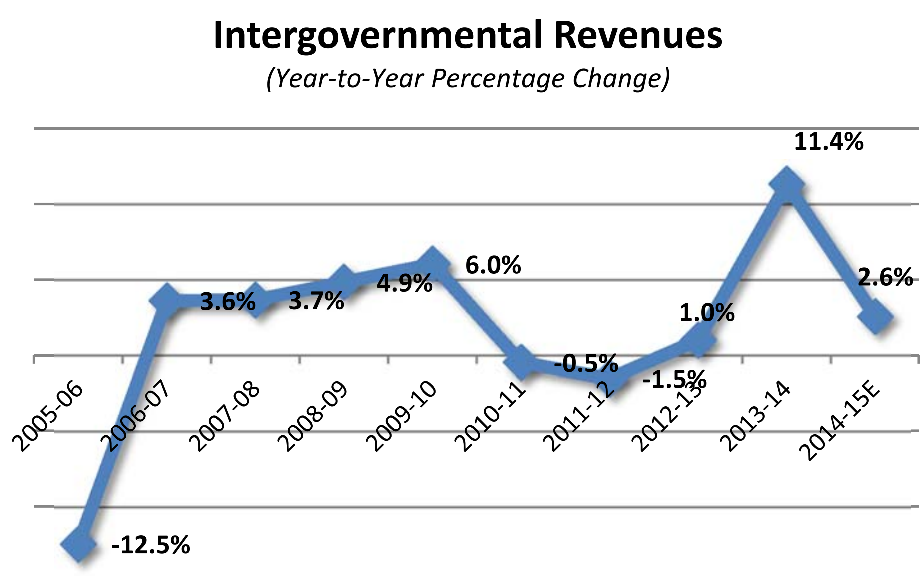
Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

INTERGOVERNMENTAL

The primary revenue included in this category (approximately 98% of the total) is the state allocated motor vehicle in-lieu tax. Section 11005 of the State Revenue and Taxation Code imposes an annual license fee that was equivalent to 2.0 percent of the market value of motor vehicles before recent rate decreases enacted by the state. The code also specifies that 81.25 percent of the revenues are to be divided equally between cities and counties and apportioned on the basis of population. This revenue performs relatively consistently year-to-year.



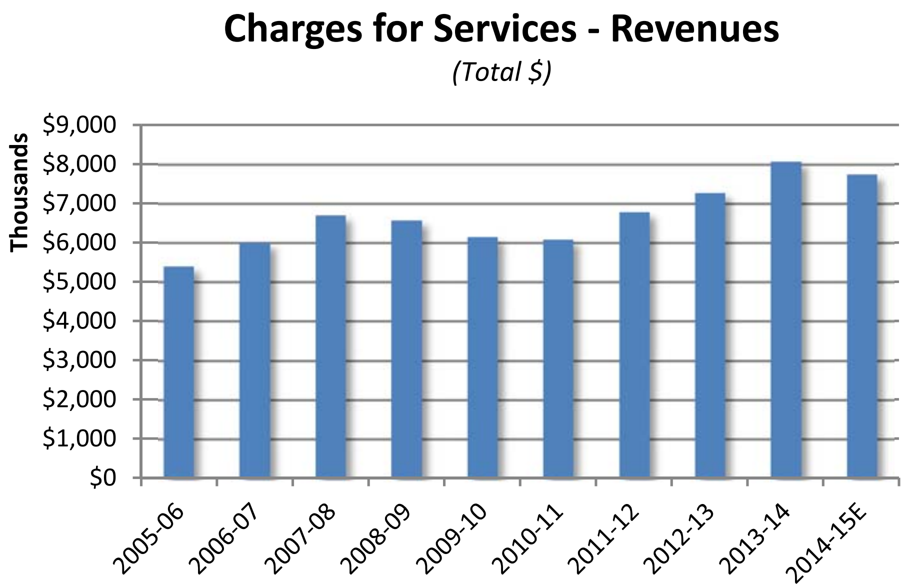


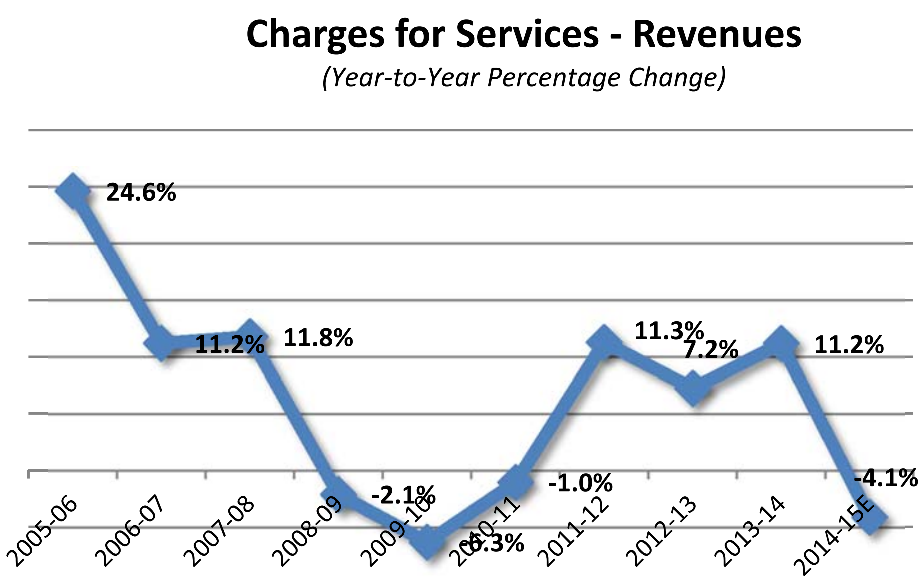
Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

CHARGES FOR SERVICES

Service charges or fees are imposed on the user for a specialized service provided by the City under the rationale that benefiting parties should pay for the cost of that service rather than the general public. Examples of such services include various recreation program and facility rental fees, plan check fees and hazardous material fees. Increased development activity and demand for recreational facilities and programs has this revenue category trending upwards.



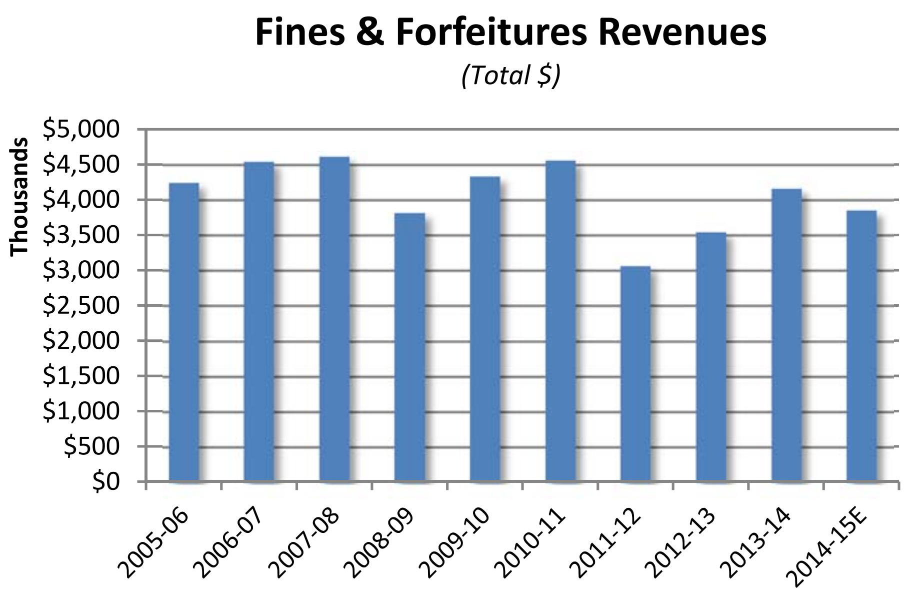


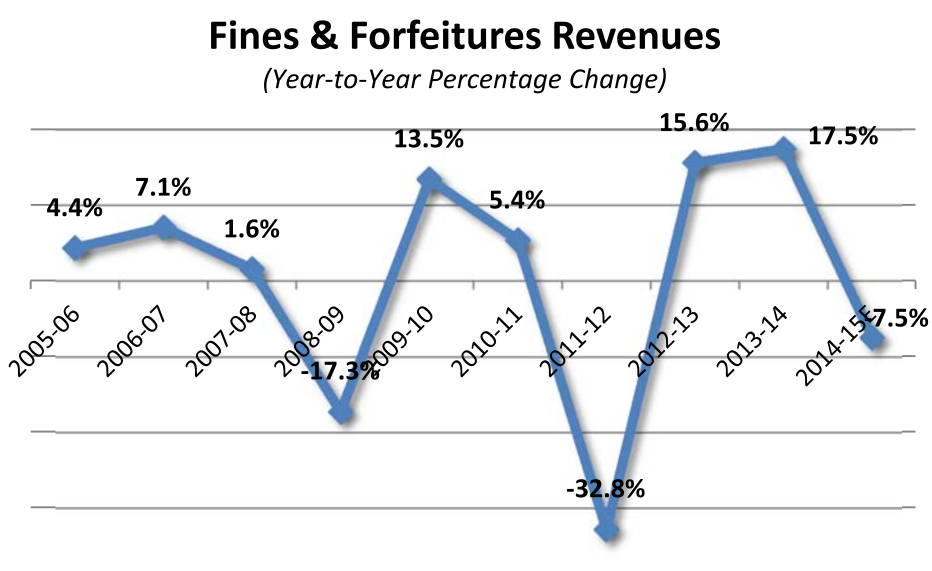
Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

FINES AND FORFEITURES

The California Vehicle and Penal Codes impose fines and penalties for traffic violations and vehicular parking. The Culver City Municipal Code also imposes certain fines for parking violations. Moving violations (including the Photo Enforcement Program) are collected by the County of Los Angeles Superior Court and a portion distributed to the City, less a retainer for costs of administration. The City is responsible for parking fine collection. Significant street projects closed a number of Photo Enforcement intersections in prior years, but these systems are back online and revenues are trending back to their previous levels.



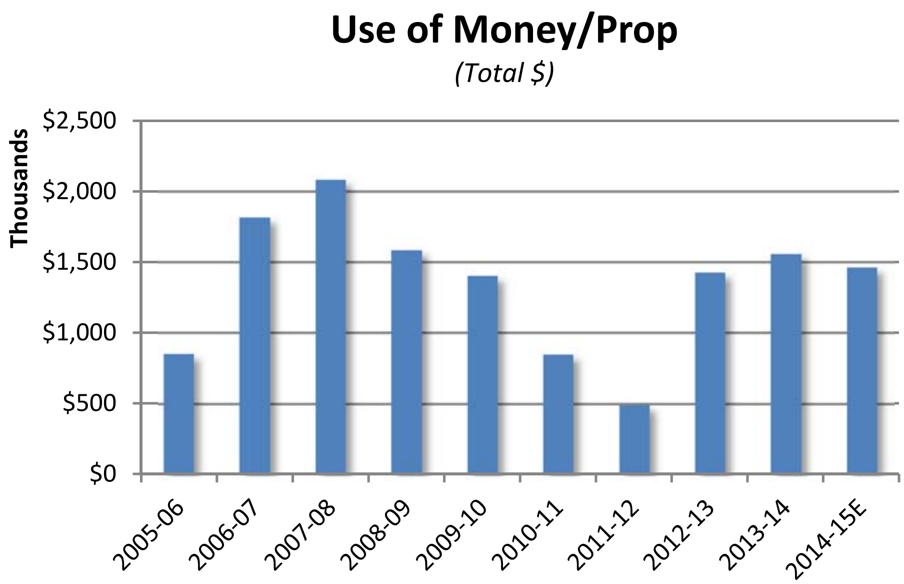


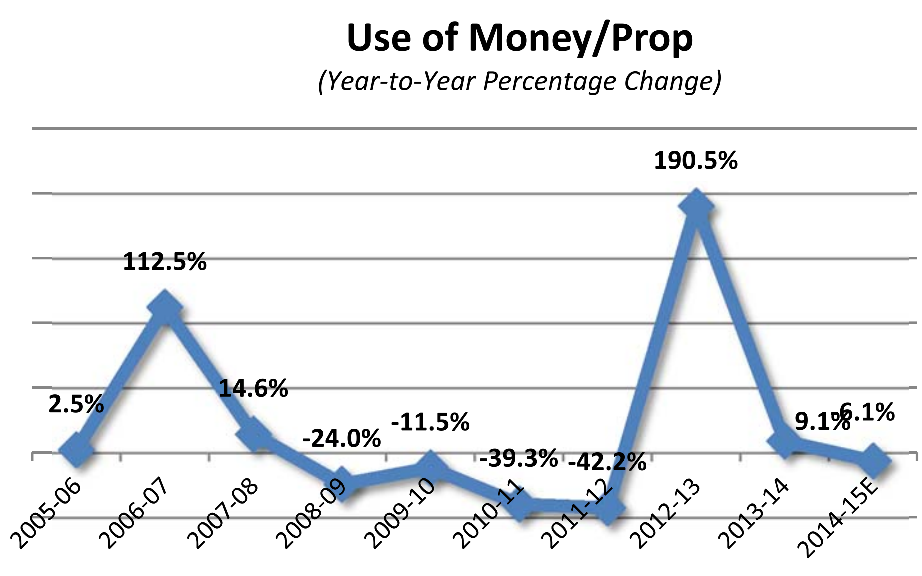
Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

USE OF MONEY AND PROPERTY

This category of revenue includes interest earnings and lease income. The City pools its available cash from various funds and invests in differing instruments allowed under the City's Investment Policy approved by the City Council. These earnings have suffered dramatically based on record low interest rates for several years. Earnings are allocated to various funds on the basis of proportionate balances. In FY 2012-13, lease income from the Pacific Theaters was added to this category, but removed in FY 2015-16 due to the sale of the property.





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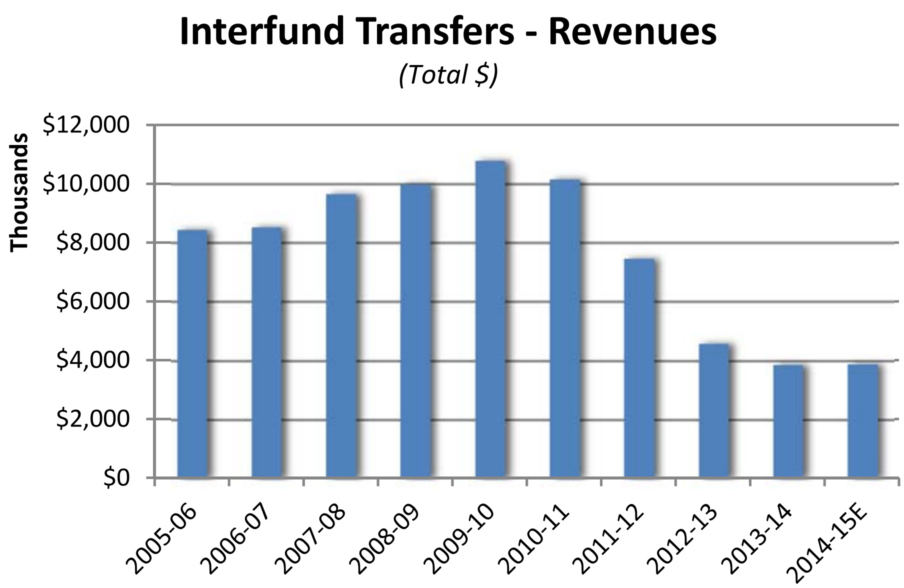
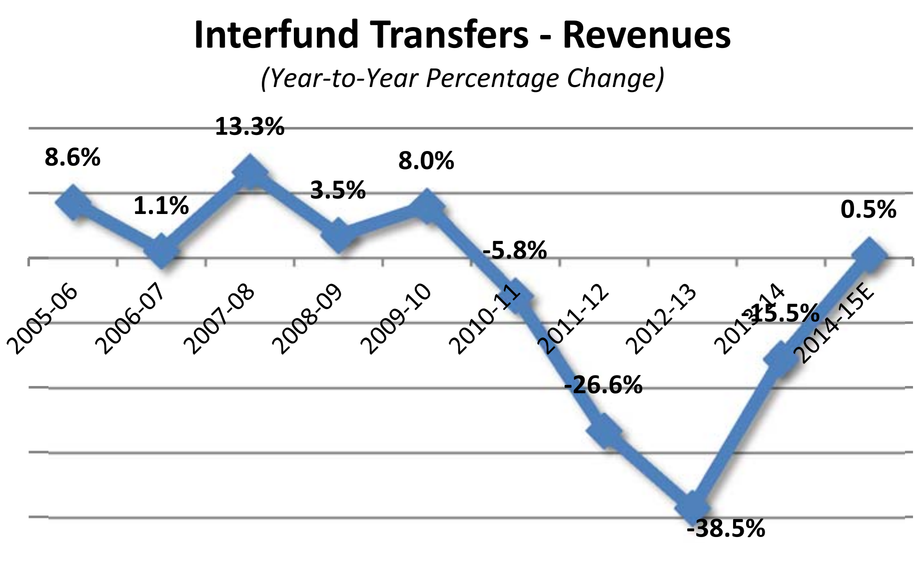
Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
-45.00%	2.00%	2.00%	3.00%	3.00%	4.00%	4.00%	4.00%	4.00%

INTERFUND TRANSFERS

Revenues in this area are generally from repayments for city-wide overhead service costs. Culver City utilizes this category to monitor funds received from interagency billings and recovering the cost of providing general administrative and indirect services to other funds. This category included transfers from the former Redevelopment Agency for services provided by the General Fund. FY 2012-13 represents the first full year without such reimbursements.



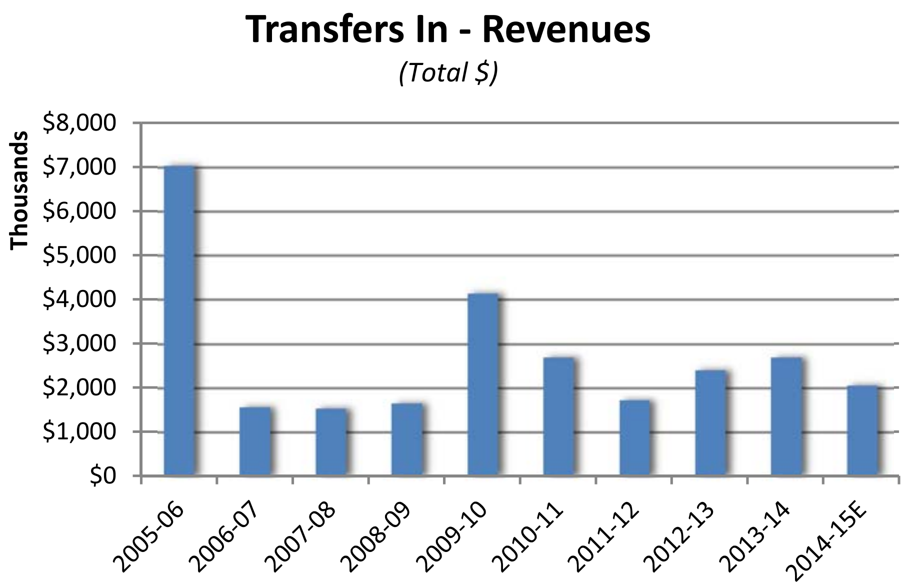


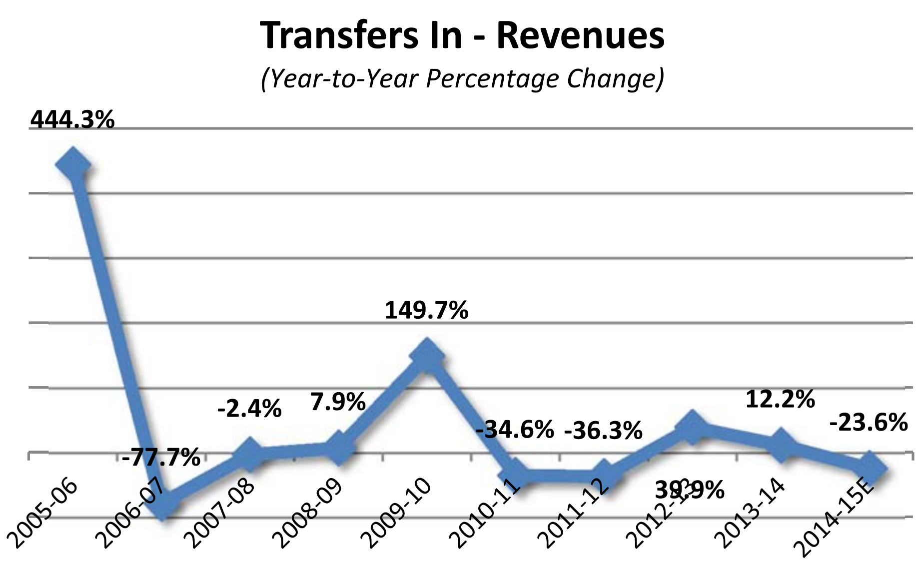
Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

TRANSFERS IN

Transfers-In are revenues from the movement of resources between funds to pay for specific activities. For any one transaction, the transfer-in and the transfer-out is classified in the same way, so that the total transfers-in for the entire municipality equal the total transfers-out.



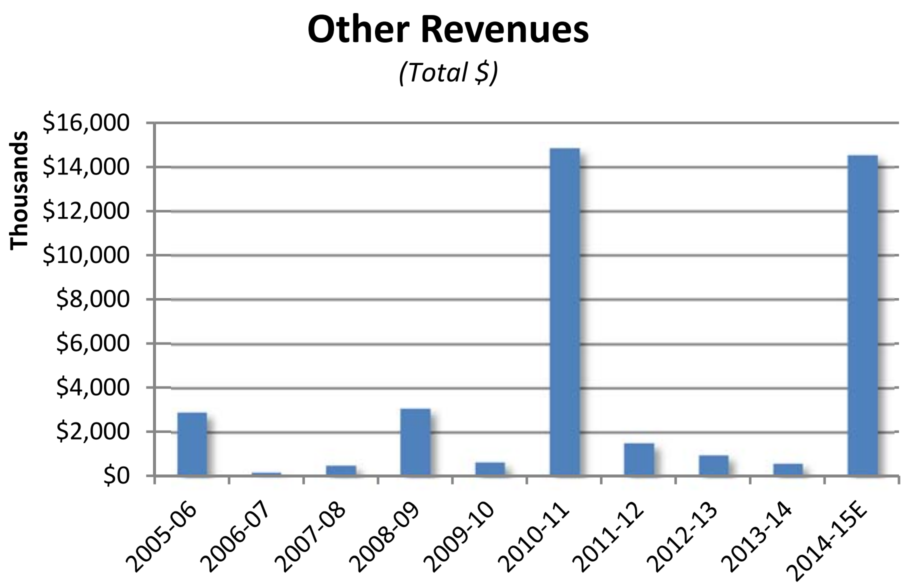


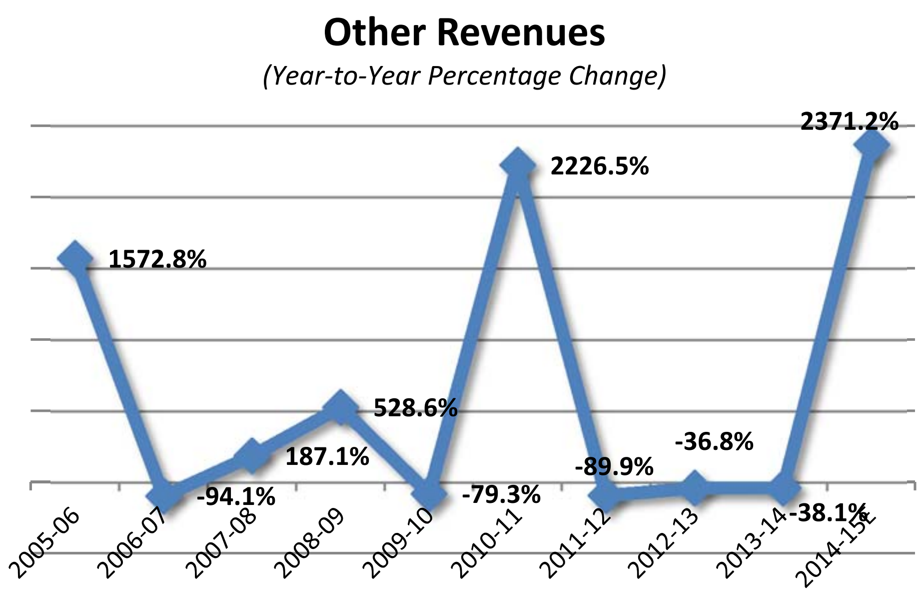
Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

OTHER REVENUES

Other Revenues are generally proceeds that are one-time amounts not classified in any of the above-discussed revenue classifications. The significant spikes in Fiscal Years 2010-11 and 2014-15 (estimated) involve the sale of a City property.





Projected Annual Rates of Change

FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

ADDITIONAL EXPENDITURES / POLICY ISSUES

In addition to funding current service levels, the City Council will also need to consider allocating funding for additional items in the coming years.

Storm Water Discharge Requirements

Culver City, along with other public agencies, is subject to meeting requirements under the National Pollutant Discharge Elimination System (NPDES) permit program. The new Municipally Separate Storm Sewer (MS4) Permit imposes severe restrictions on Total Maximum Daily Loads (TMDLs) for certain pollutants, eight of which affect Culver City. Compliance with these TMDLs will be very difficult to meet, and extremely costly. It is currently estimated that the City may be responsible for as much as $50 million in needed infrastructure investments to comply. The forecast includes a debt service estimate for financing these improvements through a bond issue, if the General Fund were responsible for servicing the debt. It also includes several hundred thousand dollars annually for operating and maintenance costs. Staff will be working to identify alternative financing methods so that the General Fund is not responsible for the costs. Absent such an alternative, the debt service amount was included to show the effect on fund balance over the forecast period.

Additional Infrastructure Funding

A significant backlog of infrastructure and facility improvements (deferred maintenance) due to lack of funding exists, and has been documented in prior budgets and forecasts. With fund balance available in excess of the required Contingency Reserve, the City Council may explore increased annual funding towards such projects. Identifying a future revenue stream, or dedicating more General Fund resources, will ultimately be required.

Additional Pre-funding of Long-Term Liabilities

With significant long-term liabilities for pension and retiree medical costs, the City Council may explore utilizing fund balance in excess of the required Contingency Reserve towards increased pre-funding of these benefits, to save future interest costs. It is estimated by the City's actuary that each additional $1 million contributed towards pension liabilities now equals $5 million in taxpayer savings over twenty-five years. Similar, although slightly less, savings could be achieved by additional pre-funding into the retiree medical trust fund.

FINANCIAL RESERVES

The establishment and maintenance of appropriate reserves within the General Fund is critical to prudent financial management. The Government Finance Officers Association (GFOA) recommends that local governments, regardless of size, maintain a General Fund financial reserve amount of no less than one (8%) to two months (17%) of operating expenditures. The City's policy is to maintain a Contingency Reserve of thirty percent (30%). GFOA also lists increased levels of reserves as a factor credit rating agencies use to determine a municipality's creditworthiness.

The Contingency Reserve will only be utilized to meet one or more of the following events:

- A catastrophic loss of critical infrastructure requiring an expenditure of greater than or equal to five percent (5%) of the General Fund, Operating Budget, as defined above.
- A State or Federally declared state of emergency where the City response or related City loss is greater than or equal to five percent (5%) of the General Fund, Operating Budget.
- Any settlement arising from a claim or judgment where the loss exceeds the City's insured policy coverage by an amount greater than or equal to five percent (5%) of the General Fund, Operating Budget.
- Deviation from budgeted revenue projections in the top three General Fund revenue categories, namely, Sales Taxes, Utility Users' Taxes and Business Taxes in a cumulative amount greater than or equal to five percent (5%) of the General Fund, Operating Budget.
- Any action by another government that eliminates or shifts revenues from the City amounting to greater than or equal to five percent (5%) of the General Fund, Operating Budget.
- Inability of the City to meet its debt service obligations in any given year.
- Any combination of factors 1) a.-f. amounting to greater than or equal to five percent (5%) of the General Fund, Operating Budget in any one fiscal year.

Use of the Contingency Reserve must be approved by the City Council. Should the Contingency Reserve commitment be used, the City Manager shall present a plan to City Council to replenish the reserve within five years. Reserves beyond this level may be used for one-time expenditure purposes or to pay down long-term liabilities, in accordance with the City's financial policies.

ECONOMIC OUTLOOK & PERSPECTIVE

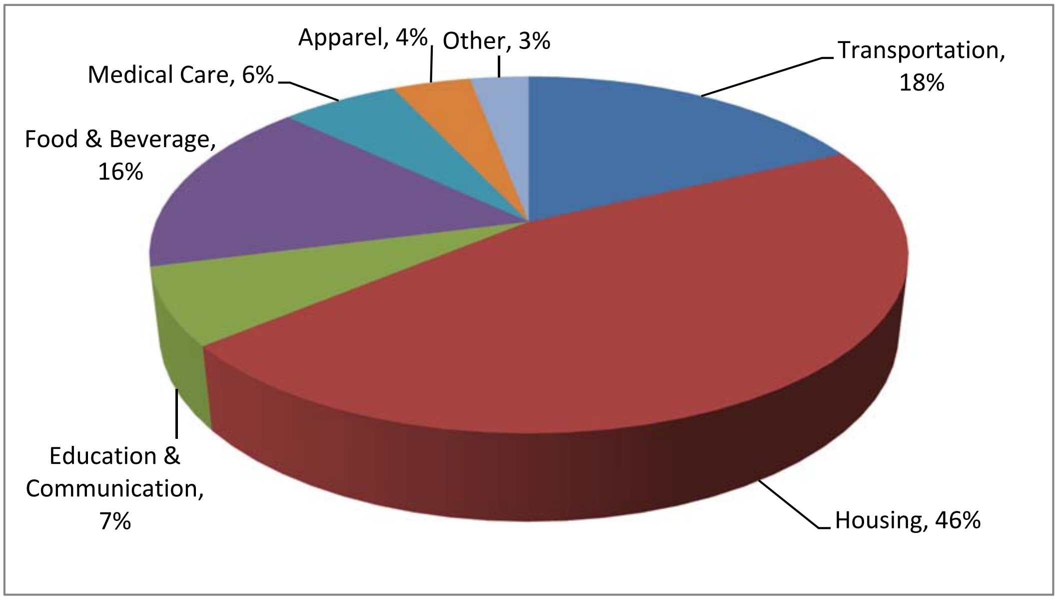
ECONOMIC OUTLOOK

OVERVIEW

A forecast of the City's finances recognizes that the City's fiscal health is directly linked to the success of the local, national, and global economies. In light of this relationship, the fiscal projections provided in this document are based, in large part, upon an analysis of historical and current economic trends. The historical data and forecast projections are provided by government and private organizations. This section provides projections for the local and national economies, which support the fiscal projections presented in this document.

INFLATION

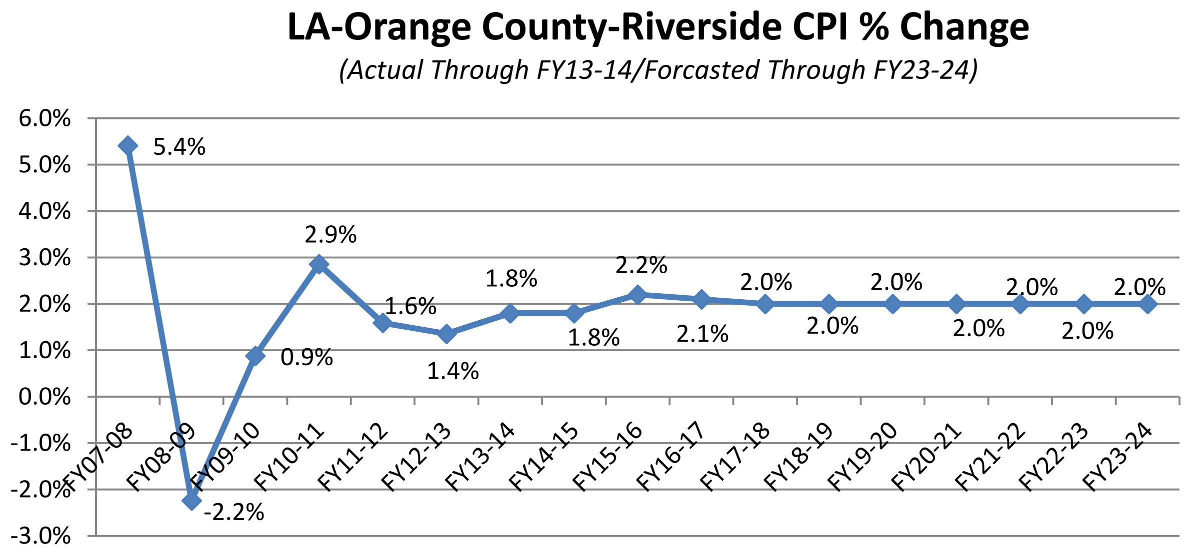
The Consumer Price Index (CPI), commonly referred to as the inflation rate, measures the average price change for a market basket of consumer goods and services. This basket of goods contains a wide array of items, ranging from food and gasoline to college tuition and medical supplies. The CPI does not, however, include investments such as stocks or real estate.



The Bureau of Labor Statistics has classified each expenditure item in this basket of goods into more than 200 categories. Each one of these categories is cataloged into eight major groups, as shown in the adjacent figure. For example, gasoline is listed under the transportation category and makes up 5.2% of the basket of goods.

The Consumer Price Index is used as the inflationary factor for specific non-personnel services expenditures to develop the General Fund and other fund's budget forecast. This allows the City to plan for possible increases in certain commodities and other costs in the coming years by taking into account rising prices.

Additionally, CPI also serves as a cost of living index. After reviewing data from the State Department of Finance, the Los Angeles Economic Development Corporation, and the UCLA Andersen Forecast, the projections for CPI have been developed and modified to reflect the City's budget cycle based on a fiscal year from July 1 to June 30.



Source: Department of Labor

REGIONAL ECONOMIC CONDITIONS

The following information is an excerpt from the Los Angeles County Economic Development Corporation's 2015 Economic Forecast & Industry Outlook, prepared by the The Kyser Center for Economic Research.

Los Angeles County covers 4,084 square miles and includes 88 cities, the largest of which is the City of Los Angeles. The population in 2013 was over 10.0 million, making it the most populous county in California. The economy of Los Angeles County is enormous and complex. If it were a nation, it would be the twenty-first largest economy in the world. In addition to its well-known entertainment and tourism industries, Los Angeles is also an important hub of manufacturing, international trade and innovation.

After peaking at 12.6% in 2010, the unemployment rate in Los Angeles County was down to 8.1% in July 2014, falling well below the year ago rate of 10.0%. The LAEDC forecasts the unemployment rate in Los Angeles County will average 8.2% in 2014, declining to 7.7% in 2015.

The number of nonfarm jobs in Los Angeles County should reach nearly 4.2 million in 2014, an increase of 1.9% compared with 2013. In 2015, employment will expand by 1.5% to 4.25 million nonfarm jobs, finally surpassing the prerecession peak reached in 2007. Growth this year has been broad-based with nearly every private sector industry, creating jobs across a wide range of skill and income levels. The fastest growing sectors were construction (8.5%); professional, scientific and technical services (4.8%); and administrative, support and waste services (4.8%). The sectors that added the largest number of jobs were health care (14,700 jobs) and professional, scientific and technical services (13,200).

Manufacturing is the only sector that is expected to post a decline in employment this year–

2.0% or a loss of 7,300 jobs. The news is not all bad, however. A handful of manufacturing sectors posted small increases in employment over the first half of the year: machinery, electrical equipment and appliances, furniture, and miscellaneous durable goods, a category that includes medical instruments.

Along with a stronger employment outlook, total personal income and per capita income are expected to post stronger gains this year and next. Consumer spending as measured by total taxable sales is also on the rise. This means local governments will see an increase in sales and use tax revenues.

Population growth is expected to slow this year and next. Most of the recent population growth in Los Angeles County has been the result of natural increase (births outnumbering deaths). Net migration in 2013 was nearly flat. A lack of affordable housing units for low and middle-income households is one factor holding population growth in check.

Although still not fully recovered, the housing market in Los Angeles has improved – median prices have risen on a year-over-year basis since the third quarter of 2012 and new home construction has picked up, most notably in the multi-family and rental sector. As with the rest of Southern California, the return to "normal" for the region's housing market will take a number of years.

Entertainment and Trade

The entertainment industry is a cornerstone of the Los Angeles economy. At its core is motion picture and video production. The ripple effects of activity in the entertainment sector are wide ranging. When a movie is filmed, actors, costume designers and special effects creators are employed, but so are persons working in industries as dissimilar as catering, security and transportation. The entertainment industry also has strong linkages to other local industries. Examples include licensing agreements with local toy companies and video game developers; the showcasing of L.A.'s fashion designers at Hollywood red carpet events; and collaboration with the region's technology innovators – most famously JPL, the originator of computer generated imagery (CGI).

During the first seven months of 2014, employment in the motion picture and sound recording industry (the largest component of the entertainment sector) averaged 128,000 workers, which was up by 7.2% (nearly 8,600 jobs) over the same period last year, bucking the national trend of job losses. More substantial jobs gains over the coming years may be realized from the expansion of the California Film Tax Credit. There has been a steady rise in local production since the end of the recession. In 2013, total production days (including film, TV, commercials and other categories of video) increased by 11.7% to 51,670 days. Over the first half of 2014, permitted production days were up by 7.5% compared with the same period in 2013.

International Trade

As America's gateway to Asia, international trade plays an important role in the Los Angeles economy. Thousands of jobs in the region depend on the flow of goods in and out of the San Pedro Bay ports. Two-way trade through the Los Angeles Customs District hit a record-setting volume of $414.5 billion in 2013, and is forecast to reach $423.4 billion this year and $442.2 billion in 2015. The increase in two-way trade will bring additional jobs in logistics, goods movement, wholesaling and distribution. The long-term prospects for international trade are promising. The region's major trading partners are growing and domestic demand is on the rise; public and private entities are investing heavily in trade-related infrastructure and important new trade agreements in place or currently being negotiated, have the potential to increase employment in the region and generate new wealth.

Professional Services and Technology

In terms of employment, the professional services super-sector is the second largest in Los Angeles County with over 590,000 workers in 2013. It is also one of the fastest growing, offering jobs across a wide range of skill and income levels. There are three major subsectors in this group: professional, scientific and technical services; management of enterprises; and administrative, support and waste services. All three have posted significant year-to-date (through July) employment gains.

Professional, scientific and technical services includes legal, accounting, architecture, computer systems design, consulting, research and advertising. Over the first seven months of this year, employment averaged 282,200 workers, an increase of 3.3% over the same period a year ago. Management of enterprises, which encompasses corporate headquarters, experienced a 3.8% jump in employment (to 59,600 workers) over the same period.

The largest increase in job counts was in the administrative, support and waste services sector. Average monthly employment during the first seven months of 2014 was 265,700 workers, an increase of 6.0% compared with the same period in 2013. Most of the growth in this subsector was attributable to a 7.5% increase in jobs at employment services firms (temporary agencies), which accounts for nearly 40% of total job counts in administrative, support and waste services. The continuing growth of temporary jobs is an indication that some employers are still reluctant to take on full time employees. In other cases, employers have found that for certain positions, there is more flexibility and lower costs associated with taking on a "temp".

Looking Ahead

After several difficult years of recession and recovery, a sense of optimism and newfound energy has returned to Los Angeles County. Tourism is booming as record numbers of visitors fill hotels and restaurants across the region. The region's health care sector is also thriving and employment is expanding rapidly. Los Angeles County is home to a number of widely respected medical research and treatment facilities that drive innovation and bring money into the region. Los Angeles has also developed a promising array of tech start-ups that are attracting increasing amounts of venture capital. While still facing a number of challenges common to most large American metro regions, Los Angeles County is slowly shaking off the effects of the recession and setting its sights on the future.

Los Angeles County Snapshot