MEETING DATE: 03/30/09

AGENDA ITEM: **Update of City Finances and FY 2009-10 and 2010-11 Budget Process.**

ATTACHMENTS

Financial Options Summary Report

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CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE
Long-Term Financial Options Summary
Report of Findings

INTRODUCTION

Over the past few years, the City has placed an emphasis on long-term financial planning to further improve the long-term fiscal health of the City. The City has taken a number of steps to achieve this longer term view, including implementing a two-year rolling budget and developing a Comprehensive Financial Plan that includes a 5- to 15-year projection for each of the City's funds and provides a discussion of current and future year financial issues facing each fund.

During this time, staff has identified and researched a number of potential revenue enhancement and cost reducing items that will help to solidify the City's long-term finances. Many of these ideas have been collected from suggestions by employees, bargaining groups, staff task forces and City Council subcommittees that have been formed to address the City's financial condition.

The following report summarizes the revenue generating and cost reducing items that have been received by staff over the years. While not every idea is included in this report, staff has attempted to present the most feasible options for the City Council's consideration. Each option is followed by a brief description and, if known, the additional annual revenue or cost reduction that may be achieved if implemented.

REVENUE ENHANCEMENT OPTIONS

The revenue enhancement options are presented in two categories: 1) Ballot Options, and 2) Policy Driven Options.

BALLOT OPTIONS

1. Increase **Transient Occupancy Tax** (TOT, aka hotel tax)
2. Increase **Sales Tax** (Transaction Tax)
3. Create **Parking Tax**
4. General Purpose **Ad Valorem Property Tax**
5. Create **Admissions Tax**
6. Review/Increase **Business Tax**
7. Create Additional **Special Financing Districts**
    a. *Community Facilities District for Paramedic Services, Street and Alley repair, or other infrastructure improvements.*
    b. *Benefit Assessment District for Fire Suppression, Landscaping, Tree Trimming, Streetlights, etc.*
8. Issue **General Obligation Bond** for Capital Projects
9. Issue **Pension Obligation Bond**

Approval Process – Taxes (Options 1 – 6)

Proposition 218, enacted in 1996, limited local government's ability to raise taxes and create assessment districts. The State Constitution (approved by voters as Props 13 and 218) requires that *special taxes (i.e. earmarked for a certain purpose)* require two-thirds voter approval and *general taxes (non-earmarked)* require a simple majority voter approval. Prop 218, much like Prop 13 before it, fundamentally changed the control of local government funding and greatly complicated the process involved in implementing an increase in taxes.

Therefore, the tax options noted above would need approval by the electorate. Placing an item on the ballot would require a significant effort by the City not only in staff time, but also in consultation expenses related to public education and polling. While the law is fairly strict on what cities may spend on public education and polling during an election campaign, activities that take place prior to placing an item on the ballot are generally more allowable.

Additionally, if the City Council selects any of the tax options (1 – 4), it should be noted that, per state law, such a ballot measure must be part of the City's general election ballot. The City's next general election is in April 2010. Reviewing what state and county level tax issues may appear on the same ballot will be one important area of analysis.

The current national, statewide and local economic problems will make a revenue increasing ballot item that much more difficult to have approved. Locally, there is discussion by the school district of a local parcel tax for education. The California teachers union is indicating they may seek a statewide 1% sales tax increase for education. Part of the Governor's budget solution involves a three year increase to the State sales tax of 1.5%. Any of these items taking place prior to the City going to ballot, or even concurrently will decrease the City's chances of having such a measure approved.

Approval Process – Special Financing Districts (Options 7a and 7b)

Another result of Prop 218 was the extensive process required before a city can create an assessment district. For the assessment options listed above, the City would be required to prepare reports describing the amount of the assessments, per parcel, and the benefits to be received by those assessments. The City would be required to hold public hearings to review the possible assessments. Formal written notice of the assessments, along with ballots, must be sent to all those who would be subject to the assessments. The City could only impose the assessment if a majority of those returning ballots approve the assessment. No increase to an existing assessment can occur without going through a similar process.

While community facility districts (CFD) vary from assessment districts slightly, the formation and approval process is very similar. The biggest difference in the approval process between an assessment district and a CFD is an assessment district requires approval by *50% of the affected property owners* that return a ballot. A CFD requires approval by *67% of registered voters* in the proposed district that return a ballot.

Public education and campaign requirements and restrictions similar to those imposed on ballot measures for tax increases would apply to the assessment process.

Approval Process – General Obligation Bond and Pension Obligation Bond (Options 8 – 9)

General obligation and pension obligation bonds must be approved at a general or special election by a majority of electors voting at that election. Public education and campaign requirements and restrictions similar to those imposed on ballot measures for tax increases would apply to the election where the voters would be asked to approve the general obligation bonds.

Option 1: *Increase 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. The current Transient Occupancy Tax (TOT) rate is 12%. An increase in TOT would slightly increase the taxes that area hotel customers would pay to stay in Culver City. Currently, the average nightly room rate for Culver City hotels is $125, not including taxes. The current 12% TOT rate adds $15 in tax to that rate. A 2% increase to the TOT would add $2.50 for a total of $16.50 in taxes. Many nearby cities have increased their TOT rates over the last few years, as noted below.

<u>Area TOT rates</u>:
Los Angeles: 14%
Santa Monica: 14%
Beverly Hills: 14%
West Hollywood: 14%
Culver City: 12%

Based on current TOT receipts, increasing the TOT by 2% would increase revenues by approximately $420,000. If a hotel is included in the future Washington/National Transit Oriented Development site, this additional 2% may be significant.

Option 2: *Increase Sales Tax (Transaction Tax)*

In 1969, the State Legislature first authorized counties to seek voter approval of special transaction and use tax districts. Shortly thereafter, the Legislature also began granting permission to specific cities to seek voter consideration of a District Tax. In January 2004, the requirement that cities first obtain permission from the State Legislature was dropped and cities were authorized to go directly to their voters for transaction and use taxes in multiples of 0.25%. Currently, the combined district transactions tax rates in any county cannot exceed a total rate of 9.25%.

With the exception of certain goods sold to operators of common carrier aircraft, a transaction and use tax is imposed on the same goods and merchandise as the local sales and use tax. However, the sales and use tax is generally allocated to the jurisdiction where the sale is negotiated or order taken, while the transaction and use tax is allocated to the district where the goods are delivered or placed into use. As outlined below, this is an important distinction as it relates to Culver City residents purchasing merchandise in another jurisdiction.

For "walk-in" retail stores, the Board of Equalization generally assumes that the merchandise will be used within the district where the store is located, unless the retailer is asked to ship the merchandise outside the district as part of the sale. For merchandise that is shipped, the transaction tax is levied based on the district to which the merchandise is being shipped. Therefore, Culver City residents and businesses would pay the additional transaction tax.

Sellers or lessors of vehicles, vessels or licensed aircraft are required to collect the transaction tax for the district where the conveyance is to be registered. Therefore, residents cannot escape the tax by purchasing from a dealer outside Culver City as dealers statewide must collect transaction taxes based on the location of the registration, not the location of the purchase.

With the approval of Measure R in November 2008, the base sales tax for all LA County cities will be 8.75% sales and use tax rate. Recently, a number of LA County cities have successfully added a transaction tax for their jurisdictions, including the Cities of Avalon (0.50%), Inglewood (0.50%) and South Gate (1.0%). Some early budget proposals by the state include a 1.5% increase in the existing sales tax, which would push all cities in LA County above the 9.25% cap. Legislation will most likely be drafted to address this potential conflict.

Based on current receipts, each 0.25% increase to the transaction tax would generate $3.5 to $4 million.

Option 3: *Create Parking Tax*

A parking tax is a tax levied on the rental of public and private non-residential parking spaces for the privilege of occupying space in a parking facility[1] in the City. Generally, a parking tax is calculated as a percentage of the monthly lease amount for that space. Examples of some surrounding parking taxes are as follows:

Sample Parking Tax rates:
Los Angeles: 10% ($74 million in FY 05-06)
Santa Monica: 10% ($6.8 million in FY 05-06)
Inglewood: 10% ($250,000 in FY 05-06)
San Francisco: 25% ($36 million in FY 05-06)

To determine the amount of money generated by a parking tax, an in-depth analysis would need to be conducted on the number of spaces in the City and the rental rates charged for those spaces. However, assuming there was a 10% parking tax in effect in FY 2007-08, approximately $110,000 would have been generated from the City's three parking structures alone.

[1] Definition of parking facility as defined in the LA City municipal code – any outdoor space or uncovered plot, street, lot, parcel, yard or enclosure, or any portion thereof, or any building or structure, or any portion thereof, where or in which a motor vehicle may be parked, stored, housed or kept, for which any charge is made.

Option 4: *Create Ad Valorem Tax or Parcel Tax*

An ad valorem tax is a tax based on the value of the property being taxed (e.g. 1.0% of assessed value) while a parcel tax is typically a per parcel tax that can be levied in a variety of ways, including a flat per parcel tax or a tax rate based on land use (i.e. commercial vs. residential) or parcel size. Examples of property based taxes include the 1.0% property tax levy, voter approved debt (such as school revenue bonds), special financing/assessment districts, parcel taxes, etc.

Culver City contains approximately 13,500 parcels with a total assessed value (including redevelopment areas) of approximately $6.9 billion ($3.1 billion City; $3.8 billion RDA). Proposition 13 limits the ad valorem tax on real property to 1% of the full cash value (i.e. assessed value) except for certain voter approved charges, such as the voter approved debt and special financing districts mentioned above. Therefore, the City could not levy an ad valorem tax in addition to the current 1.0% ad valorem tax that is already levied. With regards to a special financing district or a parcel tax, levying a charge of $100 per parcel would generate approximately $1.35 million annually and is subject to voter approval.

Option 5: *Create Admissions Tax*

An Admissions Tax is a tax on admission tickets sold for events held within the City and is typically applied to larger capacity venues (e.g. race track, sporting venue, large live theater, etc.). The general idea behind an admissions tax is, due to the large number of people coming into the City for a particular event, a significant impact on the City's infrastructure and staffing is created. The purpose of the tax is to recover some of the costs related to that impact.

Sample Admissions Tax rates:

Los Angeles:

- 6% on gross receipts attributable to distribution of tickets of admission to or attendance at events of the 1984 Olympic Games.

Inglewood:

- $0.45 per admission for Horse Racing (adjusted annually by CPI);
- $0.56 per admission for live sporting events, theater events, musical events, etc. (adjusted annually by CPI);
- 10% of admission price for venues with seating capacity of greater than 25,000.

Pasadena:

- Tax on admission to Rose Bowl equal to 5 cents per dollar admission price but not to exceed 50 cents.

Due to the relative scarcity of large venues, there are few surrounding cities that have an admissions tax in place. The City of LA charged an admission tax for ticket sales for the events of the 1984 Olympics and Inglewood has an admission tax that is mainly applicable to Hollywood Park and the former LA Forum. Although Culver City does have live theater venues, such as Culver Theater, they are very small venues that would generate very little revenue.

Option 6: *Review/Increase Business Tax (submitted by CCMG)*

As a requirement for conducting business in Culver City, every business must apply for and receive a business tax certificate and pay the application fee, the required business tax, and any applicable permit fees. Currently, the application fee is $65 and the tax amount is approximately 0.1% of a business' gross receipts.

Over the last few years, the Finance Department has been focused on increasing compliance and more aggressively collecting revenues due to the City. Currently, the Finance Department is working with a consultant to conduct a business tax audit to ensure that businesses are complying with this requirement. The consultant will also be working with the City to review the current business tax structure and process and make recommendations on possible ways to simplify the tax structure and streamline the collection process to ensure greater compliance. Increasing compliance will result in increased revenue without having to adjust the amount of the tax. The consultant will help determine if Culver City's business tax is in line with other cities business tax amounts.

Option 7a and 7b: *Special Financing Districts*

Special Financing Districts, such as benefit assessment districts or community facilities districts, are intended to charge those whose property is receiving a direct and measurable City service where the relative "benefit" to the property owner can be computed. One type of Special Assessment District is a Benefit Assessment District, which is administered as a parcel assessment and is used to fund the provision of a particular service in a particular area. Benefit Assessment Districts can be formed to fund fire suppression services, tree-trimming, streetlights, parks, and landscaping. Benefit Assessment Districts require a nexus between the additional benefit being provided and the actual cost to provide that benefit. Creating these districts is basically a method to increase service in a particular area without increasing costs to the City. Assessment Districts cannot be used to pay for services that the City is currently providing, therefore, there is no net financial impact on the City's General Fund when a Benefit Assessment District is created.

Another form of a Special Financing District is a Mello-Roos Community Facilities District, which allows funding of the construction or acquisition of real or tangible property with a useful life of five years or more (e.g. streets, sewers, etc.). It also allows financing of police and fire services, including personnel costs, to accommodate the growing needs of an area. A Community Facilities District is a special tax levied annually on each parcel.

While both forms of special financing districts are a way to increase service without increasing costs, only the CFD can be used to actually offset costs of an existing service and reduce costs for the General Fund. The City has hired a consultant to assist with special district formation services and, based on their early assessments, the City may be able to raise $1.3 to $1.5 million annually to pay for paramedic services. However, the consultant recommends the use of a polling agency to get a better idea from residents regarding their priorities and willingness to pay additional taxes to fund services.

Option 8: *Issue General Obligation Bond*

Another financing option is to issue general obligation bonds. General obligation bonds are bonds that are legally backed by the full faith and credit of the issuing government. The government is legally obligated to use its full taxing power, if necessary, to repay the debt. Basically, issuing debt gives the City a lump sum of cash now to use for capital projects, which will be paid off, with interest, in the future.

Because the City is legally obligated to repay the bond, which includes raising taxes if the City cannot meet its debt service payments, registered voters must approve issuing a bond.

The primary advantage to using general obligation bonds is the associated low interest costs. Since the bonds are legally backed by the full faith and credit of the issuer, they are considered very low risk for the investor; consequently, they usually sell at the lowest rates of interest. The bond issue is often less complex then other types of bonds so administrative costs are less in preparing the issue.

A final advantage to general obligation bonds arises from the necessity of receiving approval through a bond referendum. The vote confirms popular support for the project(s) being financed.

There are also disadvantages to issuing general obligation bonds, including the possibility that the voters will not approve the bond referendum. If a bond referendum is not approved, City Council will need to find other ways to finance needed projects. Additionally, repayment of the debt will tie up the City's revenues for 20 or 30 years to pay the required debt service (i.e. principal and interest payments on the bonds).

Option 9: *Issue Pension Obligation Bond*

A Pension Obligation Bond is similar to a General Obligation Bond; with the exception that the bond proceeds received must be invested and used to pay the issuing entities pension obligation. For example, the City could issue a $100 million POB and invest that in a trust with PERS (one of many options). The annual investment returns would be used to offset the City's pay-as-you-go payment. In return, the City would have a steady annual debt service obligation.

Because the City is legally obligated to pay the bond's debt service, which includes raising taxes if the City cannot meet its debt service payments, the voters also must approve issuing a POB, which, like a General Obligation Bond, confirms popular support for the obligation being financed.

The disadvantages to issuing a Pension Obligation Bond are similar to the disadvantages to issuing a General Obligation Bond outlined above.

POLICY DRIVEN OPTIONS

Options:

1. Review and Update City Fees & Charges Annually
2. Review Development Impact Fees
3. Implement Aggressive Fee/Tax Collection Strategies
4. Privatize Parking Meter Operations and Meter Enforcement
5. Advertise in/on City Vehicles
6. Sponsorship of City-owned Property/Programs/Events
7. Review Parking Rates at All City Structures and Meters
8. Establish Employee Suggestion Incentive Program
9. Establish Stormwater Fund to Capture Mandated Costs

The options presented in this section do not require voter approval; however, they do require policy direction by the Council. Some of these options may be more popular or feasible than others. The following provides a brief description and analysis of each option as well as a discussion of the fiscal impact.

Option 1: *Review and Update City Fees & Charges Annually (submitted by CCMG)*

There are some service fees and charges the City collects that do not fall under the restrictions set forth in Proposition 218, and the City must regularly review and update these fees and charges as applicable to cover and recoup the costs associated with the services being given. General Fund service charges, though, cannot exceed the cost of service, including overhead.

In FY 2006-07, City Council approved a comprehensive review of the City's fees and charges by a consultant. This study resulted in the City Council adopting higher fees for FY 2007-08 to increase the overall cost recovery level. Subsequently, staff worked with the City Council Budget & Finance Subcommittee to set a multi-year cost recovery policy to recover close to 100% of the cost of many fee based activities.

The fees and charges schedule is updated, reviewed and approved by City Council annually to insure proper cost recovery levels. Now that staff has clear direction on the City Council's desire to increase cost recovery levels on existing fees, staff will begin reviewing the fee structure in certain areas as well as explore possible new fees and charges. For example, the Parks, Recreation, and Community Services Department is taking a much closer look at their fee structure and whether or not it is the most effective structure for their operations. PRCS is reviewing the structure of pool fees, facility rental fees, skateboard park fees, etc. to evaluate possible new fee structures.

Additionally, staff is exploring the possibility of placing a surcharge on certain fees, similar to the technology surcharge placed on certain development related fees, to help fund the City's Other Post Employment Benefits (OPEB) obligation. At this point, staff is still exploring the legal and operational issues related to this type of surcharge. Once those issues have been vetted, information will be provided to City Council.

A comprehensive fee study by an outside consultant should be conducted approximately every five years. In FY 2011-12, staff will explore engaging a consultant to do a comprehensive review of the City's fees and cost recovery percentages.

Option 2: *Review Development Impact Fees*

Subsequent to the annual review of the General Fund user fees and charges in June 2008, City Council requested information on the development related taxes and impact fees that the City levies. An agenda item containing that information was presented to City Council on August 25, 2008. At that meeting, City Council directed staff to resume charging a Condominium Tax that was already in the City's Municipal Code but, for some reason, had not been charged historically. The City Council also directed staff to do an analysis of a 'typical project' to compare the amount of fees and taxes charged for a typical project in Culver City versus surrounding cities. The Community Development Department is finalizing that analysis and a full report will be provided to City Council shortly.

Option 3: *Implement Aggressive Fee/Tax Collection Strategies (submitted by CCMG)*

Under the direction of the City Council and City Manager, the City has taken steps to more diligently collect monies and implemented processes to collect funds more efficiently. Some of the steps that have been taken over the last few years include:

- Drafting and implementing a grants management policy to ensure that grant funds are collected in a timely manner and do not expire;
- Billing for the annual Fire Inspection and Outdoor Dining Permit fees have been moved to the Finance Department to improve collections;
- New contract approval procedures that require the Finance Department to sign off on all contracts with vendors that do business with the City to ensure that they have a business tax certificate before the contract can be fully executed and signed by the City Manager;
- The City has begun taking credit card and online payments for certain services, such as business tax renewal payments, recreation classes, and parking tickets;
- A business tax audit is being performed by an outside consultant to increase compliance with the City's Business Tax;
- Online payments are being developed for building permits;
- Periodic audits on property and sales tax remittances from the County are performed by the HdL to ensure that the City is receiving proper payments;
- Periodic audits are performed related to the City's franchise agreements with the cable company and various oil pipelines.

Improving revenue collection and streamlining collection processes continues to be one of the City's top priorities. The Finance Department is continually working with staff from other departments to identify opportunities to increase revenue collection. Increased revenue collection is a best management practice that does not require specific direction from City Council. As programs are identified and implemented, the City Council will be informed and, depending on the program, may need to provide direction to staff.

Option 4: *Privatize Parking Meter Operations and Meter Enforcement*

Parking meter operations and enforcement are services that are historically operated by municipalities. Over the last few years, some cities have recognized a benefit to privatizing these activities through a public-private venture or by contracting these services to a third party. In this particular area, privatization has the potential to simultaneously enhance revenue and reduce costs while maintaining or increasing the level of service. More research needs to be done to fully vet the potential benefits and drawbacks. Staff is looking for direction from the City Council to bring this item back for consideration at a future meeting.

Option 5: *Advertise In/On City Property (submitted by CCMG)*

The City and Enterprise funds may be able to generate some revenue by selling advertising space in/on City property, especially the City's rolling stock. The most obvious potential candidate for selling ad space is Culver CityBus. In addition to Culver CityBus, the City could also explore the possibility of selling exterior advertising space on other rolling stock, including public works vehicles.

Currently, the MTA sells advertising space on the exterior of its buses as well as in designated interior locations. MTA also offers video advertising shown on video monitors inside each bus.

In the past, Transit staff has contacted vendors that coordinate and administer ad sales to explore the potential amount of revenue that could be generated. Due to the relatively small population reached by advertising on Culver CityBus (as compared to larger transit operators like MTA and Big Blue Bus), potential ad revenues would be limited. The ad sales vendor had also indicated that, due to the limited reach of Culver CityBus, ad revenues might not justify the capital expenditure to install video monitors on the buses. Bus wraps generate the most amount of revenue. However, to generate that revenue, Culver CityBus would sacrifice some of its signature brand recognition because the bus wrap would cover the entire bus, making it less distinguishable from other transit providers.

If the City Council would like to further explore this option, staff can do some additional research and agendize the item for future discussion.

Option 6: *Sponsorship of City-owned Programs/Events/Facilities (submitted by CCMG)*

The City manages and staffs a number of events and programs that are offered free of charge to the public, including the Fiesta La Ballona (entrance is free, but vendors do pay a fee to set up a booth), Farmers' Market, Culver City Music Festival, Music in the Chambers, and "The Art of..." speaker series. Despite the growing popularity of many of these programs, the funds available to manage them continue to diminish.

In some cases, programs are sponsored by a business or organization that contributes money in exchange for name recognition. However, the City could increase its efforts to solicit monetary or in-kind sponsorships to offset some of the costs of running these programs. Increasing efforts to solicit sponsorship for community events is a policy decision that, if directed, staff may begin to implement immediately.

Additionally, the City may consider soliciting corporate sponsorships in exchange for naming rights at certain City facilities (such as Vet's Memorial Building, teen center, or various facilities at City parks). If the City Council were interested in pursuing naming rights, a policy would need to be drafted and presented to City Council to ensure consistency and transparency in the process.

Option 7: *Review Parking Rates at all City Structures and Meters*

Culver City and the Redevelopment Agency own and operate a number of parking structures and lots to encourage better traffic flow and address some of the parking issues that most southern California communities face. As parking becomes a scarce resource, parking rates throughout the region continue to rise, as do costs associated with operating a parking structure.

In an effort to create a unified parking strategy throughout the City, and especially in the downtown area, the Redevelopment Agency and Community Development Department are bringing forward a number of policy options for the City Council to consider over the next few months, including a comprehensive parking study to review available parking, parking rates, parking operations, and parking equipment and make recommendations. A unified parking strategy will then be developed to include policy options for the Ince, Watseka, Cardiff, and City Hall parking structures, pricing options for parking meters downtown, and reviewing the City's zoning requirements as they relate to parking in the downtown area.

Option 8: *Establish Employee Suggestion Incentive Program*

Employees are sometimes the best resource for new innovative revenue enhancing and/or cost reducing suggestions since they know the City's operations best and are experts in their field. Many organizations have developed some form of employee suggestion program that offers some incentive ranging from recognition to days off to potentially significant bonuses based on the value of the suggestion. The effectiveness of a program like this is often directly related to the desirability of the incentive or reward being offered. Depending on the size and scope of a potential program, it may also need to be negotiated with the bargaining groups if there is an impact on employee salary or benefits.

Option 9: *Establish Stormwater Enterprise Fund to Recover Mandated Costs*

See Cost Reduction Option 8(h) on page 16 of this report for more information.

COST REDUCTION OPTIONS

Over the last few years, a great number of cost reduction options have been identified through suggestions submitted by City Council members, the bargaining groups, members of various task forces and subcommittees, and staff research. CCMG submitted some additional cost reduction proposals in December in response to a request to all the bargaining groups by the Chief Financial Officer. The current task force reviewed all ideas and considered the merits of every proposal. The following options identify the most creative and feasible of those ideas.

Options:

1. Review and Evaluate the City's Organizational Efficiency
2. Flexible Compensation & Benefit Plans
    a. Two tiered PERS program for new hires
    b. Cafeteria Plan for Medical Insurance
3. Staff Certain Public Safety Positions with Civilians
4. Reduce Overtime and Shift Trades
5. Reconsider the City's Call Back Policy
6. Reduce Subsidies to Special Events (e.g. MLK, Car Show and Taste of the Nation)
7. Streamline Public Notification
8. Explore Public Private Partnership Opportunities
    a. Solar power installations on City facilities
    b. Streetlight maintenance
    c. Street maintenance
    d. Sewer Pump Station improvements
    e. Parking meter operations
    f. Parking enforcement
    g. Construct municipal parking structure
    h. Stormwater treatment
9. Short-term Options submitted by CCMG
    a. Moratorium on non-self supporting programs;
    b. Moratorium on non-essential capital projects;
    c. Moratorium on the City's Animal Control Program.

Option 1: *Review and Evaluate the City's Organizational Efficiency*

The elimination of positions that took place as part of the budget cutbacks in fiscal years 2002-03 and 2003-04 has placed an additional burden on current staff. Consequently, it is more important than ever that all operating departments are "working smarter not harder" in order to maximize efficiency and productivity. There may be technological advancements that the City can take advantage of to increase revenue collection and facilitate the flow of information leading to an even greater level of efficiency and productivity. Additionally, the City should evaluate its organizational efficiency and internal procedures to ensure effective workflow and lines of communication between and within operating departments.

In difficult financial times, it is more important than ever to be able to do more with less as a cost containment measure. Organizational efficiency is a best management practice, as such; the City Manager's office will continue to work with Department

Heads to explore methods to further increase organizational and operational efficiency. The new City Manager may have further ideas in this area.

Option 2: *Flexible Benefits and Compensation Packages*

Prior to the next MOU negotiations, the subcommittee recommends that the City look into the following benefit related cost containment measures:

a. Two tiered PERS program for new hires
b. Cafeteria Plan for Medical Insurance

Option 3: *Staff Certain Positions in the Police and Fire Departments with Civilians*

With the implementation of the 2006-07 Budget, the Police Department has begun the process of staffing certain positions with civilians rather than sworn personnel. As lieutenants have retired over the last two years, 5 of those positions have been replaced with non-sworn personnel. This saves the City money because the salaries for the non-sworn positions are typically lower, the retirement costs are less, and it reduces the City's long term OPEB obligation. The City Manager's Office will continue to work with the public safety departments to staff positions with civilians where appropriate.

Option 4: *Reduce Overtime and Shift Trades (submitted by CCMG)*

Overtime costs for the General Fund are approximately $1.5 million (excluding Constant Staffing for the Fire Department, which is an additional $1.4 million). Some overtime is unavoidable, as emergencies and special situations will arise that require employees to work beyond their regular schedule. However, one possible way to manage overtime is to encourage flexible scheduling between the manager and employee. For example, with adequate advance notice, an employee who needs to attend a work related meeting after hours might agree with his/her supervisor to start work later in the morning rather than be paid overtime for the meeting.

Option 5: *Reconsider the City's Call Back Policy (submitted by CCMG)*

The City may want to review and update its call-back policy and limit standing pay to those positions that are truly needed in emergencies (i.e. electricians) and eliminate other positions (i.e. painters) whose services may not be required on a time-critical basis. A similar analysis of the necessity for "beeper pay" may also be conducted.

Alternately, the City may wish to allow departments to designate a certain number of call back slots, which can be filled based on expected conditions or usual problems rather than designating specific trades or positions.

This is an MOU item and will need to be negotiated with the CCEA bargaining unit during upcoming MOU negotiations.

Option 6: *Reduce Subsidies to Special Events (submitted by CCMG)*

There are a number of special community events that the City and/or Redevelopment Agency subsidize either through a direct contribution or in-kind services. Some of these events include the Martin Luther King celebration, Culver City Car Show, and Taste of the Nation. Some of these events have grown in popularity to the point that they are revenue neutral for the organizations that operate them; therefore, the City can reduce its direct monetary contribution without having to downsize the event.

Option 7: *Streamline Public Notification (submitted by CCMG)*

Over the past few years, the City has significantly increased public notification, which has had an impact on staff time and costs for mailing and other forms of notification. The current practice of sending out mass mailings on an almost weekly basis is very inefficient and costly. A more streamlined process could save valuable staff time and money. One possibility suggested by CCMG is to send a mailing to all Culver City households on a periodic basis (annually, semi-annually, quarterly, etc.) notifying them of the many ways that they can stay informed. This mailing could include web addresses, phone numbers, PEG channels, meeting times, master notification email list, etc. that will allow any citizen who chooses to remain in touch with the City. Providing this mailing should replace all special purpose notification, limiting notification to those required by law.

Option 8: *Explore Public Private Partnership Opportunities*

An emerging trend for certain large infrastructure projects in the U.S. is the use of Public Private Partnerships (PPP). PPPs are not new, as many Culver City projects are public private partnerships to a certain extent. Most street and sewer work is bid out to private contractors and managed by City staff. In this traditional model, the contractor is typically responsible for designing and building the project while the City is responsible for financing and operating the project once construction is complete.

Another PPP model that shifts even more responsibility to the private sector is the Design-Build-Finance-Operate (DBFO) model. This arrangement has been used more often in Europe, but is now gaining traction in the U.S. Basically, the responsibility for designing, building, financing, and operating the project is all shifted to the private sector. In return, the public agency typically pays a fixed annually payment to the private operator. The idea is the annual payments made by the public agency would be less than the cost to the public agency if they were to do the work in-house; while the private company would garner a profit by taking advantage of the efficiency and cost savings of the private sector.

a. *Solar Power installations on City facilities* – Solar power is gaining momentum as a viable green energy alternative and is also a good fit for a public-private partnership. Solar power requires a significant initial capital investment for installation. There are private companies that work with cities to construct and install the photovoltaic system and amortize the cost over a 30-year period, for example. Basically, the City would have a debt service payment for 30 years. The idea is that the annual debt service will be funded through cost savings from using less energy. Cost savings may be minimal at first, but as energy costs increase over time, cost savings would also increase.

b. *Streetlight Maintenance* – Approximately 1,000 of the City's 3,000 streetlights are the high voltage series circuit, which are much less energy efficient than newer multiple circuit lights. As funds become available, the City has been upgrading to energy efficient low voltage parallel circuit streetlights. However, due to recent budget constraints, this process has been very slow. Streetlight replacement and maintenance may be a candidate for the DBFO model with a private company responsible for replacing and maintaining all of the streetlights over a certain time period with compensation based on 1) the initial replacement of all streetlights and 2) a performance schedule for the ongoing maintenance of streetlights. Similar to the solar power model, cost savings from the increased energy efficiency may be used to fund the annual payments.

c. _Street Maintenance_ – The City is responsible for maintaining approximately 94 miles of roads and alleyways. Currently, there is a backlog of approximately $20 million in street maintenance work that needs to be done to bring all of the City's streets to an "A" level. That amount is in addition to the ongoing costs to keep the streets maintained at their current level. There may be potential for a private company to assume the responsibility for addressing the backlog of street resurfacing and maintaining the City's streets for a fixed annual payment. There would still need to be a certain level of oversight, interaction, and cooperation between the private company and the City with certain required performance measures that must be met. The City may be interested in hearing from private companies that are set up to do this type of work to explore whether or not this type of arrangement is even feasible.

d. _Sewer Pump Station Improvements_ – the City operates a system of sewer pipelines and pump stations that convey sewage from Culver City properties to the Hyperion Sewer System and charges a user fee for the service. The City may explore the possibility of charging a private company with the responsibility for capital improvements, operations, and maintenance of the sewer system. The user fee would be the source of funding for the operating contract.

e. _Parking Meter Operations_ – the City's parking meter infrastructure is in need of a major facelift. Most of the parking meters in the City use older technology, which are more subject to theft, damage, fraud, etc. than the newer meter technologies. Since parking meters generate quantifiable revenue, parking meter operations are a prime candidate for a DBFO structure. Under the DBFO structure, a private company would be responsible for securing financing to replace and upgrade all of the City's parking meters (and possibly install additional meters at the City's direction), replace and upgrade those meters, provide ongoing maintenance on the meters, and collect meter revenue. The meter revenue would be the revenue stream to fund the ongoing contract with the private company for providing all of these services. In addition to the upgraded meters, the City may realize staff savings since all of the parking meter related services (except enforcement, see below) would be contracted out.

f. _Parking Enforcement_ – Currently, the City employs parking enforcement officers to issue citations for parking infractions. Some cities have realized savings by contracting these services to a private company. Enforcement is a key component to making any potential parking meter program successful. With effective enforcement, the meters will generate increased revenue and parking would become more efficient as they would be used for short-term parking, as intended, instead of long-term parking. Depending on the expertise of private industry, this may be added to the meter installation, maintenance and collection activities discussed above, or it may be considered separately.

g. *Parking Structure Construction* – Parking is a major issue in Southern California. For any area to remain vibrant and successful, adequate parking is a must. The Redevelopment Agency had the vision to construct the three downtown parking structures in anticipation of increased use. However, more parking is needed, not just in downtown, but in other areas of the City, particularly the Hayden Tract and Washington/National. Since there is a dedicated revenue stream through daily and monthly parking fees, construction of new parking structures are potential candidates for public private partnerships.

h. *Stormwater Treatment* – Over the last few years, there have been a number of federal and state environmental quality laws enacted that require greatly enhanced regional and local stormwater treatment efforts. These requirements include public outreach, commercial and industrial stormwater inspections, and management of the local NPDES permit program. All of these additional mandates have resulted in increased compliance related costs, which are anticipated to increase significantly as certain compliance deadlines approach. Some cities have established Stormwater Enterprise funds to fund certain stormwater related programs through user charges established through City Council actions. The City currently charges user fees for Local Stormwater Pollution Prevention Plan and Standard Urban Stormwater Mitigation Plan review fees that reviewed and approved annually by City Council. These are currently General Fund user fees. Staff is exploring the possibility of creating an Enterprise Fund specifically for stormwater treatment purposes and expanding the number and scope of stormwater user fees that are charged. There are also capital funds (P-497) currently appropriated to establish a reserve for stormwater related projects that may potentially be rolled into an Enterprise Fund. If consistent fee revenue can be generated, stormwater treatment may also be a candidate for a public-private partnership arrangement.

California's Governor is a proponent of these public-private arrangements and, as part of his Strategic Growth Plan, has a website dedicated to providing real examples of "Performance Based Infrastructure." Many state agencies are currently soliciting opportunities for public private partnerships.

Additionally, the City of Beverly Hills recently used the DBFO model for their reverse osmosis water treatment plant and a 30,000-square-foot public works building. Beverly Hills had been purchasing all of its drinking water from the Metropolitan Water District of Southern California. Beverly Hills was looking for a cost-effective and comprehensive approach to build both a water treatment facility and a much-needed public works facility. They were approached with, and implemented, an all-inclusive integrated water management approach offering seamless services in design, construction, project finance, and operations. The project is funded with water user fees and is the first design-build-finance-operate (DBFO) water facility in California.

In order to get additional information on potential public-private partnership projects, staff will pursue a meeting with a firm specializing in facilitating these types of arrangements. Staff hopes to get some indication as to the feasibility of a public-private partnership in Culver City, especially as it relates to the projects identified above. After meeting with the firm, staff will be in a better position to determine whether this type of partnership may be a possibility in Culver City at this time.

Option 9: *Short-term Options submitted by CCMG*

In addition to the long term ideas submitted by CCMG, a number of short term options were also submitted to cut costs. These options include:

a. *Moratorium on non-self supporting programs* – Place a moratorium on increasing a subsidized City service or creating new programs unless there is a revenue stream that offsets the entire cost of the increase or new program.
b. *Moratorium on non-essential capital projects* – Current capital projects should be reviewed and those projects that are not absolutely necessary should be delayed.
c. *Moratorium on the City's Animal Control Program* – This is a very costly program that will be highly subsidized by the General Fund even with the fees that have been adopted.