



City of Culver City

YEAR-END REPORT AND AUDIT SUMMARY

FOR

**FISCAL YEAR
2020/2021**

CITY OF CULVER CITY
Year-End Report and Audit Summary
Fiscal Year 2020/2021
General Fund and Other City Funds

INTRODUCTION

The purpose of this report is to summarize the City's audited financial results for the year ending June 30, 2021 (FY2020/2021) as reported in the Annual Comprehensive Financial Report (ACFR). The City Charter requires an independent certified public accounting firm to audit the end-of-year financial statements. Vasquez & Company LLP performed the audit of the financial statements for FY2020/2021, the first year of their contract with the City, and issued the opinion that the City's financial statements present fairly, in all material respects, the financial position of the City as of June 30, 2021. This report can be found on pages 1-3 of the ACFR in the Independent Auditor's Report.

The ACFR includes both government-wide financial statements and the more traditional fund-level financial statements. The requirements for the government-wide financial statements are a result of Governmental Accounting Standards Board (GASB) Statement No. 34 which the City implemented in FY2003/2004. Government-wide statements collapse all the various activities of the governmental entity into a single 'snapshot' view, so that the overall financial health and condition of the entity can be more easily understood by investors and other readers of the financial statements. However, this government-wide view does not easily relay to the reader the financial position of those monies where the City has wide discretion versus those where it has little discretion. This information is more easily understood from the traditional fund-level financial statements. For this reason, this report is based on the fund-level financial statements. Those interested in more information on the government-wide financial statements should refer to Management's Discussion and Analysis on pages 5 through 21 of the ACFR.

The City, like other state and local governments, uses fund accounting to maintain control over resources for the purpose of carrying on specific activities and attaining certain objectives in accordance with special regulation, restrictions, or limitations. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for functions that are principally supported by taxes and intergovernmental revenues, and are further categorized into special

revenue funds, capital projects funds, debt service funds and the General Fund. Special revenue funds account for specific revenue sources for specified purposes for non-capital projects. Capital projects funds are used for capital outlays such as facilities and infrastructure improvements. Debt service funds account for the issuance and repayment of debt. The City maintains 25 individual active governmental funds and has no active debt service funds. All other governmental activities that are not restricted or committed for specified purposes, as mentioned above, are accounted for in the General Fund. The General Fund is the City's operating fund that includes functions such as Police, Fire, Parks & Recreation, Public Works, and other general governmental activities. The General Fund offers the City Council the most discretion.

Proprietary funds account primarily for functions that are intended to recover all or a significant portion of their costs through user fees and charges. There are two types of proprietary funds:

- Enterprise funds are considered business-type activities that include the Culver City Bus Line, Culver City Fiber Network, the refuse (solid waste) utility and the sewer utility.
- Internal service funds are established to provide goods or services to other funds and to allocate shared internal costs among the City's various functions in connection with self-insurance costs, vehicle operations and maintenance, equipment/vehicle replacement and central stores activities.

This report reflects the actual and audited results for FY2020/2021.

GENERAL FUND

General Fund Overview

The General Fund resulted in a net increase of \$6.4M in FY2020/2021 with revenues and transfers-in exceeding expenditures and transfers-out. Amid a surge in Delta and Omicron variant COVID-19 cases, concerns related to supply chains, the global parts shortages, record-high consumer prices, and labor issues, the City took action to make significant budget cuts, eliminated OPEB pre-funding, eliminated the equipment and vehicle replacement allocation to the General Fund, and minimized new General Fund capital projects. Culver City has a relatively diverse and strong economy and the City's business community is comprised of a diverse collection of businesses ranging from traditional retail and manufacturing to a major film studio. Despite the dire economic predictions related to the pandemic, revenues in certain sectors experienced a faster recovery and exceeded budget expectations.

Revenue Detail

Total revenues for the year were \$131M, which was \$23M more than the amount budgeted. The increase was a combination of the first \$4.7M allocation of American Rescue Plan Act (ARPA) revenue, stronger Sales Tax and Business Tax revenues, and increased Real Property Transfer Tax receipts from the implementation of Measure RE, which took effect on April 1, 2021.

GENERAL FUND REVENUES					
	2019-20	2020-21	2020-21	% RECEIVED	BUDGET VARIANCE
	ACTUALS	ADJUSTED BUDGET	ACTUALS		
Property Tax	10,251,499	10,711,068	11,830,949	110.46%	1,119,881
Sales Tax	19,524,760	20,432,030	22,441,130	109.83%	2,009,100
Measure Y	9,149,608	9,138,000	10,193,555	111.55%	1,055,555
Measure C	4,481,941	4,469,000	4,709,783	105.39%	240,783
Public Safety Sales Tax (PSAF)	450,634	445,000	486,429	109.31%	41,429
Business Tax	14,599,849	9,525,000	15,896,464	166.89%	6,371,464
Franchise Tax	1,435,516	1,740,000	2,298,715	132.11%	558,715
Real Prop Trans Tax	4,067,119	5,550,000	8,533,467	153.76%	2,983,467
UUT - Electricity	6,413,805	5,796,675	6,577,145	113.46%	780,470
UUT - Gas	1,110,960	944,290	1,200,734	127.16%	256,444
UUT - Water	1,598,975	1,260,000	1,702,834	135.15%	442,834
UUT - Telecommunications	3,435,047	3,048,131	2,862,005	93.89%	-186,126
UUT - Cable TV	770,852	740,018	842,076	113.79%	102,058
TOT	6,319,491	2,500,000	3,072,515	122.90%	572,515
Comm/Ind Dev Tax	2,750,778	400,000	391,788	97.95%	-8,212
Licenses & Permits	6,129,732	3,924,670	3,266,410	83.23%	-658,260
Intergovernmental	6,094,042	6,098,785	11,390,216	186.76%	5,291,431
Charges for Services	9,821,535	8,021,324	8,043,400	100.28%	22,076
Fines & Forfeitures	4,478,030	2,302,500	3,562,963	154.74%	1,260,463
Use of Money & Prop	3,710,587	1,384,248	3,090,696	223.28%	1,706,448
Cost Allocation Successor Agency	280,000	650,000	650,000	100.00%	0
Other Revenue	608,293	677,270	410,970	60.68%	-266,300
Total GF Revenue - ACFR	\$117,483,054	\$99,758,009	\$123,454,244	123.8%	\$23,696,235
Other: Transfers In & Sale of property	5,671,678	3,142,225	2,717,326	86.48%	-424,899
Admin Cost Allocation Interfund	4,649,342	4,779,932	4,779,932	100.00%	0
TOTAL GF Revenue	\$127,804,074	\$107,680,166	\$130,951,502	121.6%	\$23,271,336

Table 1

➤ Sales Tax and Measure CC and C receipts were more than budgeted by \$3.3M, or 109.7%. The increase resulted largely from on-line general consumer goods and allocations reported through the state and county pools. Auto-transportation receipts gained strength in the final quarter of the fiscal year. Restaurant and hotel payments still struggled with the impacts of the pandemic.

- Property Tax receipts finished the year higher than budgeted by \$1.1M, or 110.5%. Driving the overall increase was the property tax increment from the former Redevelopment Agency, which increased by \$2.1M. The City's property tax revenue decreased by \$0.6M resulting from adjustments imposed by the County of Los Angeles.
- Business License Tax was \$15.9M, or 166.9% of the adjusted budget. It was anticipated that Business Tax receipts would be lower due to many businesses being closed and other businesses experiencing large reductions to their gross receipts during the pandemic. Fortunately, Business Tax revenue recovered more quickly. The increase was also helped by Cannabis business tax receipts of \$1.7M, which represent an increase of \$1.4M, or 503%, over the prior fiscal year.
- Real Property Transfer Tax was \$8.5M, or 153.8% over the revised budget. The increase resulted from higher sales of residential properties fueled by record low mortgage rates and the implementation of Measure RE which took effect on April 1, 2021.

At the November 3, 2020 election, Culver City residents voted to approve Measure RE. Measure RE established a marginal tax rate with four brackets, based on sales price or value, for the City's real estate transfer tax effective April 1, 2021. This marginal tax adds 1.5% on amounts from \$1,500,000 to \$2,999,999, 3% on amounts from \$3,000,000 to \$9,999,999, and 4% on amounts \$10,000,000 and above. Measure RE would not apply to sales under \$1,500,000, affordable housing, and first transfer of new multi-family properties.

- Intergovernmental revenue was \$11.4M, or 186.8% of the revised budget. The increase was due to the first of two \$4.7M allocations of American Rescue Plan Act (ARPA) revenue. The second allocation will be received in FY2021/2022.
- Charges for Services were \$8M, or 100.3% of the budget. Charges for Services are comprised of fees and charges ranging from recreation, police to plan check fees. As COVID-19 infections continued, this category experienced a significant decrease as many programs operated at reduced levels.

- Transient Occupancy Tax receipts were \$3.1M, or 122.9% of the revised budget. While slightly stronger than the very conservative budget projections, this reflects a 51.6% deterioration from the prior year. TOT revenues were down by \$3.2M from FY2019/2020 due to the COVID-19 pandemic and related travel restrictions and shutdowns.
- Use of money & property decreased by \$0.6M from the prior fiscal year. This net decrease was a combination of several factors including a sharp decline in interest rates for the Local Agency Investment Fund (LAIF), the year-end GASB 31 journal entry to account for the fair market value of investments held by governmental external investment pools, and increases in returns on the City's pension and OPEB prefunding accounts. The decline in LAIF interest rates also reduced the amount of interest due on the working capital loan from the Fiber Network Fund.
- Commercial/Industrial Development Tax was \$0.4M, or 98% of the adjusted budget. In any given year, this revenue category rises and falls depending on development projects within the City. Most commercial development came to a standstill during the COVID-19 lockdowns.
- License and Permits were \$3.3M, or 83.2% of the budget. There were declines in building, electrical and plumbing permits due to the COVID-19 pandemic.

Expenditure Detail

The General Fund expenditures totaled \$124.6M, \$3.7M less than budgeted. A significant portion of the budget savings was due to reduced Operating and Maintenance (O&M) expenditures in the amount of \$4.1M. There was \$5.2M in encumbrances for purchase orders and contracts that were not completed in FY2020/2021. The total \$5.2M was carried forward into FY2021/2022 as shown in the FY2020/2021 Fund Balance classification. (See Table 4 on page 8.)

GENERAL FUND EXPENDITURES					
	2019-20	2020-21	2020-21		BUDGET
	ACTUALS	ADJUSTED BUDGET	ACTUALS	% EXPENDED	VARIANCE
Personnel Costs	87,325,306	94,045,142	94,634,298	100.63%	-589,156
Operating O&M	28,053,005	28,306,369	24,246,447	85.66%	4,059,922
Capital	900,150	391,445	281,223	71.84%	110,222
Total GF Expenditures - ACFR	\$116,278,461	\$122,742,956	\$119,161,968	97.08%	\$3,580,988
Other: Transfers Out	26,521	730,370	619,000	84.75%	111,370
Admin Cost Allocation Interfund	4,649,342	4,779,932	4,779,932	100.00%	0
TOTAL GF Expenditures	\$120,954,324	\$128,253,258	\$124,560,900	97.12%	\$3,692,358

Table 2

GENERAL FUND EXPENDITURES					
	2019-20	2020-21	2020-21		BUDGET
	ACTUALS	ADJUSTED BUDGET	ACTUALS	% EXPENDED	VARIANCE
Administration	1,349,724	1,421,822	1,445,278	101.65%	-23,456
City Attorney	2,238,122	2,420,321	2,272,163	93.88%	148,158
Finance	4,048,022	4,394,002	4,272,765	97.24%	121,237
Human Resources	1,941,018	2,106,122	1,961,248	93.12%	144,874
Information Technology	3,594,254	3,677,626	3,828,863	104.11%	-151,237
Parks, Recreation & Community Svcs.	8,783,455	9,339,313	8,268,396	88.53%	1,070,917
Police	44,069,062	45,865,897	44,078,619	96.10%	1,787,278
Fire	24,226,486	25,908,731	25,967,335	100.23%	-58,604
Community Development	9,803,786	11,462,511	8,969,068	78.25%	2,493,443
Public Works	13,063,006	13,813,902	12,891,303	93.32%	922,599
Capital	0	117,111	281,223	240.13%	-164,112
Non-Departmental	3,161,525	2,215,598	4,925,707	222.32%	-2,710,109
Total GF Expenditures - ACFR	\$116,278,461	\$122,742,956	\$119,161,968	97.1%	\$3,580,988
Other: Transfers Out	26,521	730,370	619,000	84.75%	111,370
Admin Cost Allocation Interfund	4,649,342	4,779,932	4,779,932	100.00%	0
TOTAL GF Expenditures	\$120,954,324	\$128,253,258	\$124,560,900	97.1%	\$3,692,358

Table 3

As the COVID-19 pandemic continued, the City Manager directed all Departments to make significant budget cuts. Expense containment measures included elimination of OPEB prefunding, elimination of the equipment and vehicle replacement allocation to the General Fund, and reduction of new General Fund funded capital projects.

Also, it should be noted that the FY2020/2021 Revised Budget of \$128.3M included the addition of some much-needed capital projects and operational costs to address the growing needs of the City. The City cannot continue to operate efficiently and serve the community on a long-term basis at the current reduced expenditure levels.

Overall, the General Fund expenditures came in at 97.1% of the amount budgeted, and there was a \$6.4M net increase to the FY2020/2021 Fund Balance. The ending fund balance was \$108.8M. (See Table 4 below for a detailed classification of the fund balance.)

	General Fund
Nonspendable	
Notes receivable	\$ 86,098
Advances to other funds	14,680,229
Total nonspendable	<u>14,766,327</u>
Restricted	
Road construction	-
Housing authority	-
Public safety	-
Other purposes	-
Redevelopment	-
Street maintenance	-
Equipment purchases	-
Construction of capital assets	-
Community development	-
Pension trust	13,875,468
Total restricted	<u>13,875,468</u>
Committed	
Contingency	39,743,416
Facility Planning	11,631,606
Recreation facilities	1,626,651
Total committed	<u>53,001,673</u>
Assigned	
Encumbered contracts	5,234,293
Total assigned	<u>5,234,293</u>
Unassigned	<u>21,930,270</u>
Total fund balance	<u>\$ 108,808,031</u>

Table 4

The City was able to end FY2020/2021 with a small surplus due to the timely responsiveness of staff to cut costs. As the City navigates through the next fiscal year, the FY2021/2022 revenues for TOT, Charges for Services, Commercial/Industrial Development Taxes, Licenses and Permits, and Fines/Forfeitures will need to be closely monitored as those revenues declined in FY2020/2021.

ENTERPRISE FUND SUMMARY

The table below summarizes the financial results for the City's four enterprise funds:

	Beginning Net	Revenues &	Expenses &	Ending Net	Unrestricted Net
Funds	Assets as restated	Transfers in	Transfers Out	Assets	Assets
Refuse Disposal	-5,961,727	16,147,998	15,438,560	-5,252,289	-7,507,669
Municipal Bus Lines	18,778,380	31,625,911	27,741,047	22,663,244	-13,005,952
Sewer Enterprise	46,778,571	10,111,295	8,737,151	48,152,715	22,389,770
Municipal Fiber Network	-6,193,012	2,612,865	2,102,185	-5,682,332	-18,203,175

Table 5

The Refuse Disposal Fund revenues exceeded expenses by \$0.7M, or 11.9% during the year. The overall negative net asset position continues to be affected by pension and OPEB liabilities totaling \$11.4M. This situation is expected to continue until the long-term amortization of the net pension and OPEB liabilities is substantially complete.

The Municipal Bus Lines Fund revenues surpassed expenses by \$3.9M, 20.7%, due to the receipts of \$6.25M of Coronavirus Aid, Relief and Economic Security (CARES) and \$6.0M of Coronavirus Response and Relief Supplemental Appropriations (CRRSA) funds. The net pension and OPEB liabilities were \$29.5M, which impacts the ending net assets total. This situation is expected to continue until the long-term amortization of the net pension and OPEB liabilities is substantially complete.

The Sewer Enterprise Fund revenues exceeded expenses by \$1.4M during the year. This fund has pension and OPEB liabilities of \$2.3M. It is less impacted by these liabilities due to the low number of staff members allocated to this fund. The \$48.2M in ending net assets is high due to significant projects that are underway to improve or replace components of the sewer system.

The construction for the Municipal Fiber Network (Culver Connect) backbone was completed, and the construction for network laterals continued. The funding for this

project was provided through a loan from the General Fund to design and construct an open access network where Internet Service Providers will utilize the City’s fiber infrastructure to service the business community. This fund generated operating revenues of \$2.6M, which is an increase of \$2.4M over the prior fiscal year.

INTERNAL SERVICE FUND

The table below represents the financial results for the City’s four internal service funds:

	Beginning Net	Revenues &	Expenses &	Ending Net	Unrestricted Net
Funds	Assets	Transfers in	Transfers Out	Assets	Assets
Equipment Replacement	17,444,789	1,038,628	2,494,362	15,989,055	7,287,511
Equipment Maintenance	-11,142,885	7,020,143	7,775,263	-11,898,005	-11,930,825
Risk Management	-14,995,082	11,484,224	12,254,571	-15,765,429	-15,765,429
Central Stores	0	1,512,212	1,512,212	0	0

Table 6

The Equipment Replacement Fund is used to amortize and replace City equipment, primarily vehicles. The expenses can vary significantly from year to year based on what equipment is being replaced.

The purpose of the Equipment Maintenance Fund is to allocate the repair and maintenance charges of the City’s fleet to the departments where the vehicles are in service. During FY2020/2021, expenses exceeded revenues by \$0.8M. The net pension and OPEB liabilities were \$10M. Unrestricted net position will remain negative until the long-term amortization of the net pension and OPEB liabilities is substantially complete.

The Risk Management Fund has historically carried a negative fund position. In addition to actual expenses paid out for claims, judgments, attorneys, insurance premiums, etc., the fund records the actuarial estimates for future claims and judgments as an expense. The City is not in a financial position to fully fund future estimated claims. Therefore, this fund will continue to remain in an overall negative position and will need to continue to rebuild its cash flows to be in line with the City’s reserve policy.

The Central Stores Fund accounts for the certain inventory items that are used by departments where it is more economical to purchase in bulk and distribute the items as needed. Much of the inventory carried supports the equipment maintenance function. Items are purchased and then allocated (‘sold’) to the department that uses them. The fund ended the year with a zero balance as the annual expenses for items

issued for use were fully billed out to the user departments.

SPECIAL REVENUE FUND SUMMARY

The City currently utilizes twenty special revenue funds to account for earmarked revenue sources for designated functions. The monies accounted for in these funds are not available for discretionary City funding.

All special revenue funds ended the year with a positive or zero fund balance except for the Operating Grants Fund and the Paratransit Fund. The negative fund balance in these funds was due to timing issues with grant reimbursements.

The table below represents the summarized financial activity for the various special revenue funds. Descriptions of each fund are included below.

Funds	Beginning Fund Balance	Revenues & Transfers in	Expenditures & Transfers Out	Ending Fund Balance
Gas Tax	2,268,842	1,612,094	631,749	3,249,187
Prop A Local Return	1,003,705	796,639	721,022	1,079,322
Prop C Local Return	1,096,202	667,450	538,658	1,224,994
Measure R Local Return	387,233	501,570	479,495	409,308
Operating Grants	-712,507	775,570	900,578	-837,515
Section 8 Housing	1,265,555	1,529,495	1,769,724	1,025,326
Art in Public Places	3,475,303	345,124	392,423	3,428,004
Community Development	950,730	-1,726	0	949,004
CDBG	0	33,247	33,247	0
Special Assessment	499,639	77,523	24,743	552,419
Park Facilities	1,489,909	178,967	532,713	1,136,163
Asset Seizure	888,478	36,416	29,565	895,329
Parking Authority	13,991,320	3,459,587	3,089,930	14,360,977
Safe/Clean Water Protection	9,199,064	5,567,547	5,557,397	9,209,214
Building Surcharge	1,068,116	179,487	426,747	820,856
Paratransit	-19,311	210,832	251,090	-59,569
Measure M Local Return	1,590,821	578,860	0	2,169,681
AQMD	241,957	64,768	36,000	270,725
Board of State Community Correction	118,094	254,398	178,868	193,624
CC Housing Authority	412,749,36	542,233	2,513,907	39,303,262

Table 7

Gas Tax Fund is used to account for state gasoline taxes received by the City. These funds may be used for street maintenance, right-of-way acquisition and street construction.

Proposition A Local Return Fund is used to account for Proposition A funds received from the state. Proposition A funds are voter approved local sales taxes for transportation-related activities. Proposition A, approved by voters in 1980, is a one-half of one percent (0.5%) tax on retail sales in Los Angeles County. The collection of this tax is administered by the County, which returns twenty five percent (25%) of the collections to cities within the County. The balance of Proposition A tax funds is used for rail development (35%) and discretionary purposes (40%). Almost the entire discretionary portion is used to fund bus service provided by Metro and 16 other municipal bus operators within the County, including Culver City Municipal Bus Lines.

Proposition C Local Return Fund is used to account for Proposition C funds received from the state. Proposition C, approved by voters in 1990, is an additional one-half percent (0.5%) tax on retail sales in Los Angeles County. Proposition C funds are allocated to the construction and operation of the bus transit and rail system (40%), expansion of rail and bus security (5%), construction of commuter rail transit centers, park and ride lots, and freeway bus stops (10%), and other transit related improvements to freeways and state highways (25%). Each year more than \$1 billion dollars is generated in local transportation revenue.

Measure R Local Return Fund is to account for Measure R funds and is used to fund new transportation projects and programs. Measure R is a one-half cent (0.5%) sales tax approved by Los Angeles County voters in November 2008. The Transportation and Public Works departments utilize most of this funding.

Operating Grants Fund is used to account for operating grant funds resulting from the City's federal, state, and local operating grants, and the qualified expenditures of these restricted funds.

Section 8 Housing Fund is used to account for assistance provided by the Federal government dedicated to sponsoring subsidized housing for low-income families and individuals. The Housing Division in the Community Development Department is responsible for managing and administering the City's Section 8 Housing Choice Voucher Program (HCVP) to provide rental subsidies for qualified low-income households.

Art in Public Places Fund is used to account for the “Art in Public Places” program. The revenues for this Fund come from developer in-lieu fees.

Community Development Fund is used to account for funds received from new development impact fees collected on non-residential construction in excess of 5,000 square feet. These fees may only be used to fund street improvements, traffic controls and traffic management projects.

CDBG Fund is used to account for Community Development Block Grant (CDBG) funds, and the qualified expenditures of these restricted funds for administrative expenditures such as personnel costs.

Special Assessment Fund is used to account for benefit assessment district funds received from homeowners for special landscaping services of certain properties within the City.

Park Facilities Fund is used to account for funds received from development impact fees assessed on subdivision/residential development. These fees may be used for the improvement and expansion of public parks and park facilities throughout the City.

Asset Seizure Fund is used to account for funds received from federal and local seized and forfeited properties. Such funds may be used for the detection and prevention of criminal activity, and the apprehension of criminals through Drug Abuse Resistance Education (D.A.R.E.), and other law enforcement programs.

Parking Authority Fund is used to account for the operations of the Culver City Parking Authority, which currently includes the Cardiff Parking Structure. These funds may be used for parking related operations and infrastructure improvements.

Safe/Clean Water Protection Fund is used to account for all activities associated with the mitigation and clean-up of urban water runoff.

Building Surcharge Fund is used to account for funds received from a four percent (4%) surcharge on certain development related permit fees. The surcharge is used by the City to fund digital imaging and storage of plans and documents, and technology improvements and maintenance to enhance customer service.

Paratransit Fund is used to account for the portion of sales tax to be used to transport seniors and people with disabilities.

Measure M Local Return Fund is used to account for Measure M funds. Measure M is a one-half cent (0.5%) sales tax approved by Los Angeles County voters in November 2016 and is to be used to fund new transportation projects and programs. The Transportation and Public Works departments utilize most of this funding.

AQMD Fund is used to account for funds received from the Air Quality Management District for air quality planning, monitoring, and stationary source and facility permitting. Funds are also used to offset costs for alternative fuel vehicle and equipment purchases.

Board of State and Community Correction Fund is used to account for funds received for the Youth Reinvestment Grant Program. The City acts as a pass-through agency to fund the development of a youth diversion program which provides Culver City youth facing expulsion and/or arrest with an individualized care plan to include arrest alternatives and educational and mental health services.

Housing Authority Fund is used to account for the assets and liabilities of the Low/Moderate Income Housing Fund of the dissolved Culver City Redevelopment Agency. These funds may be used only for qualified low/moderate income housing projects and programs.

CAPITAL PROJECTS FUND SUMMARY

The table below represents the summary financial activity for the City's four capital projects funds. Descriptions of each fund are included below. The Capital Improvement Grants Fund and the CDBG Capital Fund ended the year with a negative fund balance, due to timing issues with grant reimbursements.

	Beginning Fund	Revenues &	Expenditures &	Ending Fund
Funds	Balance	Transfers in	Transfers Out	Balance
Cooperative Projects	8,053,637	103,908	2,943	8,154,602
Capital Improvement Grants	-3,279,706	5,933,105	10,463,825	-7,810,426
Capital Improvement & Acquisition	2,909,759	1,248,445	2,411,872	1,746,332
CDBG Capital	0	0	298,858	-298,858

Table 8

Cooperative Projects Fund is used to account for former Redevelopment Agency unrestricted tax increment funds. These assets (primarily land held for resale) were transferred to the City under the 2011 Cooperation and Implementation Agreement (Agreement) and may only be used for qualified capital projects identified in the Agreement.

Capital Improvement Grants Fund is used to account for grant funds awarded to the City by federal, state, and local grant agencies for capital improvements, and the qualified expenditure of these restricted funds.

Capital Improvement and Acquisition Fund is used to account for capital projects that are not otherwise funded by a special revenue fund or other specifically identified by the source of funding. Project funding is mainly from general revenues allocated by action of the City Council.

CDBG Capital Fund is used to account for Community Development Block Grant (CDBG) funds, and the qualified expenditures of these restricted funds for capital improvement projects.

CONCLUSION

The General Fund finished the FY2020/2021 with positive operating financial results, with total revenues exceeding total expenditures by \$6.4M. Also, O&M costs were less than budgeted by \$4.1M.

Pursuant to the updated financial policies adopted by the City Council in FY2013/2014, thirty percent (30%) of the adopted operating budget for the General Fund is to be reserved for future contingencies and emergencies. The financial policies also call for forty percent (40%) of any surplus, after meeting the future contingencies requirement, to be set aside in a Facilities Planning Reserve for the future replacement or improvements of City facilities. Lastly, the updated financial policies call for ten percent (10%) of specific parks and recreation revenues to be set aside for the improvement of recreational facilities. Accordingly, \$53M was committed to those purposes at the end of FY2020/2021. Use of any of these reserves requires specific City Council action. Beyond these required reserves, there is \$21.9M remaining in unassigned General Fund reserves as of June 30, 2021.

The City has been proactive in its response to the economic conditions and has successfully implemented measures to improve its fiscal position. The voters approved a one-half cent local sales tax Measure Y on November 6, 2012, with the

effective date of April 1, 2013, and extended it another ten years as Measure CC until 2033. The voters also approved an additional quarter-cent sales tax Measure C on November 6, 2018 with the effective date of April 1, 2019. In November 2020, the voters passed Measure RE with the effective date of April 1, 2021, which is expected to generate an average of \$6M a year.

In FY2020/2021, the net investment return of CalPERS increased to 21.3%, which triggered CalPERS to reduce the discount rate from 7.5% to 7%. This lower discount rate reduces risk and stabilizes the pension fund but results in higher contribution rates for employers. Despite the tax-exempt Section 115 Trust and the OPEB Trust established to address the unfunded pension and OPEB liabilities respectively, the City continues to face steep increases in pension, health care and workers' compensation costs.

Due to persistent inflation, disruptions associated with Delta and Omicron COVID-19 variants, concerns related to supply chains, product shortages and labor issues, the City will need to continue to take necessary measures to ensure its continued financial stability.