



City of Culver City

YEAR-END REPORT AND AUDIT SUMMARY

FOR

**FISCAL YEAR
2019/2020**

**CITY OF CULVER
CITY
Year-End Report and
Audit Summary Fiscal
Year 2019/2020
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, 2020 (FY2019/2020) as reported in the Comprehensive Annual Financial Report (CAFR). The City Charter requires an independent certified public accounting firm to audit the end-of-year financial statements. The Pun Group, LLP performed the audit of the financial statements for FY2019/2020, the fifth 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, 2020. This report can be found on pages 1-3 of the CAFR in the Independent Auditor's Report.

The CAFR includes both government-wide financial statements, as well as 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 FY03-04. The idea behind government-wide statements was to 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 could 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 19 of the CAFR.

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 are to account for specific revenue sources for specified purposes for non-capital

projects while 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 general governmental activities and 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 and internal service 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 is on the actual results for FY2019/2020.

GENERAL FUND

General Fund Overview

The General Fund resulted in a net increase of \$6.8M in FY2019/2020 with revenues and transfers in exceeding expenditures and transfers out. It should be noted that a significant portion of this net increase was from implementing a hiring freeze of 31.5 vacant positions, eliminating all nonessential purchases, eliminating \$4.4M of OPEB pre-funding, and cancelling a total of \$8M in capital improvement projects, which allowed the City to transfer \$2.9M of unspent funds from the Capital Improvement Fund back to the General Fund. 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 businesses to a major film studio. However, the fast-advancing COVID-19 infection brought our economy to a screeching halt in the year as non-essential businesses could operate with limited capacity and public schools in Los Angeles County were closed under the "Safer at Home" emergency order. Consequently, the local economy directly experienced a significant budget shortfall in Sales Tax, Charges for Services, and Transient Occupancy Tax.

Revenue Detail

Total revenues for the year were \$127.8M, which was \$2.8M, or 2.2% below the amount budgeted. Council may recall, during the Mid -Year presentation in the early part of March

2020, Finance Staff indicated that the budget projection of \$130.6M in revenues did not include the impact of COVID-19 because it was unknown at that time.

After March 2020, Finance completed a Ten-Year Forecast, which included updated projections for FY 2019/2020. The Forecast for estimated General Fund Revenues was \$109.6M and actual revenues received through June 2020 were 116.6% of the forecast.

The most significant revenue shortfalls were in Sales Tax (including Measure C & CC), Charge for Services and TOT which came to a total shortfall of \$8.5M. This shortfall was offset by a transfer in of \$2.4M from the Capital Improvement Fund and other General Fund Revenues, such as Business License, Property Tax, Property Transfer Tax, and Use of Money & Property (Interest Income) that did well despite the impacts of COVID.

GENERAL FUND REVENUES					
	2018-19	2019-20	2019-20	% RECEIVED	BUDGET VARIANCE
	ACTUALS	ADJUSTED BUDGET	ACTUALS		
Property Tax	9,854,248	9,670,647	10,251,499	106.01%	580,852
Sales Tax	21,339,873	21,650,000	19,524,760	90.18%	-2,125,240
Measure Y	9,477,458	10,050,000	9,149,608	91.04%	-900,392
Measure C	1,122,469	5,025,000	4,481,941	89.19%	-543,059
Public Safety Sales Tax (PSAF)	463,082	451,000	450,634	99.92%	-366
Business Tax	13,991,391	14,108,000	14,599,849	103.49%	491,849
Franchise Tax	1,412,810	1,425,000	1,435,516	100.74%	10,516
Real Prop Trans Tax	3,634,569	3,250,000	4,067,119	125.14%	817,119
UUT - Electricity	6,028,996	6,568,000	6,413,805	97.65%	-154,195
UUT - Gas	1,062,075	1,000,000	1,110,960	111.10%	110,960
UUT - Water	1,548,403	1,550,000	1,598,975	103.16%	48,975
UUT - Telecommunications	3,709,096	3,550,000	3,435,047	96.76%	-114,953
UUT - Cable TV	825,076	850,000	770,852	90.69%	-79,148
TOT	8,551,849	8,650,000	6,319,491	73.06%	-2,330,509
Comm/Ind Dev Tax	2,668,453	2,650,000	2,750,778	103.80%	100,778
Licenses & Permits	7,109,022	6,171,258	6,129,732	99.33%	-41,526
Intergovernmental	5,617,948	5,863,934	6,094,042	103.92%	230,108
Charges for Services	11,383,916	12,380,251	9,821,535	79.33%	-2,558,715
Fines & Forfeitures	5,469,742	5,368,500	4,478,030	83.41%	-890,470
Use of Money & Prop	3,218,803	1,538,682	3,710,587	241.15%	2,171,905
Cost Allocation Successor Agency	650,000	280,000	280,000	100.00%	0
Other Revenue	565,268	643,675	608,293	94.50%	-35,382
GENERAL FUND -CAFR	\$119,704,547	\$122,693,947	\$117,483,054	95.8%	(\$5,210,893)
Other - Transfers	2,733,984	3,293,394	5,671,678	172.21%	2,378,284
Admin Cost Allocation Interfund	4,070,353	4,649,342	4,649,342	100.00%	0
TOTAL GENERAL FUND	\$126,508,884	\$130,636,683	\$127,804,074	97.8%	(\$2,832,609)

Table 1

- Sales Tax, Measure Y and Measure C receipts were less than budgeted by \$3.6M, or 9.7%. Most of the Sales Tax revenues were generated in the first three quarters of FY 2019/2020. Sales Tax Revenues through March 2020 were in line with the adjusted budget; however, staff has seen decreased tax revenues during the fourth quarter of the fiscal year

because of COVID-19. Sales Tax revenues received for the month of June 2020 was down by 24% and Measure Y revenues were down by 15% compared to the month of June 2019.

During the March 2020 election, the City was successful in having the sunset date of Measure CC (formerly Measure Y), the City's ½ Transaction Tax, extended by another ten years.

- Business License Tax (excluding penalties and late fees) was \$14.6M or 103.4% of the adjusted budget. Receipts came in stronger than anticipated for the year and were based on sales activity of the prior calendar year. Staff found that businesses that were seeking funding through the CARES act were required to show they had an active business, which encouraged many unlicensed businesses to come in and acquire their license and licensed businesses to pay their renewals. It should be noted; however, that the City will likely see a significant reduction in this category for FY 2020/2021 when the Business Tax is calculated based on calendar 2020 business sales.
- Property Tax receipts finished the year slightly higher than budgeted by \$0.6M, or 6.1%, largely due to improved assessed valuations.
- Real Property Transfer Tax was \$4.06M or 125% over the Revised Budget. Based on the preliminary estimates, Real Property Transfer Tax exceeded budget due in large part to four properties that were sold during the fiscal year, each valued over \$30M.

At the November 3, 2020 election, Culver City residents voted to approve Measure RE. Measure RE establishes 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 will add 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. It is anticipated that this tax will provide the City with an additional revenue of \$6,000,000 or more annually.

- Charges for Services were below budget by \$2.6M, or 20.7%. Charges for Services category is comprised of a variety of revenues ranging from recreation fees to police services and plan checks. This category experienced the most significant decreases due to the COVID-19 pandemic. There was very little recreation related activities during the fourth quarter of the fiscal year, which resulted in decreases in meeting room rentals, after school programs, classes, recreation permits, etc. Plan checks fees were also \$2.3M below the revised budget.

- Transient Occupancy Tax suffered significantly this year with \$2.3M less than budgeted, or 26.9%. TOT revenues were down by 67% in the month of June 2020 compared to June 2019 and down by 75% in the last quarter of FY 2019/2020 compared to last quarter of FY 2018/2019. Due to the prolonged length of quarantining at home and reduced air travel, TOT receipts have been negligible, and it is possible there will not be significant TOT revenues collected until the beginning of calendar year 2021.
- Use of money & property increased \$0.5M from the prior year due to investment returns on the tax-exempt Section 115 Trust, interest income, income from rental of city property and interest received on the working capital loan to the Fiber Network Fund.

Expenditure Detail

The expenditures for FY2019/2020 totaled \$121M, \$23.7M less than budgeted. A significant portion of the savings was due to reduced Personnel and O&M expenditures (\$10M and \$9.3M respectively), which exceeded the estimated personnel vacancy & O&M savings of \$3.8M (see Table 2). There was \$5.7M in encumbrances which represent purchase orders and contracts that were not completed in FY 2019/2020. The total \$5.7M was carried over into FY 2020/2021 and shown as “assigned” in the FY 2019/2020 Fund Balance classification.

GENERAL FUND EXPENDITURES					
	2018-19	2019-20	2019-20		BUDGET
	ACTUALS	ADJUSTED BUDGET	ACTUALS	% EXPENDED	VARIANCE
Personnel Costs	86,683,318	97,339,984	87,325,306	89.71%	10,014,678
Operating O&M	27,438,419	37,359,286	28,053,005	75.09%	9,306,281
Capital	279,366	2,157,189	900,150	41.73%	1,257,039
Assumed Vacancy and O&M Savings	0	(3,828,534)	0	0.00%	-3,828,534
GENERAL FUND - CAFR	\$114,401,103	\$133,027,925	\$116,278,461	87.4%	\$16,749,464
Transfers	3,231,785	6,968,444	26,521	0.38%	6,941,923
Admin Cost Allocation Interfund	4,070,353	4,649,342	4,649,342	100.00%	0
TOTAL GENERAL FUND	\$121,703,241	\$144,645,711	\$120,954,324	83.6%	\$23,691,387

Table 2

GENERAL FUND EXPENDITURES					
	2018-19	2019-20	2019-20	% EXPENDED	BUDGET VARIANCE
	ACTUALS	ADJUSTED BUDGET	ACTUALS		
Administration	1,399,623	1,188,921	1,349,724	113.53%	-160,803
City Attorney	1,970,202	2,188,487	2,238,122	102.27%	-49,636
Finance	4,237,768	4,578,675	4,048,022	88.41%	530,653
Human Resources	1,859,181	1,966,379	1,941,018	98.71%	25,360
Information Technology	3,576,385	3,567,313	3,594,254	100.76%	-26,941
Parks, Recreation & Community Svcs.	9,364,497	10,923,389	8,783,455	80.41%	2,139,934
Police	41,951,512	47,646,514	44,069,062	92.49%	3,577,452
Fire	25,075,958	27,630,549	24,226,486	87.68%	3,404,063
Community Development	8,587,471	15,290,537	9,803,786	64.12%	5,486,751
Public Works	12,848,402	15,162,829	13,063,006	86.15%	2,099,823
Non-Departmental	3,530,104	2,884,333	3,161,525	109.61%	-277,192
GENERAL FUND - CAFR	\$114,401,103	\$133,027,925	\$116,278,461	87.4%	\$16,749,464
Transfers	3,231,785	6,968,444	26,521	0.38%	6,941,923
Cost Allocation Interfund	4,070,353	4,649,342	4,649,342	100.00%	0
TOTAL GENERAL FUND	\$121,703,241	\$144,645,711	\$120,954,324	83.6%	\$23,691,387

Table 3

When the COVID-19 pandemic hit, the City Manager directed all Departments to immediately reign-in spending, especially cost related to training, conferences/conventions, special events and capital outlay. A hiring freeze was put in place and required direct approval by the City Manager to fill positions that were deemed essential. Other expense containment measures included elimination of \$4.4M OPEB prefunding, disallowing of all non-essential expenses, cancellation of recreation programs, elimination of the transfer of funds for equipment/vehicle replacement, delaying and canceling of \$8M in General Fund capital projects.

Overall, the General Fund Expenditures came in at 83.6% of budget and there was a \$6.8M increase to the FY 2019/2020 Fund Balance. The ending fund balance was \$102.4M, see Table 4 for a detailed classification of the fund balance.

	General Fund
Nonspendable	
Notes receivable	\$ 1,146,851
Advances to other funds	14,592,455
Total nonspendable	15,739,306
Restricted	
Road construction	-
Housing authority	-
Public safety	-
Other purposes	-
Redevelopment	-
Street maintenance	-
Equipment purchases	-
Construction of capital assets	-
Community development	-
Pension trust	11,193,366
Total restricted	11,193,366
Committed	
Contingency	38,325,834
Facility planning	11,354,301
Recreation facilities	1,691,597
Total committed	51,371,732
Assigned	
Encumbered contracts	5,731,509
Total assigned	5,731,509
Unassigned (deficit)	18,381,515
Total fund balance	\$ 102,417,428

Table 4

The City was able to end FY 2019/2020 in the black due to the timely responsiveness of staff to cut costs. This is a tremendous help to the City as it navigates through the next fiscal year. It is clear FY 2020/2021 revenues for Sales Tax, TOT, Charge for Services, Cannabis, and Fines/Forfeitures will need to be monitored closely.

It should also be noted that the FY 2019/2020 Revised Budget of \$144M included much needed capital projects and operational costs that were budgeted to address the growing needs of the City. The City cannot continue to operate efficiently on a long-term basis at the current reduced expenditure levels.

ENTERPRISE FUND SUMMARY

The table below summarizes the financial results for the City's four enterprise funds for FY2019/2020.

	Beginning Net	Revenues &	Expenses &	Ending Net
Funds	Assets as restated	Transfers in	Transfers Out	Assets
Refuse Disposal	-5,223,750	16,854,471	17,592,448	-5,961,727
Municipal Bus Lines	21,317,209	31,276,397	33,815,226	18,778,380
Sewer Enterprise	44,482,448	11,615,871	9,319,748	46,778,571
Municipal Fiber Network	-3,918,637	952,405	3,226,780	-6,193,012

Table 5

The Refuse Disposal Fund FY 2019/2020 revenues exceeded expenses by \$738K and ended the year with \$3.4M in cash. The fund will need to rebuild its cash flows to be in line with the City's reserve policy. The overall net asset position of the Refuse Disposal Fund continues to be affected by the implementation of GASB 68 (Pension) and GASB 75 (OPEB). The net pension and OPEB liabilities totaling \$11.6M were recorded, causing the net assets to be negative. 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 had expenses exceeding revenues by \$2.5M. Based on the rather unpredictable nature of certain transportation funding sources, it is common to receive grant funding in one fiscal year and see the expenditure recorded in the following fiscal year. The net pension and OPEB liabilities of \$29.4M is recorded which impacts the ending net assets total. This situation is expected to remain until the long-term amortization of the net pension and OPEB liabilities is substantially complete.

The Sewer Enterprise Fund revenues exceeded expenses by \$2.3M during the year. The fund is less impacted by GASBs 68 and 75 due to the low number of staff members in this fund. The \$46.8M 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 is completed and 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 \$0.95M in FY2019/2020. This amount is expected to increase as more contracts are put into place.

INTERNAL SERVICE FUND SUMMARY

The table below represents the financial results for the City's internal service funds for FY2019/2020:

	Beginning Net	Revenues &	Expenses &	Ending Net
Funds	Assets	Transfers in	Transfers Out	Assets
Equipment Replacement	16,931,984	2,624,498	2,111,693	17,444,789
Equipment Maintenance	-10,022,996	8,294,157	9,414,046	-11,142,885
Risk Management	-16,295,557	6,931,203	5,630,728	-14,995,082
Central Stores	0	1,482,191	1,482,191	0

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 out to the departments where the vehicles are in service. During FY2019/2020, expenses exceeded revenues by approximately \$1.1M. The net pension also includes OPEB liabilities totaling \$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 also 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. The fund 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 '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 and Paratransit Funds. 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 the table.

Funds	Beginning Fund Balance	Revenues & Transfers in	Expenditures & Transfers Out	Ending Fund Balance
Gas Tax	991,769	1,677,073	400,000	2,268,842
Prop A Local Return	988,734	822,474	807,503	1,003,705
Prop C Local Return	1,059,905	684,900	648,603	1,096,202
Measure R Local Return	141,717	496,719	251,203	387,233
Operating Grants	-542,042	1,016,142	1,186,607	-712,507
Section 8 Housing	1,231,916	1,686,250	1,652,611	1,265,555
Art in Public Places	2,934,705	1,004,402	463,804	3,475,303
Community Development	734,049	382,752	166,071	950,730
CDBG	0	7,342	7,342	0
Special Assessment	423,567	115,637	39,565	499,639
Park Facilities	1,353,080	345,686	208,857	1,489,909
Asset Seizure	1,130,310	196,883	438,715	888,478
Parking Authority	11,699,399	5,359,689	3,067,768	13,991,320
Safe/Clean Water Protection	8,768,062	2,351,733	1,920,731	9,199,064
Building Surcharge	1,143,235	408,540	483,659	1,068,116
Paratransit	-58,301	336,645	297,655	-19,311
Measure M Local Return	1,006,488	584,333	0	1,590,821
AQMD	0	241,960	3	241,957
Board of State Community Correction	0	257,517	139,423	118,094
CC Housing Authority	42,640,456	443,275	1,808,795	41,274,936

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.

Landscape Maintenance 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 Funds 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 capital projects funds for FY2019/2020. Descriptions of each fund are included below the table. All capital projects funds ended the year with a positive or zero fund balance except for the Capital Improvement Grants Fund. The negative fund balance in the Capital Improvement Grants Fund was due to timing issues with grant reimbursements.

Funds	Beginning Fund Balance	Revenues & Transfers in	Expenditures & Transfers Out	Ending Fund Balance
Cooperative Projects	7,890,446	186,360	23,169	8,053,637
Capital Improvement Grants	-1,447,244	595,141	2,427,603	-3,279,706
Capital Improvement & Acquisition	6,987,384	1,065,081	5,142,706	2,909,759
CDBG Capital	0	0	0	0

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 FY2019/2020 with positive operating financial results, with revenues exceeding expenditures by \$6.8M. Personnel, O&M and capital costs were all less than budgeted by \$10M, or 10.3%, \$9.3M, or 24.9%, and \$1.3M, or 58.3% respectively. In response to the fiscal challenges due to

the COVID-19 pandemic, the City took action to implement a hiring freeze of 31.5 vacant positions, eliminate all nonessential purchases, eliminate \$4.4M of OPEB pre-funding, and cancel a total of \$8M in capital improvement projects, which exceeded in aggregate the budgeted savings of \$3.8M.

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 between revenues and expenditures 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, \$51.4M was committed to those purposes at the end of FY2019/2020. Use of any of these reserves requires specific City Council action. Beyond these required reserves, there is \$18.4M remaining in unassigned General Fund reserves as of June 30, 2020.

The fast-advancing COVID-19 infection brought our economy to a screeching halt as non-essential businesses could operate with limited capacity and public schools in Los Angeles County were closed under the “Safer at Home” emergency order in early 2020. FY2020/2021 is expected to be a challenging year with a tepid GDP growth and slow recovery from the ongoing nature of COVID-19. The General Fund Financial Forecast shows we must continue to remain vigilant about controlling costs due to the known significant increases in pension costs as CalPERS costs are expected to rise from \$24M in FY2019/2020 to \$44M in FY2029-2030. Additionally, CalPERS adopted reductions to the assumed rate of investment returns, which will ultimately increase employer contribution rates further. Per CalPERS, its preliminary investment return was 6.7% for FY2018/2019 vs. 4.7% for FY2019/2020 and despite the establishment of the tax-exempt Section 115 Trust and the OPEB Trust to address the unfunded pension and OPEB liabilities respectively, the updated forecast shows the City likely moving into a substantial deficit situation because of increasing pension and OPEB costs.

The City has been proactive in its response to the economic conditions and has successfully implemented measures. The voters approved a one-half cent local sales tax (Measure Y) on November 6, 2012 with the effective date on 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 as described on page five is expected to generate an average of \$6M a year. The City will need to continue to take necessary measures to ensure its continued financial stability. The General Fund Financial Forecast will be updated and discussed in much more detail during the FY2020/2021 Mid-Year Budget presentation.