



City of Culver City

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Staff Report

File #: 23-1003, **Version:** 1

Item #: PH-1.

CC:SA:HA:PA - PUBLIC HEARING: (1) Adoption of a City Council Resolution Approving and Adopting the Annual Appropriations Limit for Fiscal Year 2023-2024; (2) Adoption of Respective Resolutions Adopting the Fiscal Year 2023-2024 Budget for the City of Culver City, the Successor Agency to the Culver City Redevelopment Agency, the Culver City Housing Authority, and the Culver City Parking Authority; (3) Adoption of a Resolution Approving Salary Schedules for Miscellaneous Employees, Police Safety Employees and Fire Safety Employees Effective July 1, 2023; (4) Adoption of a Resolution Amending City Council Policy Statement 5002 (Financial Policies); and (5) Authorization of the Fiscal Year 2022-2023 Capital Improvement Program Project Completion and Close Out Summary.

Meeting Date: June 12, 2023

Contact Person/Dept: Lisa Soghor/Finance Department

Phone Number: (310) 253-5865

Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☒ No ☐

Attachments Yes ☒ No ☐

Public Notification: (E-Mail) Meetings and Agendas - City Council (06/07/2023)

Department Approval: Lisa Soghor, Chief Financial Officer (06/05/2023)

RECOMMENDATION

Staff recommends (1) the City Council adopt a resolution approving and adopting the Annual Appropriations Limit for Fiscal Year 2023-2024; (2) the City Council and the Boards of the Successor Agency to the Culver City Redevelopment Agency (Successor Agency), Culver City Housing Authority (Housing Authority), and the Culver City Parking Authority (Parking Authority) (collectively, "Boards") adopt respective resolutions approving the Fiscal Year 2023-2024 Budgets for the City of Culver City, Successor Agency, Housing Authority, and Parking Authority; (3) the City Council adopt a resolution approving Salary Schedules for Miscellaneous Employees, Police Safety Employees and Fire Safety Employees effective July 1, 2023; (4) the City Council adopt a resolution amending City Council Policy Statement 5002 (Financial Policies); and (5) the City Council authorize the Fiscal Year 2022-2023 Capital Improvement Program Project Completion and Close Out Summary.

PROCEDURE

- 1) Mayor/Chair seeks motion to receive and file the Affidavit of Publication;
- 2) Mayor/Chair seeks a Motion to open the Joint Public Hearing;
- 3) Mayor/Chair requests a staff report, if desired;
- 4) Mayor/Chair calls for, and the City Council/Boards receive, public testimony;
- 5) Mayor/Chair seeks a Motion to close the Joint Public Hearing;
- 6) City Council adopts resolution approving the Annual Appropriations Limit for Fiscal Year 2023-2024;
- 7) City Council and Boards adopt respective resolutions approving the Fiscal Year 2023-2024 Budgets for the City of Culver City, Successor Agency, Housing Authority, and Parking Authority;
- 8) City Council adopts a resolution approving salary schedules for Miscellaneous Employees, Police Safety Employees, and Fire Safety Employees effective July 1, 2023; and
- 9) City Council adopts a resolution amending City Council Policy Statement 5002 (Financial Policies).

BACKGROUND/DISCUSSION

Annual Appropriation Limit:

In 1979, California voters approved Proposition 4 and created Article XIII B of the State Constitution, a state law that requires the state and local governments to adopt an annual appropriation limit. This limit, also referred to as the “Gann Limit,” establishes a limit on the proceeds of taxes that may be appropriated for spending in a given fiscal year. The limit initially allowed the City’s spending of tax proceeds to increase only by population growth and cost-of-living factors from the base year of 1978-1979.

In June 1990, Proposition 111 was passed which changed the base year to Fiscal Year 1986-1987 and altered the way the limit is calculated. It enabled cities to increase the limit annually in two ways. First, by a percentage equal to the increase from the preceding year in county or city population (whichever is greater); and second by an amount equal to the change in per capita personal income in California or the change in the assessment roll the preceding year due to the addition of local nonresidential new construction (whichever is greater). The calculations also allow for exclusions of certain costs subject to the appropriation limit including but not limited to debt service, qualified capital outlay and the costs of complying with a federal mandate. Based on these guidelines, the City establishes the appropriation limit each fiscal year by resolution.

Fiscal Year 2023-2024 Budget

The City Manager’s/Executive Director’s Proposed Budgets for Fiscal Year 2023-2024 were presented to the City Council and Boards on Monday, May 8, 2023. Since that time, City Council held Special Meetings on May 15 and 16, 2023, to review the associated budget

requests and allow for public input. These meetings were in addition to the opportunities provided to the City's various Commissions, Committees, and Boards to provide input on the City Manager's Proposed Budget.

The City Council also called two Special Meetings in March 2023 to review the work plans of each of the City's Departments and provide an opportunity for additional public input. As a result of this series of meetings, staff has prepared any changes directed by the City Council and incorporated such changes into the budget resolutions presented to the City Council and Boards for approval this evening.

Salary Schedules Effective July 1, 2023

All agencies that are members of CalPERS are required to ensure that pay schedules are publicly adopted and available as prescribed by the California Code of Regulations, Title 2, §570.5 and §571 (b). "Publicly available" is defined as posted at the employer's office or immediately accessible and available for public review. Placing the adopted pay schedules on the employer's internet website meets this requirement. The attached resolutions for Miscellaneous and Safety employees (Attachment 7) reflect all required changes to the salary schedules proposed for Fiscal Year 2023-2024 in accordance with the Memoranda of Understanding (MOUs) submitted for City Council approval on June 12, 2023 for the Miscellaneous bargaining units and the Salary Initiative Ordinance (SIO) adopted by Culver City voters in 1953 for the Safety units.

The Miscellaneous groups, Culver City Employees' Association (CCEA), Culver City Management Group (CCMG), and the Executive Group will receive a 7% cost-of-living adjustment (COLA) per the MOUs submitted for City Council approval on June 12, 2023. The Public Safety groups, Firefighters (FIRE), Fire Management (FMGT), Police Officer's Association (POLC), and Police Management (PMGT) will receive 1.625% per the voter-mandated SIO and previously approved by City Council. Los Angeles County approved MOUs with both the Deputy Sheriff and Fire unions that included a 3.25% increase effective July 1, 2023. Per the terms of the SIO, Culver City Safety groups receive 50% of what Los Angeles County and City of Los Angeles safety groups receive.

City Council Policy Statement 5002 (Financial Policies)

Policy Statement 5002 includes a Financial Reserves Policy section which lays out the maintenance of some portion of funds available to be reserved for future use. The Governmental Accounting Standards Board (GASB) defines five specific classification of fund balance: Non-spendable, Restricted, Committed, Assigned and Unassigned. Committed fund balances are those with a City Council imposed commitment. Policy Statement 5002 currently includes a Contingency Reserve, a Facilities Planning Reserve, and a Recreational Facilities Reserve as part of the Committed fund balances.

Public Safety departments rely upon various pieces of equipment to perform their jobs. This equipment can be expensive and often has a five to ten-year useful life. For example, the Fire

Department maintains automatic chest compression units on each apparatus. This life-safety equipment costs approximately \$20,000 apiece and has a useful life of five years. To better plan for the replacement of this critical safety-related equipment, staff recommends the establishment of a Public Safety Equipment Replacement Reserve. This reserve would be funded at the end of each fiscal year resulting in a General Fund surplus. The method for funding would be according to the following formula:

- If the Contingency Reserve is fully funded, 10% of the remaining surplus amount, but no more than \$1,000,000, shall be placed in the Public Safety Equipment Replacement Reserve, 40% of the remaining surplus amount shall be placed in the Facilities Planning Reserve, and the remainder shall revert to Unassigned fund balance.

An update to Council Policy Statement 5002 is necessary to establish such a reserve. A resolution amending the policy is Attachment 8 and includes the updated Policy as Exhibit A to the Resolution, which includes the following changes:

- A new Subsection C.4 was added to Section VIII Financial Reserves Policy establishing the Public Safety Equipment Replacement Reserve; and
- Subsection 2 of Section IX General Fund Surplus was amended to set forth that 10% of the remaining surplus amount, but not more than \$1,000,000, shall be placed in the Public Safety Equipment Replacement Reserve.

Capital Improvement Program Adjustments

As part of the budget process, staff performed an analysis of some of the non-General Fund funding sources previously allocated to projects in the Capital Improvement Program (CIP) to determine the fund balances available for future operating and capital use. Staff identified 10 CIP projects that were successfully completed under-budget in prior fiscal years with a total of \$348,788 in unspent funds from various non-General Fund funding sources. Staff recommends that Council approve the official closing out of these projects and authorize staff to release the unspent funds to the fund balances for future capital project considerations. Please see Attachment 9 for more detail on the CIP proposed budget adjustments.

FISCAL ANALYSIS

As noted previously, the City calculates the appropriations limit each year as part of the budget process. Based on the City Managers/Executive Director's Proposed Budget for Fiscal Year 2023-2024, the Finance Department has calculated the City's Fiscal Year 2023-2024 Appropriation Limit to be \$138,125,740. The City's Fiscal Year 2023-2024 appropriations from the proposed budget that are applicable to this limit are \$113,805,786, which is \$24,319,953 under the appropriations limit.

The proposed budget presented to City Council in May 2023 for appropriations and revenues was \$337,699,450 and \$328,673,283 respectively. Adjustments to these amounts have been summarized in the tables below by Fund. More detail on these adjustments can be found in

Attachment 3 of the staff report.

The adjustments include items recommended by the City Council at the meetings on May 15, 16 and 22. General Fund adjustments include but are not limited to the addition of \$215,245 (ongoing) for a Communications and Public Information Manager, \$73,425 for a contract staff person for Cultural Affairs, \$150,000 for an economic impact study and legal services analyzing a proposed Minimum Wage ordinance, \$110,000 for the Sustainable Business Certification Program, \$30,000 increase to the Special Events Grant program, and \$31,960 increase for Sister Cities. An additional \$750,000 for a Parks Master Plan is included and is separate from the \$350,000 for a Feasibility Study for Veterans Memorial and Bill Botts Parks that was in May 8th version of the proposed budget.

The adjustments include budget corrections identified by staff and changes to the allocations of salary and benefits based on the new MOUs submitted for City Council approval on June 12, 2023. During internal review of the budget document staff identified a few budget items to be corrected including the overstatement/understatement of equipment maintenance budgets in multiple departments and the understatement of overtime costs in the Refuse, Transportation, and Sewer funds. Funding related to salary and benefit costs for the miscellaneous bargaining groups based on the new MOUs has now been allocated to the appropriate departments. In the General Fund, these costs are offset by a reduction in Non-Departmental budget where a contingency amount had been placed in the proposed budget presented on May 8. There are increases for these salary and benefit costs in the Refuse, Transportation and Sewer funds.

Similarly, adjustments have been made to the City's proposed revenue. Most notably there has been a reduction of approximately \$12.2 million in the Transportation Fund to correct for a revenue overstatement in the May 8th version of the budget. The budget corrections more accurately align the Fiscal Year 2023-2024 revenue projection with the anticipated timing of the replacement and grant reimbursement of six existing buses with new CNG powered buses (\$8.1 million), a delay in the timing of payment for a Caltrans grant obligation to the City (\$2.0 million), and a correction related to the accounting for the transfers of local return funds (\$2.1 million). Even with this reduction in revenue, the Municipal Bus Fund is projected to retain a positive fund balance at the end of the fiscal year.

Expenditure Adjustments from FY 2023-2024 Proposed Budget			
Fund	Proposed Budget	Adjusted Amount	Difference
General Fund	\$ 175,882,721	\$ 177,004,291	\$ 1,121,570
Refuse Fund	20,700,043	22,594,781	1,894,738
Transportation Fund	41,768,582	45,648,374	3,879,792
Sewer Fund	13,485,516	13,597,115	111,599
Municipal Fiber Fund	3,611,311	2,473,885	(1,137,426)
Equipment Maint/Fleet Svcs	10,132,143	10,070,861	(61,282)
Self Insurance Fund	12,148,352	12,440,017	291,665
Central Stores	2,062,450	2,562,450	500,000
Paratransit Fund	890,378	928,838	38,460
Park Facilities Fund	450,328	560,328	110,000
Capital I & A Fund	8,623,575	9,373,575	750,000
CDBG - Operating	2,386	37,600	35,214
CDBG - Capital	160,000	150,345	(9,655)
Other Funds	47,781,665	47,703,935	(77,730)
Total	\$ 337,699,450	\$ 345,146,395	\$ 7,446,945

Revenue Adjustments from FY 2023-2024 Proposed Budget			
Fund	Proposed Budget	Adjusted Amount	Difference
General Fund	\$ 160,196,401	\$ 160,452,538	\$ 256,137
Transportation Fund	58,872,937	46,673,320	(12,199,617)
Sewer Fund	9,819,000	9,369,000	(450,000)
Municipal Fiber Fund	3,616,314	2,063,885	(1,552,429)
Central Stores Revenue	2,035,400	2,535,400	500,000
Capital I & A Fund	8,623,575	9,373,575	750,000
CDBG - Operating	40,000	37,600	(2,400)
CDBG - Capital	-	150,345	150,345
Mobility Improvement Fund	1,100,000	2,600,000	1,500,000
LA County Measure W	-	530,000	530,000
Other Funds	84,369,656	84,369,656	-
Total	\$ 328,673,283	\$ 318,155,319	\$ (10,517,964)

The final Proposed Fiscal Year 2023-2024 Budget provides \$345,146,395 of appropriations authority in all funds (including Internal Service Funds). It anticipates \$318,155,319 in revenue, with the balance to be made up from reserves. For the General Fund, ongoing operational expenditures exceed revenues by \$2.7 million and require the use of unassigned reserve balance to make up the deficit. That deficit, the one-time enhancements and adjustments, and the transfers to capital projects require the use of \$12.3 million in unassigned fund balance, \$2.9 million from the Facilities Planning Reserve, and \$1.4 million from the Recreation Facilities Reserve.

The estimated beginning General Fund balance for July 1, 2023 is now projected to be \$135.7

million. This is approximately \$1.2 million less than what was projected in the May 8th version of the proposed budget due to appropriations made recently by Council for various projects including Project Homekey. The estimated ending General Fund balance is \$119.1 million which is \$1.9 million less than what was projected in the first version of the proposed budget once all the adjustments are taken into account.

General Fund - Fund Balance		
Est. Beginning Fund Balance		135,684,926
FY 2023/2024 Revenues	160,452,538	
Less:		
FY 2023/2024 On-Going Expenditures	(163,106,681)	
Structural Budget Surplus/(Shortfall)	(2,654,143)	
Less:		
One-Time Transfers for Capital Projects		
Transfer from Unassigned Reserve Balance	(4,555,275)	
Transfer from Facilities Reserve Balance	(2,915,000)	
Transfer from Recreation Reserve Balance	(1,368,300)	
One-Time Enhancement Request	(5,059,035)	
Total One-Time Expenditures	(13,897,610)	
Net Increase / (Decrease) to Fund Balance		(16,551,753)
Est. Ending Fund Balance		119,133,173
General Fund - Fund Balance cont.		
<i>Breakdown of Ending Fund Balance</i>		
Non-Spendable		14,871,200
Restricted Pension Trust Funds		27,386,800
Contingency Reserves		48,942,033
Facility Planning Reserves		12,013,829
Recreation Facilities Reserves		420,801
Unassigned Fund Balance		15,498,510
Est. Ending Fund Balance		119,133,173
Less: Nonspendable / Restricted		(42,258,000)
Amount Available for Reserves		76,875,173
		43%

ATTACHMENTS

1. Proposed Resolution for Annual Appropriation Limit and related Exhibits and Schedule I
2. City Council Budget Resolution and related Exhibits A - G
3. Successor Agency to the Culver City Redevelopment Agency Budget Resolution
4. Housing Authority Budget Resolution
5. Parking Authority Budget Resolution

6. Adjustments to the City's Proposed Budget Fiscal Year 2023-2024
7. Salary Schedule Resolution and related Exhibit A
8. Proposed resolution amending City Council Policy Statement 5002 (Financial Policies)
9. Fiscal Year 2022-2023 Capital Improvement Program Project Completion and Close-Out Summary

MOTIONS

That the City Council:

Adopt a resolution approving and adopting the annual Appropriations Limit for Fiscal Year 2023-2024; and

That the City Council and Boards:

Adopt respective resolutions approving the Fiscal Year 2023-2024 Budget for the City of Culver City, Successor Agency, Housing Authority, and Parking Authority; and

That the City Council:

1. Adopt a resolution approving the Salary Schedule for Miscellaneous Employees, Police Safety Employees, and Fire Safety Employees effective July 1, 2023;
2. Adopt a resolution amending City Council Policy Statement 5002 (Financial Policies); and
3. Authorize the Fiscal Year 2022-2023 Capital Improvement Program Project Completion and Close Out Summary.