



City of Culver City

YEAR-END REPORT AND AUDIT SUMMARY

FOR

**FISCAL YEAR
2022-2023**

CITY OF CULVER CITY
Year-End Report and Audit Summary
Fiscal Year 2022-2023
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, 2023 (Fiscal Year 2022-2023) 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 Fiscal Year 2022-2023, the third 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, 2023. This opinion can be found on pages 1-4 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 Fiscal Year 2003-2004. 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 22 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 27 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, Housing and Human Services, 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 Lines, 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 Fiscal Year 2022-2023.

GENERAL FUND

General Fund Overview

The General Fund Balance resulted in a net increase of \$10.4 million in Fiscal Year 2022-2023 with revenues and transfers-in exceeding expenditures and transfers-out. After receiving higher than anticipated revenues for two consecutive years, the City approved an increased General Fund Budget in Fiscal Year 2022-2023 to cover ongoing expenditures and the City's increased commitment to address issues related to housing and homelessness in the City. The Fiscal Year 2022-2023 Adopted Budget restored staff positions and most programming to the pre-pandemic levels and included certain new and one-time expenditures.

Revenue Detail

Total revenues for the year were \$160.3 million, which was \$8.6 million more than the amount budgeted. Major sources include Sales Tax, Business Tax, Property Tax, Utility User Tax (UUT), and Transient Occupancy Tax (TOT).

GENERAL FUND REVENUES					
	2021-22	2022-23	2022-23	% RECEIVED	BUDGET VARIANCE
	ACTUALS	ADJUSTED BUDGET	ACTUALS		
Property Tax	12,896,922	13,243,711	14,723,868	111.18%	1,480,157
Sales Tax	25,867,668	25,585,000	24,675,416	96.44%	-909,584
Measure Y (Measure CC)	9,928,338	11,555,000	11,474,345	99.30%	-80,655
Measure C	7,063,081	5,766,000	5,672,297	98.37%	-93,704
Public Safety Sales Tax (PSAF)	556,011	558,000	572,743	102.64%	14,743
Business Tax	16,186,448	16,000,000	18,736,311	117.10%	2,736,311
Franchise Tax	1,456,175	1,475,000	1,805,748	122.42%	330,748
Real Prop Trans Tax	32,575,269	11,000,000	9,655,756	87.78%	-1,344,244
UUT - Electricity	7,820,372	8,750,000	8,894,953	101.66%	144,953
UUT - Gas	1,554,888	1,400,000	2,260,907	161.49%	860,907
UUT - Water	1,699,802	1,690,074	1,622,271	95.99%	-67,803
UUT - Telecommunications	2,684,070	2,695,286	2,666,876	98.95%	-28,410
UUT - Cable TV	1,099,694	878,000	1,079,874	122.99%	201,874
TOT	8,813,484	10,835,000	11,963,174	110.41%	1,128,174
Comm/Ind Dev Tax	1,969,752	500,000	545,566	109.11%	45,566
Licenses & Permits	5,606,338	4,527,900	4,010,256	88.57%	-517,644
Intergovernmental	11,420,723	7,486,600	8,055,497	107.60%	568,897
Charges for Services	11,802,825	12,117,271	10,949,213	90.36%	-1,168,058
Fines & Forfeitures	3,580,843	3,417,000	5,290,389	154.83%	1,873,389
Use of Money & Prop	-3,110,896	1,728,645	4,366,286	252.58%	2,637,641
Cost Allocation Successor Agency	630,650	630,650	595,373	94.41%	-35,277
Other Revenue	453,723	644,625	1,198,244	185.88%	553,619
Total GF Revenue - ACFR	\$162,556,180	\$142,483,762	\$150,815,362	105.8%	\$8,331,600
Transfers In & Proceeds from SBITA financing	3,958,799	3,423,930	3,691,858	107.83%	267,928
Admin Cost Allocation Interfund	4,929,799	5,769,759	5,769,719	100.00%	-40
TOTAL GF Revenue	\$171,444,778	\$151,677,451	\$160,276,939	105.7%	\$8,599,488

Table 1

- Sales Tax and Measures CC and C receipts were \$41.8 million, less than budgeted by \$1.1 million, or 2.6%, in part due to cautions post-pandemic consumer spending behavior in various retail sectors and in part by the five-months long Writers' and Actors' strikes over a labor dispute. It is anticipated that price-conscious consumer behavior will continue, resulting in a slight decrease in Sales Tax revenues in Fiscal Year 2023-2024.

- Property Tax receipts were \$14.7 million, higher than budgeted by \$1.5 million, or 111.2%. Property tax receipts include \$6.6 million from the City's assessed valuation which increased by 5.8% over the prior year. This revenue category also includes the pass-through increment of the former Culver City Redevelopment Agency, which was \$8.1 million, an increase of \$1.6 million, or 23.8%, over the prior year. These funds come to the City from the pass-through property tax increment after the debts of the former Culver City Redevelopment Agency are paid.
- Business Tax receipts and penalties were \$18.7 million, or 117.1% of the budget, due to successful efforts to get delinquent businesses into compliance. Cannabis Business Tax receipts were \$1.3 million, \$0.6 million less than the previous year. In November 2022, Culver City voters approved Measure BL which updates Culver City Business Tax rates for the first time since 1965. The new rates are anticipated to yield up to \$8 million in Fiscal Year 2023-2024.
- Real Property Transfer Tax receipts were \$9.7 million, or 87.8% of the budget. Revenues for Fiscal Year 2021-2022 were \$32.6 million which included a large commercial property sold in March 2022. Large receipts as in Fiscal Year 2021-2022 are not anticipated to occur on a regular basis. The rise in interest rates has impeded affordability in the real estate market.
- Intergovernmental revenue was \$8.1 million, or 107.6% of the budget. The City received the final tranche of \$4.7 million allocations of American Rescue Plan Act (ARPA) funds in Fiscal Year 2021-2022, and no ARPA funds were received in Fiscal Year 2022-2023.
- Charges for Services were \$10.9 million, or 90.4% of the budget. Charges for Services are comprised of fees and charges ranging from recreation and police to plan check fees. This revenue category was static in Fiscal Year 2022-2023 after rebounding out of the pandemic and is anticipated to decrease slightly in Fiscal Year 2023-2024.
- Transient Occupancy Tax receipts were \$12 million, or 110.4% of the budget. TOT revenues fully recovered from the lifting of the pandemic travel restrictions and the opening of the Shay Hotel in October 2021, and have remained strong in the first half of the Fiscal Year 2023-2024.

- Use of Money & Property increased by \$7.5 million from the prior year. This increase was due to unrealized fair market value gains and interest income on the City’s pension account and interest income on the general investments.
- Commercial & Industrial Development Tax was \$0.5 million, or 109.1% of the budget. In any given year, this revenue category rises and falls depending on development projects within the City. In Fiscal Year 2022- 2023, commercial development was significantly curtailed largely due to the rising interest rates. Rising interest rates dampen commercial property prices directly making new commercial developments and renovations more expensive.
- License and Permits were \$4 million, or 88.6% of the budget. Building, electrical and plumbing permits decreased largely due to the rising interest rates resulting in reduced demand for construction and improvements in the real estate market.

Expenditure Detail

The General Fund expenditures totaled \$149.9 million, \$12 million less than budgeted. The General Fund had budget savings due to unfilled vacant positions: \$3.1 million in Personnel and \$11.1 million in Operating & Maintenance. The General Fund, however, transferred \$2 million more than budgeted to the Risk Management Fund to meet the 60% minimum reserve requirement of Self Insurance Fund costs.

GENERAL FUND EXPENDITURES					
	2021-22 ACTUALS	2022-23 ADJUSTED BUDGET	2022-23 ACTUALS	% EXPENDED	BUDGET VARIANCE
Personnel Costs	100,248,411	111,422,145	108,315,347	97.21%	3,106,799
Operating O&M	23,394,386	37,444,695	26,329,165	70.31%	11,115,530
Capital	398,256	305,650	506,355	165.67%	-200,705
Total GF Expenditures - ACFR	\$124,041,053	\$149,172,490	\$135,150,867	90.60%	\$14,021,623
Transfers Out	8,325,304	6,922,389	8,922,389	128.89%	-2,000,000
Admin Cost Allocation Interfund	4,929,799	5,769,759	5,769,719	100.00%	40
TOTAL GF Expenditures	\$137,296,156	\$161,864,638	\$149,842,975	92.57%	\$12,021,663

Table 2

GENERAL FUND EXPENDITURES					
	2021-22 ACTUALS	2022-23 ADJUSTED BUDGET	2022-23 ACTUALS	% EXPENDED	BUDGET VARIANCE
Administration	1,455,852	3,121,114	2,887,711	92.52%	233,403
City Attorney	1,993,325	2,402,357	1,627,199	67.73%	775,159
Finance	4,681,489	5,391,345	4,791,912	88.88%	599,433
Human Resources	2,244,357	2,290,413	1,721,544	75.16%	568,868
Information Technology	3,944,253	4,611,424	4,118,815	89.32%	492,609
Parks, Recreation & Community Svcs.	9,866,398	11,756,420	9,953,493	84.66%	1,802,927
Housing & Human Services	0	2,600	288,312	11088.93%	-285,712
Police	45,382,491	51,060,663	50,091,619	98.10%	969,044
Fire	27,632,597	30,514,948	30,959,964	101.46%	-445,016
Community Development	9,425,787	13,502,524	10,133,254	75.05%	3,369,270
Planning & Development Svcs.	0	0	111,343		-111,343
Public Works	14,018,559	18,691,030	14,996,165	80.23%	3,694,865
Capital	0	0	0	0.00%	0
Non-Departmental	3,395,946	5,827,651	3,469,534	59.54%	2,358,116
Total GF Expenditures - ACFR	\$124,041,053	\$149,172,490	\$135,150,867	90.6%	\$14,021,623
Other: Transfers Out	8,325,304	6,922,389	8,922,389	128.89%	-2,000,000
Admin Cost Allocation Interfund	4,929,799	5,769,759	5,769,719	100.00%	40
TOTAL GF Expenditures	\$137,296,156	\$161,864,638	\$149,842,975	92.6%	\$12,021,663

Table 3

At the onset of Fiscal Year 2022-2023, the City Manager restored staff positions and most programming to pre-pandemic levels. Overall, the General Fund expenditures came in at 92.6% of the budget.

There was the ending fund balance of \$153.4 million, a \$10.4 million increase from the Fiscal Year 2021-2022 ending fund balance. Also, it should be noted that the Fiscal Year 2022-2023 Budget of \$149.2 million included the addition of much-needed capital projects and operational costs to address the growing needs of the City. There was \$6.8 million in encumbrances for purchase orders and contracts that were not completed in Fiscal Year 2022-2023 and were carried forward into Fiscal Year 2023-2024 as shown in the Fiscal Year 2022-2023 Fund Balance classification. (See Table 4 below for a detailed classification of the fund balance on page 8.)

	General Fund
Nonspendable:	
Notes / Lease receivable \$	606,437
Advances to other funds	<u>15,024,242</u>
Total nonspendable	<u>15,630,679</u>
Restricted:	
Pension trust	<u>29,638,414</u>
Total restricted	<u>29,638,414</u>
Committed:	
Contingency	50,471,742
Facility Planning	23,814,585
Recreation facilities	<u>2,234,696</u>
Total committed	<u>76,521,023</u>
Assigned:	
Encumbered contracts	<u>6,765,186</u>
Total assigned	<u>6,765,186</u>
Unassigned:	<u>24,835,315</u>
Total fund balance	\$ <u>153,390,617</u>

Table 4

ENTERPRISE FUND SUMMARY

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

Funds	Beginning Net Assets	Revenues & Transfers in	Expenses & Transfers Out	Ending Net Assets	Unrestricted Net Assets (Deficit)
Refuse Disposal	-3,111,778	20,270,548	17,631,800	-473,030	-2,588,055
Municipal Bus Lines	21,121,782	33,617,115	31,893,567	22,845,330	-13,730,022
Sewer Enterprise	48,200,679	9,207,950	9,638,323	47,770,306	21,713,741
Municipal Fiber Network	-8,237,912	2,442,450	2,318,980	-8,114,442	-20,516,388

Table 5

The Refuse Disposal Fund revenues exceeded expenses by \$2.6 million during the year. The overall negative net asset position continues to be affected by pension and other post-employment benefits (OPEB) liabilities totaling \$12.3 million.

The Municipal Bus Lines Fund revenues surpassed expenses by \$1.7 million largely due to increased maintenance costs. The net pension and OPEB liabilities were \$31.9 million impacting the ending net assets total.

The Sewer Enterprise Fund expenses slightly exceeded revenues by \$0.4 million during the year. This fund has pension and OPEB liabilities of \$2.5 million. It is less impacted by these liabilities due to the low number of staff members allocated to this fund. The \$21.7 million 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 \$2.4 million, which is a decrease of \$0.6 million over the prior fiscal year.

INTERNAL SERVICE FUNDS

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

Funds	Beginning Net Assets	Revenues & Transfers in	Expenses & Transfers Out	Ending Net Assets	Unrestricted Net Assets (Deficit)
Equipment Replacement	15,756,978	2,607,769	2,223,636	16,141,111	10,572,682
Equipment Maintenance	-12,113,769	8,315,240	9,596,926	-13,395,455	-13,442,835
Risk Management	-12,342,321	13,829,414	15,010,858	-13,523,765	-13,523,765
Central Stores	0	2,305,184	2,298,409	6,775	6,775

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 Fiscal Year 2022-2023, expenses exceeded revenues by \$1.3 million. The net pension and OPEB liabilities were \$10.8 million.

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 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.

SPECIAL REVENUE FUND SUMMARY

The City currently utilizes 22 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 Paratransit Fund. The negative fund balance in the fund was due to the timing of 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	4,215,495	2,023,974	624,170	5,615,299
Prop A Local Return	1,261,474	1,060,234	971,114	1,350,594
Prop C Local Return	1,352,302	885,622	834,643	1,403,281
Measure R Local Return	656,811	656,548	586,471	726,888
Operating Grants	-1,220,751	5,556,364	2,140,752	2,194,861
Section 8 Housing	1,146,945	1,657,032	1,593,681	1,210,296
Art in Public Places	3,919,829	569,869	437,782	4,051,916
Community Development	982,401	13,374	33,689	962,086
CDBG	0	43,393	43,393	0
Special Assessment	606,336	114,492	27,473	693,355
Park Facilities	1,170,578	180,539	136,792	1,214,325
Asset Seizure	821,099	66,211	64,561	822,749
Parking Authority	14,981,657	4,601,297	3,743,693	15,839,261
Safe/Clean Water Protection (FB Restated)	10,778,273	1,656,083	-456,131	12,890,487
Measure W (FB Restated)	2,347,384	3,616,415	321,392	5,642,407
Building Surcharge	685,298	1,047,914	1,434,764	298,448
Paratransit	-56,208	381,574	405,040	-79,674
Measure M Local Return	1,667,889	750,042	128,379	2,289,552
AQMD	295,737	68,865	11,441	353,161
Board of State Community Correction Correction	-7,223	166,140	158,917	0
Mobility Improvement	0	399,052	0	399,052
CC Housing Authority (FB Restated)	39,461,467	437,608	9,320,510	30,578,565

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 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%).

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 federal 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 for 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, Ince, and Watseka parking structures and parking meters throughout the City. 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.

Measure W Fund, approved by Los Angeles County voters in 2018, is a parcel tax of 2.5 cents per square foot of impermeable land area in the Los Angeles County Flood Control District, which covers the majority of Los Angeles County. Such funds may be used to increase water supply, improve water quality, and provide certain community enhancements throughout LA County.

Building Surcharge Fund is used to account for funds received from a 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. Fiscal Year 2022-2023 was the final year for this grant program.

Mobility Improvement Fund is used to account for monies from new development impact fees related to increased vehicle miles traveled and transportation impacts. On June 28, 2021, City Council adopted an ordinance adding a Mobility Improvement Fees subchapter to the Culver City Municipal Code as part of the City's Travel Demand Forecast Model project. The funds will be used for citywide mobility projects to ameliorate the traffic impacts from new development.

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.

Funds	Beginning Fund Balance	Revenues & Transfers in	Expenditures & Transfers Out	Ending Fund Balance
Cooperative Projects	7,862,260	142,717	290,205	7,714,772
Capital Improvement Grants	21,295,343	5,969,769	30,533,824	-3,268,711
Capital Improvement & Acquisition	4,303,809	8,561,389	4,624,330	8,240,868
CDBG Capital	-15,689	353,560	337,871	0

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 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 Fiscal Year 2022-2023 with positive operating financial results, with total revenues exceeding total expenditures by \$10.4 million.

Pursuant to the financial policies adopted by the City Council in Fiscal Year 2013-2014, thirty percent (30%) of the adopted operating budget for the General Fund is to be reserved for future contingencies and emergencies. During Fiscal Year 2022-2023, City Council authorized establishing a Public Safety Equipment Replacement Reserve and setting aside 10% of the remaining surplus amount to the maximum of \$1 million to secure critical safety related equipment for police and fire. The City's financial policies call for 40% of any surplus, after meeting the future contingencies requirement and funding of the Public Safety Equipment Reserve, to be set aside in a Facilities Planning Reserve for the future replacement or improvements of City facilities. Lastly, the financial policies call for ten percent (10%) of specific parks and recreation revenues to be set aside for the improvement of recreational facilities. Funds were set aside in accordance with the policies, and a total of \$76.5 million was committed to these purposes at the end of Fiscal Year 2022-2023. Use of any of these reserves requires specific City Council action. Beyond these required reserves, there is \$24.8 million remaining in unassigned General Fund reserves as of June 30, 2023.

The City has been proactive in its response to the changing economic conditions and has successfully implemented measures to improve its fiscal position over the last decade. Most recently, as part of the November 8, 2022 General Election, Culver City voters approved Measure BL which updates the City's business license tax rates that were established in 1965 and the City's business classifications. Measure BL is a general tax and may be used for general City purposes, including services like emergency response, addressing homelessness, and maintaining parks. The updated tax rates and classifications took effect on April 1, 2023, for new businesses registering in the City, and existing businesses will pay the new rates with their renewals for calendar year 2024.

Ongoing pension costs continue to present challenges for the City. The net investment gain of CalPERS was 5.83% in Fiscal Year 2022-2023 with the discount rate of 6.8%. This and any future investment losses that CalPERS experiences will continue to be absorbed by the City. The City has taken steps to address this liability by establishing a tax-exempt Section 115 Trust and OPEB Trust. Despite these efforts to address the unfunded pension and OPEB liabilities respectively, the City continues to face steep increases in pension and health care costs. The City will

continue its efforts to take a conservative approach towards new spending while concurrently exploring additional revenue opportunities and developing long-term solutions.

This report is intended to summarize the City's audited financial results for the year ending June 30, 2023. Vasquez & Company LLP performed the audit of the financial statements for Fiscal Year 2022-2023 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, 2023. The complete ACFR is provided as Attachment No. 2 to the staff report and is available on the City's website. The Independent Auditor's Report can be found on pages 1-4 of the ACFR.