

Community Dialogue Series on City Finances

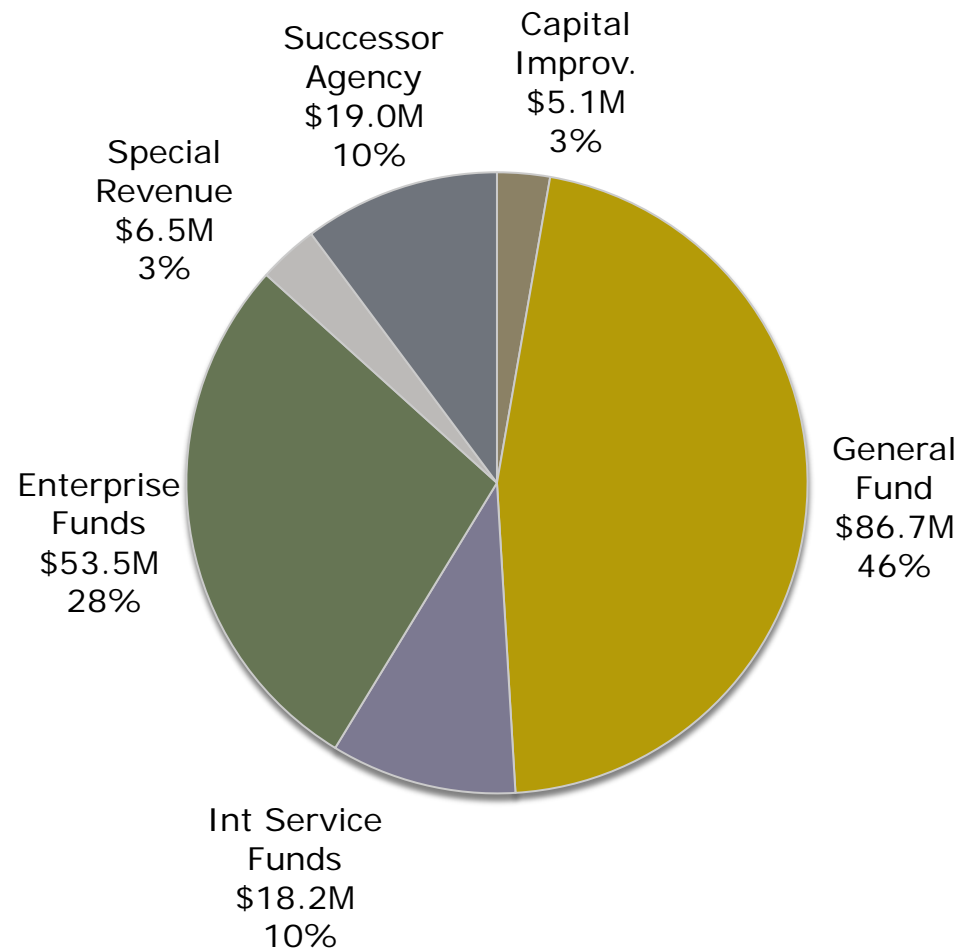
Agenda

- General Budget Information
- Effects of the 'Great Recession' on City Budget
- Actions Taken
- Elimination of Redevelopment
- Current Financial Forecast
- Solutions

Citywide Expenditures

- Total FY 2012-13 Expenditure Budget is \$189 Million.
- Many types of city revenues are restricted to specific purposes by law or by the agency providing the funds. To comply with laws and other restrictions, cities segregate revenues and expenditures into separate accounts or funds.
- The four most important types of city funds are **Special Revenue Funds**, **Enterprise Funds**, **Internal Service Funds** and the **General Fund**.
- The General Fund will be the focus of the presentation.

Expenditures by Fund

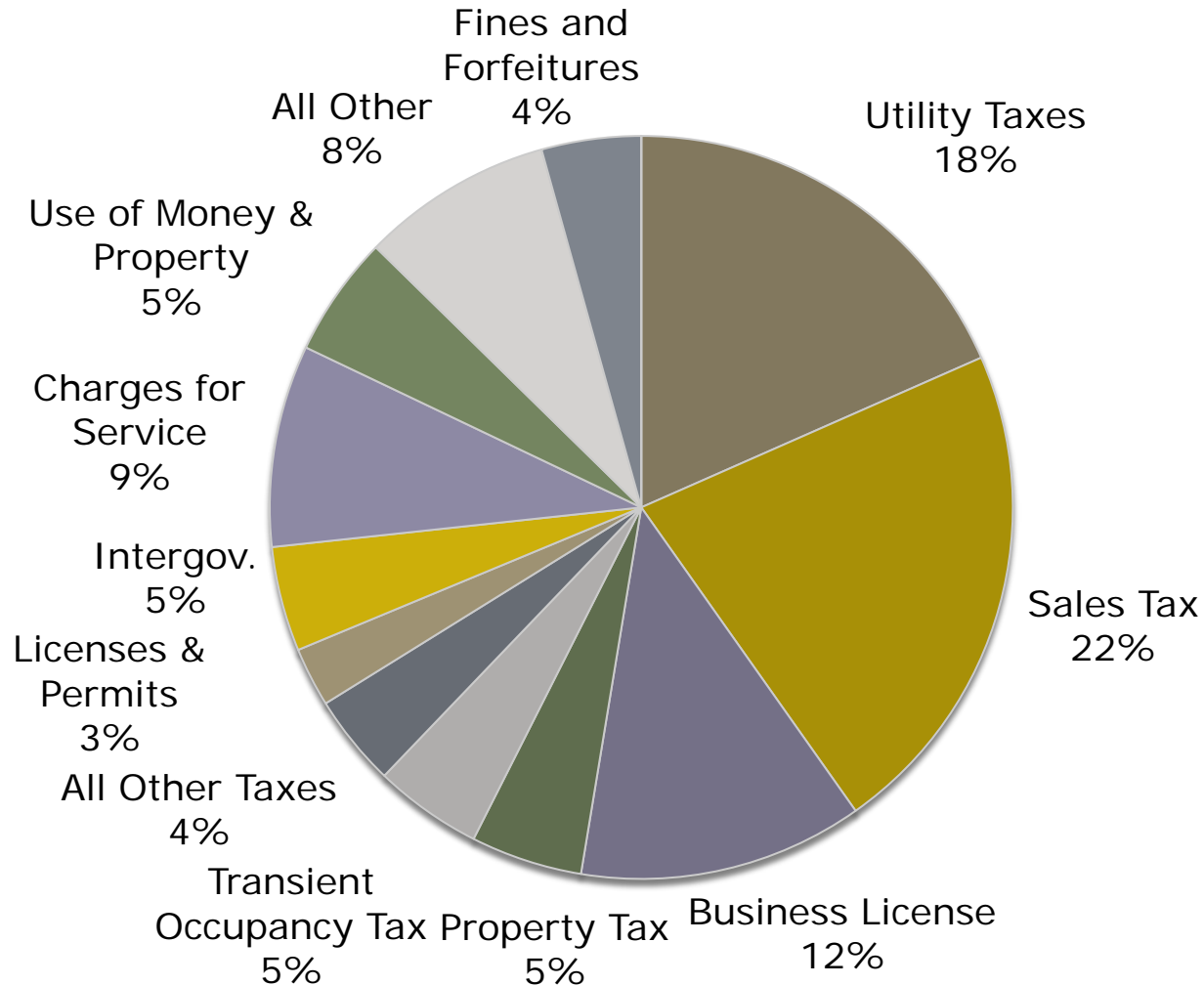


General Fund

- The “General Fund” is where general taxes like property and sales taxes are placed and **used to fund critical city services**, like Police, Fire, Public Works and Parks.
- **More than half of the city's annual general fund is spent on public safety.**
- The General Fund is often the fund most subject to economic fluctuation. **General Fund revenues have decreased by approximately 7% over the last 5 years.**

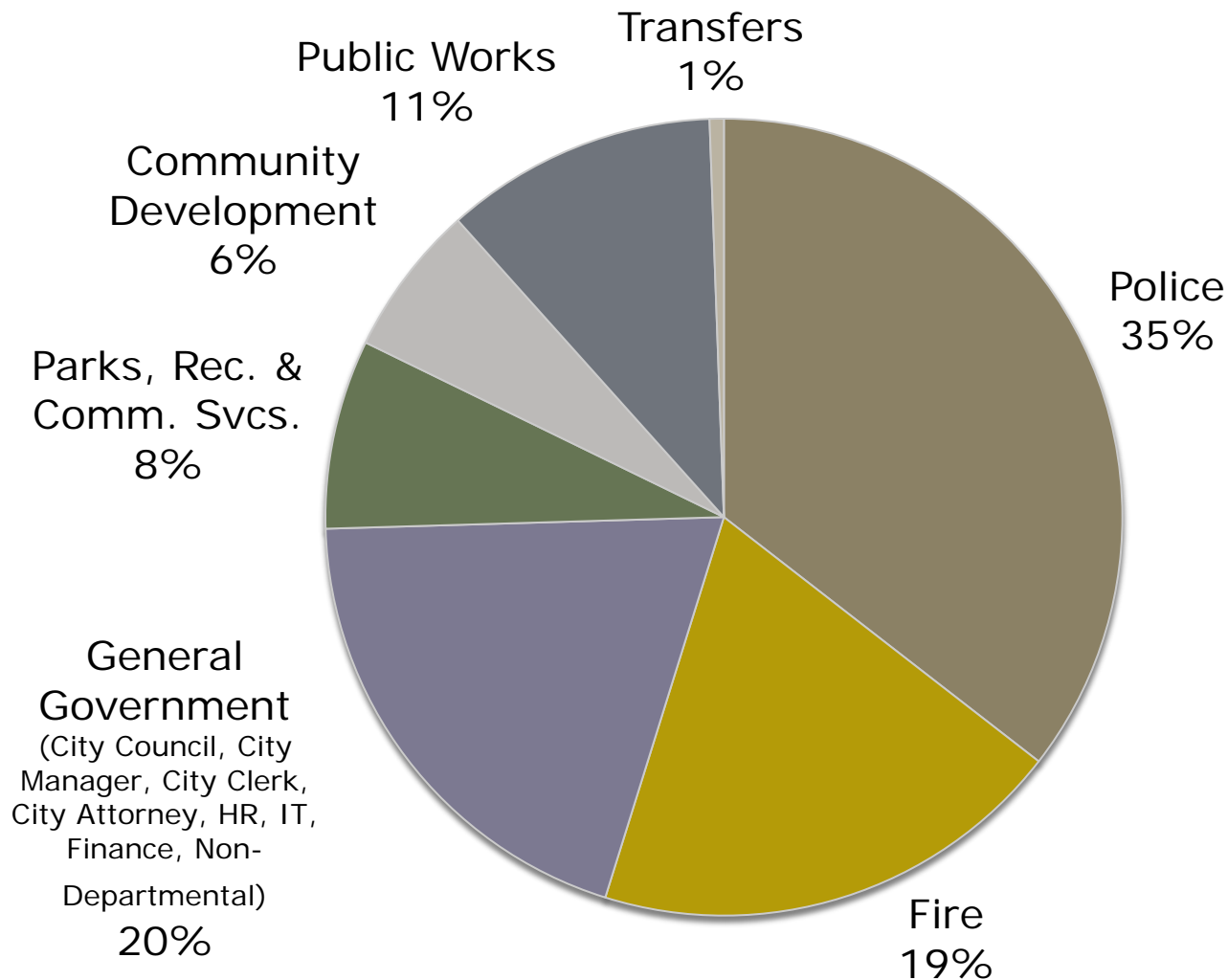
General Fund Revenue

By Category



General Fund Expenditures

By Department



Effects of Great Recession

- Significant revenue loss
 - FY 2008-09 budget included \$83 million in estimated operating General Fund revenue.
 - FY 2009-10 budget included \$79 million in estimated operating General Fund revenue.
 - FY 2012-13 budget includes \$77 million in estimated operating General Fund revenue.
- Costs continued increasing
 - Fuel, utility and maintenance costs
 - Investment losses at CalPERS required increased contributions from city.
 - Costs of medical insurance for employees and retirees continued to rise.
 - New requirements on accounting for and funding liabilities for retiree medical benefits.
- **Without action, the city was facing more than a \$7 million annual operating deficit.**

What has the City done?

- In FY 2010-11, 51 positions were eliminated throughout the General Fund.
- In FY 2011-12, 8 more positions were eliminated.

	Positions Eliminated from FY 09-10 to FY 11-12	Percent Reduction from FY 09-10 to FY 11-12
Public Safety	-18	7.5%
PR&CS	-8	20.2%
Public Works	-13	21.1%
Community Development	-5	8.7%
General Government	-15	18.4%
Total General Fund	-59	12.3%

What has the City done?

- Nearly \$1 million in operating costs (supplies, contracts, etc.) were reduced.
- **As a result of proactive fiscal management by the city,** approximately \$6 million has been cut from the budget through FY 2011-12 through position eliminations and operating cost reductions.

What has the City done?

- To reduce the city's rising costs of public employee pensions and benefits, city leaders worked with local employee unions to negotiate new labor contracts that included pension reform and reductions to retiree medical benefits with all bargaining groups.
 - All employees will pay the full share of their pension costs.
 - Safety employees pay 9% of salary (\$1.8 million annual savings)
 - Non-safety employees pay 8% of salary (\$2.4 million annual savings, \$1.4 million to General Fund)
 - Implementation of a Cafeteria Plan for health benefits.
 - Converted to a 'defined contribution' benefit.
 - City costs are capped, will not grow by more than 4% annually (2013 premiums are rising by average of 9.6%).

What has the City done?

Cost savings from negotiations continued...

- Reduction of Retiree Medical Benefit for current employees.
 - Conversion to 'defined contribution' benefit.
 - Lower monthly allowance provided.
 - 4% annual growth cap.
 - 'Grandfather clause' was included to retain long tenured employees.
- Benefits for new hires were reduced even further.
 - New safety and non-safety employees have a lower pension formula and retiree medical benefits beyond the statutory minimum (currently \$112 per month) were eliminated.
- These agreements are estimated to reduce city costs by \$3 million in the short term (3 to 4 years).
- Future savings will be even greater as turnover occurs, over \$10 million per year in twenty to thirty years.

What has the City done?

- Additionally, in 2010 Culver City supported Proposition 22. Written to help municipalities protect local funds from being raided by Sacramento, Prop. 22 passed and is protecting local funds.
- In summary, significant reductions to the budget have been made.
- To this point, the focus has been to maintain public service levels as much as possible. Further reductions will have a very visible effect.

Redevelopment

- For nearly 30 years, the city operated a local redevelopment agency (RDA).
- Under state law, RDAs were able to retain funds that might otherwise go to Sacramento to help improve local communities by eliminating blight and encouraging economic development.
- Over the course of these years, the city leveraged Redevelopment funding into its operations to support the high level of services provided to the community.

RDA Elimination

- On June 15, 2011, the State legislature passed ABX1 26 ("AB 26") and ABX1 27 ("AB 27").
 - AB 26 eliminated redevelopment in California.
 - AB 27 allowed agencies to pay 'ransom' to the State to continue to exist.
- Despite a lawsuit, the state's decision to eliminate RDAs was upheld. At the same time, AB 27 was invalidated.
- On Feb. 1, 2012, redevelopment was eliminated. The result had devastating impacts on the City's finances.

RDA Elimination

- \$7.5 million in transfers and reimbursements to the General Fund were eliminated.
 - 24 full-time dedicated positions at \$3.3 million.
 - Various other positions at \$1.7 million.
 - Police, code enforcement, graffiti removal and engineering services at \$1.2 million.
 - Overhead, rent and other reimbursements at \$1.3 million.

General Fund Adopted Budget 2012-13

- Expenditure reductions.
 - 19 more position eliminations.
- No reductions to Police or Fire departments.
- Over the last four years, General Fund staffing has been reduced 78 positions, or by 17.4%.
- **The revenue lost by RDA elimination effectively wiped out the progress the city had made in reducing the budget.**

General Fund

Adopted Budget 2012-13

- Through FY 2011-12, the city has used nearly **\$7 million** of emergency reserves to balance the budget and preserve services.
- The Adopted FY 2012-13 budget includes using another **\$5 million** of reserves.
- **The level of reductions required to balance the budget would have been staggering, and would have altered the quality of life in Culver City.**

General Fund

Five Year Forecast

Forecast Reflecting Status-Quo with FY 2012-13 as base *[in thousands]*

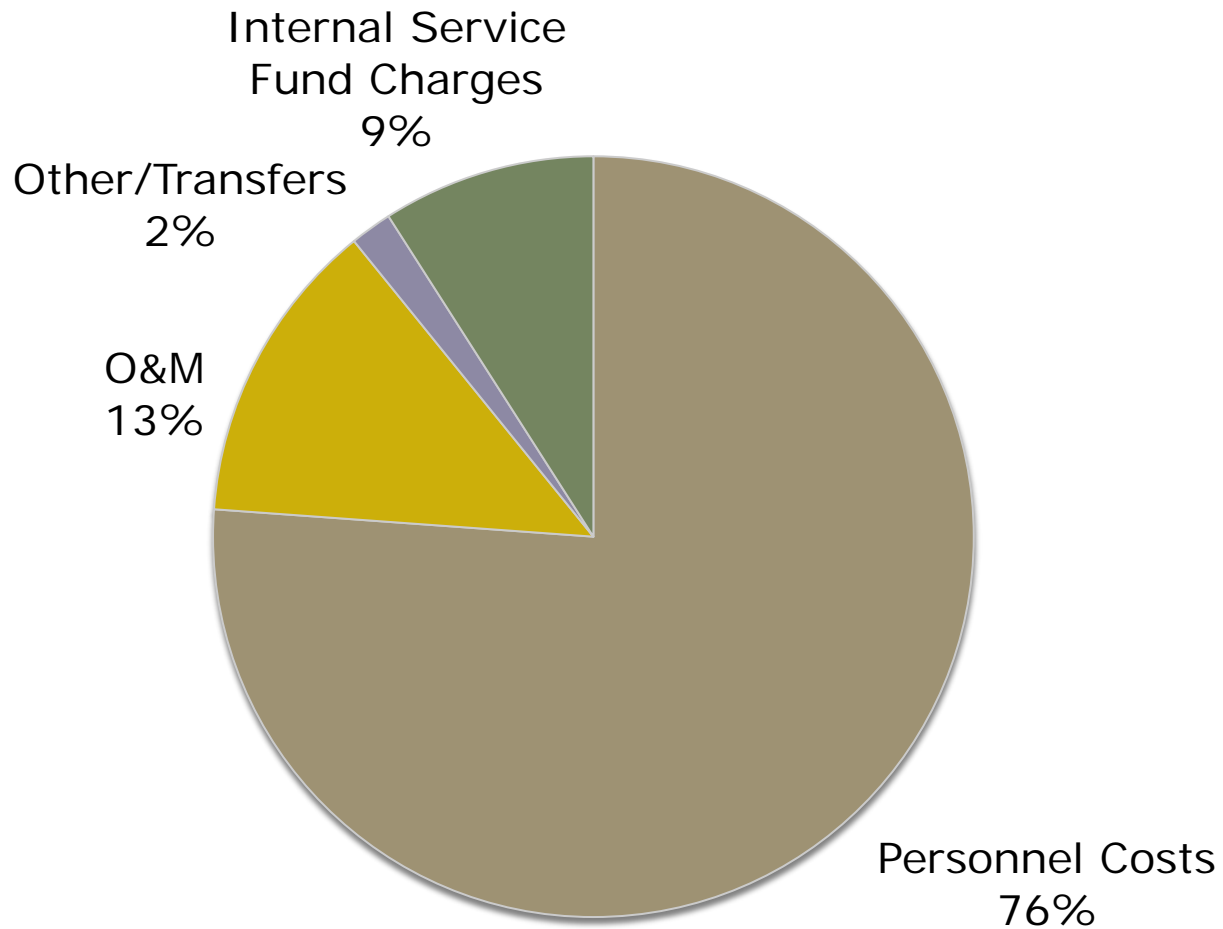
	Budget Plus Five-Year Forecast					
	2012-13 Budget	2013-14 Projection	2014-15 Projection	2015-16 Projection	2016-17 Projection	2017-18 Projection
Beginning Appropriable Fund Balance	39,583	33,882	26,002	17,429	8,874	896
Total GF Revenues	79,135	81,037	83,089	85,262	87,519	89,863
Total GF Expenditures	(84,487)	(85,914)	(87,835)	(89,820)	(91,558)	(93,132)
OPEB Contribution	(1,850)	(2,640)	(3,520)	(3,740)	(3,740)	(3,740)
Current Net Operating Surplus/Deficit	(7,202)	(7,517)	(8,266)	(8,298)	(7,779)	(7,009)
Est. Savings from Two-Tiered Pensions	0	138	193	243	301	301
Adjusted Net Operating Surplus/Deficit	(7,202)	(7,379)	(8,073)	(8,055)	(7,478)	(6,708)
One-time - Transfers to CIP Projects	(500)	(500)	(500)	(500)	(500)	(500)
One-time - Sale of Property	2,000	0	0	0	0	0
Total Net One-time	1,500	(500)	(500)	(500)	(500)	(500)
Gross Surplus/Deficit	(5,702)	(7,879)	(8,573)	(8,555)	(7,978)	(7,208)
Ending Appropriable Fund Balance	33,882	26,002	17,429	8,874	896	(6,312)
	40.10%	30.27%	19.84%	9.88%	0.98%	-6.78%

Going Forward

- Two directions –
 - To solve the significant operating deficit problem, either **significant** further cuts to expenditures are required, or the community needs to consider raising revenues.
- Examples of the magnitude of such cuts are provided on following slides. Staff is not recommending these cuts at this time, **as they would have a profound impact on the quality of life for Culver City residents**. However, without increases to revenue, these are items that would have to be considered.

General Fund Expenditures

By Category



Reducing expenditures

Police

- Police patrol levels would have to be reduced, affecting safety throughout the city.
- Increased response times to calls for service.
- Likely increase in crime due to less visible police presence and diminished resources.
- Programs like juvenile diversion and school resource officers would be eliminated.
- Staffing for 911 dispatch would be reduced, affecting timely responses.
- Police investigators would be reduced, reducing ability to focus on anything but major crimes.
- Elimination of Animal Services Program.

Reducing expenditures

Police

- Elimination of Motor Officers. Virtual elimination of traffic enforcement and decreased traffic safety.
- Decreased service to the public for non-emergency juvenile related issues and concerns.
- Limited forensic investigative follow-up: Fingerprint and DNA evidence may not be recovered in a timely manner.
- Minimized regional participation (Reduced Task Force membership), will result in less available resources which we rely on during critical incidents.

Reducing expenditures

Fire

- Elimination of an engine company.
- Fire District 2 (approximately 1/3 of the city) would be without a staffed water source (Fire Engine) at their fire station.
- Increase in response times (due to unavailable units) and increase in number of times a fire unit is not available to respond to an emergency call for service.
- Reduced ability to handle simultaneous calls for service.
- Increased risk to the public and fire personnel.
- Potential increase in annual fire loss (property).
- Reduction in the number of fire inspections, hydrants serviced, and pre-fire planning conducted each year.

Reducing expenditures

Fire

- Reduction in the number of public education events conducted each year.
- Loss of Insurance Services Office Class 1 status; retrogression to Class 2 or 3.
- Loss of accreditation.
- Consider contracting out services.*

*The elimination of an engine company would so severely reduce our capabilities, while increasing the risk to both the public and fire department personnel, that the city would be forced to consider contracting out fire department services with Los Angeles City or Los Angeles County Fire Department.

Reducing expenditures

Parks, Recreation & Community Services

- Elimination of parks and playgrounds. Drop in programs at 11 of our 18 parks and staffing of Culver City Skatepark.
- Elimination of after school programs.
- Elimination of all funding for Fiesta La Ballona, probably resulting in the cancellation of this event.
- Reduction of operation hours of Senior Center from 48 hours per week to 36.
- Reduce by 33% funding for maintenance of medians, open spaces and government buildings. Impact will be reduced maintenance and lower level of service.
- Reduced hours of operations for public restroom. Closed on Sundays.

Reducing expenditures

Public Works

- Reductions to street, sidewalk and curb maintenance. Much longer periods between resurfacing deteriorating streets. Sidewalk repair lead times would significantly increase.
- Reductions to building and facility maintenance staffing. Inability to keep up with routine maintenance may result in more costly repairs/replacements in long run.
- Reduced ability to repair street signals or streetlights. Potential safety impacts.
- Graffiti abatement would be reduced. Longer periods of time before removal.
- Tree trimming schedule would be extended significantly.
- Staffing to oversee improvement projects reduced. Fewer projects would be completed on an annual basis.

Reducing expenditures

Community Development

- Reductions to Planning and Building staff would significantly increase lead time to receive approvals and permits.
- Further reductions to Economic Development efforts would limit ability to attract and retain businesses in our community.
- Code Enforcement efforts would be reduced, resulting in more unenforced code violations that could affect property values.

Reducing expenditures

- Administrative Departments
 - Administrative Departments' Expenditures are largely staff related costs.
 - To reduce expenditures by the amounts needed to balance the budget, further layoffs in the those departments would be necessary.
 - Reduced ability to respond to community issues or questions in a timely manner.
 - Elimination of Passport Acceptance Services and Reduction/Elimination of Courtesy Public Notification Processes
 - Reduced support to operating departments would further affect their ability to deliver services.
 - Operating hours of City Hall may be further reduced.

Raising revenues

- Further significant cuts to the organization will have a clear affect on the levels of service that set Culver City apart.
- Any local tax increase must be approved by the voters.
 - **Prop. 22 legally protects these funds from being raided by Sacramento.** Funds from a local tax measure would stay local, and benefit Culver City, not the State.
- Any kind of property or utility tax increase would only be paid by residents or local business and would have to be significant.
- Local sales tax increase would leverage the fact that there is a large influx of people that don't live in Culver City but come here to shop and use our services and amenities.

Raising revenues

- A half-cent local sales tax increase would generate approximately \$8 million annually, and would protect the existing levels of service in Culver City.
- A few examples:
 - Such a tax would add \$1.50 in sales tax to a \$300 shopping trip to Costco or Westfield Mall.
 - Such a tax would add \$0.05 (a nickel) in sales tax to a \$10 lunch bill.
 - Such a tax would add \$150 in sales tax to a \$30,000 car purchased by a Culver City resident.

Steps required

- In order to place a measure on the November ballot, City Council must vote unanimously to declare the existence of a fiscal emergency.
- Item would need to be approved by late July in order to meet County deadlines.
- **Voters** get to decide whether to support the measure.