

Fiscal Year 2012-2013 Proposed Budget

Tonight's Agenda

- Background information on city budgeting for newly elected City Council members and public.
- Discussion of economic trends and issues.
- High-level discussion of proposed City budget.
- Future meeting schedule

What is a budget?

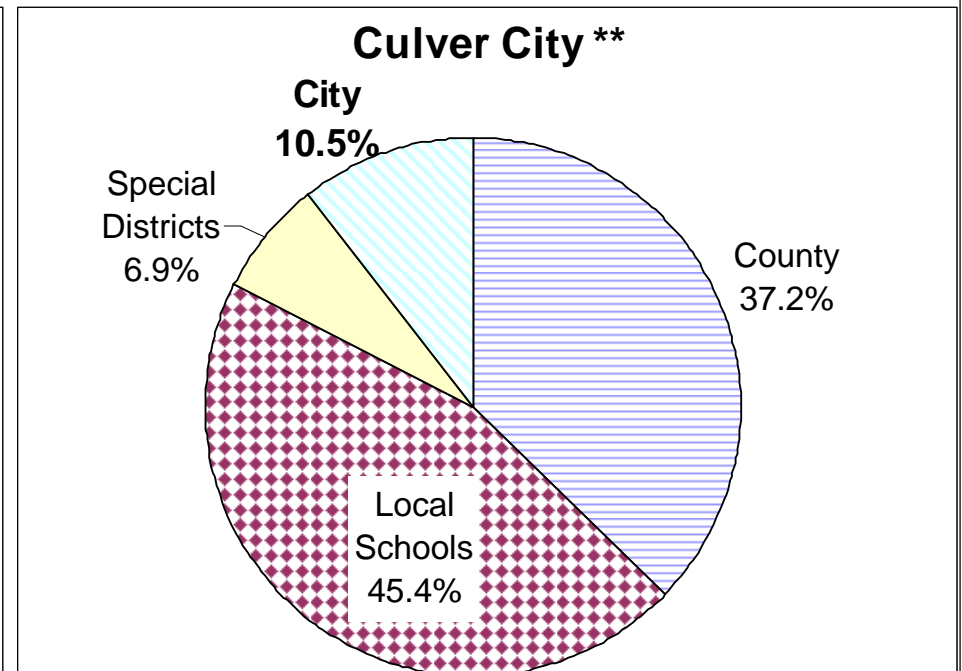
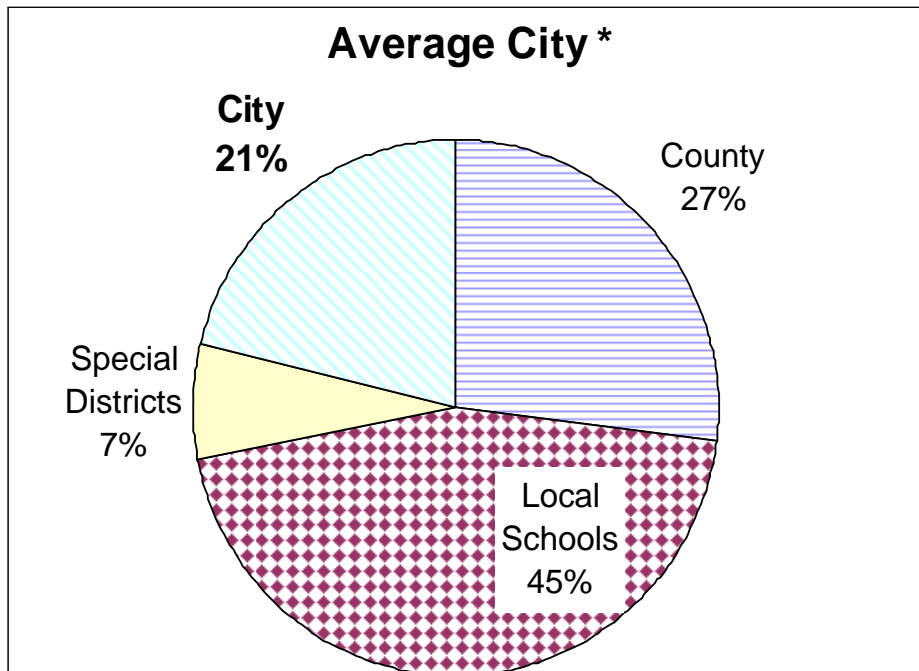
- A budget is a plan for specifying how resources, especially time or money, will be allocated or spent during a particular period.
- A city budget is a resource allocation policy document. It is also a communications tool to let the public know how resources will be utilized.

Why do we need to adopt a budget?

- Article VIII of the City Charter requires a budget to be adopted prior to the beginning of the fiscal year.
- Also requires that the City Manager present a proposed budget at least 45 days before the end of the fiscal year.

Property Tax:

How much goes to Culver City?

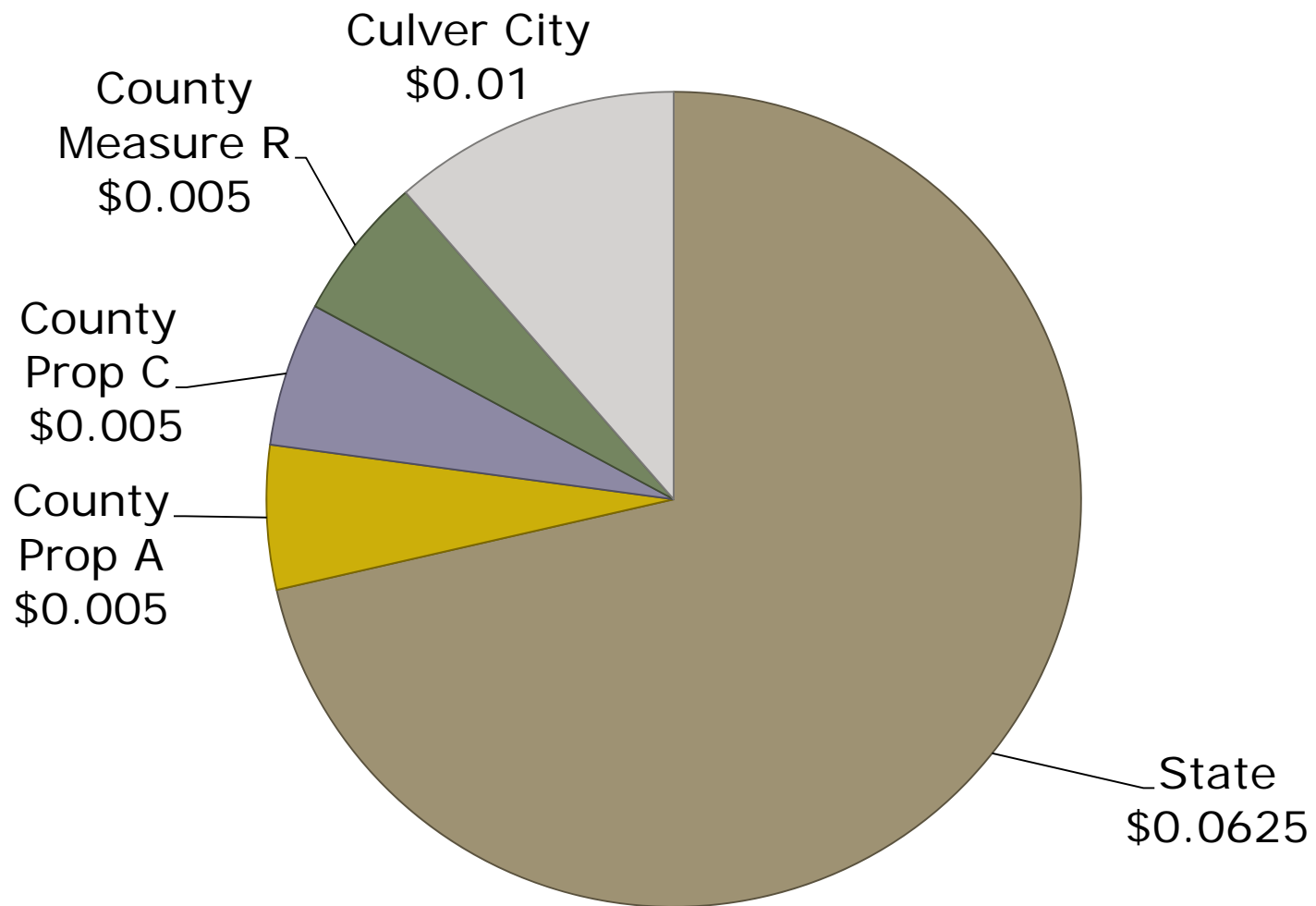


* Average City data assumes typical homeowner in a full service city and NOT in redevelopment area. (Source: Coleman Advisory Services)

** Culver City data also assumes non-redevelopment area homeowner.

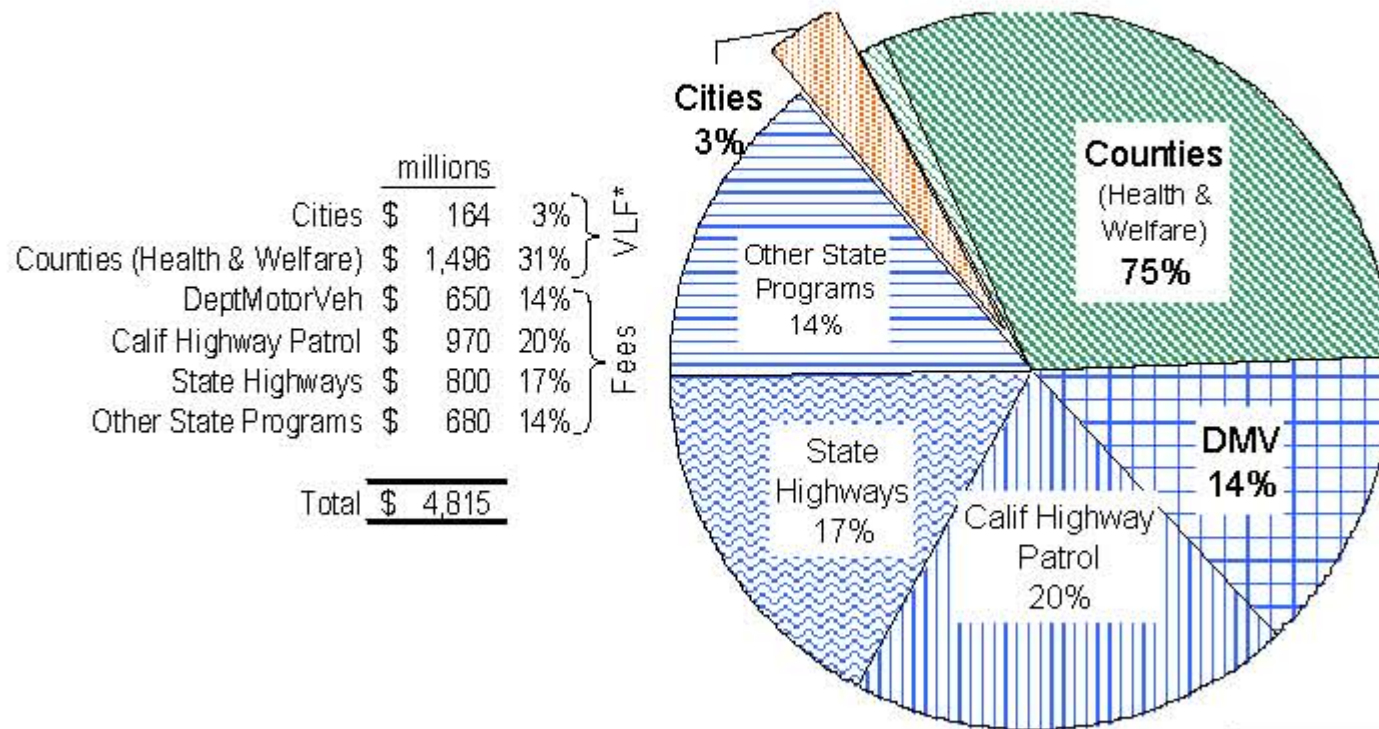
Sales Tax Breakdown

For each taxable dollar spent



Vehicle License & Registration Fees

Where do they go?



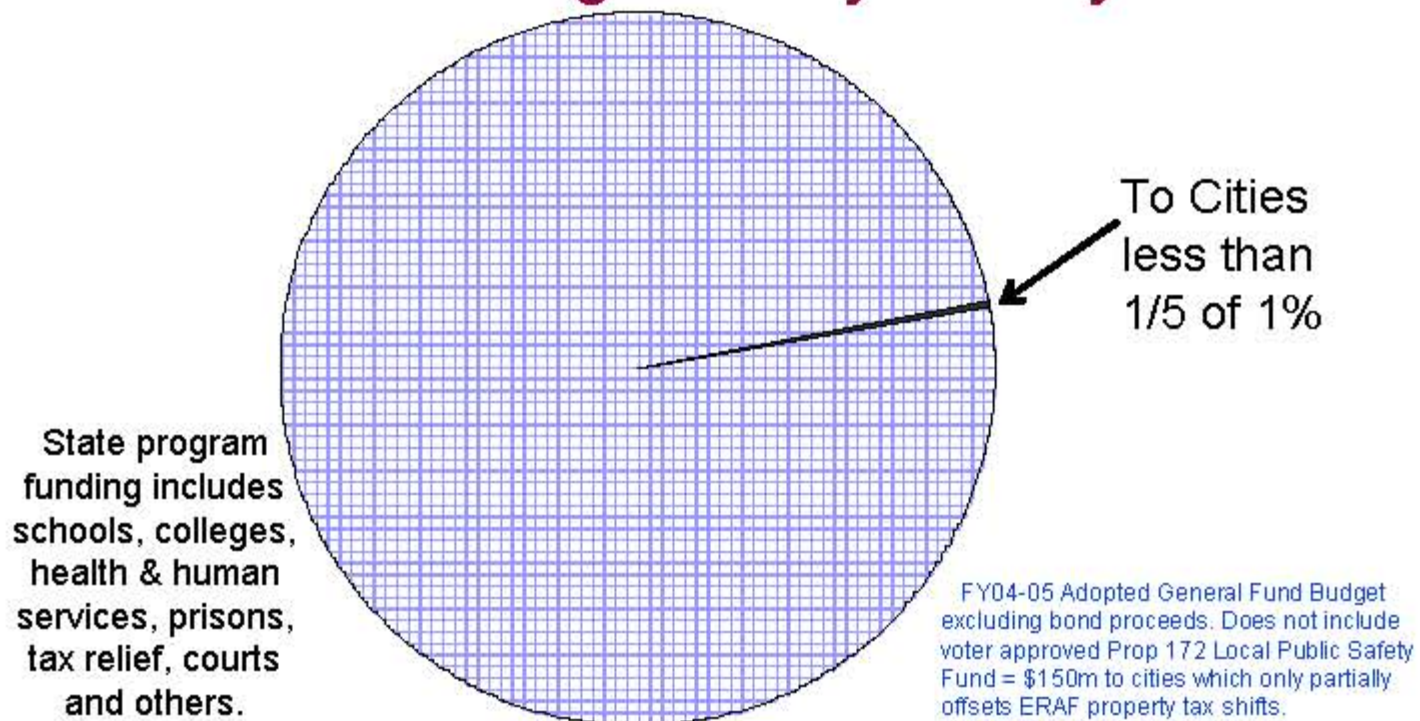
*0.65% Vehicle License Fee or "car tax" in lieu of local property tax.

Source: Coleman Advisory Services calculations from Calif Dept of Finance and DMV data.



State General Revenues

including State Income Tax, State Sales&Use Tax:
How much goes to your city?



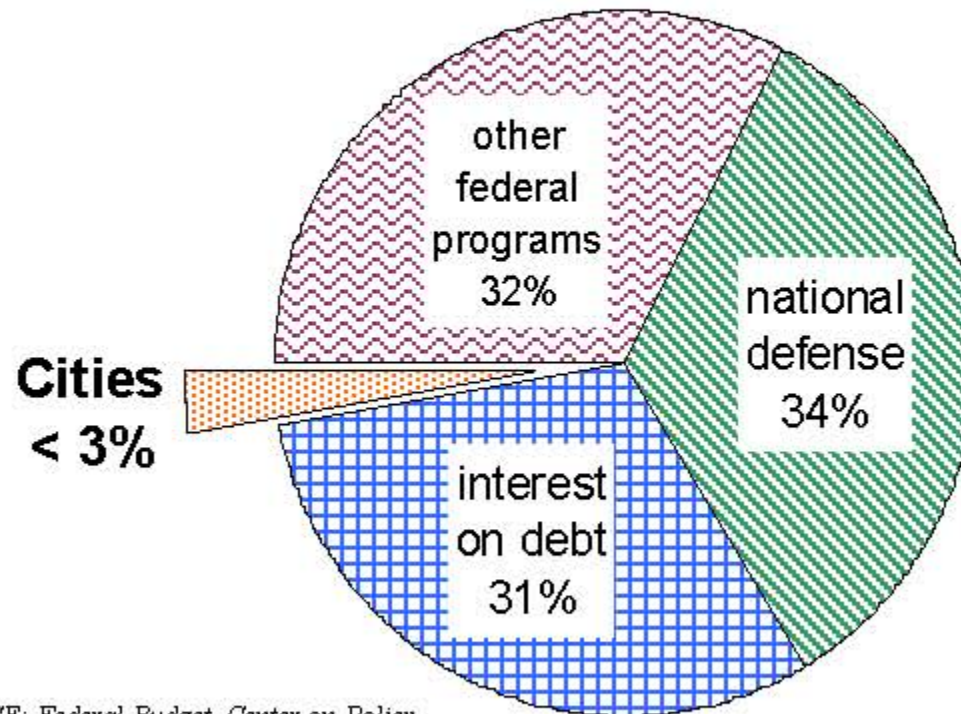
\$90 Billion State General Fund

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Source: Coleman Advisory Services calculations from Calif State Budget.



Federal Income Tax: How much goes to your city?



*SOURCE: Federal Budget, Center on Policy
Priorities, Coleman Advisory Services*

A Quick Primer on California City Finance

- Some revenue is restricted to certain uses by law.
- Some revenue is payment for a specific service by customers.
- Some revenues require voter approval for rate increases.
- Other revenue comes from state and federal agencies, and the city has no control over how much it receives.

Taxes

- A tax is a charge for public services and facilities. Cities may impose any tax not prohibited by state law. The state prohibits local government from taxing certain things like cigarettes, alcohol and personal income.
- Two kinds of taxes: General Tax and Special Tax.
- General tax revenues can be used for any purpose, and must be approved by a majority of voters. (Sales Tax, Property Tax, Utility Users' Tax, Business Tax)
- Special taxes must be used for a specific purpose, and two-thirds of the voters must approve. (Gas Tax, Proposition A & C, Measure R, etc.)

Fees, Charges and Assessments

- A fee is a charge imposed on an individual for a service that the person chooses to receive. Examples include water service, sewer service connection, building permits, recreation classes and development impact fees.
- Special benefit assessments are charges levied to pay for public improvements or services within a predetermined district or area, according to the benefit the parcel receives from the improvement or services.
- Other locally raised revenues include licenses and permits, franchises and rents, royalties and concessions, fines, forfeitures, penalties and investment earnings.

Intergovernmental Revenue

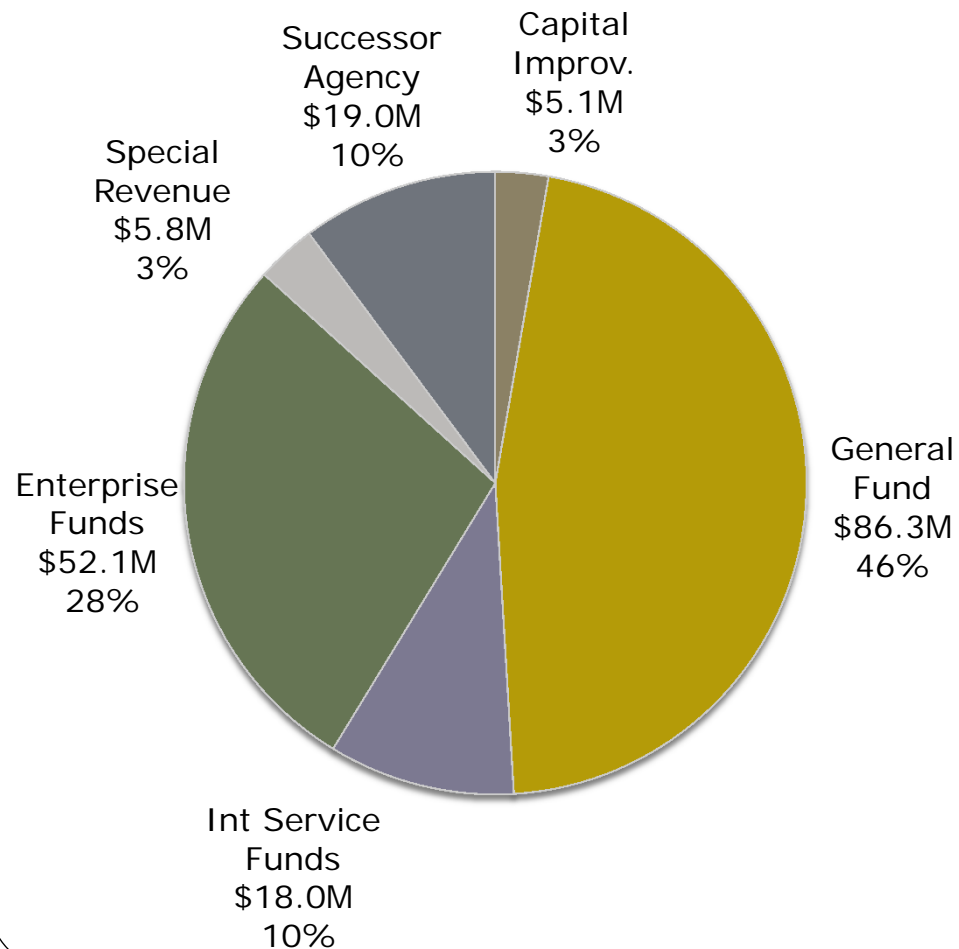
- Cities receive some revenue from other government agencies, namely the state and federal governments. This can include general or categorical support monies called 'subventions', and also grants for specific projects, and reimbursement for costs of some state-mandated services.

Putting Money in Its Proper Place

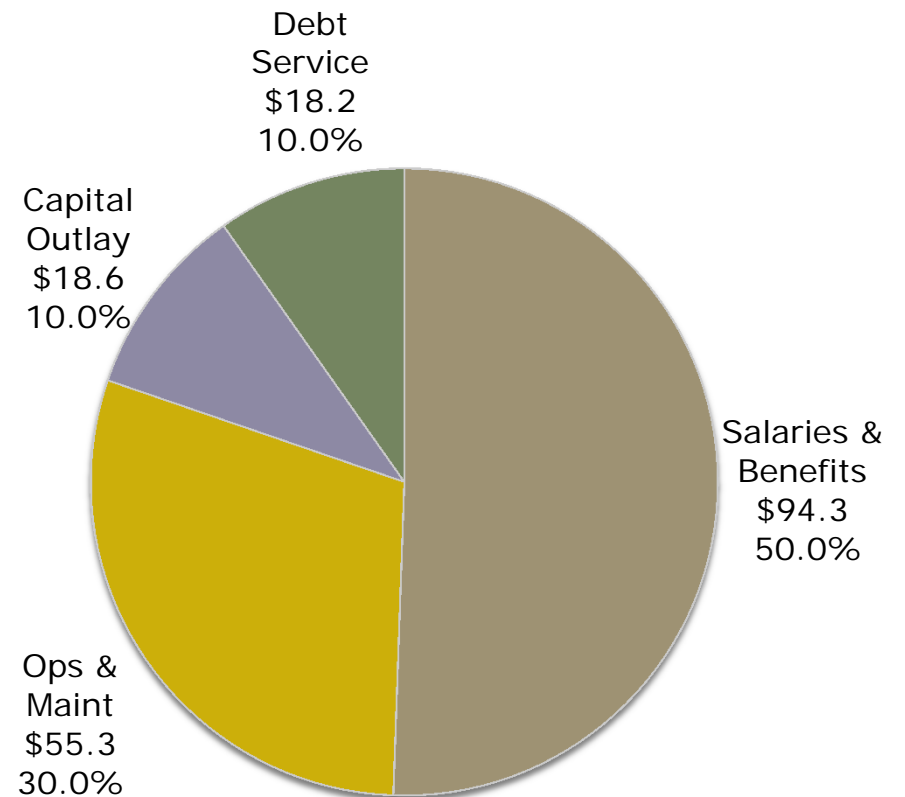
- Many types of city revenues are restricted to specific purposes by law or by the agency providing the funds. To comply with laws and other restrictions, finance departments segregate revenues and expenditures into separate accounts or funds.
- The four most important types of city funds are **Special Revenue Funds, Enterprise Funds, Internal Service Funds** and the **General Fund**.

Citywide Expenditures

Expenditures by Fund

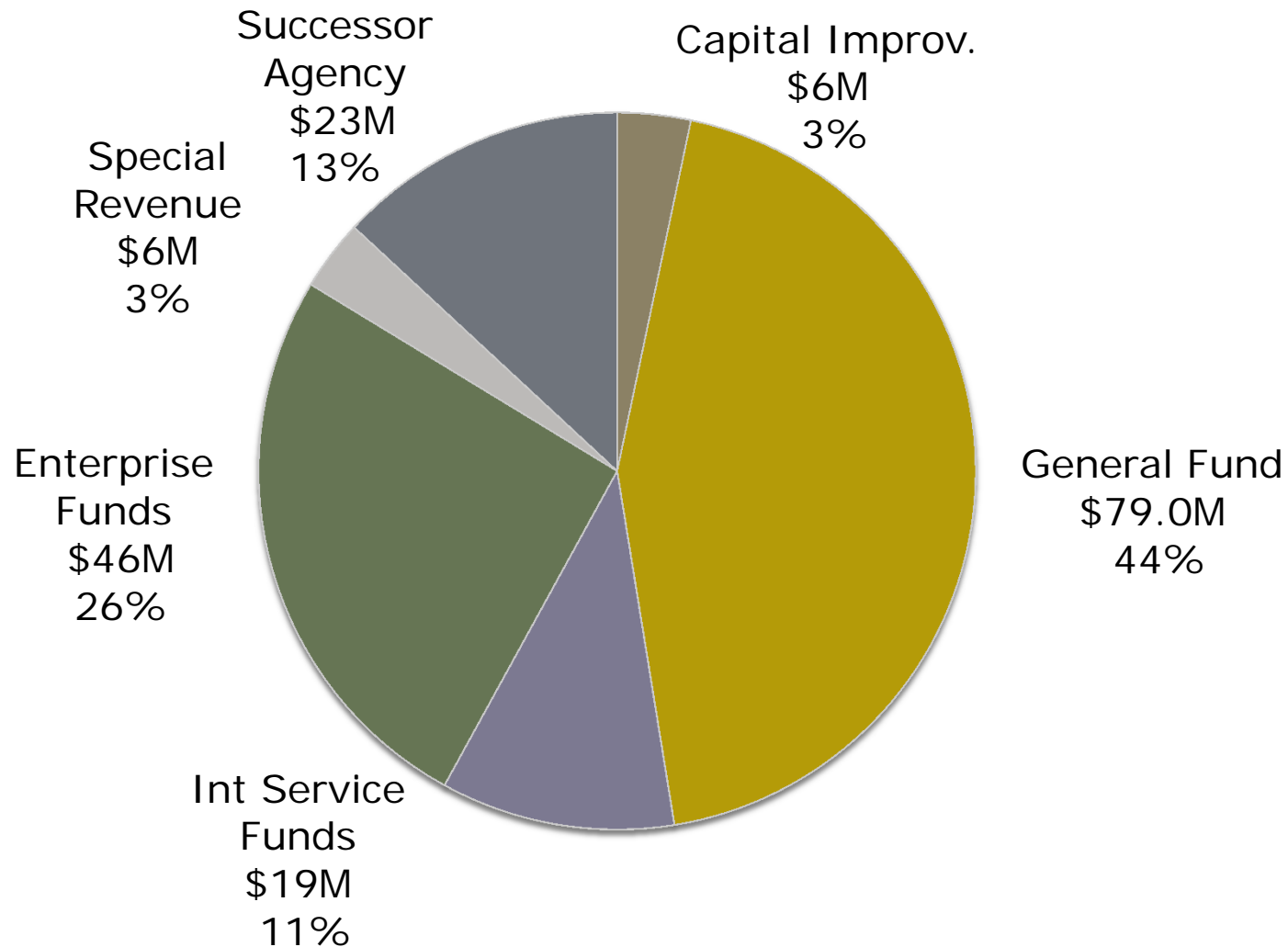


Expenditures by Category



Citywide Revenues

By Fund



Enterprise Funds

- Are used to account for self-supporting activities that provide services on a user-charge basis.
- Example: Many cities provide waste removal services to residents. Users of these services pay utility fees, which the city deposits in a refuse enterprise fund. All expenditures for refuse services are charged to this fund.
- Culver City Enterprise Funds include Refuse, Sewer, and Transportation Funds.

Enterprise Funds

	APPROPRIABLE FUND BALANCE July 1, 2012	ESTIMATED REVENUE 2012-13	ESTIMATED EXPENDITURES 2012-13	ESTIMATED APPROPRIABLE June 30, 2013
REFUSE FUND (202)	93,248	11,504,092	11,533,093	64,247
BUS FUND (203)	1,825,782	27,721,848	27,626,874	1,920,756
SEWER FUND (204)	18,296,268	7,713,008	13,393,860	12,615,416
LANDSCAPE MAINT DIST. (425)	160,397	100,799	93,799	167,397
TOTAL ENTERPRISE	20,375,695	47,397,747	52,647,458	14,767,816

Internal Service Funds

- May be used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis.
- Major Culver City Internal Service Funds include: Equipment Replacement, Equipment Maintenance and Fleet Services, Self Insurance and Central Stores.

Internal Service Funds

	APPROPRIABLE FUND BALANCE July 1, 2012	ESTIMATED REVENUE 2012-13	ESTIMATED EXPENDITURES 2012-13	ESTIMATED APPROPRIABLE June 30, 2013
EQUIP. REPLACEMENT (307)	8,505,135	1,465,180	736,000	9,134,315
CITY GARAGE (308)	74,083	7,489,244	7,502,151	61,176
SELF INSURANCE (309)	3,071,498	8,113,371	8,042,541	3,142,328
CENTRAL STORES (310)	(281,760)	1,750,000	1,750,000	(281,760)
TOTAL INTERNAL SVCS	11,368,956	18,817,795	18,030,692	12,056,059

Special Revenue Funds

- Used to account for activities paid for by taxes or other designated revenue sources that have specific limitations on use according to law.
- Example: the State levies gas taxes and subvenes some of these funds to cities and counties. A local government will deposit this gas tax revenue into a special fund and spend the money for streets and road-related programs, according to the law.
- Culver City Special Revenue Funds include Gas Tax, Grants, CDBG Grant, Prop A & Prop C Local Return, Capital Improvement Acquisition, etc.

Special Revenue Funds

	APPROPRIABLE FUND BALANCE July 1, 2012	ESTIMATED REVENUE 2012-13	ESTIMATED EXPENDITURES 2012-13	ESTIMATED APPROPRIABLE June 30, 2013
BUILDING SURCHARGE (412)	97,287	74,000	2,000	169,287
GRANTS (414)	(268,318)	1,040,152	1,037,672	(265,838)
CDBG GRANT (427)	0	31,910	30,357	1,553
PROP A LOCAL RETURN (415)	942,902	531,000	525,000	948,902
PROP C LOCAL RETURN (424)	400,027	767,044	761,044	406,027
SECTION 8 HOUSING (426)	1,105,898	1,789,306	1,941,038	954,166
CULVER CITY PRKNG AUTHRTY (475)	28,500	225,000	233,100	20,400
ECON DEV PROGS (481)	243,666	966,001	1,045,670	163,997
CC SUCCESSOR AGENCY	22,233	41,378,544	41,891,964	(491,187)
TOTAL SPECIAL REVENUE FUNDS	2,572,195	46,802,957	47,467,845	1,907,307

Capital Improvement Projects

<u>CIP Funding Sources:</u>	<u>Amount</u>
Refuse Fund (203)	\$100,000
Sewer Enterprise Fund (204)	\$3,300,000
Art in Public Places Fund (Developer In-lieu Fees) (413)	\$108,250
Gas Tax Fund (418)	\$755,000
Park Facilities Fund (Developer In-lieu Fees) (419)	\$115,000
Improvements & Acquisition Fund (General Fund) (420)	\$860,000
Developer Mitigation Fee Funded (420)	\$200,000
Parking Improvement Fund (421)	\$250,000
Grants Capital (423)	\$2,459,698
CDBG-Capital (428)	\$186,948
Measure R (431)	\$181,000
Total Sources	\$8,515,896

Capital Improvement Projects

<u>CIP Uses by Project Type:</u>	<u>Amount</u>
Street & Alley Improvements	\$1,316,844
Traffic Signal & Lighting Improvements	\$771,403
Bridge Improvements	\$1,138,715
Parking Improvements	\$250,000
Community Improvements	\$724,084
Parks & Park Facilities Projects	\$115,000
Police & Fire Improvements	\$30,000
Sewer Improvement Projects	\$3,727,100
Refuse Improvements	\$100,000
Admin & Other	\$342,750
Total Uses	\$8,515,896

General Fund

- The “General Fund” is where general taxes like property and sales taxes are placed and where expenditures for many broad operations (like Police, Fire, and Parks) are released.
- The General Fund is often the fund most subject to economic fluctuation.
- The General Fund has been, and continues to be, subject to state “redirections” or take-aways.

Economic Indicators

- Unemployment is still high
 - California unemployment rate is still double-digit, 11% in March
- Federal Funds rate remains historically low
 - Has boosted the stock market, but the economic recovery remains very slow
- Gas prices are up 17% from January
- New construction activity still very low
- Global impact of economic issues in Europe
- **Bottom-line: recovery will be slow**

Other Post Employment Benefits

- \$23 million liability for OPEB on financial statements
- Total liability for current retirees and active employees is over \$200 million (pending new valuation based on new MOU's)
- Additional annual cost to fund liability \$4 - \$5 million
- \$1.8 million of pre-funding included in proposed budget as part of five year phase-in

RDA Elimination

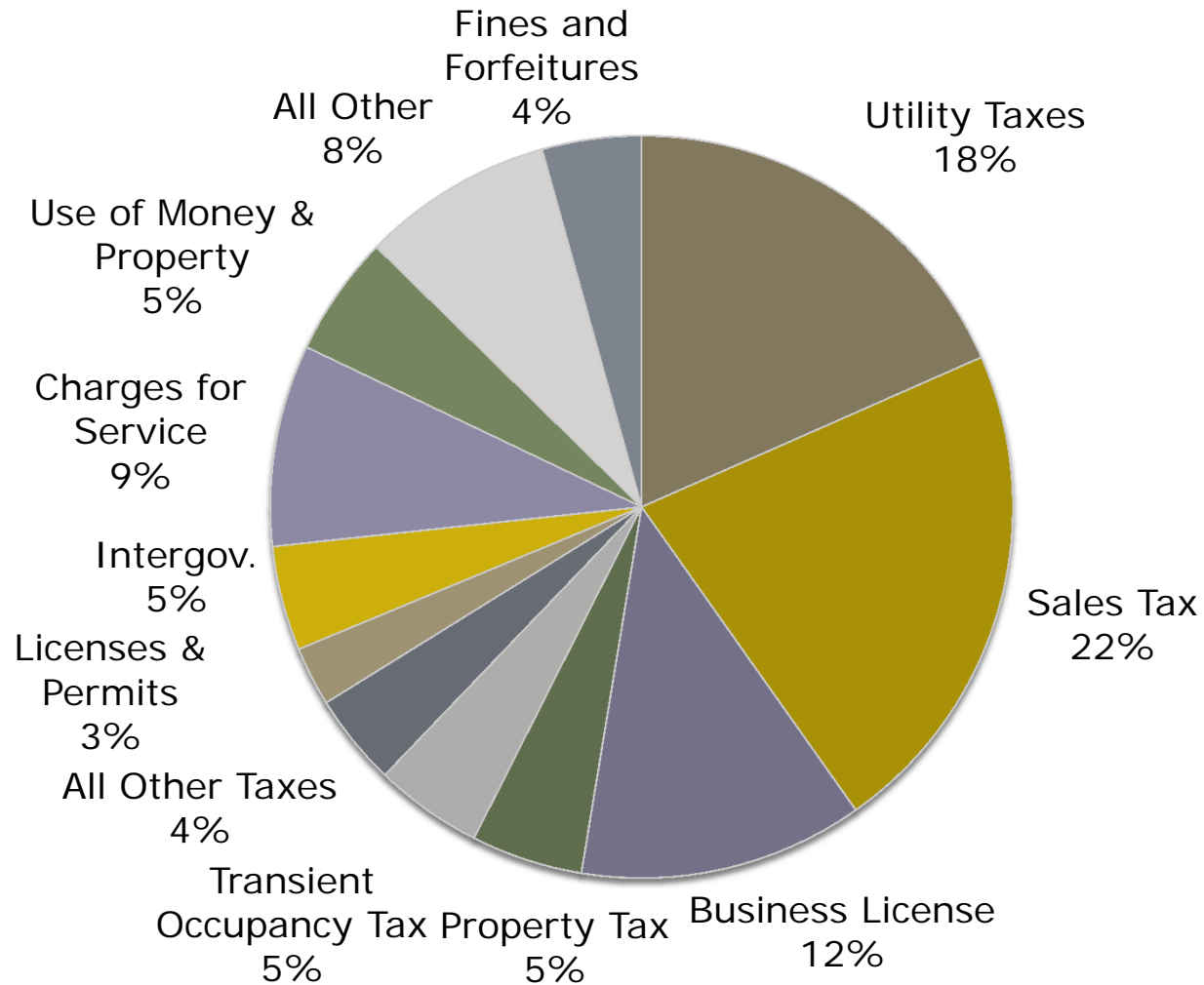
- \$7.5 million in transfers and reimbursements to the General Fund have been eliminated
 - 24 full-time dedicated positions at \$3.3 million
 - Overhead, rent and other reimbursements at \$1.3 million
 - Various other positions at \$1.7 million
 - Police OT, code enforcement, graffiti removal and engineering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

General Fund Proposed Budget 2012-13

- Expenditure Reductions
 - 19 net position eliminations
 - Net reductions of approximately \$1.9 million
- No reductions to Police or Fire

General Fund Revenue

By Category

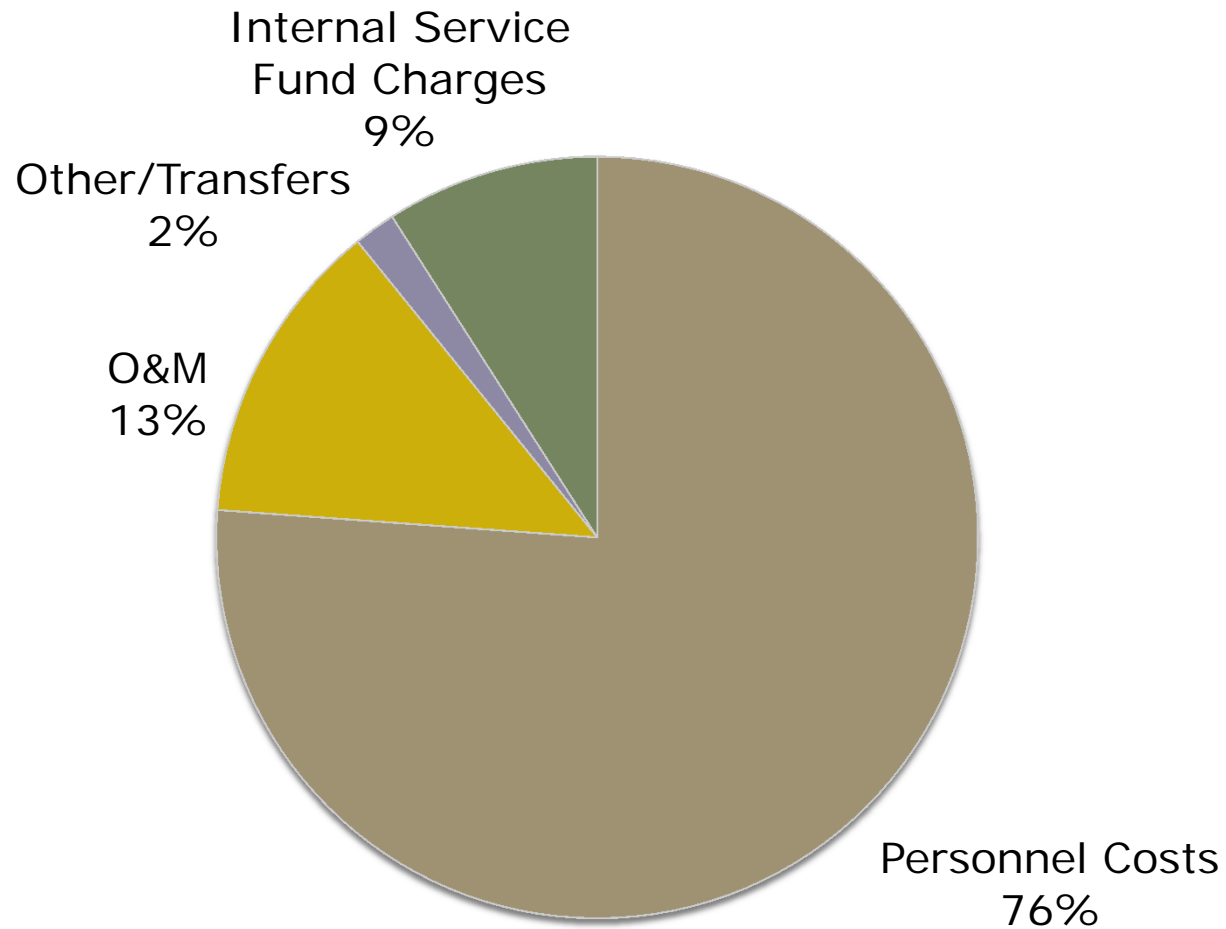


General Fund Revenues

(in thousands)	Adopted 2011-12	Estimated 2011-12	Proposed 2012-13
Sales Tax	16,542	17,268	17,700
Business Tax	10,050	10,050	10,050
UUT	15,120	15,010	14,925
Other Taxes	9,917	10,520	11,000
Licenses and Permits	1,949	2,209	2,093
Intergovernmental	3,631	3,754	3,701
Charges for Service	11,705	9,373	7,130
Fines and Forfeitures	4,100	2,693	3,510
Interfunds and Transfers In	6,781	6,659	6,651
Other	824	1,509	4,375
Total Revenues	80,619	79,045	81,135

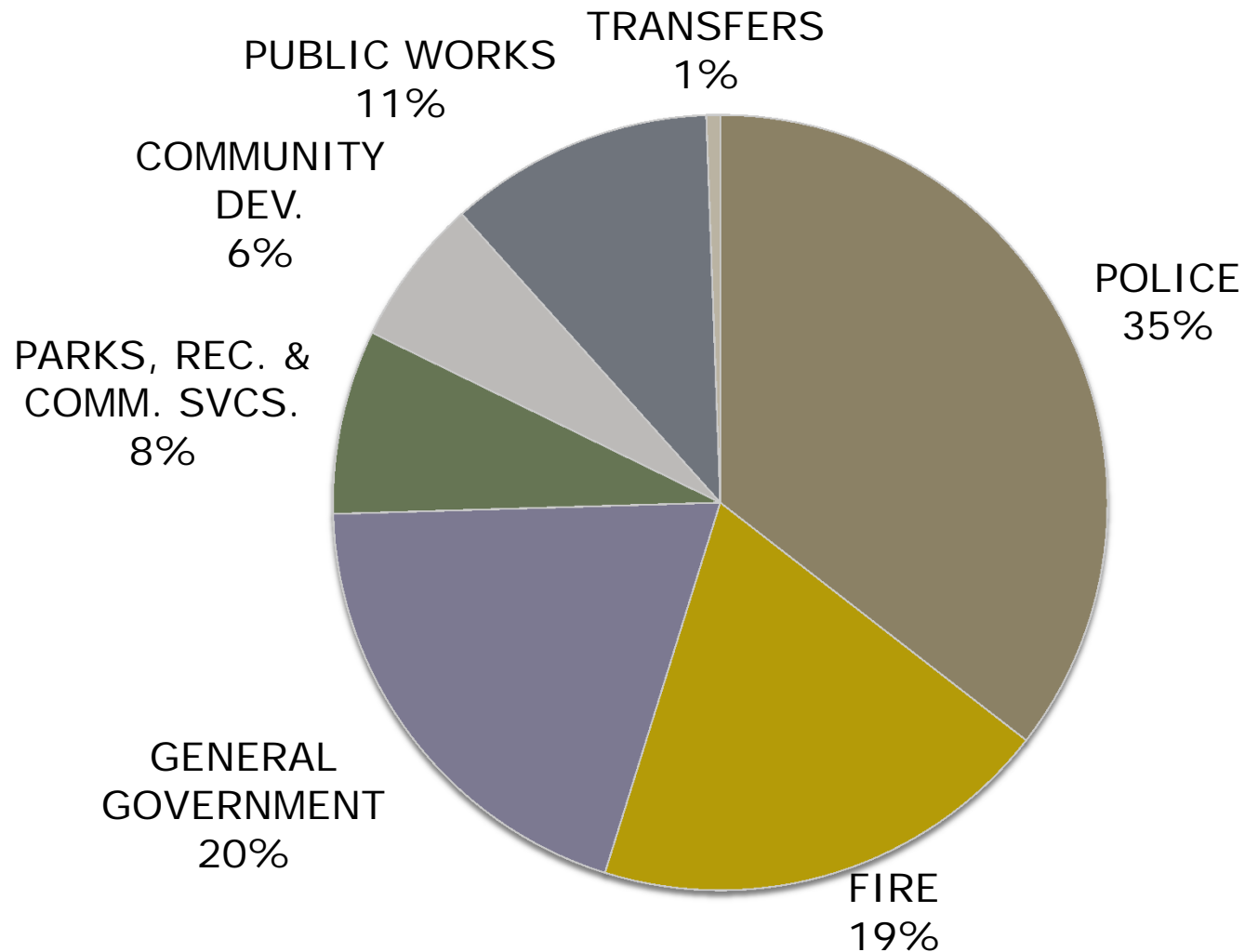
General Fund Expenditures

By Category



General Fund Expenditures

By Department



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%