



**CITY OF COSTA MESA
FINANCE & I.T. DEPARTMENT
INTEROFFICE MEMORANDUM**

TO: CITY COUNCIL

THROUGH: TOM HATCH, CHIEF EXECUTIVE OFFICER

FROM: BOBBY YOUNG, FINANCE & I.T. DIRECTOR

DATE: MAY 13, 2013

SUBJECT: *FISCAL YEAR 2013-14 PRELIMINARY BUDGET*

Attached you will find the 2013-14 Preliminary Budget document for your review. Below is a brief executive summary with a financial review that follows.

EXECUTIVE SUMMARY

The total preliminary appropriations for all funds are \$157,427,623. Compared to the Fiscal Year 2012-2013 adopted budget, the Fiscal Year 2013-2014 preliminary budget represents an increase of \$24.85 million or 18.74%.

Of the \$157.4 million, \$115.7 million (or 73.51%) is for the General Fund. The preliminary budget for the General Fund assumes a \$12,748,201 use of fund balance/deficit. This is caused by a transfer of funding in the amount of \$16,721,790 to the Capital Improvement Fund for the inclusion of several capital improvement projects preliminarily funded by the General Fund. In prior years, City Council has requested to see all projects and work with the CEO to determine priority for inclusion in the adopted budget. The difference between the preliminary deficit and the transfer amount is \$3,973,589.

Preliminarily, the Capital Improvement Project (CIP) budget includes 63 projects totaling \$31.2 million, as seen on pages 180-183. Of these projects, \$6.8 million (21.8%) is for Citywide Street Improvements and \$2.0 million (6.4%) for Alley Improvements (including additional lighting). With regards to funding sources: \$9.9 million (31.7%) is from Gas Tax & Measure M Funds and \$19.1 million (61.2%) from grants and the General Fund.

At the May 28th Study Session, staff will present more analysis of the numbers and the CEO will make a presentation to review with City Council the final Proposed Budget. This presentation will include additional measures to eliminate the General Fund use of fund balance/deficit to ensure the submittal of a balanced budget for the City Council to consider adopting at its June 18th City Council meeting.

FINANCIAL ANALYSIS

The preliminary budget includes the operating and capital improvement budgets for the following funds: General Fund, Special Revenue, Capital Projects, and Internal Service Funds.

PRELIMINARY BUDGET - ALL FUNDS					
Appropriations/ All Funds	Preliminary FY 13-14	Adopted FY 12-13	Increase (Decrease)		Percent of Total
			Amount	Percent	
Operating Budget	\$109,499,446	\$109,229,363	\$ 270,083	0.25%	69.56%
Transfers Out	16,771,790	2,640,000	14,131,790	535.30%	10.65%
Capital Budget	<u>31,156,387</u>	<u>20,706,936</u>	<u>10,449,451</u>	<u>50.46%</u>	<u>19.79%</u>
Total	<u>\$157,427,623</u>	<u>\$132,576,299</u>	<u>\$24,851,324</u>	<u>18.74%</u>	<u>100.00%</u>

The following table is a summary of the Fiscal Year 2013-2014 total appropriations by fund type for all funds, compared with the adopted budget for the current year:

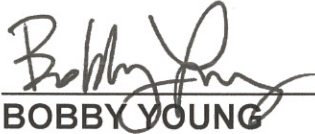
Fund Type	Preliminary FY 13-14	Adopted FY 12-13	Increase (Decrease)		Percent of Total
			Amount	Percent	
General Fund*	\$115,722,011	\$101,119,710	\$14,602,301	14.44%	73.51%
Special Revenue Funds	9,092,863	10,621,700	(1,528,837)	(14.39%)	5.78%
Capital Projects Funds	26,483,990	14,052,360	12,431,630	88.46%	16.82%
Internal Service Funds	6,128,759	6,782,529	(653,770)	(9.64%)	3.89%
Total	<u>\$157,427,623</u>	<u>\$132,576,299</u>	<u>\$24,851,324</u>	<u>18.74%</u>	<u>100.00%</u>

* Includes transfers out

The following table illustrates the total estimated revenue, total appropriations, and total fund balances used for the General Fund as the single largest portion of the City's budget and all other funds.

Description	General Fund	All Other Funds	Total
Estimated Revenue	\$ 102,973,810	\$19,723,748	\$ 122,697,558
Transfers In	-	16,771,790	16,771,790
Use of Fund Balances	<u>12,748,201</u>	<u>5,210,074</u>	<u>17,958,275</u>
Total Resources	<u>\$ 115,722,011</u>	<u>\$41,705,612</u>	<u>\$ 157,427,623</u>
Preliminary Operating Budget	\$ 98,950,221	\$10,549,225	\$ 109,499,446
Preliminary Capital Budget	-	31,156,387	31,156,387
Transfers Out	<u>16,771,790</u>	-	<u>16,771,790</u>
Total Appropriations	<u>\$ 115,722,011</u>	<u>\$41,705,612</u>	<u>\$ 157,427,623</u>

Staff is available before the Study Session to answer any questions you may have about the Fiscal Year 2013-2014 preliminary budget at your convenience.



BOBBY YOUNG
Finance and I.T. Director