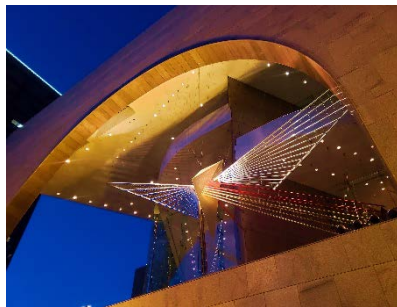
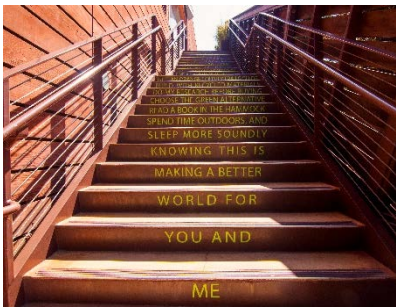


CITY OF COSTA MESA BUDGET IN BRIEF



**FISCAL YEAR 2019-2020
ADOPTED BUDGET**



INTRODUCTION

Dear Citizens of Costa Mesa:

The overall budget for the City of Costa Mesa is \$172 million (including transfers out) in Fiscal Year 2019-20. This budget reflects the operating and capital activities of 25 funds across 10 departments and includes 492 full-time positions and 137.28 part-time positions (in full-time equivalent) that provide the City's public safety, construction and maintenance, transportation and development-related services, and the internal governance services that support them. This budget also maintains staffing at previous levels, maintains contingency appropriations of \$500,000 (a reduction from \$1 million in Fiscal Year 2017-18), includes minimum wage increases necessary to comply with the State law, and adds 8 full-time equivalent (FTE) positions to address operational needs. The largest component of the budget is the General Fund, totaling \$142.2 million and representing 82.6 percent of the overall budget. This represents a \$9.1 million increase over the Fiscal Year 2018-19 Adopted Budget which totaled \$133 million. This increase is partially due to the correction of previous accounting issues combined with an increase in "new" expenditures including: legal costs related to lawsuits filed against the City (\$1.5 million); operating subsidy to the Housing Authority for the homeless shelter (\$2 million); and negotiated increases to salaries and benefits for existing positions (\$6.6 million).

While these are expensive, they show the good work the City continues to do in addressing community issues and ensuring that the City continues to provide a high level of service to the community. To address these increases, the Fiscal Year 2019-20 Adopted Budget shows the use of General Fund reserves totaling \$454,599 for the renovation of the permanent homeless shelter site. However, reserves **have not been used** as a balancing technique to pay for ongoing operating costs. In order to fund the remaining increases, staff implemented several budget balancing strategies – expenditure reductions across all departments and evaluations of new, innovative ways to deliver services without compromising service levels – that resulted in reducing operating expenses across all departments.

The Capital Improvement Program budget for Fiscal Year 2019-20 is \$17.6 million, with \$4.3 million representing the General Fund portion. This represents a decrease in the General Fund portion of \$4.3 million from the prior year. The amount funded through General Fund revenues is lower than in prior years due to the use of \$2.8 million to pay principal and interest payments associated with the 2017 Lease Revenue Bonds and \$3.4 million being used to fund operating costs. This was made possible with the anticipated award of two large grants: \$1.1 million for Merrimac Way and \$1 million from the State of California for the Lions Park Project.

Costa Mesa's exceptionally strong economy and tax base has provided increases in financial resources in previous years but these revenues, along with all of our major revenue sources, are seeing slowing growth. While the management team identified solutions to sustain services in the current fiscal year, projected future annual operating deficits require the City to face increasingly hard choices in the next budget cycle including re-evaluating how we work and what matters most to the community.

This Budget-in-Brief document is intended to provide you with facts about our City; the City's approach to balancing the budget; the major sources of revenue that ultimately pay for City services and infrastructure; as well as major changes included in the Fiscal Year 2019-20 Adopted Budget.

Respectfully,



Tamara S. Letourneau
Assistant City Manager
City of Costa Mesa

In November 2016, the voters elected to approve voting district elections defined by the selected map. In November 2018, voters, for the first time, elected an at-large Mayor, and City Council members for voting districts 3, 4, and 5, with residents in designated areas choosing one person from their area to represent them. Consequently, the City of Costa Mesa is governed by a seven-member elected City Council consisting of three at-large City Council members, three District Representatives, and one City Mayor. The City Council appoints members to all commissions and committees to help guide the City Council in its decisions. The City Council also appoints the City Manager, who oversees the daily operations of the City, along with the City Attorney.

CITY ORGANIZATION CITIZENS

CITY COUNCIL

MAYOR



Katrina
Foley
AT-LARGE

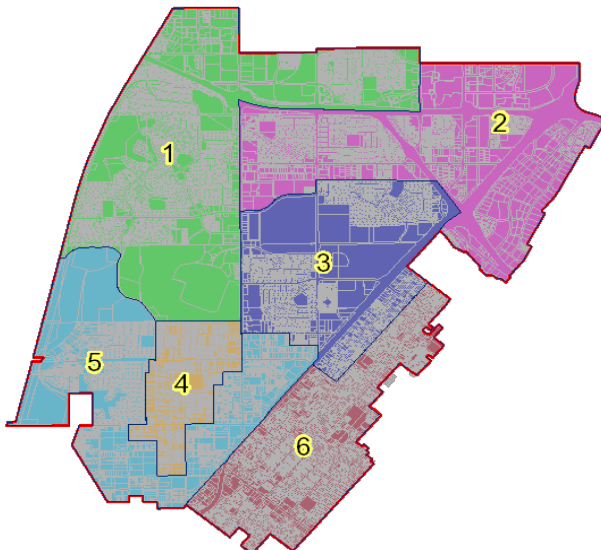
MAYOR PRO TEM	COUNCIL MEMBER	COUNCIL MEMBER	COUNCIL MEMBER	COUNCIL MEMBER	COUNCIL MEMBER
John Stephens AT-LARGE	Allan Mansoor AT-LARGE	Sandra L. Genis AT-LARGE	Andrea Marr DISTRICT 3	Manual Chavez DISTRICT 4	Arlis Reynolds DISTRICT 5

CITY MANAGER | CITY ATTORNEY

CITY DEPARTMENTS

CITY MANAGER'S OFFICE | FINANCE | PARKS AND COMMUNITY SERVICES
INFORMATION TECHNOLOGY | POLICE | FIRE AND RESCUE
DEVELOPMENT SERVICES | PUBLIC SERVICES

CITY COUNCIL DISTRICTS



In January 2019, the City Council embarked on a priority-setting session to establish goals, which were later adopted by City Council on April 2, 2019, and provide clear direction to staff regarding priorities for the budget process. The following goals were the results of that work and directed the budget development process.



**GOAL #1: KEEP OUR
COMMUNITY SAFE**



**GOAL #2: IMPROVE
NEIGHBORHOODS AND
QUALITY OF LIFE**



**GOAL #3: KEEP THE CITY
FISCALLY SUSTAINABLE**



**GOAL #4: ADDRESS HOUSING
SHORTAGES AND
HOMELESSNESS**



**GOAL #5: IMPROVE
MOBILITY AND PARKING**



**GOAL #6: GOOD GOVERNMENT
AND COMMUNITY ENGAGEMENT**

FREQUENTLY ASKED QUESTIONS ABOUT THE BUDGET

<p>What is a fiscal year and when does the City's begin?</p> <p>A fiscal year is a twelve-month period that an organization uses for budgeting, forecasting, and reporting. The fiscal year is from July 1 – June 30.</p>	<p>What is the purpose of the City's budget?</p> <p>The purpose of the City's budget is to serve as a "blueprint" for providing City services, working financial plan, and official organizational plan for the fiscal year.</p>	<p>How is the budget organized?</p> <p>It's organized by Budget Message, General Information, Financial Data Summaries, Department Budgets, CIP, Housing Authority, Successor Agency, and Appendix.</p>	<p>What basis of budgeting does the City use?</p> <p>The City uses the modified accrual basis in budgeting governmental funds and the full accrual basis for internal service funds.</p>
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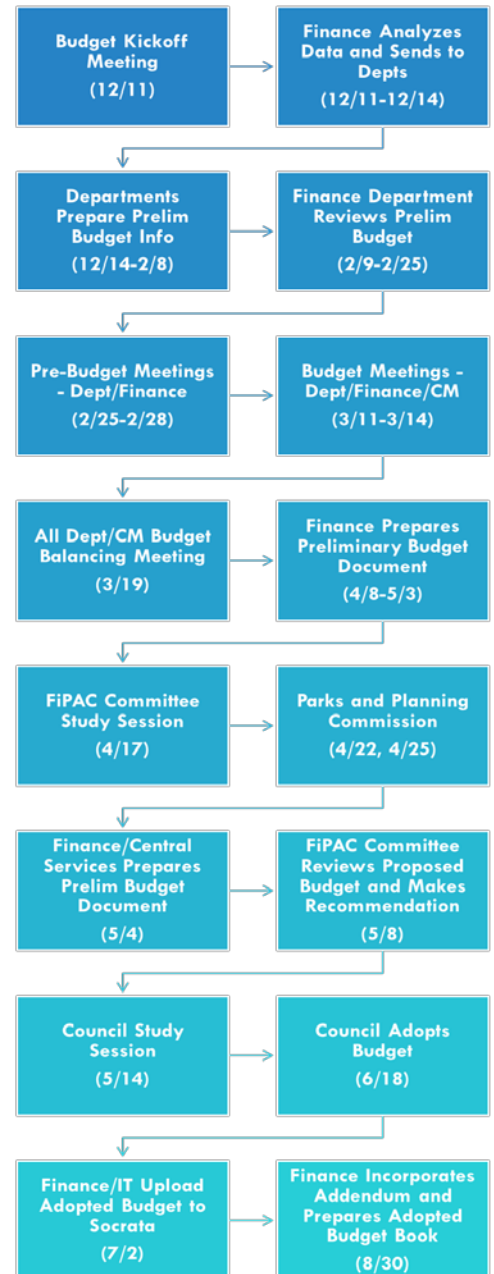
HOW IS THE BUDGET DEVELOPED?

Each year, the Finance Department coordinates the preparation of the budget in accordance with process graphically represented in the flow chart on the right. The information contained in the budget document is the product of a thorough financial review performed through the combined efforts of City staff.

The City's budget process begins in December with a kick-off meeting with all departments. The City Manager outlines the goals and directives for the development of the coming year's budget.

In January, the City Council engages in a goal-setting workshop where each department reviews major issues and the current budget outlook. A number of goals are identified and prioritized by the entire City Council. These goals drive the City's budget process.

Each department is responsible for developing its own budget. After the departments submit their budget requests, the Finance Department reviews, analyzes all supporting documentation, and compiles the data. Subsequently, the Budget Team calculates the total amount requested including estimated revenues and projected fund balances. Following those efforts, the City Manager and Budget Team work with each department on balancing measures in an effort to present a structurally balanced budget to City Council for further review and adoption.



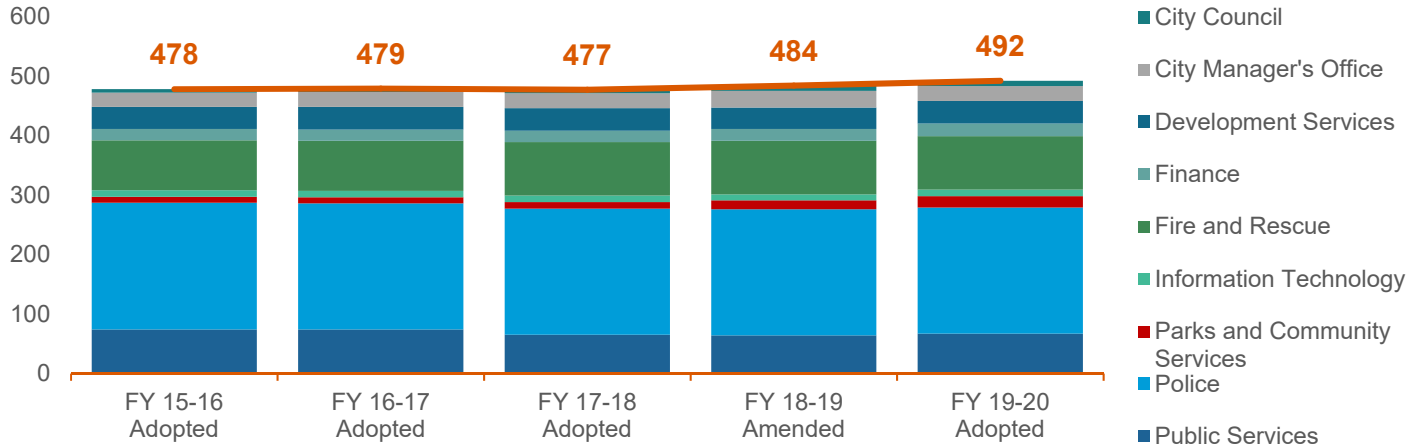
BUDGET BALANCING MEASURES

The FY 2019-20 Adopted Budget process was especially challenging and required the City to utilize a combination of budget balancing measures throughout the process while minimizing service impacts and prioritizing non-personnel measures. These measures included:

- 1 EXPENDITURE REDUCTIONS;
- 2 REVENUE ENHANCEMENTS;
- 3 REEVALUATION OF SERVICE DELIVERY AND IMPROVED EFFICIENCIES; AND
- 4 USE OF RESERVES AND FUNDING SWAPS.

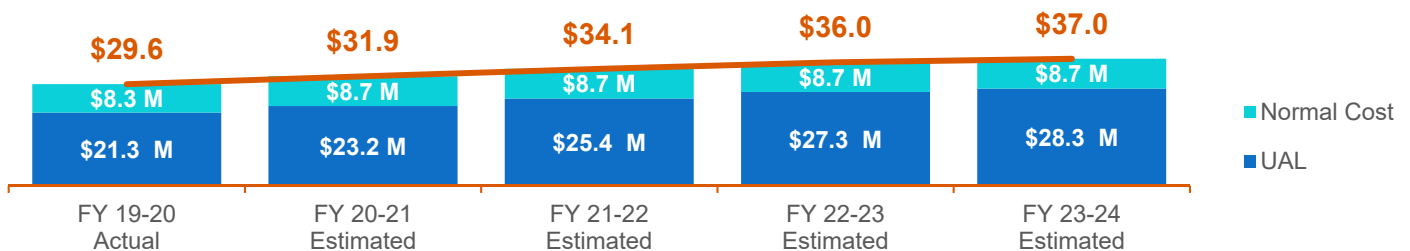
The FY 2019-20 Adopted Budget includes a total of 492 in full-time positions and 137.28 in part-time positions (in full-time equivalent). The budget maintains staffing at previous levels and adds eight additional full-time equivalent positions to strategically address operational needs related to accounting, energy and sustainability, engineering support, fleet mechanic services, human resources, information technology, and planning. The summary below provides a five-year history of the full-time positions by department.

FULL-TIME PERSONNEL SUMMARY BY DEPARTMENT



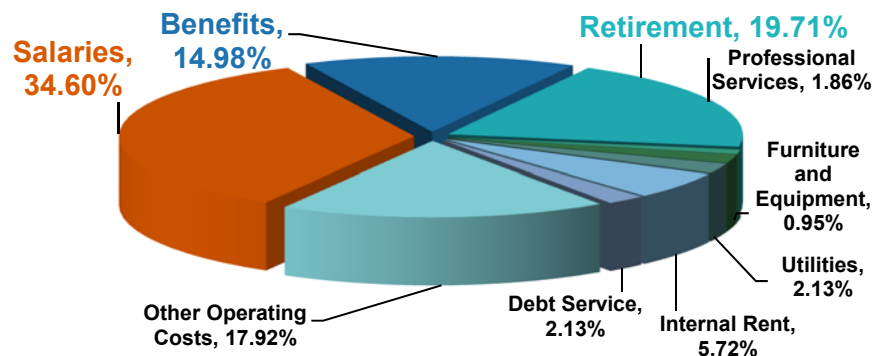
PERSONNEL COSTS - CALPERS

The City's personnel CalPERS costs are comprised of two factors – Normal Cost and Unfunded Accrued Liability (UAL). Normal cost is an estimated percentage of salary based on the employee pool (age, salary, investment returns, etc.). UAL is based on calculations provided by CalPERS that considers the difference between the City's retirement plan assets and the amount needed to pay a pension to employees in the future. The chart below provides a visual depiction of Citywide CalPERS costs over the next five years. The table is reflected in millions. The normal cost is comprised of miscellaneous, fire, police, and PEPR, and the UAL is comprised of miscellaneous, fire and police.



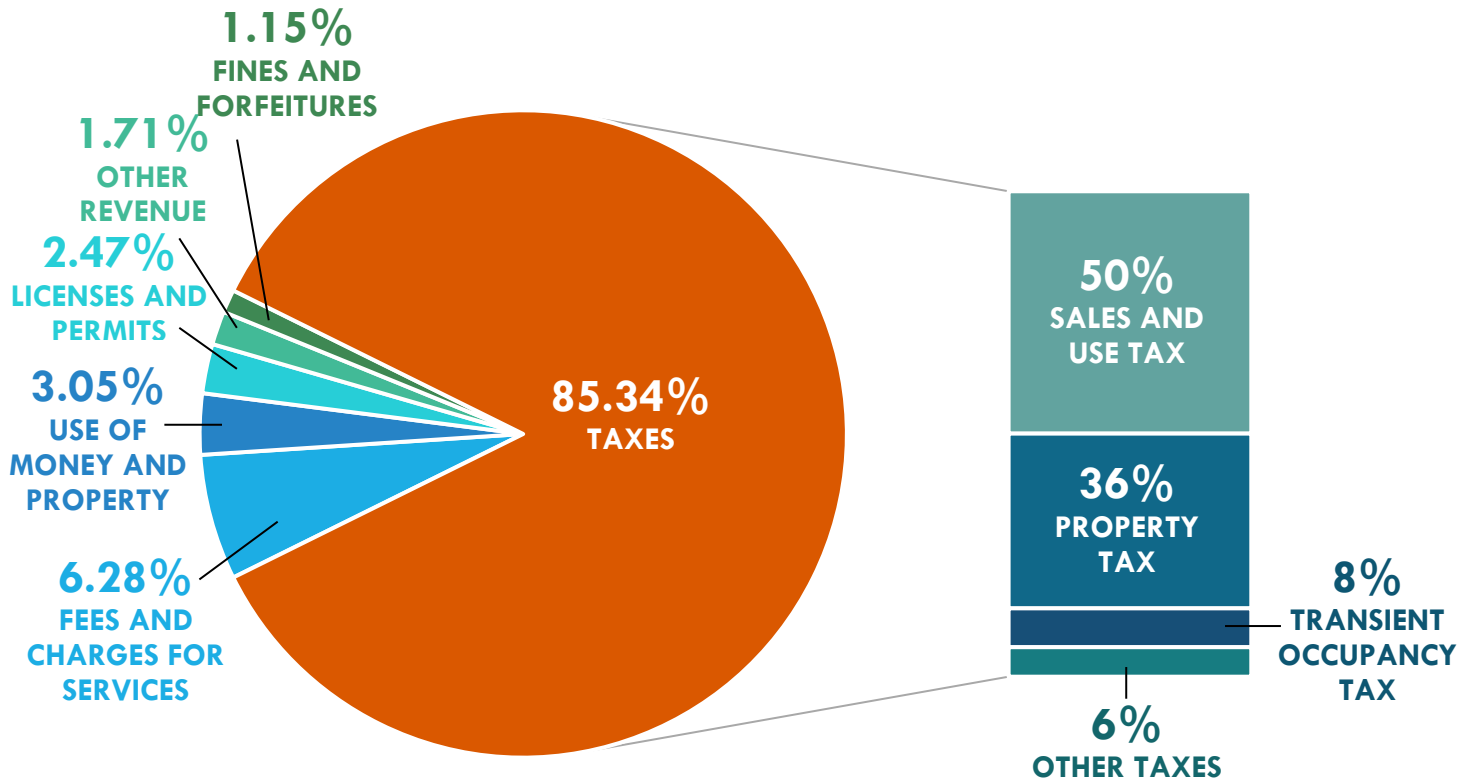
FY 2019-20 GENERAL FUND PERSONNEL COSTS (by account type)

The chart to the right provides a high-level overview of the major account types comprising the City's General Fund budget. Of the \$142.2 appropriated, \$49.2 million is for salaries, \$21.3 million is for benefits, and \$28 million is for retirement related benefits. Together, personnel related costs comprise approximately 69.3% of the City's General Fund budget.



GENERAL FUND - REVENUE

WHERE DOES THE MONEY COME FROM?



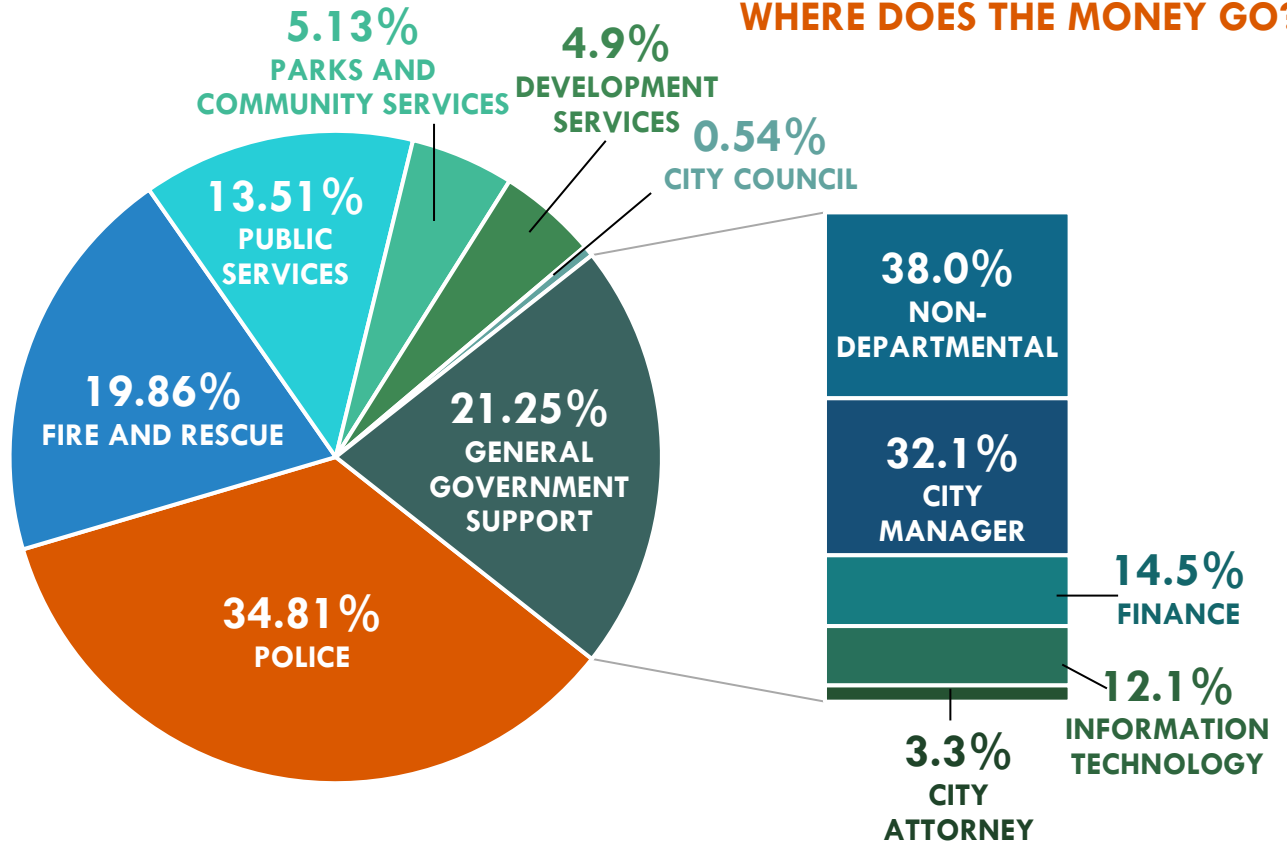
Total General Fund Revenue \$141.7 Million

Included below is a brief description of the City's largest General Fund revenue sources:

<h4>SALES AND USE TAX</h4> <p>The City receives an “effective” rate of 1% of the County’s 7.75% sales tax on all taxable retail sales of goods and merchandise.</p>	<h4>PROPERTY TAX</h4> <p>Property tax may not exceed 1% of the assessed property value. The City receives \$0.1488 of every dollar of property tax in Costa Mesa.</p>	<h4>TRANSIENT OCCUPANCY TAX</h4> <p>The current rate is 8%, and is imposed on persons staying 30 days or less in a hotel, etc. The City has 29 hotels and lodging facilities.</p>
<h4>OTHER TAXES</h4> <p>This includes franchise fee taxes from utilities and solid waste haulers, business license fees, and Marijuana gross receipts tax.</p>	<h4>FEES AND CHARGES</h4> <p>The fees included are recreational user fees, planning fees, and Police and Fire related fees for cost recovery.</p>	<h4>USE OF MONEY AND PROPERTY</h4> <p>This includes investment and interest earnings, lease revenue from City facilities, and bus shelter advertising lease revenue.</p>

GENERAL FUND - EXPENSES

WHERE DOES THE MONEY GO?



Total General Fund Expenses \$142.2 Million

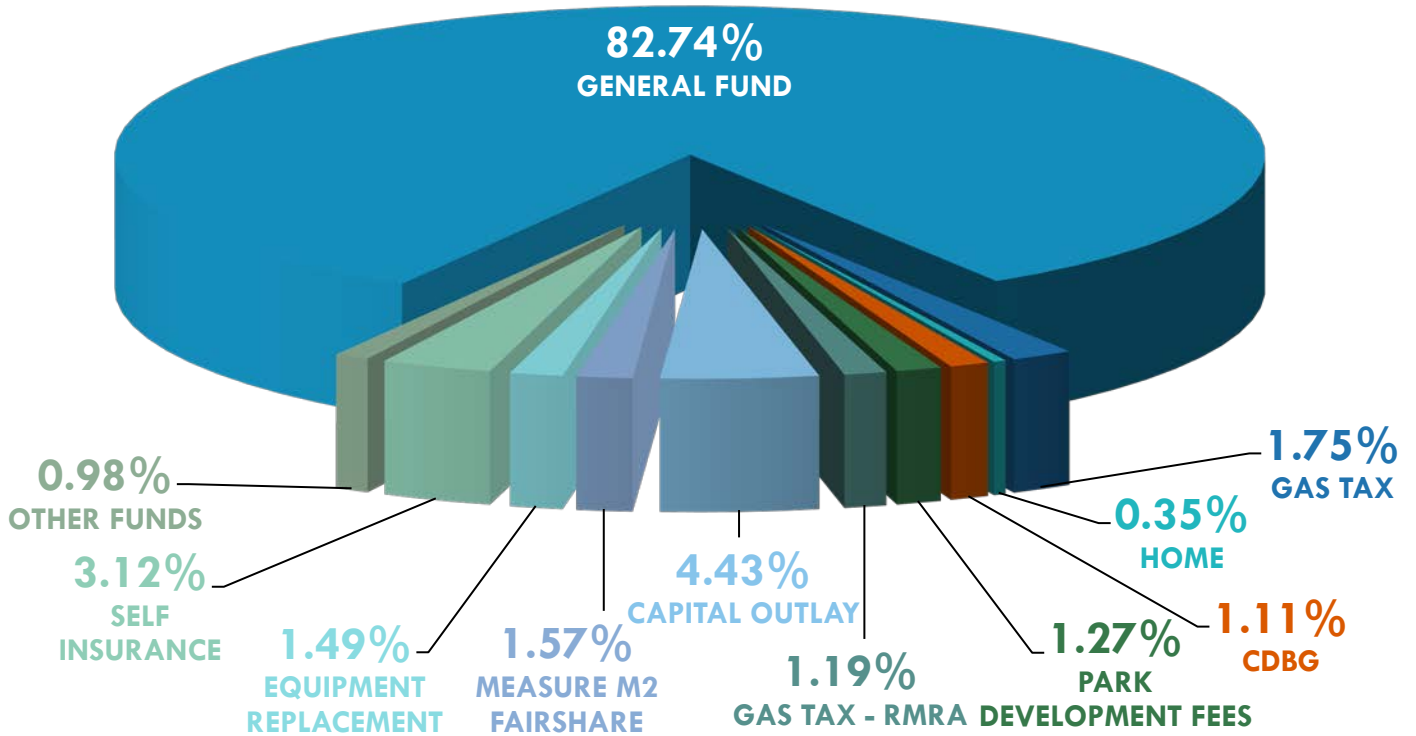
Included below is a brief description of the departments that make up most of the City's General Fund expenses:

<p>POLICE</p> <p>Includes Administration, Field Operations, and Support Services. Total General Fund budget of \$49.5 M.</p>	<p>FIRE AND RESCUE</p> <p>Includes Administration, Operations, and Community Risk Reduction. Total General Fund budget of \$28.2 M.</p>	<p>GENERAL GOVERNMENT</p> <p>City Manager's Office (\$9.7 M), Finance (\$4.4 M), IT (\$3.7 M), City Attorney (\$1 M), and Non-Departmental (\$11.5 M). Total General Fund budget of \$30.2 M.</p>
<p>PUBLIC SERVICES</p> <p>Includes Administration, Engineering, Transportation Services, and Maintenance Services. Total General Fund budget of \$19.2 M.</p>	<p>PARKS AND COMM. SVS.</p> <p>Includes Administration, Recreation, and Homeless Support Services. Total General Fund budget of \$7.3 M.</p>	<p>DEVELOPMENT SERVICES</p> <p>Includes Administration, Planning, Housing and Community Development, Building Safety, Community Improvement. Total General Fund budget of \$7 M.</p>

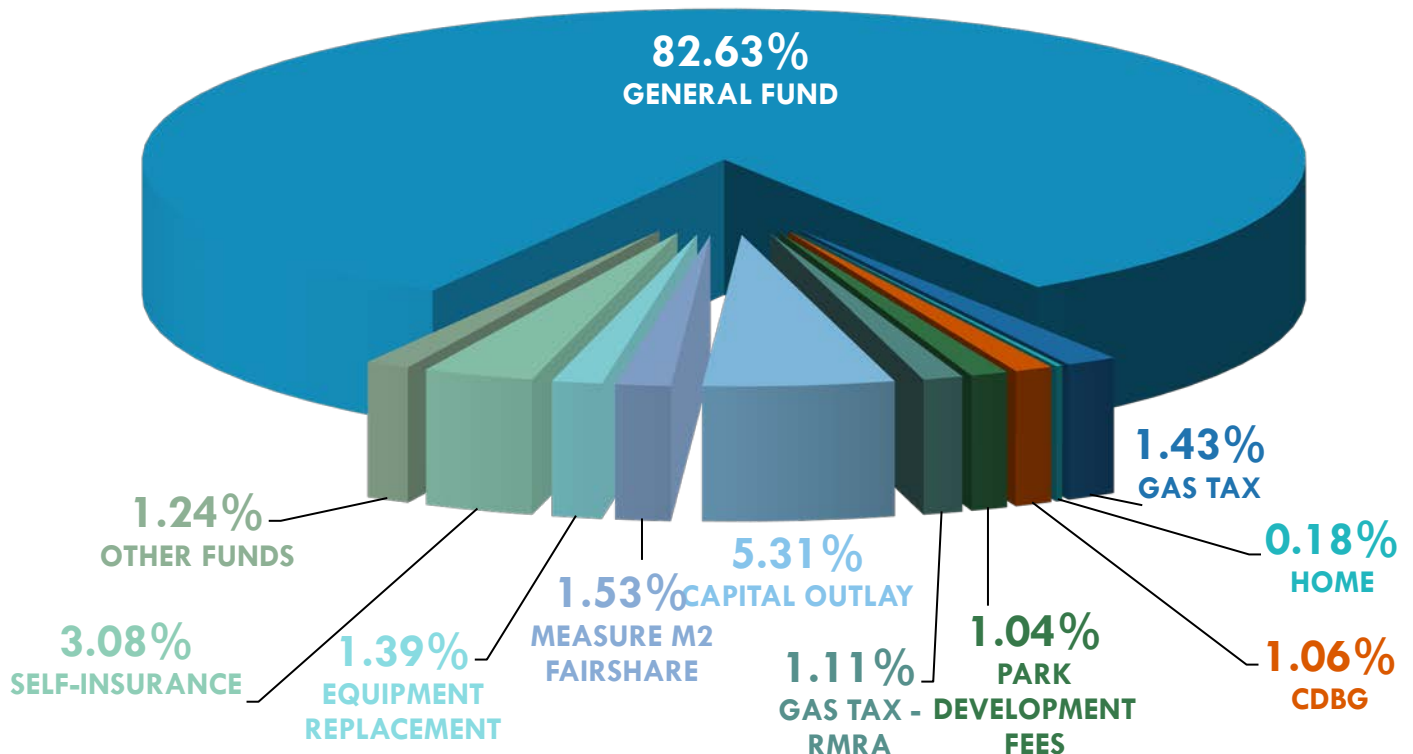
ALL FUNDS – REVENUE AND EXPENSES

The charts below summarize the percentage of the major funds that comprise the FY 2019-20 Adopted Budget of **\$171.3 million in revenue** and **\$172 million in expenditures**.

WHERE DOES THE MONEY COME FROM?



WHERE DOES THE MONEY GO?



ALL FUNDS - DESCRIPTION

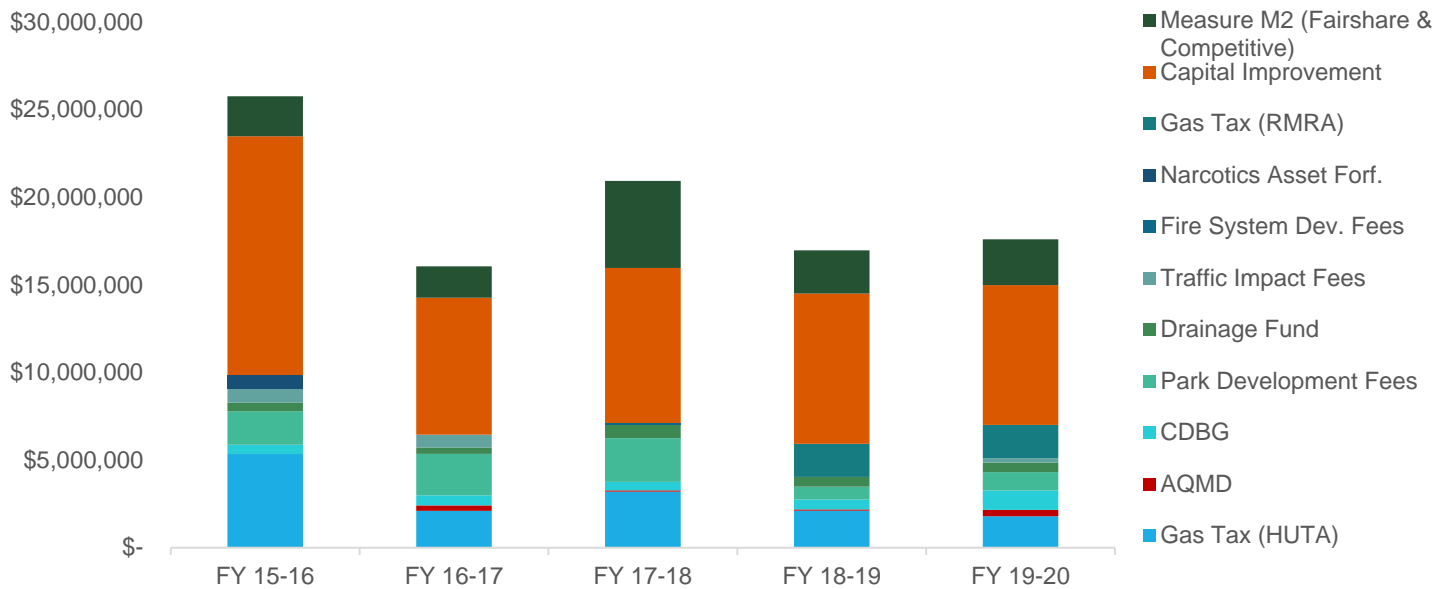
	SOURCE OF FUNDS	USE OF FUNDS
CAPITAL OUTLAY	Capital project fund funded by City General Fund.	Capital expenditures with a value greater than \$5k.
SELF INSURANCE	Internal service fund; funded by internal service billings and City General Fund.	Workers' compensation, general liability, and unemployment claims filed against the City.
GAS TAX	Special revenue fund for City's share of gasoline taxes.	Construction and maintenance of the road network system of the City.
MEASURE M2 FAIRSHARE	Capital project fund; annual "Fairshare" allocation based on voter-approved .5% sales tax.	Local transportation improvements.
EQUIPMENT REPLACEMENT	Internal service fund; funded by internal service billings and City General Fund.	Motorized equipment replacement by City Departments.
PARK DEVELOP. FEES	Capital project fund; funded by fees charged to residential and commercial developers.	Development of new and restoration of park sites and playground facilities.
GAS TAX/ RMRA	Special revenue fund; additional gasoline tax disbursed by the State.	Projects utilized to address deferred maintenance on the local street and road system.
CDBG	Special revenue fund; revenues received by Department of Housing and Urban Development.	Elimination of slum/blight, benefit low/moderate income persons, or meet certain community needs.
OTHER FUNDS	Comprised of all other funds included in the adopted budget with varying fund types/sources.	Use is in accordance with the restricted use specified for each fund.
HOME	Special revenue fund; revenues received under the Federal Home Investment Partnership Program.	Acquisition, rehabilitation and new construction of rental housing.

CAPITAL IMPROVEMENT PROGRAM BUDGET – ALL FUNDS

The FY 2019-20 Budget for the Capital Improvement Program (CIP) is approximately \$17.6 million across all funding sources, which is an increase of \$625 thousand, or a 3.7 percent increase compared to the Adopted FY 2018-19 Budget. One primary factor increasing the 1-Year CIP by more than the prior year is the **Merrimac Way – Active Transportation and Street Improvements Project**. This project includes a \$1.1 million grant along with matching funds and street rehabilitation fund.

The Fiscal Year 2019-20 1-Year CIP also includes funding for the final year appropriation of the **Lions Park Projects** and the **Costa Mesa Bridge Shelter**, which both represent large financial commitments. It should be noted that at this time, the funding for the Costa Mesa Bridge Shelter project is using \$454,599 million in General Fund reserves. The CIP also provides for approximately \$31.2 million in re-budgeted funds estimated to carry forward from the prior fiscal year for ongoing capital projects.

ADOPTED CIP BUDGET BY FUND



FY 2019-20 MAJOR PROJECT COSTS (BY CATEGORY)

Key projects making up each category are summarized below:

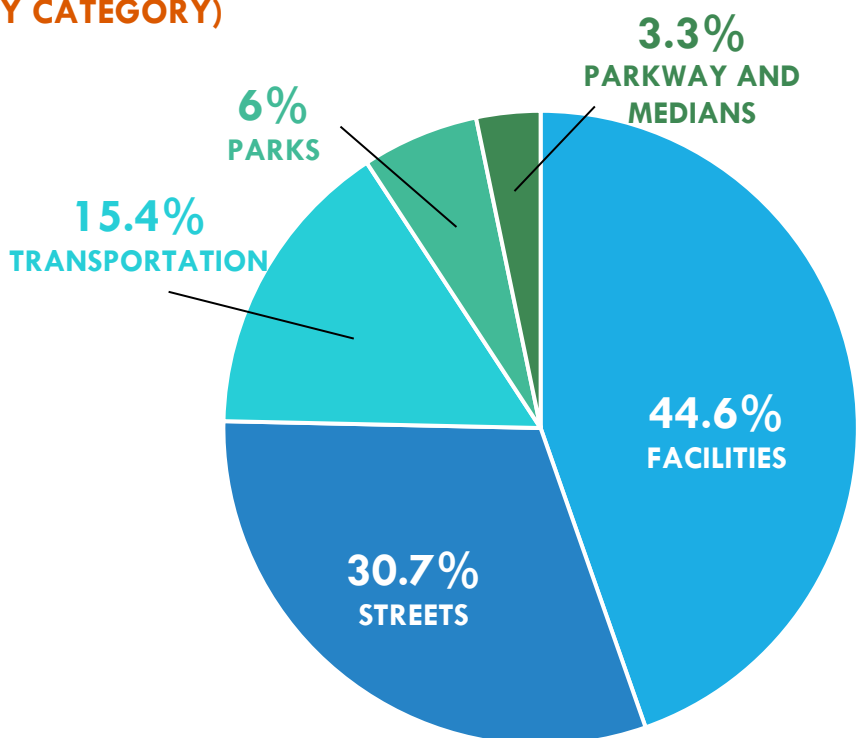
Facilities: Police Department Range Remodel, final year of Lions Park Projects (Phase 2), and the Emergency Operations Center – Equipment Update.

Streets: Citywide Street Improvements and Westside Storm Drain Improvements.

Transportation: Merrimac Way – Active Transportation and Street Improvements Project and Fairview Road and Redhill Avenue Traffic Signal Synchronization projects.

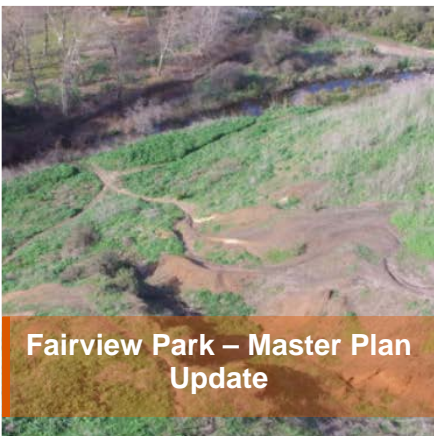
Parks: Canyon Park – Inventory, Management and Restoration Plans, Fairview Park – Master Plan Update, Shalimar Park – Improvements, and Victoria Street Trail – Outdoor Exercise Equipment.

Parkway and Medians: New Sidewalk/Missing Link Program and Westside Restoration Project.



CAPITAL IMPROVEMENT PROGRAM PROJECTS

ADOPTED FY 2019-20 KEY CAPITAL PROJECTS



GET TO KNOW THE BASICS ABOUT COSTA MESA

INCORPORATION June 1953

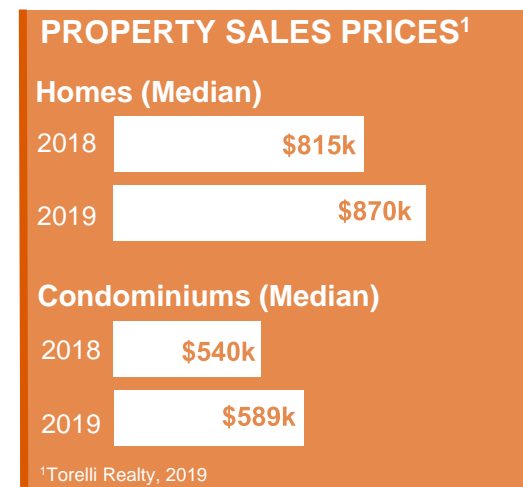
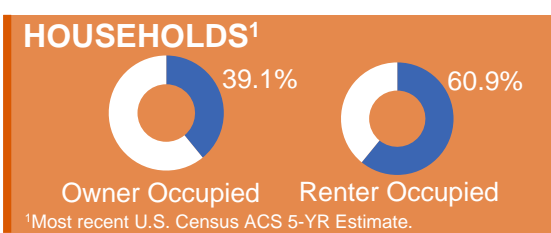
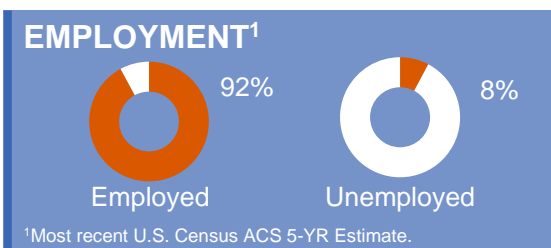
DEMOGRAPHICS¹

Population	115,296
Median Age	34.5
Average Household Size	2.74
Average Family Size	3.35

¹Most recent data from Dept. of DOE and US Census.



GEOGRAPHY (LAND) 16.8 square miles



INCOME¹

Median	\$75,109
<\$10k	4.6%
\$10k-\$14,999	3.3%
\$15k-\$24,999	6.9%
\$25k-\$34,999	7.4%
\$35k-\$49,999	11.2%
\$50k-\$74,999	16.6%
\$75k-\$99,999	12.9%
\$100k-\$199,999	32.0%
\$200k+	9.7%

¹Most recent U.S. Census ACS 5-YR Estimate (2017 Inflation-adjusted dollars).



CONTACT

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 City Council
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