

City of Costa Mesa

Mid-Year Budget Review

FY09-10



FY 09-10 Mid Year Budget Review

Presentation Agenda

- Recap of FY 08-09 Year End
- Review of each of the 10 point Budget Management Strategies for FY 09-10
- Review of the impacts of the 2 Year PERS Retirement Incentive
- Economic Update
- Preliminary Estimate for FY 09-10
- Conclusion

FY 08-09 Fiscal Year End

	<u>Revised Budget*</u>	<u>Actual</u>	<u>Difference</u>
Revenues	\$ 103.5m	\$ 93.6m	(\$9.9m)
Expenditures	119.8m	113.0m	6.8m
Total Use of Fund Balance	<u>(\$ 16.3m)</u>	<u>(\$ 19.4m)</u>	<u>(\$ 3.1m)</u>

* - Revised during Mid Year Review - Feb 2009

FY 08-09 Fiscal Year End

Compared to FY 07-08

- Decline in total revenues of \$9.9 million or 9.62% due to continued decline of the economy. (excluding transfers in)
- Growth in total expenditures of \$1.2m or 1.09% because items placed on hold in November 2008. (excluding transfers out)

FY 08-09 Fiscal Year End

Revenues – Compared to 07-08

- Sales tax down \$7.3m or (15.9%)
- Property tax revenues up \$484,000 or 2.3%
- TOT tax revenues down \$1.07m or (18.5%)
- Motor vehicle in lieu up \$470,000 or 5.40%, because of triple flip (Property Tax in lieu of VLF).
- Investment income down \$2.0m or (62.3%)

FY 08-09 Fiscal Year End

Expenditures- Compared to 07-08

- Salary and Benefit costs increased \$3.4m or 4.16%
 - All Regular Salaries increased \$2.3m
 - Retirement increased \$1.3m
 - Overtime decreased \$800,000
- Maintenance and Operations costs decreased \$2.5m or (8.83%)

FY 08-09 Fiscal Year End

■ General Fund only –

– Total Revenues	\$ 93.4m
– Total Expenditures	(\$108.0m)
– Net transfers	(\$ 4.8m)
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Net change of fund balance	(\$ 19.4m)
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FY 08-09 Fiscal Year End

Fund Balance

FY 07-08 ending fund balance	\$68.3m
Current year change	(\$19.4m)
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FY 08-09 ending fund balance	\$48.9m
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FY 08-09 Fiscal Year End

Fund Balance

Reserved – the portion of a governmental fund's net assets that is not available for appropriation

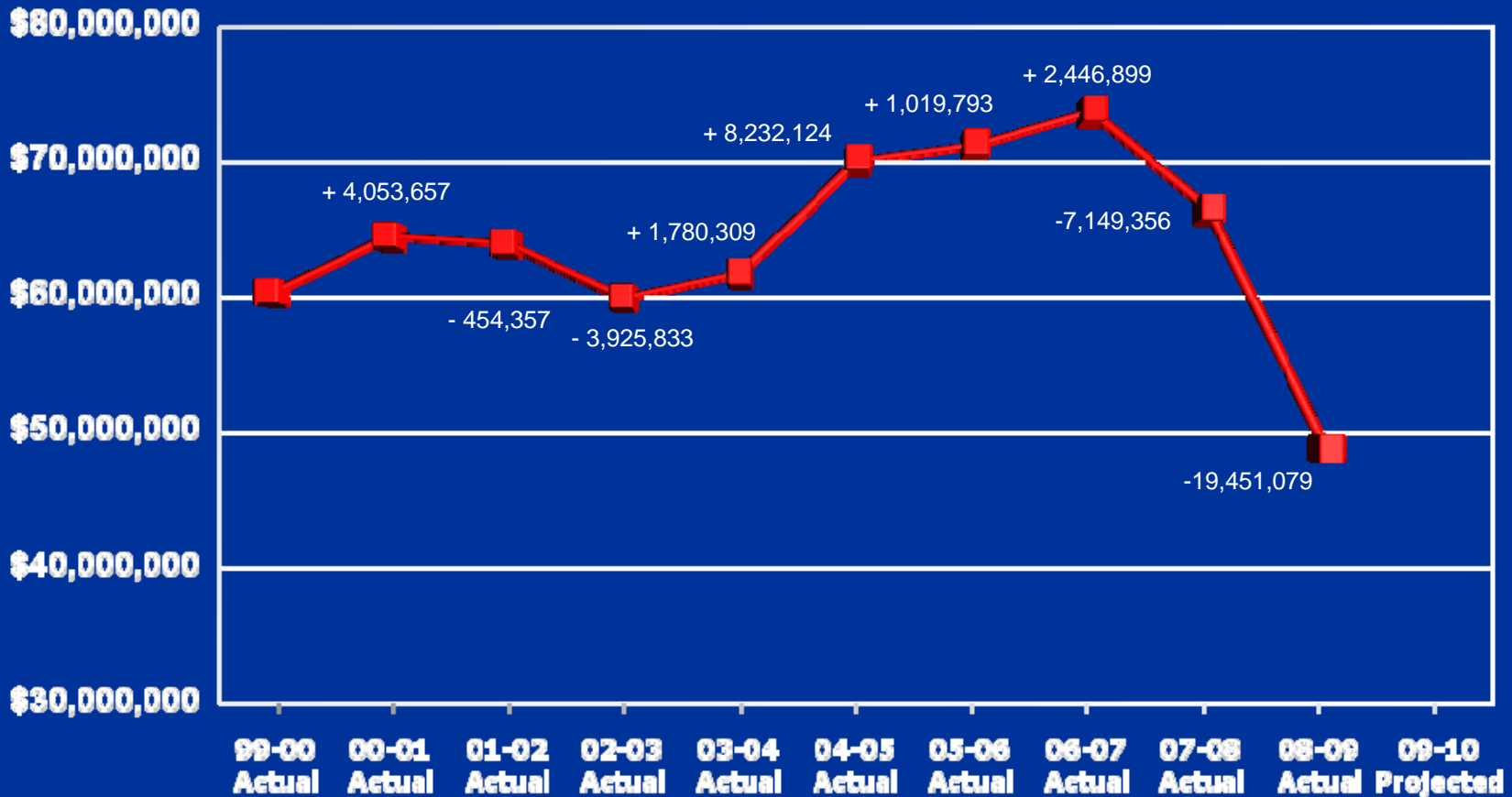
Unreserved designated – Management's intended use of available expendable financial resources in governmental funds reflecting actual plans approved by the government's senior management. Designations reflect a government's self-imposed limitations on the use of otherwise available expendable financial resources in governmental funds.

Unreserved undesignated – available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., designations).

FY 08-09 Fiscal Year End

FY 08-09 Ending Fund Balance	<u>\$48.9 million</u>
■ Reserved	\$15.1 million
■ Unreserved but designated	\$32.4 million
■ Unreserved undesignated	\$ 1.4 million

GENERAL FUND - FUND BALANCE TEN YEAR HISTORICAL



FY 09-10 Mid Year Budget Review

Summary of 10 Point Budget
Management Strategies
(10 Point Plan)

Summary of 10 Point Budget Management Strategies

1. Reduce department operating budgets.

Original estimate - \$6.3 million, Current estimate - \$13.4 million

2. Negotiate reduction in employee compensation equating to approximately 5% of salary.

Original estimate - \$3.6 million, Current estimate - \$3.0 million

3. Reduction of \$1 million in non-reimbursable overtime for Police and Fire Departments.

Original estimate - \$1 million, Current estimate - \$1.0 million

4. Negotiate suspension of minimum manning requirements in the Fire Department in order to accomplish the aforementioned reduction in overtime.

Original Estimate - \$0, Current estimate - \$0

Summary of 10 Point Budget Management Strategies

5. Seek Federal Stimulus funding for ten police officer positions to be eliminated due to Police Department budget reductions.

Original estimate - \$1.05 million, Current estimate - \$0

6. Offer PERS Retirement Incentive.

Original estimate - \$3.5 million, Current estimate -\$3.6 million

7. Suspension of the Retiree Health Savings (RHS) Plan – contributions are comprised of 1% by employer and 1% by employee.

Original estimate - \$508,764, Current estimate - \$500,000

Summary of 10 Point Budget Management Strategies

8. Implement various cost recovery programs including resident EMS fees, inspection fees, and Police and Fire Cost Reimbursement Fees.

Original estimate - \$959,700, Current estimate - \$184,000

9. Renegotiate/extend the Golf Course Operator's agreement for a greater share of the revenues and institute formula adjustments to the green fees.

Original estimate - \$244,500, Current estimate - \$297,500

10. Utilization of unreserved undesignated General Fund fund balance.

Original estimate \$4.6 million

Summary of 10 Point Budget Management Strategies

1. Operating Budget Reductions	\$13.4 million
2. Employee Compensation Reduction	\$ 3.0 million
3. Overtime Reduction	\$ 1.0 million
4. Minimum Manning Reduction	\$ 0.0
5. Federal Stimulus Funding	\$ 0.0
6. PERS 2 Year Retirement Incentive	\$ 3.6 million
7. Suspension of RHS Plan	\$.5 million
8. Implement Cost Recovery Fees	\$.2 million
9. Renegotiate Golf Course Fees	\$.3 million
Total	<u><u>\$22.0 million</u></u>

FY 09-10 Mid Year Budget Review

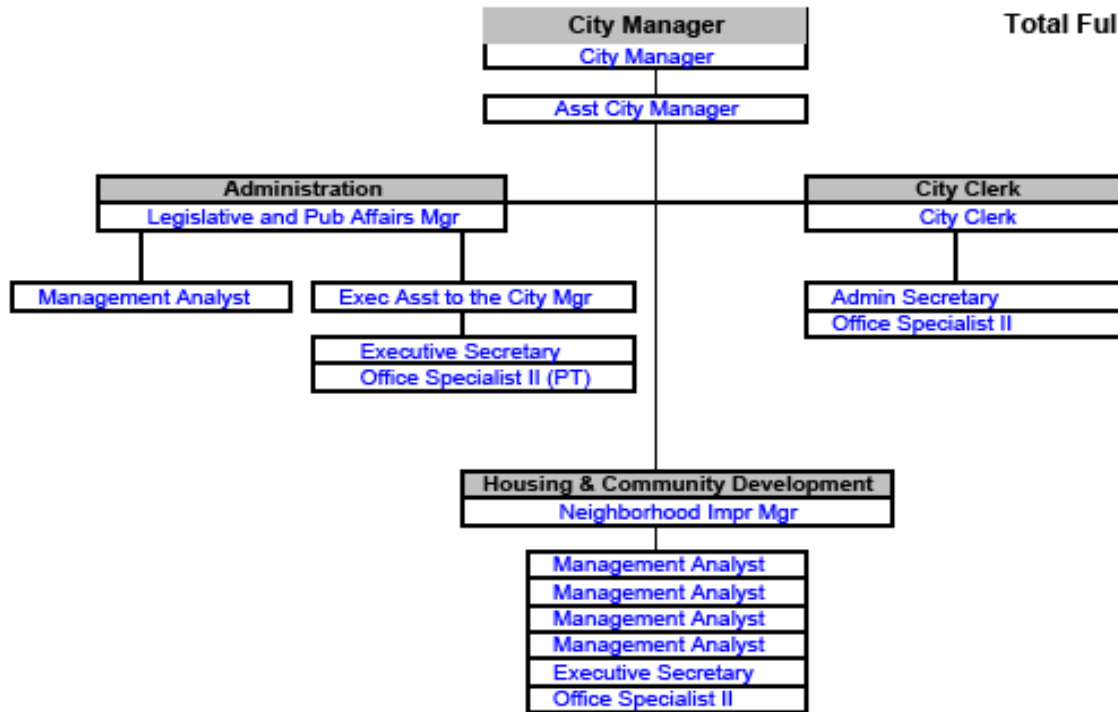
Summary of PERS 2 Year
Retirement Incentive

Summary of PERS 2 Year Retirement Incentive

- Window opened August 18 and closed December 31, 2009.
- A total of 54 employees took advantage of the incentive and retired.
- In order to complete projects, the City has temporarily hired 3 employees back part time until those projects are complete, instead of filling those positions with full time employees.
- Every department has been impacted with a reduction of staffing levels because of the incentive.

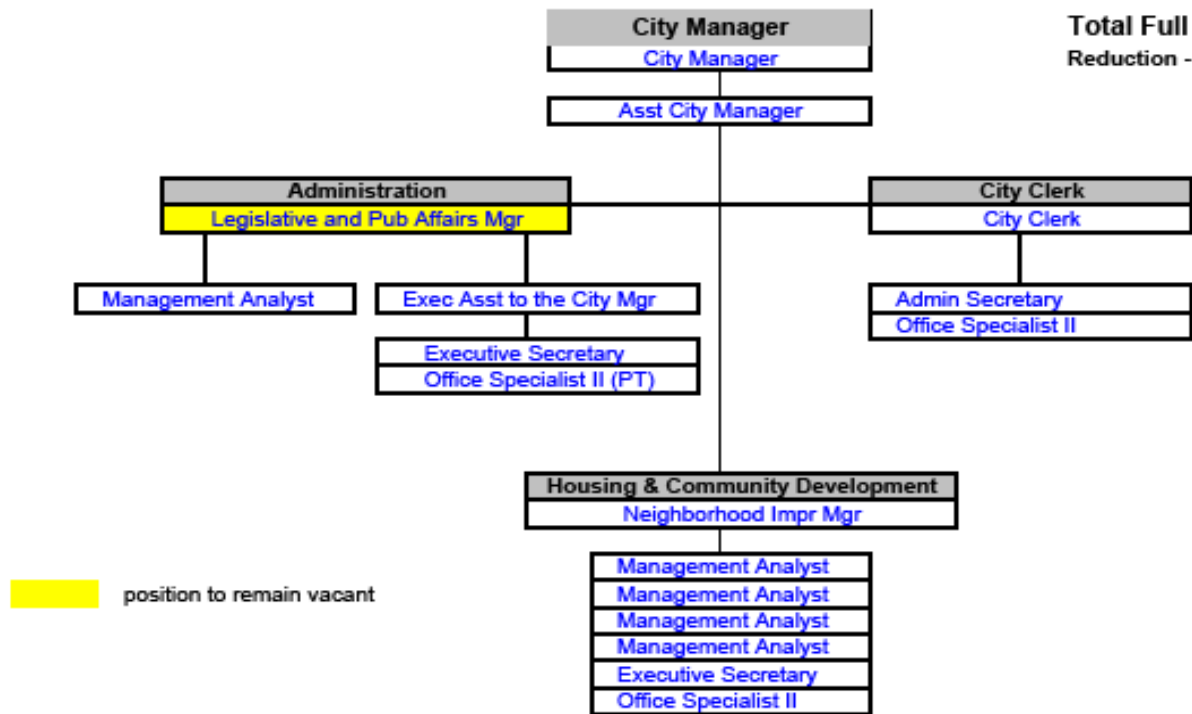
BEFORE

Total Full Time Positions - 16



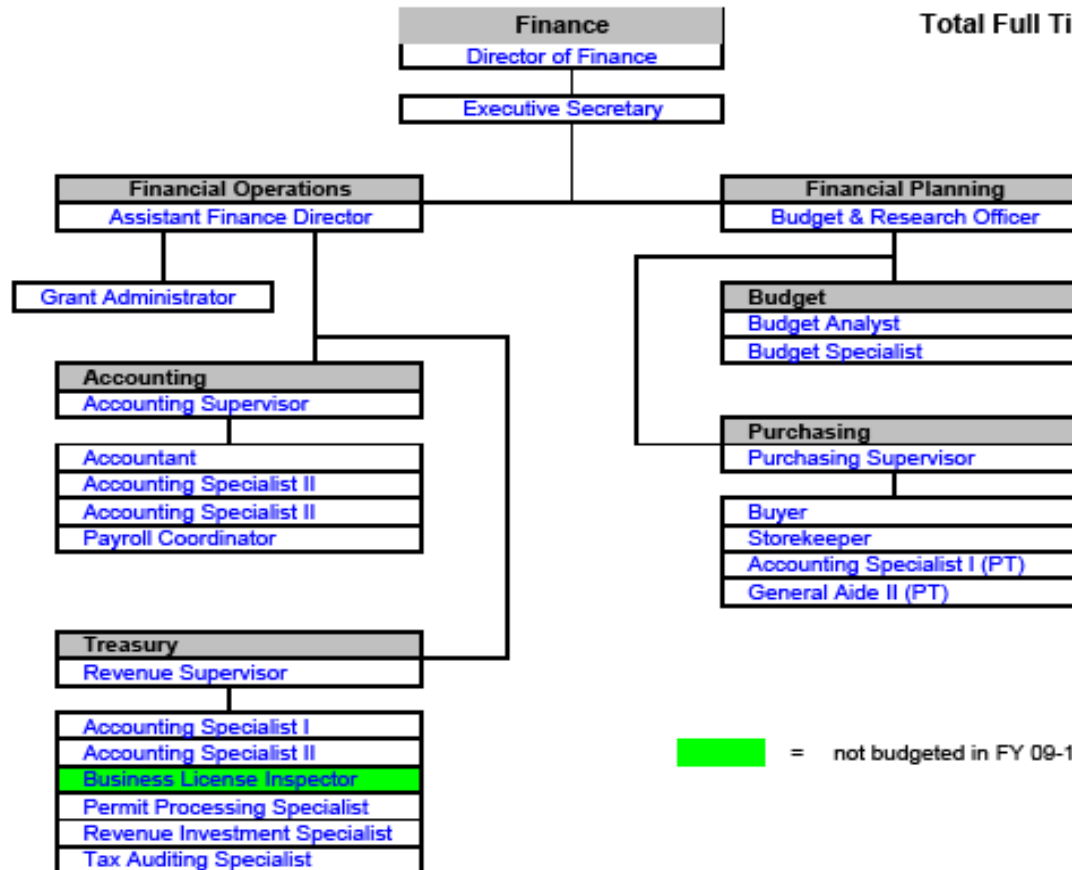
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Total Full Time Positions - 15
Reduction - 1



BEFORE

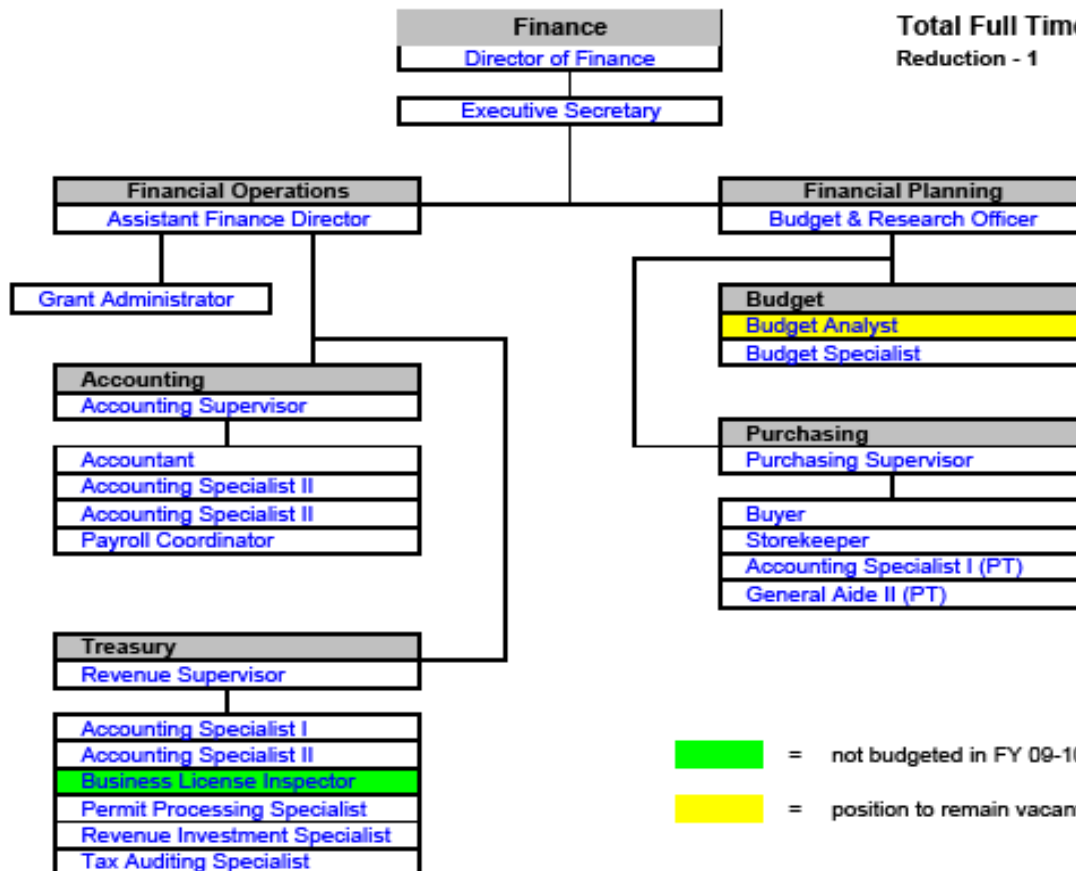
Total Full Time Positions 21



= not budgeted in FY 09-10

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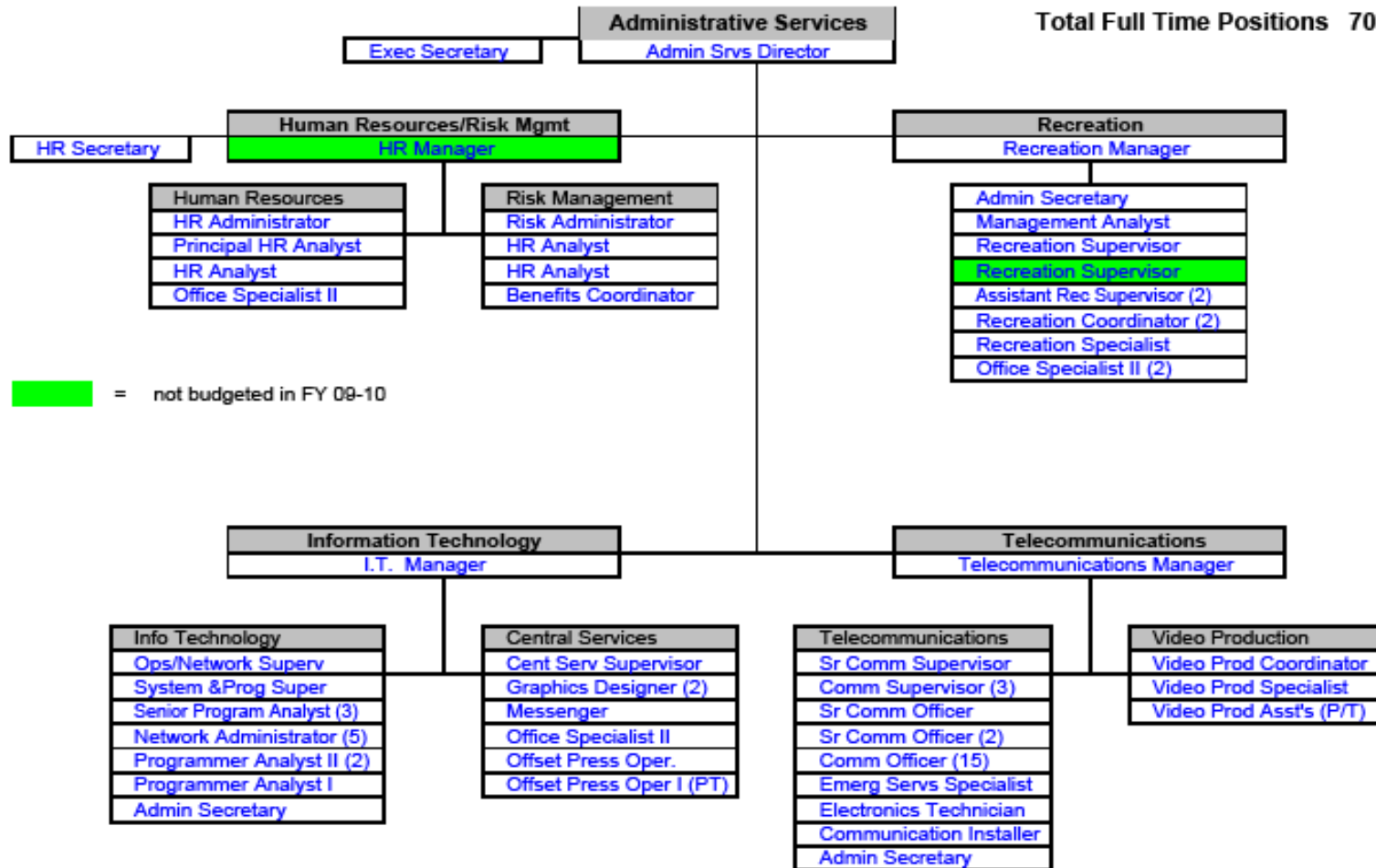
Total Full Time Positions 20
Reduction - 1



= not budgeted in FY 09-10
 = position to remain vacant

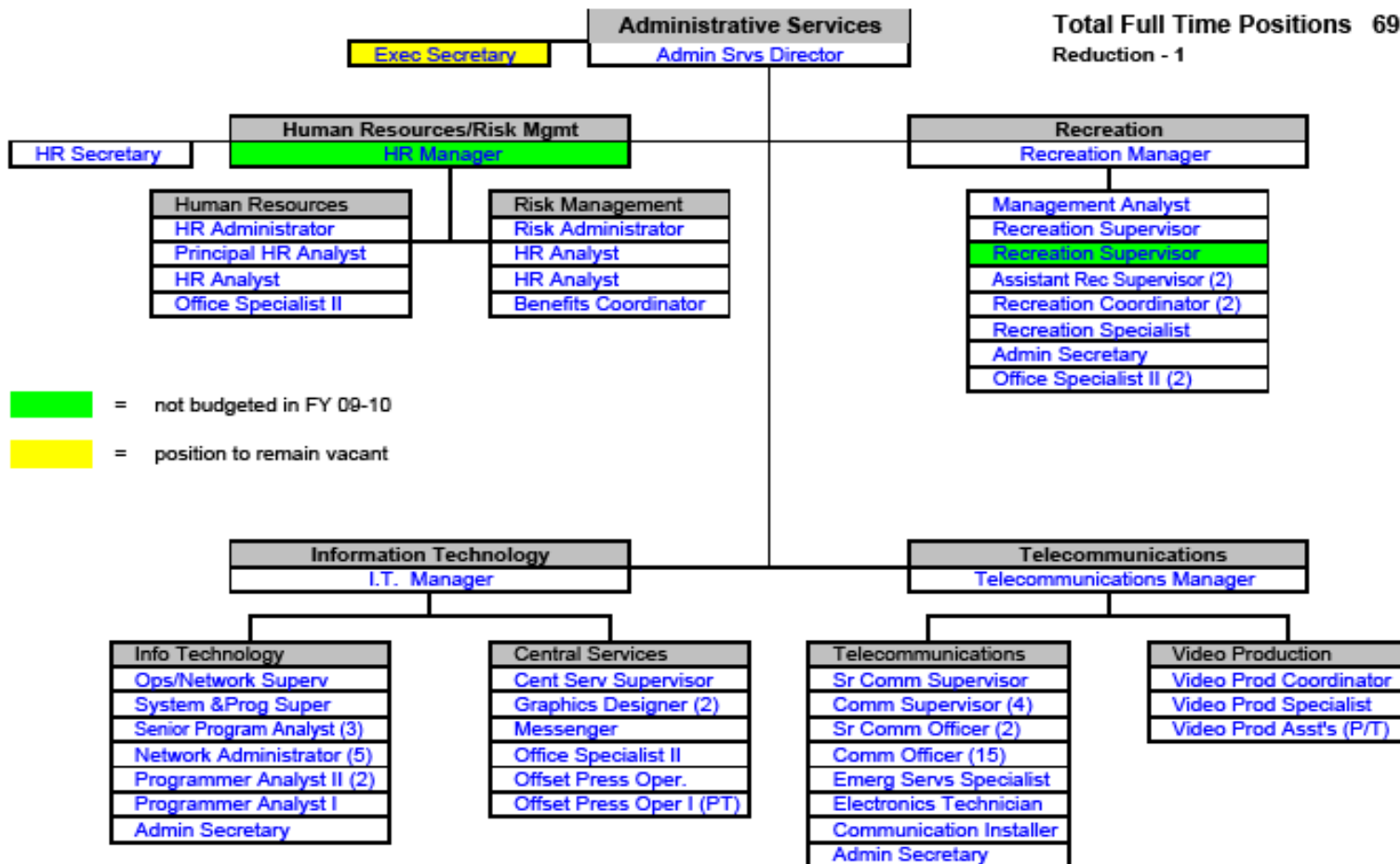
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Total Full Time Positions 70

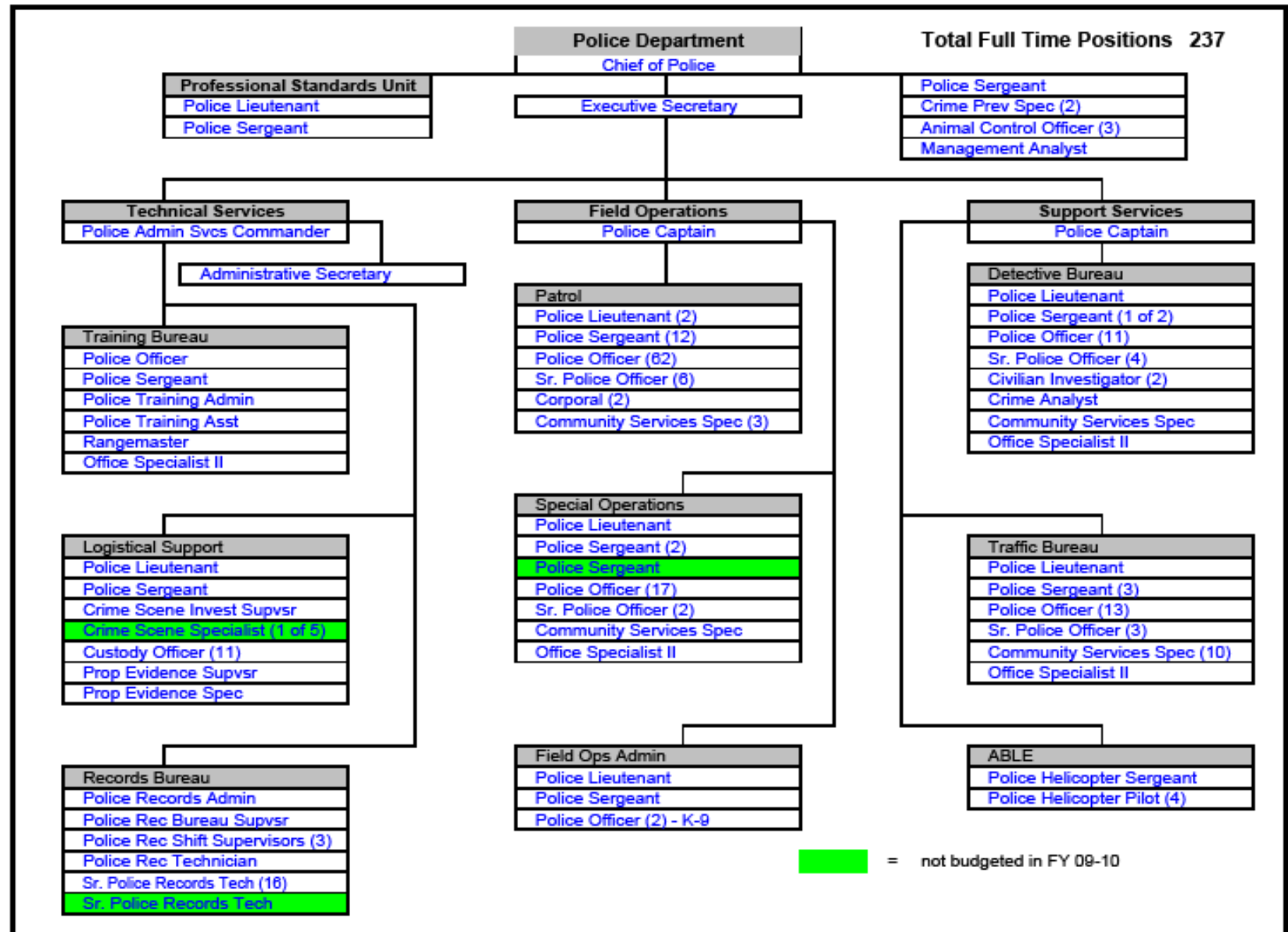


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Total Full Time Positions 69
Reduction - 1



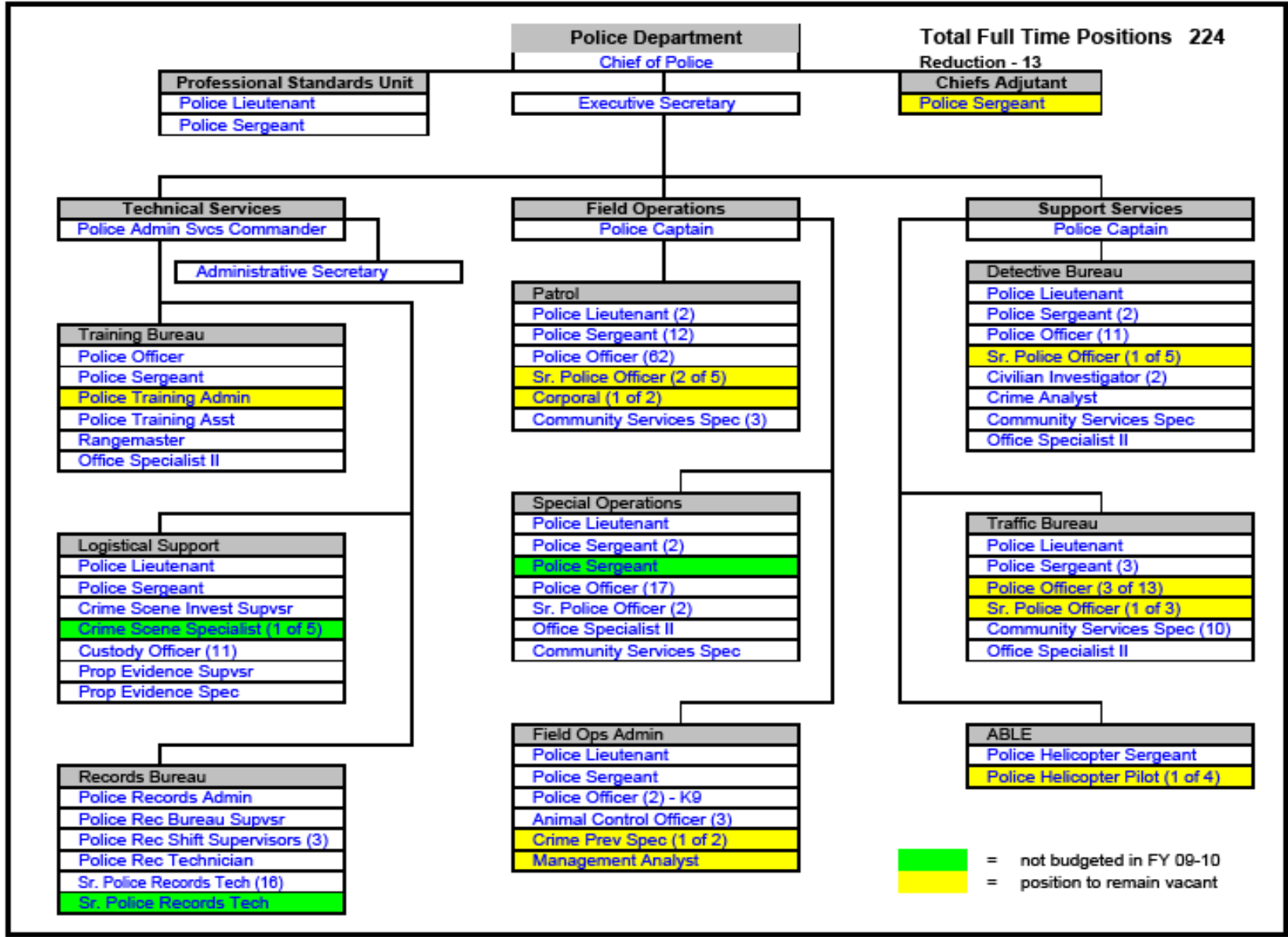
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Total Full Time Positions 224

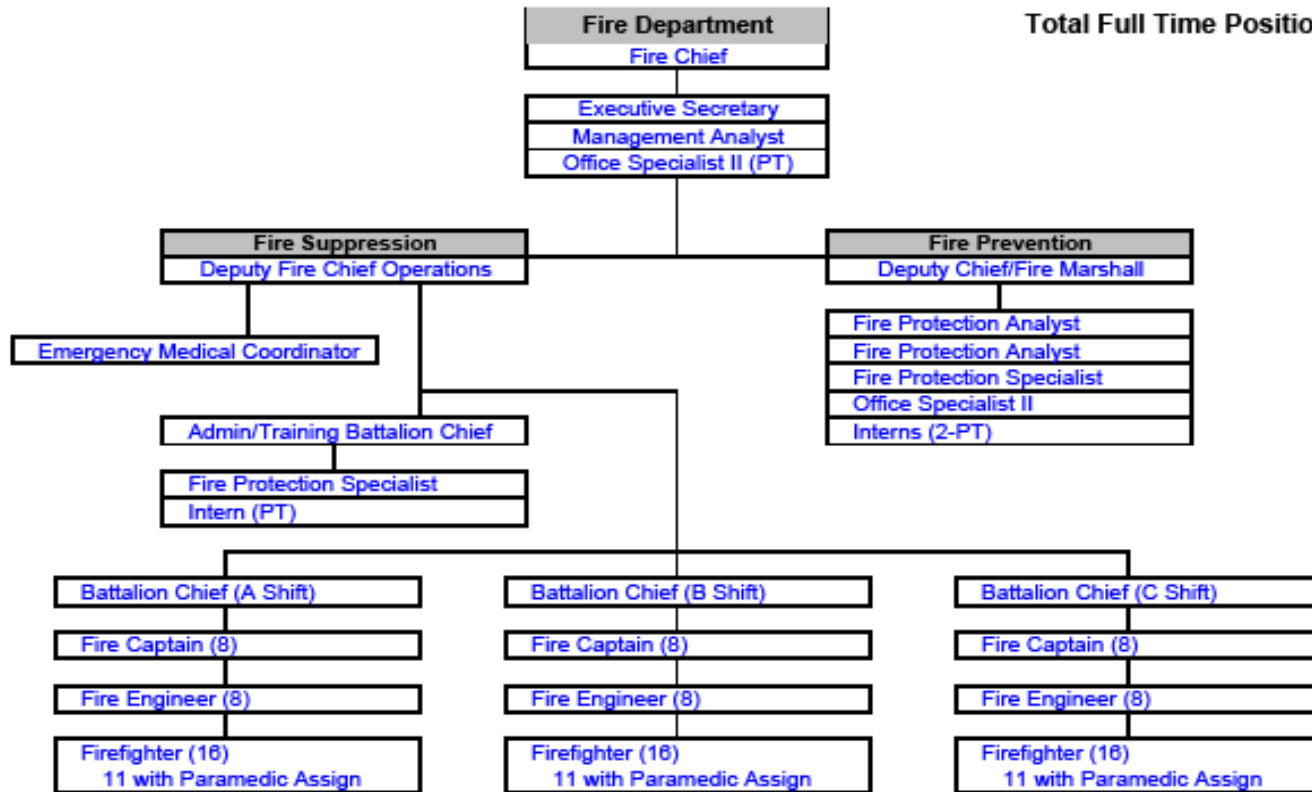
Reduction - 13



= not budgeted in FY 09-10
 = position to remain vacant

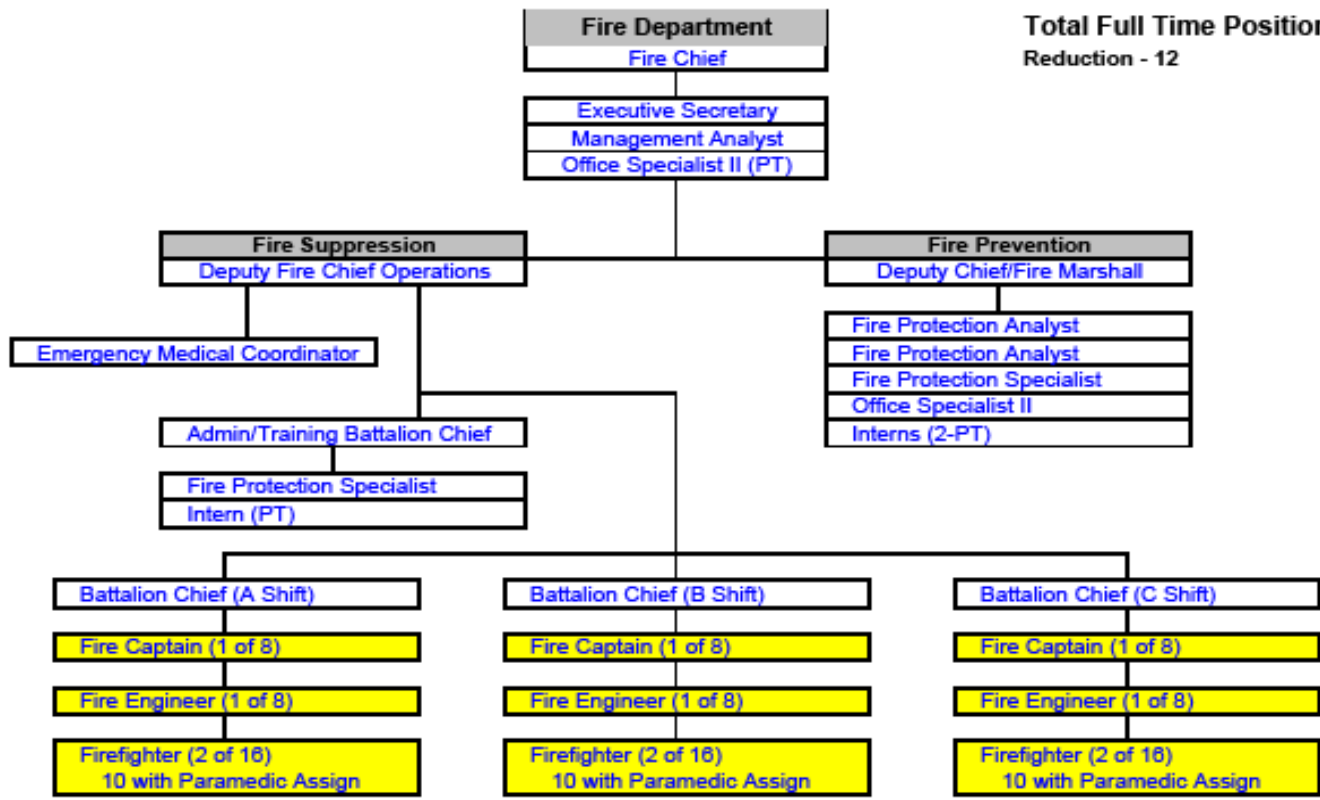
BEFORE

Total Full Time Positions 111



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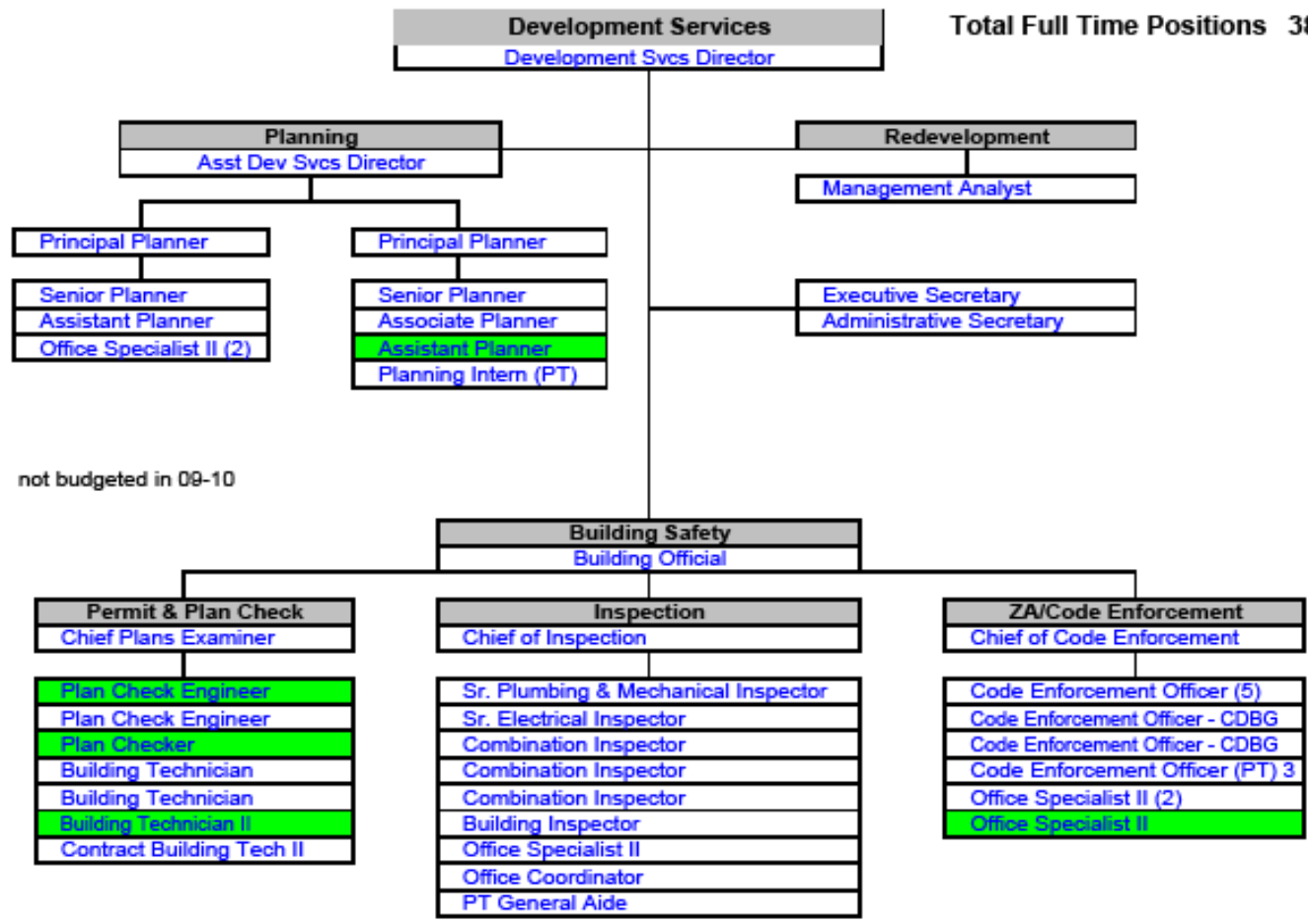
Total Full Time Positions 99
Reduction - 12



= position to remain vacant

BEFORE

Total Full Time Positions 38

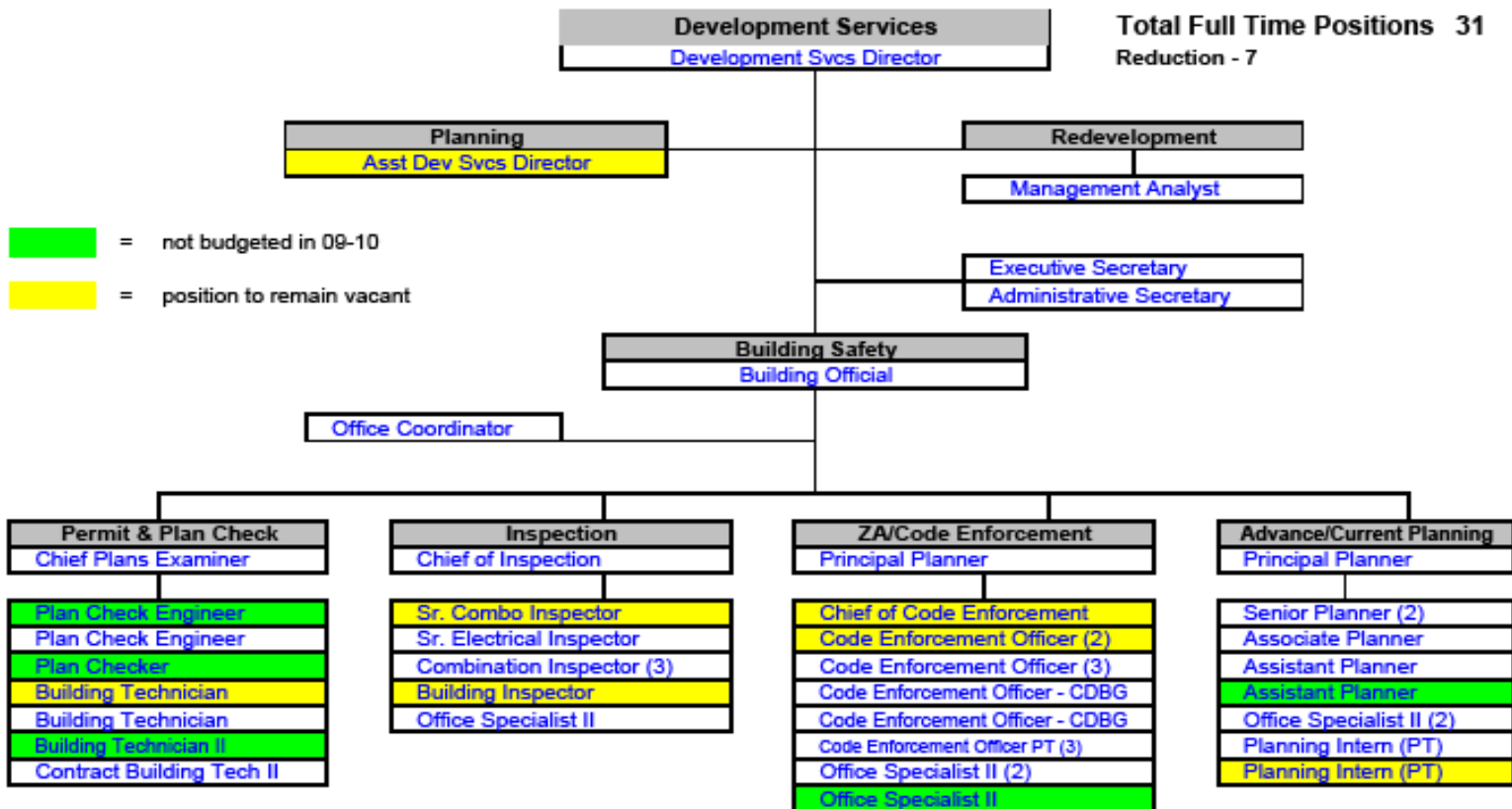


= not budgeted in 09-10

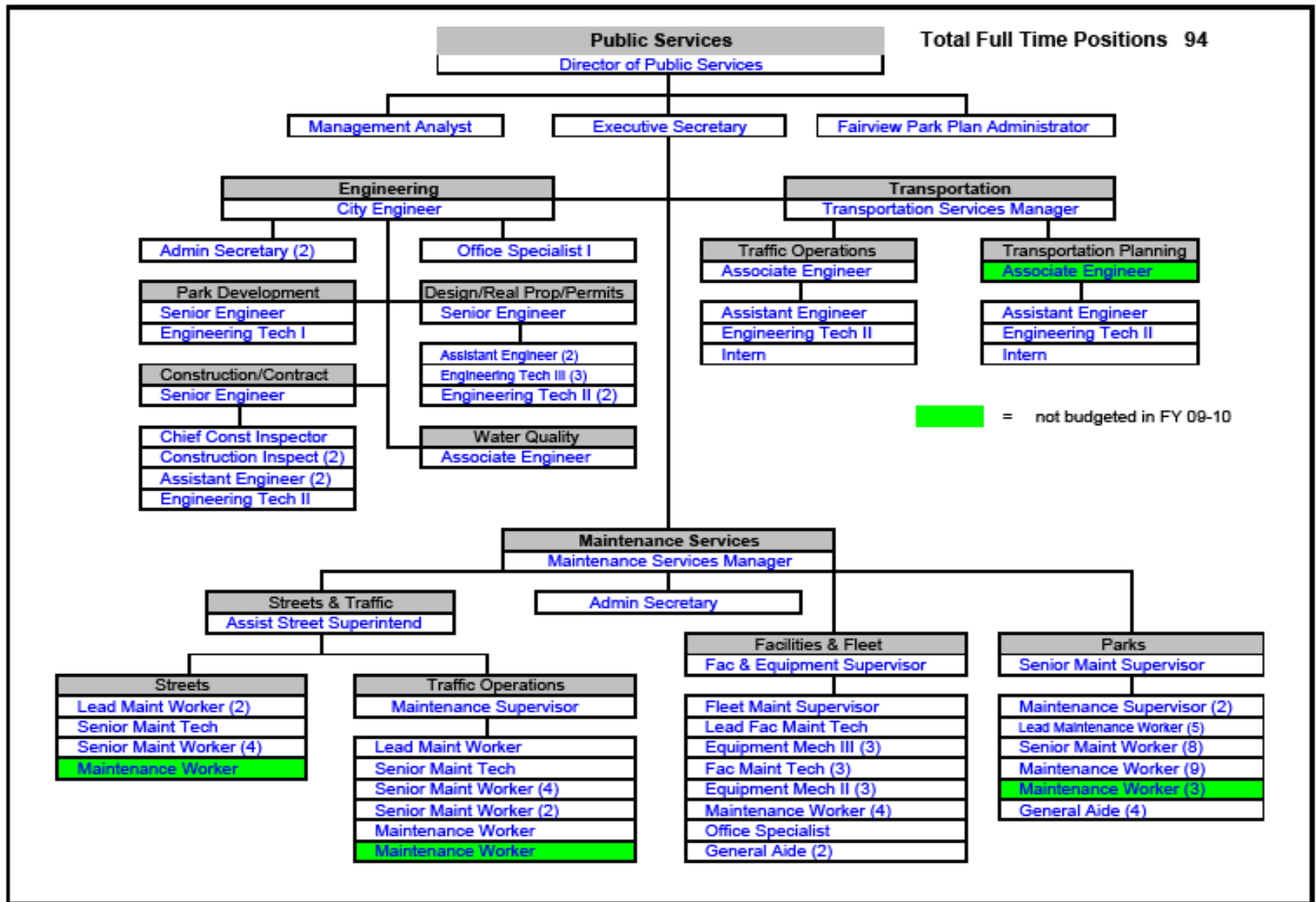
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Total Full Time Positions 31
Reduction - 7

- = not budgeted in 09-10
- = position to remain vacant

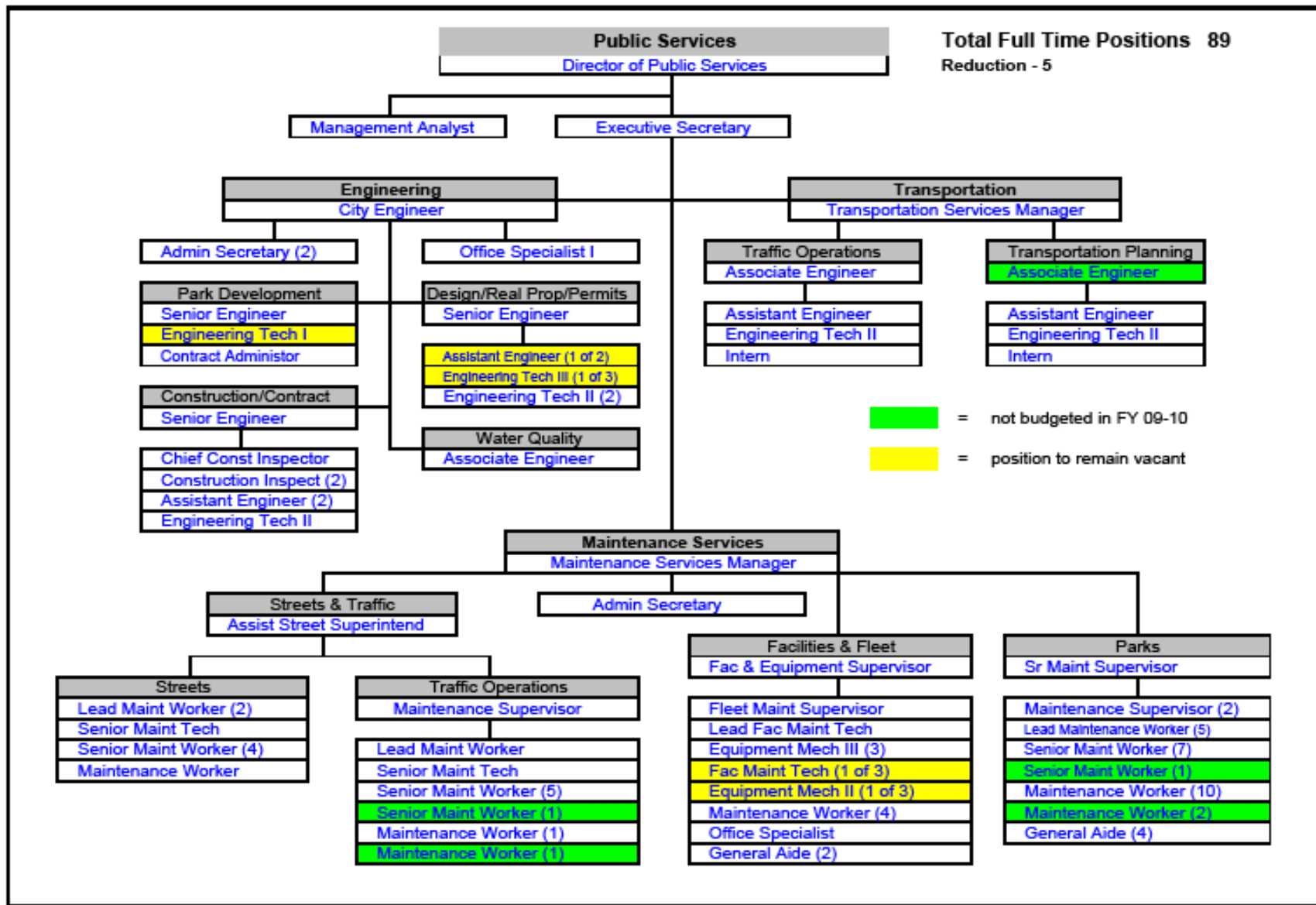


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Total Full Time Positions 89
Reduction - 5



Economic Data Update

- Continued period of recession
 - December 2007 to ???
- Unemployment Rate
 - National = 9.7%
 - California = 12.4%
 - Orange County = 9.1%
- Stock Market – Dow Industrials
 - October 2007 – 14,164 – March 2009 – 6,547
 - January 2010 – 10,725 – February 8, 2010 – 9,908

Mid-Year Budget Review

FY 09-10

Effect of Economic Impacts (First six months):

- **Sales Tax – decreased 7.1% compared to 08-09**
 - Recommend reducing by \$3.81 million, which projects a continued 5% decline from the previous year and end the year down 4.2% from last year.
- **TOT Tax – decreased 15.9% compared to 08-09**
 - Recommend reducing by \$1.14 million, which projects a continued 10% decline from last year and end the year down 13.3% from last year.

Local Conditions – FY 09-10

Gen. Fund Est. Revenues

	<u>Adopted</u>	<u>Revised</u>
■ Sales Taxes down	\$ 30,374,000	\$26,565,000
■ Sales Tax In-lieu down	9,500,000	7,250,000
■ Trans. Occ. Tax down	5,200,000	4,060,000
■ Investment Earnings down	1,322,000	822,000
■ Red Light Camera down	1,098,000	500,000
■ Other Reimbursements down	1,252,010	200,000
■ Operating Transfers In	793,000	2,879,004
Total Projected Revenue decreases		(\$7.06 million)

Local Conditions – FY 09-10

General Fund Expenditures

Changes to FY 09-10 Adopted:

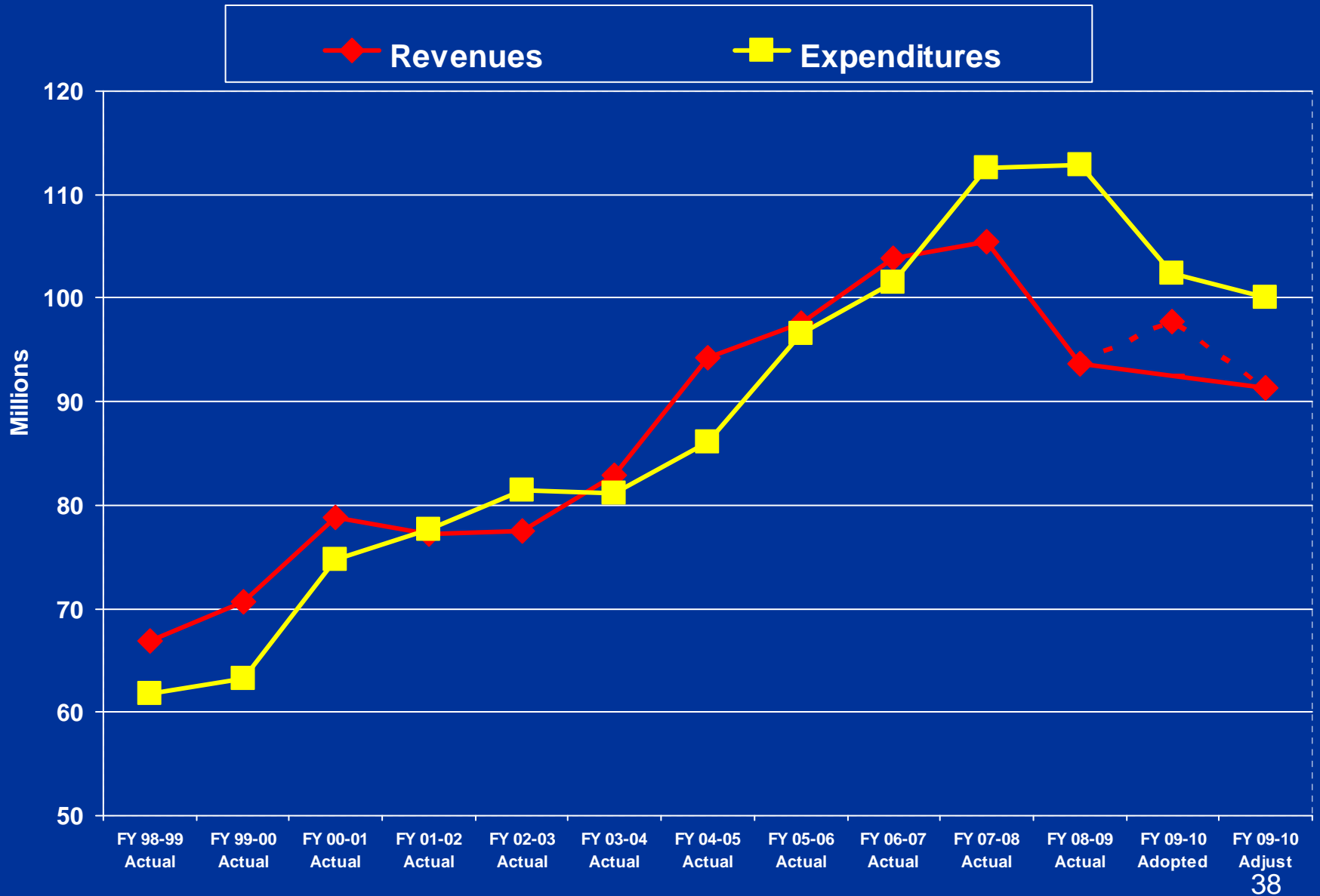
• Miscellaneous budget adjustments	\$ 33,490
• Furloughs carried into FY 10-11	589,800
• Retiree medical plan not prefunded	(650,000)
• Reduce for Red Light Camera	(800,000)
• Increase for debt service payments	2,086,004
• Attrition savings – including PERS Incentive	<u>(3,636,273)</u>
Total Appropriation decreases	<u><u>(\$2,376,979)</u></u>

FY 09-10 Mid-Year Budget Review Summary

■ Adopted Revenues	\$ 97.8 million
■ Adopted Appropriations	<u>(102.4) million</u>
Est. Use of Fund Balance	\$ (4.6) million
■ Revenue adjustments	\$ (7.1) million
■ Appropriation adjustments	<u>\$ 2.4 million</u>
Est. Use of Fund Balance EOY*	<u><u>\$ (9.3) million</u></u>

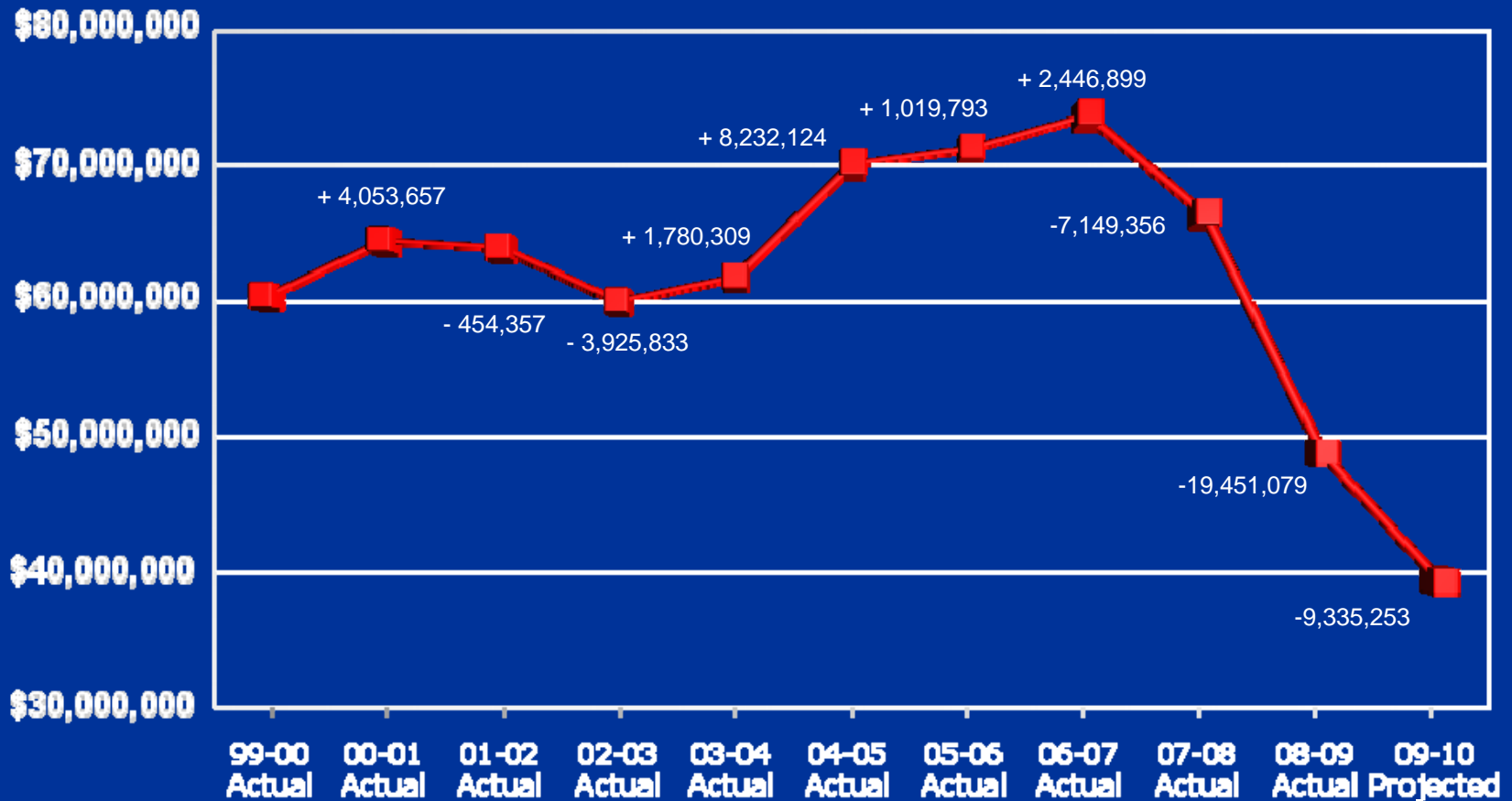
* General Fund only

12 Year Historical – Revenues vs. Expenditures



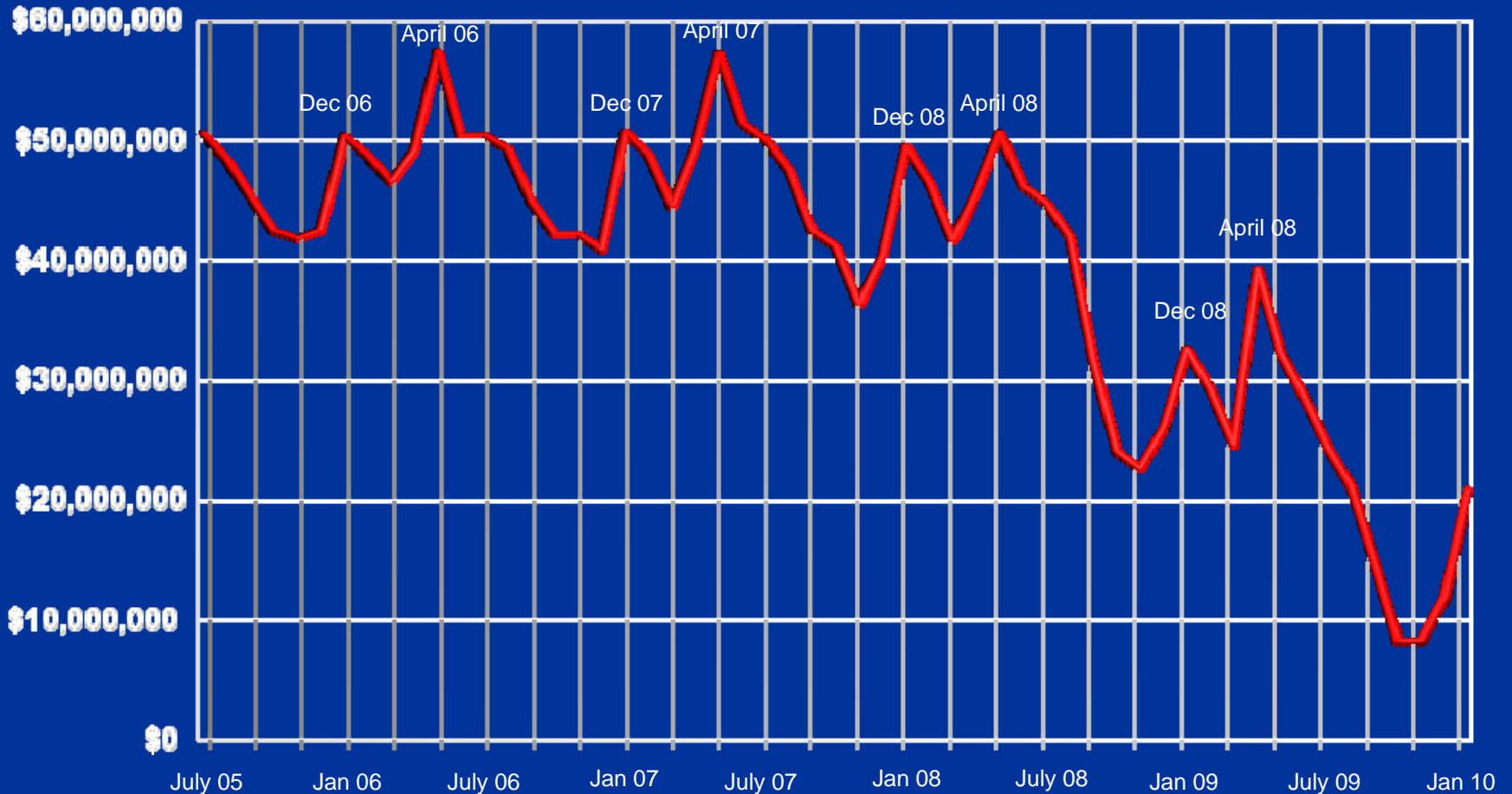
GENERAL FUND - FUND BALANCE

ELEVEN YEAR HISTORICAL



GENERAL FUND - CASH BALANCE

FIVE YEAR HISTORICAL



Recommendations and Strategies

- 1. Freeze on filling all current vacancies.**
(except Police Patrol and Sworn Fire to meet minimum manning)
- 2. Freeze all Capital Outlay Purchases and Capital Improvement Projects using General Fund Revenues.**
- 3. Moratorium on new programs and services; expansion of existing programs and services; and new projects requiring General Fund support.**

Recommendations and Strategies Continued

- 4. Review use of Equipment Replacement Fund reserves.**
- 5. Initiate discussions with Employee Associations regarding wages and benefits.**
- 6. Prepare tax schedules with alternatives and supporting resolutions for Transient Occupancy Tax (TOT) and Business License Tax for the November 2010 ballot.**
- 7. Submit all City Programs and Services to City Council for budget prioritization.**

City of Costa Mesa Mid-Year Budget Review FY09-10

