

CITY OF COSTA MESA, CALIFORNIA

BUDGET

at-a-glance



FISCAL YEAR
2009-2010



CITY COUNCIL

Allan R. Mansoor
Mayor

Wendy B. Leece
Mayor Pro Tem

Gary C. Monahan
Council Member

Katrina A. Foley
Council Member

Eric R. Bever
Council Member

Allan L. Roeder
City Manager

Prepared by the Finance Department

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INTRODUCTION

The Fiscal Year 2009-10 Operating and Capital Budget, as adopted, represents a budget for the coming fiscal year that provides the highest level of service feasible to the community within existing financial constraints. The City's management team and staff have put together an operating and capital expenditure plan that seeks to address the City Council's priorities within the financial constraints existent to fulfill the service requirements of the people who live, work, and play in our community.

Given the expectations of Costa Mesa residents, businesses, employee associations and the City Council, development of this coming year's budget has been particularly challenging. The gap between "expectations" and "financial reality" has gradually widened over the past several years. When coupled with what appears to be one of the more significant and far reaching economic downturns in United States history, the task at hand has been very difficult. However, from my professional experience in preparing twenty-three consecutive Operating and Capital budgets for consideration by current and prior City Councils, I would offer that sometimes adverse financial conditions can produce more efficient plans for managing public resources. While the adopted budget involves a number of actions I would prefer not to have recommended to you based on the public's interest and those of the City Council, I believe you will find the financial plan as adopted to be feasible within economic, legal and policy constraints.

The objectives used in developing the adopted budget were to submit a balanced budget to the City Council; to do the best job possible of maintaining levels of service to the community; to implement City Council's priorities as feasible; to be prudent in our revenue estimates and cautiously optimistic overall. Unlike in prior years where the focus has been on expanding programs & services, maintenance of existing public assets and a high level of customer service, the economic downturn and policy direction dictate that all of these areas be scaled back for the coming year. The adopted budget before you has already been scrutinized closer at all levels of the organization more than any in the past 20 years. As adopted, it represents the largest single year reduction in operating costs in decades much of it through planned reductions in staffing and operating budget cuts. Until financial conditions stabilize and begin to return to their historic averages and in the absence of City Council authorized and voter approved increases in existing tax proceeds, it will be necessary to operate in this mode.

BUDGET DEVELOPMENT STRATEGIES

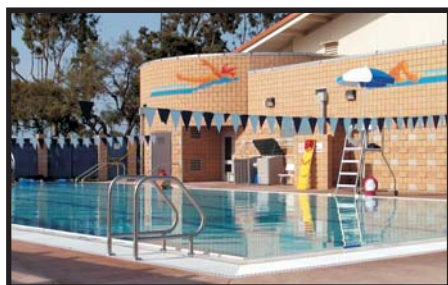
During the April 14th City Council meeting, a presentation was made declaring the Fiscal Year 2009-2010 Budget Development Strategies. As part of that presentation, a 10 point Budget Management Strategy was presented for reducing the City's budget deficit. The following is a list of those proposals and an update on how they were implemented.

1. Reduce Department operating budgets by an additional 5% for an average reduction of 10% by Department from the prior fiscal year which will require elimination of approximately 23 full-time positions. **Estimated impact – \$6,318,134.**
Implementation Status – Total department reductions amounted to \$8.8 million. These include structural as well as one year reductions that can be made. The proposed budget does not reflect the reduction of any full-time staffing pending the results of the PERS Retirement Incentive (see #6 below).
2. Negotiate reduction in employee compensation equating to approximately 5% of salary. **Estimated impact – \$3,623,663.**
Implementation Status – Assumes a 5% reduction of base salary and all related appropriations amounting to \$3,623,663 budget impact. This assumption is made with the understanding that negotiations will take place with employee associations during the fiscal year to ensure a reduction is made. If 5% reduction can not be negotiated with employee associations, it will either have an impact on current staffing levels or a greater use of fund balance.
3. Reduction of \$1 million dollars in non-reimbursable overtime for Police and Fire departments. **Estimated impact – \$1,000,000.**
Implementation Status – Assumes a reduction in overtime for Police in the amount of \$534,078, and for the Fire Department in the amount of \$465,922, for a total reduction of \$1,000,000.
4. Negotiated suspension of minimum manning requirements in the Fire Department in order to accomplish the aforementioned reduction in overtime.
Implementation Status – Currently discussing suspension with Costa Mesa Firefighters Association.
5. Seek Federal Stimulus funding for ten police officer positions to be eliminated due to Police Department budget reductions. – **Estimated impact – \$1,052,010.**
Implementation Status – During the month of April, the City Manager and Police Chief officially sent the application for Federal Stimulus funding for Police Officer positions. The application was made for a total of 18 positions with the hope to receive funding for at least 10 of those. The Department of Justice has acknowledged receipt of the application and should respond by September 30, 2009 if not sooner.
6. Offer PERS Retirement Incentive to create vacancies to (a) reduce the number of personnel that may be laid off as a result of reductions in departmental operating budgets and (b) create additional vacancies needed for budgetary purposes (assumes total of 50 employees opting to retire of which 25 positions would be eliminated). **Estimated impact – \$3,485,000.**
Implementation Status – Currently staff is preparing all paperwork necessary for PERS Retirement Incentive to be acted on and implemented. Estimated time to have available for employees is September 2009. However, currently there is no actual impact to the proposed FY 2009-2010 budget because positions and related budgetary savings can not be identified. After the Incentive is implemented and positions are accurately identified, staff will return to City Council to make necessary reductions to the budget and recognize attributed savings. At such time, staff will also evaluate the necessity to reduce more staff to achieve any additional savings.

7. Suspension or termination of the Retiree Health Savings (RHS) Plan (Contributions are comprised of 1% by Employer and 1% by Employee). **Estimated impact – \$508,764.**
Implementation Status – Staff has determined that the RHS Plan may be suspended instead of terminated. This item is negotiated with each represented employee association; therefore staff is currently conducting discussions to negotiate suspension of the RHS contributions made by both the employer and employees. Once the item has been successfully negotiated, staff will reduce the necessary budget line items pertaining to the RHS contributions.
8. Implement various cost recovery programs including resident EMS fees, inspection fees, and Police and Fire Cost Reimbursement Fees. **Estimated impact – \$959,700.**
Implementation Status – The City Council has passed a resolution adopting the resident EMS fees although the fee is set for rehearing as of the date of this writing. Staff is scheduled to bring more information to City Council regarding the inspection fees and Police and Fire Cost Reimbursement fees following which City Council will take action.
9. Renegotiate/extend the Golf Course Operator's agreement for a greater share of revenues and institute formula adjustments to the greens fees. **Estimated impact – \$244,850.**
Implementation Status – Staff has successfully renegotiated the Golf Course Operator's agreement which will be coming before City Council June 2, 2009 for consideration and adoption. The change in the agreement will increase Golf Course Operation revenue \$112,500 annually. Also as part of the renegotiation, the City will be able to recognize revenue previously established for Golf Course Capital Improvements in the amount of \$190,000. Total impact for FY 2009-10 \$302,500.
10. Utilization of undesignated unreserved General Fund balance. **Estimated impact – \$2,900,000.**
Implementation Status – Currently total use of fund balance in the General Fund is \$4,828,349. This amount includes potential savings from PERS Retirement Incentive and RHS Plan contributions, should those be successfully negotiated it will reduce the total use of fund balance for FY 2009-2010.

IMPACT TO SERVICES PROVIDED BY THE CITY

The residents and the business community of Costa Mesa enjoy a high level of service at some of the lowest tax rates in Orange County: police and fire protection; emergency medical care; recreation programs for the youth, adults and seniors; parks maintenance; street maintenance; transportation; engineering; building safety; street sweeping; housing; planning and development; code enforcement; animal control; and general government. However, as a result of the economic downturn and the need to balance revenues and expenditures, it is necessary to make budget cuts that will affect services either directly or indirectly. The following are examples of impacts to services due to budget reductions. Please note - This is not a complete list of all potential services impacts.



- ▶ Close Downtown Recreation Center pool from November to January (10 weeks).
- ▶ Elimination of funding for planting of 250 trees, park and open space clean up crew (from County), weekly median hardscape maintenance, fertilization of median landscape and turf. This will further reduce emergency tree response and removal.
- ▶ Reduction of traffic enforcement & accident investigations; possible decreased response times related to Traffic Operations.

- ▶ Reduction of small tools, materials and equipment repair related to graffiti removal.
- ▶ Suspension of Police Department Recruitment Program.
- ▶ Significant reduction in funding for Water Quality including consulting assistance and termination of catch basin entrance lid and screen repair/replacement program. The combination of these actions along with the reduced level of inspections to be completed on an annual basis and will have the potential to put the City out of compliance with the NPDES permit.
- ▶ Eliminate most weekend & after business hour video production programs - not including cable casting of City Council meetings.
- ▶ Partial reallocation of Engineering employees salaries, from the General Fund to the Measure M Fund, will reduce the Measure M fund balance available for construction of street improvements and therefore a fewer number of streets will receive improvements.
- ▶ Elimination of paving two residential streets, and reduction of approximately 750 tons of asphalt.
- ▶ Reduction in the traffic signal maintenance account will impact the City's ability to respond to knockdowns and unexpected repair items.



- ▶ Reduction of right of way weed control by 10%, resulting in more visible weeds along City streets, alleys and sidewalks. Decrease alley and right of way maintenance funding by 50%, possibly resulting in citizen complaints due to weeds and debris in alleys and in un-landscaped areas .
- ▶ Elimination of all turf and landscape fertilization resulting in a decline in aesthetic quality of parks and landscape and reduce turf healing ability in high traffic areas. This also includes a reduction in the contract maintenance of TeWinkle Lake, elimination of the provision of “Mutt Mitts” in all City parks and routine replacement of park furniture and related amenities.
- ▶ Virtual elimination of all building repairs and major maintenance items such as termite fumigation, painting, plumbing & electrical repair and related property upkeep.

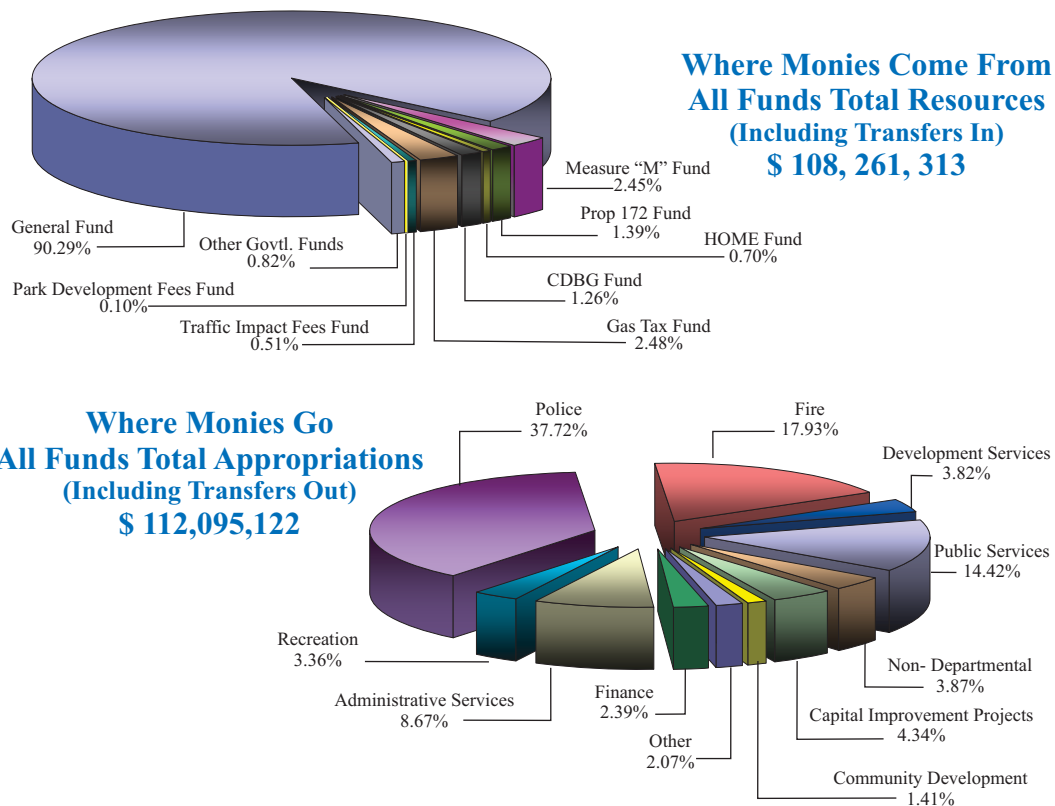
- ▶ Postponement of most scheduled vehicle and equipment replacement except for police patrol vehicles.
- ▶ Postponement of needed computer hardware & software replacement.
- ▶ Elimination of all non-mandatory training and professional development for all personnel.
- ▶ Reductions in Youth & Family programs, Mobile Recreation Program, Youth Basketball and Football, Concerts in the Parks and suspension of Youth In Government and reduced funding for the Cultural Arts and Historic Preservation Committees.
- ▶ Reduction of turf mowing to two times a month in all parks and City buildings except for sports fields which will remain weekly - resulting in a decline in aesthetic quality of parks and overgrown appearance.
- ▶ Reduction in hours of the assigned part time staff overseeing contracts with Fairview Park user groups, OC Model Engineers and Harbor Soaring Society. Reduction in assistance given to Parks Project Manager regarding construction projects, performing research and writing Council and Park Commission reports. Reduction in oversight of the Phase 1, 17-acre Riparian Habitat 5 year maintenance and monitoring as required by the Department of Fish and Game and US Wildlife Service. Phase 1 completed in June 2009.



The table below includes the adopted budget for all governmental funds (described in subsequent paragraphs) and the two internal service funds: the Equipment Replacement Fund and the Self-Insurance Fund.

Appropriations/ <u>All Funds</u>	ADOPTED BUDGET - ALL FUNDS			
	<u>Adopted FY 09-10</u>	<u>Adopted FY 08-09</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Operating Budget	\$ 111,853,767	\$ 128,440,254	(\$ 16,586,487)	(12.91%)
Capital Budget	4,864,020	11,150,477	(6,286,457)	(56.38%)
Transfers out	1,543,000	5,565,200	(4,022,200)	(72.27%)
Total	\$ 118,260,787	\$ 145,155,931	(\$ 26,895,144)	(18.53%)

The following graphs illustrate the governmental funds' estimated revenues and appropriations:



GENERAL FUND ADOPTED BUDGET

The General Fund provides 95.65% of the total operating budget for all governmental funds (which include the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds). Including the capital budget, the General Fund represents 91.46% of the total adopted. Therefore, the following analyses will focus on the General Fund budget.

The table on the next page describes the components of the adopted budget totaling \$118.8 million, an increase of \$8.2 million or 7.40% over the adopted budget in FY 07-08.

GENERAL FUND ADOPTED BUDGET

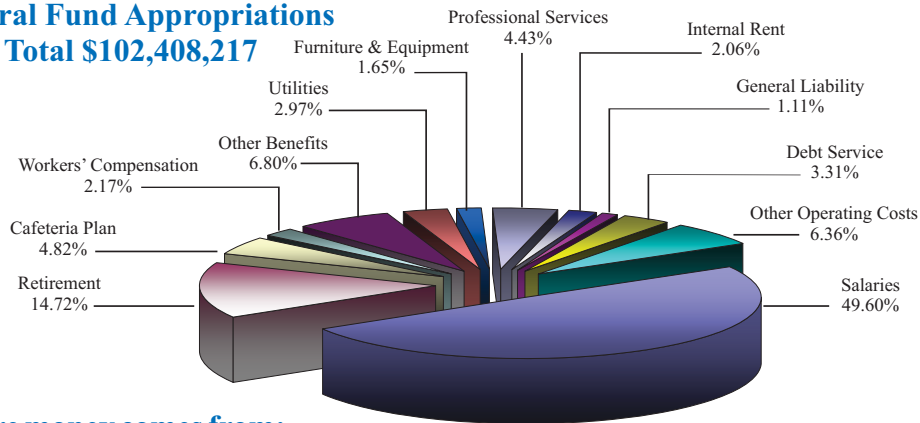
<u>Expenditure Category</u>	<u>Adopted FY 09-10</u>	<u>% Change Over FY 08-09</u>	<u>% of Total Proposed Budget</u>
Salaries & Benefits	\$ 79,985,178	(9.02%)	78.10%
Maintenance & Operations	21,673,039	(26.97%)	21.16%
Fixed Assets	0	(100.00%)	0.00%
Transfers out	750,000	43.40%	0.74%
Total	\$ 102,408,217	(13.82%)	100.00%

Cost of services provided by the General Fund:

The biggest share of the operating budget is for salaries and benefits, which account for almost 78.10% of the total as illustrated in the following graph:

General Fund Appropriations

Total \$102,408,217



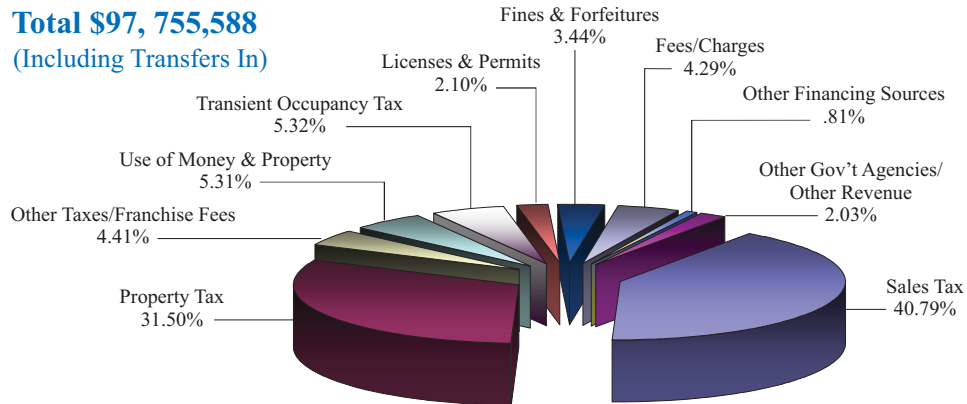
Where money comes from:

About 83% of the revenues that provide for the General Fund operating budget come from taxes such as: sales tax; property taxes; transient occupancy tax; business licenses; and franchises. The remaining sources include investment earnings; rental for use of City recreational facilities and community centers; revenue/grants from other governmental agencies; traffic and other municipal code violations fines; building permits; and fees for services such as those paid by recreation program participants. The graph below illustrates the revenue sources by major categories:

General Fund Resources

Total \$97,755,588

(Including Transfers In)



Property tax is the second largest revenue source to the City. For every dollar the County collects in property taxes, Costa Mesa receives approximately 15 cents. The following table illustrates what portion of property tax revenue pays for the services provided to the community.

PROPERTY TAX BENEFIT STATEMENT FOR FY 09-10			
Median Residential Property Value			\$ 600,000
Approximate Property Tax Paid to County			\$ 6,000
TAX PORTION THAT GOES TO THE CITY			\$ 900
	City Average	% of	Property
<u>General Fund Services</u>	<u>per Parcel</u>	<u>Total</u>	<u>Owner's</u>
			<u>Contribution</u>
Police Services	\$ 1,679	37%	\$ 358
Fire Services	829	19%	177
Public Services	606	16%	129
Recreation	155	4%	33
Community Development	177	4%	38
General Government	779	20%	165
Total per Parcel	\$ 4,225	100%	\$ 900

PRIOR YEAR ACCOMPLISHMENTS

All City departments achieved many wonderful things this past year. Some of the key accomplishments include the following:

- ▶ Swept and cleaned approximately 425 curb miles and 140 arterial lane miles weekly, removing up to 10 tons of debris from City streets daily.
- ▶ Completed the installation of 25 thermo plastic crosswalks and messages for the Safe Route to Schools project.
- ▶ Rehabilitated 15 residential streets with Street Maintenance Section staff.
- ▶ Completed the installation of handicapped accessible concrete walkways and picnic table areas at Vista Park, Canyon Park, Del Mesa Park and Wimbledon Park with Park and Street Maintenance crews.
- ▶ Completed Safe Route to School improvements at 14 school sites including 56 countdown signal heads, 14 speed feedback signs, 22 high visibility crosswalks, ADA handicap improvements at 19 locations, and preparation of Suggested Route to School Maps.
- ▶ Planned and implemented the City's first public art mural with both the Historic Preservation Committee and the Cultural Arts Committee as well as a community youth arts program.





- ▶ Conducted three Artist Showcases with assistance of the Cultural Arts Committee, six Concerts in the Park and supported several community organized events with Mobile Recreation Unit including Spring Egg-citement and Snow Hill with Torelli Realty.



- ▶ Videotaped and televised 71 public meetings (City Council, Planning Commission, Parks & Recreation Commission, Redevelopment Agency, and City Council Study Sessions); and 24 youth sports games in conjunction with the Recreation Division; several special events.
- ▶ Increased the qualified applicant pool by utilizing NEOGOV (automated on-line application and applicant tracking program) and targeted job advertisements.

- ▶ Participated in the State-wide Golden Guardian exercise, and all lead staff were trained and participated in a shelter and mass care reception exercise with Orange Coast College.

- ▶ Hosted two successful Neighbors for Neighbors events involving the coordination of more than 800 volunteers, raising \$43,000 in cash and in-kind donations, to assist with the beautification of 12 area homes and Canyon Park.



- ▶ Updated the comprehensive Users Fees & Charges for implementation within the target date.
- ▶ Improved EMS ambulance response and cost recovery process by awarding contract to new ambulance company CARE.
- ▶ Improved USAR capability by implementing low-angle rescue equipment on all engines purchased with donated funds.



CAPITAL IMPROVEMENT PROJECTS

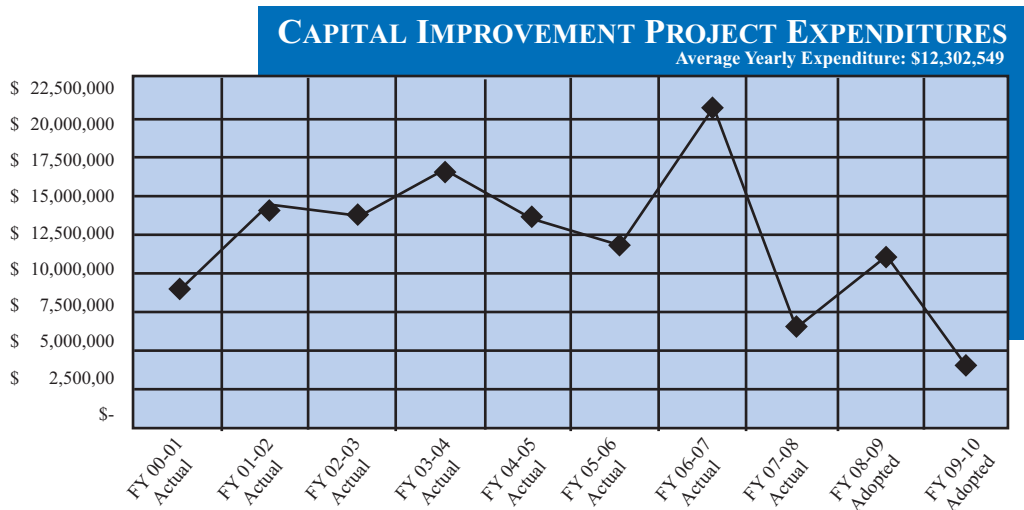
With the changes in the economy, the City has reduced its capital improvement program in FY 09-10 compared to previous years. However, over a 10- year span, the City has dedicated over \$123 million for capital improvements or an average of \$12.3 million a year. The adopted capital budget allocates \$4.9 million including: \$3.8 million for street improvements and maintenance; \$400,000 for curbs and sidewalks; \$434,020 for traffic operations and \$75,000 for government buildings and facilities repairs.

Approximately \$2 million or 42% of the total funding for capital projects comes from Measure M Fund revenue; another \$1.8 million or 38% comes from the Gas Tax Fund revenue. Both funds are earmarked for streets and/or transportation-related expenditures. Other sources, when funds are available, come from drainage fees, Community Development Block Grants (CDBG), the Air Quality Management District (AQMD) Fund, and the Capital Outlay Fund (the original source of this fund is the General Fund).

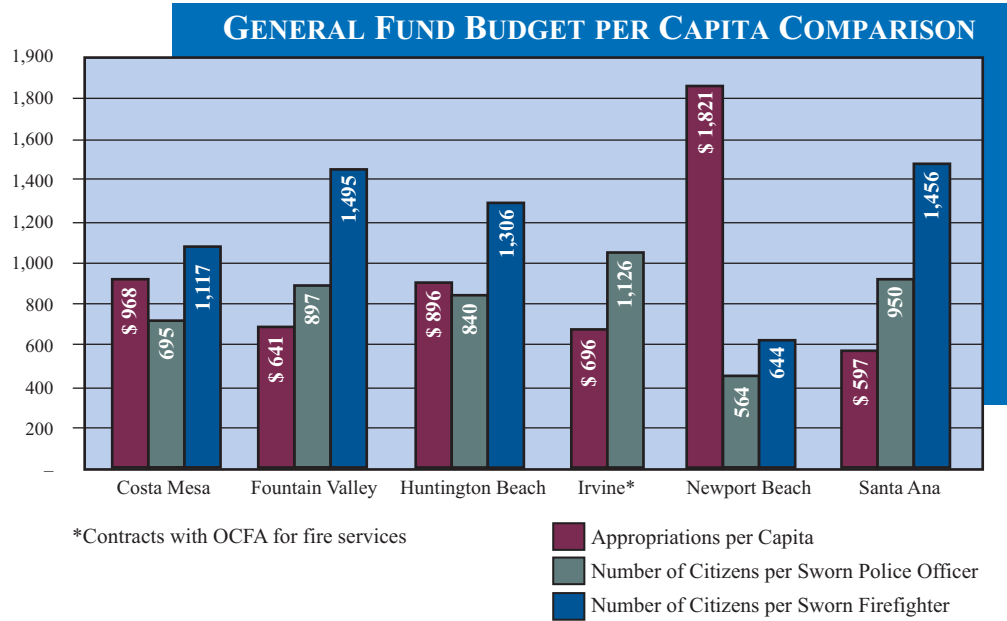
The table below illustrates the type of capital projects planned for the coming year:

<u>Program Category:</u>	Proposed FY 09-10
Street Improvements & Maintenance	\$ 3,755,000
Storm Drain Improvements	200,000
Curbs & Sidewalks	400,000
Traffic Operations & Planning	434,020
Facilities Maintenance	<u>75,000</u>
Total	<u>\$ 4,864,020</u>

A complete detailed listing of the adopted capital improvement projects can be found in the FY 09-10 Adopted Operating & Capital Improvement Budget document published separately. In addition, the City also has a Seven-Year Capital Improvement Program that calls for approximately \$163 million in funding sources. Below is a graph that illustrates what the City has expended for capital improvement projects for 10 years.



The following graph is a comparison of Costa Mesa's General Fund budget for Fire and Police services with jurisdictions that are contiguous to the City. The data used are based on the FY 09-10 adopted budget:



CONCLUSION:

The FY 09-10 adopted budget is balanced and continues to provide an outstanding level of service within its existing resources. The City remains a financially-stable and well-balanced community in which to live, work and play.

ACKNOWLEDGMENT:

The development of the annual budget takes an enormous amount of staff time and efforts, and has to be completed within a compressed timeline. Sincere appreciation is extended to the City Council for their leadership and continued support; and, to all department directors, division managers, and departmental budget liaisons for their contribution. Special recognition is extended to the Finance budget team and Central Services staff.





Anyone who has a question about the City's budget is encouraged to call the Budget & Research Officer at (714) 754-5241. A comprehensive budget document is available for public view at the City Clerk's Office or at the Costa Mesa or Mesa Verde branch libraries in Costa Mesa. The budget document is also available at the City's Website www.ci.costa-mesa.ca.us

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ABOUT THE CITY OF COSTA MESA

- ◆ *Incorporated on June 29, 1953*
- ◆ *General Law City*
- ◆ *Council-Manager form of government*
- ◆ *Population 113,955*
- ◆ *Area 16.8 square miles*
- ◆ *611 full-time employees*
- ◆ *1 police station - 162 sworn positions*
- ◆ *2 police sub-stations*
- ◆ *6 fire stations - 102 sworn positions*
- ◆ *30 parks, 1 skate park*
- ◆ *2 18-hole golf courses*