

COMMUNICATIONS
FROM CHARTER
COMMITTEE MEMBERS

CITY OF COSTA MESA

CHARTER COMMITTEE

NOVEMBER 13, 2013

FINANCIAL ISSUES

1. OUTSOURCING

The City shall routinely review and analyze its' community responsibilities and determine if each individual purpose, importance, quality, risk can be provided at lower cost by private contractors.

2. CASH RESERVES

The City shall maintain cash reserves for unexpected events of risk and opportunity of 50% of General Fund gross revenues (property taxes, sales taxes, fees, etc.). This level should be achieved by June 30, 2020.

3. Sale of City Owned Real Estate

Any sale of City owned improved or unimproved real estate shall be approved by the voters of Costa Mesa. This requirement shall exclude small amounts (not to exceed one (1) acre of land with a value of \$50,000 or less in 2014 dollars) of real estate that are sold to correct an error or obstruction in property lines with an adjacent property.

Communications regarding Budget Reserves was received by Brenda Green on Tuesday November 19, 2013 at 9:21 A.M.

Brenda, this is my homework:

Budget reserves - Reserves will be listed as a separate line item in the budget. (5% of total expenditures)

Proposed City Charter Meeting Topics

Date	Topic	Homework/Info
December 11	Property Tax Equity Unfunded Pension Liabilities Personal Presentation	As determined
January 8	City of Bell Quality of life	As determined
January 22	Work on Preamble	
February 12	Determine needed missing language	As determined
February 26	Work on Final Draft	As determined
March 12	Final Draft Make Changes	As determined
March 26	Minor Changes Final Vote	As determined

Information on Bankrupt Cities.

Stockton Files for Bankruptcy Protection

Stockton, with a population of around 300,000, will now formally restructure debt with 19 parties of creditors, including retirees, city workers and bondholders. Mr. Deis said the city has already been able to reach agreement with a third of the creditors during a mediation process that preceded the bankruptcy filing. With the filing, the city will likely also suspend payments to bondholders, make cuts to labor contracts and eliminate the city's contribution to retiree health care.

Stockton's bankruptcy filing is the biggest for a U.S. city in terms of both debt load and population. Bridgeport, Conn., which has 141,000 residents and filed for Chapter 9 in 1991, was to date the largest city by population to enter bankruptcy, according to federal records. And until now, the city with the biggest debt load entering bankruptcy was Vallejo, Calif., which owed \$50 million to creditors when it filed in 2008. (Vallejo emerged from insolvency last year.)

Stockton has spiraled into a morass of debt because of high retiree costs and big spending on a downtown revitalization effort, coupled with falling property-tax revenues because of the real-estate downturn, among other factors.

The city has slashed more than \$90 million from its budget since 2009—including reducing its police department by 25%, cutting its fire department by 30% and slashing pay by as much as 22% for some workers. Still, the cuts were enough to overcome budget deficits, leading to Thursday's bankruptcy filing.

I don't pretend to understand what the correct answer is for Stockton and for the rest of the country. I sympathize with those promised certain benefits who may lose them, even if they are above and beyond what most of us will see. But elected officials have to learn they can't always make promises they know they can't keep with other people's money and get away with it. If creditors come out on the short end, and are in danger of losing big in such settlements around the nation, maybe word will finally go out that cities with giant unfunded pensions and politicians willing to promise the sun and the moon are not good investments. If elected officials are substance abusers, creditors are often enabling them.

According to the [UT San Diego](#), some of the most damning testimony about union corruption in the Stockton bankruptcy hearing came from City Council member Kathy Miller.

"In the 1990s," Miller said, "Stockton granted its employees some of the most generous and unsustainable labor contracts in the State of California... Safety employees could now retire at the age of 50... Many safety retirees today earn 90 to 100 percent of what they made when they were still on the job."

Miller also talked about the city granting things like "unlimited vacation and sick time" that could be "cashed out when an employee retired" and "Lamborghini" style health plans.

Bankrupt San Bernardino in showdown with California pension fund over arrears

LOS ANGELES, Aug 1 (Reuters) - San Bernardino filed for bankruptcy protection on Wednesday citing more than \$1 billion of debts and making it the third California city to seek protection from creditors.

The city of about 210,000 residents 65 miles (104 km) east of Los Angeles declared a fiscal crisis last month after a report said local government had tapped out its reserves and projected spending would top revenue by \$45 million in the fiscal year that began on July 1.

The filing, made in the United States Bankruptcy Court, Central California District, states that the city has "more than \$1 billion" in liabilities, and estimated that it has between 10,001 and 25,000 creditors.

It also states that San Bernardino has estimated assets of more than \$1 billion.

San Bernardino's city council voted on July 24 to adopt an emergency three-month fiscal plan that would suspend debt payments, freeze vacant jobs and quit paying into a retiree health fund while city staff produce a more detailed bankruptcy plan.

"The bankruptcy filing was just to get the protection in place, to kick the process off," a city spokesperson said.

In late July, San Bernardino reported it had \$56 million in indebtedness payable from its general fund, the main budget, including payments on a \$50 million pension bond. There is an additional \$195 million in unfunded pension obligations, \$61 million in unfunded retiree healthcare, and \$40 million of workers compensation, compensated absences and general liabilities.

In the past two months, the cities of Stockton and Mammoth Lakes have also filed for Chapter 9 bankruptcy protection, a special bankruptcy provision for municipalities.

Stockton, which like San Bernardino has suffered from the housing crash that was particularly acute in southern California, filed for bankruptcy in June, becoming the largest U.S. city to do so.

Other cities in California are also in deep fiscal trouble and more could file for bankruptcy.

Cities have had the option of filing for bankruptcy since a law was passed during the Great Depression, but it is a relatively rare occurrence. Only about 640 such filings have been made since 1937.

The three California bankruptcy cases will be closely watched by investors and markets. They will be major test cases of whether cities in financial trouble can be allowed to renege on their bond debt and pension obligations.

On July 17, the mayor of Compton, a city outside Los Angeles, said he had asked state auditors to look into unspecified "waste, fraud and abuse of public monies." That city could file for bankruptcy by Sept. 1, its financial officials said.

In Victorville, California, auditors in January said there "was substantial doubt about the city's ability to continue as a going concern."

In San Bernardino, a recent report by the city attorney said officials had falsified budget reports to the mayor and council for 13 of the last 16 years, hiding the scale of the city's debt.

City council members have rejected that allegation, part of a wider political and legal battle in the city over San Bernardino's biggest expense - pay and benefits for police and firefighters.

In a city with 15 percent unemployment, and where tax revenues have been badly hit by joblessness and the housing crash, the city estimates that public safety spending accounts for 73 percent of the general

fund benefit.

Pension costs will reach \$25 million this year, double the 2006 level.

The San Bernardino's County sheriff's department confirmed last month that an investigation "related to allegations of possible criminal activity within departments of the San Bernardino city government" was underway.

Bell (city), California

Want more? [Browse data sets for Bell \(city\)](#)

People QuickFacts	Bell	California
Population, 2012 estimate	35,820	38,041,430
Population, 2010 (April 1) estimates base	35,477	37,253,956
Population, percent change, April 1, 2010 to July 1, 2012	1.0%	2.1%
Population, 2010	35,477	37,253,956
Persons under 5 years, percent, 2010	8.8%	6.8%
Persons under 18 years, percent, 2010	32.0%	25.0%
Persons 65 years and over, percent, 2010	6.8%	11.4%
Female persons, percent, 2010	49.6%	50.3%

White alone, percent, 2010 (a)	53.8%	57.6%
Black or African American alone, percent, 2010 (a)	0.9%	6.2%
American Indian and Alaska Native alone, percent, 2010 (a)	0.9%	1.0%
Asian alone, percent, 2010 (a)	0.7%	13.0%
Native Hawaiian and Other Pacific Islander alone, percent, 2010 (a)	Z	0.4%
Two or More Races, percent, 2010	4.4%	4.9%
Hispanic or Latino, percent, 2010 (b)	93.1%	37.6%
White alone, not Hispanic or Latino, percent, 2010	4.9%	40.1%

Living in same house 1 year & over, percent, 2007-2011	91.6%	84.2%
Foreign born persons, percent, 2007-2011	46.1%	27.2%
Language other than English spoken at home, percent age 5+, 2007-2011	89.5%	43.2%
High school graduate or higher, percent of persons age 25+, 2007-2011	42.2%	80.8%
Bachelor's degree or higher, percent of persons age 25+, 2007-2011	5.4%	30.2%
Veterans, 2007-2011	588	1,997,566

Mean travel time to work (minutes), workers age 16+, 2007-2011	28.8	27.0
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Housing units, 2010	9,217	13,680,081
Homeownership rate, 2007-2011	27.3%	56.7%
Housing units in multi-unit structures, percent, 2007-2011	28.8%	30.8%
Median value of owner-occupied housing units, 2007-2011	\$314,500	\$421,600
Households, 2007-2011	8,891	12,433,172
Persons per household, 2007-2011	3.90	2.91
Per capita money income in the past 12 months (2011 dollars), 2007-2011	\$12,436	\$29,634
Median household income, 2007-2011	\$37,121	\$61,632
Persons below poverty level, percent, 2007-2011	25.4%	14.4%

Business QuickFacts	Bell	California
Total number of firms, 2007	2,224	3,425,510
Black-owned firms, percent, 2007	3.0%	4.0%
American Indian- and Alaska Native-owned firms, percent, 2007	S	1.3%
Asian-owned firms, percent, 2007	S	14.9%
Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	F	0.3%
Hispanic-owned firms, percent, 2007	S	16.5%
Women-owned firms, percent, 2007	34.1%	30.3%

Manufacturers shipments, 2007 (\$1000)	396,628	491,372,092
Merchant wholesaler sales, 2007 (\$1000)	639,470	598,456,486
Retail sales, 2007 (\$1000)	212,422	455,032,270
Retail sales per capita, 2007	\$5,840	\$12,561
Accommodation and food services sales, 2007 (\$1000)	41,813	80,852,787

Geography QuickFacts	Bell	California
Land area in square miles, 2010	2.50	155,779.22
Persons per square mile, 2010	14,185.1	239.1
FIPS Code	04870	06

This city does not compare with Costa Mesa.