
**CITY OF COSTA MESA
CITY MANAGER'S OFFICE
INTEROFFICE MEMORANDUM**

TO: CITY COUNCIL

FROM: ALLAN L. ROEDER, CITY MANAGER

DATE: JUNE 16, 2008

RE: FISCAL YEAR 2008-2009 BUDGET ADOPTION; POTENTIAL APPROPRIATION REDUCTIONS TO FUND ALTERNATIVE REQUESTS

At the June 10, 2008 City Council Study Session on the FY 2008-09 City budget, staff provided a comprehensive review of the expenditure plan for the coming year. Members of the City Council as well as the public inquired about various proposed expenditures as well as items not contained in the preliminary budget. Following the Study Session, management of the Finance Department and I have attempted to pull together all of the requested information prior to consideration of final action on the budget. That information is detailed in the report from Budget & Research Officer Bobby Young dated June 13, 2008.

As stated in the City Manager's Budget Message, current economic conditions do not permit us to rely on unappropriated fund balance to add further items to the budget or to address future budget adjustments. Consequently, if items are to be added to the preliminary budget as submitted, a commensurate reduction must also occur to maintain a balanced spending plan. There are some exceptions to this such as Grant funded efforts, fee supported programs with 100% cost recovery and use of Special Funds. But for the most part, items added to the operating budget or unanticipated cost increases in budgeted expenditures will require further budget reductions.

To assist the City Council in its consideration of items to add to the Operating budget, I have prepared the following list of potential reductions to the preliminary budget. In identifying these potential reductions, the following criterion was utilized:

- Maintains existing legal, contractual and mandated commitments;
- Maintains existing levels of service to the public;
- Maintains public facilities in a safe & healthy condition; and
- Advances as many City Council priorities as possible with an emphasis on "one-time" expenditures as opposed to on-going operating costs

None of the items listed in the following are what I believe to be unnecessary, frivolous expenditures. Furthermore, I am not recommending these items for deletion from the proposed budget. The items were appropriately justified by Departmental budget requests and/or by members of the City Council or by the public. But in the context of what is "required" as opposed to what is "desired," I believe the following items could be deferred for future consideration without short-term adverse impacts. Ultimately, the budget is a statement of priorities by the City Council and should reflect your consensus judgment.

General Fund Operating/Capital Expenditures

- Sewer Video Camera (Maintenance Services) - \$14, 311
Equipment can be rented on an "as-needed" basis.
- Public Notice Board (City Clerk) - \$5,000
Replaces existing Public Notice Board with a new unit at a more accessible location.
- Show Wagon (Recreation) - \$115,000
Used for Fish Fry, Concerts in the Park and other events; due for replacement but can last another year/restrict to use only in Costa Mesa.
- Corp Yard Back Gate Installation (Maintenance Services) - \$15,000
Proposed for security but can be deferred.
- City Entry Sign – Harbor Blvd. (CIP) - \$70,000
Replacement is part of Master Planned effort.
- Costa Mesa United Contribution - \$300,000
Last installment to complete City's financial commitment; no approved allocation plan at this time.
- Reduce stationary and office supplies to FY 07-08 levels proportion to each Department. Savings estimated at \$15,000 organization wide.
The intent is to require all Departments to make better use of technology and reduce photocopying and use of paper.
- Reduce Professional Development funding by 50% for City Council and Department/Division Managers. Savings estimated at \$25,000
Both symbolic as well as financial; not intended to be permanent

Total estimated savings - \$559,311

As noted in the Budget Message, the practice of strictly living within the adopted budget during tight economic times will need to continue until conditions improve. As such, additional focus and documentation will be provided for each and every item that comes before the City Council requiring a budget adjustment authorization during the coming year.

c: Department Directors
Division Managers