



CITY COUNCIL STUDY SESSION AGENDA REPORT

MEETING DATE: JUNE 12, 2012

ITEM NUMBER:

SUBJECT:

CEO RECOMMENDED CHANGES TO FY 2012-2013
PRELIMINARY BUDGET

DATE:

JUNE 11, 2012

FROM:

OFFICE OF CHIEF EXECUTIVE OFFICER

PRESENTATION BY:

THOMAS R. HATCH, CEO
BOBBY YOUNG, DIRECTOR OF FINANCE & IT

FOR FURTHER INFORMATION
CONTACT:

Thomas R. Hatch @ (714) 754-5328

RECOMMENDATION:

It is recommended that the City Council:

1. Listen to public input and the Study Session presentation;
2. Provide any comments and/or final suggestions;
3. Direct staff to conduct a Community Meeting on the Budget on Thursday, June 14, 2012; and
4. Direct staff to schedule the adoption of the Budget for June 19, 2012.

BACKGROUND:

The preliminary budget for FY 2012-2013 has been presented to the City Council and the community. The City Council has held several Budget Study Sessions as it relates to the details in the Budget. The General Fund Budget still has a shortfall of \$1,191,716. This staff report is the CEO's final recommended changes to the FY 2012-2013 budget to bring the General Fund into balance. The Budget includes the entire Budget allocations and the changes as requested by the City Council throughout the Budget development process.

Attachment A is a summary of the final recommended changes to the General Fund Budget. The details of the changes are provided below in the staff report.

On May 29, 2012, the City Council finalized the recommended changes to the Capital Improvement Budget for the next year. Attachment B of this report includes a summary of the final changes. The detail of these changes is also summarized in the staff report below.

ANALYSIS:

The staff report includes four key sections. The first section is a summary of the difficult changes the City has to make to manage our budget after the State eliminated redevelopment agencies and other changes to traditional funding sources. The second is a summary of the elimination of several positions and the addition of two key positions. The third is the suspension of the in-house street rehabilitation program. The final section is a summary of the Capital Improvement Program (CIP) budget changes as directed by the City Council.

Reductions Related To State Elimination of Redevelopment Agencies:

The State of California has eliminated redevelopment agencies. This decision by the State has had enormous implications for every city that had any kind of redevelopment operations. Most cities have had layoffs or are in the process of laying off employees to deal with the immediate loss of revenue. In Costa Mesa, this has immediate impacts to our reoccurring revenue. Due to the dissolution of redevelopment agencies statewide, the City is no longer able to allocate City salary expenses of staff who worked on projects and activities for the Costa Mesa Redevelopment Agency. In FY 11-12, these salaries represented approximately \$659,323.

In addition to the elimination of redevelopment agencies, the City is also enduring more impacts including:

- State Health and Safety Code monitoring;
- Creation and maintenance of redevelopment successor agency activities;
- Creation and maintenance of redevelopment Oversight Board;
- Reduction in funding from federal grants for Home and Community Development Block Grant;
- Creation and maintenance of the Costa Mesa Housing Authority;
- Creation of supportive housing development/strategy; and
- Reductions in Neighbors For Neighbors Program and single family rehabilitation program;

The Housing and Community Development Division had to make reductions to accommodate the loss in reoccurring funding to support redevelopment activities and other reductions to funding sources. The CEO is recommending the elimination of three and ½ vacant positions including the Neighborhood Improvement Manager, 1.5 Management Analyst positions (General Fund absorbing the ½ position) and an Office Specialist II position. The General Fund will also be absorbing \$80,000 as it relates to the Keyser Marston and Associates contract.

As it relates to this loss of reoccurring redevelopment funding, the CEO, based on input from all Departments, will be recommending the elimination of four currently filled positions on June 19, 2012 as part of the final budget staff report. This difficult decision will require that the City layoff four City employees. The City is currently preparing the noticing as it relates to the four employees. As required, the City will then meet and consult with the appropriate employee associations and the employees will be given the appropriate 30 day notice prior to the June 19, 2012, City Council meeting. The fiscal impact of these reductions is \$401,896 to the General Fund. Due to the changes in

redevelopment funding as well as reduction in other housing and low-income funding, a total of seven positions will be eliminated.

Finally, the above significant changes do not deal with the potential loss in principal and interest related to the loan between the City and the former Redevelopment Agency. It is possible that further cuts may be needed in the next few months of approximately \$750,000.

Elimination of Vacant Positions:

To balance the budget, the CEO is proposing the elimination of several vacant positions and the creation of two positions. The elimination of positions may result in delays in service delivery but the financial savings is needed to balance the budget and move the City into a better financial position. Staff will continually evaluate the ability to provide key services and will administratively make adjustments to ensure appropriate service is provided to the community. The following positions will be eliminated or created as described below and the total cost of the change includes the total salary and benefit burden for each position:

Eliminate One (1) Equipment Mechanic III Position - \$96,956:

An Equipment Mechanic III position will be eliminated after an internal recruitment for the currently vacant Maintenance Supervisor position in the Fleet Operations Section is conducted. This will maintain the full function of this section and will not result in a layoff. The CEO will be reducing the number of total fleet vehicles by approximately 20 this year which will also help reduce the workload of the fleet maintenance staff.

Eliminate One (1) Maintenance Worker Position - \$71,623:

A vacant Maintenance Worker position will be eliminated in the Facilities Maintenance section. The workload will be distributed to other Facilities Maintenance personnel. There may be some delays in work orders or requests as a result of the loss of this position. Staff will continue to evaluate the level of service to determine if any changes need to be made in the future.

Eliminate One (1) Assistant Planner Position - \$95,506:

An Assistant Planner position is scheduled to be vacant in the next two weeks. The position will be eliminated and the workload distributed to other Planning Division personnel. This may result in some delays in getting work completed in this service area. Staff will continue to evaluate the level of service to determine if any changes need to be made in the future.

Create One (1) Code Enforcement Officer Position - \$79,967:

There is a significant need in the community for additional resources to manage the workload related to code enforcement. Specifically, the Neighborhood Improvement Task Force continues to achieve successes but needs dedicated assistance related to documenting code enforcement cases and ensuring that important issues get immediate attention so they can be resolved as soon as possible. This position will help meet the increasing demand of the Code Enforcement Section of the Building & Safety Division.

Eliminate Four (4) Custody Officer Positions - \$87,970 Per Position/\$351,880 Total
Less \$222,000 in New Costs:

The Police Department has been operating with four vacant Custody Officer Positions of the total eleven authorized. The CEO is proposing to eliminate these four positions. It is also proposed to increase the overtime account by \$172,000 and the part-time account by \$50,000. It is likely that not all of the overtime and part-time funds will be necessary but will provide sufficient funding to ensure adequate resources for Jail Operations pending the outcome of legal issues concerning outsourcing.

Create One (1) Code Enforcement Officer Position (PD) - \$79,967:

There is a need for the Police Department to have a Code Enforcement Officer assigned directly to the Department. This will assist with the general workload of the Department but will also improve efficiency as it relates to documenting code related problems with enhanced communications between police personnel and this new code enforcement position. This should result in better support to police related activities while not overly burdening the Code Enforcement Section in the Development Services Department.

The above changes result in a savings of \$234,031 and a reduction in staffing of 5 positions.

Suspension of In-House Street Rehabilitation Program:

The Street and Storm Drains section of the Maintenance Division of Public Services implements an annual in-house residential paving program that results in a total of 10 to 15 residential streets getting complete rehabilitation on an annual basis. In addition, this section is responsible for addressing pothole repair, minor overlay of isolated damaged pavement sections, and the cleaning of catch basins as needed. Another function of the group is the pickup of abandoned large items left in the public right of way. The current staffing level for this program includes eight (8) full-time positions.

Three (3) Senior Maintenance Worker positions from the Street and Storm Drain Section will be eliminated saving \$221,139. As this will eliminate Public Services' ability to continue the in-house residential street paving function indefinitely, the Department will also eliminate a portion (\$278,400) of the amount proposed for asphalt purchase under account number 510600 - Maintenance and Construction, but will leave \$50,000 for all of the materials related to continuing pothole repair. Also to be eliminated is \$56,250 currently proposed to contract pavement grinding for residential street rehabilitation, from account number 525900 - Streets Alleys and Sidewalks. Personnel currently working in these positions will be moved to fill current vacancies in other sections in the Maintenance Services Division, resulting in no layoffs. As mentioned, this direction will eliminate the in-house residential street paving program. With the remaining staff, the section will be fully dedicated and focused on pothole repair, large item pick-up and storm drain cleaning.

For FY 2012-2013, the saving for the suspension of part of this program is \$555,789 and a reduction of 3 positions.

CIP Budget

At its May 29, 2012 City Council Study Session, the City Council provided staff final recommendations to include as part of the FY 2012-2013 Budget and can be seen on Attachment B. Some of the projects and priorities to be included in the FY 2012-2013 Budget are (partial list with all listed on Attachment B):

Citywide Alley Program
Citywide Drainage Master Plan/Improvements
Citywide Sidewalk Improvements
Library Upgrades
Sports Field Master Plan
Westside Improvements
Harbor Bike Trail Improvements

At the May 29th presentation, staff had determined that an amount of \$2.5 million in one-time funding could be available without further impacts to the General Fund. The CEO's final recommendations provide funding for all of the projects that the City Council had requested be funded in FY 2012-2013.

FISCAL IMPACT:

The General Fund Budget is currently in a deficit position by \$1,191,716. With the changes outlined above and the elimination of 15 positions, the Budget is now balanced. The June 19, 2012 Budget Staff Report will include a full detailed breakdown of the fiscal impact of the FY 2012-2013 Budget.

CONCLUSION:

The final recommended changes are proposed for the FY 2012-2013 Budget and this staff report summarizes the changes. This Study Session provides an additional opportunity for input and suggestions for the preliminary budget.



THOMAS R. HATCH
Chief Executive Officer

ATTACHMENT A FY 2012-2013 Budget Executive Summary
ATTACHMENT B CIP Budget Recommended Changes

FY 12-13 Budget - Executive Summary

Estimated Revenues		101,174,935	
Appropriations		(98,941,426)	
Transfer to SLEF		(50,000)	
Transfer of ABLE to CIP		(2,400,000)	
Transfer to CIP		(190,000)	(2,590,000)
Contribution to CM United	Non Departmental	(100,000)	
Budget for Problem Properties	Non Departmental	(500,000)	(600,000)
Agreement with Keyser Marston & Associates	Development Services	(80,000)	
Contribution for Retiree Medical Liabilities		(50,000)	
Remaining budget surplus		<u>(55,225)</u>	
	Deficit	<u><u>(1,191,716)</u></u>	
Reductions related to loss of RDA allocations:			
Layoff of Four (4) Full Time City positions	401,896		(4)
Neighborhood Improvement Manager	-		(1)
Management Analyst	-		(1)
Office Specialist II - Housing	-		(1)
	Subtotal	<u>401,896</u>	<u>(7)</u>
Elimination of vacant positions:			
Equipment Mechanic III	96,956		(1)
Maintenance Worker - Facilities	71,623		(1)
Assistant Planner	95,506		(1)
Add: Code Enforcement Officer	(79,967)		1
Custody Officer	87,970		(1)
Custody Officer	87,970		(1)
Custody Officer	87,970		(1)
Custody Officer	87,970		(1)
Increase Overtime - Jail	(172,000)		
Increase Part Time - Jail	(50,000)		
Add: Code Enforcement Officer	(79,967)		1
	Subtotal	<u>234,031</u>	<u>(5)</u>
Reduction of costs to balance the budget:			
Street Rehab Program			
Salaries - Vacant Positions			
Senior Maintenance Worker	74,758		(1)
Senior Maintenance Worker	74,758		(1)
Maintenance Worker	<u>71,623</u>	221,139	(1)
Maintenance and Operations			
Asphalt	278,400		
Grinding of streets	<u>56,250</u>	<u>334,650</u>	
	Subtotal	<u>555,789</u>	<u>(3)</u>
	Budget Savings	<u><u>1,191,716</u></u>	<u><u>(15)</u></u>
	Difference	-	

City Council - Capital Improvement Project Initiatives

	Total Need	Annual Need	FY 2012-13		
			Preliminary Included	Staff Recommended	
Other City Council Priorities					
Annual Citywide Maintenance - Continual					
1 Streets	46,500,000	9,300,000	9,985,386	-	No additional funding from General Fund necessary until 13-14
2 Alleys	15,700,000	1,400,000	920,000	480,000	Need of \$1.4 million met
3 Drainage Master Plan/Improvements	16,500,000	1,000,000	500,000	500,000	Need of \$1.0 million met
4 Building Modifications/Park Maintenance	20,000,000	500,000	635,500	-	Need of \$500,000 met
Subtotal	98,700,000	12,200,000			
Ongoing City Council Initiatives - Multi Year					
1 IT Upgrades	4,000,000	900,000	-	-	Financing available, no debt service until FY 13-14
2 Cal PERS Unfunded Liability	224,000,000	500,000	500,000	-	Need of \$500,000 met
3 Medical Reimbursement Unfunded Liability	35,000,000	50,000	-	-	CEO will include as part of final recommendations
4 Replenishment of GF Fund Balance	30,000,000	50,000	-	-	CEO will include as part of final recommendations
5 Replenishment of Equip Replace Fund Balance	5,000,000	1,000,000	142,678	-	Staff reviewing fleet to determine future need
6 Budget Contingency	-	1,000,000	1,000,000	-	Need of \$1.0 million met
7 Youth Sports - CM United	1,000,000	100,000	-	100,000	
8 Capital Program for Trees	535,500	76,500	39,000	-	
Subtotal	299,535,500	3,676,500			
One Time Capital Projects					
1 Sidewalks - CIP #9	510,000	100,000	-	100,000	In addition to other funding sources, fund project over multiple years.
2 Park Improvements - CIP #22,23,24,25,26,31	-	-	559,250	-	6 Projects proposed: Walkway replacement, 2 shelters, isolation valves
3 Library Upgrades Master Plan	20,000,000	100,000	-	100,000	Funding for improvements at Donald Dungan Library
4 Sports Fields Master Plan	3,800,000	1,000,000	-	300,000	Funding for design of improvements at CMHS
5 Westside Improvements - CIP #3	2,500,000	250,000	-	250,000	Originally included in preliminary budget
6 Problem Properties	5,000,000	1,000,000	-	500,000	Consider financing or other funds when project is determined
7 Harbor Blvd Bike Trail Improvements - CIP #2	-	360,000	-	360,000	Originally included in preliminary budget
8 Fairview Park Connector Trail - CIP #28	-	500,000	-	500,000	Originally included in preliminary budget
9 Historical Society Wrought Iron Fence - CIP #29	-	80,000	-	40,000	Originally included in preliminary budget
10 Lions Park Improvements	-	1,300,000	-	60,000	
11 West 19th St. Street Improvements	-	110,000	-	110,000	
12 Fairview Park Master Plan	24,970,000	1,248,500	-	-	Many potential grant funded projects, determine need in future years
13 Harbor Blvd Improvements - CIP #6	4,100,000	540,000	-	-	Originally included in preliminary budget
14 Replacement of Fire Station #1	6,000,000	442,000	-	-	Consider financing when project is determined
15 Council Chamber Equipment Upgrade	-	1,000,000	-	-	Necessary upgrades to audio and visual equipment
16 Neighborhood Entry Monument Signs	-	80,000	-	-	Recommended for Mesa Del Mar/TeWinkle Park area
17 Wayfind Signage	-	-	-	-	Citywide signage to assist visitors to the City
18 Harbor Blvd Median Improvements	-	1,100,000	-	-	
19 Cabrillo St. Street Improvements	-	300,000	-	-	
20 Terminal Way Street Improvements	-	200,000	-	-	
21 Placentia Ave. Median Improvements	-	1,500,000	-	-	
22 Countywide 800 MHz System	-	-	-	-	
Subtotal	66,880,000	11,210,500			

Total Initiatives \$ 465,115,500 \$ 27,087,000 \$ 14,281,814 \$ 3,400,000

Funding Needed in General Fund \$ 600,000

Funding Needed via Transfer From General Fund \$ 2,590,000

Funding Available in CIP Fund Available Fund Balance \$ 210,000

ATTACHMENT B