



# CITY COUNCIL STUDY SESSION REPORT

MEETING DATE: May 12, 2015

ITEM NUMBER: 1

**SUBJECT: FISCAL YEAR 2015-16 BUDGET STUDY SESSION**

**DATE: May 8, 2015**

**FROM: FINANCE DEPARTMENT**

**PRESENTATION BY: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR**

**FOR FURTHER INFORMATION CONTACT: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR,  
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## **RECOMMENDED ACTIONS:**

Provide comments and direction on the FY 15-16 Preliminary Operating and Capital Budget, Budget Addendum and Fire Department proposed fees.

## **BACKGROUND:**

The FY 15-16 budget development process officially started on December 11, 2014 with a kickoff meeting including the CEO, Finance Department Staff and department representatives. Since that meeting, departments prepared their budget requests and submitted them to the Finance Department for review. Finance Staff prepared revenue projections and forecasts, reviewed departmental requests and met with the departments to discuss their budget requests. These meetings were followed by joint budget hearings involving the CEO, Finance Department and department representatives. Out of these discussions and further meetings, a Preliminary FY 15-16 Budget was developed.

## **ANALYSIS:**

As a quick overview, here is the preliminary budget for FY 15-16 for all funds compared to the FY 14-15 adopted budget:

**Table 1**

<b>ADOPTED BUDGET - ALL FUNDS</b>				
Appropriations/ All Funds	<b>Adopted</b>	<b>Preliminary</b>	<b>Increase (Decrease)</b>	
	<b><u>FY 14-15</u></b>	<b><u>FY 15-16</u></b>	<b><u>Amount</u></b>	<b><u>Percent</u></b>
Operating Budget	\$ 114,958,461	\$ 118,083,807	\$ 3,125,346	2.7%
Transfers Out	5,517,067	7,452,140	\$ 1,935,073	35.1%
Capital Budget	19,421,001	22,299,929	\$ 2,878,928	14.8%
Total	\$ 139,896,529	\$ 147,835,876	\$ 7,939,347	5.7%

The General Fund provides 89.2% of the total operating budget for all governmental funds. The total preliminary General Fund budget is \$113 million, an increase of \$3.5 million or 3.2% from the current year adopted budget.

The attached City Chief Executive Officer's Budget Message provides highlights of the financial and budget policies and how they relate to this preliminary budget, a description of the budget preparation and balancing process, overview charts of the City-wide budget and the General Fund, a brief financial outlook, budget highlights, a recap of reserves and an overview of capital improvement projects.

The attached FY 2015-16 Operating & Capital Budget in Brief includes additional summary charts, analysis of changes in the primary funding sources and expense categories, a brief discussion of internal service funds, a review of capital improvement project expense trends over the past ten years and a recap of use of fund balances in certain special funds.

The attached Summary of Requested Capital Improvement Projects displays the 113 requested projects by category and funding source. Highlighted rows indicate the recommended projects.

The attached Budget Addendum displays recommended changes to both the current year budget (due to updated sales tax estimates and to document the changes associated with the Council approved community meeting room/break room/outdoor meeting space project) and FY 15-16 Preliminary Budget changes that were approved after the budget book printing deadline.

Lastly, new Fire Department service fees are recommended for discussion. These consist of the following:

- Residential apartment inspection fee for buildings with 3 or more units. This would provide funding related to life safety issues, inspection of converted garages, code compliance and checking for illegal units.
- Business inspection fee based on square footage and inspection time required. The fee is related to fire & life safety issues. Restaurant inspections would be annual while other businesses could be every three years.
- Adopting a policy to seek up to \$500 per incident from the property owner's insurance company. This would be a Fire Department cost recovery fee for assistance to the property owner and be part of the initial phase of the department's community risk reduction plan. There would be no cost or penalty to homeowner.
- Fire Station 4 Training Center usage fees charged to other fire departments or outside users. The funds generated from these fees would help cover the costs to re-open and maintain the center. The proceeds would be allocated 50% to the Fire Department and 50% to the City general fund.

Staff will provide additional information on these fees during the study session.

The next steps in the FY 15-16 budget process include the following events:

- May 21, 2015 Community Meeting
- June 15, 2015 Council budget hearing and adoption.

## **ALTERNATIVES CONSIDERED:**

Staff considered many options for the use of funds including requested budget increases and capital improvement projects. Options were evaluated and assigned priorities. Some one-time items were approved for accomplishment in the current fiscal year. Recommended budget amounts are balanced to estimated available resources.

## **CONCLUSION:**

As presented, this represents a balanced budget for the coming fiscal year without the use of General Fund reserves and provides the highest level of service to the community within existing financial resources. Council consideration and public input regarding the FY 15-16 Preliminary Operating and Capital Budget will provide valuable information as the City prepares for budget hearings and adoption in June.

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Stephen Dunivent  
Interim Finance Director

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Thomas R. Hatch  
City CEO

### Attachments:

1. [City Chief Executive Officer's Budget Message](#)
2. [FY 2015-16 Operating & Capital Budget in Brief](#)
3. [Summary of Requested Capital Improvement Projects](#)
4. [Budget Addendum](#)

**CITY OF COSTA MESA, CALIFORNIA**  
**PRELIMINARY OPERATING AND**  
**CAPITAL IMPROVEMENT BUDGET**  
**FISCAL YEAR 2015-2016**

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Chief Executive Officer

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