



**CITY OF COSTA MESA  
FINANCE DEPARTMENT  
INTEROFFICE MEMORANDUM**

**TO:** CITY COUNCIL MEMBERS

**FROM:** STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR

**DATE:** MAY 22, 2015

**SUBJECT:** Follow-up Items from the FY15-16 Budget Study Session

Thank you for your participation in the May 12, 2015 study session on the FY 15-16 Preliminary Operating and Capital Budget. The following information is in response to the questions and comments raised during the session.

Public questions and comments:

1. City website upgrades: Staff has received input from several sources and is holding internal discussions on what upgrades should be made.
2. Traffic signal pre-emption on Newport Blvd.: The signals on Newport Boulevard are controlled by Caltrans. The City may implement preemption at these locations with an encroachment permit, if City funding is available. There is a traffic signal synchronization project underway on Newport Boulevard; preemption is not included in the scope due to lack of funding.
3. Narcotics Asset Forfeiture revenue: Budgeted amount is lower than prior years due to the policy of recognizing revenue when received rather than anticipating future revenue producing cases.

Council Member questions and comments:

1. Vacant positions: Human Resources is preparing this report. It will be provided to the Council separately and will be provided quarterly in the future.
2. Status of the carryover funds noted in the FY 14-15 mid-year budget report: Please see the attached updated list of purchase orders and other items that were approved for carryover in the mid-year budget report.
3. Summary of new part-time positions: The table on Page 2 shows the full-time equivalent (FTE) part-time position counts by department. The primary increase is in Parks & Community Services for the Senior Center, ROCKS and Aquatics programs.

City of Costa Mesa			
Summary of FTE Part-Time positions			
	FY 14-15	FY 15-16	Increase/
Department	Adopted	Preliminary	Decrease
CEO	11.91	9.29	-2.62
Finance	2.21	2.71	0.50
Parks & Comm. Svs.	44.43	60.77	16.34
Information Technology	0.50	1.48	0.98
Police	18.90	19.63	0.72
Fire	2.75	3.25	0.50
Development Svs.	4.25	6.00	1.75
Public Svs.	8.37	7.77	-0.60
Total	93.33	110.90	17.57

4. Revenue/user fees associated with budget requests: Examples include:
  - a. A new revenue account for Senior Center revenues budgeted at \$87,000.
  - b. A \$50,000 increase in the internal charges going to the IT Replacement Fund
  - c. \$150,000 in revenue to offset the cost of the bulky item pick-up program.
  - d. \$106,710 for the Medical Services Transportation program grant for the Senior Center.
  
5. CEO goals: Page 76 will be revised.
  
6. Why the large increase in the Street Cleaning program (page 47): A comparison was made of the FY 14-15 Adopted budget (\$462,469 running the program with part-time employees and old equipment) to the FY 15-16 Preliminary budget (\$923,561). Please see the table below. The Adopted budget did not include a partial year cost of the contract because it had not yet been awarded. The FY 14-15 Amended column reflects the partial year contract amount. The FY 15-16 Preliminary amount included the full year contract and still contained the pre-contract maintenance and operations cost which are now being removed. The FY 15-16 revised amount is \$771,526. This is an increase of \$105,007 over the current amended amount and lower than the FY 08-09 amount of \$800,871 when the program was fully staffed and run in-house.

City of Costa Mesa					
Street Cleaning Program 20120					
Budget Changes due to new contract					
	FY 14-15	FY 14-15	FY 15-16	FY 15-16	Increase/
	Adopted	Amended	Prelim.	Revised	(Decrease)
Salaries & Benefits	\$ 272,971	\$ 272,971	\$ 61,926	\$ 61,926	\$(211,045)
Maint. & Operations	189,498	189,498	152,035	-	(189,498)
Contract	-	204,050	709,600	709,600	505,550
Program Total:	\$ 462,469	\$ 666,519	\$ 923,561	\$ 771,526	\$ 105,007

7. Detail of the City Council salaries & benefits amount on page 70: Page 71 provides additional detail of this amount including non-sworn salaries, cafeteria plan, Medicare, retirement cost and professional development. Professional development includes the League of California Cities (\$25,288), ACCOC (\$20,347), LAFCO (\$10,895), OC Council of Governments (\$7,500), conferences and training, ICSC Convention and SCAG (\$10,900).
8. Reason for the increase of 457% in CEO/Worker's Compensation program (page 88): This increase was the result of an incorrect assignment of \$1,336,143 in Liability program costs being included in the Workers' Comp. program. The FY 15-16 column in the table below shows the recommended correct assignment of costs:

Correction of Liability & Workers' Comp. Programs					
	FY 14-15	FY 15-16	Percent	FY 15-16	Percent
	Adopted	Prelim.	Change	Revised	Change
Liability - 50662	\$1,820,143	\$ 506,840	-72%	\$1,842,983	1%
Workers' Comp. - 50663					
Salaries & Benefits	2,055,800	2,055,800	0%	2,055,800	0%
Maint. & Operations	293,000	1,632,343	457%	296,200	1%
WC Program Total	\$2,348,800	\$3,688,143	57%	\$2,352,000	0%

9. Finance Department workload measurements will be amended to include the number of Finance Committee and Pension Committee meetings supported.
10. Relation of the Teen Programs goal statement and budget amount (page 105 vs. 114): The goals regarding teen centers on page 105 is accurate. The intent is to increase programming for this population by partnering with local non-profits, utilizing staff from the DRC and NCC and the Recreation Leaders in Training (RLIT) Program Participants. As a result of these partnerships and cross staffing, we can decrease the amount of money need for salaries. The increase in program operation and maintenance is to replace outdated equipment and purchase materials to operate the teen centers, special events and programs.
11. Additional information on Police Department goals and objectives: Full staffing, reinstatement of task forces, etc.: The following goal will be added for staffing: Achieve full staffing through aggressive recruitment and processing of qualified applicants for department vacancies; this includes entry-level, lateral and reserve police officers. The following objective will be added for reinstatement of specialty assignments: Expedite backfilling specialty assignments as staffing permits.
12. Where is the Police Department/Training Program cost accounted for?: The cost of the training program is budgeted at \$681,528 (compared to \$622,967 in the current fiscal year) and was mistakenly allocated among three other programs. This will be corrected in the final printed budget book. The training program will be shown as a separate program under Police Administration. The cost to send a recruit to the academy includes academy tuition (\$1,000), pay w/o benefits (\$27,622), benefits (\$2,700) and related additional costs such as uniforms and duty gear, ammunition, etc.

13. Emergency response goals for both Fire and Police:
  - a. For the Fire Department: Page 141 of the budget book lists objectives/tasks including three related to emergency response times. Goals for response times related to these objectives will be added.
  - b. For the Police Department: Goals for response times related to these objectives will be added.
14. Development Services and City goals and activities related to state lands (Fairview Developmental Center, Fairgrounds): Development Services will prepare a staff report with an update and various options for Council consideration.
15. Amounts of recreation grants to schools: The CEO continues to recommend three grants of \$50,000 each—for Estancia, Costa Mesa and Newport Harbor High Schools. If the Council supports adding the third high school, an additional agreement and updated grant process will be brought to Council for consideration.
16. Self-Insurance Fund revenues and expenses: Please see attached worksheet containing a six-year history of this fund. The fund has a negative balance if all pending claims were to be settled against the city at full value. The FY 15-16 budget is set to include a \$108,229 improvement in fund balance. Additional analysis will be done to determine an appropriate balance for this fund and to develop a plan to achieve that balance.
17. Parks & Community Services four-year personnel summary (page 108): The total on this page seems large compared to the counts on the previous page because of the final line containing 60.77 full-time equivalent of the part-time positions which, when added to the 10 full-time positions brings the total to 70.77.

In addition to the above, the Parks & Recreation Commission provided a list of recommended changes (additions) to the capital improvement program; nine projects that total \$975,000. Staff will consider how to fund these projects in future years. A copy of their letter was included in the May 12 Study Session materials.

The next steps in the budget process are a Community Meeting on May 21 at 6:00 p.m. and the public budget hearing on the June 16, 2015 Council meeting.

Please let me know if you have any questions regarding this information.

  
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Stephen Dunivent  
Interim Finance Director

Copy to: Thomas Hatch, CEO  
Department Heads  
Department Budget Liaisons

CITY OF COSTA MESA, CALIFORNIA  
INSURANCE FUND 602 ACTIVITY  
LAST 6 FISCAL YEARS

	2009	2010	2011	2012	2013	2014	Totals	6 Yr Avg
Beginning Fund Balance/(Deficit)	(1,006,248)	(1,346,808)	(2,895,044)	(2,468,644)	(3,109,498)	(5,907,620)		
Revenues:								
Interest & Fair Market Adjustments (GASB 31)	(12,774)	228,074	108,067	96,545	50,922	28,651	499,485	83,248
General Liability Contributions	1,122,156	572,267	1,169,540	1,112,381	1,534,900	1,387,971	6,899,215	1,149,869
Workers Compensation Contributions	2,102,163	1,135,406	2,001,356	1,940,484	2,339,900	2,134,800	11,654,109	1,942,352
Unemployment Contributions	45,774	24,383	46,453	41,018	40,700	47,034	245,362	40,894
Other	322,699	115,278	327,463	54,580	20,696	84,996	925,712	154,285
Total Revenues	3,580,018	2,075,408	3,652,879	3,245,008	3,987,118	3,683,452	20,223,883	3,370,647
Expenses/Transfers Out:								
Salary & Benefits	100,892	102,759	105,378	57,520	-	-	366,549	61,092
Insurance Premiums	308,245	315,410	283,070	262,369	252,037	514,580	1,935,711	322,619
General Liability (includes litigation costs) <sup>1</sup>	873,067	3,081,176	563,369	2,096,525	1,663,847	1,229,404	9,507,388	1,584,565
Workers Compensation	1,375,507	1,748,059	1,628,607	1,231,313	1,906,338	2,290,663	10,180,487	1,696,748
Unemployment	27,775	40,280	365,005	142,038	103,894	41,966	720,958	120,160
Contingency:								
General Liability	1,287,222	(3,226,618)	(213,625)	(173,181)	275,598	(1,574,468)	(3,625,072)	(604,179)
Workers Compensation	(395,510)	991,474	99,222	18,026	2,335,536	111,295	3,160,043	526,674
Total Contingency	891,712	(2,235,144)	(114,403)	(155,155)	2,611,134	(1,463,173)	(465,029)	(77,505)
Other	333,457	297,894	279,377	251,252	247,990	285,392	1,695,362	282,560
Total Expenses	3,910,655	3,350,434	3,110,403	3,885,862	6,785,240	2,898,832	23,941,426	3,990,238
Transfers Out	9,923	273,210	116,076	-	-	-	399,209	66,535
Total Expenses/Transfers Out	3,920,578	3,623,644	3,226,479	3,885,862	6,785,240	2,898,832	24,340,635	4,056,773
Revenues Over/(Under) Expenses/Transfers Out	(340,560)	(1,548,236)	426,400	(640,854)	(2,798,122)	784,620		
Ending Fund Balance/(Deficit)	(1,346,808)	(2,895,044)	(2,468,644)	(3,109,498)	(5,907,620)	(5,123,000)		
\$ Increase/(Decrease) in Equity		(1,548,236)	426,400	(640,854)	(2,798,122)	784,620		
% Increase/-Decrease in Equity		-114.96%	14.73%	-25.96%	-89.99%	13.28%		

<sup>1</sup> 2010 includes \$1.8 million settlement for the Glenn Morton case.  
2012 includes \$1.2 million in legal fees related to the CMCEA case.

Name	New PO #	Original Rollover Amount	14/15 Disbursements	Adjustment	Balance as of 05/20/15
REFS Inc	1500009000	3,225	1,597	1,628	-
REFS Inc	1500009001	4,284	2,077	2,208	-
REFS Inc	1500009002	3,799	2,119	1,680	-
GCR Marketing Network	1500009298	4,000	4,000	-	-
Dougherty + Dougherty Architects LLP	1500008752	60,930	-	-	60,930
Mercy House Transitional Living Centers	1500009078	1,736	1,736	-	-
Vision Internet Providers Inc	1500008863	970	210	-	760
Performance Awards Marketing Inc	1500009332	4,500	4,653	-	(153)
Municipal Code Corporation	1500008761	1,330	1,030	-	300
GE Capital	1500009220	733	550	183	-
ECS Imaging Inc	1500009314	23,536	18,534	5,002	-
Lance Soll & Lunghard LLP	1500009387	5,750	1,152	-	4,598
FTOG Inc	1500009090	4,568	-	-	4,568
Western Transit Systems Inc	1500008936	14,327	13,969	-	357
Steadfast Contracting Inc	1500009386	49,683	49,683	-	-
Allied Nationwide Security Inc	1500009388	30,000	26,908	-	3,092
The Rules Guys LLC	1500009099	1,290	1,290	-	-
CompuCom Systems	1500009121	181,691	90,845	-	90,845
Oracle America Inc	1500009154	5,509	5,509	-	-
CompuCom Systems	1500009212	9,640	-	-	9,640
Quickstart Intelligence	1500009234	3,845	3,845	-	-
Quickstart Intelligence	1500009264	1,898	1,898	-	-
Randstad Technologies LP	1500009283	22,555	22,555	-	-
New Horizons Computer Learning Center	1500009320	7,080	7,080	-	-
AssetWorks Inc	1500009321	9,030	9,030	-	-
AAA Awnings Inc	1500009334	600	600	-	-
Spectracom	1500009350	2,922	2,922	-	-
Keystone Uniforms OC	1500009292	3,450	3,450	-	-
Adamson Police Products	1500009338	1,176	-	1,176	-
Brownells Inc	1500009365	1,431	1,431	-	-
Bound Tree Medical LLC	1500009370	9,203	9,203	-	-
Lextech Labs LLC	1500009378	15,245	-	15,245	-
Keystone Uniforms OC	1500009292	3,766	3,766	-	-
De Lage Landen Financial Svcs	1500009038	2,720	2,237	-	483
Galls Inc	1500009337	2,088	2,088	-	-
Keystone Uniforms OC	1500009292	617	617	-	-
Galls Inc	1500008973	1,081	-	-	1,081
G4S Secure Solutions Inc	1500009230	668,095	-	668,095	-
Verizon Wireless	1500009073	51,850	23,339	-	28,511
The Omega Group Inc	1500009080	41,063	-	-	41,063
IDS Group Inc	1500009359	14,000	14,000	-	-
IDS Group Inc	1500009359	57,820	46,693	-	11,127
DDL Traffic Inc	1500009367	78,480	78,480	-	-

Name	New PO #	Original Rollover Amount	14/15 Disbursements	Adjustment	Balance as of 05/20/15
Dooley Enterprises Inc	1500008964	745	745	-	-
American Wellness Supply	1500009011	1,846	1,846	-	-
Allstar Fire Equipment Inc	1500009267	3,186	2,407	779	-
Allstar Fire Equipment Inc	1500009275	18,869	18,869	-	-
Allstar Fire Equipment Inc	1500009277	319	319	-	-
Adamson Police Products	1500009327	6,614	6,614	-	-
Municipal Emergency Services Inc	1500009343	10,886	10,886	-	-
Responder GAP	1500009379	10,186	10,186	-	-
Bound Tree Medical LLC	1500009124	1,881	-	-	1,881
Spectrum Gas Products	1500009356	3,240	-	-	3,240
Lilley Planning Group	1500009281	102,575	102,575	-	-
Hogle Ireland Inc	1500008265	495,946	52,576	-	443,371
Culver Newlin Inc	1500009335	2,759	2,759	-	-
Michael Balliet	1500008967	9,289	9,289	-	-
Eagle Aerial Imaging	1500009285	3,801	3,801	-	-
AMEC Environment & Infrastructure Inc	1500009248	17,568	17,567	-	1
Civil Source	1500009176	96,107	52,510	43,597	43,597
Kabbara Engineering	1500008407	5,977	1,454	4,523	-
Republic ITS Inc	1500008969	16,470	8,130	-	8,340
JTB Supply Company Inc	1500009371	2,392	2,392	-	-
Best Buy Co. Inc.	1500009384	5,343	5,343	-	0
Kabbara Engineering	1500008407	9,571	9,571	-	-
Superior Pavement Markings Inc	1500008566	745	-	745	-
FM Thomas Air Conditioning Inc	No PO	4,830	-	-	4,830
SimplexGrinnell LP	1500009200	10,306	10,209	-	97
Emergency Power Controls Inc	1500009355	4,354	4,354	-	-
Rockey Murata Landscape	1500009376	3,950	3,950	-	-
<b>Total rollovers/carryovers</b>		<b>2,261,270</b>	<b>797,447</b>	<b>701,265</b>	<b>762,558</b>
TOT audit per Colleen O'Donoghue		21,150	19,350	1,800	-
CMUnited Per Dan Baker/Tom Hatch		51,900	51,900	-	-
Property Acquisition		1,000,000	-	-	1,000,000
<b>Total additional carryovers per CEO</b>		<b>1,073,050</b>	<b>71,250</b>	<b>1,800</b>	<b>1,000,000</b>
<b>Total rollovers- including CEO approved</b>		<b>3,334,320</b>	<b>868,697</b>	<b>703,065</b>	<b>1,762,558</b>
Consulting - FD		25,000	25,000	-	-
P.O. 9121 carryover was overstated		(90,845)	-	-	(90,845)
<b>Total rollovers presented to Council at mid-year</b>		<b>3,268,475</b>	<b>893,697</b>	<b>703,065</b>	<b>1,671,713</b>