



CITY COUNCIL AGENDA REPORT

MEETING DATE: June 23, 2015

ITEM NUMBER: PH-1

SUBJECT: ADOPTION OF THE FISCAL YEAR 2015-16 BUDGET

DATE: June 16, 2015

FROM: FINANCE DEPARTMENT

PRESENTATION BY: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR

**FOR FURTHER INFORMATION CONTACT: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR,
(714) 754-5243**

RECOMMENDED ACTIONS:

1. Approve FY 14-15 Budget Adjustments and transfers included on the Budget Addendum.
2. Approve Resolution 15-___ (Attachment 1) adopting the City of Costa Mesa FY 15-16 Operating and Capital Budget including the Budget Addendum (Attachment 7).
3. Approve partial loan prepayment of \$1,500,000 from the Park Development Fees Fund 208 to the General Fund.
4. Approve partial reimbursement of \$400,000 from Fund 218 (Fire System Developmental Fees) to the General Fund based on the cost of the emergency vehicle traffic signal pre-emption system (\$234,236) and one of the Leader emergency vehicles (rescue ambulance--\$222,385).
5. Approve:
 - a. Resolution 15-___ and job descriptions for recommended new CMCEA positions. (Attachment 8)
 - b. Resolution 15-___ and job description for a recommended new CMFMA position. (Attachment 9)
6. Direct staff to return to Council with recommendations on proposed Fire Department 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 FY 15-16 Operating and Capital Budget was developed.

ANALYSIS:

As a quick overview, Table 1 represents the budget for FY 15-16 for all funds compared to the FY 14-15 adopted budget:

Table 1

| Appropriations/ All Funds | ADOPTED BUDGET - ALL FUNDS | | | |
|------------------------------|----------------------------|-----------------|---------------------|----------------|
| | Adopted | Preliminary | Increase (Decrease) | |
| | <u>FY 14-15</u> | <u>FY 15-16</u> | <u>Amount</u> | <u>Percent</u> |
| 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 General Fund budget is \$113 million, an increase of \$3.5 million or 3.2% from the current year adopted budget.

The FY 2015-16 Operating & Capital Budget in Brief (Attachment 2) contains the City Chief Executive Officer's Budget Message provides highlights of the financial and budget policies and how they relate to this 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. It also 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 Summary of Recommended Capital Improvement Projects (Attachment 3) displays the projects by category and funding source.

The Parks & Recreation Commission reviewed the proposed Capital Improvement Program on April 23, 2015 and 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 a memo from the Public Services Director summarizing these items is included as Attachment 4.

The Council discussed the preliminary budget recommendations in a May 12, 2015 Budget Study Session. The follow-up report with additional information and discussion regarding certain budget adjustments are included as Attachment 5.

A Community Budget meeting was held on May 22, 2015. The CEO, Department heads, staff and 25 members of the public attended. The CEO and Interim Finance Director presented an overview of the FY 15-16 Preliminary Operating and Capital Budget. This presentation was followed by a lengthy question and answer period with a good dialogue on many issues. Attachment 6 summarizes the general discussion topics, questions and answers provided during the session.

The Finance Advisory Committee reviewed the budget recommendations on April 28, 2015 and again on May 26, 2015.

The Budget Addendum (Attachment 7) 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 Budget changes that were approved after the budget book printing deadline. The FY 15-16 changes include:

- Correction of cost for Parks & Community Services part-time positions
- Cost of new positions
- Street Cleaning Program reduction
- Updated Sales Tax revenue projection
- Partial advance repayment of the General Fund loan to the Park Development fund (\$1,500,000 of the \$4,081,005 loan balance) and reimbursement from the Fire Development Fees Fund (\$400,000 based on the cost of the emergency vehicle traffic signal pre-emption system (\$234,236) and one of the Leader emergency vehicles (rescue ambulance--\$222,385)) for use as follows:
 - Increase to General Fund reserves (\$500,000)
 - Police facility generator (\$600,000)
 - Fire Station 4 (\$800,000)
- Allocate \$1,900,000 from Park Development Fund (approx. \$67,000 would remain in Park Dev. Fund cash) to have available for projects in cooperation with the School District pending their review/authorization and community input. Projects could include turf and lighting at Parsons Field, feasibility study for lights at Kaiser Elementary, feasibility study for lights at Davis Elementary, etc. Specific funding for each project would be determined at a later time.
- Purchase of new vehicles to replace vehicles currently being leased
- Other miscellaneous corrections and adjustments

Human Resources provided position job descriptions and recommended salary resolutions associated with the new position recommendations. These are included for approval as Attachments 8 & 9.

A final late personnel change was included on the Addendum to upgrade the Video Production Coordinator to Public Affairs Manager and recruit to fill the Video Production Coordinator position. This will not result in any addition of full-time staff.

Lastly, new Fire Department service fees are currently being discussed and developed by staff. 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 seeks Council's direction to return to Council with recommendations on proposed Fire Department fees.

The next steps in the budget cycle include:

- Fiscal year end closing in the months following June 30, 2015.
- Publish the Adopted FY 15-16 Operating and Capital Budget Book.
- Completion of the Five-year Financial Plan.
- Mid-year Budget Report in February, 2016.

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.

Stephen Dunivent
Interim Finance Director

Thomas R. Hatch
City CEO

Attachments:

1. [Budget Resolution](#)
2. [FY 2015-16 Operating & Capital Budget in Brief](#)
3. [Summary of Recommended Capital Improvement Projects](#)
4. [Memo regarding Parks & Recreation recommendations](#)
5. [Follow-up Items from the FY 15-16 Council's Budget Study Session](#)
6. [Community Budget Presentation Report](#)
7. [Budget Addendum](#)
8. [Salary resolution and job descriptions for new CMCEA positions](#)
9. [Salary resolution and job description for new CMFMA position](#)