



CITY COUNCIL AGENDA REPORT

MEETING DATE: June 21, 2016

ITEM NUMBER: PH-2

SUBJECT: ADOPTION OF THE FISCAL YEAR 2016-17 BUDGET

DATE: June 16, 2016

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 Resolution 16-___ (Attachment 1) adopting the City of Costa Mesa FY 16-17 Operating and Capital Budget including the Budget Addendum (Attachment 6).
2. Approve Parks & Recreation Commission and CEO recommended FY 15-16 capital project budget adjustments included on the Budget Addendum (Attachment 6).
3. Approve job descriptions and recommended salary resolutions for the following (Attachments 7, 8, 9, 10, 11, 12, 13 & 14):
 - a. Senior Code Enforcement Officer
 - b. Senior Management Analyst
 - c. Senior Management Analyst - Confidential
 - d. Management Aide
 - e. Management Aide – Confidential
 - f. Additional Confidential Unit designations
 - g. Website Coordinator
4. Direct staff to review existing fees for potential update for additional cost recovery.

BACKGROUND:

The FY 16-17 budget development process officially started on January 6, 2016 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, the FY 16-17 Operating and Capital Budget was developed. The recommendations are consistent with current financial and budget policies and the reserves study as recommended by the Finance Advisory Committee and approved by the City Council. This includes:

- General fund appropriations balanced to realistic revenue forecasts

- 6.5% of general fund revenues dedicated to capital projects
- Fully funding the annual required contribution for pension costs including an additional \$500,000 to reduce pension liability
- Fully funding existing annual debt service payments
- Contingency appropriations of \$1,000,000

ANALYSIS:

Table 1 summarizes the City’s budget for FY 16-17 for all funds (before changes in the addendum) compared to the FY 15-16 adopted budget:

Table 1

PRELIMINARY BUDGET - ALL FUNDS				
Appropriations/ All Funds	Adopted	Preliminary	Increase (Decrease)	
	<u>FY 15-16</u>	<u>FY 16-17</u>	<u>Amount</u>	<u>Percent</u>
Operating Budget	\$ 119,009,800	\$ 120,809,731	\$ 1,799,931	1.5%
Transfers Out	9,416,140	7,752,242	\$ (1,663,898)	-17.7%
Capital Budget	25,763,929	15,994,334	\$ (9,769,595)	-37.9%
Total	\$ 154,189,869	\$ 144,556,307	\$ (9,633,562)	-6.2%

The General Fund provides 90.7% of the total operating budget for all governmental funds. The total General Fund budget is \$117 million, an increase of \$2.2 million or 1.9% from the current year adopted budget.

The FY 2016-17 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.

Each departmental budget section of the budget book contains a section on goals. The City Council’s Goal section will be updated to include the fact that the City will be working to advocate for Costa Mesa regionally with the League of California Cities and Southern California Association of Governments.

The recommended FY 16-17 Capital Improvement Program (CIP) includes 38 projects and \$15,994,334 from various funding sources including \$7,752,242 from the General Fund. A summary of Recommended Capital Improvement Projects (Attachment 3) displays the projects by category and funding source.

The Council discussed the preliminary budget recommendations during the May 10, 2016 budget study session. A summary of the follow-up report to this study session is included as Attachment 4. Based on public input at this session, CEO recommends reallocation of \$100,000 of existing FY 15-16 CIP funds to the Tewinkle Park Picnic Shelter project.

A community budget meeting was held on May 19, 2016. The CEO, Department heads, staff and members of the public attended. The CEO, Interim Finance Director and Public Services Director presented an overview of the FY 16-17 Preliminary Operating and Capital Budget recommendations. This presentation was followed by a question and answer period with a good dialogue on many issues. Follow up information from this meeting is also included in Attachment 4.

The Parks & Recreation Commission reviewed the proposed Capital Improvement Program on May 26, 2016. A copy of a memo from the Public Services Director summarizing these items is included as Attachment 5. The Commission recommended two changes to the FY 16-17 capital improvement program and three changes to the seven-year Capital Improvement Program:

1. Move the Costa Mesa High School Bleacher project (#31) to FY 17-18. Implementation of this recommendation is subject to Council direction; the project is included in the CIP.
2. Increase Jack Hammett Field Upgrades project (#34) by \$295,035 to \$ 2,666,000. The CEO recommends increasing the project by \$300,000 to \$2,670,965 with the increase funded by current year capital appropriations for field improvements at various locations. This is included in the FY 15-16 section of the addendum (Attachment 6).
3. Add a project for safety lighting at Wilson Park in FY 18-19 (amount unspecified). This will be considered in the next update of the plan.
4. Move the Vista Park Veteran's Memorial project (\$60,000) from FY 18-19 to FY 17-18. This will be reflected in the final published FY 16-17 budget document.
5. Remove the Lions Park (Davis Field) scoreboard project (\$30,000) from the plan. This will be considered in the next update of the plan.

The Finance Advisory Committee reviewed the budget recommendations on May 31, 2016. Their comments and suggestions were:

1. Include filled position count by fiscal year. This will be added as an additional line on the full-time position count chart on page 72 of the budget book.
2. Consider the adequacy of the \$1,000,000 contingency account. The CEO believes that the amount is adequate for the coming year.

The Budget Addendum (Attachment 6) displays other recommended changes that were recommended after the budget book printing deadline. The FY 16-17 recommended budget changes include:

- Position exchange for an Emergency Services Administrator as approved by Council on May 3, 2016.
- Addition of the Emergency Management Performance Grant (\$16,710) approved by Council on May 17, 2016.
- Various position exchanges within Development Services.
- Various position transfers between programs within Public Services.

- Addition of a \$44,544 General Fund operating transfer to the Supplemental Law Enforcement Fund.
- Addition of the Highway Safety Improvement Program grant (\$63,000).
- Other miscellaneous corrections and adjustments.

Included as part of the proposed 2016-17 Fiscal Year Budget adoption are the reclassification of one (1) Code Enforcement Officer classification to Senior Code Enforcement Officer and the creation of the Senior Management Analyst classification. Specifically, as discussed and approved by the Chief Executive Officer the following recommendations are made:

- The reclassification of one (1) existing Code Enforcement Officer position to Senior Code Enforcement Officer position.
- The Human Resources Division recommends expanding the Management Analyst classification series to include an advanced journey-level position called Senior Management Analyst and conversely an entry-level position titled Management Aide complementing the existing Management Analyst classification. As approved by the CEO, this will provide the City with alternative and flexible options for filling existing Management Analyst positions.
- There are a few positions that, since the establishment of the Confidential Unit, have been designated as “Confidential.” As such, these identified positions will receive a 1.5% differential to be included on a separate resolution. The estimated cost is included in the Budget Addendum (Attachment 6). Those positions are the following:
 - Budget Analyst – Finance
 - Budget Specialist – Finance
 - Management Analyst – CEO, Finance
 - Deputy City Clerks – CEO
 - Administrative Secretary – CEO
 - Computer Operations & Networking Supervisor – IT
 - Systems & Programming Supervisor – IT
- The re-titling of the Personal Computer/Networking Assistant to Website Coordinator will more accurately reflect the duties and responsibilities for the position.

The preceding recommendations more accurately reflect the duties being performed by each respective department organizationally and at a level commensurate with the responsibilities proposed for new positions. The respective job descriptions and recommended salary resolutions are being finalized for consideration and adoption by Council as part of the 2016-2017 Fiscal Year Budget Adoption to be read by title only, and waive further reading.

The next steps in the budget cycle include:

- Fiscal year end closing in the months following June 30, 2016.
- Publish the Adopted FY 16-17 Operating and Capital Budget Book.
- Mid-year Budget Report in February, 2017.

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. Recommended budget amounts are balanced to estimated available resources.

CONCLUSION:

As presented, this represents a balanced budget for the coming fiscal year consistent with Council approved budget & financial policies, 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 2016-17 Operating & Capital Budget in Brief](#)
3. [Summary of Recommended Capital Improvement Projects](#)
4. [Follow-up Items from the May 10, 2016 Council Budget Study Session](#)
5. [Memo regarding Parks & Recreation recommendations](#)
6. [Budget Addendum](#)
7. [Job description for new Senior Code Enforcement Officer](#)
8. [Job description for Senior Management Analyst](#)
9. [Job description for Senior Management Analyst - Confidential](#)
10. [Job description for Management Aide](#)
11. [Job description for Management Aide - Confidential](#)
12. [Salary resolution for Management Aide, Senior Code Enforcement Officer, Senior Management Analyst, Website Coordinator](#)
13. [Salary resolution for additional Confidential Unit designations](#)
14. [Job description for Website Coordinator](#)