

# City of Costa Mesa

## First Quarter Budget Review

### FY09-10



# First Quarter Budget Review Agenda

- Review of relevant economic data
- Review of preliminary FY 08-09 year-end
- Review of each of the 10 point Budget Management Strategies for FY 09-10
- Conclusion

# Economic Data

- Unemployment Rate
  - National = 9.8%
  - California = 12.2%
  - Orange County = 9.4%
- Foreclosures in Costa Mesa
  - Current property status – 235 Auction, 42 Bank Owned, 209 Preforeclosure
- Stock Market – Dow Industrials

# Prelim FY 08-09 Fiscal Year End

	<u>Revised Budget*</u>	<u>Actual</u>	<u>Difference</u>
Revenues	\$ 108.2m	\$ 93.7m	(\$14.5m)
Expenditures	<u>123.2m</u>	<u>112.8m</u>	<u>10.4m</u>
Total Use of Fund Balance	<u>(\$ 15.0m)</u>	<u>(\$ 19.1m)</u>	<u>(\$ 4.1m)</u>

\* - Revised during Mid Year Review - Feb 2009

# Prelim FY 08-09 Fiscal Year End

## Revenues – Compared to FY 07-08

- Sales tax revenues decreased \$6.33m or (18.61%)
- Property tax revenues increased \$657k or 2.23%
- TOT tax revenues decreased \$1.04m or (17.93%)
- Building permits decreased \$265,000 or (38.68%)
- Investment income decreased \$1.8m or (86.62%)

Total Revenues decreased \$11.68m or (11.08%)

# Prelim FY 08-09 Fiscal Year End

## Expenditures– Compared to FY 07-08

- Salary and Benefit costs increased \$3.4m or 4.16%
- Maintenance and Operations costs decreased \$1.9m or (6.95%)
- Fixed asset purchases decreased \$611k or (56.93%)

Total Expenditures increased \$278k or 0.24%

# Prelim FY 08-09 Fiscal Year End

<u>Revenues</u>	<u>Revised Budget*</u>	<u>Actual</u>	<u>Difference</u>
■ Sales Taxes	\$ 33.30m	\$27.68m	(\$5.62m)
■ Property Taxes - Secured	20.25m	19.32m	(932k)
■ Property Taxes - Supp.	750k	359k	(392k)
■ Property Taxes – Transfer	700k	258k	(442k)
■ Transient Occupancy Tax	5.42m	4.72m	(696k)
■ Investment Earnings	1.91m	282k	(1.63m)
■ Total License & Permits	1.30m	955k	(345k)
■ Total Fines & Forfeitures	3.66m	2.95m	(712k)
Total Revenue	<u>\$108.23m</u>	<u>\$93.71m</u>	<u>(\$14.52m)</u>

\* - Revised during Mid Year Review - Feb 2009

# Prelim FY 08-09 Fiscal Year End

<u>Expenditures</u>	<u>Revised Budget*</u>	<u>Actual</u>	<u>Difference</u>
■ Regular Salaries	\$ 52.37m	\$49.82m	\$ 2.55m
■ Overtime	5.18m	5.81m	(631k)
■ Retirement	16.31m	16.00m	306k
Total Salaries and Benefits	<u>88.78m</u>	<u>86.19m</u>	<u>2.59m</u>
■ Electricity and Water	2.54m	2.45m	88k
■ Building and Structures	681k	330k	351k
■ Consulting	3.02m	1.55m	1.47m
Total Maint & Operations	<u>31.40m</u>	<u>25.61m</u>	<u>5.79m</u>
Total Expenditures	<u>\$121.94m</u>	<u>\$112.82m</u>	<u>\$ 9.12m</u>

\* - Revised during Mid Year Review - Feb 2009

# Prelim FY 08-09 Fiscal Year End

## ■ General Fund only –

– Total Revenues	\$ 93.7m
– Total Expenditures	(\$112.8m)

Net change of fund balance	(\$ 19.1m)
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# Prelim FY 08-09 Fiscal Year End

## Fund Balance

FY 07-08 ending fund balance      \$ 66.2m

Current year change      (\$ 19.1m)

FY 08-09 preliminary  
ending fund balance      \$47.1m

# Prelim FY 08-09 Fiscal Year End

## Fund Balance

Reserved – the portion of a governmental fund’s net assets that is not available for appropriation

Unreserved designated – Management’s intended use of available expendable financial resources in governmental funds reflecting actual plans approved by the government’s senior management. Designations reflect a government’s self-imposed limitations on the use of otherwise available expendable financial resources in governmental funds.

Unreserved undesignated – available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., designations).

# Prelim FY 08-09 Fiscal Year End

FY 08-09 Ending Fund Balance \$47.1 million

■ Reserved (estimated) \$15.5 million

■ Unreserved but designated (est.) \$28.0 million

Includes:

Emergency Reserve \$ 14.1m

Use for FY 09-10 Budget \$ 4.6m

■ Unreserved undesignated (est.) \$3.6 million

# First Quarter Budget Review Fiscal Year 09-10

Update of 10 Point Budget  
Management Strategies  
(10 Point Plan)

# Update of 10 Point Budget Management Strategies

- 1. Reduce department operating budgets by an additional 5% for an average reduction of 10% by department from the prior fiscal year which will require elimination of 23 full time positions. Original estimate - \$6.3 million.**
  - From an amended budget in FY 08-09 of \$120.9m to an adopted budget in FY 09-10 of \$102.4m the City reduced the General Fund budget by \$18.5m or 15.30%. Adjusted for projected savings from other strategies – reduction is \$13.4m or 11.08%
  - The City has chosen not to eliminate positions at this time pending the outcome of strategy #6.
  - At the conclusion of the first quarter, all departments are operating well within the FY 09-10 adopted budget.

# Update of 10 Point Budget Management Strategies

## 2. Negotiate reduction in employee compensation equating to approximately 5% of salary. Original estimate - \$3.6 million.

- The City successfully negotiated a reduction in employee compensation equal to 5% by way of furloughs for all employees except Costa Mesa Firefighters Association (CMFA) employees.
- The City negotiated a new contract with CMFA which will allow for savings by way of reduced staffing.
- The combination of furloughs and reduce staffing in the Fire Department will result in savings of \$2.75m in FY 09-10 and \$1.6m in FY 10-11.

# Update of 10 Point Budget Management Strategies

## **3. Reduction of \$1 million in non-reimbursable overtime for Police and Fire Departments. Original estimate - \$1 million.**

- The Police Department is taking a strategic approach to reduce non-reimbursed overtime while still accommodating furlough leave time and providing Police services to the community.
- The Fire Department as shifted to a variable staffing model as per the new contract which is producing a reduction in overtime.
- At the conclusion of the first quarter, 33% of the non-reimbursed overtime budget for both departments had been expended.

# Update of 10 Point Budget Management Strategies

**4. Negotiate suspension of minimum manning requirements in the Fire Department in order to accomplish the aforementioned reduction in overtime. Original Estimate - \$0.**

- The City successfully negotiated a reduction in the minimum manning requirements in the Fire Department from the previous level of 32 personnel per shift.
- As per the new contract with CMFA, current variable staffing levels are at 30 per shift and will be reduced to 28 per shift later in the fiscal year.

# Update of 10 Point Budget Management Strategies

- 5. Seek Federal Stimulus funding for ten police officer positions to be eliminated due to Police Department budget reductions. Original estimate - \$1.05 million.**
- Unfortunately the City was not selected for Federal Stimulus funding for Police Officers in the COPS Hiring Recovery Program (CHRP) by the Department of Justice.
  - Although the City was not originally selected, staff is continuing to track this grant in case more funding becomes available.
  - Total estimated revenues will be reduced by \$1.05 million.

# Update of 10 Point Budget Management Strategies

- 6. Offer PERS Retirement Incentive to create vacancies to (1) reduce the number of personnel that may be laid off as a result of reductions in departmental operating budgets and (2) create additional vacancies needed for budgetary purposes. Original estimate - \$3.5 million**
- The City began offering the Retirement Incentive of 2 years additional service credit on August 18, 2009. To date 34 employees have either retired or have officially filed the necessary paperwork to retire.
  - After the December 31, 2009 deadline, management will determine if adopted service levels can be sustained without filling any of these vacancies.

# Update of 10 Point Budget Management Strategies

- 7. Suspension of the Retiree Health Savings (RHS) Plan – contributions are comprised of 1% by employer and 1% by employee. Original estimate - \$508,764.**
- The City successfully negotiated the suspension of the RHS plan with all employees for a period of 26 pay periods.
  - Since the suspension did not start at the beginning of the fiscal year, it is estimated the City will recognize savings in FY 09-10 of \$420k and \$88K in FY 10-11.

# Update of 10 Point Budget Management Strategies

## **8. Implement various cost recovery programs including resident EMS fees, inspection fees, and Police and Fire Cost Reimbursement Fees. Original estimate - \$959,700.**

- On May 5, 2009, City Council authorized staff to implement a Motor Vehicle Accident Recovery Program, which seeks reimbursement of staff time and materials when responding to an auto accident. At the conclusion of the first quarter, 112 claims representing \$79,000 have been billed by EF Recovery – of which the City has received \$14,000.
- On June 2, 2009, City Council authorized staff to implement a Hazardous Materials Disclosure Late Fee. By the end of the first quarter, a total of about \$200 in late fees had been received. However staff has seen an increase in total revenues received to date compared to last year of about 17%. This may be because of the late fee.

# Update of 10 Point Budget Management Strategies

- 8. (Continued) Implement various cost recovery programs including resident EMS fees, inspection fees, and Police and Fire Cost Reimbursement Fees. Original estimate - \$959,700.**
- On June 2, 2009, City Council adopted a resolution for Fire Prevention User Fees and Charges which establish a flat rate for those fees rather than the 1997 Uniform Administrative Code tables. Because of this change in calculation, an estimate of the change in revenue will be completed after December 31, 2009
  - Other programs proposed but not adopted: Apartment Inspection Fees, Business Inspection Fee, and modification of Emergency Medical Services (EMS) billing without regard to residency. The total estimated revenue from the fees not implemented - \$925,000.

# Update of 10 Point Budget Management Strategies

- 9. Renegotiate/extend the Golf Course Operator's agreement for a greater share of the revenues and institute formula adjustments to the green fees. Original estimate - \$244,500.**
- The City successfully negotiated the Golf Course Operator's agreement with Mesa Verde Partners with the approval of City Council on June 16, 2009.
  - The new agreement provides that the City receive 7.5% of total green fees collected, a 2.5% increase. The City will also receive one half of the existing balance available for golf course capital improvements – approximately \$175,000. Total increase of revenues in FY 09-10 approximately \$297,000.
  - Revenues from golf course operations for the first quarter as compared to FY 08-09 have increased by \$10,000.

# Update of 10 Point Budget Management Strategies

## **10. Utilization of unreserved undesignated General Fund fund balance. Original estimate - \$2.9 million.**

- As adopted the projected use of fund balance was \$4.65 million.
- Some of the 10 points have been initiated (#9) while others were either not implemented until after the start of the fiscal year (#2 & #7) or were not implemented altogether (#5 and parts of #8). The resulting projected use of fund balance would be \$6.35 million.
- However, this does not include savings from the extended CMFA contract (#4) or the PERS Retirement Incentive (#6). The combination of #4 and #6 can reduce the projected use of fund balance by \$2 million.

# Conclusion

- FY 08-09 prelim use of fund balance = \$19.1 million
- FY 08-09 prelim ending fund balance = \$47.1 million
- To date many of the 10 Point Budget Management Strategies have been successfully implemented helping reduce the FY 09-10 use of fund balance. Future year budgets have also been positively effected.
- What's to come – Mid Year Budget Review
  - Management's evaluation of personnel after PERS Retirement Incentive and evaluation of current year revenues.

# City of Costa Mesa

## First Quarter Budget Review

### FY09-10

