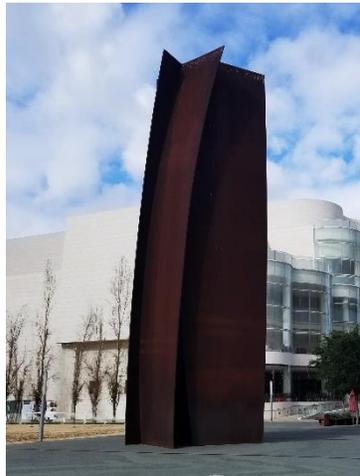


# CITY OF COSTA MESA BUDGET IN BRIEF



**FISCAL YEAR 2019-2020  
PRELIMINARY BUDGET**



## INTRODUCTION

Dear Citizens of Costa Mesa:

**The overall budget for the City of Costa Mesa is \$173.8 million (including transfers out) in Fiscal Year 2019-20.** This budget reflects the operating and capital activities of 25 funds across 10 departments and includes 496 full-time positions and 133.2 part-time positions (in full-time equivalent) that provide the City's public safety, construction and maintenance, transportation and development-related services, and the internal governance services that support them. This budget also **maintains staffing and service levels**, maintains contingency appropriations of \$500,000 (a reduction from \$1 million in Fiscal Year 2017-18), includes minimum wage increases necessary to comply with the State law, and adds 12 full-time equivalent (FTE) positions to address operational needs. The largest component of the budget is the General Fund, totaling \$143.7 million, or 82.7% of the overall budget. This represents a \$10.7 million increase over the Fiscal Year 2018-19 Adopted Budget which totaled \$133 million. This increase is partially due to the correction of previous accounting issues combined with an increase in "new" expenditures including: legal costs related to lawsuits filed against the City (\$1.5 million); operating subsidy to the Housing Authority for the homeless shelter (\$2 million); and negotiated increases to salaries and benefits for existing positions (\$6.6 million).

While these are expensive, they show the good work the City continues to do in addressing community issues and ensuring that the City continues to provide a high level of service to the community. To address these increases, the Preliminary Fiscal Year 2019-20 Budget uses \$3.15 million in General Fund reserves: \$1.4 million for the renovation of the permanent homeless shelter site and \$1.75 million for legal costs and one-time homeless shelter operating costs. However, reserves **have not been used** as a balancing technique to pay for ongoing operating costs. In order to fund the remaining increases, staff implemented several strategies – expenditure reductions across all departments and evaluations of new, innovative ways to deliver services without compromising service levels – that resulted in reducing operating expenses across all departments.

The Capital Improvement Program budget for Fiscal Year 2019-20 is \$19 million, with \$5.7 million representing the General Fund portion. This represents a decrease in the General Fund portion of \$2.9 million from the prior year. Of the General Fund portion, \$4.3 million is generated from Fiscal Year 2019-20 budgeted revenues and \$1.4 million is funded through reserves. The amount funded through General Fund revenues is lower than in prior years due to the use of \$2.8 million to pay principal and interest payments associated with the 2017 Lease Revenue Bonds and \$2 million being used to fund operating costs. This was made possible with the anticipated award of two large grants: \$1.1 million for Merrimac Way and \$2 million from the State of California for the Lions Park Project.

Costa Mesa's exceptionally strong economy and tax base has provided increases in financial resources in previous years but these revenues, along with other major revenue sources, are seeing slowing growth. While the management team identified solutions to sustain services in the current fiscal year, projected future annual operating deficits require the City to face increasingly hard choices in the next budget cycle including re-evaluating how we work and what matters most to the community.

This Budget-in-Brief document is intended to provide you with facts about our City; the City's approach to balancing the budget; the major sources of revenue that ultimately pay for City services and infrastructure; as well as major changes included in the Preliminary Fiscal Year 2019-20 Budget.



Tamara S. Letourneau  
Acting City Manager/Assistant City Manager  
City of Costa Mesa

In November of 2016, the voters elected to approve voting district elections defined by the selected map. In November 2018, voters, for the first time, elected an at-large Mayor, and City Council members for voting districts 3, 4, and 5, with residents in designated areas choosing one person from their area to represent them. Consequently, the City of Costa Mesa is governed by a seven-member elected City Council consisting of three at-large City Council members, three District Representatives, and one City Mayor. The City Council appoints members to all commissions and committees to help guide the City Council in its decisions. The City Council also appoints the City Manager, who oversees the daily operations of the City, along with the City Attorney.

## CITY ORGANIZATION

CITIZENS

CITY COUNCIL

MAYOR



Katrina  
Foley  
AT-LARGE

MAYOR  
PRO TEM



John  
Stephens  
AT-LARGE

COUNCIL  
MEMBER



Allan  
Mansoor  
AT-LARGE

COUNCIL  
MEMBER



Sandra L.  
Genis  
AT-LARGE

COUNCIL  
MEMBER



Andrea  
Marr  
DISTRICT 3

COUNCIL  
MEMBER



Manual  
Chavez  
DISTRICT 4

COUNCIL  
MEMBER



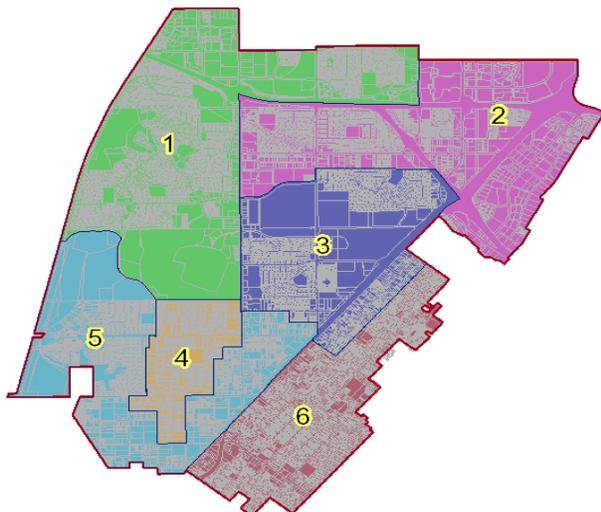
Arlis  
Reynolds  
DISTRICT 5

CITY MANAGER | CITY ATTORNEY

CITY DEPARTMENTS

CITY MANAGER'S OFFICE | FINANCE | PARKS AND COMMUNITY SERVICES  
INFORMATION TECHNOLOGY | POLICE | FIRE AND RESCUE  
DEVELOPMENT SERVICES | PUBLIC SERVICES

CITY COUNCIL DISTRICTS



In January of 2019, the City Council embarked on a priority-setting session to establish goals and provide clear direction to staff regarding priorities for the budget process. The following goals were the results of that work and directed the budget development process.



**GOAL #1: KEEP OUR  
COMMUNITY SAFE**



**GOAL #2: IMPROVE  
NEIGHBORHOODS AND  
QUALITY OF LIFE**



**GOAL #3: KEEP THE CITY  
FISCALLY SUSTAINABLE**



**GOAL #4: HOUSING**



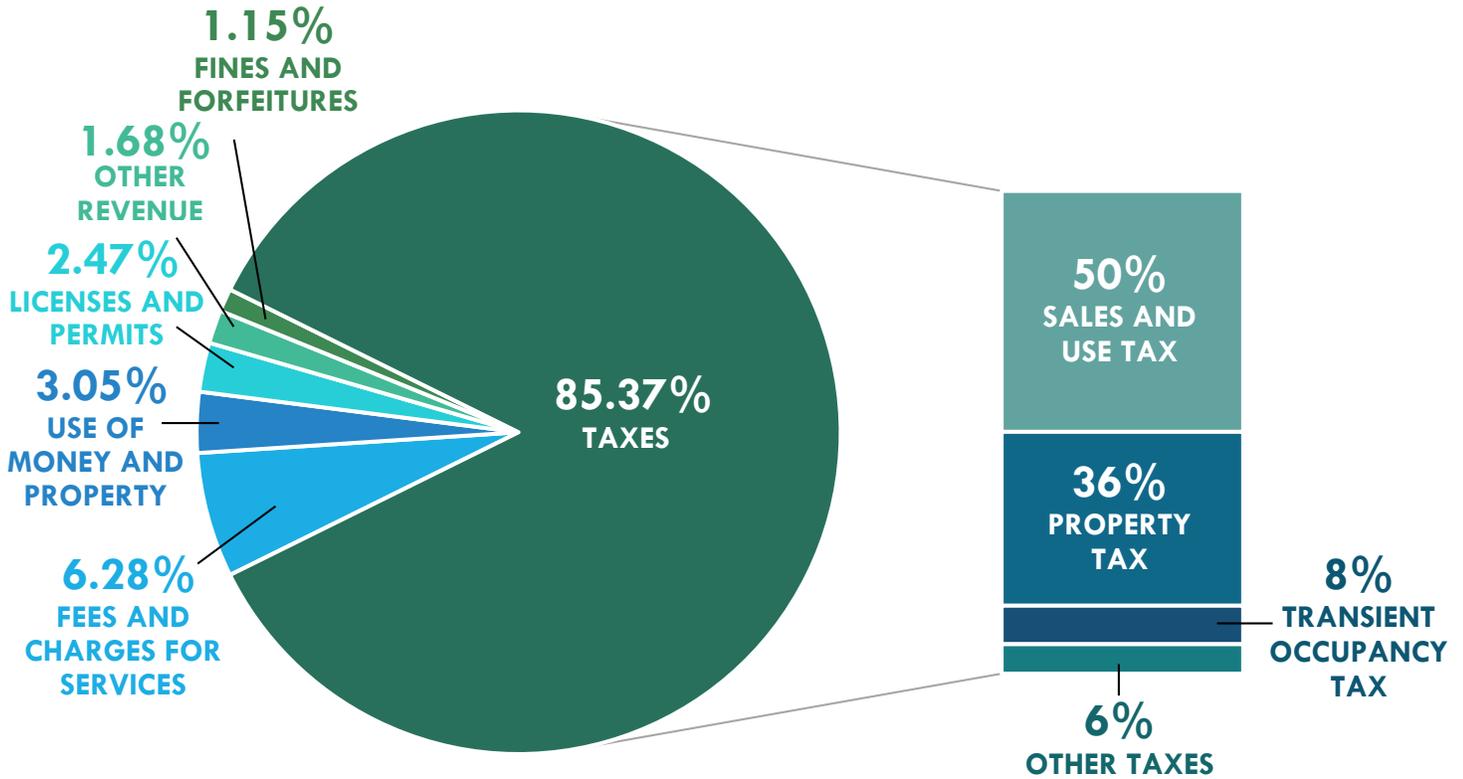
**GOAL #5: IMPROVE  
MOBILITY AND PARKING**



**GOAL #6: GOOD GOVERNMENT  
AND COMMUNITY ENGAGEMENT**

# GENERAL FUND - REVENUE

## WHERE DOES THE MONEY COME FROM?



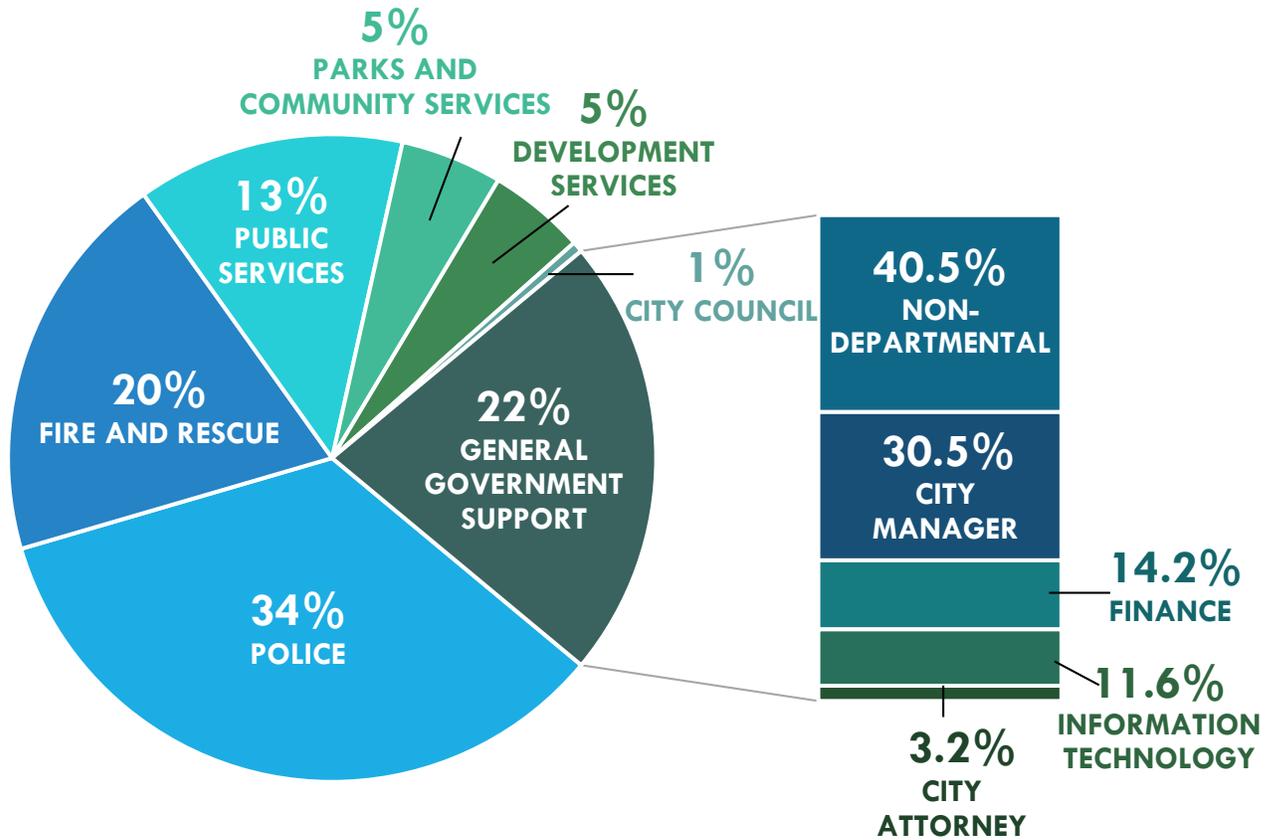
## Total General Fund Revenue \$140.5 Million

Included below is a brief description of the City's largest General Fund revenue sources:

<h3>SALES AND USE TAX</h3> <p>The City receives an “effective” rate of 1% of the County’s 7.75% sales tax on all taxable retail sales of goods and merchandise.</p>	<h3>PROPERTY TAX</h3> <p>Property tax may not exceed 1% of the assessed property value. The City receives \$0.1488 of every dollar of property tax in Costa Mesa.</p>	<h3>TRANSIENT OCCUPANCY TAX</h3> <p>The current rate is 8% and imposed on persons staying 30 days or less in a hotel, etc. The City has 29 hotels and lodging facilities.</p>
<h3>OTHER TAXES</h3> <p>This includes franchise fee taxes from utilities and solid waste haulers, business license fees, and Marijuana gross receipts tax.</p>	<h3>FEES AND CHARGES</h3> <p>The fees included are recreational user fees, planning fees, and Police and Fire related fees for cost recovery.</p>	<h3>USE OF MONEY AND PROPERTY</h3> <p>This includes investment and interest earnings, lease revenue from City facilities, and bus shelter advertising lease revenue.</p>

# GENERAL FUND - EXPENSES

## WHERE DOES THE MONEY GO?



## Total General Fund Expenses \$143.7 Million

Included below is a brief description of the departments that make up most of the City's General Fund expenses:

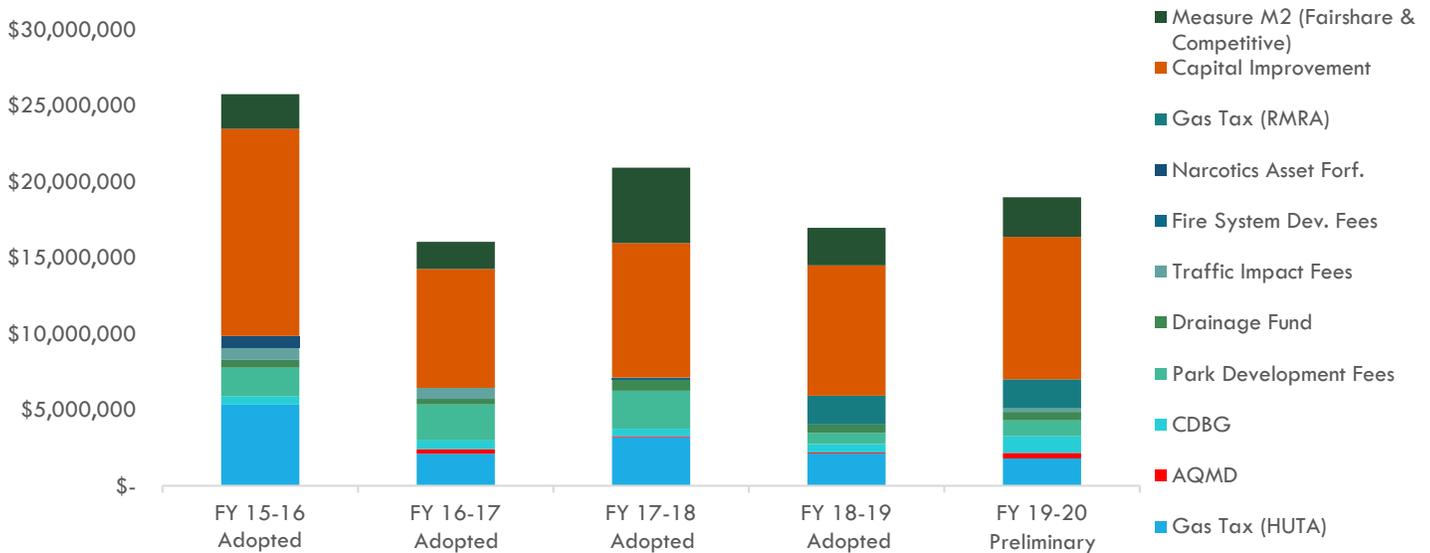
<p><b>POLICE</b></p> <p>Includes Administration, Field Operations, and Support Services. Total General Fund budget of \$49.5 M.</p>	<p><b>FIRE AND RESCUE</b></p> <p>Includes Administration, Operations, and Community Risk Reduction. Total General Fund budget of \$28.2 M.</p>	<p><b>GENERAL GOVERNMENT</b></p> <p>City Manager's Office (\$9.7 M), Finance (\$4.5 M), IT (\$3.7 M), City Attorney (\$1 M), and Non-Departmental (\$12.9 M). Total General Fund budget of \$31.7 M.</p>
<p><b>PUBLIC SERVICES</b></p> <p>Includes Administration, Engineering, Transportation Services, and Maintenance Services. Total General Fund budget of \$19.2 M.</p>	<p><b>PARKS AND COMM. SVS.</b></p> <p>Includes Administration, Recreation, and Homeless Support Services. Total General Fund budget of \$7.3 M.</p>	<p><b>DEVELOPMENT SERVICES</b></p> <p>Includes Administration, Planning, Housing and Community Development, Building Safety, Community Improvement. Total General Fund budget of \$6.9 M.</p>

# CAPITAL IMPROVEMENT PROGRAM BUDGET – ALL FUNDS

The Preliminary FY 2019-20 Budget for the Capital Improvement Program (CIP) is approximately \$19 million across all funding sources, which is an increase of \$2 million, or a 12.06% increase compared to the Adopted FY 2018-19 Budget. One primary factor increasing the 1-Year CIP by more than the prior year is the **Merrimac Way – Active Transportation and Street Improvements Project**. This project includes a \$1.1 million grant along with matching funds and street rehabilitation funds; the project appropriation is contingent upon the California Transportation Commission (CTC) ratifying and adopting the project on June 26, 2019. If the project is not adopted by the CTC, the proposed appropriations will be defunded, resulting in a total revised 1-Year CIP Budget of \$17 million. This would amount to a 0.12% decrease from FY 2018-19.

The Fiscal Year 2019-20 1-Year CIP also includes funding for the final year appropriation of the **Lions Park Projects**, the design of **Fire Station 2 – Reconstruction**, and the **Costa Mesa Bridge Shelter**, which all represent large financial commitments. It should be noted that at this time, the funding for the Costa Mesa Bridge Shelter project is being proposed using \$1.4 million from General Fund reserves.

## PRELIMINARY CIP BUDGET BY FUND



## FY 2019-20 MAJOR PROJECT COSTS (BY CATEGORY)

Key projects making up each category are summarized below:

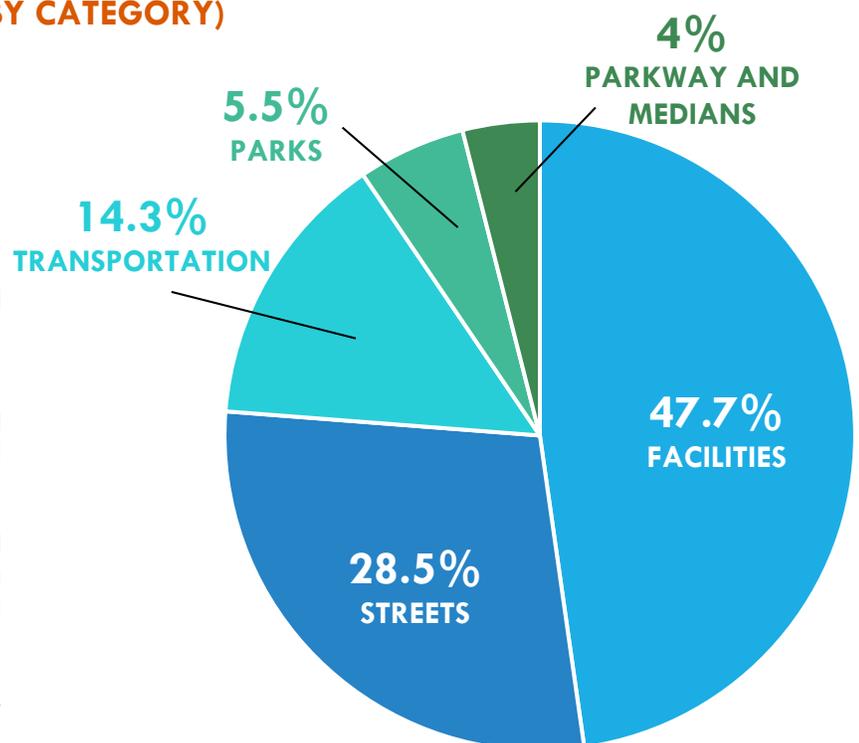
**Facilities:** Fire Station 2 – Reconstruction (Design), final year of Lions Park Projects (Phase 2), and the Emergency Operations Center – Equipment Update.

**Streets:** Citywide Street Improvements and Westside Storm Drain Improvements.

**Transportation:** Merrimac Way – Active Transportation and Street Improvements Project and Fairview Road and Redhill Avenue Traffic Signal Synchronization projects.

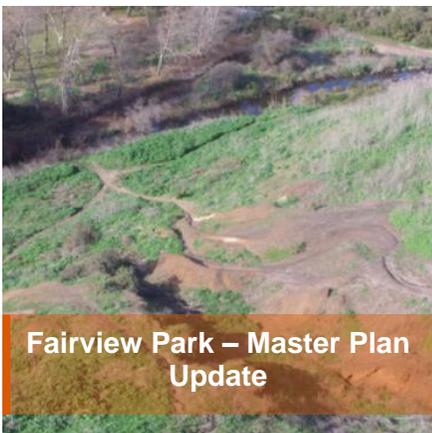
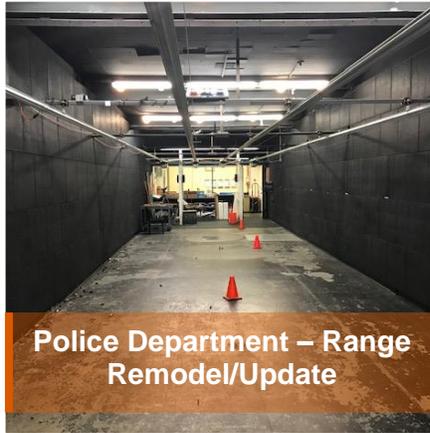
**Parks:** Canyon Park – Inventory, Management and Restoration Plans, Fairview Park – Master Plan Update, Shalimar Park – Improvements, and Victoria Street Trail – Outdoor Exercise Equipment.

**Parkway and Medians:** New Sidewalk/Missing Link Program and Westside Restoration Project.



# CAPITAL IMPROVEMENT PROGRAM PROJECTS

## PRELIMINARY FY 2019-20 KEY CAPITAL PROJECTS



# CITY OF COSTA MESA STATISTICS

## GET TO KNOW THE BASICS ABOUT COSTA MESA

### INCORPORATION

June 1953

### DEMOGRAPHICS<sup>1</sup>

Population	115,296
Median Age	34.5
Average Household Size	2.74
Average Family Size	3.35

<sup>1</sup>Most recent data from Dept. of DOE and US Census.

### GEOGRAPHY (LAND)

16.8 square miles

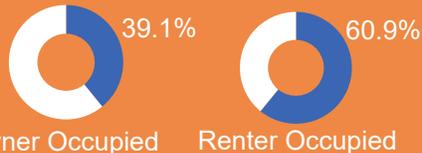


### EMPLOYMENT<sup>1</sup>



<sup>1</sup>Most recent U.S. Census ACS 5-YR Estimate.

### HOUSEHOLDS<sup>1</sup>



<sup>1</sup>Most recent U.S. Census ACS 5-YR Estimate.

### PROPERTY SALES PRICES<sup>1</sup>

#### Homes (Median)

2018	\$815k
2019	\$870k

#### Condominiums (Median)

2018	\$540k
2019	\$589k

<sup>1</sup>Torelli Realty, 2019

### INCOME<sup>1</sup>

<b>Median</b>	<b>\$75,109</b>
<\$10k	4.6%
\$10k-\$14,999	3.3%
\$15k-\$24,999	6.9%
\$25k-\$34,999	7.4%
\$35k-\$49,999	11.2%
\$50k-\$74,999	16.6%
\$75k-\$99,999	12.9%
\$100k-\$199,999	32.0%
\$200k+	9.7%

<sup>1</sup>Most recent U.S. Census ACS 5-YR Estimate (2017 Inflation-adjusted dollars).



### CONTACT INFORMATION

City Manager's Office	<a href="mailto:constituentservices@costamesaca.gov">constituentservices@costamesaca.gov</a>
Finance Department	<a href="mailto:financedirector@costamesaca.gov">financedirector@costamesaca.gov</a>
City Council	<a href="mailto:citycouncil@costamesaca.gov">citycouncil@costamesaca.gov</a>
Website	<a href="http://www.costamesaca.gov">www.costamesaca.gov</a>