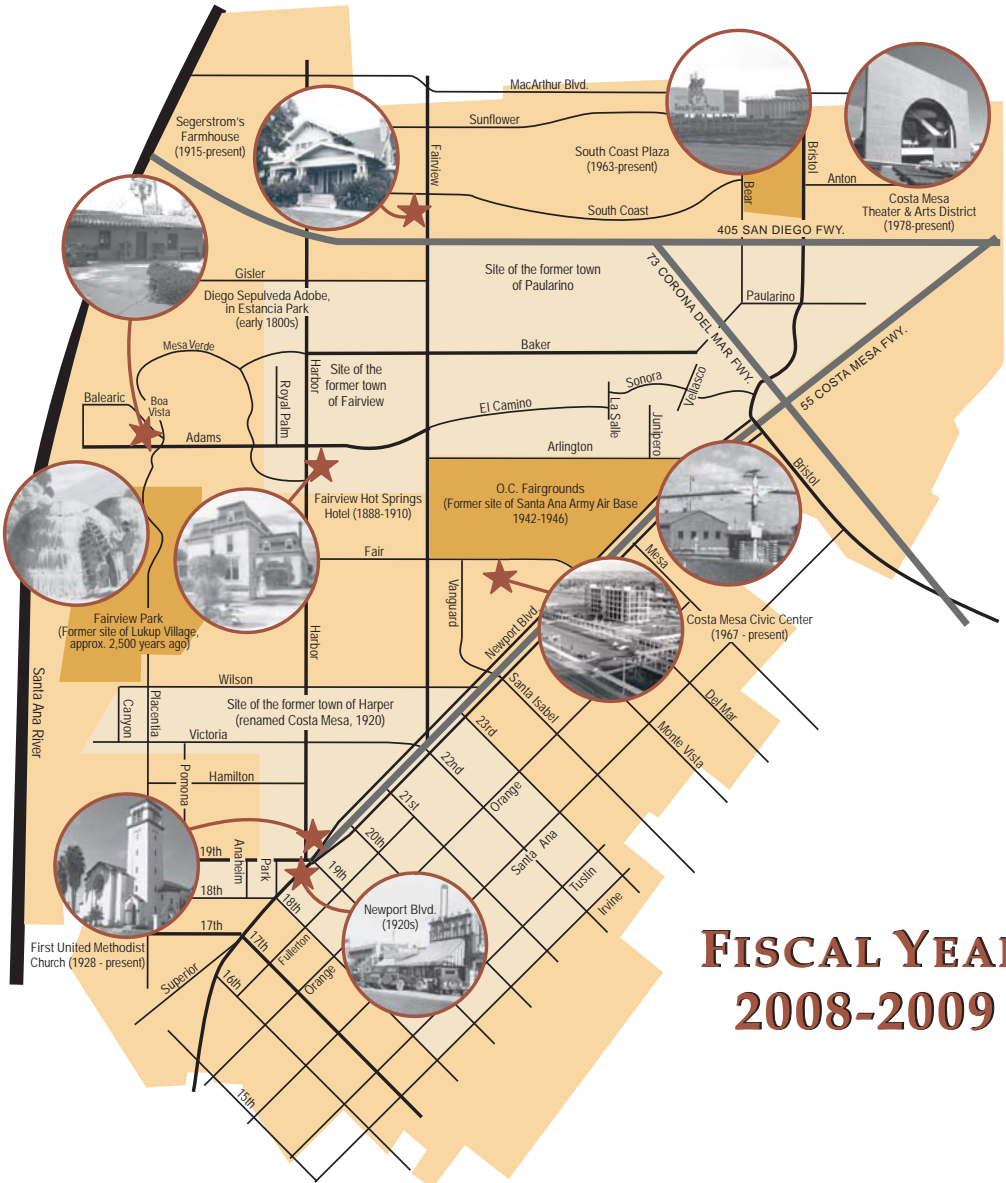




CITY OF COSTA MESA, CALIFORNIA

BUDGET AT A GLANCE



**FISCAL YEAR
2008-2009**



CITY COUNCIL

Eric R. Bever
Mayor

Allan R. Mansoor
Mayor Pro Tem

Linda W. Dixon
Council Member

Katrina A. Foley
Council Member

Wendy B. Leece
Council Member

Allan L. Roeder
City Manager

Prepared by the Finance Department

Marc R. Puckett
Director of Finance

Bobby R. Young
Budget & Research Officer

INTRODUCTION

The FY 08-09 proposed operating and capital improvement budget is balanced without new or increased taxes. The budget continues to provide an outstanding level of service to the community. The City's management team and staff have put together an operating and capital expenditure plan that addresses Council's priorities to fulfill the service requirements of the people who live, work, and play in Costa Mesa. The proposed budget demonstrates a sound financial plan for the next twelve months.

An exciting and challenging work program awaits the City Council and staff in the coming year. The continuation of quality services to the residents and businesses in Costa Mesa has been made possible because of Council's leadership and staff's commitment to provide services that continue to improve the lives of the people the City serves.

The strategies for preparing the proposed budget were designed to submit a balanced budget to the City Council; to maintain high levels of service to the community; to implement as many of the Council's priorities as possible within fiscal constraints; and to support a Capital Improvement Program focused both on capital maintenance and repairs as well as new construction.

SERVICES PROVIDED BY THE CITY

The citizens of Costa Mesa continue to enjoy an outstanding level of service and facilities provided by the City including: police protection and crime deterrence; fire protection and prevention; emergency medical care; animal control; recreation programs for the youth, adults and seniors; access to sports fields and other recreational facilities; community centers; transportation; engineering; parks maintenance; street maintenance; building safety; street sweeping; housing; planning; development; code enforcement; administration; legal; finance; human resources; risk management; reprographics; telecommunications including public education and government cable TV programming; and technology support.

PRIOR YEAR ACCOMPLISHMENTS

All City departments achieved many wonderful things this past year. Some of the key accomplishments include the following:

- ▶ Continued construction of Police Facility Expansion Project, which includes security gates for both Police and Fire Departments and a new Emergency Operations Center (EOC).
- ▶ Acknowledged by the California Chapter of the American Planning Association for the “2007 Planning Implementation/Large Jurisdiction Award” for processing the North Costa Mesa High Rise Residential Projects.
- ▶ Completed right-of-way phase and began construction of the \$4.0 million Harbor Blvd/I-405 Improvement Project.
- ▶ Received \$1 million in Transportation Enhancement Grants for Fairview Road/I-405 Interchange and Downtown Costa Mesa/SR-55 Gateway Improvement Projects.
- ▶ Paved 15 residential streets with Street Maintenance section staff.
- ▶ Completed the design and construction of new lights at Bark Park.
- ▶ Implemented a Build Green incentive program, encouraging residents and business owners to incorporate environmental friendly measures in construction to reduce our carbon footprint.
- ▶ Expanded the police website, designed to educate the community and provide general information sought by the public.
- ▶ Developed the “Keep Kids Alive Drive 25 Program.”
- ▶ Developed and implemented the Keep Your Teen Safe Program in conjunction with the Newport-Mesa Unified School District.
- ▶ Designed and printed in conjunction with the Historical Preservation Committee “The Story of Costa Mesa” a 40 page full-color publication highlighting the history of Costa Mesa, used by NMUSD as part of the elementary school curriculum.
- ▶ Exceeded 585,000 participants in recreation program attendance in over 800 classes, 40 adult leagues, 22 day camps, and 55 swimming classes/programs.
- ▶ Produced and televised a total of 15 new episodes of “City Talk”, “The Community Report” and “Discovering Costa Mesa”, as well as 71 public meetings (City Council, Planning Commission, Parks & Recreation Commission, Redevelopment Agency, and City Council Study Sessions).
- ▶ Based on the City Manager's Office Complaint Tracking System, improved service and coordination by departments with regards to response and resolution time as it pertains to the number of citizen complaints, concerns, requests for service, and general inquiries.
- ▶ Hosted two successful Neighbors for Neighbors events involving the coordination of more than 800 volunteers, raising \$43,000 in cash and in-kind donations, to assist with the beautification of 12 area homes and Fairview Park.
- ▶ Improved HazMat spill clean-up by implementing Water Quality Ordinance agreement with OCFCD.
- ▶ Conducted three Community Emergency Response Team (CERT) programs and the Bethel Towers Evacuation drill.
- ▶ Implemented new procedures for disposing of surplus property by using an on-line auction company resulting in a broader scope of potential buyers; consequently, generated additional proceeds from the sale of surplus property.
- ▶ Continued to receive budgeting, financial reporting, and procurement awards from both national and State financial organizations, signifying the City consistently applies the standards and principles of good practices set by these professional organizations.



Newport Boulevard about 1925

OBJECTIVES FOR THE COMING YEAR

Some of the departments' objectives for the coming year include:



Downtown street parade, 1946

- ▶ Answer incoming 9-1-1 calls within 10 seconds; process and dispatch 90% of emergency calls within one minute of receipt.
- ▶ Respond to citizen complaints within one working day from receipt of complaint.
- ▶ Re-establish National Night Out through the Neighborhood Watch Program, by registering Neighborhood Watch groups, home owner associations, and community groups that intend to host a social event attended by community members and police personnel.

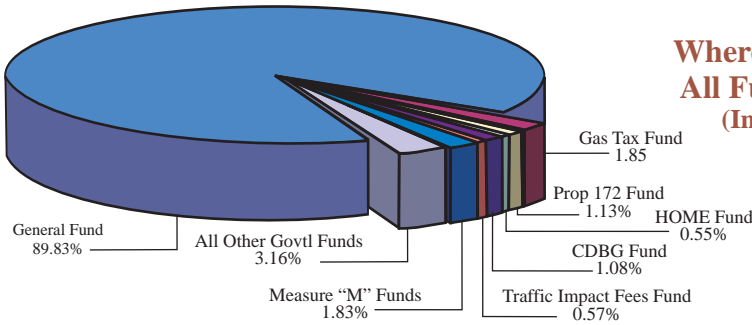
- ▶ Maintain an average rating of “4” (on a scale of 1 to 5) for satisfaction of Recreation programs through surveys of the public and program participants.
- ▶ Improve management of local and regional traffic including expanding the City's closed circuit TV (CCTV) traffic monitoring system and improving inter-jurisdictional signal coordination.
- ▶ Complete construction of the Police Facility Expansion and Renovation Project.
- ▶ Renovate the pavement on a minimum of 15 residential streets annually with City crews.
- ▶ Monitor the storm drain systems and provide various debris removal programs to reduce debris and pollution from reaching the ocean in compliance with the National Pollutant Discharge Elimination System.
- ▶ Repair potholes on City streets within 24 hours of notification or discovery.
- ▶ Provide a recycling program in which a minimum of 50% of the commercial and multi-family trash collected is recycled/diverted from landfills.
- ▶ Issue over-the-counter plan reviews within five working days of submittal.
- ▶ Improve internal and external communications by design and implementation of new Costa Mesa Fire Department website.
- ▶ Safeguard the City's assets and invest available cash within the City's adopted investment policy.
- ▶ To further fair housing by providing opportunities for decent, safe and sanitary housing to all segments of the community.
- ▶ Continue to pursue Federal, State and County grant funds for public transportation, street and park improvements, and graffiti removal.

The table below includes the proposed budget for all governmental funds (described in subsequent paragraphs) and the two internal service funds: the Equipment Replacement Fund and the Self-Insurance Fund.

PROPOSED BUDGET - ALL FUNDS

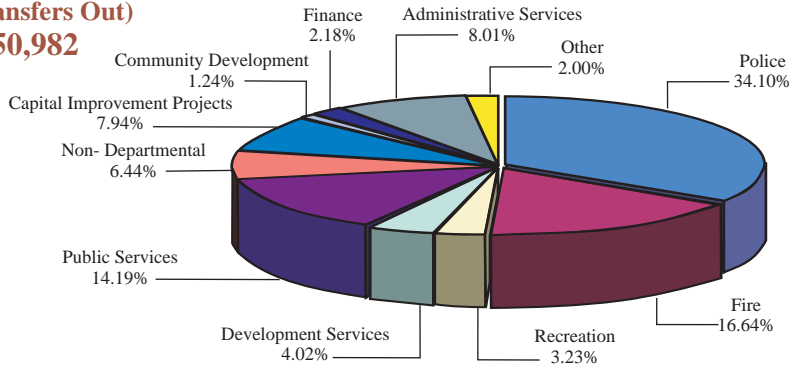
Appropriations/ <u>All Funds</u>	Proposed	Adopted	Increase (Decrease)	
	<u>FY 08-09</u>	<u>FY 07-08</u>	<u>Amount</u>	<u>Percent</u>
Operating Budget	\$128,454,953	\$120,871,894	\$7,583,059	6.27%
Capital Budget	10,579,977	7,485,000	3,094,977	41.35%
Transfers Out	5,565,200	2,419,780	3,145,420	129.99%
Total	\$144,600,130	\$130,776,674	\$13,823,456	10.57%

The following graphs illustrate the governmental funds' estimated revenues and appropriations:



Where Monies Come From All Funds Total Resources (Including Transfers In) \$125,099,552

Where Monies Go All Funds Total Appropriations (Including Transfers Out) \$133,250,982



GENERAL FUND PROPOSED BUDGET

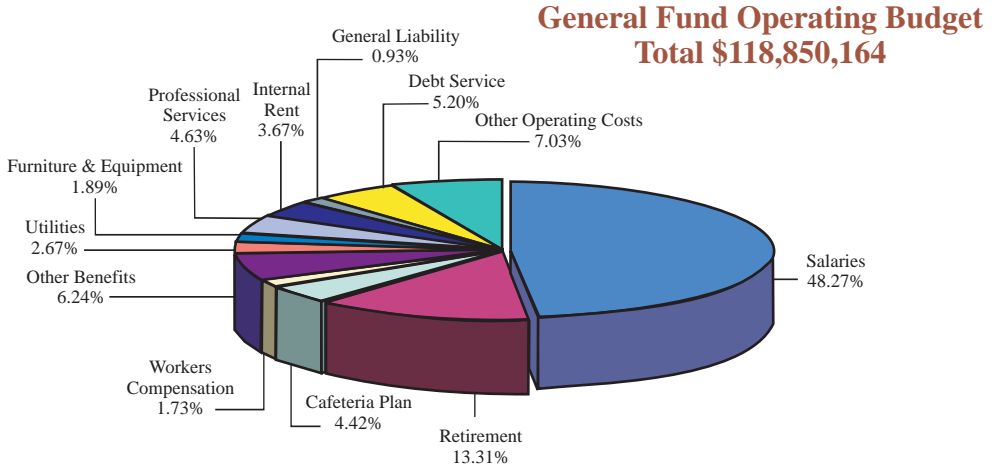
The General Fund provides 96.95% of the total operating budget for all governmental funds (which include the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds). Including the capital budget, the General Fund represents 89.22% of the total proposed. Therefore, the following analyses will focus on the General Fund budget.

The table below describes the components of the proposed budget totaling \$118.8 million, an increase of \$8.2 million or 7.40% over the adopted budget in FY 07-08.

<u>Expenditure Category</u>	<u>Proposed FY 08-09</u>	<u>% Change Over FY 07-08</u>	<u>% of Total Proposed Budget</u>
Salaries & Benefits	\$ 87,921,851	7.92%	73.98%
Maintenance & Operations	29,690,498	5.02%	24.98%
Fixed Assets	714,815	27.51%	0.60%
Transfers out	523,000	45.68%	0.44%
Total	\$ 118,850,164	7.40%	100.00%

Cost of services provided by the General Fund:

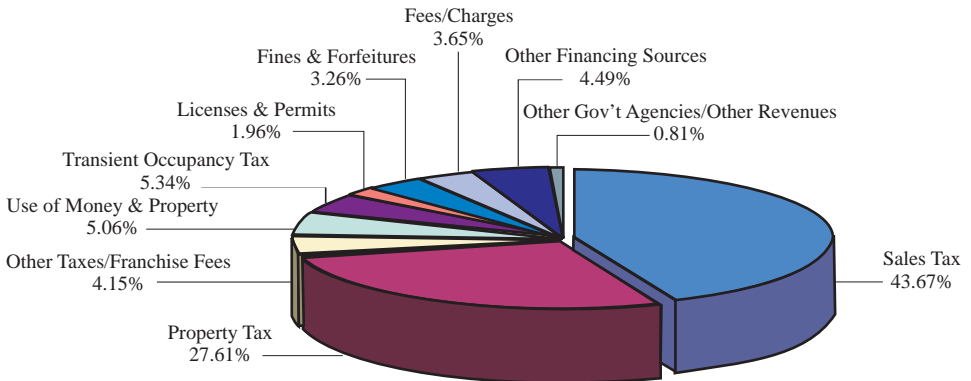
The biggest share of the operating budget is for salaries and benefits, which account for almost 73.97% of the total as illustrated in the following graph:



Where money comes from:

About 81% of the revenues that provide for the General Fund operating budget come from taxes such as: sales tax; property taxes; transient occupancy tax; business licenses; and franchises. The remaining sources include investment earnings; rental for use of City recreational facilities and community centers; revenue/grants from other governmental agencies; traffic and other municipal code violations fines; building permits; and fees for services such as those paid by recreation program participants. The graph below illustrates the revenue sources by major categories:

**General Fund Revenue
Total \$112,377,023
(Including Transfers In)**



Property tax is the second largest revenue source to the City. For every dollar the County collects in property taxes, Costa Mesa receives approximately 15 cents. The following table illustrates what portion of property tax revenue pays for the services provided to the community.

Property Tax Benefit Statement for FY 08-09

Median Residential Property Value	\$	600,000
Approximate Property Tax Paid to County	\$	6,000
TAX PORTION THAT GOES TO THE CITY	\$	900

<u>General Fund Services</u>	<u>City Average per Parcel</u>	<u>% of Total</u>	<u>Property Owner's Contribution</u>
Police Services	\$ 1,082	37%	\$ 333
Fire Services	549	19%	171
Public Services	467	16%	144
Recreation	107	4%	36
Community Development	125	4%	36
General Government	599	20%	180
Total per Parcel	<u>\$ 2,929</u>	<u>100%</u>	<u>\$ 900</u>

BUDGET HIGHLIGHTS

The proposed budget includes many of Council's priorities and changes in existing service levels, some of which, are part of the \$10.6 million capital budget.

- ▶ \$2.9 million (\$1.1 million of Gas Tax funds and \$1.8 million of Measure M funds) for Citywide Street Improvements.
- ▶ \$300,000 allocation for Citywide Unimproved Alleys funded by Gas Tax.
- ▶ \$60,000 allocation for construction of a privacy/sound wall along the north side of Adams Avenue for those properties which front the approaching ramp to the Santa Ana River Bridge.
- ▶ \$1.47 million allocation for the renovation of the Joann Bike Street Trail.
- ▶ \$300,000 allocation for the parkway maintenance program funded by Gas Tax.



Costa Mesa Fire Engine (with firemen), in front of the Rochester Street Fire Station, 1959

ADDITIONAL PROPOSALS SLATED FOR FURTHER DISCUSSION DURING THE BUDGET STUDY SESSION:

In the course of the budget development, several subjects were identified as needing further discussion with the City Council. Some of these are carry-over items from prior year's actions while others are an outgrowth of current operations.

Costa Mesa United - At its April 19, 2005 meeting, the City Council adopted a resolution supporting the Costa Mesa Community Athletic Foundation and its efforts to construct a stadium at Estancia High School and an aquatics complex at Costa Mesa High School. As part of the resolution, the City Council also made a commitment of \$1 million towards construction of these facilities. Since then, both projects have received full funding from a voter approved School Bond and no longer require the City's contribution. To date, the City Council has approved \$700,000 towards this commitment. The FY 08-09 proposed budget includes \$300,000 in Non-Departmental completing the commitment of \$1 million for support. With the fulfillment of this commitment the City Council, Newport Mesa Unified School District, Costa Mesa United and related community interests need to discuss how best to proceed with the use of these funds. The ultimate decision rests with the City Council.

Day Camps - Summer Specialty Camps - For the past several years, the City has offered a very successful staff-run, day camp program (Camp Costa Mesa). The weekly sessions are largely sold out for school breaks and for summer break. Based on interest from participants in the community, the Recreation Division is proposing the following specialty day camps: Youth Skate Program; Youth Sports Camp; Ranch Summer Camp; Parent and Me Strolling Through Nature and Nature Discovery Program. It is anticipated each of these programs will have some cost recovery from fees charged to participants.

Continuation of the RRIP and GREEN programs - In 2005, the City Council approved the first Residential Remodeling Incentive Program (RRIP), designed to waive certain construction related permits exclusively for single family home remodeling. Since 2005, the program was reauthorized in 2006 and 2007. Also, in 2007, the City Council approved the first Build Green Incentive Program (GREEN), designed to waive certain construction related permits and fees for private development that incorporates Green Building elements. During 2005, the total value of improvements made during the RRIP program was estimated at \$15 million. During 2006, the estimated total value of improvements declined to \$11 million and in 2007, the estimated total value of improvements declined again to \$9 million. To date, the program has cost over \$1.1 million dollars. These programs are projected to cost \$503,000 in FY 08-09 which is included in the proposed budget as reauthorization of these two programs. This cost does not include the estimated revenue loss of \$260,000 in permit fees.

Council Advisory Committee Budgets - The following advisory committees have budgets that are included in the FY 08-09 Proposed Budget. The Historical Preservation Committee is proposing a \$8,000 budget for activity booklet printing costs, "First People" pamphlets and a Downtown Costa Mesa Marker Tour pamphlet. The Cultural Arts Committee is proposing a \$20,480 budget for producing three Artist Showcases and one Performing Arts Showcase events and publication of a new Artist Directory. The Child Care and Youth Services Committee is proposing a \$1,855 budget for updating the Youth and Teen Directory.



Paularino School, 1922

Senior Mobility Program Saturday Service - The Senior Center is open for senior programs on Saturdays from 9am until 1pm, and closed on Sundays. On an annual basis, the weekend (Saturday 9am-1pm) Senior Mobility Program cost is \$8,800. Should the City Council choose to initiate weekend service, staff would recommend that a ridership analysis be conducted before entering into a contract for service. Assuming sufficient ridership demand for this service, staff would meet with Western Transit for a formal proposal and bring the proposed agreement to City Council for approval.

CURRENT/FUTURE DEVELOPMENT PROJECTS

Costa Mesa continues to be a vibrant community, evidenced by recently completed, current, and future developments throughout the City. Below is a sampling of current developments. Some of these projects are nearing completion and/or under construction and others have not yet completed all phases of the planning process as of yet:

Expansion of Emulex Corporate Offices - Emulex is a global provider of intelligent networking products. Their products connect storage, servers and networks, and Emulex is a world leader in storage and server networking. The three Emulex buildings at 3333 Susan Street were originally constructed in 2003. A fourth building is proposed on a graded vacant lot on the south end of the site, bordered by South Coast Drive to the south and Susan Street to east. The proposed expansion will be considered by the Planning Commission in Spring 2008.

Pacifica Residences - Construction continues on the 145 townhomes at Harbor Blvd and Bernard Street. The four-story residential project includes 12 affordable units. Seven affordable units for low to moderate-income persons are to be located on site; and, five affordable units for low-income persons are anticipated to be within the Redevelopment Project Area. Phase 1 of the development included the five-level parking structure and 32 townhomes and is nearing completion. Construction of Phase 2, the remaining townhomes, is underway with completion expected in Winter 2008.

Wyndham Boutique Hotel/High Rise Residential Project at 3350 Avenue of the Arts - The proposed project involves reuse of the project site as a mixed-use development with both hotel and residential uses. The existing Wyndham Hotel would be renovated. Although there would be no change to the building square footage associated with the hotel, there would be a reduction in hotel rooms create a boutique hotel. To accommodate the proposed 23-story, 120-unit high-rise residential tower, the existing hotel parking structure would be demolished. This project is still in the planning phases so a construction timeline is still unknown.

Westside Lofts Mixed-use Development at 1640 Monrovia Avenue - The project includes: (a) 42,000 sq.ft. commercial space in two- to four-story buildings; (b) 151 residential condominiums in a four-story building complex; (c) 5 custom live/work units in three-story buildings; and (d) 4.5-level parking structure and surface parking areas (overall total of 475 parking spaces). This project is still in the planning phases so a construction timeline is still unknown.

The Enclave Apartment Community - This property, located at Anton Boulevard and Sakioka Drive, had historically been used for agricultural, but was slated for residential development for many years in the City's General Plan. The 890 unit apartment community is intended to complement the South Coast Plaza Town Center area. The target market is young, single, or married, entry-level professionals. Amenities include clubrooms, theater, fitness center, business/ conference center, swimming pools, heated spa, outdoor fireplace, and barbeque areas. This project was completed in Spring 2008.



Members of the Shiffer family working in a field on their farm in Costa Mesa during the 1930s.

CAPITAL IMPROVEMENT PROJECTS

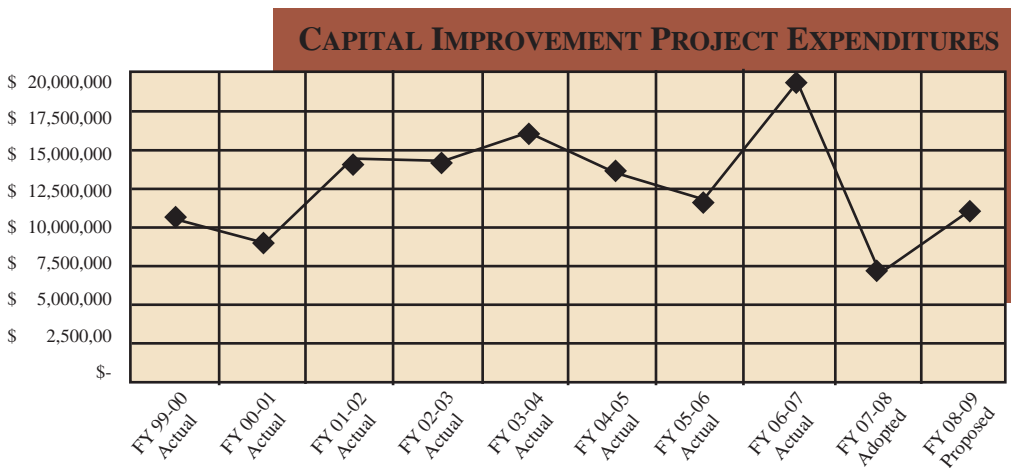
Once again, the City is embarking on an aggressive capital improvement program in FY 08-09. In a 10- year span, the City has dedicated over \$138 million for capital improvements or an average of \$13.8 million a year. The proposed capital budget allocates \$7.19 million including: \$4.0 million for street improvements and maintenance; \$1.5 million for parks maintenance and improvements; \$600,000 for curbs and sidewalks; \$170,000 for a new traffic signal (location to be determined by the Transportation Services Division, as needed); and \$529,000 for government buildings and facilities repairs.

Approximately \$1.8 million or 25% of the total funding for capital projects comes from Measure M Fund revenue; another \$1.8 million or 25% comes from the Gas Tax Fund revenue. Both funds are earmarked for streets and/or transportation-related expenditures. Other sources, when funds are available, come from park development fees, traffic impact fees, the Air Quality Management District Fund, and the Capital Outlay Fund (the original source of this fund is the General Fund).

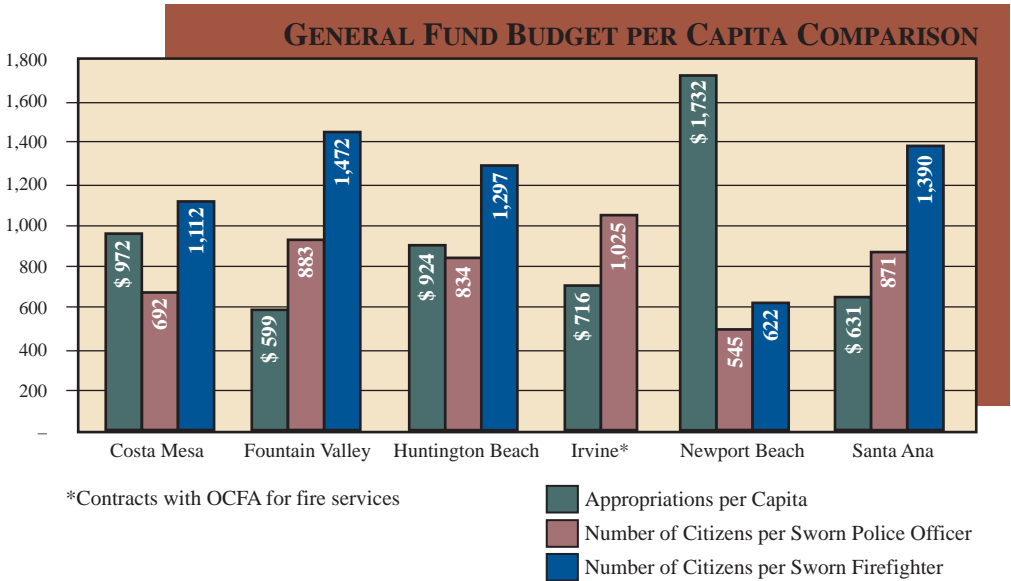
The table below illustrates the type of capital projects planned for the coming year:

Capital Improvement Projects	
<u>Program Category:</u>	<u>Proposed FY 08-09</u>
Street Improvements & Maintenance	\$ 5,915,712
Storm Drain Improvements	200,000
Curbs & Sidewalks	450,000
Traffic Operations & Planning	342,265
Parks Improvements	2,408,000
Facilities Maintenance	<u>1,264,000</u>
Total	<u>\$ 10,579,977</u>

A complete detailed listing of the proposed capital improvement projects can be found in the FY 08-09 Proposed Operating & Capital Improvement Budget document published separately. In addition, the City also has a Seven-Year Capital Improvement Program that calls for approximately \$179 million in funding sources. Below is a graph that illustrates what the City has expended for capital improvement projects for 10 years.



The following graph is a comparison of Costa Mesa's General Fund budget for Fire and Police services with jurisdictions that are contiguous to the City. The data used are based on the FY 07-08 adopted budget:



BUDGET STUDY SESSION/ COMMUNITY HEARINGS:

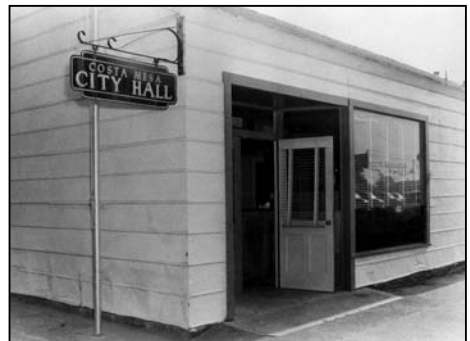
The budget study session with City Council and other interested parties is scheduled on June 10, 2008. Community hearings and employee orientation about the proposed budget will also be conducted. During these meetings, staff will provide an overview and will be available to respond to any questions about the proposed budget.

CONCLUSION:

The FY08-09 proposed budget is balanced and continues to provide an outstanding level of service within its existing resources. The City remains a financially-stable and well-balanced community in which to live, work and play.

ACKNOWLEDGMENT:

The development of the annual budget takes an enormous amount of staff time and efforts, and has to be completed within a compressed timeline. Sincere appreciation is extended to the City Council for their leadership and continued support; and, to all department directors, division managers, and departmental budget liaisons for their contribution. Special recognition is extended to the Finance budget team and Central Services staff.



Costa Mesa's first City Hall - 1953



Anyone who has a question about the City's budget is encouraged to call the Budget & Research Officer at (714) 754-5241. A comprehensive budget document is available for public view at the City Clerk's Office or at the Costa Mesa or Mesa Verde branch libraries in Costa Mesa. The budget document is also available at the City's Website www.ci.costa-mesa.ca.us

The City of Costa Mesa
77 Fair Drive
Costa Mesa, CA 92626
Tel. (714) 754-5241 • Fax (714) 754-5040

ABOUT THE CITY OF COSTA MESA

- ◆ *Incorporated on June 29, 1953*
- ◆ *General Law City*
- ◆ *Council-Manager form of government*
- ◆ *Population 113,143*
- ◆ *Area 16.8 square miles*
- ◆ *611 full-time employees*
- ◆ *1 police station - 162 sworn positions*
- ◆ *2 police sub-stations*
- ◆ *6 fire stations - 102 sworn positions*
- ◆ *30 parks, 1 skate park*
- ◆ *2 18-hole golf courses*