



CITY OF COSTA MESA

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With its budget balanced for first time in years, Costa Mesa looks to long-term fiscal sustainability at July 12 Study Session

COSTA MESA, CALIF.—In the wake of adopting Costa Mesa’s first balanced General Fund budget in years that didn’t rely on reserves, the City Council will explore ways to make the City’s finances sustainable in the long term at a July 12 Study Session.

The public meeting at 4:30 p.m. in the Council Chambers will focus on a new 5-year revenue and expenditure projection and capital reinvestment plan, a first-ever cash flow analysis, and a review of Costa Mesa fiscal policies.

“Though it was a difficult challenge, passing a balanced budget was an essential step toward fiscal health,” said City Chief Executive Officer Tom Hatch. “Now we need to look at longer term solutions to make sure Costa Mesa residents and businesses are getting the most from their tax dollars by delivering quality services within a sustainable budget.”

The City Council has directed staff to present future budgets that do not use reserves, adequately address infrastructure needs and replenish the reserve fund.

Over the past three years, the City has eliminated more than 140 positions, reduced or cut services, and spent more than \$32 million of reserves to cover declining revenue and rising pension costs. Within the next several years, CalPERS projects annual pension costs for the City to increase to more than \$20 million—or over 21% of the current general fund.

For the past decade, the Council had adopted budgets that initially relied on reserves—at least on paper—to bridge the gap between projected revenues and spending. Often, the budgets during prosperous times finished with surpluses by the year’s end because of better-than-expected revenues and/or less spending. In the 2001-02 and 2002-03 fiscal years, the city spent about \$4.3 million of its reserves, which at the time had reached more than \$60 million.

But since the 2007-2008 fiscal year, the City has spent more than \$32 million more than it's taken in in revenue, cutting Costa Mesa's reserves in roughly half.

The City Council voted last week to approve a \$115 million budget (a \$94 million General Fund budget that uses no reserves and has \$1 million set aside for contingencies).