



CITY OF COSTA MESA

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Costa Mesa finishes 2010-11 fiscal year with a \$3.8 million budget surplus

COSTA MESA, CALIF.—Costa Mesa's General Fund finished the 2010-11 fiscal year with a \$3.8 million surplus, according to the City's recently completed annual financial audit.

Higher-than-expected sales tax revenues and budget-tightening measures erased a projected \$1.4 million deficit, and the City finished in the black for the first time since fiscal year 2006-07.

The independent audit, known as Comprehensive Annual Financial Report (CAFR) and available shortly on the City's website, shows that the surplus resulted from receiving \$95.3 million in revenue and transfers in, while paying \$91.5 million in expenditures and transfers out for the year that ended June 30.

The \$3.8 million surplus went into the City's reserve fund, helping raise available cash in November (when cash flow is at its lowest) from about \$5 million in 2010 to about \$10 million this year. The cash reserves are still short of the \$14 million minimum that the City, by Council policy, is supposed to set aside for natural disasters and emergencies. The City had used more than \$30 million of its reserves in the previous three fiscal years while trying to balance its budget.

Compared to the prior fiscal year, total revenues increased 4.2%, while expenditures decreased sharply by 8.6%. Revenues rose because of a slight rebound in the economy and the voter-approved increase in the hotel tax rate. Savings were attained through layoffs, positions left vacant, employees contributing more to their pensions, and reductions in service.

In addition to restoring its reserve fund, the City Council has pledged to start paying down the significant \$255 million in unfunded liabilities and begin a 5-year, multi-million-dollar capital improvement plan to make infrastructure repairs and improvements that had been put off in recent times because of budget shortfalls.