

## City of Del Mar Municipal Analysis

Analysis conducted March 2010

### Key Findings

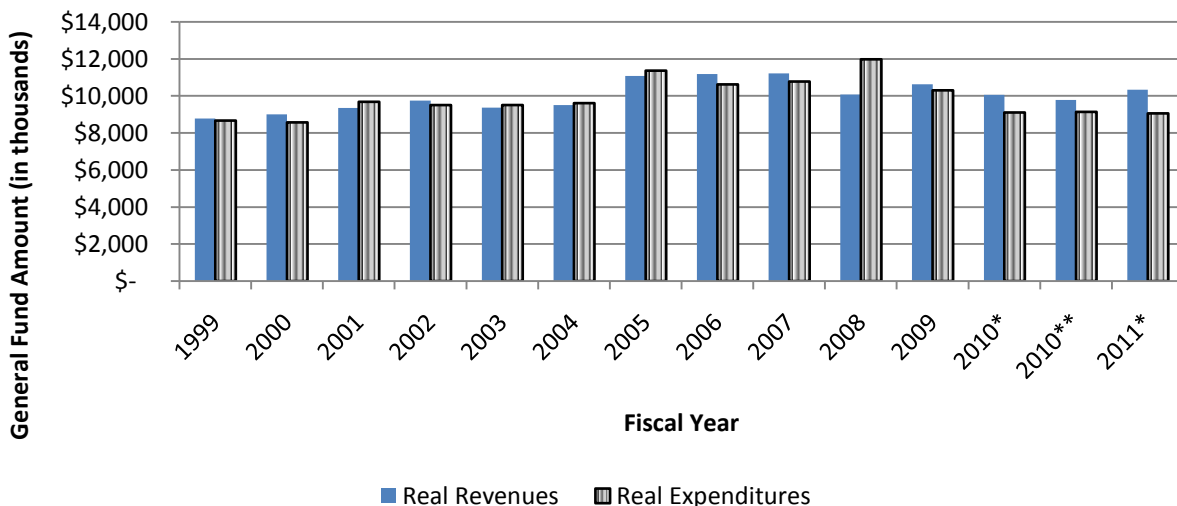
- The City made significant reductions in expenditures between FY 2008 and FY 2009 (nearly 14% when accounting for transfers).
- The City's largest revenue loss between FY 1999 and FY 2011 came in FY 2008 where the City experienced a 10.15% decline in revenues over FY 2007.
- The City's reserves were 36.6% less in FY 2009 than in FY 1999 (when adjusting for inflation).
- The City's second highest source of revenue comes from TOT, which made up nearly 14% of the City's General Fund revenues in FY 2009.
- The City has lost much of its anticipated TOT revenue for FY 2010.
- The City's pension costs have increased 128% from FY 1999 – FY 2009.
- The City does not pick up any of its employees' pension costs for nonsafety workers; the City does, however, pick up an additional 4% for safety members.

### Revenues vs. Expenditures

The following graph outlines revenues and expenditures within the City of Del Mar (City) over the last decade. Between Fiscal Year (FY) 1999 and FY 2009, average annual total General Fund revenues increased 2.15%, while total General Fund expenditures experienced average annual increases of 2.14% during the same period. When accounting for transfers, the City has experienced four (4) deficits between FY 1999 and FY 2009. When adjusting for inflation, the City experienced its largest revenue growth in FY 2005 (over 16%), and its largest revenue decline in FY 2008 (10.15%). The City also experienced its largest expenditure growth in FY 2005 (over 18%), but its largest decline in expenditures came in FY 2009 (nearly 14%).

## City of Del Mar General Fund Revenues and Expenditures FY 1999 - FY 2009, Projected Through FY 2011 (in 2008 dollars, adjusted for inflation)

Source: FY 1999 - FY 2009 CAFRs, FY 10 and FY 11 budgets, 2nd Quarter Financial Projections



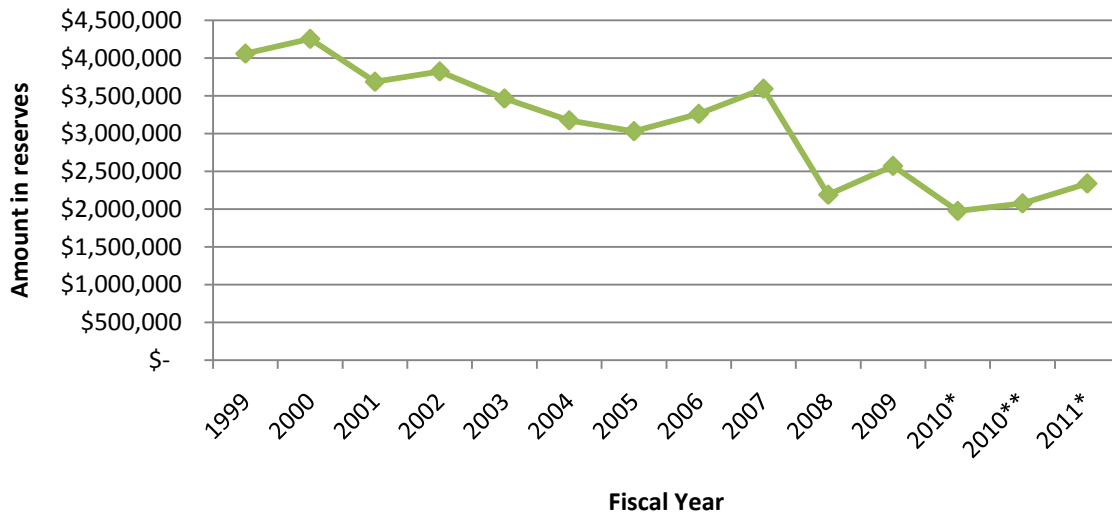
Note: \* Denotes that the numbers were obtained from budgets and \*\* denotes that the numbers were obtained from the last quarter financial projections.

The City’s reserves were 36.6% less at the end of FY 2009 than they were in FY 1999 (when controlling for inflation). The City anticipates dipping into reserves in FY 2010 before partially replenishing them in FY 2011. Second quarter financial projections, however, show that the City would dip into reserves less than they expected to in the adoption of their FY 2010 and FY 2011 budget.

## City of Del Mar Reserve Levels FY 1999 - FY 2011\*

(in 2008 Dollars, adjusted for inflation)

Source: City of Del Mar Financial Statements and Budgets



Note: \* denotes that the numbers were obtained from budgets and \*\* denotes that the numbers were obtained from the last quarter financial projections.

### Tax Revenues

The largest source of General Fund revenue for the City of Del Mar comes from property taxes. In FY 2009, property taxes accounted for over 41% of the City’s General Fund revenues (not including transfers). The City’s property tax revenue grew 4.55% from FY 2008 to FY 2009. Within the City’s approved FY 2010 and FY 2011 budget, the City anticipated that this revenue source would account for 38.02% and 38.49% of General Fund revenues, respectively. However, FY 2010 second quarter financial projections showed that the City’s original projections for FY 2010 were 3.31% lower than they should have been.

The second largest source of revenue for the City has been its Transient Occupancy Tax (TOT). In FY 2009, TOT accounted for 13.92% of the City’s General Fund revenues. The City’s TOT revenue grew by 13.74% from FY 2008 to FY 2009. The City anticipated (within its approved budget) that in FY 2010 and FY 2011, this number would increase to 15.78% and 15.67%, respectively. According to the City’s second quarter financial projections, however, the City expects to receive 15.13% less in FY 2010 than anticipated within its approved budget.

Just behind TOT is sales and use tax revenue. In FY 2009, sales and use taxes accounted for 13.37% of the City’s General Fund revenue. The City’s sales and use tax revenue decreased by 3.28% from FY 2008 to FY 2009. In the City’s FY 2010 and FY 2011 budget, the city anticipated that this number would increase to 13.85% in FY 2010 and 13.93% in FY 2011. The second quarter financial projections indicate that the City will receive 3.59% less than it anticipated in FY 2010.

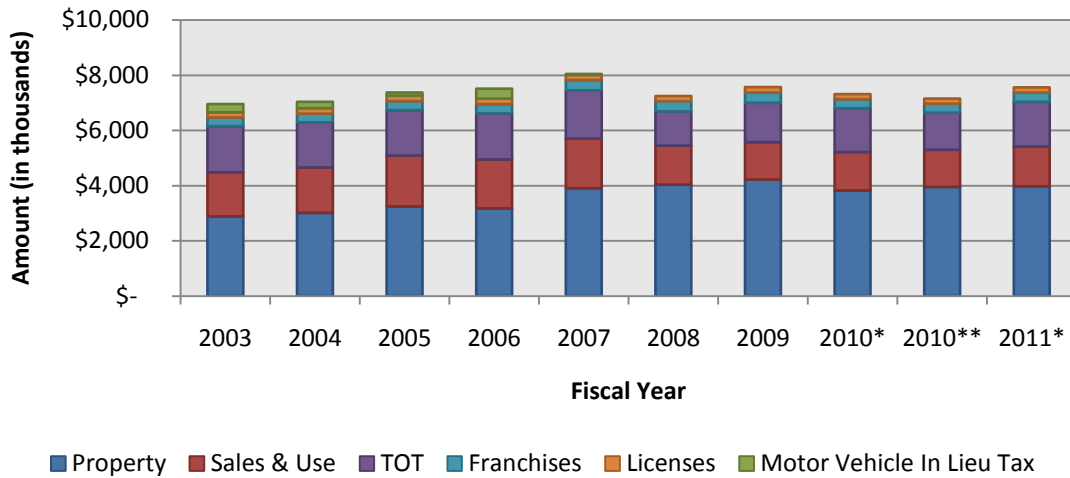
The City also receives revenue from franchises and business licenses.

When adjusting for inflation, the City’s total General Fund tax revenues have increased nearly 9% between FY 2003 and FY 2009. The City’s total tax revenue from FY 2008 to FY 2009 increased 4.47%. However, the from FY 2007 to FY 2008, the City’s total tax revenue decreased 9.86%.

## General Fund Tax Revenue Sources From FY 2003 - FY 2011\*

(in 2008 dollars, adjusted for inflation)

Source: City Financial Statements, Budgets, and 2nd quarter financial projections  
 (only actual amounts used through FY 2009)



Note: \* denotes that the numbers were obtained from budgets and \*\* denotes that the numbers were obtained from the last quarter financial projections.

### Expenditure Detail

The City of Del Mar contracts with the County of San Diego for law enforcement services. Due in large part to this contract, public safety represents the City of Del Mar’s largest General Fund expenditure. Between FY 2003 and FY 2009, public safety expenditures have grown nearly 21% (adjusted for inflation). From FY 2003 – FY 2009, general government expenditures increased nearly 17% (adjusted for inflation).

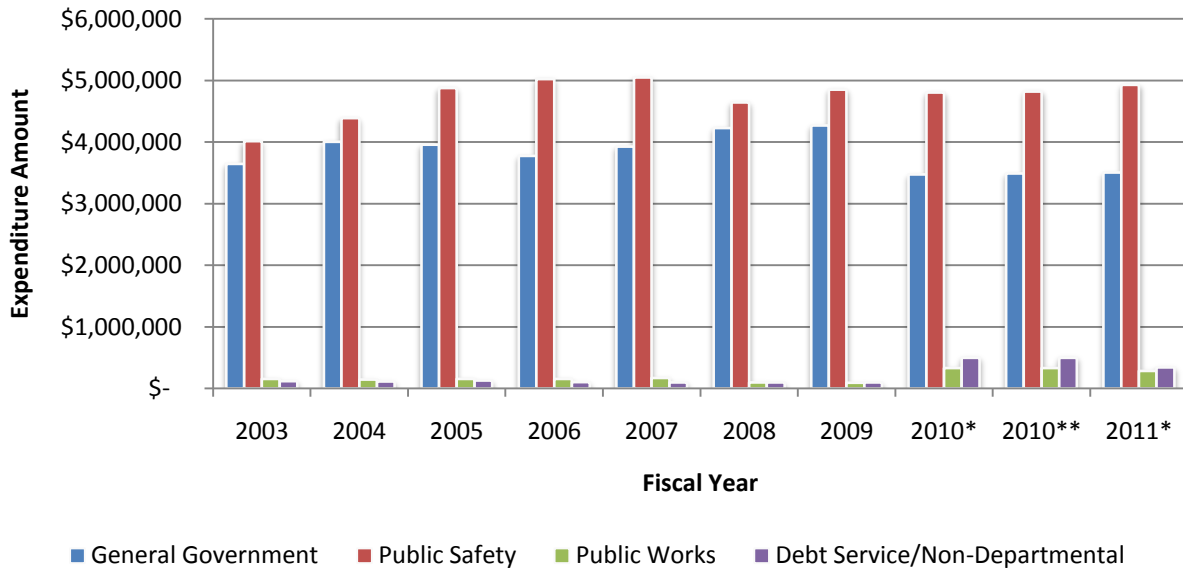
When adjusting for inflation, total General Fund expenditures have grown 17.25% between FY 2003 and FY 2011. Between FY 2008 and FY 2009, the City increased expenditures 2.64%. Within the adopted budget, the City decreased expenditures by 2.13% in FY 2010 and an additional .53% in FY 2011. However, FY 2010 second quarter financial projections show that the City anticipates decreasing expenditures from FY 2009 to FY 2010 by 1.78%.

Note: The City of Del Mar’s financial statements have different categories than the City’s budget documents; for this reason, some of the City’s “non-departmental” expenditures may also be considered general government expenditures.

## City of Del Mar General Fund Expenditures by Department FY 2003 - FY 2011\*

(In 2008 Dollars, adjusted for inflation)

Source: City Financial Statements, Budgets, and 2nd quarter financial projections (only actual amounts used through FY 2009)



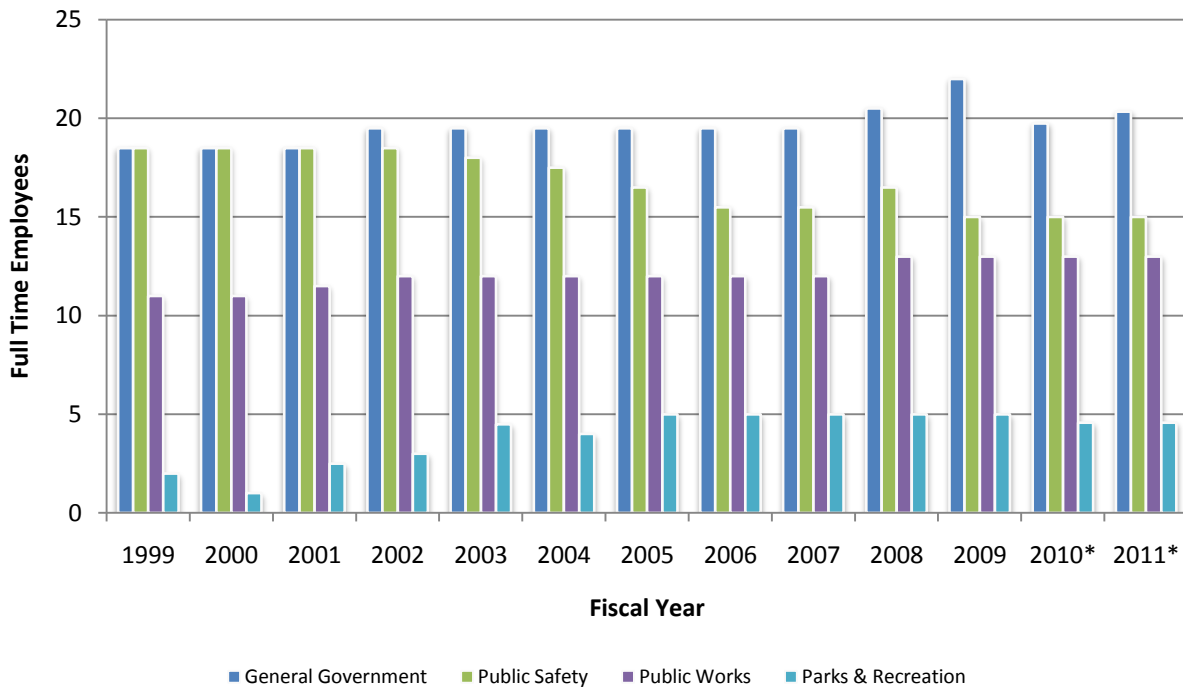
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### Staffing Levels

The City of Del Mar currently contracts for City Attorney services, therefore there are no full time employees within that expenditure category. The same is true for engineering services. Between FY 1999 and FY 2011\*, the City experienced the largest decline in employees within the public safety category; general government and parks and recreation experienced the largest increases.

## City Staffing By Service Between FY 1999 and FY 2011

Source: City Financial Statements and FY 2010 and 2011 Budget

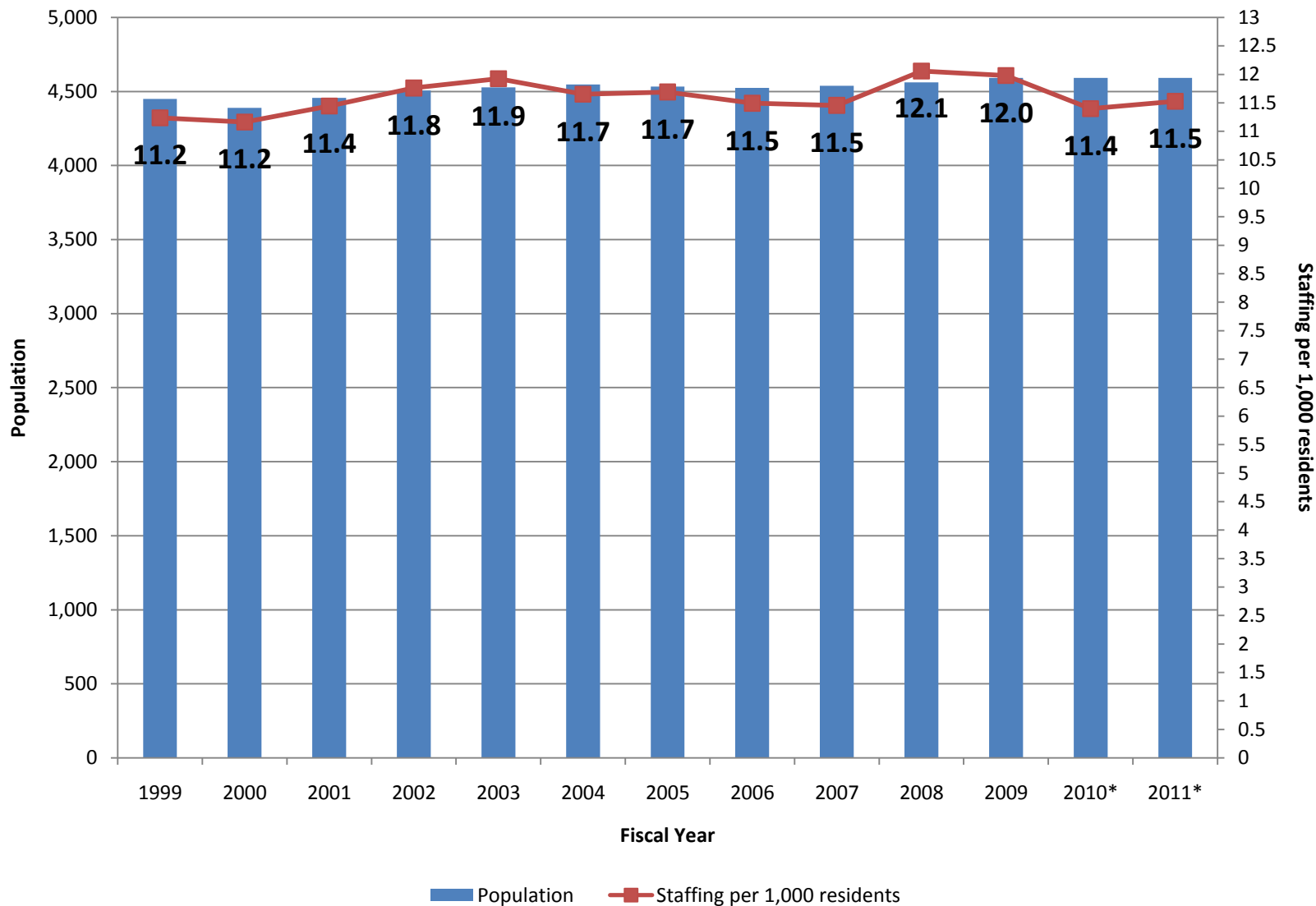


Note: \* denotes that the numbers were obtained from budgets.

The City of Del Mar is the least populated city in the County of San Diego. In FY 2009, the California Department of Finance notes that the City had a population of 4,591. Despite how many services it contracts out, the City has one of the highest staffing ratios in the region.

### Staffing Levels vs. Population

Source: City financial statements and FY 2010 and FY 2011 budgets; population data from the California Department of Finance. Note: Assumes no increase in population for FY 2010 and FY 2011, does not include any contracted po



Pension Costs

The city currently has two Memorandums of Understanding (MOU) with its labor groups. These MOUs outline all of the benefits that each group of city employees receives, including salary increases and pension benefits.

Labor Unit	Benefit Formula	Compensation Method Used	Employees pay	City picks up
Del Mar Firefighters Association	3% @ 50	Highest average 36 months	5%	4%
Del Mar City Employees Association	3% @ 60	Highest average 36 months	8%	0%
Del Mar Lifeguards (no contract)	2% @ 50	Highest average 36 months	5%	4%

The City contributes to the California Public Employees’ Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and personal disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California.

Del Mar active plan members are “required” by State statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City of Del Mar does not pick up any of the employee contribution—i.e. nonsafety employees pay their full 8% toward their pensions. The City employer does, however, pick up 4% of the contribution required of safety employees (this is known as Employer Paid Member Contributions, or EPMC). This means miscellaneous employees are responsible for 8% of their annual pension contributions and safety members are responsible for 5% of their pension costs.

Fire Safety Employee Example	
Highest Average 36 Months of Salary	\$100,000
Service Years	30
Benefit Factor	3%
<b>Total Pension Benefit</b>	<b>\$90,000</b>

Miscellaneous Employee Example	
Highest Average 36 Months of Salary	\$85,000
Service Years	30
Benefit Factor	3%
<b>Total Pension Benefit</b>	<b>\$76,500</b>

City of Del Mar Employee Retirement Benefits
<b>CalPERS Formula:</b> 3% @ 60 for miscellaneous employees, 3% @ 50 for fire safety employees, and 2% @ 50 for lifeguard employees.
<b>Employee Contribution:</b> City pays 4% of the employee contribution for safety members and 0% for miscellaneous.
Average highest 36 months benefit for final compensation

A summary of pension costs since FY 1999 is presented in the following table:

<b>City of Del Mar Annual Pension Costs</b>					
(not adjusted for inflation)					
<i>Source: City of Del Mar FY 1999 – 2009 CAFRs, PRAs</i>					
<b>Fiscal Year</b>	<b>City Annual Required Contribution (ARC)</b>	<b>EPMC</b>	<b>Defined Contribution Plan</b>	<b>Total Pension Costs</b>	<b>Ratio of Total Pension Costs to General Fund</b>
1999	see total	see total	\$ -	\$ 288,758	5.58%
2000	see total	see total	\$ 8,000	\$ 243,314	4.50%
2001	\$ 14,952	\$ 226,730	\$ 8,000	\$ 249,682	3.79%
2002	\$ 83,191	\$ 303,062	\$ 8,000	\$ 394,253	5.91%
2003	\$ 89,085	\$ 180,046	\$ 8,000	\$ 277,131	3.97%
2004	\$ 195,928	\$ 178,470	\$ 8,000	\$ 382,398	5.27%
2005	\$ 427,752	\$ 185,900	\$ -	\$ 613,652	6.77%
2006	\$ 507,497	\$ 176,227	\$ -	\$ 683,724	7.85%
2007	\$ 775,639	\$ 51,215	\$ -	\$ 826,854	9.39%
2008	\$ 820,409	\$ 48,138	\$ -	\$ 868,547	8.36%
2009	\$ 872,868	\$ 49,200	\$ -	\$ 922,068	10.68%

\*Note: Contract costs for the County of San Diego law enforcement have been excluded from the General Fund amounts for purposes of this ratio.

When adjusting for inflation, the city’s total pension costs have increased 128% between FY 1999 and FY 2009. During much of this time, the city’s pension fund was super-funded (where assets far exceeded liabilities), which meant that the city had a very low payment on its required contribution to CalPERS. During this time, however, payment toward EPMC did not stop.

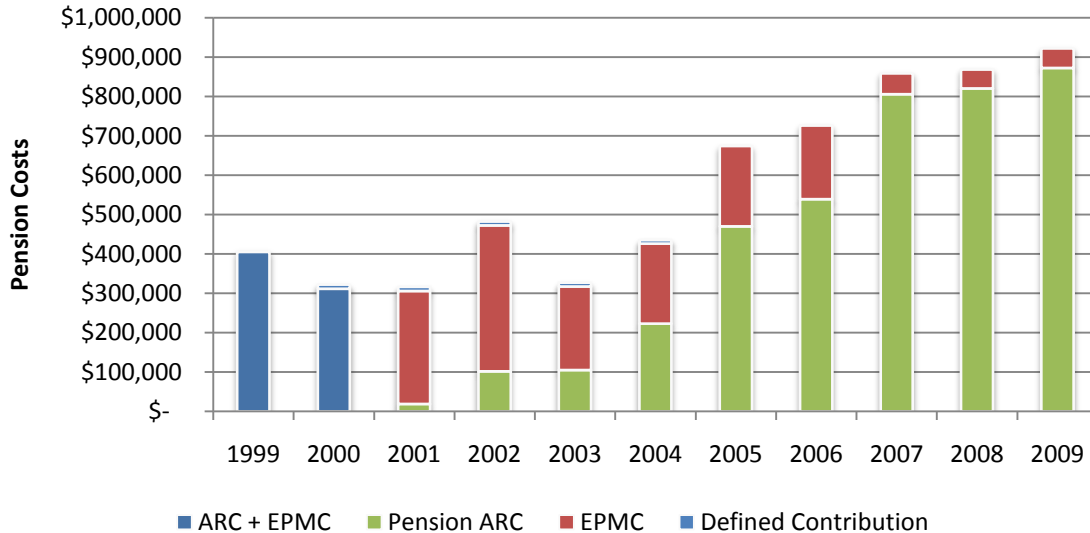
Payment toward pensions will continue to consume greater portions of the City’s General Fund. This past fiscal year, CalPERS lost nearly 1/3 of its portfolio. These rates, in return, get pushed back onto cities in the coming years through higher rates.



## City of Del Mar Pension Costs FY 1999 - FY 2009

(in 2008 Dollars, adjusted for inflation)

Sources: FY 1999 - FY 2009 CAFRs, Public Records Act Requests



For a more comprehensive look at public pensions in the region, please review SDCTA’s Phase I report issued in October of 2009.

SDCTA recognizes that while pension costs consume increasing portions of a City’s General Fund, total compensation needs to be taken into account as well. SDCTA has reviewed three “typical” positions in city government: firefighter/paramedics, executive assistants, and assistant planners and each of their corresponding monthly salaries.

City	Position	Monthly Salary	Position	Monthly Salary	Position	Monthly Salary
Carlsbad	Firefighter/ Paramedic	\$6,415	Executive Assistant	\$6,050	Assistant Planner	\$5,504
Coronado	Firefighter/ Paramedic	\$6,022	Executive Assistant	\$5,713	Assistant Planner	\$5,587
Del Mar	Firefighter/ Paramedic	\$5,846	Executive Assistant	\$4,623	Assistant Planner	\$5,309
Encinitas	Firefighter/ Paramedic	\$6,582	Executive Assistant	\$5,561	Assistant Planner	\$5,561
Poway	Firefighter/ Paramedic	\$6,088	Executive Assistant	\$4,499 - \$5,468	Assistant Planner	\$5,632
Solana Beach	Firefighter/ Paramedic	\$6,183	Executive Assistant	\$5,021	Assistant Planner	\$5,124
San Marcos	Firefighter/ Paramedic	\$6,104	Executive Assistant	\$6,060	Assistant Planner	\$5,361

Source for Firefighter/Paramedic Data: Del Mar Compensation Survey Data (dated thru October 2009).

Source for Executive Assistant Data: Coronado Compensation Survey Data (dated thru April 2009). City of Poway’s Salary Schedule for FY 2008/2009.

Source for Assistant Planner Data: Coronado Compensation Survey Data (dated thru April 2009).

As can be seen in the compensation table, Del Mar pays the least for Firefighters/Paramedics and Executive Assistants out of the selected neighboring cities and pays the second lowest for Assistant Planners.