

**CITY OF COSTA MESA**  
**Department of Public Works and Finance Department**  
**MEMORANDUM**

**TO: MAYOR AND CITY COUNCIL**

**FROM: RAJA SETHURAMAN, PUBLIC WORKS DIRECTOR**  
**CAROL MOLINA, FINANCE DIRECTOR**

**DATE: MAY 6, 2025**

**SUBJECT: COSTA MESA COUNTRY CLUB REVENUES AND EXPENDITURES**

At the April 22, 2025 City Council Study Session, Mayor Stephens requested information on historical revenues and expenditures, as well as golf course green fees for the City-owned Costa Mesa Country Club. This information was requested due to consideration of reductions in the Capital Improvement Project (CIP) budget related to Costa Mesa Country Club. At the May 6, 2025 City Council meeting, staff will be presenting an item related to CIP deferrals needed to address the FY 2024-25 estimated budget shortfall. One of the proposed alternatives includes the reduction of \$400,000 in the Costa Mesa Country Club Modernization project, leaving \$350,000; and the reduction of an additional \$500,000 in the Golf Course and Tennis Center Improvements project leaving approximately, \$490,000.

The following table provides a revenue breakdown for the Costa Mesa Country Club over the past six (6) years:

| <b>Fiscal Year</b> | <b>Gross Total Revenues</b> | <b>Gross Green Fees</b> | <b>Subtotal Golf Course Revenues*</b> | <b>Mesa Verde Partners</b> | <b>City General Fund</b> | <b>Golf Course Improvement Fund^</b> |
|--------------------|-----------------------------|-------------------------|---------------------------------------|----------------------------|--------------------------|--------------------------------------|
| 2018-19            | \$7,589,411                 | \$4,116,000             | \$3,472,811                           | \$5,477,829                | \$2,230,891              | \$102,915                            |
| 2019-20            | \$7,505,575                 | \$4,350,350             | \$3,155,225                           | \$5,348,315                | \$2,237,608              | \$108,759                            |
| 2020-21            | \$10,793,401                | \$6,548,594             | \$4,244,807                           | \$7,397,641                | \$3,526,236              | \$163,715                            |
| 2021-22            | \$10,748,839                | \$6,250,815             | \$4,228,024                           | \$7,404,334                | \$3,470,925              | \$163,020                            |
| 2022-23            | \$10,416,063                | \$6,387,815             | \$4,028,248                           | \$7,189,405                | \$3,349,260              | \$159,695                            |
| 2023-24            | \$11,619,106                | \$7,177,717             | \$4,441,389                           | \$8,026,785                | \$3,707,708              | \$169,771                            |

\*Not including the Green Fees

^2.5% of Green Fees

Over the past ten (10) years, the total expenditures from the Golf Course Fund (Fund 413) is approximately \$956,560, for various improvements within the Costa Mesa Country Club property.

At the Study Session, the Mayor also requested information on action previously taken by City Council to reduce the five percent (5%) CIP allocation to the Golf Course Fund to 2.5%. This action was taken by City Council on June 16, 2009.

If you have any questions, please contact Finance Director Carol Molina or myself.

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# FISCAL YEAR 2024-25 CIP PROJECT DEFERRALS

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City Council  
May 6, 2025



# FY 2024-25 ADOPTED BUDGET

| Expenditure Category     | All Funds            | %           | General Fund         | %           |
|--------------------------|----------------------|-------------|----------------------|-------------|
| Salaries & Benefits      | \$133,130,777        | 59%         | \$133,130,777        | 70%         |
| Maintenance & Operations | 52,189,891           | 22%         | 44,132,090           | 23%         |
| Fixed Assets             | 6,781,618            | 3%          | 2,925,298            | 2%          |
| Transfers Out            | 12,631,498           | 5%          | 9,705,994            | 5%          |
| Capital Projects         | 27,901,236           | 11%         | -                    | -           |
| <b>Total</b>             | <b>\$239,815,342</b> | <b>100%</b> | <b>\$189,894,159</b> | <b>100%</b> |

# FY 2024-25 GENERAL FUND BUDGET REDUCTIONS

- Fiscal Year 2024-25 General Fund expenditure budget to be reduced by \$3.6M to address estimated revenue shortfall.
- Proposed reductions include:
  - \$0.7M in operating budget reduction utilizing Gas Tax for street sweeping services, and
  - \$2.9M deferrals of approved capital projects

# INITIALLY PROPOSED FY 2024-25 CIP DEFERRALS

| No. | Project Name  | Deferred Amount    |
|-----|---|--------------------|
| 1   | City Hall Cast Iron Drain Repipe                              | \$254,019          |
| 2   | Finance Security/Efficiency Remodel                           | \$250,000          |
| 3   | Citywide Community Choice Energy Study                        | \$150,000          |
| 4   | City Hall 5th Floor Air Handler Replacement                   | \$140,000          |
| 5   | City Hall Breezeway Roof                                      | \$245,000          |
| 6   | City Hall Heater(s) Replacement                               | \$350,000          |
| 7   | Westside Restoration Project                                  | \$450,000          |
| 8   | Parkway Maintenance Program Citywide                          | \$233,757          |
| 9   | Costa Mesa Country Club Modernization                         | \$400,000          |
| 10  | Butterfly Gardens   | \$100,000          |
|     | Savings from Completed Projects                               | \$300,000          |
|     | <b>Ongoing Capital Improvement Projects for Fund Deferral</b> | <b>\$2,872,776</b> |

# FiPAC RECOMMENDATION

- FiPAC made following recommendations at April 9, 2025 meeting:
  - Support Emergency Exception of the CAN ordinance for FY 2024-25.
  - Support proposed projects for deferral, except for the following:
    - City Hall Cast Iron Drain Repipe \$254,019
    - City Hall 5th Floor Air Handler Replacement \$140,000
    - City Hall Heater(s) Replacement \$350,000
  - Staff to recommend alternative reductions for Council consideration.
  - Deferred action on FY 2025-26 CIP to May 2025 for consideration along with the Operating Budget.

# ALTERNATIVE CIP DEFERRALS FOR CONSIDERATION

| No. | Project Name                           | Deferred Amount     |
|-----|--|---------------------|
| 1   | City Hall Cast Iron Drain Repipe       | \$ 254,019          |
| 2   | Finance Security/Efficiency Remodel    | \$ 250,000          |
| 3   | Sewer Line Improvement                 | \$ 250,000          |
| 4   | Citywide Community Choice Energy Study | \$ 150,000          |
| 5   | City Hall Breezeway Roof               | \$ 245,000          |
| 6   | Westside Restoration Project           | \$ 450,000          |
| 7   | Parkway Maintenance Program Citywide   | \$ 233,757          |
| 8   | Costa Mesa Country Club Modernization  | \$ 400,000          |
| 9   | Butterfly Gardens                      | \$ 100,000          |
| 10  | Senior Center Improvements             | \$ 250,000          |
|     | Savings from Completed Projects        | \$ 300,000          |
|     | <b>Alternative Proposal</b>            | <b>\$ 2,882,776</b> |

# CITY COUNCIL STUDY SESSION

- Alternative list of deferral projects was presented to City Council at the April 22, 2025 Study Session.
- The following input was received from Councilmembers:
  - Remove the following projects from the deferral list:
    - Sewer Line Improvement \$250,000
    - Senior Center Improvements \$250,000
  - Golf Course & Tennis Center Improvements project has funding available for deferral.
  - Golf Course is a City-owned, revenue-generating facility requiring improvements to both the golf course grounds and clubhouse.



# REVISED ALTERNATIVE CIP DEFERRALS FOR CONSIDERATION

| No.   | Project Name   | Deferred Amount     |
|---|--|---------------------|
| 1   | City Hall Cast Iron Drain Repipe                             | \$ 254,019          |
| 2   | Finance Security/Efficiency. Remodel                         | \$ 250,000          |
| 3   | Citywide Community Choice Energy Study                       | \$ 150,000          |
| 4   | City Hall Breezeway Roof                                     | \$ 245,000          |
| 5   | Westside Restoration Project                                 | \$ 450,000          |
| 6   | Parkway Maintenance Program Citywide                         | \$ 233,757          |
| 7   | Costa Mesa Country Club Modernization (General Fund portion) | \$ 400,000          |
| 8   | Butterfly Gardens  | \$ 100,000          |
| 9   | Golf Course & Tennis Center Improvements                     | \$ 500,000          |
|   | Savings from Completed Projects                              | \$ 300,000          |
| <b>Revised Alternative Ongoing CIP Projects for Fund Deferral</b> |  | <b>\$ 2,882,776</b> |

# DEFERRAL ALTERNATIVES SUMMARY

| No. | Proposed Project to be Deferred             | Original            | Alternative 2       | Alternative 3       |
|-----|---|---------------------|---------------------|---------------------|
| 1   | City Hall Cast Iron Drain Repipe            | \$ 254,019          | \$ 254,019          | \$ 254,019          |
| 2   | Finance Security/Efficiency Remodel         | \$ 250,000          | \$ 250,000          | \$ 250,000          |
| 3   | Citywide Community Choice Energy Study      | \$ 150,000          | \$ 150,000          | \$ 150,000          |
| 4   | City Hall 5th Floor Air Handler Replacement | \$ 140,000          | \$ -                | \$ -                |
| 5   | City Hall Breezeway Roof                    | \$ 245,000          | \$ 245,000          | \$ 245,000          |
| 6   | City Hall Heater(s) Replacement             | \$ 350,000          | \$ -                | \$ -                |
| 7   | Westside Restoration Project                | \$ 450,000          | \$ 450,000          | \$ 450,000          |
| 8   | Parkway Maintenance Program Citywide        | \$ 233,757          | \$ 233,757          | \$ 233,757          |
| 9   | Costa Mesa Country Club Modernization       | \$ 400,000          | \$ 400,000          | \$ 400,000          |
| 10  | Butterfly Gardens                           | \$ 100,000          | \$ 100,000          | \$ 100,000          |
| 11  | Sewer Line Improvement Project              | \$ -                | \$ 250,000          | \$ -                |
| 12  | Senior Center Improvements                  | \$ -                | \$ 250,000          | \$ -                |
| 13  | Golf Course & Tennis Center Improvements    | \$ -                | \$ -                | \$ 500,000          |
|     | Savings from Completed Projects             | \$ 300,000          | \$ 300,000          | \$ 300,000          |
|     | <b>Total Proposed Deferral</b>              | <b>\$ 2,872,776</b> | <b>\$ 2,882,776</b> | <b>\$ 2,882,776</b> |

\*Staff recommendation



# NEXT STEPS

- The City's Municipal Code Section § 2-209 Capital Asset Needs Reserve requirement states that the City shall allocate a minimum of five percent (5%) of the annual General Fund revenue towards the capital asset account (Fund 401).
- Staff is requesting Emergency Exception authorization as per Section 2-213(1)(b) to address the FY 2024-25 potential revenue shortfall due to the economic downturn.



# RECOMMENDED ACTIONS

1. Authorize the “Emergency Exception” clause of the Capital Asset Needs Ordinance under Section 2-2131(b), Economic Downturn, for Fiscal Year 2024-25.
2. Provide direction on which approved projects may be deferred to help address the General Fund revenue shortfall resulting from the current economic downturn.
3. Approve a financial plan to reinstate the \$2.9 million in deferred projects by: prioritizing funding in FY 2025-26 if revenues exceed expectations, and if needed, reinstate the funding over a 10-year period for fiscal years that revenues exceed expenditures to ensure a fiscally sustainable General Fund budget.

# Questions?