
**CITY OF COSTA MESA
CITY MANAGER'S OFFICE
INTEROFFICE MEMORANDUM**

TO: MAYOR AND CITY COUNCIL
FROM: CECILIA GALLARDO-DALY, CITY MANAGER
MARK KHOU, BUDGET AND PURCHASING MANAGER
DATE: APRIL 2, 2026
SUBJECT: FISCAL YEAR 2026-27 BUDGET – RESPONSE TO REQUESTS FROM COUNCIL

On May 12, 2026, Finance Department staff presented the Fiscal Year 2026-27 Proposed Budget to the City Council during a Budget Study Session. During the session, Council Members requested that the budget incorporate funding to address the City's utility cost needs and to fund the Arts Specialist position in the Cultural Arts Master Plan (Fund 130).

The following adjustments have been made to the FY 2026-27 Proposed Budget:

- An increase of \$800,000 to budgeted utility costs.
- Allocation in the amount of \$186,030 to fund the Arts Specialist position.

Updated FY 2026-27 Proposed Budget financial schedules reflecting these changes are attached.

ATTACHMENTS:

1. Summary of Appropriations by Account – General Fund (Excludes CIP) (May 12, 2026)
2. Summary of Appropriations by Account – General Fund (Excludes CIP) (June 2, 2026)
3. Parks Department Summary (May 12, 2026)
4. Parks Department Summary (June 2, 2026)

CC:
Alma Reyes, Assistant City Manager
Kimberly Hall Barlow, City Attorney
Department Directors
Kingley Okereke, Finance Consultant
Anna Acosta-Reyes, Finance Manager

Summary of Appropriations by Account – General Fund (Excludes CIP) From Fiscal Year 2023-2024 Through Fiscal Year 2026-2027

Account Description	FY 23-24 Actuals	FY 24-25 Actuals	FY 25-26 Adopted Budget	FY 26-27 Proposed Budget
Salaries and Benefits				
Salaries and Wages	\$ -	\$ -	\$ (4,346,404)	\$ (4,027,157)
Salaries & Wages	-	-	1,977,205	2,938,589
Regular Salaries - Sworn	26,037,765	27,019,962	29,325,600	30,648,303
Regular Salaries - Non-Sworn	29,170,030	33,227,712	35,588,159	38,375,276
Regular Salaries - Part-Time	5,585,102	5,820,130	4,848,561	4,844,745
Overtime	7,927,468	10,264,009	4,828,573	4,950,573
Accrual Payoff - Excess Max.	545,763	532,524	186,128	186,128
Vacation/Comp. Time Cash Out	509,827	650,019	302,980	302,980
Holiday Allowance	963,606	1,107,008	965,235	965,235
Separation Pay-Off	373,419	429,646	145,376	145,376
Other Compensation	3,913,768	4,177,004	4,312,649	4,775,675
Cafeteria Plan	11,807,771	12,383,220	13,735,999	14,030,013
Medicare	1,148,592	1,279,048	1,067,500	1,321,234
Retirement	35,049,145	38,403,378	40,623,510	42,913,158
Longevity	460,619	996,242	1,192,160	1,192,161
Executive Prof Development	75,341	83,987	105,786	101,030
Auto Allowance	38,415	46,707	48,300	48,300
City Contrib - Retiree Medical	1,900,907	1,987,615	2,460,000	2,460,000
Subtotal Salaries and Benefits	\$ 125,507,538	\$ 138,408,211	\$ 137,367,317	\$ 146,171,618
Maintenance and Operations				
Stationery and Office	\$ 220,515	\$ 213,749	\$ 214,150	\$ 191,250
Multi-Media, Promos, Subscript.	809,815	759,504	584,389	455,719
Small Tools and Equipment	790,764	259,084	240,151	211,026
Uniforms and Clothing	458,854	596,753	418,250	369,750
Safety and Health	659,605	561,844	658,122	604,931
Maintenance and Construction	482,693	442,011	328,250	328,250
Agriculture	101,227	63,378	97,000	97,000
Electricity - Buildings & Fac.	886,363	916,336	580,020	580,020
Electricity - Power	364,680	324,763	281,800	281,800
Electricity - Street Lights	1,237,221	1,272,173	1,000,000	1,000,000
Gas	64,014	77,786	45,400	45,400
Water - Domestic	61,352	92,761	76,100	76,100
Water - Parks and Parkways	805,573	1,004,422	859,100	859,100
Waste Disposal	232,704	256,895	261,462	261,702
Janitorial and Housekeeping	585,629	628,738	690,243	690,243
Legal Advertising/Filing Fees	222,392	291,990	311,600	243,600
Advertising and Public Info.	19,168	12,263	14,300	7,400
Telephone/Radio/Communications	1,017,966	913,232	810,089	810,089
Business Meetings	95,653	121,904	51,080	54,445
Mileage Reimbursement	1,735	2,051	3,300	3,300
Dues and Memberships	203,828	223,035	204,712	200,712

Summary of Appropriations by Account – General Fund (Excludes CIP) From Fiscal Year 2023-2024 Through Fiscal Year 2026-2027

Account Description	FY 23-24 Actuals	FY 24-25 Actuals	FY 25-26 Adopted Budget	FY 26-27 Proposed Budget
Maintenance and Operations (Continued)				
Board Member Fees	41,800	42,500	41,300	41,300
Professional Development	658,644	672,985	664,141	476,781
Buildings and Structures	405,414	329,926	276,913	237,163
Landscaping and Sprinklers	3,446,847	3,503,179	3,400,500	3,050,500
Automotive Equipment	2,159	3,603	-	-
Office Furniture	11,614	-	2,000	2,000
Office Equipment	80,190	79,252	66,431	56,431
Other Equipment	1,061,746	1,220,810	927,150	605,150
Streets, Alleys and Sidewalks	1,726,929	285,455	371,610	371,610
Employment	20,399	17,092	26,000	16,000
Consulting	2,909,759	2,729,640	2,890,160	3,070,636
Legal	1,944,321	1,447,516	2,880,000	1,825,211
Engineering and Architectural	384,122	419,678	547,848	467,848
Financial & Information Svcs.	683,969	531,852	1,078,750	677,971
Medical and Health Inspection	192,811	282,744	228,100	226,100
Public Safety	2,818,556	3,001,614	3,202,920	3,156,320
Recreation	372,935	408,496	504,220	496,020
Sanitation	960	1,040	1,200	1,200
Principal Payments	2,486,391	2,607,704	3,450,000	3,550,000
Interest Payments	941,676	880,601	1,067,905	1,067,905
External Rent	805,389	669,327	965,742	993,909
Grants, Loans and Subsidies	1,304,743	1,308,543	1,287,994	1,267,994
Internal Rent Central Services	66,875	65,936	99,722	99,722
Internal Rent Postage	151,305	121,240	110,792	110,792
Internal Rent - Maintenance	884,300	884,300	884,300	884,300
Internal Rent - Repl Cost	4,384,659	4,514,439	4,514,439	4,514,439
Internal Rent - Fuel	573,094	501,777	501,400	501,400
Internal Rent Genl Liability	2,069,259	2,069,259	2,389,209	2,897,902
Internal Rent Workers' Comp	2,910,749	2,896,619	2,938,441	2,938,441
Internal Rent Unemployment	79,264	79,099	79,687	79,687
Taxes and Assessments	211,642	252,158	96,200	107,401
Contingency	457,722	214,679	500,000	-
Other Costs	3,588	6,692	1,600	1,600
Emergency Protective Measure	29,125	-	-	-
Subtotal Maintenance and Operations	\$ 43,444,708	\$ 41,084,423	\$ 43,726,192	\$ 41,165,570

Summary of Appropriations by Account – General Fund (Excludes CIP) From Fiscal Year 2023-2024 Through Fiscal Year 2026-2027

Account Description	FY 23-24 Actuals	FY 24-25 Actuals	FY 25-26 Adopted Budget	FY 26-27 Proposed Budget
Fixed Assets				
Land	-	1,478,861	-	-
Automotive Equipment	33,187	-	-	-
Office Furniture	42,847	14,085	12,900	7,900
Office Equipment	4,515	-	-	-
Other Equipment	1,676,877	2,146,728	2,951,363	2,796,163
Subtotal Fixed Assets	\$ 1,757,426	\$ 3,639,674	\$ 2,964,263	\$ 2,804,063
Transfers Out				
Operating Transfers Out	\$ 12,432,270	\$ 6,918,994	\$ 2,797,836	\$ 9,825,324
Subtotal Transfers Out	\$ 12,432,270	\$ 6,918,994	\$ 2,797,836	\$ 9,825,324
TOTAL APPROPRIATIONS - GENERAL FUND	\$ 183,141,942	\$ 190,051,302	\$ 186,855,608	\$ 199,966,575

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Holiday Allowance	963,606	1,107,008	965,235	965,235
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Cafeteria Plan	11,807,771	12,383,220	13,735,999	14,125,673
Medicare	1,148,592	1,279,048	1,067,500	1,321,234
Retirement	35,049,145	38,403,378	40,623,510	42,864,338
Longevity	460,619	996,242	1,192,160	1,192,161
Executive Prof Development	75,341	83,987	105,786	101,030
Auto Allowance	38,415	46,707	48,300	48,300
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Uniforms and Clothing	458,854	596,753	418,250	369,750
Safety and Health	659,605	561,844	658,122	604,931
Maintenance and Construction	482,693	442,011	328,250	328,250
Agriculture	101,227	63,378	97,000	97,000
Electricity - Buildings & Fac.	886,363	916,336	580,020	921,921
Electricity - Power	364,680	324,763	281,800	326,600
Electricity - Street Lights	1,237,221	1,272,173	1,000,000	1,290,000
Gas	64,014	77,786	45,400	65,700
Water - Domestic	61,352	92,761	76,100	79,100
Water - Parks and Parkways	805,573	1,004,422	859,100	959,100
Waste Disposal	232,704	256,895	261,462	261,702
Janitorial and Housekeeping	585,629	628,738	690,243	690,243
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Office Furniture	11,614	-	2,000	2,000
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Sanitation	960	1,040	1,200	1,200
Principal Payments	2,486,391	2,607,704	3,450,000	3,550,000
Interest Payments	941,676	880,601	1,067,905	1,067,905
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TOTAL APPROPRIATIONS - GENERAL FUND	\$ 183,141,942	\$ 190,051,302	\$ 186,855,608	\$ 199,966,575

Budget Narrative

The Fiscal Year 2026-27 budget for the Parks and Community Services Department is \$10.3 million, an increase of \$440,927, or 4.5 percent compared to the adopted budget for Fiscal Year 2025-26. FY 2026-27 funded the Arts & Cultural Master Plan in the 130-Arts & Cultural Master Plan Fund with a total budget of \$242,200. This fund is supported by Measure Q Cannabis Tax of 0.5 percent.

Expense by Fund	FY 23-24 Actuals	FY 24-25 Actuals	FY 25-26 Adopted Budget	FY 26-27 Proposed Budget
PARKS AND COMMUNITY SERVICES DEPARTMENT BY FUNDING SOURCE				
General Fund - 101	\$ 9,753,352	\$ 10,408,468	\$ 9,101,831	\$ 9,717,548
Arts and Culture Master Plan - 130	318,006	364,465	416,990	242,200
Disaster Fund - 150	-	656	-	-
Park Development Fees Fund - 208	344,382	339,410	346,805	346,805
Senior Transportation - 241	-	65,660	-	-
Total Parks and Community Services Department	\$ 10,415,740	\$ 11,178,658	\$ 9,865,626	\$ 10,306,553

Expense Category by Program	FY 23-24 Actuals	FY 24-25 Actuals	FY 25-26 Adopted Budget	FY 26-27 Proposed Budget
PARKS AND COMMUNITY SERVICES DEPARTMENT BY PROGRAM				
PARKS AND COMMUNITY SERVICES - 14300				
Parks and Community Services Administration - 50001				
Salaries and Benefits	\$ 1,653,332	\$ 1,842,620	\$ 1,471,405	\$ 1,872,675
Maintenance and Operations	632,766	442,113	386,293	386,293
Fixed Assets	3,913	-	2,000	2,000
Subtotal Parks and Comm. Svs. Admin.	\$ 2,290,011	\$ 2,284,732	\$ 1,859,698	\$ 2,260,968
Fairview Park - 20115				
Salaries and Benefits	\$ 403,794	\$ 539,155	\$ 501,900	\$ 530,346
Maintenance and Operations	399,028	388,371	400,805	400,805
Fixed Assets	6,736	2,350	-	-
Subtotal Fairview Park	\$ 809,558	\$ 929,876	\$ 902,705	\$ 931,151
Network for Homeless Solutions - 20605				
Salaries and Benefits	\$ 1,315	\$ -	\$ -	\$ -
Subtotal Network for Homeless Solutions	\$ 1,315	\$ -	\$ -	\$ -
Downtown Recreation Center - 40121				
Salaries and Benefits	\$ 169,249	\$ 171,308	\$ 102,105	\$ 105,611
Maintenance and Operations	117,736	127,289	87,170	92,080
Subtotal Downtown Recreation Center	\$ 286,985	\$ 298,597	\$ 189,275	\$ 197,691
Balearic Community Center - 40122				
Salaries and Benefits	\$ 51,121	\$ 53,632	\$ 45,298	\$ 47,922
Maintenance and Operations	171,452	62,817	133,165	163,944
Fixed Assets	-	-	800	800
Subtotal Balearic Community Center	\$ 222,573	\$ 116,449	\$ 179,263	\$ 212,666

Budget Narrative

The Fiscal Year 2026-27 budget for the Parks and Community Services Department is an increase of \$688,958, or 7.0 percent compared to the adopted budget for Fiscal Year 2025-26. FY 2026-27 funded the Arts & Cultural Master Plan in the 130-Arts & Cultural Master Plan Fund with a total budget of \$428,230. This fund is supported by Measure Q Cannabis Tax of 0.5 percent.

Expense by Fund	FY 23-24 Actuals	FY 24-25 Actuals	FY 25-26 Adopted Budget	FY 26-27 Proposed Budget
PARKS AND COMMUNITY SERVICES DEPARTMENT BY FUNDING SOURCE				
General Fund - 101	\$ 9,753,352	\$ 10,408,468	\$ 9,101,831	\$ 9,779,549
Arts and Culture Master Plan - 130	318,006	364,465	416,990	428,230
Disaster Fund - 150	-	656	-	-
Park Development Fees Fund - 208	344,382	339,410	346,805	346,805
Senior Transportation - 241	-	65,660	-	-
Total Parks and Community Services Department	\$ 10,415,740	\$ 11,178,658	\$ 9,865,626	\$ 10,554,584

Expense Category by Program	FY 23-24 Actuals	FY 24-25 Actuals	FY 25-26 Adopted Budget	FY 26-27 Proposed Budget
PARKS AND COMMUNITY SERVICES DEPARTMENT BY PROGRAM				
PARKS AND COMMUNITY SERVICES - 14300				
Parks and Community Services Administration - 50001				
Salaries and Benefits	\$ 1,653,332	\$ 1,842,620	\$ 1,471,405	\$ 1,872,675
Maintenance and Operations	632,766	442,113	386,293	386,293
Fixed Assets	3,913	-	2,000	2,000
Subtotal Parks and Comm. Svs. Admin.	\$ 2,290,011	\$ 2,284,732	\$ 1,859,698	\$ 2,260,968
Fairview Park - 20115				
Salaries and Benefits	\$ 403,794	\$ 539,155	\$ 501,900	\$ 530,346
Maintenance and Operations	399,028	388,371	400,805	400,805
Fixed Assets	6,736	2,350	-	-
Subtotal Fairview Park	\$ 809,558	\$ 929,876	\$ 902,705	\$ 931,151
Network for Homeless Solutions - 20605				
Salaries and Benefits	\$ 1,315	\$ -	\$ -	\$ -
Subtotal Network for Homeless Solutions	\$ 1,315	\$ -	\$ -	\$ -
Downtown Recreation Center - 40121				
Salaries and Benefits	\$ 169,249	\$ 171,308	\$ 102,105	\$ 105,611
Maintenance and Operations	117,736	127,289	87,170	138,910
Subtotal Downtown Recreation Center	\$ 286,985	\$ 298,597	\$ 189,275	\$ 244,521
Balearic Community Center - 40122				
Salaries and Benefits	\$ 51,121	\$ 53,632	\$ 45,298	\$ 47,922
Maintenance and Operations	171,452	62,817	133,165	168,744
Fixed Assets	-	-	800	800
Subtotal Balearic Community Center	\$ 222,573	\$ 116,449	\$ 179,263	\$ 217,466

Business Improvement Area Reauthorization and Levy Annual Assessment

June 2, 2026



Background



- State law mandates (Streets and Highways Code § 36533) specific procedures to be followed in the establishment of a business improvement area and the levying of a voluntary annual assessment.
- **May 5, 2026:** City Council adopted Resolution No. 2026-15, declaring the intention to levy an annual assessment for FY 2026-27 and set a Public Hearing on June 2, 2026, City Council meeting.

BIA Reauthorization and Levy of Annual Assessment

- The City levies a special assessment on the participating hotels.
 - In FY 2025-26 and prior years, there were 11 participating motels.
 - This fiscal year, the Crowne Plaza has noticed their intent to withdraw.
- Participation in the BIA is voluntary for hotels in Costa Mesa.
- For FY 2026-27, the proposed levy amount is three percent (3%).
 - TCM receives 99%.
 - City receives 1%.





Recommendations

Staff recommends the City Council:

1. Conduct a public hearing regarding the Business Improvement Area (BIA) reauthorization and levy of the annual assessment for Fiscal Year 2026-2027.
2. Adopt Resolution 2026-xx, confirming the annual report filed by Travel Costa Mesa and levying an annual assessment for Fiscal Year 2026-27 for the Business Improvement Area covering certain Costa Mesa hotels and motels.



FY 2026-27 Participating Hotels

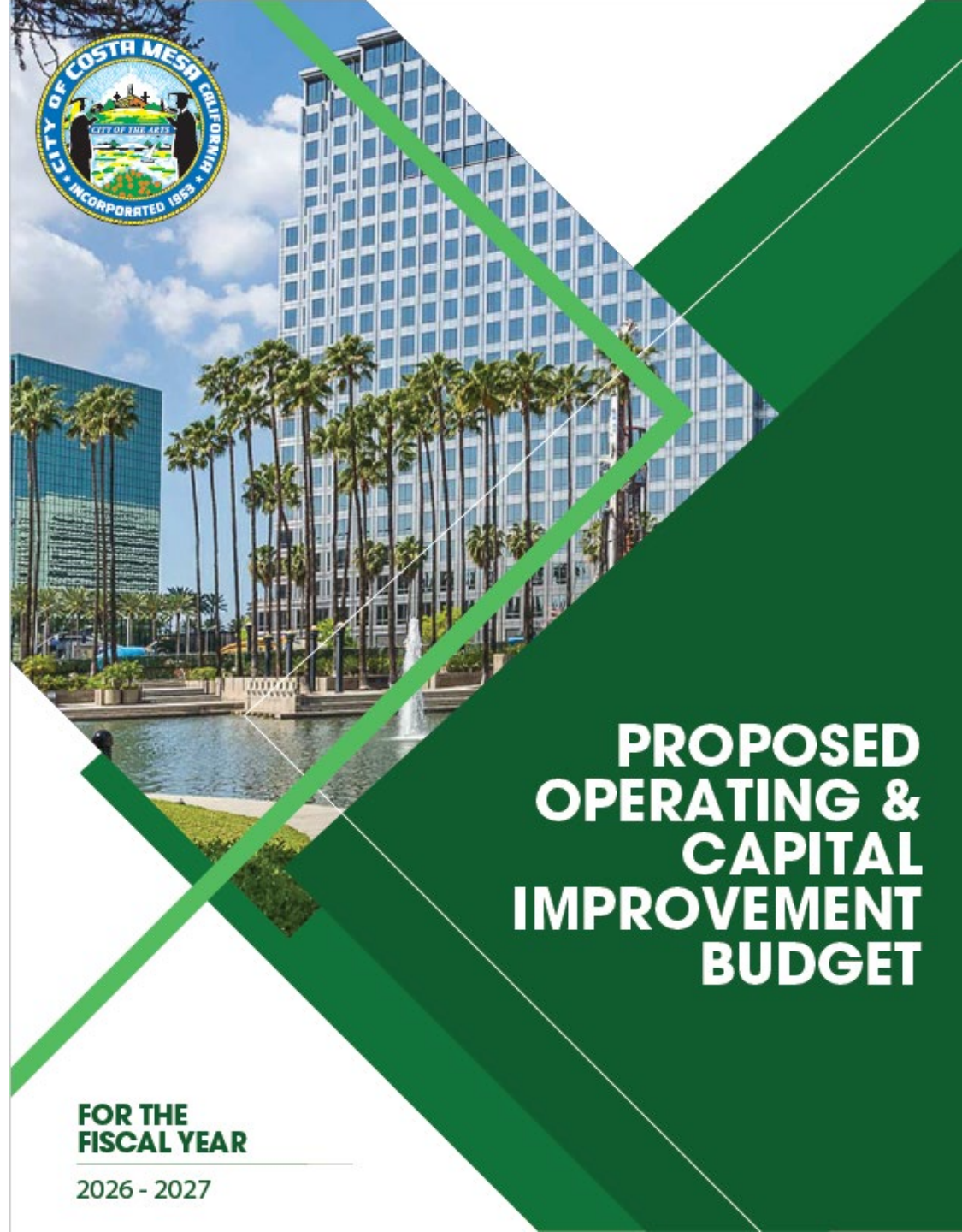
1. Avenue of the Arts, A Tribute Portfolio Hotel
2. Ayres Hotel Costa Mesa
3. Best Western Plus Newport Mesa Inn
4. Hilton Costa Mesa
5. Hampton by Hilton Costa Mesa Newport Beach
6. Marriott
7. OC Hotel Costa Mesa
8. Ramada Inn & Suites
9. Residence Inn by Marriott
10. The Westin South Coast Plaza

FY 2026-27
**PROPOSED OPERATING AND
CAPITAL IMPROVEMENT BUDGET**

City Council Public Hearing
June 2, 2026



**“Measured Decisions.
Meaningful Impact.”**




**PROPOSED
OPERATING &
CAPITAL
IMPROVEMENT
BUDGET**

**FOR THE
FISCAL YEAR**

2026 - 2027

FY 2026-27 PROPOSED BUDGET OVERVIEW

- Guiding Principles, Economic Update & Budget Assumptions
- City Council Request & FiPAC Recommendations
- FY 2026-27 Proposed Operating Budget
- FY 2026-27 Proposed General Fund Budget
- Position Changes & Vacancy Status Report
- FY 2026-27 Capital Improvement Budget
- Status of General Fund Reserves
- FY 2026-27 GANN Appropriation Limit
- Questions



GUIDING PRINCIPLES, ECONOMIC UPDATE & BUDGET ASSUMPTIONS

GUIDING PRINCIPLES

FY 2026-27 Proposed Budget was inspired by the Strategic Plan Goals:

- Strengthen the Public's Safety And Improve The Quality Of Life
- Diversify, Stabilize, and Increase Housing To Reflect Community Needs
- Advance Environmental Sustainability And Climate Resiliency
- Recruit And Retain High Quality Staff
- Achieve Long-Term Fiscal Sustainability
- Maintain and Enhance the City's Facilities, Technology, and Equipment

STATE OF THE ECONOMY

- U.S Economy is still grappling with uncertainty spurred by :
 - Increasing fuel prices
 - Uninspiring interest rate
 - Inflation concerns
 - Shaken consumer confidence
 - Decreased concern about recession
 - Geopolitical concerns including tariffs and Middle East Conflicts
- California economy is fraught with same economic uncertainty and consumer unease
 - Governor's May Budget Revision for California FY 2026-27 Budget reflects cautious optimism
- Costa Mesa
 - Impacted but with positive outlook given more resilient economic and revenue base

FY 2026-27 BUDGET ASSUMPTIONS

Revenue Assumptions and Impact:

- Approximately 3% growth in major revenues compared to FY 2025-26 Year-End Projections.
- (Approximately 2%-10% growth compared to FY 2025-26 Adopted Budget):
 - Sales Tax
 - Property Tax
 - Transient Occupancy Tax (TOT)
 - Permits
 - Franchise Fee
- Flat-to-very-low growth in most other revenue sources.
- The City's Master Fee study is underway.

FY 2026-27 BUDGET ASSUMPTIONS

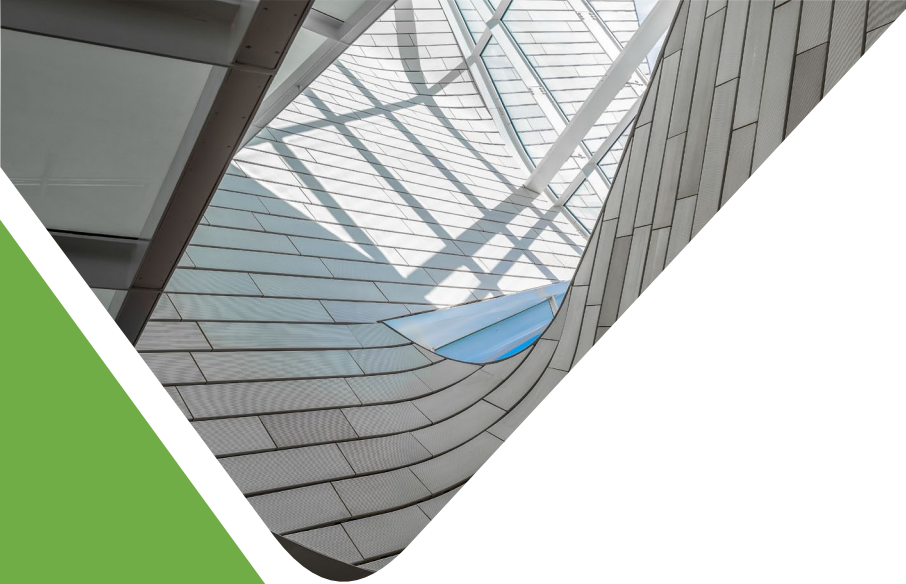
Expenditure Assumptions and Impact:

- Built-in expenditure growth based on labor and contractual obligations
- Cost containment measures with a target reduction of 5% for departments
- Gradual/Incremental right sizing of departments' budgets
 - Adjusted overtime and part-time budgets
 - Adjusted utility costs to reflect actual expenses
- Fully staffed in the Police Department sworn positions
- Recruitment underway to fully staff sworn positions in the Fire Department

FY 2026-27 BUDGET ASSUMPTIONS CONTINUE

Expenditure Assumptions and Impact Continued:

- 14 frozen positions (13 in General Fund)
- 2% attrition factor applied citywide rather than department specific
- Fully fund the CAN and IT Needs funds per City Ordinance 2020-06
 - Include scheduled repayment of prior years CAN and IT deferrals
 - Properly apportioning project related labor costs into CAN & IT Needs funds

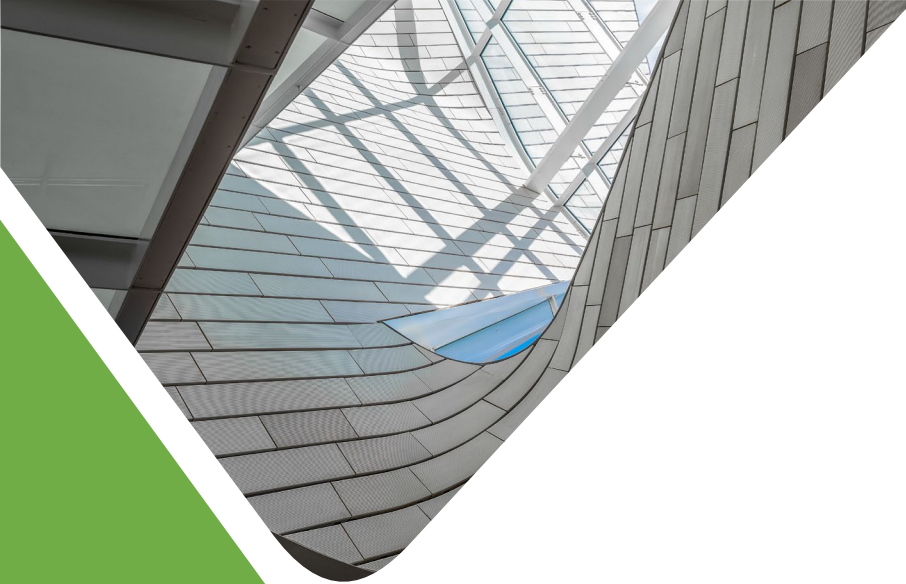


CITY COUNCIL'S REQUESTS



COUNCIL REQUESTS

1. Fund the Arts and Cultural Master Plan, including the Art Specialist position.
2. Fully fund the Outreach Worker for the Senior Center in the General Fund (a portion of the salary was formerly funded by CDBG).
3. Adjust budget for utilities to reflect actual expenses.
4. Include FiPAC's recommendation.



FiPAC

Finance and Pension Advisory Committee



FIPAC RECOMMENDATIONS

City Council approve the FY 2026-27 Proposed Operating and Capital Improvement budget as presented by staff with the following additions:

1. Transfer budgeting and accounting of legal fees listed in Non-Departmental to the City Attorney's Department.
2. Staff initiate an ongoing semi-annual review/status report to Council on Capital Improvement Projects.

The background features a blurred city skyline at sunset on the left and a colorful, abstract mural on the right. The mural consists of various geometric shapes and patterns in bright colors like yellow, blue, green, and red. A large blue triangle is positioned in the bottom right corner.

FY 2026-27 PROPOSED OPERATING BUDGET OVERVIEW

ALL FUNDS DESCRIPTION

Fund Type	Description
General Fund	General operating fund of the City.
Special Revenue Funds	Grants (Federal, State and/or County), restricted funding sources.
Internal Service Funds	<p>Costs of materials, equipment, and services used are accumulated in these funds and charged to the user departments.</p> <ul style="list-style-type: none"> • Equipment Replacement Fund • Self-Insurance Fund • Information Technology Replacement Fund
Capital Improvement Fund	Large capital projects normally span over multiple fiscal years. Typically, \$30,000 or above including staff time.
Housing Authority Fund	To serve as the housing successor by managing housing assets, duties, and functions, including administrative costs and homelessness prevention and rapid rehousing, in accordance with California Health and Safety Code Section 34200 et seq.

FISCAL YEAR 2026-27 PROPOSED BUDGET ALL FUNDS OVERVIEW

Highlights:

- The Proposed Budget for FY 2026-27 All Funds is \$245.9M, an \$20.9M or 9% increase from the current fiscal year adopted budget;
- Appropriating \$109.3M, or 55%, in General Fund resources to public safety;
- Investing \$23.6M into the City's active transportation network, streets, facilities, parks and information technology (additional \$12.0M for Fire Station #2 bond);
- Increase of \$2.0M to the annual required CalPERS UAL contributions;
- Includes fully funding of the Capital Asset Needs and IT Needs Funds plus scheduled repayment of prior years' deferrals; and
- Funds \$1.3M to the Housing Authority Fund.

FY 2026-27 ALL FUNDS APPROPRIATIONS \$245.9M

Appropriations All Funds	Adopted	Proposed	Increase /(Decrease)	
	FY 2025-26	FY 2026-27	Amount	Percent
Operating Budget ¹	\$202,433,823	\$211,652,683	\$9,218,860	5%
Transfers Out	3,547,836	10,625,324 ²	7,077,488	199%
Capital Budget	18,957,631	23,585,595 ³	4,627,964	24%
Total	\$224,939,290	\$245,863,602	\$20,924,312	9%

¹ Includes General Fund, Special Funds, and Internal Services Funds

² Includes GF contribution to the CAN \$6.7M & IT Needs \$3.1M, and \$0.8M from Opioid Settlement Fund

³ Includes \$1.6M IT projects

CAPITAL ASSET NEEDS (CAN) & INFORMATION TECHNOLOGY NEEDS (IT Needs) CALCULATION

CAN Calculation	\$ (millions)
5% General Fund Revenues	\$10.0M
Less: Lease Revenue Bond Payments	(2.8M)
Less: Fire Station #2 Bond Payment	(1.1M)
CAN Deferral Repayment	0.6M
Total	\$6.7M

IT Needs Calculation	\$ (millions)
1.5% General Fund Revenues	\$3.0M
IT Needs Deferral Repayment	0.1M
Total	\$3.1M

Total transfer out to CAN and IT Needs is \$9.8M

- \$1.3M (General Fund \$0.5M and Opioid Settlement Fund \$0.8M) contribution to the Housing Authority Fund to support the Homeless Shelter and programs.
- Includes funding for all contractual obligations (e.g. shelter operator, meal provider).

Information Technology Replacement Fund

- Appropriation of \$3.1M, including:
 - \$2.2M for IT Replacement eligible expenditures and projects.
 - \$0.9M for project-related staff costs.

Self-Insurance Internal Service Fund

- \$0.5M in additional funding for increases to insurance premiums.

- ½ percent of the seven percent Cannabis Retail and Delivery Tax (Measure Q) funding for the Arts and Culture Master Plan (\$242,200).
- Received direction from City Council on May 5, 2026 to allocate additional funding towards the City's Art and Culture Programs.
- Fully fund the Arts Specialist position per City Council direction.
- Will award a consulting contract on June 16, 2026 for the preparation of the next 5-year Arts and Culture Master Plan.
- Upon completion of the proposed 5-year plan, staff will return to Council with the adoption of the plan and funding sources.

The background features a blurred city skyline at sunset with a white semi-transparent overlay. On the right side, there is a colorful mural with abstract patterns in yellow, blue, red, and green, and a blue triangular graphic element at the bottom right.

FY 2026-27 PROPOSED GENERAL FUND BUDGET OVERVIEW

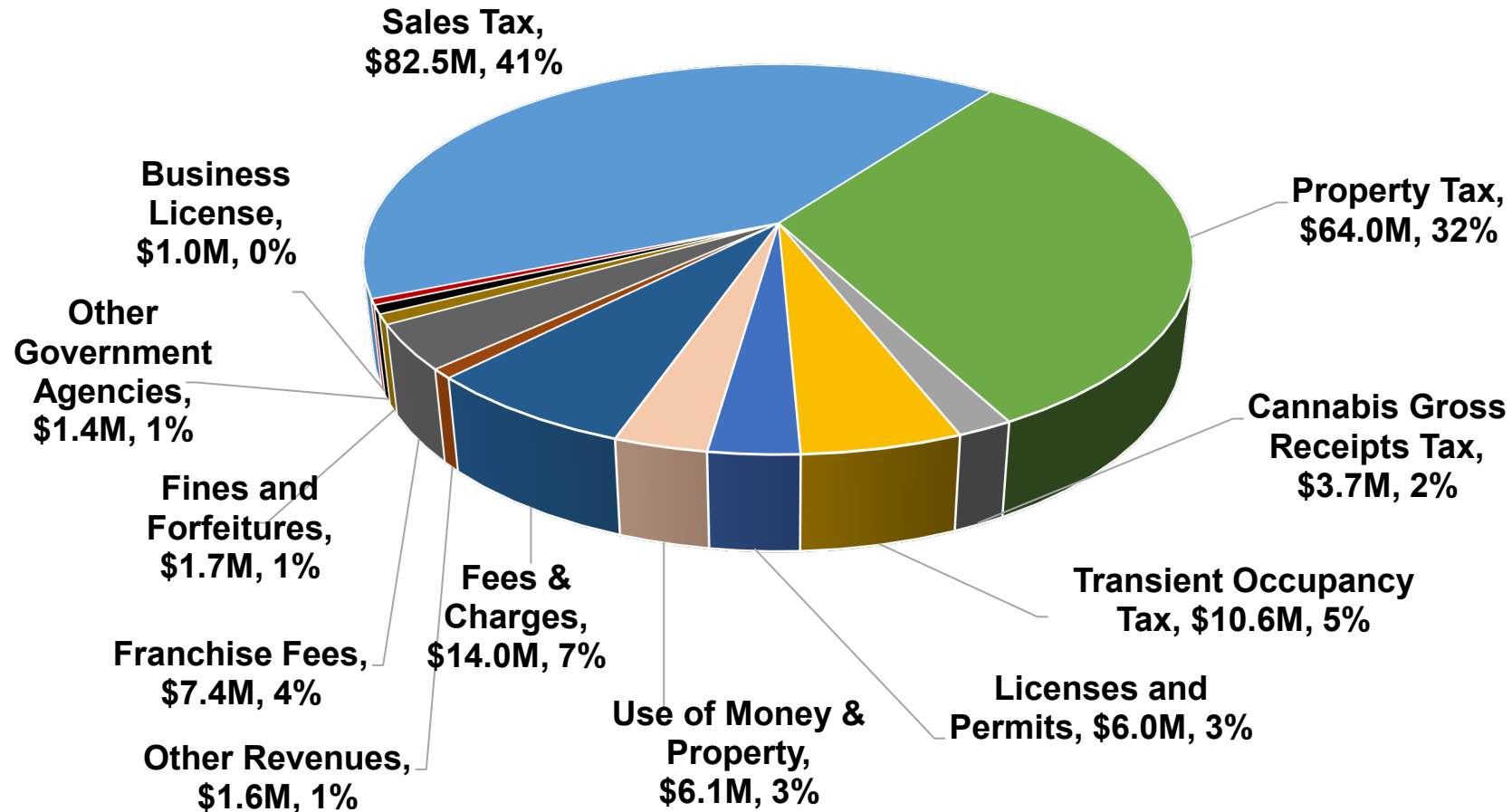
GENERAL FUND OVERVIEW (IN MILLIONS)

Category	Adopted FY 2025-26	Projected FY 2025-26	Proposed FY 2026-27	Adopted vs Proposed Difference	Proposed Percent
Estimated Revenues	\$186.9	\$193.9	\$200.0	\$13.1	7%
Total Sources of Funds	\$186.9	\$193.9	\$200.0	\$13.1	7%
Operating Budget	\$184.1	\$191.0	\$190.2	\$6.1	3%
Transfers Out	2.8	2.8	9.8*	7.0	251%
Total Uses of Funds	\$186.9	\$193.8	\$200.0	\$13.1	7%
Difference	\$ -	\$0.1	\$ -	\$ -	- %

*Includes full General Fund contribution and deferral scheduled repayments to the CAN and ITRF.

FY 2026-27 PROPOSED GENERAL FUND REVENUE

Total Revenues – General Fund by Category \$200.0M



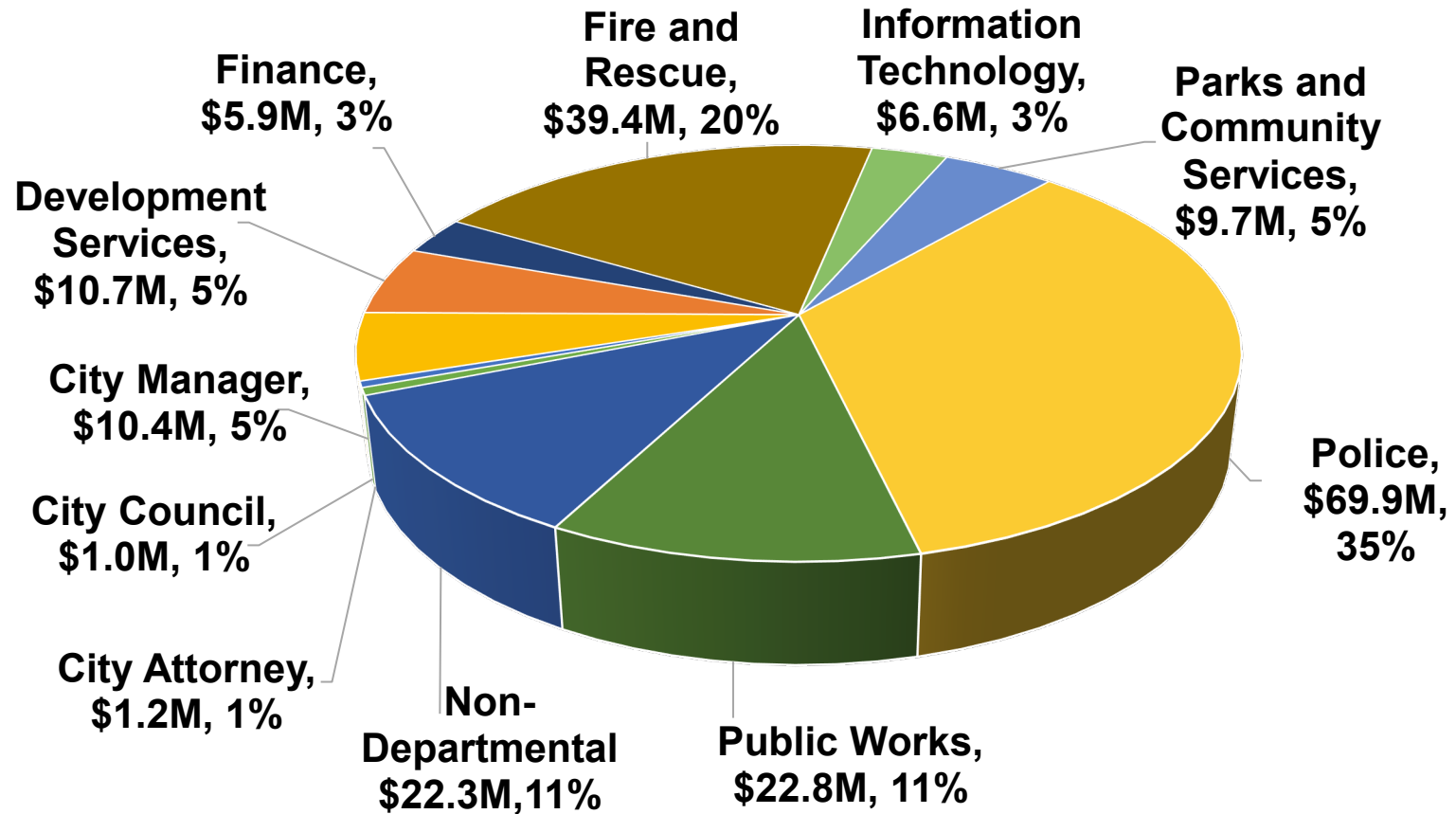
GENERAL FUND REVENUE HIGHLIGHTS

- General Fund revenue is budgeted at \$200.0M, an increase of 3% over FY 2025-26 Year-End Projection, but an increase of \$13.1M, or 7% from the FY 2025-26 Adopted Budget;
- Sales Tax is estimated at \$82.5M, an increase of 3% over FY 2025-26 Year-End Projection, but a \$7.5M, or 10% increase from FY 2025-26 Adopted Budget;
- Property Taxes are estimated at \$64.0M, a 2% growth over from FY 2025-26 Adopted Budget;
- Transient Occupancy Tax are estimated at \$10.6M, a 5% increase from Year-End Projection, but a 7% increase from FY 2025-26 Adopted Budget of \$9.8M;
- Fees and Charges are estimated at \$13.9M an approximate increase of \$0.8M from the FY 2025-26 Adopted Budget;
- Cannabis taxes are estimated at \$4.2M (GF portion \$3.7M, an approximate increased by \$49K, or 1% from FY 2025-26 Adopted budget); and
- Business License Tax are estimated at \$1.0M, a 4% increase from FY 2025-26 Adopted Budget.

STRENGTHEN THE PUBLIC'S SAFETY

Public Safety Represents 55% of General Fund

Total Appropriations – General Fund by Department \$200.0M



Fire and Rescue Department

- Sworn staffing levels at 86 positions;
- Currently recruiting 8 Fire Fighter positions and pursuing full staffing;
- Other annualized enhancements include:
 - Reallocation of an Emergency Medical Services Coordinator to a Fire Battalion Chief; and
 - \$0.1M in funding for new vehicle.

Police Department

- Sworn staffing levels at 142 positions;
- Fully staffed in Police sworn positions;
- Other annualized enhancements include:
 - Reallocation of a Public Safety Dispatcher to a Public Safety Dispatch Supervisor and elimination of a Park Ranger; and
 - \$0.7M in funding for new and replacement vehicles.

Police Department: AB 481 Overview

- Effective January 1, 2022, AB 481 mandates all California law enforcement agencies must:
 - Write an AB 481 equipment policy;
 - Compile an inventory list;
 - Ensure both are available to public on local webpage;
 - Notify local governing body 30-days prior to approval;
 - Obtain formal approval by governing body through ordinance of both the policy and equipment list; and
 - Review and approve annually by local governing body (approval more often if changes are made).
- City of Costa Mesa Annual AB481 Report posted on the Costa Mesa Police Department's website.

FY 2026-27 GENERAL FUND EXPENDITURE HIGHLIGHTS

- Structurally balanced budget with no use of General Fund Reserves;
- Includes 55% commitment to Public Safety;
- Reallocate 3.0 positions, while reducing 1 FTE;
- Includes \$2.0M in CalPERS UAL year-over-year increase;
- Includes a 2% attrition factor across all departments;
- Allocate \$6.7M (including scheduled repayments of \$0.6M to Capital Asset Needs to ensure compliance with the Municipal Code Ordinance No. 2020-06); and
- Allocate \$3.1M (includes scheduled repayment \$0.1M) to ensure compliance with the Information Technology Needs Municipal Code requirement of 1.5% of GF revenue.



VACANCY STATUS REPORT & POSITION CHANGES

- Effective January 1, 2025, Assembly Bill 2561 modified the Meyers-Millias-Brown Act to update Government Code section 3502.3 to require public agencies to annually report on vacant positions and recruitment and retention efforts.
- The public agency must also identify any necessary changes to policies, procedures and recruitment activities that may lead to obstacles in the hiring process and allow bargaining units to also make a presentation.
- The annual report must occur during a public hearing before the governing board once per year and must be done prior to the adoption of the agency's final budget.
- If vacancies within a single bargaining unit meet or exceed 20% of authorized positions in that bargaining unit, the City must provide additional information regarding vacancies and recruitments if requested by that bargaining unit.

ALL FUNDS

FY 2025-26 AB 2561 ANNUAL VACANCY REPORT

Employee Group	FT Employees Budgeted	Vacancies	Vacancy Rate
Costa Mesa City Employees Association (CMCEA)	288	23	8%
Costa Mesa Fire Association (CMFA)	80	8	10%
Costa Mesa Fire Management Association (CMFMA)	3	0	0%
Costa Mesa Police Association (CMPA)	131	0	0%
Costa Mesa Police Management Association (CMPMA)	9	0	0%
Costa Mesa Division Managers Association (CMDMA)	21	1	5%
Confidential Unit (Non Represented)	33	2	6%
Confidential Management Unit (Non Represented)	7	1	14%
Executive Employees (Non Represented)	13	3	23%
Total*	585	38	6%

*Does not include 7 council members and FY 2025-26 frozen positions. As of May 2, 2026.

ALL FUNDS

CITYWIDE VACANCIES*

DEPARTMENT	VACANCY	
CITY MANAGER	Community Outreach Supervisor Executive Assistant	Deputy City Manager Senior Management Analyst
ECONOMIC & DEVELOPMENT SERVICES	Administrative Assistant Assistant Dev. Services Director Assistant Planner	Associate Planner Principal Planner
FINANCE	Assistant Finance Director	Finance Director
FIRE	Fire Chief Firefighter (8)	Assistant Fire Marshal Emergency Medical Services Coordinator
PARKS & COMMUNITY SERVICES	Recreation Specialist	Senior Recreation Supervisor
POLICE	Custody Officer Park Ranger Police Records Shift Supervisor	Sr. / Police Records Technician/ (2) Sr. / Public Safety Dispatcher Dispatcher (7)
PUBLIC WORKS	Senior Management Analyst	Senior Maintenance Worker
TOTAL VACANCIES:	38	

* As of May 2, 2026.

Recruitment & Retention Challenges and Efforts

Recruitment Efforts

- ✓ Partnering with local education institutions (Coastline ROP) to place interns to enhance interest in working for local government
- ✓ Continuing to offer hiring and referral incentives for Police Officers and Dispatchers
- ✓ Continue to enhance City's branding as an employer of choice through social media

Retention Efforts

- ✓ Negotiating successor agreements with bargaining units
- ✓ Updated compensation to align with the market for select classifications and expanded select classification series to provide for professional growth

Challenges

- ✓ Maintaining competitive compensation package

ALL FUNDS

FY 2026-27 REQUESTED CHANGE IN POSITIONS

Department	Job Title	FTE
General Fund		
Police	Park Ranger	(1.00)
Police	Public Safety Dispatcher	(1.00)
Police	Public Safety Dispatch Supervisor	1.00
Development Services	Chief of Code Enforcement	(1.00)
Development Services	Senior Permit Technician	1.00
Fire & Rescue	Emergency Medical Services Coordinator	(1.00)
Fire & Rescue	Fire Battalion Chief	1.00
Grand Total All Funds Impact		(1.00)

Note: Total FTE City count is 599.
 Reactive Planning Technician classification.

ALL FUNDS

RECOMMENDED FROZEN POSITIONS

Department	Job Title	FTE	
		FY 2025-26	FY 2026-27
General Fund			
City Manager	Deputy City Manager	-	(1.00)
Development Services	Assistant Dir. of Dev Services (9 months)	-	(1.00)
Development Services	Principal Planner (3 months)	-	(1.00)
Development Services	Associate Planner	-	(1.00)
Development Services	Code Enforcement Officer II	(1.00)	(1.00)
Development Services	Chief of Code Enforcement	(1.00)	-
Finance	Assistant Finance Director	-	(1.00)
Police	Police Records Shift Supervisor	-	(1.00)
Fire	Assistant Fire Marshall	-	(1.00)
Parks	Office Specialist II	(1.00)	(1.00)
Information Technology	Programmer Analyst II	-	(1.00)
Public Works	Engineering Technician III	(1.00)	(1.00)
Public Works	Lead Facilities Maintenance Technician	(1.00)	(1.00)
Public Works	Maintenance Supervisor	(1.00)	(1.00)
Public Works	Senior Engineer	(1.00)	-
General Fund Total		(7.0)	(13.00)
Other Funds			
Development Services	Office Specialist II	(1.00)	(1.00)
Other Funds Total		(1.00)	(1.00)
Grand Total All Funds Impact		(8.00)	(14.00)

REQUESTED DEPARTMENT NAME UPDATE

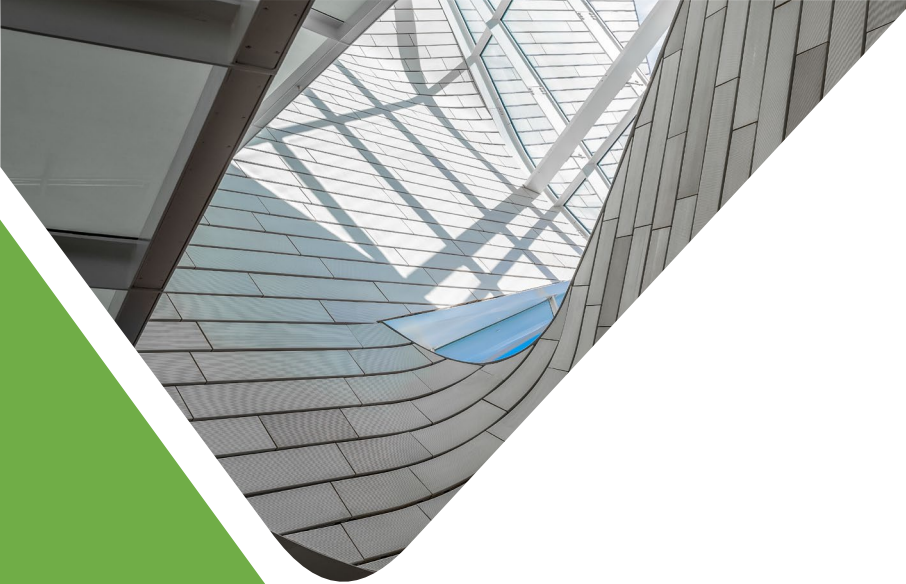
Economic and Development Services Department is requesting to update their name to “**Community Development.**”

The name change to “**Community Development**” would reflect the broader service base and purpose the department provides to the City of Costa Mesa.

Department’s responsibilities includes:

- Manages all private-owned property in the City through the complete life cycle of the build environment;
- Review new construction, managing land uses for new and existing buildings;
- Overseeing operational details, housing and community program assistance;
- Ensuring property maintenance and code compliance; and
- Permitting demolition.

Title change to Director and Assistant Director.



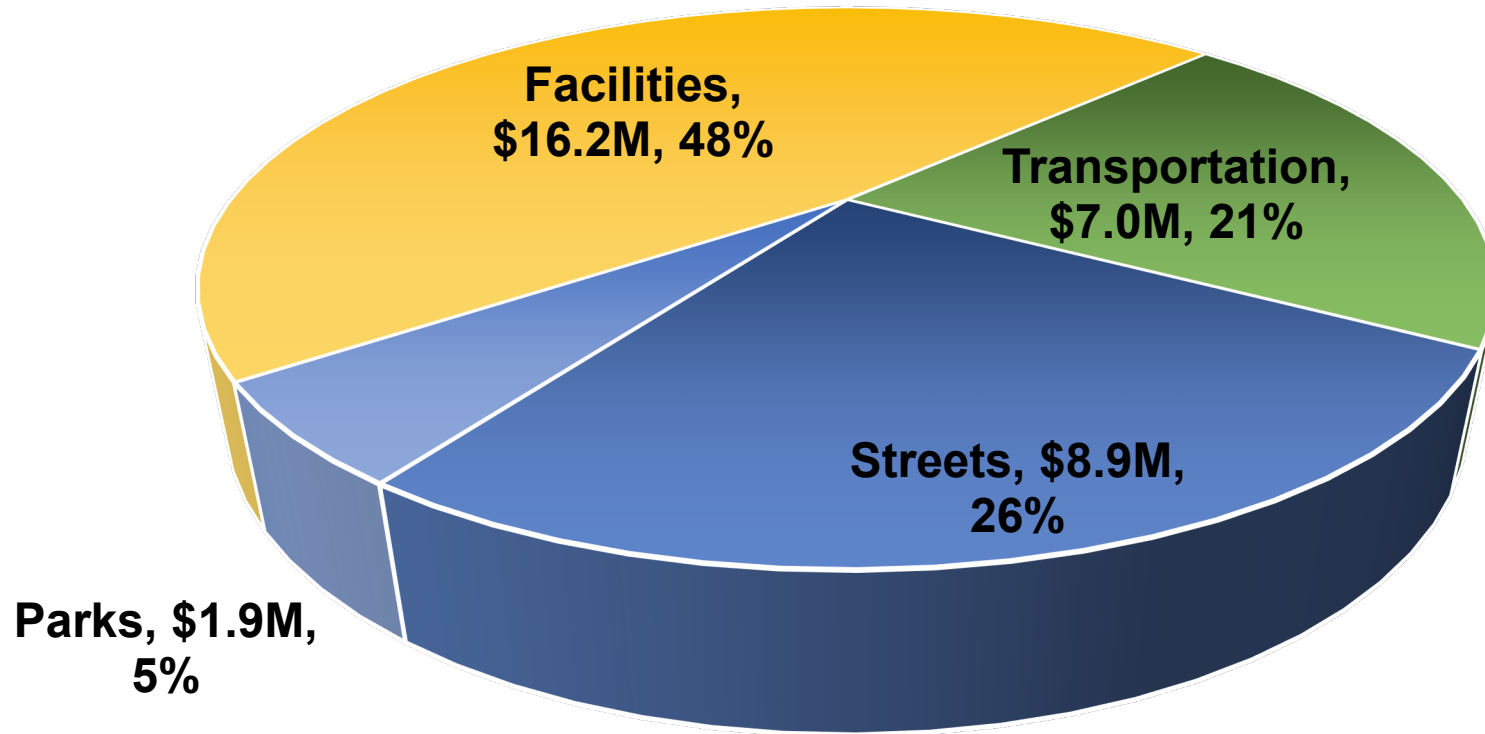
CAPITAL IMPROVEMENT



**ALL
FUNDS**

**FY 2026-27 CIP IMPROVEMENT AREAS
BY CATEGORY**

PROPOSED CIP BUDGET BY CATEGORY \$34.0M
(Includes \$12.0M Bond for Fire Station #2)



ALL FUNDS

CIP FUNDING SOURCES

FUND	AMOUNT
Capital Improvement	\$ 6,100,000
Grant Funds*	5,744,920
Measure M2 Fairshare	4,666,000
Gas Tax (HUTA)	1,790,000
Gas Tax (RMRA)	3,150,000
Park Development	100,000
Traffic Impact Fee	250,000
Cannabis Traffic Impact Fees	150,000
All Funds Subtotal	\$ 21,950,920
Future Bond/ Financing	12,000,000
All Funds Grand Total	\$ 33,950,920

*Federal, State, and County grant funding.

FISCAL YEAR 2026-27 PROPOSED CIP PROJECTS

FACILITIES	AMOUNT
Building Modification Projects	\$250,000
City Hall - Development Services Workstations	120,000
Civic Center - Miscellaneous Repairs	150,000
Corp Yard - Equipment Maint. - Replace Vehicle Hoists	250,000
Downtown Aquatic Center Pool Gutter Grates	100,000
Fire Station 2 Reconstruction	12,000,000
Fire Stations - Minor Projects at Various Stations	150,000
Fire Stations - Overhead, Rolling & Apparatus Door Replacement	150,000
Police Department - Chillers Replacement	800,000
Police Department - Emergency Communications Facility Improvement and Roof Replacement	900,000
Police Department - Facility Expansion and Reconfiguration for Real Time Crime Center (RTCC)	1,039,000
Senior Center - Facility Improvements	250,000
Total Facilities	\$16,159,000
PARKS	AMOUNT
Citywide Tree Maintenance (in Public Right-of-Way)	\$200,000
Costa Mesa Skate Park Expansion	500,000
Fairview Park - Vernal Pools Restoration	80,000
Fairview Park Master Plan Implementation	100,000
Harper Park - Playground Replacement	400,000
Moon Park - Playground Replacement	50,000
Park Parking Lot and Playground Rehabilitation	100,000
Park Security Lighting Replacement	150,000
Park Sidewalk Replacement	50,000
Shiffer Park - Playground and Park Improvements	250,000
Total Parks	\$1,880,000



FISCAL YEAR 2026-27 PROPOSED CIP PROJECTS CONT.

STREETS	AMOUNT
Citywide Alley Improvements	\$200,000
Citywide Street Improvements	5,950,000
New Sidewalk/Missing Link Program	100,000
Newport Blvd. Improvement NB (22nd to Bristol) & SB (Bristol to Mesa)	2,350,000
Parkway & Medians Improvement Program	200,000
Priority Sidewalk Repair	65,000
Total Streets	\$8,865,000
TRANSPORTATION	AMOUNT
Adams Avenue Multipurpose Trails	\$2,777,000
Bicycle and Pedestrian Infrastructure Improvements	250,000
Bristol Street Traffic Signal Synchronization Project	315,000
Center Street Pedestrian Crossing and Circulation Improvements	500,000
Citywide Neighborhood Traffic Improvements	75,000
Citywide Traffic Signal Improvements	200,000
Clean Mobility Options Program - On-Demand Transit Services	650,000
College Avenue Parking and Circulation Improvements	150,000
Fair Drive Circulation Improvements	880,000
Harbor Blvd. Cornerstone Bike Trail	450,000
Local Road Safety Plan Update	150,000
Mesa Del Mar Multimodal Access	349,920
Signal Modernization for Systemic Multi-Modal Safety Improvements	300,000
Total Transportation	\$7,046,920
TOTAL CAPITAL IMPROVEMENT PROJECTS	\$33,950,920

All Funds Budget FY 2026-27 Capital Improvement Program (CIP) is \$34.0M, which includes \$12.0M potential bond for Fire Station #2 reconstruction project.

- Citywide Alley Improvements
- Police Department Chiller Replacement
- Police Department Emergency Communications Center
- Citywide Tree Maintenance (in Public Right-of-Way)
- Harper Park Playground Replacement
- Moon Park Playground Replacement
- Costa Mesa Skate Park Expansion
- Fire Station #2 Reconstruction (Future Bond Funding)

Note: The FY 2026-27 Capital Assets Needs (CAN) is fully funded and includes a scheduled repayment of \$0.6M from prior year deferrals.

An aerial photograph of Costa Mesa, California, featuring a modern white building with a glass facade and a colorful mural on a wall. The text is overlaid on the image.

**“Measured Decisions. Meaningful Impact.”
Achieve Long-Term Fiscal Sustainability**

GENERAL FUND

ACHIEVE LONG-TERM FISCAL SUSTAINABILITY

- Structurally balanced General Fund Budget without the use of reserves.
- Provides full funding for the Capital Asset Needs Fund at 5% of General Fund revenues.
 - Includes a \$1.1M in projected debt service payment for the bond funded reconstruction costs of Fire Station #2.
- Provides full funding for the IT Replacement Fund at 1.5% of General Fund revenues.

FUND BALANCE - GENERAL FUND

(IN THOUSANDS)

Fund Balance Category	FY 2022-23 Audited	FY 2023-24 Audited	FY2024-25 Audited	FY2025-26 Projected	FY2026-27 Projected
Nonspendable	\$460	\$630	\$883	\$883	\$883
Restricted					
Pension & OPEB	3,178	3,367	2,092	2,092	2,092
Committed					
Declared Disasters	14,125	14,125	14,125	14,125	14,125
Self Insurance	2,000	2,000	2,000	2,000	2,000
Economic Reserves	9,000	9,000	9,000	9,000	9,000
Assigned					
Compensated Absences	6,209	5,982	5,982	5,982	5,982
Police Retirement	1,737	1,572	1,572	1,572	1,572
Workers Comp	2,000	2,000	2,000	2,000	2,000
Facilities Reserve	2,000	2,000	2,000	2,000	2,000
Strategic Plan Projects	2,000	2,000	2,000	2,000	2,000
Unassigned	16,328	17,686	19,307	19,407	19,407
Total Fund Balance	59,037	60,362	60,962	61,062	61,062





CALIFORNIA'S APPROPRIATION LIMIT (GAAN LIMIT)

FY 2026-27 APPROPRIATIONS LIMIT CALCULATION

- Article XIII B of the Constitution of the State of California provides a formula that places annual limits (or ceilings) on the appropriation of tax proceeds that can be made by the state, school districts, and local governments in California;
- Article XIII B requires state and local governments to return any funds to taxpayers in excess of the amount (appropriation limit) for a given fiscal year;
- Multiplies the following data points:
 - California Per Capital Income Percentage Change of 4.95%;
 - Orange County Population Growth of -0.37%;
 - City of Costa Mesa Population Growth of -0.80%
- Fiscal Year 2025-26 Appropriations Limit of \$330,924,446;
- Fiscal Year 2026-27 Appropriations Limit of \$346,047,694; and
- Estimated FY 2026-27 general tax proceeds revenues is \$169.2 million, which is \$176.8 million or 51% below the Appropriations Limit.

▪ Sales Tax:	\$82.5M
▪ Property Tax:	\$64.0M
▪ Transient Occupancy Tax (TOT):	\$10.6M
▪ Franchise Fees:	\$7.4M
▪ Cannabis Tax (Measure Q and X):	\$3.7M
▪ Business License:	\$1.0M
▪ Motor Vehicle In Lieu Tax:	\$0.2M

RECOMMENDED ACTIONS

1. Approve Resolution 2026-XX, adopting the Proposed Fiscal Year 2026-27 Operating and Capital Improvement Program (CIP) Budget; and
2. Approve Joint Resolution 2026-XX adopting the Housing Authority Budget including Economic and Community Development expenditures for Fiscal Year 2026-27; and
3. Authorize and approve staffing for the following as follow: decrease of 1.0 FTE for Park Ranger as presented at the May 12, 2026 Study Session; and
4. Approve Resolution 2026-XX establishing the Fiscal Year 2026-27 Appropriations Limit for the City of Costa Mesa at \$346,047,694, by using Orange County's growth for population adjustment, and the California per capita income growth for inflationary adjustment; and
5. Approve the City of Costa Mesa's Revised Special Event Rates (Attachment); and

RECOMMENDED ACTIONS

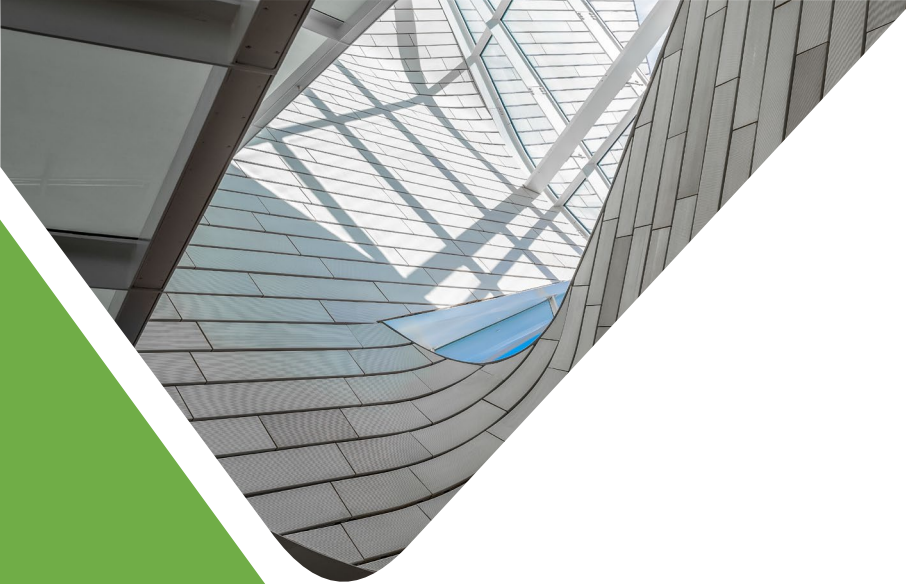
6. City Council action is requested for the following to comply with AB 481 Police Equipment Report and Resolution:
 - a. Receive and file the 2026 Annual AB 481 Report and take public comment; and
 - b. Approve Resolution 2026-XX Renewing Ordinance No. 2022-03, the AB 481 Equipment Use Policy of the City of Costa Mesa, California, governing the use of police safety equipment.
7. Approve Resolution 2026-XX renaming the Economic and Development Services Director and updating benefits information for Executives and
8. Approve Resolution 2026-XX renaming the Assistant Development Services Director; and
9. Receive and file the job vacancy status information required by AB 2561.



FY 2026-27 BUDGET CALENDAR

6/2/2026	FY 2026-27 Proposed Operating and CIP Budget Public Hearing & Adoption	City Council
6/16/2026	FY 2026-27 Proposed Operating and CIP Budget Public Hearing & Adoption (if needed)	City Council





QUESTIONS



Award of Contract to Renovate Jack Hammett Sports Complex Fields 1 and 2

City Council Meeting
June 2, 2026



Jack Hammett Sports Complex
2750 Fairview Road, Costa Mesa, CA 92626



FIELD 1



FIELD 2

