



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 22-720

Meeting Date: 6/7/2022

TITLE:

FISCAL YEAR 2022-23 PROPOSED OPERATING AND CAPITAL IMPROVEMENT PROGRAM AND HOUSING AUTHORITY BUDGET AND

INTRODUCTION OF AN ORDINANCE TO ESTABLISH CHAPTER VII (AB 481 EQUIPMENT USE POLICY) TO TITLE 14 (POLICE AND LAW ENFORCEMENT) OF THE COSTA MESA MUNICIPAL CODE

DEPARTMENT: CITY MANAGER'S OFFICE, FINANCE DEPARTMENT

PRESENTED BY: LORI ANN FARRELL HARRISON, CITY MANAGER, CAROL MOLINA, FINANCE DIRECTOR

FOR FURTHER INFORMATION CONTACT: CAROL MOLINA, FINANCE DIRECTOR, (714) 754-5243

RECOMMENDATION:

Staff recommends the City Council:

1. Approve Resolution 2022-xx, adopting the Proposed Fiscal Year 2022-23 Operating and Capital Improvement Program (CIP) Budget; and
2. Approve Salary and Classification Updates Resolutions 2022-xx to comply with the bargaining groups' MOUs as approved in May and June of 2020, and to update classifications consistent with the Proposed Budget recommendations; and
3. Authorize the appropriation of one additional full time Police Officer position (School Resource Officer) to the City's Table of Organization with a corresponding 50 percent cost sharing from the Newport Mesa Unified School District; and
4. Authorize the appropriation and enter into a purchase agreement for two ambulances through the Houston-Galveston Area Council of Governments (H-GAC) Buy Coop Purchasing contract with Redsky Emergency Vehicles, and authorize the City Manager and City Clerk to execute the necessary documents to support public safety to be funded from the \$500,000 legal settlement set-aside for this purpose; and
5. Authorize the City Manager and/or Finance Director to appropriate upon receipt and transfer American Rescue Plan Act (ARPA) Federal Funds as needed to comply with U.S. Treasury Guidelines and to facilitate audit review and compliance; and return to City Council with a proposed plan to best utilize the second available tranche of ARPA funds to offset economic losses as a result of the pandemic; and

6. Approve Joint Resolution 2022-xx adopting the Housing Authority Budget including Housing and Community Development expenditures for Fiscal Year 2022-23; and
7. If available, upon the closing of FY 2021-22, consider depositing up to \$1.5 million from newly available General Fund Balances to the Section 115 Trust Plan to expedite the pay down of pension obligations; and
8. Approve the City of Costa Mesa's Revised Special Event Rates and request that said rates be reviewed on an annual basis and submitted to City Council for approval; and
9. Introduce for first reading, by title only, Ordinance No. 2022-xx, adding Chapter VII (AB 481 Equipment Use Policy) to Title 14 (Police and Law Enforcement) pursuant to Assembly Bill 481 (AB 481) of Gov. Code Title 1, Div. 7, Chapter 12.8, to establish the City's AB 481 Equipment Use Policy and AB 481 Equipment Inventory.

BACKGROUND:

The Proposed Budget for FY 2022-23 supports a first-class local government capable of meeting essential community needs and providing a solid foundation for recovery.

Over the past year, City operations have been streamlined to provide the core services on which our community relies - public safety; recreation, arts, and cultural programming; economic development and community planning; infrastructure creation and maintenance; and, safe, clean and enjoyable public spaces.

Operating departments have restructured to support organizational effectiveness and interdepartmental coordination; internal processes have been redesigned; and digital customer service tools have been developed with more being developed to enhance responsiveness and maximize efficiencies.

Guiding Principles

The guiding principles that inspired the recommendations for the FY 2022-23 Budget were created when the City Council conducted a Strategic Planning workshop identifying key priorities, as well as a new Mission Statement for Costa Mesa, as follows:

"The City of Costa Mesa serves our residents, businesses, and visitors by promoting a safe, inclusive, and vibrant community."

In addition, the City Council has developed five Three-Year Strategic Plan Goals:

- Strengthen the Public's Safety and Improve the Quality of Life;
- Achieve Long-Term Fiscal Sustainability;
- Recruit and Retain High Quality Staff;
- Diversify, Stabilize, and Increase Housing to Reflect Community Needs;
- Advance Environmental Sustainability and Climate Resiliency.

The recommendations contained in the FY 2022-23 Proposed Budget are rooted in the Strategic Plan Goals created by the City Council for a safe, inclusive and vibrant City.

ANALYSIS:

The theme for the FY 2022-23 Proposed Budget, “**Paving a Brighter Future Together,**” conveys the revival of our community as we work together, building a brighter future for our community, our youth, our seniors, and our businesses, and as we incorporate key strategies to ensure long-term fiscal sustainability.

At the April 26, 2022 and May 10, 2022 City Council Operating and Capital Improvement Budget Study Sessions, City Council provided feedback to staff regarding several items contained in the Proposed Budgets. At the May 11, 2022 Finance and Pension Advisory meeting, the FY 2022-23 Proposed Budget was also presented and discussed. The result is a budget that addresses the City Council’s goals and priorities, while fulfilling the service requirements of the people who live, work, and play in our community. This represents a balanced budget and provides the highest level of service to the community within existing financial resources.

The agenda reports and videos for the April 26, 2022 and May 10, 2022 City Council Study Sessions can be found here:

April 26, 2022 Agenda Report

- [FY2022-23 Proposed Capital Improvement Program Budget Study Session Staff Report and Corresponding Attachments <https://costamesa.legistar.com/LegislationDetail.aspx?ID=5566184&GUID=D7606569-3C11-4170-ADE9-7CD23E9C4C0C>](https://costamesa.legistar.com/LegislationDetail.aspx?ID=5566184&GUID=D7606569-3C11-4170-ADE9-7CD23E9C4C0C)

April 26, 2022 Study Session Video

- [FY2022-23 Proposed Capital Improvement Program Budget Study Session Video <https://costamesa.granicus.com/player/clip/3855?view_id=14&redirect=true>](https://costamesa.granicus.com/player/clip/3855?view_id=14&redirect=true)

May 10, 2022 Agenda Report

- [FY2022-23 Proposed Operating and Capital Improvement Program Budget Study Session Staff Report and Corresponding Attachments <https://costamesa.legistar.com/LegislationDetail.aspx?ID=5645343&GUID=54DF65C9-9427- >](https://costamesa.legistar.com/LegislationDetail.aspx?ID=5645343&GUID=54DF65C9-9427-)

May 10, 2022 Study Session Video

- [FY2022-23 Proposed Operating and Capital Improvement Program Budget Study Session <https://costamesa.granicus.com/player/clip/3863?view_id=14&redirect=true>](https://costamesa.granicus.com/player/clip/3863?view_id=14&redirect=true)

Overview of FY 2021-22 Proposed All Funds Budget

The Proposed FY 2022-23 Budget totals \$206.1 million in All Funds. This reflects an increase of \$8.2 million, or 4.2 percent, from the FY 2021-22 All Funds Budget of \$197.9 million.

Table 1 - FY 2022-23 Proposed Budget - All Funds

Appropriations Funds	All FY 2021/22 Adopted	FY 2022/23 Proposed	School Resource Officer	Adjusted Proposed	Increase / Decrease Amount	Percent
Operating Budget	\$163,522,932	\$170,095,673	\$120,000	\$170,215,673	\$6,692,741	4.1%
Transfers Out	9,841,585	10,627,990	-	10,627,990	786,405	8.0%
Capital Budget	24,566,362	25,312,023	-	25,312,023	745,661	3.0%
Total	\$197,930,879	\$206,035,686	\$120,000	\$206,155,686	\$8,224,807	4.2%

Operating Budget

The proposed increase of \$6.7 million, for a total of \$170.2 million in the Operating Budget’s portion of the FY 2022-23 All Funds Budget is mostly comprised of increased staffing and service levels to restore essential services, most of which is housed in the General Fund.

The addition of a School Resource Officer/Police Officer (SRO) as requested by the Newport Mesa Unified School District (NMUSD) has been added to the General Fund Police Department’s Proposed Budget. NMUSD has agreed to reimburse the City for fifty percent (50%) of the total compensation paid to the SRO. Additional detail will be provided in the General Fund section of this staff report.

First -Time Home Buyers Program

At the May 10, 2022 City Council Study Session, Council requested modifications to the public school criteria for program eligibility. Staff will develop a detailed review of the program and return later for City Council review and deliberation.

Transfers Out

Transfers Out from All Funds total \$10.6 million. The Transfers Out are from the General Fund which transfers monies into three funds, the Capital Improvement Fund (\$5.4 million) to support the Capital Assets Needs Ordinance (CAN), and the five percent of General Fund revenues required to fund the annual Capital Improvement Plan; the 1.5 percent transfer to the Information Technology Replacement Fund (\$2.4 million) for the planned replacement of aging technology and software systems throughout the City; and, finally the Equipment Replacement Fund (\$2.8 million) to support the replacement of the City’s aging fleet and ongoing fleet maintenance costs.

Equipment Replacement

The transfer to the Equipment Replacement Fund is a new transfer proposed to correct the longstanding deficit in the City’s Equipment Replacement Fund, which is responsible for the financing, maintenance and repair of the City’s entire vehicle/apparatus/heavy equipment fleet and the fleet maintenance crew of 7.6 FTEs currently responsible for repairing and maintaining this diverse fleet, which is comprised of diesel, gasoline, propane, compressed natural gas, hybrid and electric vehicles. The fleet is comprised of more than 350 vehicles/apparatus/equipment including fire engines, fire ladder/tiller trucks, ambulances, patrol officer vehicles, tractors, medium duty trucks, asphalt trucks, hydraulic vactors, heavy equipment trailers, ten-wheeler trucks, motorcycles, emergency generators, and three Cal OES firefighting apparatus to name a few.

The Equipment Replacement Fund has been historically underfunded causing a severe backlog of vehicles/apparatus in need of replacement and many other vehicles far exceeding their useful life resulting in costly repairs that surpass the asset’s replacement value. As of June 30, 2019, the Equipment Replacement Fund ended the fiscal year with zero cash. For a full service city such as Costa Mesa, there needs to be sufficient funding to adequately support the City’s fleet, especially the public safety and public services teams that are critical to emergency response. The FY 2022-23 Proposed All Funds Budget contains a recurring \$2.8 million to fully fund all staff performing fleet maintenance functions and sufficient funding to replace a larger portion of the City’s fleet at the end of the useful life of the asset.

In addition, the Public Works Department is in need of several items of equipment to increase efficiencies during road maintenance and construction which is included in the FY 2022-23 Proposed Budget. Staff is recommending that City Council authorize the City Manager and/or Finance Director to enter into a master lease agreement for the Public Works equipment (estimated at \$444,000) listed below. The estimated annual lease payments are already included in the FY 2022-23 Proposed Budget:

- Isuzu NRR Cab Chassis Truck with Roadline Red Curb System (estimated at \$194,000); and
- Caterpillar Mini Excavator (estimated at \$165,000); and
- Caterpillar Skid Steer Loader (estimated at \$85,000).

Capital Budget

The All Funds Capital Budget of \$25.3 million reflects the City’s annual Capital Improvement Program (CIP) Budget that contains an increase of \$745,661 as a result of the full funding of the CAN, as well as changes in other special and restricted funds for capital projects. Additional detail regarding the CIP Budget was presented at the April 26, 2022 Study Session for the CIP and will be contained in further detail in the CIP section of the FY 2022-23 Proposed Budget Book. At the CIP Study Session, City Council requested that staff include a capital project to upgrade the workspace of the City’s telecommunications center. As requested, the Capital Budget was increased by \$330,000 to accommodate this additional capital project.

Table 2 - FY 2022-23 Capital Improvement Program Budget

	FY 2021/22 Adopted	FY 2022/23 Proposed	Increase / Decrease Amount	Decrease Percent
Energy and Sustainability	\$295,000	\$195,000	(\$100,000)	66.1%
Facilities	4,492,306	8,813,125	4,320,819	196%
Parks	2,006,520	2,605,000	598,480	130%
Parkway and Medians	1,000,000	700,000	(300,000)	70%
Streets	12,531,536	9,842,782	(2,688,754)	79%
Transportation	4,241,000	3,156,116	(1,084,884)	(26%)
Total Appropriations	\$24,566,362	\$25,312,023	\$745,661	3.0%

FY 2022-23 Proposed General Fund Budget

The Proposed FY 2022-23 General Fund expenditure budget is a balanced budget and totals \$163.6 million. This reflects an increase of \$9.2 million or 6.0 percent from the FY 2021-22 Adopted Budget of \$154.4 million, and is fully balanced by ongoing General Fund revenue. Table 3 is a summary of the FY 2022-23 General Fund Proposed Revenue and Expenditure Budget.

Table 3 - FY 2022-23 General Fund Proposed Budget

	FY 2021/22 Adopted	FY 2022/23 Proposed	School Resource Officer	Adjusted Proposed	Increase / Amount	Decrease Percent
Estimated Revenues	\$144,622,060	\$163,507,538	\$120,000	\$163,627,538	\$19,005,478	13.1%
Transfers In	6,561,529	-	-	-	(6,561,529)	(100%)
Use of Fund Balance	3,219,091	-	-	-	(3,219,091)	(100%)
Total Resources	\$154,402,680	\$163,507,538	\$120,000	\$163,627,538	\$9,224,858	6.0%
Operating Budget	\$145,421,745	\$152,879,548	\$120,000	\$152,999,548	\$7,577,803	5.2%
Transfers Out	8,980,935	10,627,990	-	10,627,990	1,647,055	18.3%
Total Appropriations	\$154,402,680	\$163,507,538	\$120,000	\$163,627,538	\$9,224,858	6.0%

General Fund Highlights

The FY 2022-23 Proposed Budget for Total General Fund Resources totals \$163.6 million, a \$9.2 million, or 6.0 percent increase from the \$154.4 million FY 2021-22 Adopted Budget.

Recurring General Fund Revenue is recovering favorably with several categories already back to or above pre-pandemic levels such as Sales and Use Tax, Licenses and Permits, Use of Money and Property, and Fees and Charges. Recurring General Fund revenue projected for next year is \$163.6 million and reflects the funds typically used to cover public safety, parks and community services, development services, and other activities and programs known to residents. It is anticipated that for the Fiscal Year commencing July 1, 2022, the budget will be balanced without the use of Federal American Rescue Plan Act Funds and/or General Fund reserves.

Addition of School Resources Officer/Police Officer (SRO)

Since the SRO’s program inception, it’s primary mission has been to prevent and deter school violence before it strikes. In addition to the Police Department’s full complement of sworn staffing of 140 Police Officers, the current program includes two full-time police officers exclusively designated to promote safety in the learning environment to the Newport Mesa Unified School District (NMUSD) schools located within the City.

School Resources Officers are present on school campuses to ensure the safety and security of our youth, interact with school staff and students, and respond to and handle all criminal acts occurring on school campuses or in the immediate vicinity. Their mere presence on campus can help mitigate issues that may otherwise result in emergency calls; and, they also provide initial investigation services on a variety of crimes, such as child abuse, assaults, theft, graffiti, and narcotics related

crimes.

NMUSD has requested an additional SRO be assigned to the district and will reimburse the City for fifty percent (50%) of the SRO's total compensation, estimated at \$240,000 annually. The City's portion will be funded through the City Manager's contingency fund. This additional position will result in 141 sworn positions in the Police Department.

Staffing Levels

The Proposed Budget includes 550 full-time employees (FTE), including the new School Resource Officer/Police Officer position and a new title for a currently vacant and funded position in the City Manager's Office to a new classification of Real Property Manager. Previously approved mid-year staffing adjustments of 6.5 FTEs are included. The Proposed Budget incorporates an additional 6.45 FTEs; however, all but 1.65 FTEs are funded from non-General Fund sources. During the Great Recession, the City lost 146 full time positions. Even with the proposed changes, full time staffing levels are still ten percent below FY 2009-10 pre-recession levels.

In March 2020, mid-way through the budget development process, the City was faced with the impacts of the worldwide coronavirus pandemic (COVID-19). In order to avoid layoffs due to the decline in revenue sources, staff quickly negotiated with multiple employee associations. Furloughs, or equivalent thereof, were implemented in exchange for a two percent increase in compensation and/or benefits beginning in FY 2022-23. The attached salary resolutions consolidate prior resolutions and are aligned to memorandums and resolutions already approved by City Council in May and June of 2020 and include new classifications previously authorized.

Commitment to Public Safety

One of the main priorities of the FY 2022-23 Proposed Budget is the City's continued commitment to public safety. As such, more than 56 percent of the General Fund Proposed Budget, approximately \$90 million, is designated for public safety.

The Police Department budget now includes 141 full time sworn personnel, reflecting one Police Sergeant position approved at mid-year, one Police Officer funded by the County Auto Theft Task Force, and one SRO shared with NMUSD included in the Revised Proposed Budget. We are pleased to report this is the highest level of Police sworn staffing since the Great Recession.

The Fire and Rescue Department budget contains 84 total full time sworn personnel. The Fire and Rescue Department provides emergency response services and staffs six fire stations, 24 hours a day, seven days a week, 365 days a year. The EMS Captain position approved at mid-year is included in the FY 2022-23 Proposed Budget as well as the new 9-1-1- Telecommunications Manager (split 50/50 with Police). We are pleased to also report that this is the highest level of Fire and Rescue sworn staffing since the Great Recession.

To supplement both Public Safety departments, the City is requesting to purchase two ambulances (estimated for both at \$375,000) that will be acquired through a H-GAC Buy Coop Purchasing contract with Redsky Emergency Vehicles to support the City's Fire and Rescue Department, and funded from a legal settlement provided for this purpose; and a BearCat G2 Armored Vehicle (estimated at \$350,000) for Police Field Operations. An armored rescue vehicle can significantly

decrease the threat to officers when deployed appropriately in situations such as active shooters, officer/citizen down rescues, armed barricaded suspects, and other major incidents where an act of violence or threat of violence is imminent. The City's existing armored vehicle is a 37-year old retrofitted GMC armored bank car with a manual transmission, and is in dire need of replacement.

Assembly Bill 481 (AB 481), of Gov. Code Title 1, Div. 7, Chapter 12.8. Funding, Acquisition, and Use of Equipment

AB 481 requires a law enforcement agency to obtain approval of the governing body, by an ordinance adopting an equipment use policy at a regular meeting of the governing body prior to engaging in any of the following:

- Requesting equipment made available pursuant to Section 2576a of Title 10 of the United States Code.
- Seeking funds for equipment, including, but not limited to, applying for a grant, soliciting or accepting private, local, state, or federal funds, in-kind donations, or other donations or transfers.
- Acquiring equipment either permanently or temporarily, including by borrowing or leasing.
- Collaborating with another law enforcement agency in the deployment or other use of equipment within the territorial jurisdiction of the governing body.
- Using any new or existing equipment for a purpose, in a manner, or by a person not previously approved by the governing body pursuant to this chapter.
- Soliciting or responding to a proposal for, or entering into an agreement with, any other person or entity to seek funds for, apply to receive, acquire, use, or collaborate in the use of, equipment.
- Acquiring equipment through any means not provided by this paragraph.

AB 481 went into law as of January 1, 2022. Per AB 481, law enforcement agencies are now required to first obtain approval for the policy content from their respective governing body. After enacting the ordinance adopting the policy, law enforcement agencies are further required to submit an annual report to the governing body for as long as the equipment is available for use. Agencies must also hold at least one community engagement meeting within 30 days of submitting and publicly releasing the annual report. Finally, agencies are required to attach an AB 481 equipment inventory to the policy. Agencies seeking to continue using AB 481 equipment acquired prior to January 1, 2022, had until May 1, 2022 to commence the governing body approval process described by the statute. Staff commenced this process in March, 2022; the report concerning currently used equipment inventory was sent to the Council and posted for public review on April 21, 2022.

As such, staff is requesting approval of an Ordinance adopting the City's AB 481 Equipment Use Policy and AB 481 Equipment Inventory.

Transfers Out

The Transfers Out proposed budget of \$10.6 million, an increase of \$1.6 million, or 18.3 percent, provides full funding for the Capital Asset Needs (CAN) requirement of 5 percent of General Fund Revenues towards the City's capital; 1.5 percent towards the Information Technology Replacement Fund to fund the IT Strategic Plan; and \$2.8 million for the ongoing replacement and maintenance of the City's aging fleet.

Capital Asset Needs (CAN):

The Proposed FY 2022-23 General Fund Budget includes the full allocation of five percent (\$8.2 million) to fund investments to the City’s infrastructure and capital assets, and to fund existing debt for the \$30 million Lions Park Capital Projects Bonds.

General Fund Reserves

To maintain the City’s solid bond ratings, the City must continue to demonstrate fiscal prudence and controls on spending. Maintaining solid emergency reserves is yet another way of demonstrating financial discipline. According to Standard & Poor’s, the City of Costa Mesa holds, “Very strong management, with strong financial policies and practices under our financial management assessment methodology...”

Table 4 - General Fund Reserves (in millions)

Fund Balance Category	FY 2018/19 Audited	FY 2019/20 Audited	FY 2020/21 Audited	FY 2021/22 Estimate
Committed				
Declared Disasters	\$14,125	\$14,125	\$14,125	\$14,125
Self-Insurance	2,000	2,000	2,000	2,000
Economic Reserves	7,500	9,000	9,000	9,000
Assigned				
Compensated Absences	4,892	5,036	5,920	5,920
Police Retirement 1% Suppl.	2,297	2,365	2,275	2,275
Section 115 Trust	-	1,750	-	-
Restricted				
Pension and OPEB	-	-	1,778	1,778
Non-spendable	280	362	965	965
Unassigned	20,451	18,825	17,429	17,429
Total Fund Balance	\$51,545	\$53,463	\$53,492	\$53,492

Section 115 Trust Plan Recommendation

In the City’s continuing effort to set aside funds for pension obligations, staff is recommending that up to \$1.5 million from potential current year’s projected surplus, if available, be deposited in the Section 115 Trust Plan.

FY2022-23 Housing Authority

On January 17, 2012, under the California Housing Authorities Law, Health and Safety Code Section 34200, *et seq.* (“HAL”), the City Council established the Costa Mesa Housing Authority (“Housing Authority”). Also on that date by resolution, the City Council selected the Housing Authority to serve as the “housing successor” and to assume the housing assets, duties, functions and obligations of the former Costa Mesa Redevelopment Agency (“Former Agency”) as of February 1, 2012.

Section 34176.1 establishes certain limitations on expenditures by housing successors; thus, each fiscal year the Housing Authority’s funding is limited in two categories: (1) administrative costs, including covenant monitoring, and (2) homelessness prevention and rapid rehousing.

Homeless Outreach

The Homeless Outreach program combines the City’s Network for Homeless Solutions with the Housing Authority’s Homeless Prevention and Rapid Rehousing Program. Both programs serve the same functions and offer a broad range of services to homeless individuals, such as assisting with housing options; creating a social service registry; establishing a network of nonprofit and faith-based organizations; providing outreach services; and reconnecting new homeless persons to their families and services in their city/state of origin.

Costa Mesa Bridge Shelter

The Housing Authority accounts for all shelter operating activities, including shelter operator contract, utilities, external rents, maintenance, and other operational costs.

In March 2021, the Costa Mesa Bridge Shelter on Airway Avenue was completed and opened, and a partnership was established between the City of Costa Mesa and the City of Newport Beach. The permanent shelter serves as a temporary home for as many as 70 men and women in need. It is intended to help homeless individuals and residents who are touched by homelessness.

The Housing Authority’s FY 2022-23 budget consists of funding from a variety of resources with distinct purposes. This includes rental income, loan repayments, grants, Other Fund subsidies and contributions/donations.

Table 5 - FY2022-23 Proposed Housing Authority Budget

	FY 2021/22 Adopted	FY 2022/23 Proposed	Increase / Amount	Decrease Percent
Total Resources	\$4,060,211	\$4,192,863	\$132,652	3.3%
Total Appropriations	\$4,060,211	\$4,192,863	\$132,652	3.3%

FY2022-23 Successor Agency

As of February 1, 2012, all California redevelopment agencies were dissolved. The Successor Agency to the Costa Mesa Redevelopment Agency (Successor Agency) is performing its functions under Division 24, Parts 1.8 and 1.85 of the Health and Safety Code, as amended by Assembly Bill 1484 and other subsequent legislation (together as amended, the “Dissolution Law”), to administer the enforceable obligations and unwind the affairs of the former Agency.

As of July 1, 2018, the Orange Countywide Oversight Board (Oversight Board) serves as the oversight board to the 25 successor agencies in Orange County. Under Section 34171(h) of the California Health and Safety Code, as amended, the Recognized Obligation Payment Schedule (ROPS) is “the document setting forth the minimum payment amounts and due dates of payments required by enforceable obligations for each fiscal year as provided in subdivision(o) of Section 34177.”

The enforcement obligation remaining is the annual payment on the \$9.3 million loan from the City’s General Fund to the former Redevelopment Agency. The current loan balance (as of June 2022) is \$3,451,948.

On January 18, 2022, the Successor Agency approved the FY2022-23 annual ROPS payment of \$1,749,586. The Successor Agency's annual ROPS payment was subsequently approved by the Oversight Board on January 25, 2022 and the Department of Finance on March 11, 2022.

Cannabis Traffic Impact Fee Fund (TIF)

Pursuant to California Gov. Code Section 66000, *et seq.*, and the Costa Mesa Municipal Code, the purpose of a traffic impact fee is to fund the necessary transportation/circulation improvements, which are related directly to the incremental traffic impacts imposed on the City's transportation system by the development of new and/or changing commercial, industrial, and residential uses as permitted by the General Plan.

As such, approved dispensaries are subject to a Traffic Impact Fee (TIF) of \$235 per Average Daily Trip (ADT), as approved by City Council in October 2020. City staff recommends a separate Special Revenue Fund to account for and monitor the receipts and disbursements from the Cannabis fees and designate for improvements within the dispensary's corridor and/or surrounding area.

FY2022-23 Special Event Rates

Regarded as one of the most livable cities in the County, Costa Mesa offers community celebrations, festivals, and parades that provide opportunities for social activity, cultural experience, creative expression, and engagement in public life. Being named the City of the Arts, special events benefit the community through exposure to artistic and creative innovation, while providing entertaining ways to relax and enjoy life.

Each year, the City hosts, sponsors and/or coordinates with other agencies and local organizations to hold programs and activities that our local citizenry enjoy and love. These activities include the OC Fair and the OC Marathon, to name a couple.

A majority of events require public safety, public works, community development, and/or parks and community services staff. As such, the City costs out an hourly rate for the City personnel requested/needed to staff these events. The City takes into consideration a position's hourly rate and corresponding benefits attributed to the position/classification. Every year, City Council approves updated special event rates.

Staff is requesting the approval of the attached Rate Determination Schedule that has been realigned with the rates of our neighboring cities.

ALTERNATIVES

The City Council can provide alternative direction to staff on the Proposed Budgets for FY 2022-23 through June 30, 2022.

FISCAL REVIEW:

The FY 2022-23 Budget provides the funding and expenditure plan for all funds. As such, it serves as the City's financial plan for the upcoming fiscal year. The City Council will be kept apprised regarding actual operating results for the General Fund through a quarterly financial report and the Mid-Year Budget Review. The Mid-Year Budget Review will include an update of the fiscal year's projected

revenues and expenditures, and any recommended adjustments, if necessary.

LEGAL REVIEW:

The City Attorney's Office has reviewed and approved this report as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the City Council goals:

- Strengthen the Public's Safety and Improve the Quality of Life;
- Achieve Long-term Fiscal Sustainability;
- Recruit and Retain High Quality Staff;
- Diversify, Stabilize, and Increase Housing to Reflect Community Needs; and
- Advance Environmental Sustainability and Climate Resiliency.

CONCLUSION:

The strong commitment of our City Council, residents and community partners for healthy, sustainable neighborhoods and balanced economic activity, both facilitate and aid us to continue the quality of services we provide.

Staff recommends that City Council:

1. Approve Resolution 22-XX, adopting the Proposed Fiscal Year 2022-23 Operating and Capital Improvement Program (CIP) Budget; and
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7. If available, upon the closing of FY 2021-22, consider depositing up to \$1.5 million from newly available General Fund Balances to the Section 115 Trust Plan to expedite the pay down of pension obligations; and
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Attachments:

1. Proposed Fiscal Year 2022-23 Operating and Capital Improvement Program (CIP) Budget Resolution 22-XX
2. FY2022-23 All Funds Revenues with General Fund, without CIP
3. FY2022-23 All Funds Appropriations with General Fund, without CIP
4. FY2022-23 Capital Improvement Program
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