



# CITY OF COSTA MESA

77 Fair Drive  
Costa Mesa, CA 92626

## Agenda Report

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**File #:** 25-270

**Meeting Date:** 4/22/2025

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**TITLE:**

**FISCAL YEAR 2025-26 PROPOSED CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET AND FIVE-YEAR (2025-26 TO 2029-30) CIP STUDY SESSION**

**DEPARTMENT:** PUBLIC WORKS DEPARTMENT/FINANCE DEPARTMENT

**PRESENTED BY:** RAJA SETHURAMAN, PUBLIC WORKS DIRECTOR AND CAROL MOLINA, FINANCE DIRECTOR

**CONTACT INFORMATION:** RAJA SETHURAMAN, PUBLIC WORKS DIRECTOR (714) 754-5343

**RECOMMENDATION:**

Staff requests the City Council provide general direction during the Study Session on the proposed deferred Capital Projects for Fiscal Year (FY) 24-25, the 2025-26 Proposed Capital Improvement Program (CIP) Budget and the Five-Year (FY 2025-26 to FY 2029-30) CIP. A final vote on the FY 2025-26 Proposed CIP Budget is required by June 30, 2025.

**BACKGROUND:**

The Public Works Department has delivered and made progress on numerous Capital Improvement Program (CIP) projects over the past year. Several major projects were completed and continue to receive awards and recognitions by agencies such as the American Society of Civil Engineers (ASCE) and the Institute of Transportation Engineers (ITE), recognizing the Department's best practices. More importantly, our City projects are well received by the community and our City partners.

The Public Works Department is organized into five (5) divisions as follows:

- *Administration*
- *General Services*
- *Engineering*
- *Transportation Services*
- *Maintenance Services*

CIP projects are carried out by all the divisions depending on the nature of the improvement. While CIP implementation is the most visible function of the Public Works Department, it accounts for only about one-third of the department's overall workload. The Maintenance Services Division, in addition to managing park development projects in the CIP, is responsible for maintaining the City's infrastructure and parks. The General Services Division oversees the maintenance of the City's facilities and vehicle fleet, as well as building modification and facility-related CIP projects. A significant share of the Engineering Division's workload is devoted to development reviews and inspection of private and public projects and water quality/National Pollution Discharge Elimination

System (NPDES) compliance. Additionally, the CIP projects related to streets, parks and storm drains are managed by the Engineering Division. The Transportation Services Division maintains the City's traffic signal system and related infrastructure, provides development reviews for building and planning, reviews and approves traffic control plans for private and public developments, supports the Active Transportation and Traffic Impact Fee Committees, addresses various neighborhood issues, administers the City's residential permit parking program, and implements transportation CIP projects.

### **Funding of CIP Projects:**

CIP Projects are funded by various funding mechanisms with some having restrictions on use. Some of the typical funding sources and typical projects include:

- Capital Improvement Fund (General Fund) - Restricted for capital assets
- Gas Tax (HUTA), Gas Tax (RMRA) - Streets and Alleys in public right-of-way
- Community Development Block Grants - Federal grant for specified projects
- Park Development Fees - New parks, park expansion, major improvements
- Drainage Fund - Storm Drain projects
- Traffic Impact Fees (General, Cannabis) - Development related impacts
- Measure M2 (Competitive, Fairshare) - Street and traffic signal improvements
- Golf Course Funds - Golf Course improvements
- Jack Hammett Fund - Improvements at Jack Hammett Sports Complex

The Capital Improvement Fund (Fund 401) is funded by the General Fund. Under the City of Costa Mesa's Municipal Code § 2-209 Reserve requirement, the City shall allocate a minimum of five percent (5%) of the annual General Fund revenue towards the capital asset account (Fund 401) and capital debt, currently at \$2.8 million. In Fiscal Year 2024-25, the amount budgeted towards capital projects was approximately \$6.9 million.

### **Accomplishments:**

The City had numerous significant CIP accomplishments during the current Fiscal Year 2024-25. Some of the major accomplishments by the end of this fiscal year include:

- **LED Upgrades** - This project removed the existing lighting and replaced it with advanced Light Emitting Diode (LED) lights at the following recreational facilities: Jack Hammett Sports Complex, TeWinkle Park Athletic Complex, Costa Mesa Tennis Center, and Bark Park. The energy-efficient LED lights produce enhanced illumination while saving electrical costs at the same time, producing effective and efficient lighting, and creating a safer environment for all park users. This project was funded by the state through the office of then-State Senator David Min.
- **Costa Mesa Police Department Range Remodel** - Project improvements included the replacement of the range targeting systems, demolition of the outdated range control room, extension of the shooting range distance, enhanced acoustic insulation, and replacement of the existing exhaust air and filtration system. A new protective ceiling baffle system with steel supports was also added. In addition to range enhancements,

adjacent support areas were reconfigured and remodeled. These improvements included the Range Master's office, cleaning room, ready room, and storage room. Associated mechanical, electrical, and plumbing upgrades were also completed. To meet current building code requirements, ADA accessibility upgrades were made to the basement-level restrooms and the Police Department's front parking lot. As part of these accessibility improvements and the overall modernization effort, the aging Limited Use/Limited Application (LULA) elevator was replaced with a new unit.

- **Costa Mesa Tennis Center Improvements** - This project involved the resurfacing of the courts at the Costa Mesa Tennis Center. Not only were the existing tennis courts resurfaced, including a new color scheme update, but also eight (8) new pickleball courts were created by converting two (2) existing tennis courts. The revitalized courts, in conjunction with the new pickleball courts, have added a new dimension to the "new and improved" Costa Mesa Tennis Center. This project was funded by the City General Funds as well as state funds through the office of then-State Senator David Min.
- **Information Technology Remodel** - The IT Office Remodel Project provided upgrades to the IT Programming Division creating additional office space, workstations, and workspace improvements. Two new private offices were created as well as additional workstations. The project replaced the existing flooring and light fixtures, included new paint, and utilized new modular workstation furniture to optimize the space. The improvements modified fire alarm devices, electrical, and telecommunication devices to meet the new enhanced space
- **Clean Mobility Options - On Demand** - This grant-awarded project provides three years of operation and capital for fare-free on demand rideshare service serving Westside Costa Mesa and College Park south of Joann Street and the area surrounding East 17<sup>th</sup> Street bounded by East 18<sup>th</sup> Street in the north and East 16<sup>th</sup> Street in the south. The project was launched in Fall 2024 and includes service seven days a week 355 days a year with 3 vehicles available via application and phone number.
- **Citywide Bicycle Wayfinding** - Project included the design and installation of 116 new bicycle wayfinding signs throughout the City in the Westside, Eastside, College Park, Mesa Del Mar, Mesa North, Mesa Verde, SoBeca, and South Coast Metro neighborhoods. The wayfinding signs are designed to complement the rapid implementation of the 2018 Active Transportation Plan and Masterplan of Bikeways. The project included community engagement for sign design and placement locations.
- **Lions Park Café** - The Lions Park Café is a new City facility that will provide park-goers a location to purchase food and coffee beverages. The facility will provide the operator with the necessary kitchen equipment to serve hot and cold food and beverages. The facility includes a food prep area, cold and dry storage, a dishwashing station, a staff restroom, storage room, and commercial-grade kitchen equipment.
- **Adams Avenue Rehabilitation** - This street improvement project was on Adams Avenue between the Santa Ana River and Royal Palm Drive, as well as along Royal Palm Drive from Adams Avenue to Elm Avenue. Street pavement rehabilitation included removal and reconstruction of damaged pavement sections and grinding and overlaying with new asphalt. Improved bicycle facilities were installed with green conflict zones that included highly visible crosswalks at major intersections. These striping improvements are consistent with the City's Active Transportation Plan (ATP) in achieving connectivity and expanding the City's growing bicycle networks. This project

was financed through the Road Maintenance and Rehabilitation Account (RMRA) funds. In addition, this was the first project to be administered by the City's Community Workforce Agreement (CWA). The goal of the CWA is to develop opportunities for qualified locally hired individuals and veterans for the construction of the City's various CIPs.

- **Adams Avenue/Pinecreek Drive Intersection Improvements** - The Adams Avenue and Pinecreek Drive Intersection Multimodal Improvements Project implemented innovative pedestrian and bicycle safety improvements at the primary entrance to Orange Coast Community College, one of the city's busiest bicycle and pedestrian crossing locations. The project included the removal of two automobile free-right (slip lanes) for bicycle and pedestrian mobility improvements including a new crosswalk, high visibility crosswalk striping, new pedestrian paths, and new Class I off-street bicycle trails. The project's primary focus is to provide a more comfortable and improved pedestrian and bicycle crossing at the high activity crossing location where students cross Adams Avenue to access the County's busiest community college. The project also included a reduction in travel lane widths, street rehabilitation, median realignment, and Americans with Disabilities Act (ADA) improvements. The design was finished in 2024, and construction is scheduled for completion in May 2025.

#### **ANALYSIS:**

There are several previously funded CIP projects that are in various stages of completion. A listing of ongoing CIP projects is included in Attachment 1. There are a total of 72 CIP projects with ongoing work activity, and 30 that are yet to start. A total of 23 CIP projects were completed over the past year.

On March 11, 2025, staff presented to City Council the 2024-25 Mid-Year Budget Update Study Session. Staff outlined some of the economic and consumer challenges the City experienced, which impacted Sales Tax revenue. In response to a budgetary shortfall from declining revenues, several actions were proposed by staff to address the potential shortfall in revenues. These actions included the realignment of eligible street sweeping expenses in the General Fund to the Gas Tax Fund (Fund 201) in the amount of approximately \$720,000, and the temporary deferment of \$2.9 million in Capital Projects that are not critical to public health and safety, requiring a partial waiver of the City of Costa Mesa's Municipal Code § 2-209.2 Emergency exception (a)(2) due to an economic downturn. This waiver requires a supermajority approval of the entire City Council.

Staff identified the following projects for deferral and is also included as Attachment 2:

Project	Amount	Note
City Hall Cast Iron Drain Repipe	\$254,019	
Finance Security/Efficiency Remodel	250,000	
Citywide Community Choice Energy Study	150,000	
City Hall 5 <sup>th</sup> Floor Air Handler Replacement	140,000	
City Hall Breezeway Roof	245,000	
City Hall Heater(s) Replacement	350,000	
Westside Restoration Project	450,000	
Parkway Maintenance Program Citywide	233,757	
Costa Mesa Country Club Modernization	400,000	General Fund Share
Butterfly Gardens	100,000	
Savings from Completed Projects	300,000	
<b>TOTAL DEFERMENT AMOUNT</b>	<b>\$2,872,776</b>	

The above table was presented to City Council at the March 11<sup>th</sup> City Council Study Session. The Council directed staff to provide a list of the full comprehensive ongoing capital projects and to obtain input from the Finance and Pension Advisory Committee (FiPAC). Attachment 1 is the complete list of ongoing CIP projects and provides details on the General Plan funding for each. In addition, staff identified projects that are High Priority, Under Construction/Implementation and/or are funded by Restricted Funds.

#### **Finance and Pension Advisory Committee:**

Public Works staff presented at the FiPAC meeting on April 9, 2025. The presentation included the above proposed project deferrals as well as the FY 2025-26 CIP and the Five-Year CIP. The Committee recommended the above projects for deferment, with the exception of, 1) Cast Iron Drain Repipe, 2) Air Handler Replacement, and 3) Heater(s) Replacement projects. The Committee's rationale was that if these maintenance items were left unaddressed - they may lead to more expensive repairs in the near future. FiPAC did not identify any replacement projects for deferral and left them for staff to propose. Staff continues to recommend the deferment of the Cast Iron Drain Repipe project, and requests City Council consider the following General Funded projects in the pending category that could be substituted for deferment:

- Sewer Line Improvement Project \$250,000
- Senior Center Improvements \$250,000

#### **Proposed FY 2025-26 CIP:**

The CIP budget for FY 2025-26, which starts on July 1, 2025, was developed based on consideration of City Council priorities, commission and community needs identified over the past year, input from various departments, Maintenance of Effort (MOE) requirements for Measure M2 and Gas Tax, and current economic challenges. The budget document will include a narrative section of the CIP process, incorporating visual representations for recommended projects, a listing of ongoing capital improvement projects with updated balances, and a five-year CIP.

The proposed FY 2025-26 CIP is included as Attachment 3. The total proposed CIP budget is approximately \$28.7 million, across all funding sources. A significant share of the proposed budget includes an estimated \$12 million in future funding that will be secured with bond financing for Fire Station 2 reconstruction. Grant funds are the next highest source of funding in the proposed CIP at approximately \$6.9 million. Gas Tax (HUTA and RMRA), Community Development Block Grant Fund, Traffic Impact Fee Fund, Cannabis Traffic Impact Fees Fund, Measure M2 Fairshare, and Jack Hammett Fund comprise the remaining non-General Fund funding sources.

For Fiscal Year 2025-26, Staff will be requesting a full waiver of the City of Costa Mesa's Municipal Code § 2-209.2 Emergency exception (a)(2) in order to address anticipated revenue shortfall in the upcoming Fiscal Year. Staff will return to City Council during mid-year if there are any additional revenues that can be programmed to reinstate deferred projects or consider any new projects. As with prior fiscal years, approximately \$2.8 million in the capital debt service payment on the bonded debt for the Lions Park projects will be met aside from the projects listed in Attachment 3. The proposed General Fund allocation also takes into account the requirements to meet the minimum MOE for Measure M2 and Gas Tax Funds.

Major projects that are proposed for FY 2025-26 are briefly described below:

- **Fire Station Reconstruction Projects - Station 2** - Fire Station 2 has served the community for several decades and has exceeded its useful life. This Fire Station is no longer effective for current operational needs due to mechanical, electrical, and plumbing deficiencies. Funding is requested for the construction phase of this project.
- **Citywide Tree Maintenance (in Public Right-of-Way)** -- The City of Costa Mesa maintains over 25,000 trees. However, there are areas in the City that need additional trees as well as additional maintenance, especially along parkways and medians. Providing additional maintenance to these trees will result in fewer issues during unprecedented weather events such as high winds and heavy rain.
- **Harbor Boulevard Rehabilitation Project (RMRA)** - Street rehabilitation along Harbor Blvd. (MacArthur Blvd. to South Coast Dr.) & (Gisler Ave. to Baker St.). This street improvement project will be funded with Road Maintenance and Rehabilitation Account (RMRA) funds. RMRA is a program that provides funding for major rehabilitation of City streets that need improvement standards. Striping, markings, and bicycle facilities will be consistent with the City's Active Transportation Plan (ATP).
- **Adams Avenue Active Transportation Improvement - Multipurpose Trails** - The project will construct Class I Multi-use paths along Adams Avenue from the Santa Ana River to Royal Palm Drive. Proposed improvements include curb extensions with new curb and gutter, signing and striping, new medians, median modifications, landscaping and irrigation, streetlighting relocations, utility relocations and adjustments, and traffic signal modifications. The project will enhance accessibility and safety for bicyclists and pedestrians by providing separation from vehicles. The project will connect to the future Adams Avenue Bicycle Facility Project from Harbor Boulevard to Fairview Road and also to the recently constructed Class IV Cycle Track on Placentia Avenue. The City received a competitive federal grant for construction funds of this project. This project is in accordance with the City's General Plan and the Active Transportation Plan. The

project is in the design phase. The project will improve pedestrian and bicycle mobility and access in the area.

- **Adams Avenue Bicycle Facility Project from Fairview to Harbor** - This project will implement Class II buffered bike lanes and Class IV cycle tracks along Adams Avenue from Harbor Boulevard to Fairview Road. This project includes median modifications, pavement slurry seal, landscaping and irrigation, and signing and striping, as well as intersection modifications at the intersection of Adams Avenue and Fairview Road. The project will complement and tie into the recently constructed Adams Avenue and Pinecreek Drive Intersection Project. The City received a competitive federal grant for construction funds for this project. This project is in accordance with the City's General Plan and the Active Transportation Plan. The project is in the pre-construction phase. The project will improve pedestrian and bicycle mobility and access in the area.
- **Fairview Road Active Transportation Improvements** - Fair Drive to Adams Avenue - The project will design and construct active transportation improvements along Fairview Road from Adams Avenue to Fair Drive. Proposed improvements include improved bicycle facilities, green bicycle conflict zone striping, high visibility pedestrian crossings, pedestrian upgrades, transit stop improvements and traffic signal modifications. The City received a competitive federal grant for construction funds for this project. This project is in accordance with the City's General Plan and the Active Transportation Plan. The project is in the design phase. The project will improve pedestrian and bicycle mobility and access in the area.
- **Pedestrian Safety Festival** - The project will develop and implement a Pedestrian Safety Festival that will include a temporary weekend closure of the 750' stretch of Harbor Boulevard between Newport Boulevard and West 19th Street to automobiles. The festival which will occur on 4 weekends over the course of one year will open the space to pedestrians, bicyclists, and other non-automobile users in a plaza-like space that showcases the potential of the primary corridor in Costa Mesa's central business district to be thought of as a space for all people including those outside of cars. The festival will include various activities and a primary focus on the importance of pedestrian safety. The project encourages non-automobile mobility in the community and improves safety for pedestrians and bicyclists. This project will be funded by a United States Department of Transportation (USDOT) Safe Roads and Streets for All (SS4A) Grant.
- **Citywide Street Improvements** - This project is an annual Capital Improvement Program (CIP) to rehabilitate the City's existing streets and roadways. When appropriate, new striping, markings, and signage are implemented, including new bicycle facilities that adhere to the City's adopted Active Transportation Plan (ATP). Roadway rehabilitation may consist of grind and overlay or slurry seal based on the condition of the street per the City's approved Pavement Management Plan (PMP). The City's efforts in continually maintaining its street infrastructure have helped maintain a Pavement Condition Index (PCI) of nearly 85, the third highest for Orange County cities with populations of over 100,000.

**Parks and Community Services Commission:**

Staff presented the proposed FY 2025-26 CIP and the Five-Year CIP pertaining to Parks and Parkways and Medians, to the Parks and Community Services Commission (PACS) on April 10, 2025. The Commission considered the potential revenue issues in the current and future fiscal year and generally concurred with the proposed CIP. However, the Commission recommended that the Westside Park Development should have an allocation of \$250,000 in funding in the Fiscal Year 2025-26 and additional allocations in the following fiscal years. The Commission noted that certain areas in the Westside do not have easy access to open space and parks and should be prioritized.

**Proposed Five-Year CIP:** Attachment 4 includes the proposed Five-Year CIP, which includes projects that were deferred from consideration in Fiscal Year 2025-26 and other future projects for consideration over the next five years and beyond. The Five-Year CIP was revised to reflect current priorities as well as to adjust fiscal years based on more realistic funding projections.

The City is also undertaking studies on Facilities Needs Assessment and Park Assessment, that will provide more clarity on future projects and funding priorities. As these studies are completed, staff will prepare a revised long-term plan for Facilities and Parks projects.

**NEXT STEPS:** The Public Works Department has presented the Proposed FY 25-26 CIP to the following committee and commission:

- Finance and Pension Advisory Committee - April 9, 2025
- Parks and Community Services Commission - April 10, 2025

The Proposed CIP is scheduled for presentation to the Planning Commission for General Plan conformity on May 12, 2025, and to the FiPAC as part of the operating budget presentation on May 14, 2025.

All comments received from the aforementioned committee and commissions will be presented to the City Council as part of budget deliberations.

**ALTERNATIVES:**

The City Council may consider changes to the current projects proposed for deferral as well as the proposed CIP budget and direct staff accordingly. Staff will evaluate and present to the Council for formal adoption at upcoming meetings.

**FISCAL REVIEW:**

The FY 2025-26 proposed CIP budget is approximately \$28.7 million, across all funds, of which an estimated \$12 million will be secured with bond financing for the Fire Station 2 reconstruction. The CIP budget was prepared using a variety of funding sources, which includes actuals, estimated revenues, and fund balances, to maximize the utilization of available funds to maintain, improve, and develop essential City assets. These funding sources also include County, State and Federal grants, many of which are reserved for CIP. There are sufficient fund balances and estimated revenues to support the projects recommended for the FY 2025-26 CIP from the various funding streams.



**LEGAL REVIEW:**

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

**CITY COUNCIL GOALS AND PRIORITIES:**

The CIP budget strives to achieve City Council goals and objectives as listed below:

- Strengthen the public's safety and improve the quality of life.
- Achieve long-term fiscal sustainability.
- Maintain and enhance the City's facilities, technology, and equipment.
- Advance environmental sustainability and climate resiliency.

**CONCLUSION:**

The Mid-Year budget proposes a temporary deferment of \$2.9 million in Capital Projects to address a revenue shortfall in the current Fiscal Year. The attached FY 2025-26 Proposed CIP Budget utilizes anticipated revenues from various funding sources, both General Fund and Restricted Funds, to program essential and key projects in accordance with City Council adopted goals and priorities. The proposed Five-Year CIP includes projects that were deferred and other future projects for consideration over the next five years and beyond. Staff requests City Council direction on the FY 2025-26 Proposed CIP Budget in order to finalize recommendations for final budget adoption by June 30, 2025.