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**FY 2023-24**  
**PROPOSED OPERATING AND  
CAPITAL IMPROVEMENT BUDGET**

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**City Council Study Session**  
**May 9, 2023**



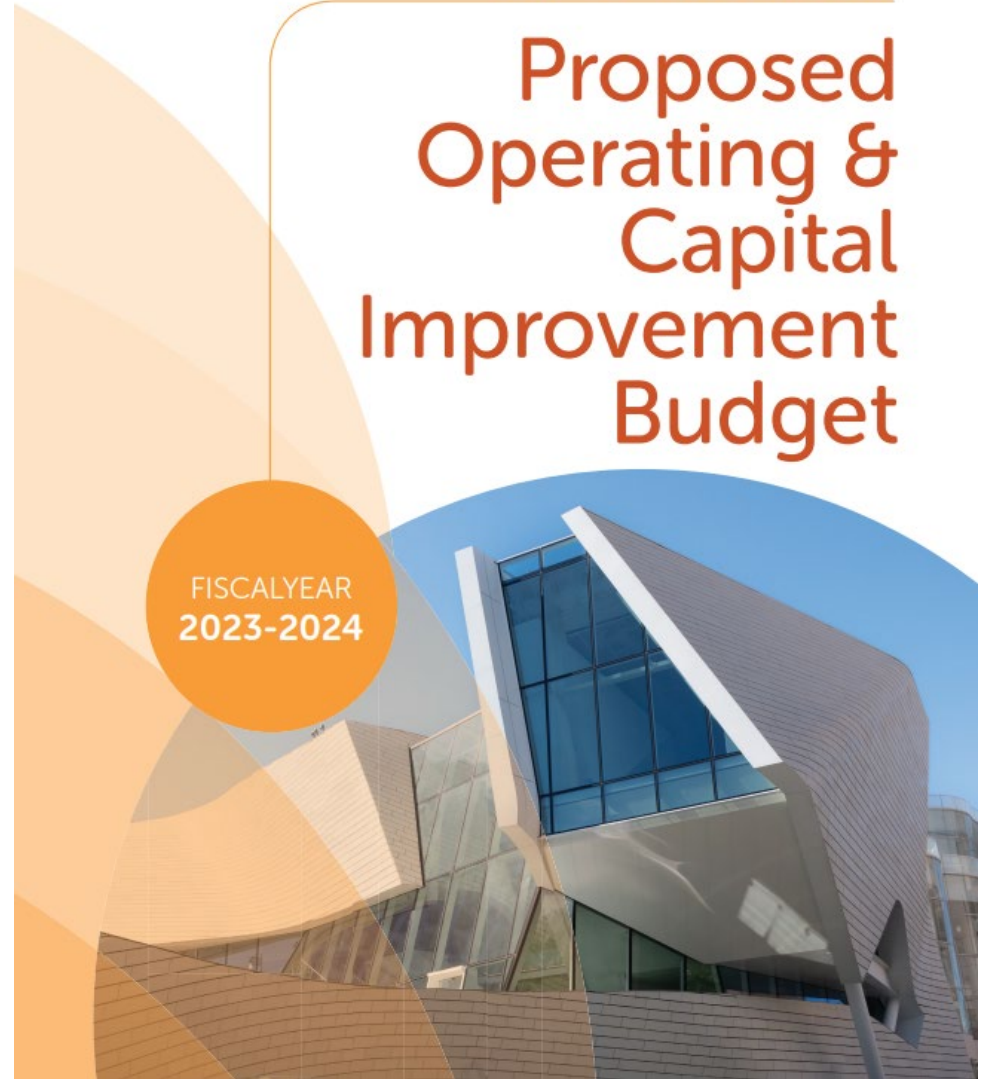


# “THE ART OF COLLABORATION”

City Of Costa Mesa

## Proposed Operating & Capital Improvement Budget

FISCAL YEAR  
2023-2024



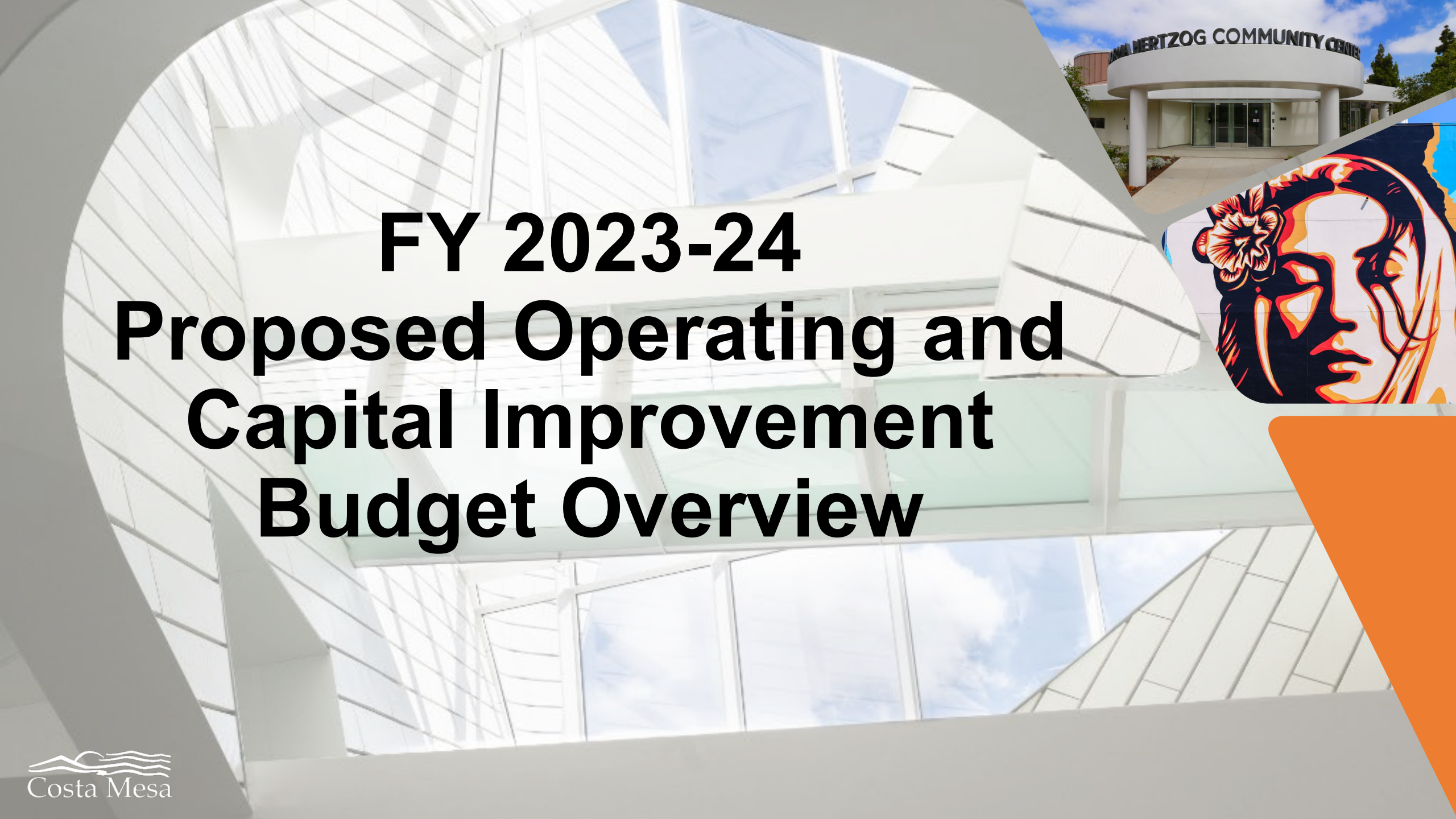
# FY 2023-24 PROPOSED BUDGET OVERVIEW

- FY 2023-24 Proposed Budget Guiding Principles
- FY 2023-24 Revenue Highlights
- FY 2023-24 Expenditures Overview
- Status of General Fund Reserves
- Budget Calendar

# GUIDING PRINCIPLES

**FY 2023-24 Proposed Budget was inspired by the five Strategic Plan Goals:**

- Strengthen Public 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



# **FY 2023-24 Proposed Operating and Capital Improvement Budget Overview**





# ALL FUNDS OVERVIEW



# FISCAL YEAR 2023-24 PROPOSED BUDGET ALL FUNDS OVERVIEW

## Highlights:

- Structurally balanced General Fund budget without the use of reserves or ARPA Funds;
- Designating \$94M, or 52%, in General Fund resources to public safety;
- Investing \$31.1M into the City's parks, streets, active transportation network, facilities, and other infrastructure;
- Annualizes recently negotiated employee contracts that bring compensation to market (i.e. average) levels in order to retain and recruit high quality staff;
- Enhancing services to the community and public safety through key part-time to full-time conversions, including four Recreation Specialists, one Property and Evidence Specialist, one Crime Analyst, one Animal Control Officer, and a new Associate Engineer.

# ALL FUNDS DESCRIPTION

- General Fund – general operating fund of the City, unrestricted;
- Special Revenue Funds – grants (Federal, State and/or County), restricted funding sources
  - E.g. American Rescue Plan Fund, Measure M, Gas Tax, RMRA, etc.;
- Internal Service Funds –used to finance and account for activities involved in rendering equipment replacement, self-insurance services, and information technology replacement to departments within the City. Costs of materials, equipment, and services used are accumulated in these funds and charged to the user departments.
  - Equipment Replacement Fund
  - Self-Insurance Fund
  - Information Technology Replacement Fund



# FY 2023-24 ALL FUNDS APPROPRIATIONS

## \$232.8M

<b>Appropriations All Funds</b>	<b>Adopted FY 2022-23</b>	<b>Proposed FY 2023-24</b>	<b>Increase(Decrease) Amount</b>	<b>Percent</b>
Operating Budget	170,215,673	187,491,589	17,275,916	10%
Transfers Out	10,627,990	14,198,326	3,570,336	34%
Capital Budget	25,312,023	31,081,719	5,769,696	23%
<b>Total</b>	<b>\$206,155,686</b>	<b>\$232,771,634</b>	<b>\$26,615,948</b>	<b>13%</b>

# ARPA FUNDING TRANCHE 1

Description	Amount
<b>Operating Expenses</b>	
Reinstatement of Staff Hours and Salary: 5% Furloughs	2,272,699
Small Business Grants: Phase 1	1,000,000
COVID-related Homeless Services Expenditures	668,000
<b>Subtotal</b>	<b>3,940,699</b>
<b>Transfers Net</b>	
Disaster Fund Expenses: FY 2019/2020	2,309,380
Disaster Fund Expenses: FY 2020/2021	1,748,728
Small Business Grants: Phase II	995,000
Reinstate funding for CAN	2,068,038
IT Replacement Fund: 1.5% of ARPA Revenues	200,000
Reinstate Defunded Positions (14 FTEs)	441,604
Reinstate Department Budget Cuts	1,416,396
<b>Subtotal</b>	<b>9,179,146</b>
<b>Grand Total</b>	<b>13,119,845</b>

# American Rescue Plan Act Fund

	FY 20/21 Actual	FY 22/23 Estimated
<b>Beginning Available Resources, July 1</b>	-	13,291,086
Total Revenues/Cash	13,119,845	-
Plus Investment Earnings	-	-
Less: Operating Expenditures	(3,940,699)	-
Less: Committed:		
Project Homekey		(3,500,000)
Bungalows Project		(975,000)
Rental Assistance		(500,000)
CDBG Service Applicants Balances		(40,000)
Less: Future Proposed*		(4,000,000)
Proposed FY 2023/24:		
Homeless Services		(231,839)
CAN's Share of the 2 <sup>nd</sup> Tranche		(668,383)
ITRF's Share of the 2 <sup>nd</sup> Tranche		(200,515)
Total Transfers, Net	(9,179,146)	
Subtotal	-	(10,115,737)
<b>Projected Balances</b>	-	<b>3,175,349</b>

\*Planned: Bridge Shelter Expansion Project, Homekey Next Round, Mental Health Services, and Rental Assistance



## ALL FUNDS

## STRENGTHEN PUBLIC SAFETY

- Asset Forfeiture funds for the enhancement of jail and campus security \$500K;
- Finances the replacement of two American LaFrance Pumpers for \$2.7M utilizing partially funded from CDBG Funds;
- Funds the replacement of four motorcycles, nine Police patrol units, a SWAT transport vehicle, an animal control vehicle, and a Police telecommunications truck for a combined total of \$1.05M; and
- Belfast and Fairview Intersection Traffic Signal \$650K.

## ALL FUNDS

## DIVERSIFY, STABILIZE, AND INCREASE HOUSING TO REFLECT COMMUNITY NEEDS

- Transfer of \$700K from the current year's savings into the Housing Authority for the Housing Element implementation;
- \$3.5M in unappropriated State funding for the Fairview Developmental Center Land Use Planning;
- 15-Bed increase to the permanent Bridge Shelter for Council approval is forthcoming, not yet included in the Proposed Budget;
- Proposed inclusionary housing ordinance discussion to be heard next week: May 16, 2023;
- Second Potential Project Homekey Motel Conversion is currently under development (planned for June 6, 2023); and
- Continued funding for the City's homeless outreach and bridge shelter programs and operations of \$3.6M.

## INTERNAL SERVICE FUNDS

# Information Technology Replacement & Self Insurance Funds

- Information Technology Replacement Fund
  - Investment for Year 4 of the Information Technology Strategic Plan (ITSP) for \$3.1M, including:
    - Adds one full-time Cyber Security Analyst (Network Administrator);
    - \$300K budgeted for the Finance ERP Purchasing Module;
    - \$1.5M for year one of the CAD RMS Public Safety System replacement; and,
    - \$250K for Document Imaging Database System to house the City's contracts, plans and other documents electronically;
- Self Insurance Internal Service Fund
  - \$250k in additional funding for ongoing administration costs



## SPECIAL REVENUE FUND

## Arts and Culture Master Plan Fund

- Allocates ½ percent of the seven percent Cannabis Retail and Delivery Tax (Measure Q) funding for Year Three of the goals outlined in the Arts and Culture Master Plan;
- Proposed Budget reflects essentially flat funding year over year (does not yet include Year Three implementation);
- Approximately \$167K which is insufficient to fully support the City's arts program and goals; therefore, and
- Staff recommends a change to the financing strategy to simply fund the annual Arts and Culture Master Plan costs from all available Cannabis related revenue (permit fees, retail, manufacturing and distribution taxes), as needed, to fully implement the Plan.

## ALL FUNDS

## IMPROVE THE QUALITY OF LIFE

- Proposed CIP (\$31.1M):
  - Ketchum-Libolt Park expansion;
  - Shalimar Park;
  - Lion's Park Cafe;
  - TeWinkle Skate Park expansion;
  - Fairview Park Restoration and Improvement;
  - Fairview Road at Belfast Avenue New Traffic Signal; and,
  - Costa Mesa Country Club Modernization and Grounds Improvements
- Capital Improvement Fund includes \$384,500 in unallocated funding, which can be used for park acquisition in the westside; and
- Street Sweeping Contract increase of \$720k funded by the Gas Tax Fund.

# CIP FUNDING SOURCES

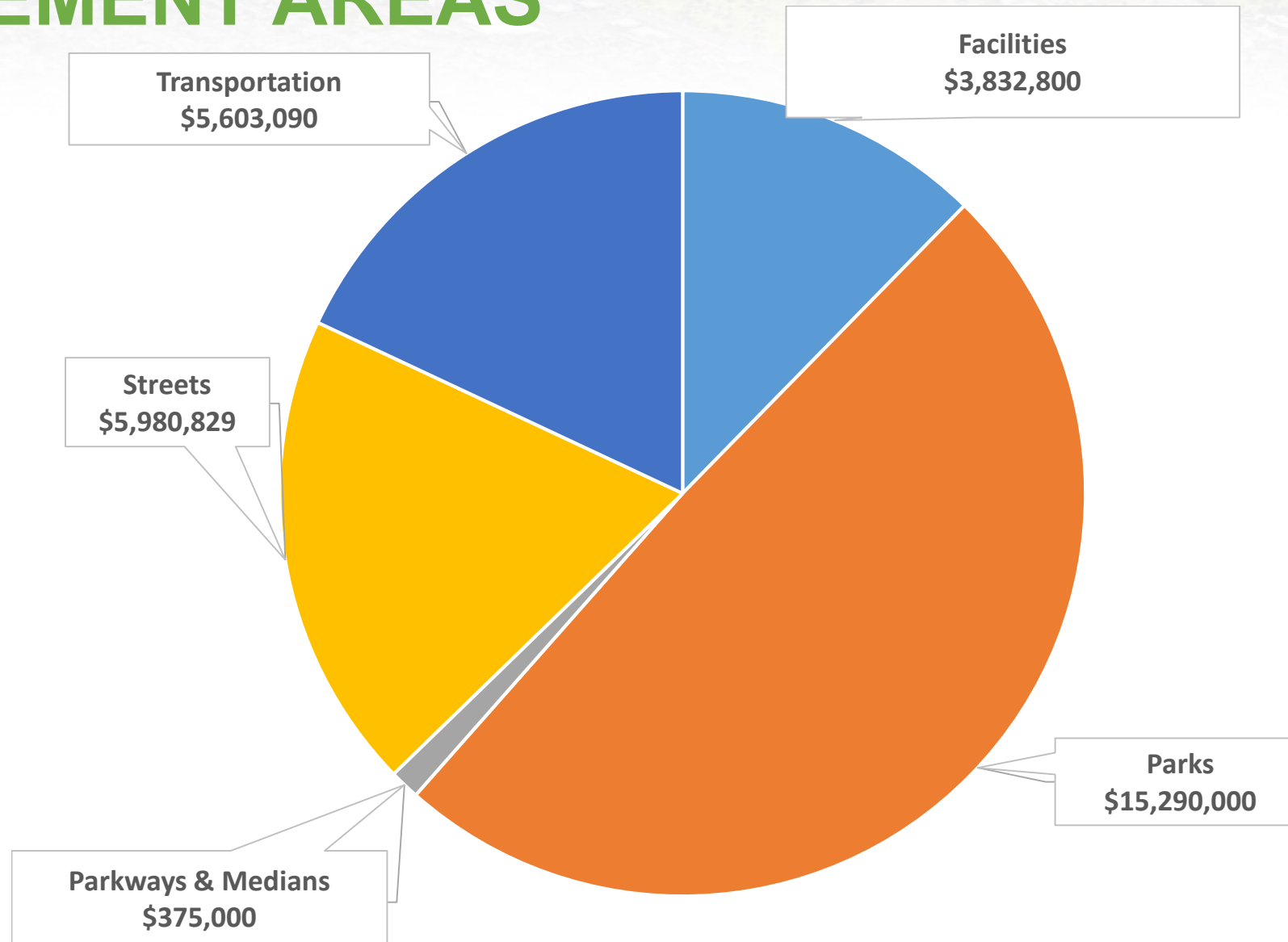
## Primary funding sources include:

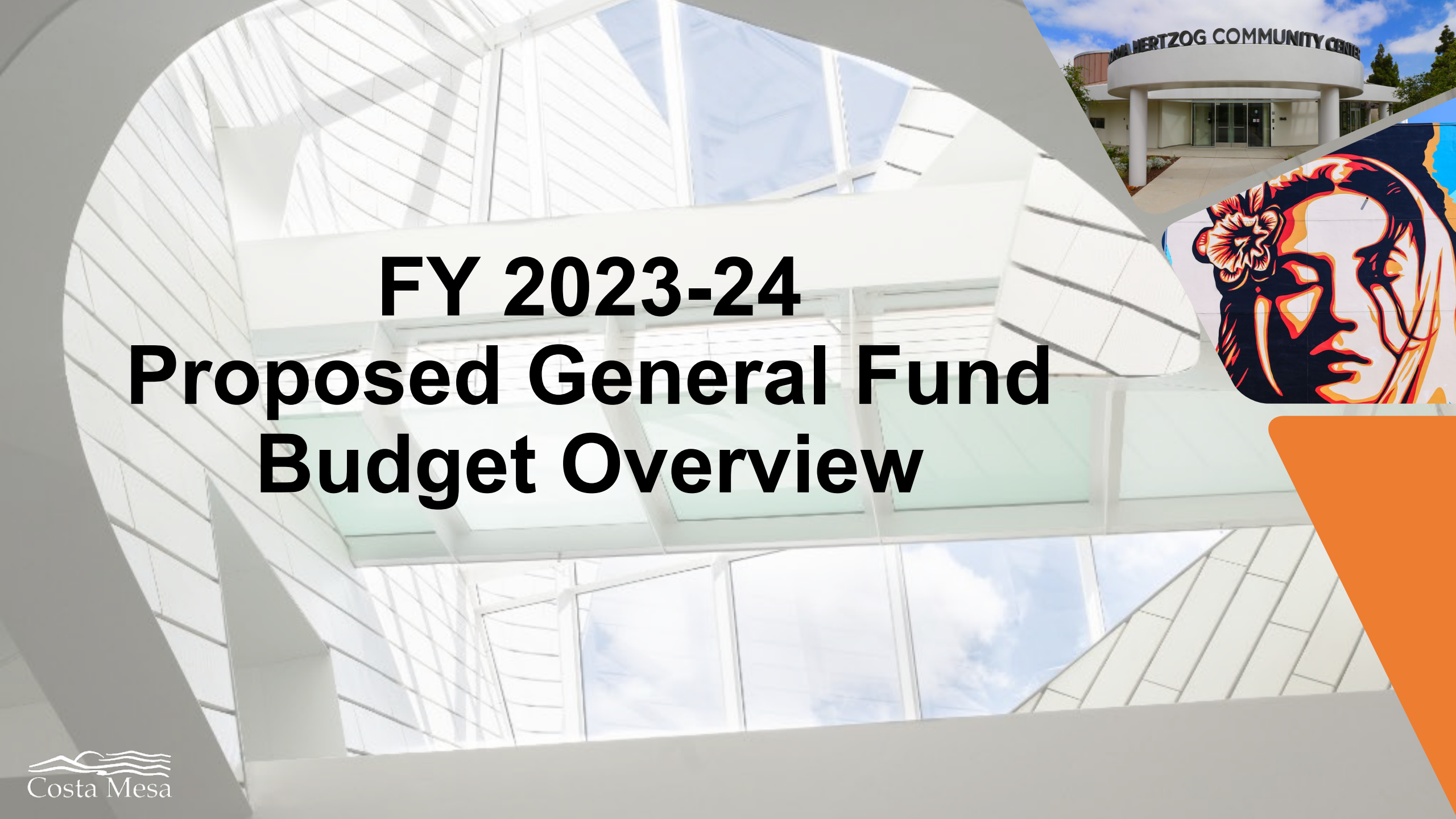
Capital Improvement Fund (GF)	\$6,415,418
Gas Tax (HUTA)	\$400,000
Gas Tax (RMRA)	\$2,780,829
Measure M2 Competitive and Fair share	\$3,475,000
Traffic Impact Fees	\$2,000,000
Golf Course Improvement Fund	\$300,000
Drainage Fees	\$40,000
Park Development Fees	\$640,000
Grant Funds*	\$15,030,472
<b>TOTAL</b>	<b>\$31,081,719</b>

\*State Senator Dave Min (\$10M), Assemblywoman Cottie Petrie-Norris (\$1.2M), County Supervisor Katrina Foley (\$3.2M) and remaining from the U.S. Dept. of Transportation Safe Streets and Roads for All (SS4A) grant to develop a Safe Routes to School Action Plan (\$0.6M).



# IMPROVEMENT AREAS





# **FY 2023-24 Proposed General Fund Budget Overview**



# **FY 2023-24 Proposed General Fund Revenue Overview**



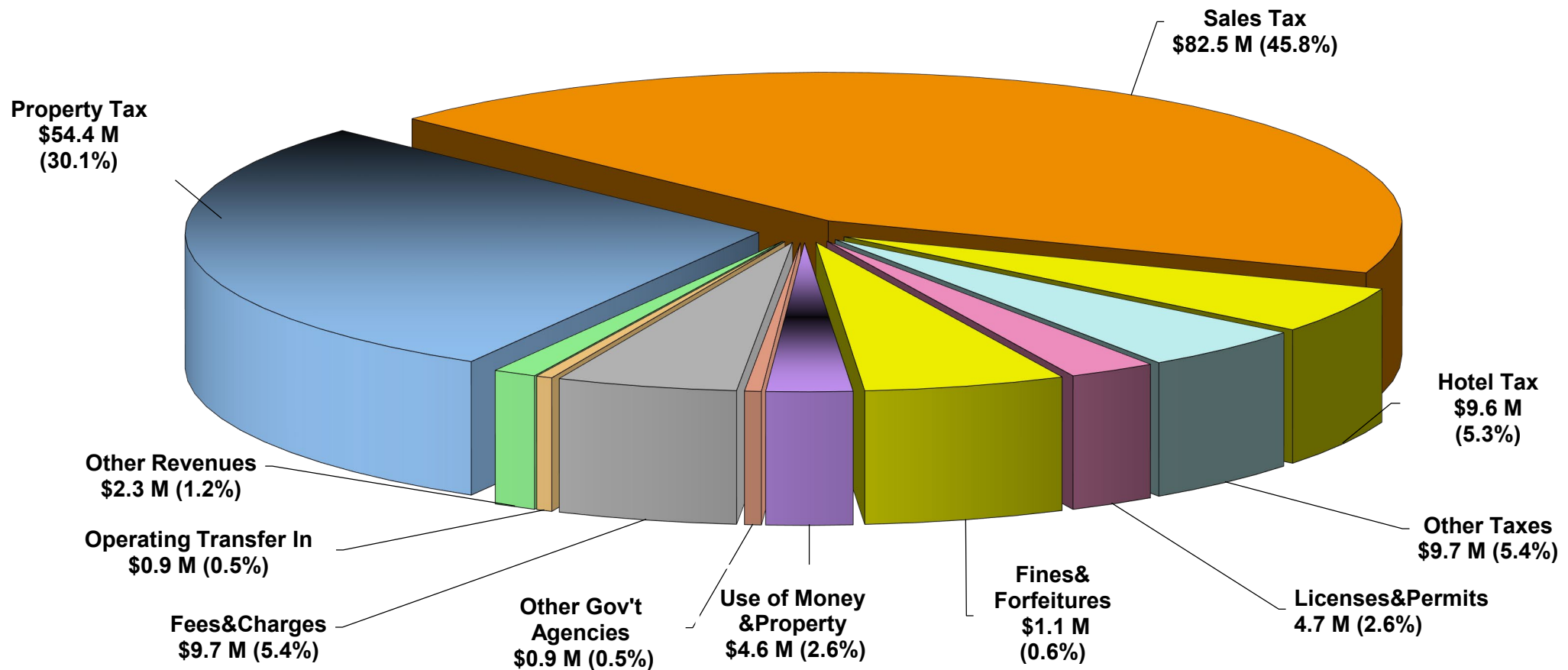


# GENERAL FUND REVENUE HIGHLIGHTS

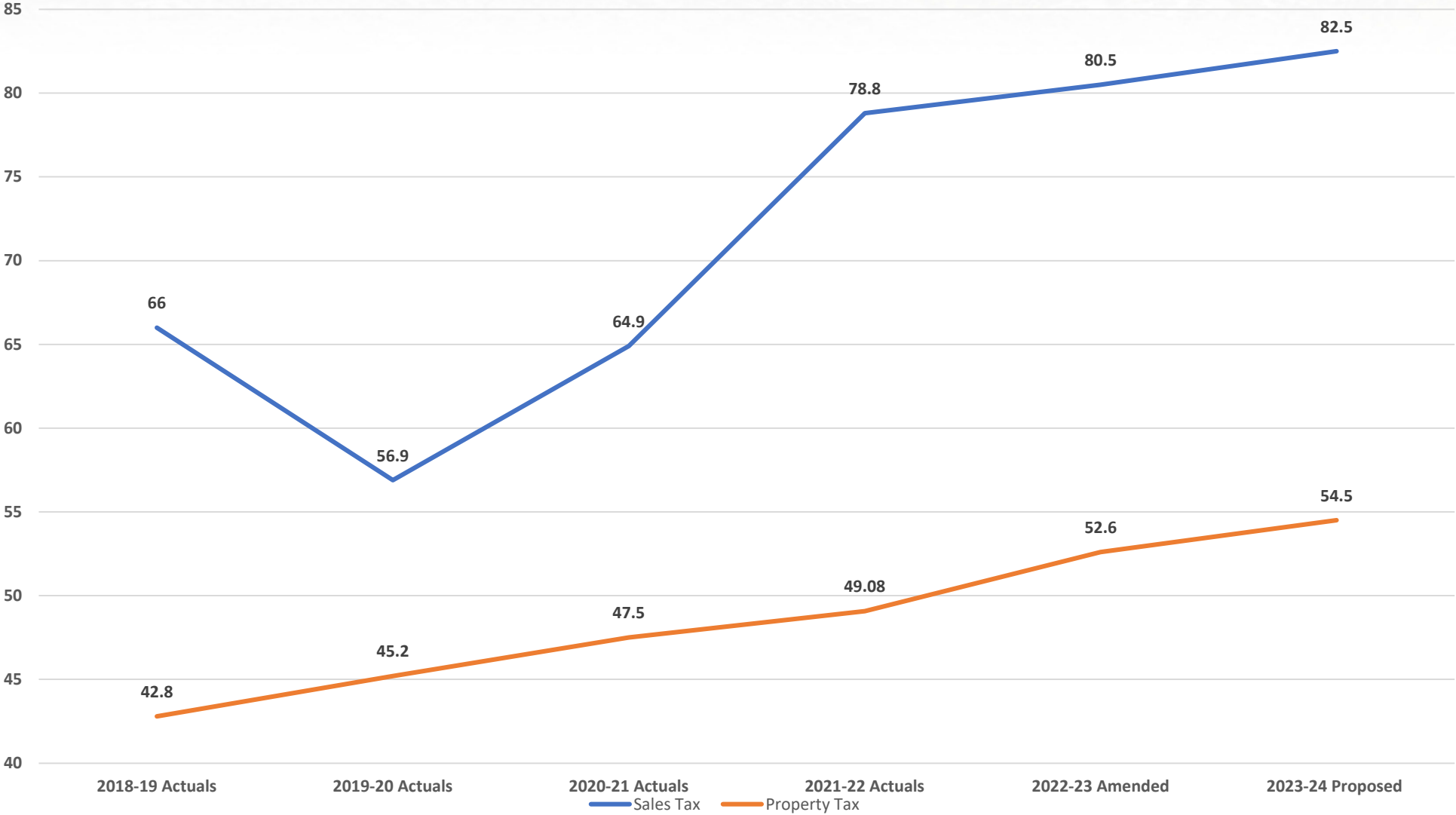
- General Fund revenue is \$180.3M, reflecting an increase of \$16.7M, or 10.2%, from the FY 2022-23 Adopted Budget
- Increase of Sales Tax bringing the estimate at \$82.5M, an increase of 13.6% from FY 2022-23 Adopted;
- Property Taxes are estimated at \$54.5M, reflecting a 5% growth over the current fiscal year, due to a steady increase in assessed valuations and home sales;
- Fees and Charges are showing signs of recovery at \$9.7M, reflecting a 15.1% growth over the current year;
- Cannabis taxes and permits decreased by \$375k, or 9%; and
- Increase of Transient Occupancy Tax, estimated at \$9.6M, a \$2.2M increase from the current year's adopted budget of \$7.4M; essentially higher than pre-pandemic levels.

# FY 2023-24 PROPOSED GENERAL FUND REVENUE

**\$180.3M**



# GENERAL FUND SALES TAX AND PROPERTY TAX HISTORY (IN MILLIONS)



# **FY 2023-24 PROPOSED GENERAL FUND EXPENDITURES**





# FY 2023-24 PROPOSED GENERAL FUND OVERVIEW

- Structurally balanced budget with no use of General Fund Reserves or ARPA Funds;
- Funds a net of 4.6 FTEs in the General Fund to achieve Strategic Plan goals, in addition to 6.9 FTEs were previously approved at mid-year in March of 2023;
- Funds a total of \$6.8M in the General Fund towards capital spending, and a \$2.8M for the Lions Park bonds debt service payment, for a total of \$9.6M exceeding amount to comply with the Capital Asset Needs (CAN) at \$8.9M;
- Funds the contractual increase of the City Attorney's budget for \$50K;
- Includes \$2.4M in CalPERS year over year increase; and
- Continues the \$4M vacancy factor (negative appropriation) adopted in FY 2019-20 General Fund Budget.

# General Fund Overview

Category	Adopted FY 22/23	Amended* FY 22/23	Proposed FY 23/24	Adopted vs. Proposed Increase/(Decrease)	
				Amount	Percent
Estimated Revenues	\$163.6	\$175.0	\$179.4	\$15.8	9.66%
Transfers In	-	-	0.9	0.9	100%
Use of Fund Balance	-	-	-	-	0%
<b>Total Sources of Funds</b>	<b>\$163.6</b>	<b>\$175.0</b>	<b>\$180.3</b>	<b>\$16.7</b>	<b>10.21%</b>
Operating Budget	\$153.0	\$158.9	\$167.2	\$14.2	9.28%
Transfers Out	10.6	12.1	13.1	2.5	23.58%
<b>Total Expenditures</b>	<b>\$163.6</b>	<b>\$171.0</b>	<b>\$180.3</b>	<b>\$16.7</b>	<b>10.21%</b>
<b>Total Surplus/(Deficit)*</b>	<b>-</b>	<b>\$4.0</b>	<b>-</b>		

\*This is an estimate – final audited numbers will not be available until December 2023



# General Fund Overview



Category	Adopted FY 22/23	Amended* FY 22/23	Proposed FY 23/24	Amended vs. Proposed	
				Increase/(Decrease) Amount	Percent
Estimated Revenues	\$163.6	\$175.0	\$179.4	\$4.4	2.69%
Transfers In	-	-	0.9	0.9	100%
Use of Fund Balance	-	-	-	-	
<b>Total Sources of Funds</b>	<b>\$163.6</b>	<b>\$175.0</b>	<b>\$180.3</b>	<b>\$5.3</b>	<b>3.24%</b>
Operating Budget	\$153.0	\$158.9	\$167.2	\$8.3	5.42%
Transfers Out	10.6	12.1	13.1	1.0	9.43%
<b>Total Expenditures</b>	<b>\$163.6</b>	<b>\$171.0</b>	<b>\$180.3</b>	<b>\$9.3</b>	<b>5.68%</b>
<b>Total Surplus/(Deficit)*</b>	<b>-</b>	<b>\$4.0</b>	<b>-</b>		

\*This is an estimate – final audited numbers will not be available until December 2023



# “THE ART OF COLLABORATION”

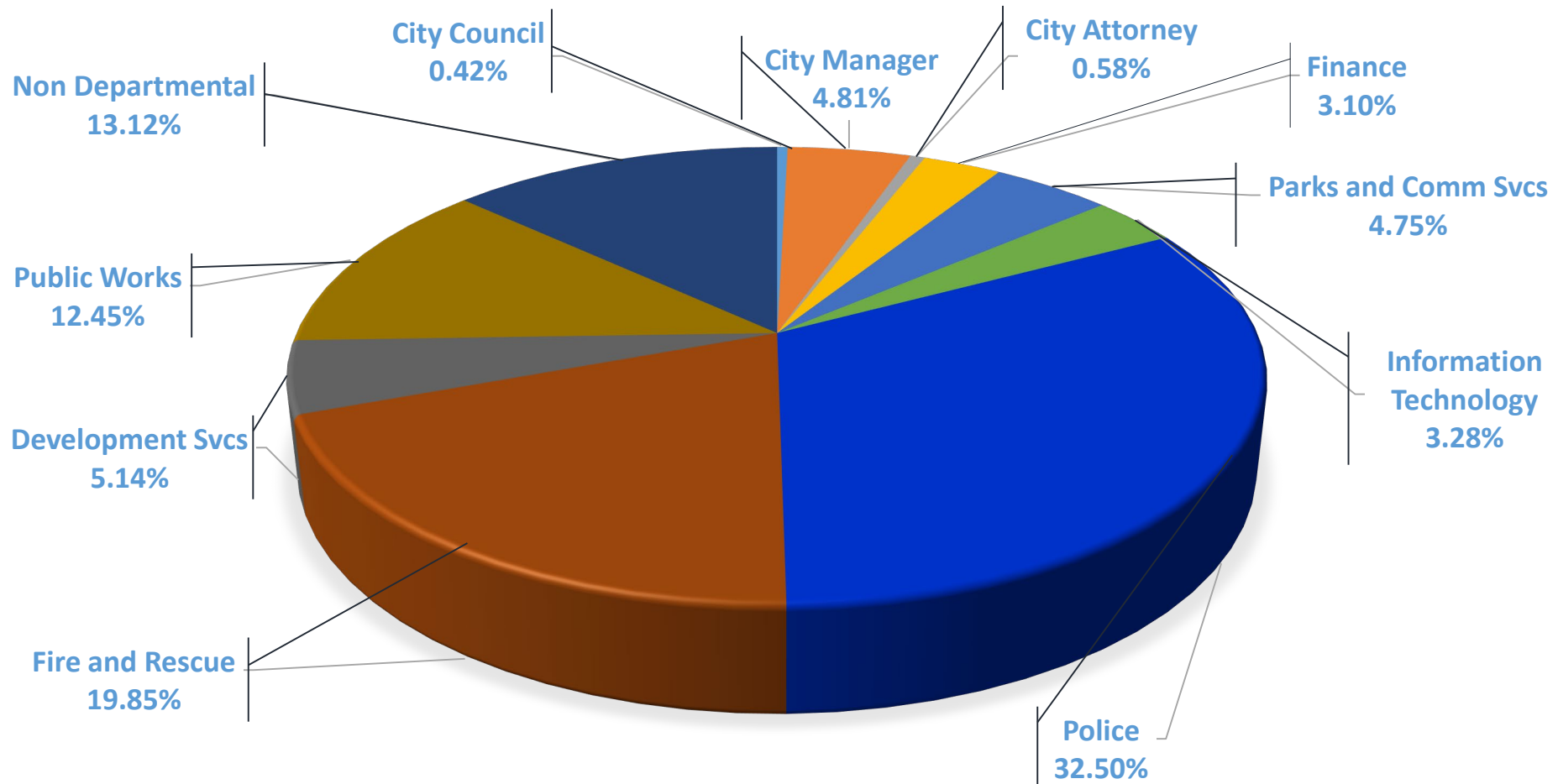
Strengthen the Public’s Safety and  
Improve the Quality of Life





# STRENGTHEN THE PUBLIC'S SAFETY

Public Safety Represents 52% of General Fund



## **Police Department:**

- Increases sworn staffing levels to 142 positions, including the Deputy Police Chief position added at mid-year;
- Highest level of Police sworn staffing since the Great Recession;
- Other annualized staffing enhancements include:
  - Full-time Management Analyst to Senior Management Analyst;
  - Part-time Property & Evidence Specialist to full-time;
  - Part-time Community Services Specialist to full-time Crime Analyst;
  - Part-time Animal Control Officer to full-time; and
  - Increased jail personnel overtime and training funding by \$40k.

## **Police Department**

- Includes additional \$229k for increase in contractual agreements for laboratory testing, warehouse rental, jail maintenance and license plate readers; as well as professional training and uniforms for the jail staff;
- Proposed CIP funds of \$900k:
  - Police Headquarters: replace the outdated carpet and repaint the interior and exterior of the building; and
  - Police Westside Sub-Station: funds the design of the future Police sub-station.

# **Fire and Rescue Department**

- Proposes conversion of two Fire Division Chief positions to one Assistant Fire Chief (Sworn) and one Assistant Fire Chief (Non-Sworn);
- Includes additional \$500K to better align overtime budget with actual expenditures (however a shortfall of \$600K still remains); and
- \$1M seed money towards a potential recommended bond for Fire Stations 2 and 4, and Police Westside Sub-station.



# Fire and Rescue Department

- Proposed CIP: Repairs, upgrades, reconstruction at Fire Stations 2 and 3 for \$1.45M:
  - Fire Station 2 – Construction seed money (\$1M)
  - Fire Station 3 – Replacement Fuel Tank (\$300K)
  - Various Fire Stations – Minor improvements and maintenance upgrades (\$150K).



# “THE ART OF COLLABORATION”

Recruit and Retain  
High Quality Staff



# RECRUIT AND RETAIN

- Annualizes funding to attract, recruit and retain high quality staff through the recently negotiated labor contracts that aligns employee compensation to average (market rate) levels (\$5.1 M);
- Budget increase of \$2.4 M for annual CalPERS payment;
- Recruitment and retention incentives for public safety to help retain tenured and experienced staff in our Police and Fire Departments for adequate succession planning (\$786K);
- Reclassification of two existing Fire management positions to two Assistant Fire Chief positions (one sworn and one non-sworn) for a net impact of \$57K; and
- Restructuring to support organizational effectiveness and interdepartmental coordination, including added staff to expedite permitting and increasing staffing in key areas to enhance public safety and customer service.

# GENERAL FUND

# RECRUIT AND RETAIN HIGH-QUALITY STAFF Requested New Positions

Department	FTE	Classification	Justification
Information Technology	1.00	<b>Cybersecurity Analyst</b> (funded by the IT Replacement Fund)	Updates and secures the City's technological infrastructure to protect and prevent from potential data compromise.
Finance	1.00	<b>Business License Inspector</b>	Ensures compliance for businesses within city limits. With the new land management system program, additional businesses will be discovered and will require outreach.
Public Works	1.00	<b>Associate Engineer</b>	Expedites the preparation and processing of permits to ensure timely issuance.
	1.00	<b>Solid Waste Coordinator</b> (Management Analyst)	Addresses upcoming State regulations and requirements, full revenue is generated from SB1383. Manages Citywide waste collection and recycle programs.
<b>Total</b>	<b>4.00</b>		



# GENERAL FUND

# RECRUIT AND RETAIN HIGH-QUALITY STAFF Part Time Conversions to Full Time

Department	FTE	Classification	Justification
Parks & Community Services	1.12	<b>Recreation Specialists:</b> Convert four positions part time to full time	Assists with the retention of hard to fill positions, responsible for assisting the day-to-day supervision of Recreation programs.
Police	0.25	<b>Property and Evidence Specialist:</b> Convert part time (0.75) to full time	Addresses additional enforcement due to expected increase in non-compliant dispensaries.
	0.25	Convert a Community Services Specialist (0.75) to full time <b>Crime Analyst</b>	Provides support for crime mitigation analytics to respond more efficiently and appropriately to emergent public safety issues.
	0.50	<b>Animal Control Officer:</b> Convert part time (0.50) to full time	Allows for additional animal control enforcement due to increased call volume and community expectations for proactive enforcement of issues.
City Manager's Office	0.25	<b>Video Production Specialist:</b> Convert part time (0.75) to full time	Enhances the City's communication and public engagement strategies for City initiatives and special events.
Public Works	0.25	Maintenance Worker (0.75) to full time <b>Equipment Mechanic</b> (funded by the Equipment Replacement Fund)	Assists with retention of hard to fill positions and address increase demands of workload due to aging fleet.
<b>Total</b>	<b>6.62</b>		



# “THE ART OF COLLABORATION”

**Advance Environmental Sustainability  
and Climate Resiliency**



## GENERAL FUND

## ADVANCE ENVIRONMENTAL SUSTAINABILITY AND CLIMATE RESILIENCY

### Energy and Sustainability:

- Funds one new Planning and Sustainable Development Manager (mid-year);
- Funds one new Management Analyst (Solid Waste Coordinator) from revenue generated by SB1383;
- Active Transportation \$4.1M in the CIP
  - Safe Routes to School (\$0.6M)
- TeWinkle Park lakes repairs (\$2M);
- Invests an additional \$150K for tree planting and maintenance;
- Initiate Climate Action Adaptation Plan study;
- Jack Hammett Sports Complex lighting upgrade (LED); and
- TeWinkle sports fields lighting upgrades (LED).



# “THE ART OF COLLABORATION”

**Achieve Long-Term Fiscal Sustainability**





## GENERAL FUND

## ACHIEVE LONG-TERM FISCAL SUSTAINABILITY

- Structurally balanced General Fund Budget without the use of ARPA or General Fund Reserves;
- Maximize the City's economic recovery through strategic investments in Citywide infrastructure;
- Provides full funding for Capital Fund (CAN) and IT Strategic Plan;
- Corrected previous deficit in the Equipment Replacement Fund to ensure more timely replacement of the City's aging Fleet;
- Includes an additional \$1.0M in debt payment for a potential recommended bond for the reconstruction of Fire Stations #2 and #4 and the Police Westside Substation; and
- Consolidate the City's master fee and charges schedule will be presented during the June 6, 2023 Public Hearing;

# FUND BALANCE IN THE GENERAL FUND

## (IN THOUSANDS)

Fund Balance Category	FY 20/21 Audited	FY 21/22 Audited	FY 22/23 Projected	Difference
Committed				
Declared Disaster	\$14,125	\$14,125	\$14,125	-
Self Insurance	2,000	2,000	2,000	-
Economic Reserves	9,000	9,000	9,000	-
Assigned				
Compensated Absences	5,920	5,584	5,584	-
Police Retirement 1% Supplemental Plan	2,275	1,885	1,885	-
Workers' Compensation	-	1,000	2,000	1,000
Facilities Reserve	-	2,000	2,000	-
Strategic Plan Projects	-	2,000	2,000	-
Restricted				
Pension and OPEB	1,778	3,061	4,561	1,500
Non-Spendable	965	604	604	-
Unassigned	17,429	16,517	16,517	-
<b>TOTAL</b>	<b>\$53,492</b>	<b>\$57,776</b>	<b>\$61,276</b>	<b>\$2,500</b>

# FINANCIAL ACHIEVEMENTS

- Strategically utilized ARPA to offset the fiscal impact of the pandemic, including small business grants, rental assistance, project Room Key;
- Corrected the Self-Insurance prior year deficit;
- Provided an ongoing revenue stream for the Equipment Replacement Fund;
- Dedicated 1.5 percent to the I.T. Replacement Fund to address replacement of aging technological software and equipment;
- Achieved and exceeded the City Council Reserve Fund Balance Policy of \$55M;
- Utilized the low interest rate environment to secure a master lease agreement for the purchase of four ambulances, two fire apparatus, mobile command unit, and police armored vehicle for an average rate of 2.2 percent; and
- Secured \$14.4M in multiple grant funds (State Senator Dave Min, Assemblywoman Cottie Petrie-Norris, and County Supervisor Katrina Foley).

# FY 2023-24 Budget Calendar

FY 2023-24 Proposed CIP Budget Study Session	City Council	April 11, 2023
FY 2023-24 Proposed CIP Budget Study Session	Finance and Pension Advisory Committee	April 12, 2023
FY 2023-24 Proposed Budget Study Session	City Council	May 9, 2023
FY 2023-24 Proposed Budget and CIP Review	Finance and Pension Advisory Committee	May 10, 2023
FY 2023-24 Proposed CIP Budget Review	Parks and Community Services Commission	May 11, 2023
FY 2023-24 Proposed CIP Budget Review	Planning Commission	May 22, 2023
FY 2023-24 Proposed Operating & CIP Budget Public Hearing	City Council	June 6, 2023
FY 2023-24 Proposed Operating & CIP Budget Study Session #2, if needed	City Council	June 13, 2023
FY 2023-24 Proposed Budget Adoption, if needed	City Council	June 20, 2023





# **“THE ART OF COLLABORATION”**

## **QUESTIONS**



# **“THE ART OF COLLABORATION”**

## **QUESTIONS**

