



CITY OF COSTA MESA

REGULAR CITY COUNCIL AND SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY, AND HOUSING AUTHORITY*

Agenda

Tuesday, February 7, 2023

6:00 PM

**City Council Chambers
77 Fair Drive**

*** INCLUDING REGULAR MEETING OF THE COSTA MESA PUBLIC FINANCING
AUTHORITY, AND COSTA MESA FINANCING AUTHORITY**

**Note: All agency memberships are reflected in the title "Council Member"
4:00 P.M. Closed Session**

The City Council meetings are presented in a hybrid format, both in-person at City Hall and virtually via Zoom Webinar. Pursuant to the State of California Assembly Bill 361 (Gov. Code §54953(b)(3)) the City Council Members and staff may choose to participate in person or by video conference.

You may participate via the following options:

1. Attending in person: Attendees are encouraged to wear masks at their discretion. If you are feeling ill, or if you've been exposed to someone with COVID-19, you may still participate in the meeting via Zoom.

2. Members of the public can view the City Council meetings live on COSTA MESA TV (SPECTRUM CHANNEL 3 AND AT&T U-VERSE CHANNEL 99) or http://costamesa.granicus.com/player/camera/2?publish_id=10&redirect=true and online at [youtube.com/costamesatv](https://www.youtube.com/c/costamesatv).

3. Zoom Webinar: (For both 4:00 p.m. and 6:00 p.m. meetings)

Please click the link below to join the webinar:

<https://us06web.zoom.us/j/98376390419?pwd=dnpFelc5TnU4a3BKWVlyRVZMallZZz09>

Or sign into Zoom.com and “Join a Meeting”

Enter Webinar ID: 983 7639 0419/ Password: 905283

- If Zoom is not already installed on your computer, click “Download & Run Zoom” on the launch page and press “Run” when prompted by your browser. If Zoom has previously been installed on your computer, please allow a few moments for the application to launch automatically.
- Select “Join Audio via Computer.”
- The virtual conference room will open. If you receive a message reading, “Please wait for the host to start this meeting,” simply remain in the room until the meeting begins.
- During the Public Comment Period, use the “raise hand” feature located in the participants’ window and wait for city staff to announce your name and unmute your line when it is your turn to speak. Comments are limited to 3 minutes, or as otherwise directed.

Participate via telephone: (For both 4:00 p.m. and 6:00 p.m. meetings)

Call: 1 669 900 6833 Enter Webinar ID: 983 7639 0419/ Password: 905283

During the Public Comment Period, press *9 to add yourself to the queue and wait for city staff to announce your name/phone number and press *6 to unmute your line when it is your turn to speak. Comments are limited to 3 minutes, or as otherwise directed.

4. Additionally, members of the public who wish to make a written comment on a specific agenda item, may submit a written comment via email to the City Clerk at cityclerk@costamesaca.gov. Comments received by 12:00 p.m. on the date of the meeting will be provided to the City Council, made available to the public, and will be part of the meeting record.

5. Please know that it is important for the City to allow public participation at this meeting. If you are unable to participate in the meeting via the processes set forth above, please contact the City Clerk at (714) 754-5225 or cityclerk@costamesaca.gov and staff will attempt to accommodate you. While the City does not expect there to be any changes to the above process for participating in this meeting, if there is a change, the City will post the information as soon as possible to the City’s website.

Note that records submitted by the public will not be redacted in any way and will be posted online as submitted, including any personal contact information. All pictures, PowerPoints, and videos submitted for display at a public meeting must be previously reviewed by staff to verify appropriateness for general audiences. No links to YouTube videos or other streaming services will be accepted, a direct video file will need to be emailed to staff prior to each meeting in order to minimize complications and to play the video without delay. The video must be one of the following formats, .mp4, .mov or .wmv. Only one file may be included per speaker for public comments, for both videos and pictures. Please e-mail to the City Clerk at cityclerk@costamesaca.gov NO LATER THAN 12:00 Noon on the date of the meeting. If you do not receive confirmation from the city prior to the meeting, please call the City Clerks office at 714-754-5225.

Note regarding agenda-related documents provided to a majority of the City Council after distribution of the City Council agenda packet (GC §54957.5): Any related documents provided to a majority of the City Council after distribution of the City Council Agenda Packets will be made available for public inspection. Such documents will be posted on the city's website and will be available at the City Clerk's office, 77 Fair Drive, Costa Mesa, CA 92626.

All cell phones and other electronic devices are to be turned off or set to vibrate. Members of the audience are requested to step outside the Council Chambers to conduct a phone conversation.

Free Wi-Fi is available in the Council Chambers during the meetings. The network username available is: CM_Council. The password is: cmcouncil1953.

As a LEED Gold Certified City, Costa Mesa is fully committed to environmental sustainability. A minimum number of hard copies of the agenda will be available in the Council Chambers. For your convenience, a binder of the entire agenda packet will be at the table in the foyer of the Council Chambers for viewing.

In compliance with the Americans with Disabilities Act, Assistive Listening headphones are available and can be checked out from the City Clerk. If you need special assistance to participate in this meeting, please contact the City Clerk at (714) 754-5225. Notification at least 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR 35.102.35.104 ADA Title II]. Language translation services are available for this meeting by calling (714) 754-5225 at least 48 hours in advance.

En conformidad con la Ley de Estadounidenses con Discapacidades (ADA), aparatos de asistencia están disponibles y podrán ser prestados notificando a la Secretaria Municipal. Si necesita asistencia especial para participar en esta junta, comuníquese con la oficina de la Secretaria Municipal al (714) 754-5225. Se pide dar notificación a la Ciudad por lo mínimo 48 horas de anticipación para garantizar accesibilidad razonable a la junta. [28 CFR 35.102.35.104 ADA Title II]. Servicios de traducción de idioma están disponibles para esta junta llamando al (714) 754-5225 por lo mínimo 48 horas de anticipación.

CLOSED SESSION - 4:00 P.M.

CALL TO ORDER

ROLL CALL

PUBLIC COMMENTS Members of the public are welcome to address the City Council only on those items on the Closed Session agenda. Each member of the public will be given a total of three minutes to speak on all items on the Closed Session agenda.

CLOSED SESSION ITEMS:

1. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
Pursuant to California Government Code Section 54956.9 (d)(1)
Name of Case: Carrin A. Leaman vs. City of Costa Mesa
Orange County Superior Courts Case No. 30-2021-01196302-CU-OR-CJC
2. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Pursuant to California Government Code Section 54956.9, (d)(1)
Name of Case: SoCal Recovery, LLC, a California limited liability company v. City of Costa Mesa, United States District Court, Central District of California, Case No. 8:18-cv-01304-JVS-PJW.
3. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Pursuant to California Government Code Section 54956.9, (d)(1)
Name of Case: Raw Recovery, LLC et al v. City of Costa Mesa, United States District Court, Central District of California, Case No. 8:18-cv-01080-JVS-AGR
4. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Pursuant to Subdivision (d)(1) of Section 54956.9, California Government Code
Name of Case: Ohio House, LLC v. City of Costa Mesa, USDC, Central District of CA, Case No. 8:19-cv-01710-DOC (KESx)
5. CONFERENCE WITH LABOR NEGOTIATORS
Pursuant to California Government Code Section 54957.6, (a)
Agency Designated Representative: Lori Ann Farrell Harrison, City Manager
Name of Employee Organization: Costa Mesa Firefighters Association (CMFA).
6. CONFERENCE WITH LABOR NEGOTIATORS
Pursuant to California Government Code Section 54957.6, (a)
Agency Designated Representative: Lori Ann Farrell Harrison, City Manager
Name of Employee Organization: Costa Mesa Firefighters Management Association (CMFMA).

7. CONFERENCE WITH LABOR NEGOTIATORS
Pursuant to California Government Code Section 54957.6, (a)
Agency Designated Representative: Lori Ann Farrell Harrison, City Manager
Name of Employee Organization: Costa Mesa Police Management Association (CMPMA).
8. CONFERENCE WITH LABOR NEGOTIATORS
Pursuant to California Government Code Section 54957.6, (a)
Agency Designated Representative: Lori Ann Farrell Harrison, City Manager
Name of Employee Organization: Costa Mesa Management Association (CMDMA).
9. CONFERENCE WITH LABOR NEGOTIATORS
Pursuant to California Government Code Section 54957.6, (a)
Agency Designated Representative: Lori Ann Farrell Harrison, City Manager
Name of Employee Organization: Costa Mesa Unrepresented Executive Employees
10. CONFERENCE WITH LABOR NEGOTIATORS
Pursuant to California Government Code Section 54957.6, (a)
Agency Designated Representative: Lori Ann Farrell Harrison, City Manager
Name of Employee Organization: Costa Mesa Confidential Management Unit
11. CONFERENCE WITH LABOR NEGOTIATORS
Pursuant to California Government Code Section 54957.6, (a)
Agency Designated Representative: Lori Ann Farrell Harrison, City Manager
Name of Employee Organization: Costa Mesa Unrepresented Part Time Employees
12. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION - TWO CASES
Pursuant to California Government Code Section 54956.9 (d)(2), Potential Litigation.

**REGULAR MEETING OF THE CITY COUNCIL AND SUCCESSOR AGENCY
TO THE REDEVELOPMENT AGENCY, COSTA MESA PUBLIC FINANCING
AUTHORITY, COSTA MESA FINANCING AUTHORITY, AND HOUSING
AUTHORITY**

FEBRUARY 7, 2023 – 6:00 P.M.

JOHN STEPHENS
Mayor

JEFFREY HARLAN
Mayor Pro Tem - District 6

ANDREA MARR
Council Member - District 3

MANUEL CHAVEZ
Council Member - District 4

LOREN GAMEROS
Council Member - District 2

ARLIS REYNOLDS
Council Member - District 5

DON HARPER
Council Member - District 1

KIMBERLY HALL BARLOW
City Attorney

LORI ANN FARRELL HARRISON
City Manager

CALL TO ORDER

NATIONAL ANTHEM AND PLEDGE OF ALLEGIANCE

MOMENT OF SOLEMN EXPRESSION

[Per Council Policy 000-12, these presentations are made by community volunteers stating their own views. The City Council disclaims any intent to endorse or sponsor the views of any speaker.]

ROLL CALL

CITY ATTORNEY CLOSED SESSION REPORT

PRESENTATIONS:

1. [Proclamation: Black History Month](#)

[23-1064](#)

Attachments: [1. Proclamation: Black History Month](#)

PUBLIC COMMENTS – MATTERS NOT LISTED ON THE AGENDA

Comments are limited to 3 minutes, or as otherwise directed.

Comments on Consent Calendar items may also be heard at this time.

COUNCIL MEMBER COMMITTEE REPORTS, COMMENTS, AND SUGGESTIONS

Each council member is limited to 4 minutes. Additional comments will be heard at the end of the meeting.

1. Council Member Chavez
2. Council Member Gameros
3. Council Member Harper
4. Council Member Marr
5. Council Member Reynolds
6. Mayor Pro Tem Harlan
7. Mayor Stephens

REPORT – CITY MANAGER

REPORT – CITY ATTORNEY

CONSENT CALENDAR (Items 1-6)

All matters listed under the Consent Calendar are considered to be routine and will be acted upon in one motion. There will be no separate discussion of these items unless members of the City Council, staff, or the public request specific items to be discussed and/or removed from the Consent Calendar for discussion.

1. [PROCEDURAL WAIVER: WAIVE THE FULL READING OF ALI23-1010 ORDINANCES AND RESOLUTIONS](#)

RECOMMENDATION:

City Council, Agency Board, and Housing Authority approve the reading by title only and waive full reading of Ordinances and Resolutions.

2. **READING FOLDER** **23-1011**

RECOMMENDATION:

City Council receive and file Claims received by the City Clerk: Adrian Aguilar, Julio Ascencio, State Farm Mutual with Jefferson Kirk Given, William Harvill, Mark Herschthal, Victoria Maldonado, Piotr Pramowski, Juan David Veramancini.

3. **ADOPTION OF WARRANT RESOLUTION** **23-1056**

RECOMMENDATION:

City Council approve Warrant Resolution No. 2693.

Attachments: [1. Summary Check Register week of 1-9-23](#)
[2. Summary Check Register week of 1-16-23](#)

4. **MINUTES** **23-1012**

RECOMMENDATION:

City Council approve the Minutes of the Regular meeting of January 17, 2023 and the Special Study Session of January 24, 2023.

Attachments: [1. 01-17-2023 Draft Minutes](#)
[2. 01-24-2023 Draft Minutes](#)

5. **AUTHORIZE THE USE OF SOURCEWELL'S NATIONAL COOPERATIVE AGREEMENT WITH NATIONAL AUTO FLEET GROUP FOR THE PURCHASE OF NEW AND REPLACEMENT CITY VEHICLES AND EQUIPMENT** **23-1000**

RECOMMENDATION:

Staff recommends the City Council:

1. Authorize the use of Sourcewell's National Cooperative Agreement No. 091521-NAF (Attachment 1) with National Auto Fleet Group for the purchase of new and replacement City fleet vehicles - cars, vans, SUV's, trucks and related equipment - as approved during the annual budget process.
2. Authorize the City Manager and the City Clerk to execute all documents necessary to utilize the Sourcewell National Cooperative Agreement for one year with two one-year renewals authorized in respective annual budgets through FY 2024-25 for an annual not-to exceed amount of \$2,000,000.

Attachments: [1. NAFG Sourcewell Contract](#)

6. **SECOND READING AND ADOPTION OF AN ORDINANCE TO AMEND 23-1006
THE CITY OF COSTA MESA'S MUNICIPAL CODE 3-151 APPEALS
FROM ACTION OF POLICE CHIEF**

RECOMMENDATION:

Staff recommends that the City Council give second reading and adopt:
Ordinance No. 2023-01 to amend Section 3-151 (Appeals from Action of Police
Chief) Chapter VI (Special Animal Permit) of Title 3 (Animal Regulations) of the
CMMC to grant appeal authority to the City Manager in place of the City Council
for Special Animal Permit related actions taken by the Chief of Police.

Attachments: [1. Ordinance No. 2023-01](#)

**AT THIS TIME COUNCIL WILL ADDRESS ANY ITEMS PULLED FROM THE CONSENT
CALENDAR**

-----END OF CONSENT CALENDAR-----

PUBLIC HEARINGS:

(Pursuant to Resolution No. 05-55, Public Hearings begin at 7:00 p.m.)

1. **REPEAL OF THE ORDINANCES UNDER CHAPTER I (BICYCLES 23-1008
AND MOTORIZED BICYCLE LICENSING) TO TITLE 4 (BICYCLES) OF
THE COSTA MESA MUNICIPAL CODE**

RECOMMENDATION:

Staff recommends that the City Council introduce for first reading the attached
Ordinance No. 2023-xx to repeal Chapter I (Bicycles and Motorized Bicycle
Licensing) to Title 4 (Bicycles) of the Costa Mesa Municipal Code to comply with
current California law.

Attachments: [1. Ordinance to Repeal of Title 4 of Chapter I Bicycle Licensing](#)

2. [CITY COUNCIL FIRST READING OF AN ORDINANCE TO AMEND 23-1009 TITLE 13 OF THE COSTA MESA MUNICIPAL CODE \(ZONING CODE\) TO MODIFY EXISTING ACCESSORY DWELLING UNIT \(ADU\) STANDARDS TO CONFORM WITH RECENT REVISIONS TO STATE LAW AND TO CLARIFY LOCAL PROVISIONS TO IMPROVE PERMIT PROCESSING \(CODE AMENDMENT CO 2022-01\)](#)

RECOMMENDATION:

Introduce for first reading, by title only, Ordinance No. 2023-XX approving Code Amendment CO-2022-01, amending Title 13 of the Costa Mesa Municipal Code (Zoning Code) to modify the City's accessory dwelling unit (ADU) standards to conform to recent revisions to State law, and to clarify several existing provisions to improve ADU permit processing.

Attachments: [1. Draft Ordinance](#)
[2. Exhibit A to the Draft Ordinance \(track changes\)](#)
[3. HCD Letter](#)

OLD BUSINESS:

1. [RETAINER AGREEMENTS BETWEEN THE CITY OF COSTA MESA 23-1063 AND COMPLEX APPELLATE LITIGATION GROUP, LLP FOR LEGAL SERVICES](#)

RECOMMENDATION:

It is recommended the City Council:

1. Approve the Agreements between the City of Costa Mesa and the law firm of Complex Appellate Litigation Group, LLP in connection with the pending lawsuits entitled The Ohio House LLC v. City of Costa Mesa, United States District Court for the Central District of California, Case No. 8:19-cv-01710 -JVS (GJSx), Insight Psychology and Addiction, Inc. v. City of Costa Mesa, United States District Court for the Central District of California, Case No. 8:20-cv-00504-MEMF-JDE, SoCal Recovery, LLC v. City of Costa Mesa, 9th Circuit Court of Appeals No. 20-55820, RAW Recovery, LLC v. City of Costa Mesa, 9th Circuit Court of Appeals No. 20-55870.
2. Authorize the City Manager and the City Clerk to execute the Agreements.

Attachments: [1. Socal and RAW Recovery](#)
[2. Ohio House](#)
[3. Insight Psychology](#)

NEW BUSINESS:

1. [**CDBG CV HOMELESSNESS PREVENTION AND SERVICES TO 23-1004
LOW/MODERATE INCOME HOUSEHOLDS**](#)

RECOMMENDATION:

Staff recommends the City Council:

1. Approve the recommended reallocation of \$344,000 in Community Development Block Grant - Coronavirus (CDBG-CV) funds from Program Administration (\$274,000) and the Motel Isolation Voucher Program (\$70,000) for street outreach, workforce development, senior meals, and homeless youth programs.
2. Authorize the City Manager (or their designee) and the City Clerk to execute all agreements and/or amendments to the agreements to award CDBG-CV funding in the amount of \$70,000 for Trellis International, \$189,000 for City Net, and \$35,000 for Project Hope Alliance, each for a one-year term.
3. Approve the appropriation of \$50,000 in CDBG-CV funds to provide meals for Costa Mesa senior citizens.

Attachments: [1.City Net Amendment 2](#)
[2. Trellis Amendment 2](#)
[3. Project Hope Alliance Sub Agreement](#)

2. [CITY OF COSTA MESA, COSTA MESA PUBLIC FINANCING 23-998 AUTHORITY, COSTA MESA FINANCING AUTHORITY, AND COSTA MESA HOUSING AUTHORITY FINANCIAL STATEMENTS, AND HOUSING SUCCESSOR ANNUAL REPORT FOR THE PERIOD ENDING JUNE 30, 2022.](#)

RECOMMENDATION:

1. Staff recommends the City Council receive and file the following reports for the fiscal year ended June 30, 2022:
 - a. Annual Comprehensive Financial Report (ACFR) (Attachment 1);
 - b. Air Quality Improvement Fund Compliance Report (Attachment 2);
 - c. Audit Communication Letter (Attachment 3); and
 - d. Independent Accountant's Report on Agreed-Upon Procedures Applied to Appropriation Limit Worksheets (Attachment 4).
2. Staff recommends the City Council and Costa Mesa Public Financing Authority receive and file the Costa Mesa Public Financing Authority audited financial statements for the fiscal year ended June 30, 2022 (Attachment 5).
3. Staff recommends the City Council and Costa Mesa Financing Authority receive and file the Costa Mesa Financing Authority audited financial statements for the fiscal year ended June 30, 2022 (Attachment 6).
4. Staff recommends the City Council and Housing Authority receive and file the following reports for the fiscal year ended June 30, 2022:
 - a. Independent Financial Audit of the Costa Mesa Housing Authority, including the Low and Moderate Income Housing Asset Fund (Attachment 7); and
 - b. The Fiscal Year 2021-22 Housing Successor Annual Report prepared under the California Health and Safety Code Section 34176.1 as the housing successor and Section 34328 as a housing authority (Attachment 8).

- Attachments:** [1. FY 2021-22 Annual Comprehensive Financial Report](#)
[2. FY 2021-22 Air Quality Improvement Fund Compliance Report](#)
[3. FY 2021-22 Audit Communication Letter](#)
[4. FY 2021-22 Report on Agreed-Upon Procedures Applied to Appropriation Limit Worksheets](#)
[5. FY 2021-22 Costa Mesa Public Financing Authority Financial Statements](#)
[6. FY 2021-22 Costa Mesa Financing Authority Financial Statements](#)
[7. FY 2021-22 Costa Mesa Housing Authority Financial Statements](#)
[8. FY 2021-22 Housing Successor Annual Report](#)

ADDITIONAL COUNCIL/BOARD MEMBER COMMITTEE REPORTS, COMMENTS, AND SUGGESTIONS

ADJOURNMENT



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1064

Meeting Date: 2/7/2023

TITLE:

Proclamation: Black History Month

DEPARTMENT: City Manager's Office



WHEREAS, Black History month started in 1926 when distinguished Black author and founder of the Association for the Study of African American Life and History, Dr. Carter G. Woodson, launched Negro History Week to celebrate and showcase the historical contributions of Black Americans; and

WHEREAS, Dr. Carter G. Woodson selected the second week of February because it included the birthdays of Frederick Douglass and Abraham Lincoln, which had been notable dates for the Black community since the start of the twentieth century; and

WHEREAS, in 1976, it evolved into a month-long celebration and became a national holiday when President Gerald Ford officially labeled the month of February as Black History Month to highlight the contributions that Black Americans have made in every field, from science, the arts to politics, and religion; and

WHEREAS, the Black History Month theme for 2023, Black Resistance, explores how Black Americans have resisted historical and ongoing oppression, in all forms, especially the racial terrorism of lynching, racial pogroms, and police killings, since the nation's earliest days; and

WHEREAS, Black History Month is a time for all Americans to reflect on both the history and teachings of Black Americans and to focus on the progress, richness, and diversity of Black American achievements; and

WHEREAS, it is a moral imperative that each of us learns about, sheds light upon, and condemns the inhumanity of injustices and inequities that Black Americans continue to experience and endure, but moreover that each of us takes action to realize true reforms; and

WHEREAS, the City of Costa Mesa continues to work toward becoming a more inclusive community in which all citizens are respected and recognized for their contributions and potential contributions to our community; and

WHEREAS, the City of Costa Mesa is proud to honor the history and contributions of Black Americans in our community, throughout our state and nation.

NOW, THEREFORE, I, John B. Stephens, Mayor of the City of Costa Mesa, do hereby proclaim the month of February 2023 as **Black History Month** in the City of Costa Mesa and encourage all residents to join me in celebrating the diversity and character of our community and to continue to work towards the ideals of equality, freedom, and justice.

Dated this 7th day of February 2023.

John B. Stephens, Mayor of the City of Costa Mesa



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1010

Meeting Date: 2/7/2023

TITLE:

PROCEDURAL WAIVER: WAIVE THE FULL READING OF ALL ORDINANCES AND RESOLUTIONS

RECOMMENDATION:

City Council, Agency Board, and Housing Authority approve the reading by title only and waive full reading of Ordinances and Resolutions.



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1011

Meeting Date: 2/7/2023

TITLE:

READING FOLDER

DEPARTMENT: City Manager's Office/City Clerk's Division

RECOMMENDATION:

City Council receive and file Claims received by the City Clerk: Adrian Aguilar, Julio Ascencio, State Farm Mutual with Jefferson Kirk Given, William Harvill, Mark Herschthal, Victoria Maldonado, Piotr Pramowski, Juan David Veramancini.



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1056

Meeting Date: 2/7/2023

TITLE:

ADOPTION OF WARRANT RESOLUTION

DEPARTMENT: Finance Department

PRESENTED BY: Carol Molina, Finance Director

CONTACT INFORMATION: Carol Molina at (714) 754-5243

RECOMMENDATION:

City Council approve Warrant Resolution No. 2693.

BACKGROUND:

In accordance with Section 37202 of the California Government Code, the Director of Finance or their designated representative hereby certify to the accuracy of the following demands and to the availability of funds for payment thereof.

FISCAL REVIEW:

Funding Payroll Register No. 23-01 "A" Off Cycle for \$1,666.26; 23-02 On Cycle for \$3,009,540.33 and City operating expenses for \$ 3,700,561.02.

City of Costa Mesa Accounts Payable
CCM OVERFLOW CHECK LISTING

Bank: DDP1

Cycle: ADDEP1

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|--------------|----------|--------|--|------------|-------------|
| 014670 | 01/11/23 | O | US Bank <i>Line Description: Overflow</i> | 0000002228 | 0.00 |
| 014671 | 01/11/23 | O | US Bank <i>Line Description: Overflow</i> | 0000002228 | 0.00 |
| 014672 | 01/11/23 | O | US Bank <i>Line Description: Overflow</i> | 0000002228 | 0.00 |
| TOTAL | | | | | 0.00 |

0 * *

175,407.95 +

7,420.31 +

969,653.96 +

003

1,152,482.22 *

Report ID: CCM20010

City of Costa Mesa Accounts Payable
CCM OVERFLOW CHECK LISTING

Page No. 1

Run Date Jan 12, 2023

Run Time 4:57:13 PM

Bank: CITY

Cycle: AWKLY

| <u>Payment Ref</u> | <u>Date</u> | <u>Status</u> | <u>Remit To</u> | <u>Remit ID</u> | <u>Payment Amt</u> |
|--------------------|-------------|---------------|---|-----------------|--------------------|
| 0240750 | 01/13/23 | O | Southern California Edison Company <i>Line Description: Overflow</i> | 0000004088 | 0.00 |
| 0240757 | 01/13/23 | O | AT & T <i>Line Description: Overflow</i> | 0000001107 | 0.00 |
| TOTAL | | | | | 0.00 |

End of Report

Bank: DDP1

Cycle: ADDEP1

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|----------|------------|-------------|
| 014669 | 01/11/23 | P | US Bank | 0000002228 | 175,407.95 |

Line Description: Meals for Training/Meeting
 Flight-Clerks Conf in Monterey
 Arborist Membership Dues for V
 Monthly Subscription Fees
 CEAOC December Meeting
 Periscope S2G Prem State
 City Council Meeting Meal
 Business Meeting
 Certificate Frames
 Council Dais Snacks
 Monthly Charge-Remarkable
 Office Supplies
 Business Meeting
 CEAOC Registration Admin/Egine
 CEAOC Registration for H.Soria
 Class Registration for B. Thom
 ITE Membership Renewal-N. Casi
 ITE Membership Renewal-R. Seth
 Outreach Meeting/Onboarding
 Corp Yard Gate Wheels
 iCloud Storage-Work Cell
 Transport-Client Related Appt
 Storage Unit Small Supply CMBS
 Business Meeting
 Fuel for Vehicle #342
 Kitchen Supplies-Station 6
 Monthly Digital Image Srvs
 Tulle Fire Department Veil
 Cutting Knives for Station 6
 Membersip Renewal for General
 Black Mourning Bands for Badge
 Membership Renewal foe General
 CAL Cities Reg-CM
 Certificate Frames
 Business Meeting-Food
 LAI/LCC Reg-Asst to CM
 Coffee Supplies-CM Office

Bank: DDP1
Cycle: ADDEP1

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|------|--------|----------|----------|-------------|
|-------------|------|--------|----------|----------|-------------|

Line Description:

- Flowers-Dia De Los Muertos
- OCCMA Annual CM's Luncheon
- Dry Cleaning Svs-Tablecloths
- Refreshment-Business Meeting
- Refreshment-Dia De Los Muertos
- Refreshment-Trestle Dedication
- Remarkable Monthly Subscriptio
- Business Meeting
- Postage Meter Supplies
- OES 1890C Meals
- Decor-Lobby Tree
- Lunch/Refreshment
- Travel-PARMA Conf
- Art Therapy Supplies
- Conference Registration x2
- Deposit-PARMA Conf Lodging
- Lodging-Conf
- Travel-Conf
- Lodging-Conf
- Door for FS 4 Bathroom
- Embroidery for Wildland PPE
- IAAI Membership 2-yr Renewal
- OES 1890C Preposition
- Rater Lunch-Crime Analyst
- Lapel Pin Boxes, Name Plate
- Lunch/Refreshment-Telecomm Man
- Customer Service Training
- Flight:Cal Chiefs Leadership
- Masking Tape-Code Notices etc
- Fire St Banner Zipties
- Stamps-Use on Bldg Plans
- 1 YR Unlimited Access-ADA Plan
- 2022 CA Title 24 Designer Col.
- Water&Gatorade FS 1
- Water&Gatorade FS 2&6
- Registration for 2022 FC Leade
- Rental Housing Cp Course
- Hotel
- OE Prepo Wind Incident Food

Bank: DDP1
Cycle: ADDEP1

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|------|--------|----------|----------|-------------|
|-------------|------|--------|----------|----------|-------------|

| | | | | | |
|--------------------------------|--|--|--|--|--|
| <i>Line Description:</i> | | | | | |
| Cannabis Portal | | | | | |
| Bldg Monitor Plan 2day Course | | | | | |
| Annual Economic Summit Admissi | | | | | |
| Notice of Exemption-549 Bernar | | | | | |
| Online Training-Dev Housing in | | | | | |
| Santa Ana CH Parking-549 Berna | | | | | |
| Coffee/Snacks for EMS Training | | | | | |
| Ipad for RealTI360 EMS Trainin | | | | | |
| Coffee Stirrers | | | | | |
| Supp, Refreshment, Drycleaning | | | | | |
| Academy Trash | | | | | |
| Training Committee Meeting | | | | | |
| Water for Station 4 Classroom | | | | | |
| Registration for League of Cit | | | | | |
| Extension Cord | | | | | |
| Stand Up Desk, Mat | | | | | |
| PC Keycaps, O-Ring Keyboard | | | | | |
| Gift Cards, Supplies-CS Traini | | | | | |
| Desktop-Mac Pro Ed. (1 YR) | | | | | |
| Chair-Brandon N | | | | | |
| On-line Queu System-Public | | | | | |
| Monthly Tablet Subscription | | | | | |
| Online Meeting Conf Platform | | | | | |
| Microsoft 365 Montly Subscript | | | | | |
| Drinks for Recruitment | | | | | |
| Landyards-Parks Staff | | | | | |
| Misc Supplies-Luke Davis Field | | | | | |
| Stoarge Supplies-Luke Davis Fi | | | | | |
| Lodging | | | | | |
| Tactical Belt | | | | | |
| Lodging/Kuo/SLI 2 | | | | | |
| Tuition for Officers | | | | | |
| Lodging/CNOA Training | | | | | |
| Credit Card Srvs Charge | | | | | |
| Tuition/Evidence Mgt/Alvarez | | | | | |
| Tuition/Search&Seizure/Use of | | | | | |
| Costco Membership | | | | | |
| Decor, Supp, Food | | | | | |
| Signage-Staff Offices | | | | | |

Bank: DDP1
Cycle: ADDEP1

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|------|--------|----------|----------|-------------|
|-------------|------|--------|----------|----------|-------------|

Line Description: Supp-Thanksgiving/Breakfast
 Hazard Waste Cleanup Solution
 Refreshment, Food, Decor, Supp
 Supp, Food, Refreshment, Linen
 Lodging/CNOA Training
 Food/Supp-Teen Program
 Rec Equip-ROCKS Program
 Office Supp-ROCKS Program
 Arts/Craft Supp-ROCKS Program
 Arts/Crafts Supp-ROCKS Program
 Bottled Water-Youth Sports Pro
 Food/Supp-Youth Sports Program
 Rec Equip-Youth Sports Program
 Supp-Front Desk
 Supp-Halloween Bash
 Supplies,Refreshment
 Supp-Recreation Class
 Supplies, Refreshment
 Cricut Design Subscription
 Movie Monday/Streaming Subs
 DVAR Recorder Plugs
 COPSWEST Expo Parking
 Pocket Notebooks for PD
 Antennas for New Fire Trucks
 Detergent&Cleaning Supplies Ja
 Membership
 Arts/Craft Supplies
 Food/Supp-Teen Program
 Rec Equip-Teen Program
 Excursion Deposit-Day Camp
 Food/Supp-Mobile Rec Program
 Rec Equip-Mobile Rec Program
 Arts/Crafts Supp-Teen Program
 Monique CPRS Membership
 CPRS-Agency/Staff Membership
 Executive Leadership Seminar
 Office Equip-Fields
 Uniform Equip-Adult Sports
 First Aid Emergency Supp-Aquat

Bank: DDP1
Cycle: ADDEP1

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|------|--------|----------|----------|-------------|
|-------------|------|--------|----------|----------|-------------|

| | | | | | |
|-------------------|--------------------------------|--|--|--|--|
| Line Description: | Subsc-Notif of Closures-Fields | | | | |
| | Equip-NHCC | | | | |
| | Replcmnt Avaya PagePals | | | | |
| | Replacement Fuses for Test Met | | | | |
| | Replacemnt Fuses for Test Mete | | | | |
| | Replcmnt Batteries for PD Watc | | | | |
| | Lodging | | | | |
| | Error Charge-Westin Nancy emai | | | | |
| | Yearly Exam | | | | |
| | Gland Expression | | | | |
| | Fuel for Unit 781 | | | | |
| | SWAT Helmets Strap Extensions | | | | |
| | Avian Flu Bird Boxes | | | | |
| | Key Security Box | | | | |
| | Pems-Employee Recognition | | | | |
| | Employee Recognition Photos | | | | |
| | Employee Recognition Supplies | | | | |
| | American Flag Display for Depa | | | | |
| | Employee Recognition-V. Bakkil | | | | |
| | Frames for Employee Recognitio | | | | |
| | Annual Membership Dues | | | | |
| | Parking at Santa Ana City Hall | | | | |
| | Annual Physical | | | | |
| | Fuel:Out of County Training | | | | |
| | Food, Supp, Prizes, Craft | | | | |
| | Refreshment, Supplies | | | | |
| | Monthly Blue Subscription | | | | |
| | Monthly Cloud Subscription | | | | |
| | Citizens Academy Host Snacks | | | | |
| | Citizens Academy Snacks/Coffee | | | | |
| | Special Event Supp | | | | |
| | Art/Culture-Mural Supp | | | | |
| | General Training- Admin Sect E | | | | |
| | Animal Care Svs-Office Supp | | | | |
| | Parking-City of Santa Ana | | | | |
| | Sm Tool/Equip-LEAP Program | | | | |
| | Arts/Craft Supp-LEAP Program | | | | |
| | Arts/Crafts Supp-LEAP Program | | | | |
| | Mural Supp | | | | |

Bank: DDP1
Cycle: ADDEP1

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|------|--------|----------|----------|-------------|
|-------------|------|--------|----------|----------|-------------|

| | | | | | |
|--------------------------|--|--|--------------------------------|--|--|
| <i>Line Description:</i> | | | Rec Equip-DRC | | |
| | | | Lunch-Meeting w Fairview Mitlg | | |
| | | | FVP Kiosk | | |
| | | | Small Tools | | |
| | | | Name Badges | | |
| | | | Food Dept Meeting | | |
| | | | Accidental Purchase | | |
| | | | Amazon Prime-Monthly Fee | | |
| | | | Balloon Pump, Desk Drawer Org | | |
| | | | Credit-Dump Day Event Facility | | |
| | | | Floor Mats for Unit 032 | | |
| | | | Flights for CSMFO | | |
| | | | Membershio for Carol | | |
| | | | OC County Ch Meeting | | |
| | | | Bidget Award Submittal | | |
| | | | Budget Award Submittal | | |
| | | | Monthly Connection Fww | | |
| | | | Annual Conference Carol | | |
| | | | Book for Budget Webinar | | |
| | | | Department Wide Meeting | | |
| | | | Annual Conference Andrea | | |
| | | | Membership Renewal for Carol | | |
| | | | Budget Webinar for Budget Team | | |
| | | | Credit Incorrect Order in Sept | | |
| | | | Mesa Water District | | |
| | | | Spotify FRAUD CHARGE | | |

| | |
|--------------|---------------------|
| TOTAL | \$175,407.95 |
|--------------|---------------------|

Bank: DDP1

Cycle: ADDEP1

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|-------------|
| 014673 | 01/13/23 | P | Aaron Davis | 0000020908 | 1,217.97 |
| | | | Line Description: Crisis Comm in Disaster | | |
| 014674 | 01/13/23 | P | Alissa Alvarez Erlach | 0000027047 | 25.00 |
| | | | Line Description: CAPE Banquet Trng | | |
| 014675 | 01/13/23 | P | Barbara Carpenter | 0000000976 | 25.00 |
| | | | Line Description: CAPE Banquet | | |
| 014676 | 01/13/23 | P | Brandon Raissdana | 0000029681 | 600.00 |
| | | | Line Description: Trench Rescue Tech | | |
| 014677 | 01/13/23 | P | Carlos Diaz | 0000013277 | 422.61 |
| | | | Line Description: Sherman Block SLI | | |
| 014678 | 01/13/23 | P | Charles Torres | 0000011845 | 1,500.00 |
| | | | Line Description: College Tuition Reimb-Fall 22 | | |
| 014679 | 01/13/23 | P | Gladys Gonzalez | 0000027093 | 197.00 |
| | | | Line Description: CCAC Conf | | |
| 014680 | 01/13/23 | P | Guyon Foxwell | 0000029370 | 333.00 |
| | | | Line Description: Child Abuse Investigation | | |
| 014681 | 01/13/23 | P | Julie Schall | 0000022142 | 40.35 |
| | | | Line Description: Volunteers Trng Trng | | |
| 014682 | 01/13/23 | P | Laura Reeker | 0000029788 | 185.00 |
| | | | Line Description: Chemical Immobilization | | |

Report ID: CCM2001

City of Costa Mesa Accounts Payable
SUMMARY CHECK REGISTER

Page No. 2

Run Date Jan 12, 2023

Run Time 3:32:21 PM

Bank: DDP1
Cycle: ADDEP1

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|-------------|
| 014683 | 01/13/23 | P | Lily Lorenzana | 0000029189 | 525.48 |
| | | | Line Description: Deliv ThunderBolt Dock | | |
| 014684 | 01/13/23 | P | Lucas Anderson | 0000027017 | 700.00 |
| | | | Line Description: Fire Officer 2B | | |
| | | | Fire Office 2A | | |
| 014685 | 01/13/23 | P | Monique Pham | 0000026754 | 25.00 |
| | | | Line Description: CAPE Trng | | |
| 014686 | 01/13/23 | P | Monique Villasenor | 0000029888 | 217.57 |
| | | | Line Description: Tennis Center RFP Mtng | | |
| | | | Staff Food-Snoopy House | | |
| 014687 | 01/13/23 | P | Morgan Cain | 0000029624 | 600.00 |
| | | | Line Description: Trench Rescue Tech | | |
| 014688 | 01/13/23 | P | Patricia Lara | 0000018529 | 224.00 |
| | | | Line Description: Role of Exec Assistant | | |
| 014689 | 01/13/23 | P | Roxi Fyad | 0000025395 | 582.33 |
| | | | Line Description: National Night Out Supplies | | |
| | | | PD Review Book for Chief | | |
| TOTAL | | | | | \$7,420.31 |

End of Report

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|-------------|
| 0240738 | 01/13/23 | P | AM Painting Inc. | 0000029887 | 42,322.50 |
| | | | Line Description: Proj 22-05 CH Ext Repaint Retention | | |
| 0240739 | 01/13/23 | P | Allied Restoration Services, Inc | 0000029481 | 15,277.00 |
| | | | Line Description: Air Duct Cleaning & Disinfecti | | |
| 0240740 | 01/13/23 | P | BCS Consultants | 0000029856 | 16,786.68 |
| | | | Line Description: Security Camara Replacement | | |
| 0240741 | 01/13/23 | P | Bound Tree Medical LLC | 0000011695 | 18,289.95 |
| | | | Line Description: Public Safety Items Public Safety Items Equipment | | |
| 0240742 | 01/13/23 | P | JBV Law & Associated Client Trust Acct | 0000029959 | 100,000.00 |
| | | | Line Description: Settlement | | |
| 0240743 | 01/13/23 | P | Jones & Mayer | 0000014653 | 38,763.04 |
| | | | Line Description: 113557-Pepper, Aida 113558-RDX Catalyst 112417-Clifton, Mark 113552-Lawson, Roger 113538-Armand/Blood 113642-Dion & Sons 113541-Casa Capri 113540-Camp Lila 113559-Schaefer 113561-Tippett 113539-Beavers 113556-Opioid 113553-Leaman, Camin 113547-D'Alessio Investment | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|-------------|
| | | | <i>Line Description:</i> 113537-440 Fair Dr/1179 NP 113543-Carrera, Francisco 113550-H3 Ministries App 113554-Lehman/Freeman 113555-Ohio House LLC 113643-Hauck, Michael 113542-Carranza, David 113549-Garten, Jessica 113644-Moyer, Danielle 113560-Shalhoub, Martha 113645-Murtaugh, Leslie 113544-Cervantes, Martha 113546-Cruz, Rhonda Vera 113548-Donaldson, Eloise | | |
| 0240744 | 01/13/23 | P | Lyons Security Service Inc | 0000027168 | 23,790.15 |
| | | | <i>Line Description:</i> Security Svs-Senior Center Dec Security Dec 2022 | | |
| 0240745 | 01/13/23 | P | Mercy House | 0000003138 | 144,372.82 |
| | | | <i>Line Description:</i> Oct 2022 BS Operations | | |
| 0240746 | 01/13/23 | P | Newport Center Animal Hospital | 0000025961 | 20,000.00 |
| | | | <i>Line Description:</i> Nov 2022 Srvc | | |
| 0240747 | 01/13/23 | P | Quick Crete Products Corp | 0000007039 | 15,527.86 |
| | | | <i>Line Description:</i> City Marker Monument Sign | | |
| 0240748 | 01/13/23 | P | Siemens Industry Inc | 0000002904 | 26,250.80 |
| | | | <i>Line Description:</i> Security System Support Equipment Repair (Incorrect) Equipment Repair (Incorrect) Credit on Equipment Repair Equipment Repair | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|-------------|
| | | | Line Description: Equipment Repair Credit on Equipment Repair | | |
| 0240749 | 01/13/23 | P | Southern California Edison Company | 0000004088 | 162,905.85 |
| | | | Line Description: 2750 Fairview 12/5/22-1/3/23 Baker/Royal Palm 12/1-12/31/22 NPR Fwy/Baker Dec 2022 19th/NPT 12/1/22-12/31/22 SD Fwy On/Off Dec 2022 Sunflower/Plaza Dec 2022 Joann St Bike Trail-Dec 2022 2590 Placentia 12/8/22-1/6/23 1035 Park Crest 12/5/22-1/3/23 Tennis Center 12/5/22-1/3/23 1624 Gisler 12/2/22-1/2/23 Street Lights Dec 2022 Park Maint 11/7-12/7/22 Facilities 11/9-12/11/22 Signal 11/7-12/07/22 885 Junipero 12/5/22-1/3/23 1990 Placentia 12/7/22-1/5/23 900 Arlington 12/5/22-1/3/23 970 Arlington 12/5/22-1/3/23 980 Arlington 12/5/22-1/3/23 3129 Harbor 12/2/22-1/2/23 | | |
| 0240751 | 01/13/23 | P | State Water Resources Control Board | 0000006849 | 44,169.00 |
| | | | Line Description: MS4 Permit Fee 7/1/22-6/30/23 | | |
| 0240752 | 01/13/23 | P | Sunset Detectives | 0000026756 | 15,000.00 |
| | | | Line Description: Background Investigations Background Investigations | | |
| 0240753 | 01/13/23 | P | Time Warner Cable | 0000011202 | 22,509.99 |
| | | | Line Description: Internet Services for PD (Data | | |

Bank: CITY

Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|-------------|
| | | | <i>Line Description:</i> Internet Services for City Hal Internet Services City Hall Internet Fiber Svs-Var Loc Equipment Charges Internet Services Senior Cente HVAC Alarm-Basement at CH 3175 Airway Ave B Bridge Shelt NCC Internet (New Bldg) Cable Srvs for City Hall Internet Svs-Fire Sta#4 | | |
| 0240754 | 01/13/23 | P | Trellis | 0000025584 | 41,579.30 |
| | | | <i>Line Description:</i> Sept CIT Prog Transitional Emp CIT Pro OCt Transtional Emp Sr Nov CIT Prog Transitional Empl | | |
| 0240755 | 01/13/23 | P | Wittman Enterprises LLC | 0000026639 | 21,934.00 |
| | | | <i>Line Description:</i> Dec 2022 | | |
| 0240756 | 01/13/23 | P | AT & T | 0000001107 | 3,391.58 |
| | | | <i>Line Description:</i> Senior Center Elevator Lions Park NCC Fire Alarm 2310 Placentia Irrigation Red Phone Fire Sta#6 Red Phone Fire Sta#4 Red Phone Fire Sta#1 Red Phone Fire Sta#2 Red Phone Fire Sta#3 Red Phone Fire Sta#5 PRI Circuit Inbound Metro Net Local Usage Fire Emergency Line PD DSL Line Jack Hamett Sports Complex | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|--|------------|-------------|
| | | | <i>Line Description:</i> Balearic Center Fax WSS Alarm DRC Fire Alarm Senior Center Fire Alarm Syste Sr Center DSL for Bldg Maint Lions Park Baseball Field | | |
| 0240758 | 01/13/23 | P | Adamson Police Products | 0000014519 | 3,001.80 |
| | | | <i>Line Description:</i> Simunition Fx Training Ammunit Marking Cartridge - Yellow Marking Cartridge - Red Sales Tax 7.75% Shipping Fee | | |
| 0240759 | 01/13/23 | P | Akeso Occupational Health | 0000029274 | 599.50 |
| | | | <i>Line Description:</i> Safety Physical Drug Testing DMV Testing Pre-Employment Physical Drug Testing Health-Vaccination Safety Physical | | |
| 0240760 | 01/13/23 | P | American Alarm Systems Inc | 0000008900 | 127.50 |
| | | | <i>Line Description:</i> 2/1/23-4/30/23 | | |
| 0240761 | 01/13/23 | P | Angel Auto Spa LLC | 0000027465 | 7,100.11 |
| | | | <i>Line Description:</i> City Car Washes PD Car Washes PD Car Washes City Car Washes City Car Washes PD Car Washes | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------------------------|---|------------|-------------|
| 0240762 | 01/13/23 | P | B & H Photo Video Inc | 0000006056 | 4,264.67 |
| | | <i>Line Description:</i> | AUDIO & VISUAL EQUIPMENT AUDIO & VISUAL EQUIPMENT | | |
| 0240763 | 01/13/23 | P | BBI-Beau Bureaux Interiors | 0000026977 | 1,657.43 |
| | | <i>Line Description:</i> | Freight Sales Tax Return 24 x 48 File File Pedestal Box Box File Pedestal Delivery and Installation Desk Shell 71 X 36 Mahogany Acrylic Privacy Divider 54"W x Panel Mounting Brackets | | |
| 0240764 | 01/13/23 | P | Beau Hossler | 0000029714 | 120.00 |
| | | <i>Line Description:</i> | Basketball Referee 1/9/23 | | |
| 0240765 | 01/13/23 | P | Bee Busters Inc | 0000007572 | 75.00 |
| | | <i>Line Description:</i> | Bee Swarm Inspection-City Tree | | |
| 0240766 | 01/13/23 | P | BrightView Landscape Services Inc | 0000026055 | 10,106.07 |
| | | <i>Line Description:</i> | Irrigation/Landscape-Shalimar | | |
| 0240767 | 01/13/23 | P | CBE | 0000015149 | 913.41 |
| | | <i>Line Description:</i> | Copier Maint 12/5/22-1/4/23 Copier Maint 12/5/22-1/4/23 Copier Maint 12/5/22-1/4/23 Copier Maint 12/5/22-1/4/23 Copier Maint 12/5/22-1/4/23 Copier Maint 12/5/22-1/4/23 Copier Maint 12/5/22-1/4/23 | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|--|------------|-------------|
| 0240768 | 01/13/23 | P | CSG Consultants Inc | 0000001887 | 1,481.71 |
| | | | Line Description: Plan Check Svs | | |
| 0240769 | 01/13/23 | P | CSUF Extension & International Programs | 0000018564 | 4,592.00 |
| | | | Line Description: Leadership Development Program | | |
| 0240770 | 01/13/23 | P | Cal Fire | 0000013013 | 980.00 |
| | | | Line Description: Driver Operator 1A | | |
| 0240771 | 01/13/23 | P | Canon Financial Services Inc | 0000023241 | 654.02 |
| | | | Line Description: Copier Lease 10/1-10/31/22 | | |
| | | | Copier Lease 8/1-8/31/22 | | |
| | | | Copier Lease 11/1-11/30/22 | | |
| 0240772 | 01/13/23 | P | Carl Warren & Company | 0000001578 | 4,026.17 |
| | | | Line Description: Consulting-Liability TPA | | |
| 0240773 | 01/13/23 | P | Cintas Corporation #640 | 0000023262 | 173.02 |
| | | | Line Description: Shelter Kitchen CleaningSupply | | |
| 0240774 | 01/13/23 | P | Compressed Air Specialties Inc | 0000020784 | 362.80 |
| | | | Line Description: LABOR | | |
| | | | HP HOSE | | |
| | | | SALES TAX (7.75%) | | |
| 0240775 | 01/13/23 | P | County of Orange | 0000003486 | 1,129.32 |
| | | | Line Description: Teletype Svs-Dec 2022 | | |
| 0240776 | 01/13/23 | P | County of Orange | 0000003473 | 161.03 |
| | | | Line Description: Refuse Disposal-OC Waste&Recyc | | |

City of Costa Mesa Accounts Payable
SUMMARY CHECK REGISTER

Bank: CITY

Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|--|------------|-------------|
| 0240777 | 01/13/23 | P | Daniels Tire Service | 0000001922 | 513.94 |
| | | | Line Description: Warehouse Stock | | |
| 0240778 | 01/13/23 | P | Data Ticket Inc | 0000010929 | 4,056.43 |
| | | | Line Description: Parking Citation Process Nov22 | | |
| 0240779 | 01/13/23 | P | EVENTography Business Services | 0000029169 | 2,300.00 |
| | | | Line Description: PHOTOGRAPHY SERVICE | | |
| 0240780 | 01/13/23 | P | Eagle Print Dynamics | 0000026736 | 748.96 |
| | | | Line Description: Finance Jackets | | |
| | | | Shirts & Jackets-Finance | | |
| 0240781 | 01/13/23 | P | EmbroidMe Costa Mesa | 0000029208 | 4,516.88 |
| | | | Line Description: Sales Tax 7.75% | | |
| | | | Good Apparel Purchase | | |
| | | | C938 Authority Flexfit Delta C | | |
| 0240782 | 01/13/23 | P | Entenmann Rovin Company | 0000002130 | 299.28 |
| | | | Line Description: Retirement Flat Badge | | |
| 0240783 | 01/13/23 | P | Families Forward Inc | 0000024105 | 6,352.31 |
| | | | Line Description: Tenant Based Rental Asst Prog | | |
| | | | Tenant Based Rental Asst Prog | | |
| 0240784 | 01/13/23 | P | Fed Ex | 0000002190 | 421.03 |
| | | | Line Description: Ground Delivery | | |
| | | | Ground Delivery | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|--|------------|-------------|
| 0240785 | 01/13/23 | P | G & W Towing | 0000002289 | 64.00 |
| | | | Line Description: Towing Svs-757 | | |
| 0240786 | 01/13/23 | P | GM Business Interior | 0000029730 | 4,205.00 |
| | | | Line Description: Design Services | | |
| | | | Shipping Fee | | |
| | | | Sales Tax 7.75% | | |
| | | | Furniture for Crime Prevention | | |
| 0240787 | 01/13/23 | P | Galls LLC | 0000002297 | 531.32 |
| | | | Line Description: Uniforms | | |
| | | | Uniforms | | |
| | | | Uniform | | |
| | | | Uniform | | |
| | | | Uniform | | |
| 0240788 | 01/13/23 | P | Glenn Lukos & Associates Inc | 0000011626 | 2,483.38 |
| | | | Line Description: FVP Vernal Pool RES Proj | | |
| 0240789 | 01/13/23 | P | Integrated Impressions | 0000003403 | 1,536.38 |
| | | | Line Description: Promo Item-Employee Night | | |
| 0240790 | 01/13/23 | P | Joshua Madrid | 0000029362 | 100.00 |
| | | | Line Description: Paint Touch Up-CM Bark/Skate P | | |
| 0240791 | 01/13/23 | P | Keyser Marston Associates Inc | 0000002824 | 9,292.50 |
| | | | Line Description: Housing Authority-Dec 2022 | | |
| | | | Proj 11391.030-Motel 6 & CMHA | | |
| 0240792 | 01/13/23 | P | Knox Company | 0000002854 | 468.00 |
| | | | Line Description: KNOXCONNECT CLOUD LICENSE | | |

Bank: CITY

Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------------------------|-------------------------------------|------------|-------------|
| 0240793 | 01/13/23 | P | LN Curtis & Sons | 0000002983 | 9,649.37 |
| | | <i>Line Description:</i> | Fightfighting Equipment (FFE) | | |
| | | | Fightfighting Equipment (FFE) | | |
| | | | Fightfighting Equipment (FFE) | | |
| 0240794 | 01/13/23 | P | Landscape Structures Inc | 0000024524 | 3,280.79 |
| | | <i>Line Description:</i> | Playground Equipment Shiffer P | | |
| 0240795 | 01/13/23 | P | Liebert Cassidy Whitmore | 0000002960 | 4,819.00 |
| | | <i>Line Description:</i> | Consulting - LCW Empl Relation | | |
| | | | Legal Services - PD Nov 22 | | |
| 0240796 | 01/13/23 | P | LineGear Fire & Rescue Equipment | 0000026007 | 6,215.80 |
| | | <i>Line Description:</i> | Workrite Uniforms | | |
| | | | Workrite Uniforms | | |
| | | | Workrite Uniforms | | |
| | | | Workrite Uniforms | | |
| 0240797 | 01/13/23 | P | Loomis | 0000019082 | 335.52 |
| | | <i>Line Description:</i> | ARMORED CAR SERVICES | | |
| 0240798 | 01/13/23 | P | Mike Raahauges Shooting Enterprises | 0000006853 | 115.99 |
| | | <i>Line Description:</i> | Range Fees SWAT | | |
| 0240799 | 01/13/23 | P | Miracle Recreation | 0000011640 | 3,613.89 |
| | | <i>Line Description:</i> | Playground Equipment & Parts | | |
| 0240800 | 01/13/23 | P | Norwood Management LLC | 0000029243 | 12,875.00 |
| | | <i>Line Description:</i> | Rent-January 2023 | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|-------------|
| 0240801 | 01/13/23 | P | O Neil Storage | 0000018395 | 112.34 |
| | | | Line Description: Document Storage | | |
| 0240802 | 01/13/23 | P | Omari Smith | 0000029906 | 120.00 |
| | | | Line Description: Basketball Referee 1/9/23 | | |
| 0240803 | 01/13/23 | P | Orange Coast Plumbing Inc | 0000009431 | 1,795.00 |
| | | | Line Description: Citywide Plumbing Service | | |
| 0240804 | 01/13/23 | P | Paul's Pet Food Express | 0000026626 | 292.21 |
| | | | Line Description: Food for PSD Aran | | |
| | | | Food Supplies for PSD Bodi | | |
| 0240805 | 01/13/23 | P | Pipeline Promotions Inc | 0000003250 | 1,314.55 |
| | | | Line Description: SALES TAX (7.75%) | | |
| | | | PRINTED NAMES FOR VESTS | | |
| 0240806 | 01/13/23 | P | Priority Landscape Services LLC | 0000026592 | 4,648.00 |
| | | | Line Description: Nov 2022 Srvs | | |
| 0240807 | 01/13/23 | P | Prudential Overall Supply | 0000025480 | 1,582.90 |
| | | | Line Description: Fleet Uniform Svcs | | |
| | | | Towel Svcs-Nov 2022 | | |
| | | | Parks Uniform Svcs | | |
| | | | Street & Traffic Uniform Svcs | | |
| | | | Facilities Uniform Svcs | | |
| | | | Fleet Floor Mat Svcs | | |
| | | | Parks Uniform Svcs | | |
| | | | Fleet Floor Mat Svcs | | |
| | | | Facilities Uniform Svcs | | |
| | | | Street & Traffic Uniform Svcs | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|-------------|
| | | | <i>Line Description:</i> Fleet Uniform Svcs | | |
| 0240808 | 01/13/23 | P | Raymond Handling Solutions Inc | 0000017422 | 103.00 |
| | | | <i>Line Description:</i> Forklift Maintenance | | |
| 0240809 | 01/13/23 | P | Red Wing Business Advantage Account | 0000003772 | 223.03 |
| | | | <i>Line Description:</i> Safety Shoes/Boots-Paul Lopez | | |
| 0240810 | 01/13/23 | P | Resource Building Materials | 0000024350 | 592.38 |
| | | | <i>Line Description:</i> Sand-Making Sandbags | | |
| 0240811 | 01/13/23 | P | S Gordin Structural Design & | 0000014546 | 2,500.00 |
| | | | <i>Line Description:</i> Fire Sta#4-Training Tower S O | | |
| 0240812 | 01/13/23 | P | SESAC | 0000024352 | 2,618.00 |
| | | | <i>Line Description:</i> 2023 Music License Thru 2023 | | |
| 0240813 | 01/13/23 | P | Sagecrest Planning & Environmental | 0000025748 | 12,720.00 |
| | | | <i>Line Description:</i> Staffing Svcs - Michelle | | |
| 0240814 | 01/13/23 | P | Southern California Shredding Inc | 0000025605 | 225.00 |
| | | | <i>Line Description:</i> On-Site Shredding Services ON-SITE SHREDDING SERVICES ON-SITE SHREDDING SERVICES | | |
| 0240815 | 01/13/23 | P | Sparkletts | 0000015725 | 55.49 |
| | | | <i>Line Description:</i> WATER DELIVERY SERVICES - FIRE | | |
| 0240816 | 01/13/23 | P | Spectrum Gas Products | 0000012653 | 388.60 |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|-------------|
| | | | <i>Line Description:</i> Medical Cyclinders Medical Cyl Station 6 Hydrotect Medical Cyl Lrg Medical Cyl Lrg | | |
| 0240817 | 01/13/23 | P | State of California Dept of Justice | 0000001534 | 147.00 |
| | | | <i>Line Description:</i> Livescan/Fingerprinting Servic Live Scan Background Check | | |
| 0240818 | 01/13/23 | P | Stradling Yocca Carlson & Rauth | 0000004168 | 2,322.00 |
| | | | <i>Line Description:</i> Single Family Reahb Prog General Legal Respond to Confirmation | | |
| 0240819 | 01/13/23 | P | Susan Saxe Clifford PHD | 0000003932 | 450.00 |
| | | | <i>Line Description:</i> Pre-Employment Psych Eval | | |
| 0240820 | 01/13/23 | P | T Tactical Solutions Inc | 0000026642 | 6,465.00 |
| | | | <i>Line Description:</i> Gloves for Property | | |
| 0240821 | 01/13/23 | P | T-Mobile USA | 0000021384 | 25.00 |
| | | | <i>Line Description:</i> Record Retrieval 11/16-11/19/2 | | |
| 0240822 | 01/13/23 | P | The Code Group Inc | 0000025073 | 2,880.00 |
| | | | <i>Line Description:</i> Consultant Building Technician | | |
| 0240823 | 01/13/23 | P | Tolar Manufacturing Company Inc | 0000013481 | 1,331.38 |
| | | | <i>Line Description:</i> Retrofitted Steel Angle Mounta | | |
| 0240824 | 01/13/23 | P | Turnout Maintenance Company LLC | 0000020182 | 387.90 |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|--|------------|-------------|
| | | | Line Description: Fire Supplies/Attire | | |
| 0240825 | 01/13/23 | P | US Bank | 0000002228 | 3,305.18 |
| | | | Line Description: Payroll 22-26 | | |
| 0240826 | 01/13/23 | P | Uline | 0000010970 | 1,467.00 |
| | | | Line Description: Supplies for Property Gloves for CSI | | |
| 0240827 | 01/13/23 | P | United Site Services of California Inc | 0000015552 | 135.58 |
| | | | Line Description: Portable Toilet Srvs-11/9-12/6 Portable Toilet Srvs 12/7/22 Portable Toilet Srvs-8/1-8/31 Portable Toilet Srvs11/9-12/6 | | |
| 0240828 | 01/13/23 | P | Verified First LLC | 0000027240 | 50.00 |
| | | | Line Description: Pre-Employment Credit Checks | | |
| 0240829 | 01/13/23 | P | Verizon Wireless | 0000008717 | 7,484.69 |
| | | | Line Description: CELL PHONE SVS 11/18-12/17/22 11/18-12/17/22 Finance Cell Ph 11/18-12/17 Cell & Hotspots 11/18-12/17 DS Cell Phones 11/18-12/17/22 IT Cell Phones Cell Phones BS 11/18-12/17 Cell Phones CM 11/18-12/17/22 Cell Phones HR 11/18-12/17/22 Cell Phones PS 11/18-12/17/22 | | |
| 0240830 | 01/13/23 | P | Verizon Wireless - VSAT | 0000008717 | 50.00 |
| | | | Line Description: PD Phone Record Retrieval | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|--|------------|-------------|
| 0240831 | 01/13/23 | P | Vulcan Materials Company | 0000007403 | 293.66 |
| | | | Line Description: Asphalt-Patching Potholes/S Ra | | |
| 0240832 | 01/13/23 | P | Waterline Technologies Inc | 0000014520 | 428.85 |
| | | | Line Description: For Pool @ DRC | | |
| 0240833 | 01/13/23 | P | West Coast Arborists Inc | 0000004498 | 6,630.00 |
| | | | Line Description: Tree Maintenance | | |
| 0240834 | 01/13/23 | P | WestPac Labs Inc | 0000027515 | 146.00 |
| | | | Line Description: Blood Panel | | |
| 0240835 | 01/13/23 | P | Wex Bank | 0000014258 | 2,202.79 |
| | | | Line Description: Fuel 11/4-12/6/22 | | |
| 0240836 | 01/13/23 | P | Williams Data Management | 0000018803 | 507.65 |
| | | | Line Description: DATA STORAGE Dec 22 | | |
| 0240837 | 01/13/23 | P | Williams Scotsman Inc | 0000010492 | 2,582.02 |
| | | | Line Description: Lease | | |
| | | | Late Fee Adjusted | | |
| 0240838 | 01/13/23 | P | Zoll Medical Corporation | 0000021290 | 1,919.00 |
| | | | Line Description: Contact, Socket, Battery Labor | | |
| 0240839 | 01/13/23 | P | Zumar Industries Inc | 0000004622 | 5,961.91 |
| | | | Line Description: Materials for Making City Sign | | |
| | | | Sign for Making City Signage | | |

TOTAL \$969,653.96

Bank: CITY
Cycle: AWKLY

| Payment Ref | Cancel Date | Status | Remit To | Remit ID | Payment Date | Payment Amt |
|--------------|-------------|--------|---|------------|--------------|----------------------|
| 0238888 | 1/19/2023 | V | Hardy & Harper Inc <i>Line Description: Stale dated check.</i> | 0000015311 | 08/26/22 | (58,892.36) |
| 0240439 | 1/17/2023 | V | Snow Pros <i>Line Description: Service canlled.</i> | 0000029933 | 12/09/22 | (14,476.89) |
| TOTAL | | | | | | (\$73,369.25) |

000

0 • ♦ M

58,892.36 -

14,476.89 -

2,392,814.79 +

2,272.57 +

226,360.69 +

001

2,548,078.80 *

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|--|------------|--------------|
| 0240840 | 01/20/23 | P | AH Accounting LLC | 0000029518 | 18,450.00 |
| | | | Line Description: Acct Spvr Temp Svc-Dec 22 | | |
| | | | Acct Spvr Temp Svc-Nov 22 | | |
| | | | Acct Spvr Temp Svc-Oct 22 | | |
| 0240841 | 01/20/23 | P | Admin Sure Inc | 0000021568 | 16,154.80 |
| | | | Line Description: Wkrs Comp Claim Admin Fee | | |
| 0240842 | 01/20/23 | P | Advantage Color Graphics | 0000025397 | 18,775.20 |
| | | | Line Description: PRINTING SERVICES-Winter 22 | | |
| 0240843 | 01/20/23 | P | All American Asphalt | 0000000971 | 1,225,964.50 |
| | | | Line Description: Retention #21-03/400015 | | |
| | | | Street Rehab #21-03/400015 | | |
| | | | PW Agreement City Project No. | | |
| 0240844 | 01/20/23 | P | Bentley Mills, Inc. | 0000029938 | 16,940.27 |
| | | | Line Description: 3rd FI Carpet Material | | |
| 0240845 | 01/20/23 | P | Clean Street | 0000001098 | 68,480.87 |
| | | | Line Description: Bus Shelter PressureWash-Dec22 | | |
| | | | Street Sweeping-Dec 22 | | |
| | | | Npt19th Powerwash-Dec22 | | |
| | | | Qtrly Bus Bench PressureWash | | |
| 0240846 | 01/20/23 | P | Dell Computer Corp | 0000001962 | 32,465.17 |
| | | | Line Description: DELL WALL UNDER DESK VESA MOUN | | |
| | | | DELL OPTIPLEX ENCLOSURE MOUNT | | |
| | | | DELL OPTIPLEX 5000 | | |
| | | | SALES TAX (7.75%) | | |
| | | | I7/16/512/ 5YRPS | | |
| | | | SHIPPING AND HANDLING | | |

Bank: CITY

Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|--|------------|-------------|
| | | | <i>Line Description:</i> ULTRASHARP MONITOR SALES TAX (7.75%) ENVIRONMENTAL FEE | | |
| 0240847 | 01/20/23 | P | Executive Facilities Services Inc | 0000029510 | 48,379.31 |
| | | | <i>Line Description:</i> Janitorial Services - All Park Janitorial Services - Fairview Janitorial Services - DRC Janitorial Services - NHCC Janitorial Services - FS 1-6 Janitorial Services - Balearic Janitorial Services - West Sid Janitorial Services - City Hal Janitorial Services - Communic Janitorial Services - Senior C Janitorial Services - Police D Janitorial Services - Old Corp Janitorial Services - New Corp Janitorial Services - Bridge S | | |
| 0240848 | 01/20/23 | P | FM Thomas Air Conditioning Inc | 0000017151 | 45,270.35 |
| | | | <i>Line Description:</i> Retention Proj #21-09/200040 HVAC Replacemnet #21-09/200040 | | |
| 0240849 | 01/20/23 | P | Hardy & Harper Inc | 0000015311 | 58,892.36 |
| | | | <i>Line Description:</i> Retention Release #19-10 Retention Release #19-10 | | |
| 0240850 | 01/20/23 | P | JP Morgan Equipment Finance | 0000029582 | 230,394.93 |
| | | | <i>Line Description:</i> Pump Engine/Mobile Comm | | |
| 0240851 | 01/20/23 | P | OakWest Services Inc | 0000029497 | 34,705.82 |
| | | | <i>Line Description:</i> Installation of a Monument Sig Install Replc Monument Sign | | |

Bank: CITY

Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------------------------|---|------------|-------------|
| 0240852 | 01/20/23 | P | RedSky Emergency Vehicles | 0000029708 | 182,733.08 |
| | | <i>Line Description:</i> | Ambulance HGAC Contract Fee Multi-Unit Discount California Tire Fee, \$1.75 / T Sales Tax, Orange County, Cost | | |
| 0240853 | 01/20/23 | P | Switzer Assoc Leadership Solutions | 0000029731 | 15,280.51 |
| | | <i>Line Description:</i> | 360 Survey Three Day Workshop 11/29-12/21 | | |
| 0240854 | 01/20/23 | P | WSP USA Environment & Infrastructure Inc | 0000029873 | 28,988.69 |
| | | <i>Line Description:</i> | NPDES Inspection-Nov 22 NPDES Inspection-Aug 22 NPDES Industrial/Comercial Ind NPDES Industrial/Commercial In | | |
| 0240855 | 01/20/23 | P | West Coast Arborists Inc | 0000004498 | 94,828.15 |
| | | <i>Line Description:</i> | Work Completed 12/1-12/15/22 Work Completed 9/1-9/15/22 Work Completed 10/1-10/6/2022 Work Completed 9/16-9/30/22 | | |
| 0240856 | 01/20/23 | P | Yunex LLC | 0000029573 | 62,596.25 |
| | | <i>Line Description:</i> | Call out for Nov 22 Maintenance Nov 22 TS KD-Harbor&Hamilton Night Survey Nov 2022 Extra.-20th Placentia Fish Bea TS Cabinet KD-Adams Mesa Verde TS KD-Placentia & 16th | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------------------------|--|------------|-------------|
| 0240857 | 01/20/23 | P | Z&K Consultants, Inc | 0000029416 | 86,211.00 |
| | | <i>Line Description:</i> | Pkwy, Steet Rehab & SlurrySeal Cont Prj Mgt Svs-St Rehab Slur Cont Prj Mgt Svs-St Rehab Slur | | |
| 0240858 | 01/20/23 | P | 4Leaf Inc | 0000029711 | 678.28 |
| | | <i>Line Description:</i> | Plan Check Svc-Dec 22 Fire Plan Check Svc-Nov 22 | | |
| 0240859 | 01/20/23 | P | AY Nursery | 0000001142 | 1,740.17 |
| | | <i>Line Description:</i> | Trees for Parkway Tree for Parkway | | |
| 0240860 | 01/20/23 | P | Al Ley Tan | 0000029642 | 750.00 |
| | | <i>Line Description:</i> | Health-Wellness Program | | |
| 0240861 | 01/20/23 | P | Allstar Fire Equipment Inc | 0000000986 | 3,650.35 |
| | | <i>Line Description:</i> | SALES TAX (7.75%) SCOTT VISION FACEPIECE | | |
| 0240862 | 01/20/23 | P | Asbury Environmental Services | 0000001088 | 95.00 |
| | | <i>Line Description:</i> | HAZARDOUS WASTE DISPOSAL | | |
| 0240863 | 01/20/23 | P | Atkinson Andelson Loya Ruud & Romo | 0000027289 | 1,641.16 |
| | | <i>Line Description:</i> | Litigation-Nov 22 General Employment Advice-Nov | | |
| 0240864 | 01/20/23 | P | BSI EHS Services & Solutions | 0000024535 | 496.25 |
| | | <i>Line Description:</i> | Consultant-Safety | | |

Report ID: CCM2001

City of Costa Mesa Accounts Payable
SUMMARY CHECK REGISTER

Page No. 5

Run Date Jan 19, 2023

Run Time 2:15:31 PM

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|-------------|
| 0240865 | 01/20/23 | P | Cabco Yellow Inc | 0000028576 | 91.30 |
| | | | Line Description: Outreach Prog-Dec 22 | | |
| 0240866 | 01/20/23 | P | Canon Financial Services Inc | 0000023241 | 4,544.09 |
| | | | Line Description: Copier Usage -Dec 22 | | |
| | | | Copier Lease-Jan 2023 | | |
| 0240867 | 01/20/23 | P | Costa Mesa Lock & Key | 0000001817 | 51.72 |
| | | | Line Description: Duplicate Keys | | |
| 0240868 | 01/20/23 | P | Daniels Tire Service | 0000001922 | 821.50 |
| | | | Line Description: Fleet Tire Disposal | | |
| 0240869 | 01/20/23 | P | Ferguson Enterprises Inc #1350 | 0000007785 | 229.93 |
| | | | Line Description: Plumbing Supplies | | |
| | | | Plumbing Supplies | | |
| | | | Plumbing Supplies-Shelter | | |
| | | | Plumbing Supplies | | |
| 0240870 | 01/20/23 | P | G & G Trophy Company | 0000002287 | 134.16 |
| | | | Line Description: Gavel Set | | |
| 0240871 | 01/20/23 | P | GMS Elevator Services | 0000028704 | 5,016.62 |
| | | | Line Description: Elevator Maint-Oct 2022 | | |
| | | | Elevator Maint-Sep 2022 | | |
| | | | Elevator Maint-Aug 2022 | | |
| | | | Elevator Maint-Jul 22 | | |
| | | | Elevator Maint-Nov 2022 | | |
| | | | Elevator Maint-Jan 2023 | | |
| | | | Elevator Maint-Dec 2022 | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|--|------------|-------------|
| 0240872 | 01/20/23 | P | Galls LLC | 0000002297 | 5,368.80 |
| | | | Line Description: PD Duty Gear | | |
| 0240873 | 01/20/23 | P | Grainger | 0000002393 | 1,067.50 |
| | | | Line Description: Air Filter-PD | | |
| | | | Filter | | |
| | | | A/C Filter | | |
| | | | Ceiling Tile | | |
| 0240874 | 01/20/23 | P | Hanks Electrical Supplies | 0000002445 | 511.15 |
| | | | Line Description: Electrical Supplies | | |
| | | | Electrical Supplies | | |
| 0240875 | 01/20/23 | P | Hirsch Pipe & Supply Company Inc | 0000026475 | 235.21 |
| | | | Line Description: Plumbing Supplies | | |
| 0240876 | 01/20/23 | P | John Stephens | 0000002112 | 100.81 |
| | | | Line Description: Business Meal | | |
| 0240877 | 01/20/23 | P | Johnson Controls Fire Protection LP | 0000026089 | 3,750.94 |
| | | | Line Description: DRC Kitchen Hood Svc | | |
| | | | Sr Cntr Kitchen Hood Svc | | |
| | | | Alarm Mainst-FS #3 | | |
| | | | Alarm Maint-NCC | | |
| | | | Alarm Maint-Telecomm | | |
| | | | Alarm Maint-DRC | | |
| | | | Alarm Maint-DD Library | | |
| | | | Alarm Maint-Sr Center | | |
| | | | Alarm Maint-PD | | |
| | | | Alarm Maint-FS #6 | | |
| 0240878 | 01/20/23 | P | Kimball Midwest | 0000006819 | 234.79 |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|--|------------|-------------|
| | | | Line Description: Fleet Supplies | | |
| 0240879 | 01/20/23 | P | Knorr Systems Inc | 0000005036 | 518.26 |
| | | | Line Description: DRC Pool Chemical | | |
| 0240880 | 01/20/23 | P | Liebert Cassidy Whitmore | 0000002960 | 7,014.00 |
| | | | Line Description: Legal Services (Employment Law Legal Services (Employment Law Legal Services (Employment Law Legal Services (Employment Law | | |
| 0240881 | 01/20/23 | P | LineGear Fire & Rescue Equipment | 0000026007 | 462.25 |
| | | | Line Description: Haix Airpower XR1 Pro Workrite Uniforms | | |
| 0240882 | 01/20/23 | P | Mercy House | 0000003138 | 7,598.78 |
| | | | Line Description: Rental Assistance Srvs 10-12/2 | | |
| 0240883 | 01/20/23 | P | National Data & Surveying Services | 0000021249 | 1,861.00 |
| | | | Line Description: 24 HR ADT/Speed/Turning Counts 24 HR AD/Spped/Turning Counts 24 HR AD/Spped/Turning Counts 24 HR AD/Spped/Turning Counts 24 HR ADT/Speed/Turning Counts 24 HR AD/Spped/Turning Counts 24 HR AD/Spped/Turning Counts 24 HR AD/Spped/Turning Counts | | |
| 0240884 | 01/20/23 | P | Priority Landscape Services LLC | 0000026592 | 6,344.00 |
| | | | Line Description: Lndscpe Maint FVP Sept 22 Lndscpe Maint FVP Nov 22 | | |

Bank: CITY
Cycle: AWKLY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|--|------------|-------------|
| 0240885 | 01/20/23 | P | Rincon Truck Center Inc | 0000013236 | 412.14 |
| | | | Line Description: Engine Parts | | |
| 0240886 | 01/20/23 | P | SHI International Corp | 0000016007 | 1,921.00 |
| | | | Line Description: SONICWALL NSA 2650 FIREWALL SU | | |
| 0240887 | 01/20/23 | P | St. Nick's | 0000029854 | 10,725.00 |
| | | | Line Description: TREE RENTAL | | |
| 0240888 | 01/20/23 | P | The Home Depot Credit Services | 0000002560 | 13,235.08 |
| | | | Line Description: Gen Supplies-Graffiti Abatemen | | |
| | | | Tools- Fire Response/Control | | |
| | | | Plumbing Supplies-Bldg Maint | | |
| | | | Hardware Supplies-Park Maint | | |
| | | | Hardware Supplies-Bldg Maint | | |
| | | | General Supplies-Bldg Maint | | |
| | | | Auto Parts/Supp-Equip Maint | | |
| | | | Promo Items-Snoopy House | | |
| | | | Agriculture-Park Maint | | |
| | | | Tools-Street Maint | | |
| | | | General Supplies-Street Maint | | |
| | | | Electrical Supplies-Bldg Maint | | |
| | | | Electrical Supplies-Park Maint | | |
| 0240889 | 01/20/23 | P | Time Clock Sales & Service Company Inc | 0000004263 | 145.04 |
| | | | Line Description: TIME CLOCK MAINTENANCE | | |
| 0240890 | 01/20/23 | P | Turnout Maintenance Company LLC | 0000020182 | 1,038.00 |
| | | | Line Description: Uniform-CG | | |
| | | | Uniforms-FFs | | |
| 0240891 | 01/20/23 | P | Tyler Technologies Inc | 0000027279 | 8,443.75 |

Report ID: CCM2001

City of Costa Mesa Accounts Payable
SUMMARY CHECK REGISTER

Page No. 9

Run Date Jan 19, 2023

Run Time 2:15:31 PM

Bank: CITY
Cycle: AWKLY

| <u>Payment Ref</u> | <u>Date</u> | <u>Status</u> | <u>Remit To</u> | <u>Remit ID</u> | <u>Payment Amt</u> |
|--------------------|-------------|---------------|---|-----------------|------------------------------------|
| | | | <i>Line Description:</i> LAND MANAGEMENT SYSTEM | | |
| 0240892 | 01/20/23 | P | United Rentals Northwest Inc | 0000010121 | 1,558.60 |
| | | | <i>Line Description:</i> Rental Forklift for Snoopy Hou | | |
| 0240893 | 01/20/23 | P | Ware Disposal Inc | 0000000255 | 5,029.52 |
| | | | <i>Line Description:</i> BS January 23 Waste Removal | | |
| | | | BS Dec 2022 Waste Removal | | |
| | | | James St Prop Dec 2022 | | |
| | | | James St Prop Jan 2023 | | |
| 0240894 | 01/20/23 | P | Waxie Sanitary Supply | 0000004480 | 7,119.56 |
| | | | <i>Line Description:</i> Cleaning Supplies | | |
| 0240895 | 01/20/23 | P | Williams Scotsman Inc | 0000010492 | 2,667.82 |
| | | | <i>Line Description:</i> Lease | | |
| | | | | | <u>TOTAL \$2,392,814.79</u> |

Report ID: CCM2001

City of Costa Mesa Accounts Payable
SUMMARY CHECK REGISTER

Page No. 1

Run Date Jan 19, 2023

Run Time 2:16:42 PM

Bank: CITY
Cycle: APAY

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|-------------|
| 0240896 | 01/20/23 | P | CHC: Creating Healthier Communities | 0000008015 | 10.00 |
| | | | Line Description: Payroll Deduction 23-02 | | |
| 0240897 | 01/20/23 | P | CalPERS Long-Term Care Program | 0000006287 | 184.27 |
| | | | Line Description: Payroll Deduction 23-02 | | |
| 0240898 | 01/20/23 | P | California State Disbursement Unit | 0000017443 | 1,328.30 |
| | | | Line Description: Payroll Deduction 23-02 | | |
| 0240899 | 01/20/23 | P | Pamela Lilly | 0000025324 | 750.00 |
| | | | Line Description: Payroll Deduction 23-02 | | |
| TOTAL | | | | | \$2,272.57 |

End of Report

Bank: DDP1

Cycle: ADDEP1

| Payment Ref | Date | Status | Remit To | Remit ID | Payment Amt |
|-------------|----------|--------|---|------------|--------------|
| 014690 | 01/20/23 | P | Costa Mesa Employees Association | 0000006284 | 3,175.18 |
| | | | Line Description: Payroll Deduction 23-02 | | |
| 014691 | 01/20/23 | P | Costa Mesa Executive Club | 0000006286 | 70.00 |
| | | | Line Description: Payroll Deduction 23-02 | | |
| 014692 | 01/20/23 | P | Costa Mesa Firefighters Association | 0000001812 | 8,440.95 |
| | | | Line Description: Payroll Deduction 23-02 | | |
| 014693 | 01/20/23 | P | Costa Mesa Police Association | 0000001819 | 7,380.00 |
| | | | Line Description: Payroll Deduction 23-02 | | |
| 014694 | 01/20/23 | P | Costa Mesa Police Management Assn | 0000005082 | 280.00 |
| | | | Line Description: Payroll Deduction 23-02 | | |
| 014695 | 01/20/23 | P | Travel Costa Mesa | 0000024750 | 207,014.56 |
| | | | Line Description: BIA Receipts for Dec 2022 | | |
| TOTAL | | | | | \$226,360.69 |



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1012

Meeting Date: 2/7/2023

TITLE:

MINUTES

DEPARTMENT: City Manager's Office/City Clerk's Division

RECOMMENDATION:

City Council approve the Minutes of the Regular meeting of January 17, 2023 and the Special Study Session of January 24, 2023.



**REGULAR CITY COUNCIL AND SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY, COSTA MESA PUBLIC FINANCING
AUTHORITY, COSTA MESA FINANCING AUTHORITY, AND
HOUSING AUTHORITY - JANUARY 17, 2023 - MINUTES**

CALL TO ORDER –The Closed Session meeting was called to order by Mayor Stephens at 4:00 p.m.

ROLL CALL

Present: Council Member Chavez, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Present Via Zoom: Council Member Gameros

Absent: None.

PUBLIC COMMENTS – NONE.

Mr. Preziosi, Assistant City Attorney requested an additional closed session item be added to the agenda, regarding litigation that was brought to the attention of the City after the agenda had been posted and needed to be considered before the next regularly scheduled meeting.

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Subdivision (d)(1) of Section 54956.9, California Government Code

Name of Case: Ohio House, LLC v. City of Costa Mesa, USDC, Central District of CA, Case No. 8:19-cv-01710-DOC (KESx)

MOVED/SECOND: Mayor Stephens/Council Member Reynolds

MOTION: Add the Closed Session item as requested by Tarquin Preziosi, Assistant City Attorney.

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: Council Member Gameros None

Abstain: None

Motion carried: 6-0

CLOSED SESSION ITEMS:

1. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to California Government Code Section 54956.9, (d)(1)

Name of Case: SoCal Recovery, LLC, a California limited liability company v. City of Costa Mesa, United States District Court, Central District of California, Case No. 8:18-cv-01304-JVS-PJW.

2. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to California Government Code Section 54956.9, (d)(1)

Name of Case: Raw Recovery, LLC et al v. City of Costa Mesa, United States District Court, Central District of California, Case No. 8:18-cv-01080-JVS-AGR

3. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

Pursuant to California Government Code Section 54956.9 (d)(1)

Name of Case: City of Costa Mesa v. Ohio House, LLC, a California limited liability corporation; Richard Perlin, Nancy Perlin, Dolores Perlin, and Brandon Stump as individuals, Orange County Superior Court Case No. 30-2018-01006173-CU-OR-NJC.

4. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

Pursuant to California Government Code Section 54956.9 (d)(1)

Name of Case: Insight Psychology and Addiction, Inc. v. City of Costa Mesa, U.S. District Court, Central District of California, Case No. 8:20 cv 00504 JVS JDE

5. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATION OF LITIGATION - ONE CASE

Pursuant to California Government Code Section 54956.9 (d)(2), Potential Litigation.

6. CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to California Government Code Section 54957.6, (a)

Agency Designated Representative: Lori Ann Farrell Harrison, City Manager

Name of Employee Organization: Costa Mesa Firefighters Association (CMFA).

7. CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to California Government Code Section 54957.6, (a)

Agency Designated Representative: Lori Ann Farrell Harrison, City Manager

Name of Employee Organization: Costa Mesa Firefighters Management Association (CMFMA).

8. CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to California Government Code Section 54957.6, (a)

Agency Designated Representative: Lori Ann Farrell Harrison, City Manager

Name of Employee Organization: Costa Mesa Police Management Association (CMPMA).

9. CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to California Government Code Section 54957.6, (a)

Agency Designated Representative: Lori Ann Farrell Harrison, City Manager

Name of Employee Organization: Costa Mesa Management Association (CMDMA)

10. CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to California Government Code Section 54957.6, (a)

Agency Designated Representative: Lori Ann Farrell Harrison, City Manager

Name of Employee Organization: Costa Mesa Unrepresented Executive Employees

11. CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to California Government Code Section 54957.6, (a)

Agency Designated Representative: Lori Ann Farrell Harrison, City Manager

Name of Employee Organization: Costa Mesa Confidential Management Unit

12. CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to California Government Code Section 54957.6, (a)

Agency Designated Representative: Lori Ann Farrell Harrison, City Manager

Name of Employee Organization: Costa Mesa Unrepresented Part Time Employees

13. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Subdivision (d)(1) of Section 54956.9, California Government Code

Name of Case: Ohio House, LLC v. City of Costa Mesa, USDC, Central District of CA,
Case No. 8:19-cv-01710-DOC (KESx)

City Council recessed at 4:05 p.m. for Closed Session.

Closed Session adjourned at 5:55 p.m.

CALL TO ORDER –The Regular City Council and Successor Agency to the Redevelopment Agency, Costa Mesa Public Financing Authority, Costa Mesa Financing Authority, and Housing Authority meeting was called to order by Mayor Stephens at 6:04 P.M.

NATIONAL ANTHEM AND PLEDGE OF ALLEGIANCE

Led by Chara Wondercheck

MOMENT OF SOLEMN EXPRESSION

Led by The Rev. Dr. George Okusi, St. John the Divine Episcopal Church

ROLL CALL

Present: Council Member Chavez, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Present Via Zoom: Council Member Gameros

Absent: None.

CITY ATTORNEY CLOSED SESSION REPORT – No reportable action.

PRESENTATIONS:

Mayor Stephens presented a proclamation to Mr. Bobby McDonald, representing the Black Chamber of Commerce in recognition of Martin Luther King Jr. Day.

Mayor Stephens and City Council recognized Byron de Arakal, outgoing Chair of the Planning Commission.

PUBLIC COMMENTS – MATTERS NOT LISTED ON THE AGENDA

Flo Martin recognized Byron de Arakal on his time serving the community, and requested a 4th northern crosswalk at the intersection of Bristol and Town Center Drive.

Speaker, spoke on noise problems at The 12 Gym.

Christian Garcia spoke on serving the community, and additional programs for youth especially in the Shalimar neighborhood.

Speaker, spoke on the percentage of housing stock owned by institutional investors.

Julie Adams spoke on dissatisfaction with the dog park being closed.

Speaker, spoke in support of the flying field at Fairview Park.

Marc Vukceovich spoke on market rate homes vs. subsidized low-income homes.

Jenn Tanaka congratulated Byron de Arakal for his service, spoke on the eight resolutions by the Costa Mesa for Better Streets Alliance, and spoke on replacing one car trip for either a bike, public transportation, or walking.

Wendy Leece expressed appreciation for the prayer and Martin Luther King Jr. Day video, congratulated Byron de Arakal, spoke on serving the Shalimar neighborhood, spoke on Measure K and visioning and holding community forums.

Hank Castignetti spoke on the Orange County Model Engineers 2022 year in review.

Kim Hendricks spoke on a Fairview Park event to plant sagebrush around the vernal pools.

Cynthia McDonald spoke on the Housing Element and an Inclusionary Housing Ordinance, and community involvement.

Speaker, spoke on Measure K, and campaign donations.

COUNCIL MEMBER COMMITTEE REPORTS, COMMENTS, AND SUGGESTIONS

Council Member Reynolds, spoke on Orange County Model Engineers and Fairview Park Alliance activities, Costa Mesa Historical Society and repurposing buildings, activities for youth, prioritizing projects and resource needs, requested an update on the Sustainability Manager position, requested to revisit the Cannabis Ordinance, spoke on safe streets, the January 19th Cal Trans meeting, and Sunday, January 22nd is the next community bike ride.

Council Member Chavez, spoke on the comments by Mr. Garcia regarding the Shalimar community, spoke on the mobile recreation van and if it visits the Shalimar neighborhood, spoke on reporting graffiti, thanked Assembly Member Cottie Petrie Norris for the dump day at the Senior Center, and spoke in support of having more bulky item dump days.

Council Member Harper, spoke on being available to address citizens concerns.

Council Member Marr, spoke on the fly field and requested an update on allowing gliders, spoke on the Tennis Center Request for Proposal, requested an update on the next steps on Measure K and setting priorities, spoke on reviewing the Cannabis Ordinance, spoke on the Costa Mesa Alliance for Better Streets letters and updates, spoke on the January 24th Study Session, and spoke on Measure K votes.

Mayor Pro Tem Harlan, spoke on setting priorities on projects, securing property that had a fire, thanked staff for the synchronized sidewalk at Tustin and Woodland, spoke on Measure K, and on housing.

Mayor Stephens, thanked staff for Snoopy House, requested an update on the dog park, spoke on replacing one car trip by walking, biking, or public transportation, spoke on a walkable community, and on responsiveness to the community on issues.

REPORT – CITY MANAGER - Ms. Farrell Harrison, thanked staff for work on Snoopy House, spoke on the updated website, spoke on visioning and holding a special study session, spoke on an update on a the Cannabis Ordinance, spoke on the Shalimar neighborhood and providing services, spoke on the Tennis Center RFP being on track, the Fairview Park fly field, setting priorities at the Strategic Planning retreat, and responsiveness to the community.

REPORT – CITY ATTORNEY – NONE.

CONSENT CALENDAR (Items 1-12)

MOVED/SECOND: Council Member Marr/Mayor Pro Tem Harlan

MOTION: Approve recommended actions for consent calendar items 1-12 except for items 9, 10, and 11.

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: Mayor Stephens recused himself on item 3 the Warrant Resolution due to campaign contributions received and Council Member Gameros recused himself on item 3 the Warrant Resolution due to his wife working at Priceless Pets.

Motion carried: 7-0

1. PROCEDURAL WAIVER: WAIVE THE FULL READING OF ALL ORDINANCES AND RESOLUTIONS

ACTION:

City Council, Agency Board, and Housing Authority approved the reading by title only and waived full reading of Ordinances and Resolutions.

2. READING FOLDER

ACTION:

City Council received and filed Claims received by the City Clerk: Jessica Garten, National General Insurance, Gabrielle Talbert, Kyle Wong.

3. ADOPTION OF WARRANT RESOLUTION

Council Member Gameros recused himself on this item due to his wife working for Priceless Pets and Mayor Stephens recused himself on this item due to campaign contributions received.

ACTION:

City Council approved Warrant Resolution No. 2692.

4. MINUTES

ACTION:

City Council approved the Minutes of the Regular meeting of December 6, 2022.

5. EXTENSION OF RESOLUTION NO. 2022-62 TO ALLOW MEMBERS OF THE CITY COUNCIL, COMMISSIONS AND COMMITTEES TO PARTICIPATE IN THE MEETINGS REMOTELY, AS NEEDED, DUE TO HEALTH AND SAFETY CONCERNS FOR THE MEMBERS AND THE PUBLIC PURSUANT TO ASSEMBLY BILL 361

ACTION:

City Council extended Resolution 2022-62 to allow the members of the City Council, Commissions, and Committees to participate in the meetings remotely, as needed, via Zoom due to:

1. The current State of Emergency and global pandemic, which continues to directly impact the ability of the members of the City's legislative bodies to meet safely in person; and
2. Federal, State and/or local officials continue to impose or recommend measures to promote social distancing.

6. REQUEST TO RESCHEDULE THE CITY COUNCIL STUDY SESSION MEETING OF FEBRUARY 14, 2023 TO FEBRUARY 15, 2023

ACTION:

City Council rescheduled the City Council Study Session meeting of Tuesday, February 14, 2023 to Wednesday, February 15, 2023.

7. MONTHLY UPDATE OF STRATEGIC PLAN GOALS AND OBJECTIVES

ACTION:

City Council approved the November and December 2022 update to the City of Costa Mesa's Strategic Plan Goals and Objectives.

8. AGREEMENT FOR A SCHOOL RESOURCE OFFICER PROGRAM BETWEEN THE CITY OF COSTA MESA AND NEWPORT-MESA UNIFIED SCHOOL DISTRICT FOR FISCAL YEAR 2022-2023

ACTION:

1. City Council approved the agreement for a School Resource Officer (SRO) Program between the City of Costa Mesa and Newport-Mesa Unified School District (NMUSD) for Fiscal Year 2022-2023.
2. Authorized the City Manager to execute the agreement.

12. ADOPT RESOLUTION APPROVING RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR FISCAL YEAR 2023-2024 FOR THE PERIOD OF JULY 1, 2023 TO JUNE 30, 2024

ACTION:

City Council and the Successor Agency to the Redevelopment Agency adopted Resolution No. 2023-01 approving the Recognized Obligation Payment Schedule for Fiscal Year 2023-24 for the period of July 1, 2023 to June 30, 2024, subject to submittal to and review by the Orange Countywide Oversight Board (Oversight Board) and the State of California, Department of Finance (DOF). Further, the Finance Director, or her authorized designee, in consultation with legal counsel, shall be authorized to request and complete meet and confer session(s), if any, with the DOF and authorized to make augmentations, modifications, additions or revisions as may be necessary or directed by the DOF.

ITEMS PULLED FROM THE CONSENT CALENDAR

9. SOUTHERN CALIFORNIA EDISON RULE 20B PRELIMINARY DESIGN AND ENGINEERING AGREEMENT FOR UTILITY UNDERGROUNDING ALONG ADAMS AVENUE

Public Comments:

Marc Vukceovich spoke on restriping according to the Active Transportation plan.

MOVED/SECOND: Mayor Stephens/Council Member Chavez

MOTION: Approve recommended actions.

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

ACTION:

1. City Council approved the Preliminary Design and Engineering Agreement between the City of Costa Mesa (City) and Southern California Edison Company (SCE), authorizing an advance payment of \$130,000 to SCE for design of undergrounding utilities along Adams Avenue.
2. Authorized the City Manager or designee to execute the agreement and any future authorized amendments to this agreement.

10. RESIDENTIAL PERMIT PARKING PROGRAM - PERMIT MANAGEMENT SYSTEM

Discussion ensued on the process, timing and phases, and if new applications can be processed earlier.

Public Comments: None

MOVED/SECOND: Council Member Chavez/Council Member Marr

MOTION: Approve recommended actions

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: Council Member Harper

Absent: None

Abstain: None

Motion carried: 6-1

ACTION:

1. City Council approved Amendment No. 1 to the Professional Services Agreement with Data Ticket Inc. increasing the maximum annual compensation by \$35,000 for Residential Parking Permits, for a total not-to-exceed annual amount of \$135,000.
2. Authorized the City Manager and the City Clerk to execute the amendment and future authorized amendments to this agreement.

11. FAIRVIEW ROAD ACTIVE TRANSPORTATION IMPROVEMENTS

Discussion ensued on location of the crosswalk, community meetings and inviting College Park South and Monticello communities, and coordinating with the Orange County Fair.

Public Comments:

Speaker, spoke in support of the project, spoke on improvements along the corridors, and provided comments and recommendations.

Speaker, spoke in support of the project, and provided comments and recommendations for the new crosswalk signal to be at Dartmouth.

Speaker, spoke in support of the project and in support of continuing the project North to Adams Ave.

Speaker, spoke in support of the item.

Speaker, spoke in support of the item.

Cynthia McDonald, spoke in support of the item, and continuing the project further North and South.

David Martinez, spoke in support of the item.

MOVED/SECOND: Council Member Marr/Council Member Chavez

MOTION: Approve recommended actions

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

ACTION:

1. City Council awarded a Professional Services Agreement (PSA) to TDG Engineering, Inc. for professional engineering design services for Fairview Road Active Transportation Improvements in the amount of \$137,566, in substantially the form as attached and in such final form as approved by the City Attorney.
2. Authorized a ten percent (10%) contingency in the amount of \$13,756 for any additional services that may be required by the project.
3. Authorized the City Manager and the City Clerk to execute the PSA and any future amendments to the agreement.

-----**END OF CONSENT CALENDAR**-----

City Council recessed into a break at 8:25 p.m.

City Council reconvened at 8:43 p.m.

PUBLIC HEARINGS:

(Pursuant to Resolution No. 05-55, Public Hearings begin at 7:00 p.m.)

1. AMENDMENT TO THE CITY OF COSTA MESA'S MUNICIPAL CODE 3-151 FOR APPEALS FROM POLICE CHIEF ACTIONS RELATED TO SPECIAL ANIMAL PERMITS

Presentation by Mr. Preziosi, Assistant City Attorney.

Discussion ensued on the number of chicken permits.

Public Comments:

Marc Vukceovich spoke on the item.

MOVED/SECOND: Council Member Chavez/Mayor Pro Tem Harlan

MOTION: Approve recommended actions

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

ACTION:

City Council introduced for first reading Ordinance No. 2023-01 to amend Section 3-151 (Appeals from Action of Police Chief) Chapter VI (Special Animal Permit) of Title 3 (Animal Regulations) of the CMMC to grant appeal authority to the City Manager in place of the City Council for Special Animal Permit related actions taken by the Chief of Police.

OLD BUSINESS: NONE

NEW BUSINESS:

1. AWARD OF THE PLACENTIA AVENUE, WEST 19TH STREET, AND EAST 17TH STREET PAVEMENT REHABILITATION, BICYCLE FACILITY, AND STRIPING IMPROVEMENTS PROJECT, CITY PROJECT NO. 22-08

Presentation by Seung Yang, City Engineer.

Public Comments:

Speaker, spoke in support of the item.

Speaker, spoke in support of the item, spoke on working with the City of Newport Beach for a connected bike lane on 19th Street, expressed concern on the sharrows, spoke on the issues at the In and Out drive through.

Speaker, spoke in support of the item and spoke on sharrows.

Speaker, spoke in support of the item and on additional enforcement for vehicular traffic.

Christian Garcia spoke on creating more safety to prevent deaths and protecting residents.

Hank Castignetti stated any construction may interfere with trains and birthday parties, and projects should be vetted with all groups.

David Martinez spoke in support of the item and recommended items for future projects.

Cynthia McDonald spoke in support of the item, spoke on problem areas with trashcans in bike lanes, and spoke on better signage.

Jimmy Vivar spoke in support of the item, spoke on keeping pedestrians in mind, and to address speeding.

MOVED/SECOND: Council Member Reynolds/Council Member Chavez

MOTION: Approve recommended actions with the following changes: add a crosswalk at Placentia and Congress, add a yield to bike sign on the curb just north of Victoria on the west side, incorporate ladder crosswalks on all four (4) legs at Victoria and Placentia, maintain the 11ft lane width on east bound West 19th Street, incorporate bike boxes in the north and south bound Placentia lanes when feasible in the design, and discuss solutions regarding the trashcans in the bike lanes on Placentia.

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

ACTION:

1. City Council adopted plans, specifications, and working details for the Placentia Avenue, West 19th Street, and East 17th Street Pavement Rehabilitation, Bicycle Facility, and Striping Improvements Project, City Project No. 22-08, with the recommended changes.
2. Awarded a Public Works Agreement (PWA) for construction to All American Asphalt, 400 East Sixth Street, Corona, CA 92879 in the amount of \$2,745,547.20.
3. Authorized the City Manager and City Clerk to execute the PWA (Attachment 1) for All American Asphalt and future amendments to the agreements within Council authorized limits.
4. Authorized a ten percent (10%) contingency in the amount of \$274,555 for construction and unforeseen costs related to this project.
5. Found this item categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1: Existing Facilities and Class 2: Replacement or Reconstruction.

2. AWARD OF THE TRAFFIC SIGNAL AND HAWK SIGNAL INSTALLATION PROJECT, CITY PROJECT NO. 22-07

Mr. Sethuraman, Public Works Director and Ms. Rosales, Transportation Services Manager.

Public Comments:

Speaker, spoke on the Lions Park crosswalk and suggested adding a raised crosswalk along with the Hawk signal.

Speaker, spoke on lack of visibility on 18th Street and Wallace.

MOVED/SECOND: Council Member Chavez

MOTION: Approve recommended actions with narrowing the striping on the West 18th portion of the project if providing a raised sidewalk is not possible.

Discussion ensued on options for narrowing lanes for safety and using bulb-outs for traffic calming.

Council Member Marr requested the maker of the motion add a crosswalk at Fordham.

Council Member Chavez agreed to the addition.

MOVED/SECOND: Council Member Chavez/Council Member Marr

MOTION: Approve recommended actions with looking into bulb-outs for narrowing the lane for traffic calming and adding a crosswalk at Fordham.

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

ACTION:

1. City Council adopted plans, specifications, and working details for the Traffic Signal and HAWK Signal Installation Project, City Project No. 22-07, with the recommended changes.
2. Authorized an expense appropriation in the amount of \$192,037 from the Traffic Impact Fee fund balance for the project.
3. Awarded a construction contract to Elecnor Belco Electric, Inc., 14320 Albers Way, Chino, CA 91710, in the amount of \$784,877.
4. Authorized the City Manager and City Clerk to execute the Public Works Agreement (PWA), and authorize the City Manager to execute future contract amendments within Council authorized limits.
5. Authorized an additional ten percent (10%) contingency totaling \$78,488 as needed for unforeseen costs.

6. Found this item categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Class 3: New Construction, Class 4: Minor Alterations to Land and Cal. Code of Regs. Section 15064.3(b)(2) Transportation Projects.

3. **APPOINTMENTS TO THE PARKS AND COMMUNITY SERVICES, ARTS, AND PLANNING COMMISSIONS**

Presentation by Ms. Green, City Clerk.

Public Comments:

Flo Martin spoke in favor of Adam Ereth, Dianne Russell, and Jimmy Vivar for Planning Commission.

Skeith DeWine introduced himself as an Arts Commission applicant.

Curt Rollison introduced himself as a Parks and Community Services Commission and Planning Commission applicant.

Rhonda Valles introduced herself as an Arts Commission and Planning Commission applicant.

ACTION:

City Council made commission appointments as follows:

MOVED/SECOND: Mayor Stephens/Council Member Chavez

MOTION: Appoint Shayanne Wright to the Parks and Community Services Commission

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens. Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

MOVED/SECOND: Council Member Marr/Mayor Stephens

MOTION: Appoint Terry Wall to the Parks and Community Services Commission

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

MOVED/SECOND: Council Member Chavez/Mayor Pro Tem Harlan

MOTION: Appoint Cristian Garcia Arcos to the Parks and Community Services Commission

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

MOVED/SECOND: Council Member Reynolds/Council Member Marr

MOTION: Appoint Kelly Anne Brown to the Parks and Community Services Commission

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

1. City Council made the following appointments to the Parks and Community Services Commission: Council Member Marr appointed Terry Wall, Council Member Chavez appointed Cristian Garcia Arcos, and Council Member Reynolds appointed Kelly Anne Brown with a term expiration of January 2027, and Mayor Stephens appointed Shyanne Wright with a term expiration of January 2025.

MOVED/SECOND: Council Member Harper/Council Member Reynolds

MOTION: Appoint Fisher Derderian to the Arts Commission

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

2. City Council appointed Fisher Derderian to the Arts Commission with a term expiration of January 2024 (Appointment by Council Member Harper).

MOVED/SECOND: Mayor Stephens/Council Member Marr

MOTION: Appoint Adam Ereth to the Planning Commission

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

MOVED/SECOND: Council Member Marr/Mayor Pro Tem Harlan

MOTION: Appoint Tim Taber to the Planning Commission

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

MOVED/SECOND: Council Member Chavez/Council Member Gameros

MOTION: Appoint Angely Andrade Vallarta to the Planning Commission

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

MOVED/SECOND: Council Member Reynolds/Council Member Marr

MOTION: Appoint Jimmy Vivar to the Planning Commission

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

3. City Council made the following appointments to the Planning Commission: Council Member Marr appointed Tim Taber, Council Member Chavez appointed Angely Andrade Vallarta and Council Member Reynolds appointed Jimmy Vivar with a term expiration of January 2027, and Mayor Stephens appointed Adam Ereth with a term expiration of January 2025.

4. AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR FAIRVIEW PARK MASTER PLAN UPDATE

Presentation by Mr. Minter, Parks and Community Services Director and Mr. Dalton, Fairview Park Administrator.

Public Comments: None.

MOVED/SECOND: Council Member Reynolds/Council Member Chavez

MOTION: Approve recommended actions

The motion carried by the following roll call vote:

Ayes: Council Member Chavez, Council Member Gameros, Council Member Harper, Council Member Marr, Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Nays: None

Absent: None

Abstain: None

Motion carried: 7-0

ACTION:

1. City Council awarded a Professional Services Agreement to Moore, Iacofano, Goltsman, Inc., in the amount of \$314,565, for professional consulting and environmental planning services for the Fairview Park Master Plan Update project.
2. Authorized a ten-percent (10%) contingency, if needed, for unforeseen costs.
3. Authorized an additional expense appropriation of \$64,565 from the Park Development Impact Fees fund balance to cover the requested contract value for the Fairview Park Master Plan Update.
4. Authorized the City Manager and the City Clerk to execute the Professional Services Agreement and future amendments to the agreement within Council-authorized limits.

ADDITIONAL COUNCIL/BOARD MEMBER COMMITTEE REPORTS, COMMENTS, AND SUGGESTIONS – NONE.

ADJOURNMENT –The Mayor adjourned the meeting at 10:30 p.m.

Minutes adopted on this 7th day of February, 2023.

John Stephens, Mayor

ATTEST:

Brenda Green, City Clerk

DRAFT



**CITY OF COSTA MESA
SPECIAL STUDY SESSION MEETING OF THE CITY COUNCIL
JANUARY 24, 2023 – 5:00 P.M. Minutes**

CALL TO ORDER—The Special Study Session meeting was called to order by Mayor Stephens at 5:03 p.m.

PLEDGE OF ALLEGIANCE – Led by the Mayor

ROLL CALL

Present: Council Member Chavez, Council Member Gameros (left the meeting at 6:59 p.m.), Council Member Marr (Arrived 5:13 p.m.), Council Member Reynolds, Mayor Pro Tem Harlan, and Mayor Stephens.

Present Via Zoom: Council Member Harper (left the meeting at 6:40 p.m.).

Absent: None.

Public Comment:

Kim Hendricks spoke on Fairview Park vernal pools and the fly field.

SPECIAL STUDY SESSION ITEM:

1. PARKS AND COMMUNITY SERVICES DEPARTMENT OVERVIEW AND SPECIAL PROJECT UPDATE

Presentation by Mr. Minter, Parks and Community Services Director.

Discussion ensued on a general overview of the Parks and Community Services Department including its staffing levels, All Funds budget, programs and services, and the status of special projects, in anticipation of the upcoming 2023 City Council Strategic Planning Retreat and FY 2023-24 budget development process.

ADJOURNMENT —The Mayor adjourned the meeting at 7:44 p.m.

Minutes adopted on this 7th day of February, 2023.

John Stephens, Mayor

ATTEST:

Brenda Green, City Clerk

DRAFT



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1000

Meeting Date: 2/7/2023

TITLE:

AUTHORIZE THE USE OF SOURCEWELL'S NATIONAL COOPERATIVE AGREEMENT WITH NATIONAL AUTO FLEET GROUP FOR THE PURCHASE OF NEW AND REPLACEMENT CITY VEHICLES AND EQUIPMENT

DEPARTMENT: PUBLIC WORKS DEPARTMENT, MAINTENANCE SERVICES DIVISION

PRESENTED BY: RAJA SETHURAMAN, PUBLIC WORKS DIRECTOR

**CONTACT INFORMATION: ROBERT RYAN, MAINTENANCE SERVICES MANAGER,
(714) 327-7499**

RECOMMENDATION:

Staff recommends the City Council:

1. Authorize the use of Sourcewell's National Cooperative Agreement No. 091521-NAF (Attachment 1) with National Auto Fleet Group for the purchase of new and replacement City fleet vehicles - cars, vans, SUV's, trucks and related equipment - as approved during the annual budget process.
2. Authorize the City Manager and the City Clerk to execute all documents necessary to utilize the Sourcewell National Cooperative Agreement for one year with two one-year renewals authorized in respective annual budgets through FY 2024-25 for an annual not-to exceed amount of \$2,000,000.

BACKGROUND:

Consistent with past practices, new and/or replacement vehicle and equipment requests are evaluated during the annual budget process along with Equipment Maintenance staff recommendations.

The current vehicles and equipment budgeted for replacement have high mileage and usage, are in poor condition, and have severe mechanical issues. Other factors for consideration of replacement include obsolete parts availability, high maintenance, and repair costs. All the vehicles and equipment approved for replacement have exceeded their anticipated service lives.

ANALYSIS:

The purchase of these vehicles and equipment will upgrade the City's fleet of operable vehicles and will facilitate the transport of material and passengers, thereby improving the City's ability to serve the community and its stakeholders. The continual breakdowns and repairs of vehicles being considered for replacement exemplifies the necessity of this purchase. The purchases will also provide vehicles to newly added staff that service the community.

While evaluating the vehicles for purchase, staff will select electric and hybrid vehicle options where available. These options support the City Council's goal of "Advancing Sustainability and Climate Resiliency" by reducing fuel costs and emissions produced by City vehicles.

Purchasing these vehicles and equipment through National Auto Fleet Group using the Sourcewell contract meets all requirements set forth in the City of Costa Mesa's Purchasing Policy and all requirements set forth by the State of California in regards to regional cooperative purchasing agreements. Sourcewell established an approved vendor list following a nationwide competitive bid process. This assures that the City receives the lowest available pricing and meets the competitive bid process requirements. This process has been utilized successfully by the City for several previous vehicle purchases.

For future years, staff will continue to request approval for new and/or replacement vehicles as part of budget process. The approval of the recommended multi-year contracting authority will enable the City Manager to proceed efficiently with the purchase of vehicles approved by the City Council.

ALTERNATIVES:

The City Council may choose not to authorize the use of Sourcewell's national cooperative agreement with National Auto Fleet Group. This is not recommended, as there could be significant delays in the procurement of approved vehicles and equipment. This could potentially result in safety issues with emergency response units as well as maintenance units not being in service in a timely manner, and staff driving unreliable vehicles.

FISCAL REVIEW:

Funds for the replacement of City vehicles and equipment are included in the Fiscal Year 2022-23 Operating Budget. For future years, staff will request appropriations as part of the budget process.

LEGAL REVIEW:

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

CITY COUNCIL GOALS AND PRIORITIES:

This item works toward achieving the following City Council goals:

- Strengthen public safety and improve the quality of life.
- Advance environmental sustainability and climate resiliency.

CONCLUSION:

Staff recommends the City Council:

1. Authorize the use of Sourcewell's National Cooperative Agreement No. 091521-NAF with National Auto Fleet Group for the purchase of new and replacement City fleet vehicles - cars, vans, SUV's, trucks and related equipment - as approved during the annual budget process.
2. Authorize the City Manager and the City Clerk to execute all documents necessary to utilize the Sourcewell National Cooperative Agreement for one year with two one-year renewals authorized in respective annual budgets through FY 2024-25 for an annual not-to exceed amount of \$2,000,000.

**Solicitation Number: RFP #091521****CONTRACT**

This Contract is between Sourcewell, 202 12th Street Northeast, P.O. Box 219, Staples, MN 56479 (Sourcewell) and 72 Hour LLC dba: National Auto Fleet Group, 490 Auto Center Drive, Watsonville, CA 95076 (Supplier).

Sourcewell is a State of Minnesota local government unit and service cooperative created under the laws of the State of Minnesota (Minnesota Statutes Section 123A.21) that offers cooperative procurement solutions to government entities. Participation is open to eligible federal, state/province, and municipal governmental entities, higher education, K-12 education, nonprofit, tribal government, and other public entities located in the United States and Canada. Sourcewell issued a public solicitation for Automobiles, SUVs, Vans, and Light Trucks with Related Equipment and Accessories from which Supplier was awarded a contract.

Supplier desires to contract with Sourcewell to provide equipment, products, or services to Sourcewell and the entities that access Sourcewell's cooperative purchasing contracts (Participating Entities).

1. TERM OF CONTRACT

- A. **EFFECTIVE DATE.** This Contract is effective upon the date of the final signature below.
- B. **EXPIRATION DATE AND EXTENSION.** This Contract expires November 8, 2025, unless it is cancelled sooner pursuant to Article 22. This Contract may be extended one additional year upon the request of Sourcewell and written agreement by Supplier.
- C. **SURVIVAL OF TERMS.** Notwithstanding any expiration or termination of this Contract, all payment obligations incurred prior to expiration or termination will survive, as will the following: Articles 11 through 14 survive the expiration or cancellation of this Contract. All rights will cease upon expiration or termination of this Contract.

2. EQUIPMENT, PRODUCTS, OR SERVICES

- A. **EQUIPMENT, PRODUCTS, OR SERVICES.** Supplier will provide the Equipment, Products, or Services as stated in its Proposal submitted under the Solicitation Number listed above.

Supplier's Equipment, Products, or Services Proposal (Proposal) is attached and incorporated into this Contract.

All Equipment and Products provided under this Contract must be new and the current model. Supplier may offer close-out or refurbished Equipment or Products if they are clearly indicated in Supplier's product and pricing list. Unless agreed to by the Participating Entities in advance, Equipment or Products must be delivered as operational to the Participating Entity's site.

This Contract offers an indefinite quantity of sales, and while substantial volume is anticipated, sales and sales volume are not guaranteed.

B. **WARRANTY.** Supplier warrants that all Equipment, Products, and Services furnished are free from liens and encumbrances, and are free from defects in design, materials, and workmanship. In addition, Supplier warrants the Equipment, Products, and Services are suitable for and will perform in accordance with the ordinary use for which they are intended. Supplier's dealers and distributors must agree to assist the Participating Entity in reaching a resolution in any dispute over warranty terms with the manufacturer. Any manufacturer's warranty that extends beyond the expiration of the Supplier's warranty will be passed on to the Participating Entity.

C. **DEALERS, DISTRIBUTORS, AND/OR RESELLERS.** Upon Contract execution and throughout the Contract term, Supplier must provide to Sourcewell a current means to validate or authenticate Supplier's authorized dealers, distributors, or resellers relative to the Equipment, Products, and Services offered under this Contract, which will be incorporated into this Contract by reference. It is the Supplier's responsibility to ensure Sourcewell receives the most current information.

3. PRICING

All Equipment, Products, or Services under this Contract will be priced at or below the price stated in Supplier's Proposal.

When providing pricing quotes to Participating Entities, all pricing quoted must reflect a Participating Entity's total cost of acquisition. This means that the quoted cost is for delivered Equipment, Products, and Services that are operational for their intended purpose, and includes all costs to the Participating Entity's requested delivery location.

Regardless of the payment method chosen by the Participating Entity, the total cost associated with any purchase option of the Equipment, Products, or Services must always be disclosed in the pricing quote to the applicable Participating Entity at the time of purchase.

A. **SHIPPING AND SHIPPING COSTS.** All delivered Equipment and Products must be properly packaged. Damaged Equipment and Products may be rejected. If the damage is not readily apparent at the time of delivery, Supplier must permit the Equipment and Products to be

returned within a reasonable time at no cost to Sourcewell or its Participating Entities. Participating Entities reserve the right to inspect the Equipment and Products at a reasonable time after delivery where circumstances or conditions prevent effective inspection of the Equipment and Products at the time of delivery. In the event of the delivery of nonconforming Equipment and Products, the Participating Entity will notify the Supplier as soon as possible and the Supplier will replace nonconforming Equipment and Products with conforming Equipment and Products that are acceptable to the Participating Entity.

Supplier must arrange for and pay for the return shipment on Equipment and Products that arrive in a defective or inoperable condition.

Sourcewell may declare the Supplier in breach of this Contract if the Supplier intentionally delivers substandard or inferior Equipment or Products.

B. SALES TAX. Each Participating Entity is responsible for supplying the Supplier with valid tax-exemption certification(s). When ordering, a Participating Entity must indicate if it is a tax-exempt entity.

C. HOT LIST PRICING. At any time during this Contract, Supplier may offer a specific selection of Equipment, Products, or Services at discounts greater than those listed in the Contract. When Supplier determines it will offer Hot List Pricing, it must be submitted electronically to Sourcewell in a line-item format. Equipment, Products, or Services may be added or removed from the Hot List at any time through a Sourcewell Price and Product Change Form as defined in Article 4 below.

Hot List program and pricing may also be used to discount and liquidate close-out and discontinued Equipment and Products as long as those close-out and discontinued items are clearly identified as such. Current ordering process and administrative fees apply. Hot List Pricing must be published and made available to all Participating Entities.

4. PRODUCT AND PRICING CHANGE REQUESTS

Supplier may request Equipment, Product, or Service changes, additions, or deletions at any time. All requests must be made in writing by submitting a signed Sourcewell Price and Product Change Request Form to the assigned Sourcewell Supplier Development Administrator. This approved form is available from the assigned Sourcewell Supplier Development Administrator. At a minimum, the request must:

- Identify the applicable Sourcewell contract number;
- Clearly specify the requested change;
- Provide sufficient detail to justify the requested change;

- Individually list all Equipment, Products, or Services affected by the requested change, along with the requested change (e.g., addition, deletion, price change); and
- Include a complete restatement of pricing documentation in Microsoft Excel with the effective date of the modified pricing, or product addition or deletion. The new pricing restatement must include all Equipment, Products, and Services offered, even for those items where pricing remains unchanged.

A fully executed Sourcewell Price and Product Change Request Form will become an amendment to this Contract and will be incorporated by reference.

5. PARTICIPATION, CONTRACT ACCESS, AND PARTICIPATING ENTITY REQUIREMENTS

A. PARTICIPATION. Sourcewell's cooperative contracts are available and open to public and nonprofit entities across the United States and Canada; such as federal, state/province, municipal, K-12 and higher education, tribal government, and other public entities.

The benefits of this Contract should be available to all Participating Entities that can legally access the Equipment, Products, or Services under this Contract. A Participating Entity's authority to access this Contract is determined through its cooperative purchasing, interlocal, or joint powers laws. Any entity accessing benefits of this Contract will be considered a Service Member of Sourcewell during such time of access. Supplier understands that a Participating Entity's use of this Contract is at the Participating Entity's sole convenience and Participating Entities reserve the right to obtain like Equipment, Products, or Services from any other source.

Supplier is responsible for familiarizing its sales and service forces with Sourcewell contract use eligibility requirements and documentation and will encourage potential participating entities to join Sourcewell. Sourcewell reserves the right to add and remove Participating Entities to its roster during the term of this Contract.

B. PUBLIC FACILITIES. Supplier's employees may be required to perform work at government-owned facilities, including schools. Supplier's employees and agents must conduct themselves in a professional manner while on the premises, and in accordance with Participating Entity policies and procedures, and all applicable laws.

6. PARTICIPATING ENTITY USE AND PURCHASING

A. ORDERS AND PAYMENT. To access the contracted Equipment, Products, or Services under this Contract, a Participating Entity must clearly indicate to Supplier that it intends to access this Contract; however, order flow and procedure will be developed jointly between Sourcewell and Supplier. Typically, a Participating Entity will issue an order directly to Supplier or its authorized subsidiary, distributor, dealer, or reseller. If a Participating Entity issues a purchase order, it may use its own forms, but the purchase order should clearly note the applicable Sourcewell

contract number. All Participating Entity orders under this Contract must be issued prior to expiration or cancellation of this Contract; however, Supplier performance, Participating Entity payment obligations, and any applicable warranty periods or other Supplier or Participating Entity obligations may extend beyond the term of this Contract.

Supplier's acceptable forms of payment are included in its attached Proposal. Participating Entities will be solely responsible for payment and Sourcewell will have no liability for any unpaid invoice of any Participating Entity.

B. ADDITIONAL TERMS AND CONDITIONS/PARTICIPATING ADDENDUM. Additional terms and conditions to a purchase order, or other required transaction documentation, may be negotiated between a Participating Entity and Supplier, such as job or industry-specific requirements, legal requirements (e.g., affirmative action or immigration status requirements), or specific local policy requirements. Some Participating Entities may require the use of a Participating Addendum; the terms of which will be negotiated directly between the Participating Entity and the Supplier. Any negotiated additional terms and conditions must never be less favorable to the Participating Entity than what is contained in this Contract.

C. SPECIALIZED SERVICE REQUIREMENTS. In the event that the Participating Entity requires service or specialized performance requirements not addressed in this Contract (such as e-commerce specifications, specialized delivery requirements, or other specifications and requirements), the Participating Entity and the Supplier may enter into a separate, standalone agreement, apart from this Contract. Sourcewell, including its agents and employees, will not be made a party to a claim for breach of such agreement.

D. TERMINATION OF ORDERS. Participating Entities may terminate an order, in whole or in part, immediately upon notice to Supplier in the event of any of the following events:

1. The Participating Entity fails to receive funding or appropriation from its governing body at levels sufficient to pay for the equipment, products, or services to be purchased; or
2. Federal, state, or provincial laws or regulations prohibit the purchase or change the Participating Entity's requirements.

E. GOVERNING LAW AND VENUE. The governing law and venue for any action related to a Participating Entity's order will be determined by the Participating Entity making the purchase.

7. CUSTOMER SERVICE

A. PRIMARY ACCOUNT REPRESENTATIVE. Supplier will assign an Account Representative to Sourcewell for this Contract and must provide prompt notice to Sourcewell if that person is changed. The Account Representative will be responsible for:

- Maintenance and management of this Contract;
- Timely response to all Sourcewell and Participating Entity inquiries; and
- Business reviews to Sourcewell and Participating Entities, if applicable.

B. BUSINESS REVIEWS. Supplier must perform a minimum of one business review with Sourcewell per contract year. The business review will cover sales to Participating Entities, pricing and contract terms, administrative fees, sales data reports, supply issues, customer issues, and any other necessary information.

8. REPORT ON CONTRACT SALES ACTIVITY AND ADMINISTRATIVE FEE PAYMENT

A. CONTRACT SALES ACTIVITY REPORT. Each calendar quarter, Supplier must provide a contract sales activity report (Report) to the Sourcewell Supplier Development Administrator assigned to this Contract. Reports are due no later than 45 days after the end of each calendar quarter. A Report must be provided regardless of the number or amount of sales during that quarter (i.e., if there are no sales, Supplier must submit a report indicating no sales were made).

The Report must contain the following fields:

- Participating Entity Name (e.g., City of Staples Highway Department);
- Participating Entity Physical Street Address;
- Participating Entity City;
- Participating Entity State/Province;
- Participating Entity Zip/Postal Code;
- Participating Entity Contact Name;
- Participating Entity Contact Email Address;
- Participating Entity Contact Telephone Number;
- Sourcewell Assigned Entity/Participating Entity Number;
- Item Purchased Description;
- Item Purchased Price;
- Sourcewell Administrative Fee Applied; and
- Date Purchase was invoiced/sale was recognized as revenue by Supplier.

B. ADMINISTRATIVE FEE. In consideration for the support and services provided by Sourcewell, the Supplier will pay an administrative fee to Sourcewell on all Equipment, Products, and Services provided to Participating Entities. The Administrative Fee must be included in, and not added to, the pricing. Supplier may not charge Participating Entities more than the contracted price to offset the Administrative Fee.

The Supplier will submit payment to Sourcewell for the percentage of administrative fee stated in the Proposal multiplied by the total sales of all Equipment, Products, and Services purchased

by Participating Entities under this Contract during each calendar quarter. Payments should note the Supplier's name and Sourcewell-assigned contract number in the memo; and must be mailed to the address above "Attn: Accounts Receivable" or remitted electronically to Sourcewell's banking institution per Sourcewell's Finance department instructions. Payments must be received no later than 45 calendar days after the end of each calendar quarter.

Supplier agrees to cooperate with Sourcewell in auditing transactions under this Contract to ensure that the administrative fee is paid on all items purchased under this Contract.

In the event the Supplier is delinquent in any undisputed administrative fees, Sourcewell reserves the right to cancel this Contract and reject any proposal submitted by the Supplier in any subsequent solicitation. In the event this Contract is cancelled by either party prior to the Contract's expiration date, the administrative fee payment will be due no more than 30 days from the cancellation date.

9. AUTHORIZED REPRESENTATIVE

Sourcewell's Authorized Representative is its Chief Procurement Officer.

Supplier's Authorized Representative is the person named in the Supplier's Proposal. If Supplier's Authorized Representative changes at any time during this Contract, Supplier must promptly notify Sourcewell in writing.

10. AUDIT, ASSIGNMENT, AMENDMENTS, WAIVER, AND CONTRACT COMPLETE

A. **AUDIT.** Pursuant to Minnesota Statutes Section 16C.05, subdivision 5, the books, records, documents, and accounting procedures and practices relevant to this Agreement are subject to examination by Sourcewell or the Minnesota State Auditor for a minimum of six years from the end of this Contract. This clause extends to Participating Entities as it relates to business conducted by that Participating Entity under this Contract.

B. **ASSIGNMENT.** Neither party may assign or otherwise transfer its rights or obligations under this Contract without the prior written consent of the other party and a fully executed assignment agreement. Such consent will not be unreasonably withheld. Any prohibited assignment will be invalid.

C. **AMENDMENTS.** Any amendment to this Contract must be in writing and will not be effective until it has been duly executed by the parties.

D. **WAIVER.** Failure by either party to take action or assert any right under this Contract will not be deemed a waiver of such right in the event of the continuation or repetition of the circumstances giving rise to such right. Any such waiver must be in writing and signed by the parties.

E. **CONTRACT COMPLETE.** This Contract represents the complete agreement between the parties. No other understanding regarding this Contract, whether written or oral, may be used to bind either party. For any conflict between the attached Proposal and the terms set out in Articles 1-22 of this Contract, the terms of Articles 1-22 will govern.

F. **RELATIONSHIP OF THE PARTIES.** The relationship of the parties is one of independent contractors, each free to exercise judgment and discretion with regard to the conduct of their respective businesses. This Contract does not create a partnership, joint venture, or any other relationship such as master-servant, or principal-agent.

11. INDEMNITY AND HOLD HARMLESS

Supplier must indemnify, defend, save, and hold Sourcewell and its Participating Entities, including their agents and employees, harmless from any claims or causes of action, including attorneys' fees incurred by Sourcewell or its Participating Entities, arising out of any act or omission in the performance of this Contract by the Supplier or its agents or employees; this indemnification includes injury or death to person(s) or property alleged to have been caused by some defect in the Equipment, Products, or Services under this Contract to the extent the Equipment, Product, or Service has been used according to its specifications. Sourcewell's responsibility will be governed by the State of Minnesota's Tort Liability Act (Minnesota Statutes Chapter 466) and other applicable law.

12. GOVERNMENT DATA PRACTICES

Supplier and Sourcewell must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by or provided to Sourcewell under this Contract and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by the Supplier under this Contract.

13. INTELLECTUAL PROPERTY, PUBLICITY, MARKETING, AND ENDORSEMENT

A. INTELLECTUAL PROPERTY

1. *Grant of License.* During the term of this Contract:
 - a. Sourcewell grants to Supplier a royalty-free, worldwide, non-exclusive right and license to use the trademark(s) provided to Supplier by Sourcewell in advertising and promotional materials for the purpose of marketing Sourcewell's relationship with Supplier.
 - b. Supplier grants to Sourcewell a royalty-free, worldwide, non-exclusive right and license to use Supplier's trademarks in advertising and promotional materials for the purpose of marketing Supplier's relationship with Sourcewell.
2. *Limited Right of Sublicense.* The right and license granted herein includes a limited right of each party to grant sublicenses to their respective subsidiaries, distributors, dealers,

resellers, marketing representatives, and agents (collectively “Permitted Sublicensees”) in advertising and promotional materials for the purpose of marketing the Parties’ relationship to Participating Entities. Any sublicense granted will be subject to the terms and conditions of this Article. Each party will be responsible for any breach of this Article by any of their respective sublicensees.

3. *Use; Quality Control.*

- a. Neither party may alter the other party’s trademarks from the form provided and must comply with removal requests as to specific uses of its trademarks or logos.
- b. Each party agrees to use, and to cause its Permitted Sublicensees to use, the other party’s trademarks only in good faith and in a dignified manner consistent with such party’s use of the trademarks. Upon written notice to the breaching party, the breaching party has 30 days of the date of the written notice to cure the breach or the license will be terminated.

4. As applicable, Supplier agrees to indemnify and hold harmless Sourcewell and its Participating Entities against any and all suits, claims, judgments, and costs instituted or recovered against Sourcewell or Participating Entities by any person on account of the use of any Equipment or Products by Sourcewell or its Participating Entities supplied by Supplier in violation of applicable patent or copyright laws.

5. **Termination.** Upon the termination of this Contract for any reason, each party, including Permitted Sublicensees, will have 30 days to remove all Trademarks from signage, websites, and the like bearing the other party’s name or logo (excepting Sourcewell’s pre-printed catalog of suppliers which may be used until the next printing). Supplier must return all marketing and promotional materials, including signage, provided by Sourcewell, or dispose of it according to Sourcewell’s written directions.

B. **PUBLICITY.** Any publicity regarding the subject matter of this Contract must not be released without prior written approval from the Authorized Representatives. Publicity includes notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for the Supplier individually or jointly with others, or any subcontractors, with respect to the program, publications, or services provided resulting from this Contract.

C. **MARKETING.** Any direct advertising, marketing, or offers with Participating Entities must be approved by Sourcewell. Send all approval requests to the Sourcewell Supplier Development Administrator assigned to this Contract.

D. **ENDORSEMENT.** The Supplier must not claim that Sourcewell endorses its Equipment, Products, or Services.

14. GOVERNING LAW, JURISDICTION, AND VENUE

The substantive and procedural laws of the State of Minnesota will govern this Contract. Venue for all legal proceedings arising out of this Contract, or its breach, must be in the appropriate state court in Todd County, Minnesota or federal court in Fergus Falls, Minnesota.

15. FORCE MAJEURE

Neither party to this Contract will be held responsible for delay or default caused by acts of God or other conditions that are beyond that party's reasonable control. A party defaulting under this provision must provide the other party prompt written notice of the default.

16. SEVERABILITY

If any provision of this Contract is found by a court of competent jurisdiction to be illegal, unenforceable, or void then both parties will be relieved from all obligations arising from that provision. If the remainder of this Contract is capable of being performed, it will not be affected by such determination or finding and must be fully performed.

17. PERFORMANCE, DEFAULT, AND REMEDIES

A. **PERFORMANCE.** During the term of this Contract, the parties will monitor performance and address unresolved contract issues as follows:

1. *Notification.* The parties must promptly notify each other of any known dispute and work in good faith to resolve such dispute within a reasonable period of time. If necessary, Sourcewell and the Supplier will jointly develop a short briefing document that describes the issue(s), relevant impact, and positions of both parties.
2. *Escalation.* If parties are unable to resolve the issue in a timely manner, as specified above, either Sourcewell or Supplier may escalate the resolution of the issue to a higher level of management. The Supplier will have 30 calendar days to cure an outstanding issue.
3. *Performance while Dispute is Pending.* Notwithstanding the existence of a dispute, the Supplier must continue without delay to carry out all of its responsibilities under the Contract that are not affected by the dispute. If the Supplier fails to continue without delay to perform its responsibilities under the Contract, in the accomplishment of all undisputed work, the Supplier will bear any additional costs incurred by Sourcewell and/or its Participating Entities as a result of such failure to proceed.

B. **DEFAULT AND REMEDIES.** Either of the following constitutes cause to declare this Contract, or any Participating Entity order under this Contract, in default:

1. Nonperformance of contractual requirements, or
2. A material breach of any term or condition of this Contract.

The party claiming default must provide written notice of the default, with 30 calendar days to cure the default. Time allowed for cure will not diminish or eliminate any liability for liquidated or other damages. If the default remains after the opportunity for cure, the non-defaulting party may:

- Exercise any remedy provided by law or equity, or
- Terminate the Contract or any portion thereof, including any orders issued against the Contract.

18. INSURANCE

A. REQUIREMENTS. At its own expense, Supplier must maintain insurance policy(ies) in effect at all times during the performance of this Contract with insurance company(ies) licensed or authorized to do business in the State of Minnesota having an "AM BEST" rating of A- or better, with coverage and limits of insurance not less than the following:

1. *Workers' Compensation and Employer's Liability.*

Workers' Compensation: As required by any applicable law or regulation.

Employer's Liability Insurance: must be provided in amounts not less than listed below:

Minimum limits:

\$500,000 each accident for bodily injury by accident

\$500,000 policy limit for bodily injury by disease

\$500,000 each employee for bodily injury by disease

2. *Commercial General Liability Insurance.* Supplier will maintain insurance covering its operations, with coverage on an occurrence basis, and must be subject to terms no less broad than the Insurance Services Office ("ISO") Commercial General Liability Form CG0001 (2001 or newer edition), or equivalent. At a minimum, coverage must include liability arising from premises, operations, bodily injury and property damage, independent contractors, products-completed operations including construction defect, contractual liability, blanket contractual liability, and personal injury and advertising injury. All required limits, terms and conditions of coverage must be maintained during the term of this Contract.

Minimum Limits:

\$1,000,000 each occurrence Bodily Injury and Property Damage

\$1,000,000 Personal and Advertising Injury

\$2,000,000 aggregate for Products-Completed operations

\$2,000,000 general aggregate

3. *Commercial Automobile Liability Insurance.* During the term of this Contract, Supplier will maintain insurance covering all owned, hired, and non-owned automobiles in limits of liability not less than indicated below. The coverage must be subject to terms

no less broad than ISO Business Auto Coverage Form CA 0001 (2010 edition or newer), or equivalent.

Minimum Limits:

\$1,000,000 each accident, combined single limit

4. *Umbrella Insurance*. During the term of this Contract, Supplier will maintain umbrella coverage over Employer's Liability, Commercial General Liability, and Commercial Automobile.

Minimum Limits:

\$2,000,000

5. *Network Security and Privacy Liability Insurance*. During the term of this Contract, Supplier will maintain coverage for network security and privacy liability. The coverage may be endorsed on another form of liability coverage or written on a standalone policy. The insurance must cover claims which may arise from failure of Supplier's security resulting in, but not limited to, computer attacks, unauthorized access, disclosure of not public data – including but not limited to, confidential or private information, transmission of a computer virus, or denial of service.

Minimum limits:

\$2,000,000 per occurrence

\$2,000,000 annual aggregate

Failure of Supplier to maintain the required insurance will constitute a material breach entitling Sourcewell to immediately terminate this Contract for default.

B. CERTIFICATES OF INSURANCE. Prior to commencing under this Contract, Supplier must furnish to Sourcewell a certificate of insurance, as evidence of the insurance required under this Contract. Prior to expiration of the policy(ies), renewal certificates must be mailed to Sourcewell, 202 12th Street Northeast, P.O. Box 219, Staples, MN 56479 or sent to the Sourcewell Supplier Development Administrator assigned to this Contract. The certificates must be signed by a person authorized by the insurer(s) to bind coverage on their behalf.

Failure to request certificates of insurance by Sourcewell, or failure of Supplier to provide certificates of insurance, in no way limits or relieves Supplier of its duties and responsibilities in this Contract.

C. ADDITIONAL INSURED ENDORSEMENT AND PRIMARY AND NON-CONTRIBUTORY INSURANCE CLAUSE. Supplier agrees to list Sourcewell and its Participating Entities, including their officers, agents, and employees, as an additional insured under the Supplier's commercial general liability insurance policy with respect to liability arising out of activities, "operations," or "work" performed by or on behalf of Supplier, and products and completed operations of Supplier. The policy provision(s) or endorsement(s) must further provide that coverage is

primary and not excess over or contributory with any other valid, applicable, and collectible insurance or self-insurance in force for the additional insureds.

D. **WAIVER OF SUBROGATION.** Supplier waives and must require (by endorsement or otherwise) all its insurers to waive subrogation rights against Sourcewell and other additional insureds for losses paid under the insurance policies required by this Contract or other insurance applicable to the Supplier or its subcontractors. The waiver must apply to all deductibles and/or self-insured retentions applicable to the required or any other insurance maintained by the Supplier or its subcontractors. Where permitted by law, Supplier must require similar written express waivers of subrogation and insurance clauses from each of its subcontractors.

E. **UMBRELLA/EXCESS LIABILITY/SELF-INSURED RETENTION.** The limits required by this Contract can be met by either providing a primary policy or in combination with umbrella/excess liability policy(ies), or self-insured retention.

19. COMPLIANCE

A. **LAWS AND REGULATIONS.** All Equipment, Products, or Services provided under this Contract must comply fully with applicable federal laws and regulations, and with the laws in the states and provinces in which the Equipment, Products, or Services are sold.

B. **LICENSES.** Supplier must maintain a valid and current status on all required federal, state/provincial, and local licenses, bonds, and permits required for the operation of the business that the Supplier conducts with Sourcewell and Participating Entities.

20. BANKRUPTCY, DEBARMENT, OR SUSPENSION CERTIFICATION

Supplier certifies and warrants that it is not in bankruptcy or that it has previously disclosed in writing certain information to Sourcewell related to bankruptcy actions. If at any time during this Contract Supplier declares bankruptcy, Supplier must immediately notify Sourcewell in writing.

Supplier certifies and warrants that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from programs operated by the State of Minnesota; the United States federal government or the Canadian government, as applicable; or any Participating Entity. Supplier certifies and warrants that neither it nor its principals have been convicted of a criminal offense related to the subject matter of this Contract. Supplier further warrants that it will provide immediate written notice to Sourcewell if this certification changes at any time.

21. PROVISIONS FOR NON-UNITED STATES FEDERAL ENTITY PROCUREMENTS UNDER UNITED STATES FEDERAL AWARDS OR OTHER AWARDS

Participating Entities that use United States federal grant or FEMA funds to purchase goods or services from this Contract may be subject to additional requirements including the procurement standards of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 C.F.R. § 200. Participating Entities may have additional requirements based on specific funding source terms or conditions. Within this Article, all references to “federal” should be interpreted to mean the United States federal government. The following list only applies when a Participating Entity accesses Supplier’s Equipment, Products, or Services with United States federal funds.

A. **EQUAL EMPLOYMENT OPPORTUNITY.** Except as otherwise provided under 41 C.F.R. § 60, all contracts that meet the definition of “federally assisted construction contract” in 41 C.F.R. § 60-1.3 must include the equal opportunity clause provided under 41 C.F.R. §60-1.4(b), in accordance with Executive Order 11246, “Equal Employment Opportunity” (30 FR 12319, 12935, 3 C.F.R. §, 1964-1965 Comp., p. 339), as amended by Executive Order 11375, “Amending Executive Order 11246 Relating to Equal Employment Opportunity,” and implementing regulations at 41 C.F.R. § 60, “Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor.” The equal opportunity clause is incorporated herein by reference.

B. **DAVIS-BACON ACT, AS AMENDED (40 U.S.C. § 3141-3148).** When required by federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. § 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 C.F.R. § 5, “Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction”). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-federal entity must report all suspected or reported violations to the federal awarding agency. The contracts must also include a provision for compliance with the Copeland “Anti-Kickback” Act (40 U.S.C. § 3145), as supplemented by Department of Labor regulations (29 C.F.R. § 3, “Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States”). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. The non-federal entity must report all suspected or reported violations to the federal awarding agency. Supplier must be in compliance with all applicable Davis-Bacon Act provisions.

C. CONTRACT WORK HOURS AND SAFETY STANDARDS ACT (40 U.S.C. § 3701-3708). Where applicable, all contracts awarded by the non-federal entity in excess of \$100,000 that involve the employment of mechanics or laborers must include a provision for compliance with 40 U.S.C. §§ 3702 and 3704, as supplemented by Department of Labor regulations (29 C.F.R. § 5). Under 40 U.S.C. § 3702 of the Act, each contractor must be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of 40 hours in the work week. The requirements of 40 U.S.C. § 3704 are applicable to construction work and provide that no laborer or mechanic must be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence. This provision is hereby incorporated by reference into this Contract. Supplier certifies that during the term of an award for all contracts by Sourcewell resulting from this procurement process, Supplier must comply with applicable requirements as referenced above.

D. RIGHTS TO INVENTIONS MADE UNDER A CONTRACT OR AGREEMENT. If the federal award meets the definition of “funding agreement” under 37 C.F.R. § 401.2(a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that “funding agreement,” the recipient or subrecipient must comply with the requirements of 37 C.F.R. § 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements,” and any implementing regulations issued by the awarding agency. Supplier certifies that during the term of an award for all contracts by Sourcewell resulting from this procurement process, Supplier must comply with applicable requirements as referenced above.

E. CLEAN AIR ACT (42 U.S.C. § 7401-7671Q.) AND THE FEDERAL WATER POLLUTION CONTROL ACT (33 U.S.C. § 1251-1387). Contracts and subgrants of amounts in excess of \$150,000 require the non-federal award to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. § 7401- 7671q) and the Federal Water Pollution Control Act as amended (33 U.S.C. § 1251- 1387). Violations must be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA). Supplier certifies that during the term of this Contract will comply with applicable requirements as referenced above.

F. DEBARMENT AND SUSPENSION (EXECUTIVE ORDERS 12549 AND 12689). A contract award (see 2 C.F.R. § 180.220) must not be made to parties listed on the government wide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 C.F.R. § 180 that implement Executive Orders 12549 (3 C.F.R. § 1986 Comp., p. 189) and 12689 (3 C.F.R. § 1989 Comp., p. 235), “Debarment and Suspension.” SAM Exclusions contains the names

of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549. Supplier certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation by any federal department or agency.

G. BYRD ANTI-LOBBYING AMENDMENT, AS AMENDED (31 U.S.C. § 1352). Suppliers must file any required certifications. Suppliers must not have used federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any federal contract, grant, or any other award covered by 31 U.S.C. § 1352. Suppliers must disclose any lobbying with non-federal funds that takes place in connection with obtaining any federal award. Such disclosures are forwarded from tier to tier up to the non-federal award. Suppliers must file all certifications and disclosures required by, and otherwise comply with, the Byrd Anti-Lobbying Amendment (31 U.S.C. § 1352).

H. RECORD RETENTION REQUIREMENTS. To the extent applicable, Supplier must comply with the record retention requirements detailed in 2 C.F.R. § 200.333. The Supplier further certifies that it will retain all records as required by 2 C.F.R. § 200.333 for a period of 3 years after grantees or subgrantees submit final expenditure reports or quarterly or annual financial reports, as applicable, and all other pending matters are closed.

I. ENERGY POLICY AND CONSERVATION ACT COMPLIANCE. To the extent applicable, Supplier must comply with the mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act.

J. BUY AMERICAN PROVISIONS COMPLIANCE. To the extent applicable, Supplier must comply with all applicable provisions of the Buy American Act. Purchases made in accordance with the Buy American Act must follow the applicable procurement rules calling for free and open competition.

K. ACCESS TO RECORDS (2 C.F.R. § 200.336). Supplier agrees that duly authorized representatives of a federal agency must have access to any books, documents, papers and records of Supplier that are directly pertinent to Supplier's discharge of its obligations under this Contract for the purpose of making audits, examinations, excerpts, and transcriptions. The right also includes timely and reasonable access to Supplier's personnel for the purpose of interview and discussion relating to such documents.

L. PROCUREMENT OF RECOVERED MATERIALS (2 C.F.R. § 200.322). A non-federal entity that is a state agency or agency of a political subdivision of a state and its contractors must comply with Section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation

and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 C.F.R. § 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired during the preceding fiscal year exceeded \$10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

M. FEDERAL SEAL(S), LOGOS, AND FLAGS. The Supplier not use the seal(s), logos, crests, or reproductions of flags or likenesses of Federal agency officials without specific pre-approval.

N. NO OBLIGATION BY FEDERAL GOVERNMENT. The U.S. federal government is not a party to this Contract or any purchase by an Participating Entity and is not subject to any obligations or liabilities to the Participating Entity, Supplier, or any other party pertaining to any matter resulting from the Contract or any purchase by an authorized user.

O. PROGRAM FRAUD AND FALSE OR FRAUDULENT STATEMENTS OR RELATED ACTS. The Contractor acknowledges that 31 U.S.C. 38 (Administrative Remedies for False Claims and Statements) applies to the Supplier's actions pertaining to this Contract or any purchase by a Participating Entity.

P. FEDERAL DEBT. The Supplier certifies that it is non-delinquent in its repayment of any federal debt. Examples of relevant debt include delinquent payroll and other taxes, audit disallowance, and benefit overpayments.

Q. CONFLICTS OF INTEREST. The Supplier must notify the U.S. Office of General Services, Sourcewell, and Participating Entity as soon as possible if this Contract or any aspect related to the anticipated work under this Contract raises an actual or potential conflict of interest (as described in 2 C.F.R. Part 200). The Supplier must explain the actual or potential conflict in writing in sufficient detail so that the U.S. Office of General Services, Sourcewell, and Participating Entity are able to assess the actual or potential conflict; and provide any additional information as necessary or requested.

R. U.S. EXECUTIVE ORDER 13224. The Supplier, and its subcontractors, must comply with U.S. Executive Order 13224 and U.S. Laws that prohibit transactions with and provision of resources and support to individuals and organizations associated with terrorism.

S. PROHIBITION ON CERTAIN TELECOMMUNICATIONS AND VIDEO SURVEILLANCE SERVICES OR EQUIPMENT. To the extent applicable, Supplier certifies that during the term of this Contract it will comply with applicable requirements of 2 C.F.R. § 200.216.

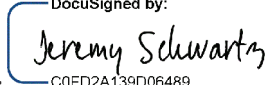
T. DOMESTIC PREFERENCES FOR PROCUREMENTS. To the extent applicable, Supplier certifies that during the term of this Contract will comply with applicable requirements of 2 C.F.R. § 200.322.

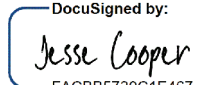
22. CANCELLATION

Sourcewell or Supplier may cancel this Contract at any time, with or without cause, upon 60 days' written notice to the other party. However, Sourcewell may cancel this Contract immediately upon discovery of a material defect in any certification made in Supplier's Proposal. Cancellation of this Contract does not relieve either party of financial, product, or service obligations incurred or accrued prior to cancellation.

Sourcewell

72 Hour LLC dba: National Auto
Fleet Group

DocuSigned by:

By: C0FD2A139D06489...
Jeremy Schwartz
Title: Chief Procurement Officer
11/4/2021 | 1:28 PM CDT
Date: _____

DocuSigned by:

By: FACBB5730C1E467...
Jesse Cooper
Title: Fleet Manager
11/4/2021 | 10:46 AM CDT
Date: _____

Approved:

DocuSigned by:

By: 7E42B8F817A64CC...
Chad Coauette
Title: Executive Director/CEO
11/4/2021 | 1:34 PM CDT
Date: _____

RFP 091521 - Automobiles, SUVs, Vans, and Light Trucks with Related Equipment and Accessories

Vendor Details

Company Name: 72 HOUR LLC

Does your company conduct business under any other name? If yes, please state: National Auto Fleet Group

Address: 490 Auto Center Drive
Watsonville, CA 95076

Contact: Jesse Cooper

Email: Jcooper@nationalautofleetgroup.com

Phone: 951-440-0585

Fax: 831-840-8497

HST#: 263297677

Submission Details

Created On: Tuesday August 24, 2021 16:34:10

Submitted On: Tuesday September 14, 2021 14:10:21

Submitted By: Jesse Cooper

Email: Jcooper@nationalautofleetgroup.com

Transaction #: d2e890de-e761-4f47-9b23-bef3d512bd76

Submitter's IP Address: 76.81.241.2

Specifications**Table 1: Proposer Identity & Authorized Representatives**

General Instructions (applies to all Tables) Sourcewell prefers a brief but thorough response to each question. Do not merely attach additional documents to your response without also providing a substantive response. Do not leave answers blank; respond "N/A" if the question does not apply to you (preferably with an explanation).

| Line Item | Question | Response * | |
|-----------|--|--|---|
| 1 | Proposer Legal Name (one legal entity only): (In the event of award, will execute the resulting contract as "Supplier") | 72 Hour LLC | * |
| 2 | Identify all subsidiary entities of the Proposer whose equipment, products, or services are included in the Proposal. | WCAF, LLC WCDJR, LLC Alan Jay Automotive Inc | * |
| 3 | Identify all applicable assumed names or DBA names of the Proposer or Proposer's subsidiaries in Line 1 or Line 2 above. | NAFG has numerous subsidiaries and DBA's including but not limited to: National Auto Fleet Group, Chevrolet of Watsonville, Watsonville Ford Watsonville CDJR Watsonville Fleet Group Alan Jay Chrysler Jeep Inc Alan Jay Chevrolet, Cadillac Alan Jay Buick, GMC Alan Jay Auto Outlet Clewiston Motor Company, Inc Alan Jay Chrysler Dodge Ram Jeep Alan Jay Lincoln Alan Jay Ford Alan Jay Nissan Alan Jay Toyota | * |
| 4 | Proposer Physical Address: | 490 Auto Center Drive Watsonville, CA 95076 | * |
| 5 | Proposer website address (or addresses): | www.NationalAutoFleetGroup.com | * |
| 6 | Proposer's Authorized Representative (name, title, address, email address & phone) (The representative must have authority to sign the "Proposer's Assurance of Compliance" on behalf of the Proposer and, in the event of award, will be expected to execute the resulting contract): | Jesse Cooper Fleet Manager 1-855-289-6572 490 Auto Center Drive Watsonville, CA 95076 Jcooper@nationalautofleetgroup.com | * |
| 7 | Proposer's primary contact for this proposal (name, title, address, email address & phone): | Jesse Cooper Fleet Manager 1-855-289-6572 490 Auto Center Drive Watsonville, CA 95076 Jcooper@nationalautofleetgroup.com | * |
| 8 | Proposer's other contacts for this proposal, if any (name, title, address, email address & phone): | Clarke Cooper Fleet Manager 1-855-289-6572 490 Auto Center Drive Watsonville, CA 95076 ClarkeCooper@watsonvillefleetgroup.com | |

Table 2: Company Information and Financial Strength

| Line Item | Question | Response * | |
|-----------|----------|------------|--|
|-----------|----------|------------|--|

| | | |
|----|--|---|
| 9 | Provide a brief history of your company, including your company's core values, business philosophy, and industry longevity related to the requested equipment, products or services. | <p>National Auto Fleet Group started as a new division of 72 Hour LLC, in the summer of 2010 in the heart of Southern California. We began our network with a single automobile dealership and have now grown our network to encompass numerous dealerships located in and outside of California.</p> <p>We stand by providing opportunities for advancement by hiring and promoting from within our organization. Many of the Fleet Managers who started with us in 2010 are still with us today.</p> <p>Through the years, we have evolved and adapted to the new technology driven trends that are revolutionizing the automotive industry today. However, our brand's fundamental core values have remained unchanged – We are committed to do right for the members. If we take care of them, they will in return take care of us.</p> <p>National Auto Fleet Group's operational blueprint and business philosophy has always been the "4 RIGHT's" for every member: We deliver the RIGHT vehicle, at the RIGHT time, to the RIGHT place at the RIGHT price.</p> <p>The integrity of our business stems on our deep family roots in the automotive industry. We are and always will be family owned and operated with our future generations already in their infant stages today. We are committed to pioneering our industry for decades to come.</p> |
| 10 | What are your company's expectations in the event of an award? | <p>If awarded, this would be our 5th Sourcewell Contract and we would execute as such. We will continue to serve your members and provide them with excellent customer service while continuing to advance customer satisfaction. Along with implementing new business growth strategies that will ultimately launch us into new heights once again.</p> <p>Furthermore, we will launch our Partner Program detailed in the attached "marketing Plan Compressed" Zip file. This next generation application will give members the power to select upfitters they would like NAFG to partner with in providing satisfactory quotes and service. We see tremendous value in building out these mutually beneficial partnerships, so we can provide 100% satisfactory turnkey solutions to the members.</p> |
| 11 | Demonstrate your financial strength and stability with meaningful data. This could include such items as financial statements, SEC filings, credit and bond ratings, letters of credit, and detailed reference letters. Upload supporting documents (as applicable) in the document upload section of your response. | <p>To demonstrate NAFG's financial strength and stability, we have uploaded Bank Commitment letters under the Financial Strength Section of the online application. We have a direct line of credit of \$52,000,00.00 that we are currently utilizing with our current and past Sourcewell Contracts. However, this number is not capped as we have the freedom to extend the cap to accommodate the revolving needs of the members.</p> <p>Referenced below is a short register of some of our market success from awarded government contracts that encompass over \$140,000,000.00 worth of products and goods under our current Sourcewell Contract.</p> <p>A. City of San Diego, CA \$ 72,000,000 contract under our Sourcewell Contract 120716-NAF.</p> <p>B. City of San Diego, CA \$ 55,400,000 contract under our Sourcewell Contract 081716-NAF.</p> <p>C. Government Fleet Article Highlighting our transaction with the City of San Diego, CA procuring over 100 Police vehicles through NAFG Sourcewell Contract 120716-NAF.</p> <p>D. City of Los Angeles World Airports, CA Contract for \$ 24,003,500 under Sourcewell Contract 120716-NAF for the procurement of 400 vehicles.</p> <p>E. City of Los Angeles Harbor, CA Contract Extension to \$ 4,500,000 contract under Sourcewell Contract 120716-NAF.</p> <p>F. City of Los Angeles Harbor, CA Contract for \$1,500,000 under our Sourcewell Contract 120716-NAF.</p> <p>G. City of Los Angeles Harbor, CA Renewal for another \$ 1,500,000 under Sourcewell Contract Class 6, 7 and 8 Contract 081716-NAF.</p> <p>H. City of Costa Mesa, CA Contract \$1,023,220 under our Sourcewell Contract 120716-NAF.</p> <p>I. Blanket Contracts with the State of Maryland, MD off our current Class 6, 7 and 8 Chassis Contract 081716-NAF.</p> <p>J. Blanket Contracts with the State of Maryland, MD off our Current Sourcewell Contract 120716-NAF.</p> <p>We have also attached our Commitment Letter's for unparalleled support from leading nationally recognized upfit suppliers such as The Knapheide Manufacturing Company. Along with regional suppliers such as Brand FX and Phenix Truck Body located in Southern California serve as regional support locations, whom we often work alongside to fulfill all member needs with past, present, and future orders with NAFG.</p> <p>Included are also Upfitter Recommendation letters to illustrate how National Auto Fleet Group has taken a proactive interest in building mutually beneficial relationship with our upfitters. Mutuality and reciprocity relationships between body companies and our dealer's are two of the key components that help members receive what they need in a smooth and efficient fashion.</p> <p>In addition, the adoption of our Class 6, 7, and 8 Contract from Anne Arundel County in the state of Maryland is as an example of how National Auto Fleet Group attracts and retains new clients by demonstrating to them there's a better and more efficient way of finding turnkey solutions.</p> <p>Lastly, we have attached supporting documents that help emphasize and exemplify our growth since our first awarded Sourcewell Contract in 2012. We sincerely hope it helps portray our commitment to building lifelong rapport and trust with our partner upfitters and members.</p> |
| 12 | What is your US market share for the solutions that you are proposing? | . Of our respective brands and OEM's we represent, the US market share is estimated to be 60 – 75%. |
| 13 | What is your Canadian market share for the solutions that you are proposing? | It is difficult to estimate the market share for the brands and OEM's we represent, however we estimate that it should be the same 60 -75 % of the US share. |
| 14 | Has your business ever petitioned for bankruptcy protection? If so, explain in detail. | No. |

| | | |
|----|---|--|
| 15 | <p>How is your organization best described: is it a manufacturer, a distributor/dealer/reseller, or a service provider? Answer whichever question (either a) or b) just below) best applies to your organization.</p> <p>a) If your company is best described as a distributor/dealer/reseller (or similar entity), provide your written authorization to act as a distributor/dealer/reseller for the manufacturer of the products proposed in this RFP. If applicable, is your dealer network independent or company owned?</p> <p>b) If your company is best described as a manufacturer or service provider, describe your relationship with your sales and service force and with your dealer network in delivering the products and services proposed in this RFP. Are these individuals your employees, or the employees of a third party?</p> | <p>National Auto Fleet Group is a dealer network best categorized as "A" - Distributer/Dealer/Reseller and Dealer Partner for (15) OEM Manufacturers including Ford Motor Company, Chevrolet, RAM, GMC, Buick, Chrysler, Dodge, Jeep, Toyota, Nissan, KIA, BMW, Honda, Cadillac and Volkswagen, All orders are placed with the franchised dealer and ultimately titled directly to the member. All appropriate certification certificates and authorized DMV/Factory licenses may be found in the "Related Certification" section uploaded to this RFP. It should be noted we do not sell used equipment to members.</p> |
| 16 | <p>If applicable, provide a detailed explanation outlining the licenses and certifications that are both required to be held, and actually held, by your organization (including third parties and subcontractors that you use) in pursuit of the business contemplated by this RFP.</p> | <p>Required licenses include a Dealer's License, a Franchise issued by the Manufacture, a Department of Motor Vehicles License, as well as a Reseller's permit license. All which NAFG and Dealer Partner's hold. Please review our attachment documents in section "Related Certification" for licenses that we either solely own or are jointly owned by our partner dealers that pertain to this RFP. A list of all our licenses are below, some of which may not pertain to class 1-3 but to class 4-8.</p> <p>CA Certificate of Good Standing 200824810190 State of Florida License Certificates: VF/1000974/4 VF/1000950/1 VF/1046516/1 VF/1024619/2 VF/1024619/1 VF/1018615/1 VF/1021891/1 VF/1000974/3 VF/1105916/1 VF/1020705/1 VF/1000969/1 CA State Seller's Permit 101-135239 CA State Seller's Permit 245364864-00001 Department of Motor Vehicle, Vehicle Dealer/ License Number 97772 Department of Motor Vehicle, Vehicle Dealer License Number 97771 Department of Motor Vehicle, Vehicle Dealer License Number 43609 Bureau of Automotive repair Registration # ARD00296319 123120 CA State Seller's Permit 232781952-00001 City of Watsonville Business License Number 1792 City of Watsonville Business License Number 4358 Fictitious Business Names from Santa Cruz County for National Auto Fleet Group FBN: 2017-0000138 California General Resale Certificate Dun & Bradstreet Number: 023680653 Government of The District of Columbia Certificate Government of the District of Columbia Tax Registration # 7815888160711 City of Los Angeles Tax Registration Government of The District of Columbia CLEAN HANDS CERTIFICATION San Diego Freightliner Seller's Permit Commonwealth of Virginia State Corporation Commission Certificate State of Maryland Good Standing Certificate Kansas Department of Revenue for Kansas City Peterbilt New Jersey Department of Treasury Registration Certificate New Jersey Business Registration Notice of Compliance of the Canton City Codified Ordinance Employee Information Report for the State of New Jersey State of Maryland New Sales and Use tax License CA State Seller's Permit 98-037902 00006 South Carolina Department of Motor Vehicles License Number 36133 State of South Carolina Retail License Commonwealth of Kentucky Vehicle Dealer License 1583 20 100 State of West Virginia Dealer License Commonwealth of Kentucky Vehicle Dealer License 1581 20 036 State of Tennessee Vehicle Dealer License</p> |
| 17 | <p>Provide all "Suspension or Debarment" information that has applied to your organization during the past ten years.</p> | <p>Not Applicable, none.</p> |

Table 3: Industry Recognition & Marketplace Success

| Line Item | Question | Response * | |
|-----------|--|--|---|
| 18 | Describe any relevant industry awards or recognition that your company has received in the past five years | National Auto Fleet Group's received its most prestigious award for Top Placement within Ford Motor Company as the leading dealership in Government Sales. In addition, our Chevrolet brand was highly ranked and honored 4/5 consecutive years by General Motors. | * |
| 19 | What percentage of your sales are to the governmental sector in the past three years | Within our fleet division, 90% of our contracts within the past three years have been with government accounts. | * |
| 20 | What percentage of your sales are to the education sector in the past three years | Within the past 3 years 90% of our sales have been to government accounts, 20% of which are within the education sector. | * |
| 21 | List any state, provincial, or cooperative purchasing contracts that you hold. What is the annual sales volume for each of these contracts over the past three years? | We hold the State of California contract with volumes from 200 to 500 units a year over the past three years. In addition, our Sourcewell Contract's 091219, 081716 and 120716 that we have maintained over the past three years has sold combined north of 400 million of Combined Quarterly Sales. | * |
| 22 | List any GSA contracts or Standing Offers and Supply Arrangements (SOSA) that you hold. What is the annual sales volume for each of these contracts over the past three years? | National Auto Fleet Group's focus lies on the Sourcewell Contract. NAFG holds no other GSA contract, Standing Offers, or Supply Arrangements other than the State of California contract. Our annual sales volume is estimated to be north of \$200 million. | * |

Table 4: References/Testimonials

Line Item 23. Supply reference information from three customers who are eligible to be Sourcewell participating entities.

| Entity Name * | Contact Name * | Phone Number * | |
|---------------------------|---------------------|----------------|---|
| Port of Los Angeles, CA | Mr. Dave Comer | 310-72-3794 | * |
| County of Venture, CA | Mr. Jorge Brilla | 805-672-2044 | * |
| City of Austin, TX | Mr. Matt Sager | 512-978-2637 | * |
| County of San Joaquin, CA | Mr. David Myers | 209-468-9745 | |
| City of Palo Alto, CA | Ms. Danitra Bahlman | 650-496-5920 | |

Table 5: Top Five Government or Education Customers

Line Item 24. Provide a list of your top five government, education, or non-profit customers (entity name is optional), including entity type, the state or province the entity is located in, scope of the project(s), size of transaction(s), and dollar volumes from the past three years.

| Entity Name | Entity Type * | State / Province * | Scope of Work * | Size of Transactions * | Dollar Volume Past Three Years * | |
|---|---------------|--------------------|-----------------|---------------------------------------|----------------------------------|---|
| City of Austin | Government | Texas - TX | Purchaser | 10-15 Vehicles at once, Vans and SUVs | Over 1M | * |
| Los Angeles Department of Water and Power | Government | California - CA | Purchaser | Over 120 Vehicles, Vans and SUVs | Over 3M | * |
| Port of Los Angeles | Government | California - CA | Purchaser | Over 80 Trucks, Vans and SUVs | Over 2M | * |
| Anne Arundel County | Government | Maryland - MD | Purchaser | Over 40 Trucks, Vans and SUVs | Over 1M | * |
| City of San Diego | Government | California - CA | Purchaser | Over 500 Trucks, Vans, SUV | Over 15M | * |

Table 6: Ability to Sell and Deliver Service

Describe your company's capability to meet the needs of Sourcewell participating entities across the US and Canada, as applicable. Your response should address in detail at least the following areas: locations of your network of sales and service providers, the number of workers (full-time equivalents) involved in each sector, whether these workers are your direct employees (or employees of a third party), and any overlap between the sales and service functions.

| Line Item | Question | Response * | |
|-----------|--------------|--|---|
| 25 | Sales force. | <p>Our sales force consists of direct and an indirect sales force. Our direct sales force consists of direct employees and partner dealers, which exceeds an employee count of 300 personnel both full time and part time. Many of our sales force are spread across the US and we leverage our relationships with our larger class dealerships to service the members lower class vehicle needs as well. A cross sales force. These individuals help support our dealerships and NAFG Fleet Division directly. On the other hand, our indirect sales force made up of upfitters and partner suppliers consists of over 100 personnel with our partner network and sales force growing annually.</p> <p>With both direct and indirect sales force staff working together, NAFG has been able to successfully grow, maintain and service the demand of the members. As the number of your members grow, we will continuously welcome more staff to not only meet customer demand, but also to exceed customer expectations.</p> | * |

| | | | |
|----|---|--|---|
| 26 | Dealer network or other distribution methods. | <p>Our franchise network in Canada and the U.S. is fortunately second to none. Our 15 proposed OEMS previously mentioned, all of which have established a presence nationwide with factory stores strategically placed where all members can receive service and complete warranty repairs with their respective products.</p> <p>Simple put the North American and Canadian automobile supply chain network is one of the best in the world. Of the 15 brands we represent, the OEMs have put in place a dealer network across all 50 states that will allow us to best serve all members.</p> | * |
| 27 | Service force. | The 15 manufactures we represent have thousands of service locations that would be easily accessible to all your members. Service centers and warranty repair facilities for all 15 OEMs are ample and ready to help service our members and their needs. However, Alaska and Hawaii may be exceptions as they may have farther distances between franchises where members can utilize the repair services. | * |
| 28 | Describe the ordering process. If orders will be handled by distributors, dealers or others, explain the respective roles of the Proposer and others. | The member may order their vehicles by navigating to our website, www.NationalAutoFleetGroup.com and going through the step-by-step process to generate an online quote or by calling one of our representatives at 855-289-6572 or by sending NAFG an email at Fleet@NationalAutoFleetGroup.com . Orders are then processed directly to the manufacturer who will work to supply the vehicle to the ship-to location for upfitting or end user desired delivery location. | * |
| 29 | Describe in detail the process and procedure of your customer service program, if applicable. Include your response-time capabilities and commitments, as well as any incentives that help your providers meet your stated service goals or promises. | <p>To best demonstrate our Customer Service program, kindly reference the ZIP file "Member Walk Through" that is attached in the Additional Documents folder. Please begin with and review in order that is explained below:</p> <p>How Members Can Get Quotes Online: A member can obtain most quotes by visiting our website www.NationalAutoFleetGroup.com where a simple one step form is needed for registration. This is to protect the price information from nonmembers. Once a member registers they will receive an automated welcome email with a demo video on how to use our site. Members will gain access to there very own dashboard which will house all there quotes in one safe secure login. Member's can select which brand they are looking for and model year. Our site shows all the categories the brand offers such as: Cars, Vans, SUV's Trucks and Chassis Cabs. Members will then be able to drill down for the right selection by picking from the filter menu of what cab there looking for (Regular, Extended or Crew) to 2 wheel or 4 wheel drive down to the bed length there looking for. All factory options are then presented for the member to select from, this will show all current factory orderable options, taking the guess work out for the member. Once a member selects a desire build, they will see there Sourcewell Price report showing the MSRP, there contract price, the saving in real dollars and as a percentage. In the PDF example you can see a saving of \$ 9,175.96 of 22.345% to the member showing a significant savings. Members then can chose to add extra's to there order like extra keys' service manuals, sales tax and even request an upfit to be added to there quote. Lastly they will be given a complete turn key quote package to print which will include there customized Quote ID, Description and Specifications of what they built.</p> <p>How Members and Upfitters can Partner with NAFG: Our dedicated website www.NAFGPartner.com was built to accommodate the member who would like a certain upfitter to upfit there vehicles. It was also built for upfitters to have a place to go where they can find information on how to partner with NAFG to better serve there local members.</p> <p>Example of A Member with Upfit Quote: This is an example of how we use our Cab Chassis and combine them with an upfit to provide a turnkey solution for the member in a simple to follow format.</p> <p>ETA System for Members Walk Through: This is where members can easily come to our website, the same website they built there chassis on and track there order like they would a UPS package. We have a very simple display on our homepage "Track your order" where members can enter one of the following: Purchase Order Number, Quote ID, Upfit Quote ID or vin to easily see there in the process there particular order is in.</p> <p>Courtesy Confirmation Explained: After NAFG receives an order from a Member, we always like to send them a Courtesy Confirmation. This is were the member will double check some particulars on there order like, Color, Quantity, Upfit and Specification's are all correct before order placement. We also like to ask for title information at this point so we can help process the paperwork at delivery promptly.</p> <p>Factory Order Cut Off Notices: Here is were we like to highlight were members can access any upcoming factory order cut off dates. We walk them through the process step by step to ensure everyone knows the upcoming order cut off date, we even print this information (if known at the time) right on the cover page of there quotes.</p> <p>Validation Walk Through Example: To demonstrate a price validation, we show what a member would see when they build a truck on our site. At check out the member would see the Total Configured MSRP of \$ 35,730.00, A Sourcewell Price of \$ 27,331.68, Total Saving of \$ 8,398.32 or 23.505% for a 2020 F-250 followed by the pricing page which shows the Minimum Discount of at least 18.50%. As you see we provided an additional 5% discount on top of the 18.50% contract discount. This would be the case in most instances.</p> | * |
| 30 | Describe your ability and willingness to provide your products and services to Sourcewell participating entities in the United States. | Our willingness and ability to service members nationwide is unparalleled. We have dedicated staff 5 days a week, from 7am to 7pm standing by ready to assist any member help find the best solution for there needs even if helping assist them to the best Sourcewell Contract that could be a solution. We have a dedicated live chat feature on our online quote generating website in case any member has any trouble at all in building there quotes. NAFG has established a chain of suppliers who are at the ready to serve if called upon by any member. We are here to help. | * |
| 31 | Describe your ability and willingness to provide your products and services to Sourcewell participating entities in Canada. | We are willing and eager to soon extend our business model and network into Canada. We believe partnering with local Canadian based dealer groups is key to success in the Canadian market. NAFG's competitive pricing as well as a simple US Dollar to Canadian conversation will help NAFG expand into the Canadian market for participating Sourcewell members. | * |
| 32 | Identify any geographic areas of the United States or Canada that you will NOT be fully serving through the proposed contract. | National Auto Fleet Group will handle servicing 100% of all geographic areas located in the United States. Although it is unclear what unseen obstacles we may face in Canada, NAFG is committed to building the same model to service Canada and providing the same level of customer satisfaction, service, and care as in the United States. | * |

| | | | |
|----|--|--|---|
| 33 | Identify any Sourcewell participating entity sectors (i.e., government, education, not-for-profit) that you will NOT be fully serving through the proposed contract. Explain in detail. For example, does your company have only a regional presence, or do other cooperative purchasing contracts limit your ability to promote another contract? | NAFG will continue to service all Sourcewell Members through our 24 hour a day, 7 days a week online portal with the exclusion of Non-Profits. Unfortunately, Non-Profits are often not eligible for the same discount's government entities are qualified for. However, Non-Profits are subject to a different pricing program and will be evaluated on a case to case basis. | * |
| 34 | Define any specific contract requirements or restrictions that would apply to our participating entities in Hawaii and Alaska and in US Territories. | The only possible logistical constraints we may face is the shipping constraints for shipments arriving in Alaska, Hawaii and US Territories. For example, we often provide members in Alaska or Hawaii with vehicles that often have upfits. To circumvent this potential issue, members allow us to add these extra shipping and port costs to their quotes. | * |

Table 7: Marketing Plan

| Line Item | Question | Response * |
|-----------|--|---|
| 35 | Describe your marketing strategy for promoting this contract opportunity. Upload representative samples of your marketing materials (if applicable) in the document upload section of your response. | <p>National Auto Fleet Group encompasses a variety of marketing strategies to promote our products and services to streamline the vehicle purchasing process for government entities. Below are a few strategies used to serve as the gateway between our business and public agencies.</p> <p>Website and Inbound Marketing: The creation of a professional customer-focused website is one of our main features to market our products and services. The NAFG website encourages our members to interact and browse through products offered along with pricing and information about National Auto Fleet Group. Inbound marketing is created when potential members are directed to the company website. With this method, we are able to not only connect with members but to put the purchasing ability into the hands of each member. Our inbound marketing strategy attracts members by creating valuable content and experiences tailored to the needs of each individual. Examples include email campaign flyers on our products, informative and how-to videos, social media and engaging members with top-notch customer service to build brand awareness.</p> <p>Email Marketing: One of the main strategies used to engage current and potential members is Email Marketing. Our emails include different types of flyers that consist of information of the Sourcewell contract, promoting manufacturer brands, holiday themed flyers, discounts offered to first time buyers, important cutoff date reminders and upcoming products and events.</p> <p>The use of marketing campaigns plays a major role in enhancing the growth of our client database. Emails are a big part of our daily lives due to government agency employees utilizing emails as their main source of communication. We use campaigner.com as the emailing platform to reach our target members. Videos and descriptive images are used on all flyers and are compatible with a desktop or mobile device. Messages are short and to the point with links leading to the Sourcewell and NAFG homepage. The Campaigner email system allows the ability to track email activity based on open rate, unsubscribes and link clicks which is beneficial to understanding email effectiveness.</p> <p>Once potential members are directed to our website, they are welcomed with a wide range of options to explore an array of our products and services. They are able to register to become a member, view pricing, explore available in-stock vehicles, view how-to-videos, build a vehicle online to request an immediate quote or use our live chat assistant or call/email for live support.</p> <p>Face to Face Marketing Strategies: This strategy has proven to be successful in generating leads and creating lasting relationships by developing genuine connections with prospective members. National Auto Fleet Group attends several trades shows per year to engage members and put a face to the company. This in person meeting aids to build the brand by nurturing relationships between members and other vendors associated through the process. Trade shows attended include GFX, IAPPO, NIGP, ACT, CAPPO, and CASBO throughout the United States.</p> <p>NAFG has many opportunities to make in person presentations to propose products, services offered and to answer any questions potential members may have. These PowerPoint Presentations include topics on NAFG/Sourcewell process, how to facilitate the vehicle purchasing without bidding, informational videos, and the brands and services we provide. These meetings have been held at local cities, counties, school districts, water districts and ports.</p> <p>Relationship Marketing is a vital strategy used in building and maintaining long-term relationships practiced by National Auto Fleet Group on a daily basis.</p> <p>NAFG strives to create a positive and supportive connection with members by providing personalized and responsive customer service practices. The sales team has worked tirelessly to focus on providing outstanding customer support to create a powerful rapport with existing and new members. By going above and beyond, they have enhanced existing relationships and executed customer loyalty with repeat businesses. They strive to deviate from the "Car Salesperson" mentality which is 100% sales driven to a more product and customer service approach by instilling a sense of confidence in our clients. The goal is to regularly assist clients and address any needs and concerns even after the purchase has occurred. The strive to focus on solution selling vs. product selling develops into a mutually beneficial agreement for members and the business.</p> <p>Below are a few examples on successful relationship marketing from our Fleet Department:</p> <p>We had a member call in to request financing/lease options for a truck needed through our National Auto Fleet Group/Sourcewell vehicle contract. I contacted another Sourcewell vendor, Matt Geiselhart from NCL Gov Capital and he was happy to assist with a financing quote. The member also requested to trade in a current vehicle in their fleet and was directed to Govdeals for assistance in removing the outdated unit through an auction. The member was able to utilize three Sourcewell contracts to complete his transaction which simplified the entire process. The member was very satisfied with the amount of care and ease through his experience and became a repeat customer. By utilizing a cross-selling strategy, National Auto Fleet Group became his one stop shop to fulfill all fleet vehicle purchasing needs.</p> <p>"I had a member call in desperate to obtain a new truck because an employee had gotten into a serious accident and had the truck totaled. Due to covid restrictions, most manufacturers are currently experiencing microchip shortages which relays to production delays at the factory. We were able to direct buyer to our in-stock inventory on the NAFG website and member was ecstatic to locate truck to meet their needs. Instead of having to wait 30 weeks to receive the new vehicle, member was able to obtain the new truck within 3 weeks."</p> |

"I once had a member contact us two years after purchasing a vehicle from us. They had a malfunction with the liftgate on the box truck which caused a logistical nightmare. I was able to contact one of our body vendors that upfitted the lift gate installation and a service technician was able to go onsite to resolve the liftgate issue at no additional cost. The member was very impressed with the quality of our customer service even after purchase. "

"I had a member request a ¾ ton truck pricing but was unsure about their budget at the time. I took the time to go through each option with the client to provide a Sourcewell pricing quote through multiple manufacturers from Ram, Chevrolet and Ford. This empowered the member to have multiple pricing options for review to align with their budget as well as eliminating the need to shop anywhere else. "

"We work with many body companies to assist customers with the body upfitting process. One of our members called in a request to expedite a particular vehicle that was held up at one of their local body upfitters. I contacted the body company representative and put in a request to expedite the upfitting per request of the member. The body company was able to comply with the request and delivery was made sooner than expected."

Word-of-Mouth Marketing: The positive quality of service has led to more sales based on previous customers' impressions on their experience. NAFG's goal is to provide exemplary customer service throughout the entire purchasing process to encourage repeat business and advocate services to other members. NAFG has been fortunate to experience multiple instances of leads generated based solely on word-of-mouth marketing through our existing customers.

Cross-promotion: National Auto Fleet Group is currently collaborating with another Sourcewell Vendor, NCL Government Capital to promote each other's products and services. NCL Government Capital specializes in providing competitive equipment financing programs for municipalities and public education entities across the United States. As a team, NCL and NAFG produced a variety of marketing materials such as videos, flyers and info graphs to promote purchasing and leasing opportunities.

Hoglund Bus Company is another cross-promotion vendor NAFG had the opportunity to create a partnership with. Flyers were created to advertise Chassis from NAFG along with a variety of bus bodies from Hoglund Bus Company.

With cross-promotion, companies exchange knowledge and provide endorsements on websites, social media, and email campaigns. This strategy creates an influx of new leads, brand awareness, increased sales and recurrence of customers. National Auto Fleet Group will continue to create new partnerships and facilitate more cross-promotion opportunities in the near future to provide turnkey solutions for a variety of vehicle purchasing needs.

Coming in 2022, National Auto Fleet Group will be launching a NAFG Partner Website to further increase business growth. The website www.nafgpartner.com is expected to launch next year in 2022. The site encourages body upfitting companies throughout the United States to partner up with NAFG to become a preferred member. The benefits of becoming a preferred member include endorsements on website and social media avenues along with word-of-mouth referral for clients with upfitting needs. Our dedicated public relations representative will conduct phone and in person meetings to discuss the advantages of partnering up with NAFG, therefore generating more cross-promotion opportunities.

Members from government agencies are encouraged to go on the site to search for local body upfitting companies they are interested in working with. As a prerequisite in becoming a preferred vendor, they are required to advertise NAFG and the Sourcewell contract on their business website and refer their clients to purchase their cab/chassis needs through NAFG. This establishes a partnership that will generate increased sales all around. We are still currently building the website and interacting with body companies across the United States that would be interested in partnering up with NAFG.

| | | |
|----|---|---|
| 36 | Describe your use of technology and digital data (e.g., social media, metadata usage) to enhance marketing effectiveness. | <p>Social media plays a crucial element in the way people communicate and connect with each other. LinkedIn is the go-to platform used by NAFG as it offers a variety of ways to expand our network by locating and connecting with relevant professionals in the industry. National Auto Fleet Group has utilized LinkedIn to engage current and potential members through personalized messages and posts. Personalized messages include thanking them for registering on site as well as directing them to our link to the website, LinkedIn, YouTube, Facebook and Instagram company pages. The goal is to unite with people already on our database as well as people that would benefit from our products and services. Current flyers or messages about our company are also posted on the LinkedIn site to generate and attract more business. Time is also spent on reading posts from connections and observe any needs that National Auto Fleet Group may assist with.</p> <p>National Auto Fleet Group has begun utilizing video marketing strategies to further promote and market products by engaging on social media channels and email flyers. Programs such as Vimeo, Video Scribe, Cartoon Animator, Adobe Animate, Illustrate, Captive, Photoshop and Movavi Video Editor Plus are employed to edit and create videos to assist in endorsing our company. The following videos were recently created by our marketing department along with outside video production companies:</p> <p>Explainer Video: The first video created was a 90 second explainer video about National Auto Fleet Group that used animated characters to visualize our products and services along with information on the Sourcewell awarded contract. The video has been incorporated into all our weekly email flyers and social media platforms as an informative video on our products and how to purchase vehicles off Sourcewell Government Contract.</p> <p>How To Videos: National Auto Fleet Group has also created step-by-step How-To videos on the process to purchase both Light Duty and Heavy-Duty vehicles off the contract.</p> <p>In Stock Vehicles: This video showcases our in-stock vehicles available and the process of requesting a quote.</p> <p>ETA Tracking System: This video was created to not only introduce but to encourage clients to self-track their vehicle status.</p> <p>Holiday Themed Videos: These amusing videos were created to celebrate the holidays and add humor and lightness to our company and products sold.</p> <p>Cross Promotion Video: This video markets our relationship with NCL Government Capital and Sourcewell to endorse EV vehicles.</p> <p>Videos for social media: Mini videos were created to advertise new vehicles available, pricing and cutoff date reminders.</p> <p>NAFG has recently introduced a newly built live chat feature on our website for customer convenience as well as improving customer service. Visitors have access to chat with a live sales representative 24 hours a day, 7 days a week. With this feature potential customers are provided with another avenue for assistance in addition to emailing and phone calls. The benefits of a live chat option include quicker response time to assist buyers in reaching a purchasing decision and answer their questions.</p> <p>Improving customer service will also lead to increased sales, customer loyalty and engagement. Many studies have shown a strong correlation between live chat and increase in conversion rates. Potential clients appreciate having their questions answered in real-time when trying to build a vehicle quote online and allowing the user to multi-task different projects.</p> |
| 37 | In your view, what is Sourcewell's role in promoting contracts arising out of this RFP? How will you integrate a Sourcewell-awarded contract into your sales process? | <p>Sourcewell's mission states: "Our commitment to service and exceeding client expectations." This statement integrates with our relationship marketing strategy with our commitment to go above and beyond for all our members. Sourcewell is a trusted brand that government entities can rely on to access a wide variety of products and services for their everyday needs. With over 40 years of partnerships and relationship building, they are the glue that connects government, education, and nonprofit agencies to companies of all sizes to offer turnkey solutions to their needs.</p> <p>Sourcewell is also a reliable resource for vendors by not only connecting with potential prospects but by providing valuable marketing materials readily available for download on their website. Resources and tools provided include flyers, vendor training videos along with compliance information.</p> <p>The Sourcewell brand integrates a thorough documentation review of all vendors prior to awarding their cooperative contracts to ensure products and services are from reputable vendors. The brand provides a sense of legitimacy of our company name and members recognize that products and services are from reliable sources that will meet their needs.</p> <p>Sourcewell's aim is to simplify the purchasing and procurement process of government entities by eliminating the costly bidding procedure. The process of researching the right vendor is not only stressful and time-consuming but can be expensive as well. Sourcewell has completed the bidding for government entities which simplifies the overall purchasing process by providing access to competitively bid contracts procured by a government agency.</p> <p>Sourcewell has provided NAFG with overwhelming opportunities to work with government agencies across the United States. The Sourcewell name represents a high standard of integrity and ethics which is a dynamic National Auto Fleet Group is proud to be part of. Sourcewell members have access to a contract that is more flexible than the standard bidding process. Sourcewell is an organization that aids government entities to stay competitive without the frustrations and issues involved with the traditional bidding process. This contract can be customized to meet the unique needs of each client. The sales team has incorporated not only this standard of integrity in their sales practice ensuring clients' purchasing needs will always be met. The cost savings and stress-free nature of the cooperative contracts favors that of the traditional bidding process. It enables vendors to work with qualifying government entities in a more efficient manner. We vow to maintain these levels of standards across the board throughout all departments within the company.</p> |

| | | | |
|----|---|--|---|
| 38 | Are your products or services available through an e-procurement ordering process? If so, describe your e-procurement system and how governmental and educational customers have used it. | <p>Our website provides a hands-on empowering approach to ordering vehicles online. Clients can search through many vehicles makes and models with the ability to customize a vehicle tailored to their specific needs of their agency. A personalized quote with pricing can be available in as little as 5 minutes depending on the complexity of the vehicle. If upfitting is needed, the buyer can list the details of the up-fit while building their vehicle on our website to receive a complete quote or a sales representative can be reached through phone, email or our new live chat feature built on our website.</p> <p>We have recently created and uploaded a "How-To Videos" section on the homepage of our website which highlights a step-by-step process on how to build an online quote. This informative video demonstrates how to navigate the website in how to generate a vehicle quote with or without upfitting options. It begins by explaining how to register on our website as a member and then details on how to select vehicle model and type and the factory options needed.</p> <p>Once a customized quote is built, clients have the option to finalize the sales transaction by submitting a purchase order to our sales team via email. This gives complete autonomy to the client to purchase vehicles without the need to speak to a sales rep. If assistance is needed, they can contact sales through email, live chat or phone.</p> <p>If assistance is required to build a quote, our sales rep is also available to walk a client through the e-procurement process step by step. This ensures someone is available to answer any questions if needed and empowering the client to make any future purchases on their own. Clients may also call or email the needs of the company and receive a customized vehicle quote.</p> | * |
|----|---|--|---|

Table 8: Value-Added Attributes

| Line Item | Question | Response * | |
|-----------|---|--|---|
| 39 | Describe any product, equipment, maintenance, or operator training programs that you offer to Sourcewell participating entities. Include details, such as whether training is standard or optional, who provides training, and any costs that apply. | National Auto Fleet Group extends any and all product, equipment, maintenance and operating programs provided by the Manufacturer directly to Sourcewell participating entities during the quoting process. The manufacturer will provide quotes to the member based on the vehicles class and size, and geographic location. NAFG will always pass these quotes onto members and treat them like an upfit to the vehicle. | * |
| 40 | Describe any technological advances that your proposed products or services offer. | Technological accomplishments by Manufactures like Ford Motor Company and General Motors serve members by keeping many models available for members to choose from. Additionally, NAFG allows members the ability to choose to electrify their vehicle by opting into the Motive Power Systems we can still help supply this kind of an upfit. For more information, we have attached the product and pricing information within the "Upfits Available" and "All 15 Manufactures" ZIP files under the supporting documents portion of the application. | * |
| 41 | Describe any "green" initiatives that relate to your company or to your products or services, and include a list of the certifying agency for each. | . National Auto Fleet Group helped create the Climate Mayor Purchasing Collaborative by partnering with over 400 Mayors nationwide. This initiative was created for the benefit of members who wanted to create and sustain an all-electric fleet. We offer 100% purely electric vehicles your members to choose from. Some popular models include the Chevrolet Bolt, Ford Fusion, Ford Mustang Mach-E, as well as Ford's all electric F-150. We are confident that as more OEM's continue to manufacture new electric vehicles, we will provide them for members to select from. More information about this initiative can be found at www.Driveevfleet.org | * |
| 42 | Identify any third-party issued eco-labels, ratings or certifications that your company has received for the equipment or products included in your Proposal related to energy efficiency or conservation, life-cycle design (cradle-to-cradle), or other green/sustainability factors. | NAFG has the California Air Resource Board (CARB) Certificate as well as the Ford Qualified Vehicle Modifier Certificate on file with some of our partner suppliers and upfitters hold these certifications and these certifications help illustrate how each vehicle conserves energy and remains energy efficient. | * |
| 43 | Describe any Women or Minority Business Entity (WMBE), Small Business Entity (SBE), or veteran owned business certifications that your company or hub partners have obtained. Upload documentation of certification (as applicable) in the document upload section of your response. | NAFG holds a current partnership with many suppliers some of which are veteran owned such as Pacific Truck Body located in CA. Our Ford, Chevrolet and Ram, Jeep, Dodge, Chrysler stores are jointly owned and operated by Minorities. | * |
| 44 | What unique attributes does your company, your products, or your services offer to Sourcewell participating entities? What makes your proposed solutions unique in your industry as it applies to Sourcewell participating entities? | . National Auto Fleet Group was not only built on dedication and hard work, but also through quantifiable metrics that directly measure the results of our efforts to ensure real goals are being measured and met. Through measuring results, NAFG takes responsibility in ensuring we deliver only the best customer care to your members. NAFG offers members 24 hour website access to customer support to personally walk members through any questions they may have. No matter what the issue may be, we always think outside the box to help members find a solution. | * |

Table 9A: Warranty

Describe in detail your manufacturer warranty program, including conditions and requirements to qualify, claims procedure, and overall structure. You may upload representative samples of your warranty materials (if applicable) in the document upload section of your response in addition to responding to the questions below.

| Line Item | Question | Response * | |
|-----------|---|---|---|
| 45 | Do your warranties cover all products, parts, and labor? | Each of the 15 manufactures we represent cover their own products, parts, and labor. All warranty information may be found in our attachments under the ZIP File "All 15 Manufactures". | * |
| 46 | Do your warranties impose usage restrictions or other limitations that adversely affect coverage? | Prior to purchase, members should be aware of each manufacturer's restrictions. Such as improper use of the vehicle may result in disqualification of coverage under the OEM's warranty. An example of this may be an F-350 being used for a police related pursuit, which may void certain warranties. Although, we always welcome and encourage members to contact us for their particular warranty coverage. | * |
| 47 | Do your warranties cover the expense of technicians' travel time and mileage to perform warranty repairs? | In some cases, manufacturers will tow a member's vehicle to the nearest warranty repair facility in case of a breakdown and cover expenses, but prior approval is required. | * |
| 48 | Are there any geographic regions of the United States or Canada (as applicable) for which you cannot provide a certified technician to perform warranty repairs? How will Sourcewell participating entities in these regions be provided service for warranty repair? | This may vary from manufacturer to manufacturer. Thus, we encourage members to call in prior to purchase and inquire about their specific region and how their warranty repairs will be covered with their manufacturer. | * |
| 49 | Will you cover warranty service for items made by other manufacturers that are part of your proposal, or are these warranties issues typically passed on to the original equipment manufacturer? | All warranties are typically passed on to the original equipment manufacturer and any upfit warranty will be passed on to the upfitter to perform. | * |
| 50 | What are your proposed exchange and return programs and policies? | If a member changes their mind, NAFG will quickly make every effort to change or cancel the order with the factory. However, once the manufacturer begins producing the vehicle, there are no changes, exchanges, or refunds available. The order is then deemed non-cancellable. This includes any upfit equipment an upfitter has ordered for the unit. | * |
| 51 | Describe any service contract options for the items included in your proposal. | NAFG offers any and all manufacturer service contracts for all members. There are several parameters in which a service contract may be customizable. These customized service contracts will be treated as add factory options and following the same discount schedule provided in the pricing file. | * |

Table 9B: Performance Standards or Guarantees

Describe in detail your performance standards or guarantees, including conditions and requirements to qualify, claims procedure, and overall structure. You may upload representative samples of your performance materials (if applicable) in the document upload section of your response in addition to responding to the questions below.

| Line Item | Question | Response * | |
|-----------|--|--|---|
| 52 | Describe any performance standards or guarantees that apply to your services | The only guarantee we can ever provide is the guarantee that we will treat and help every member that contacts with respect, integrity and professionalism. | * |
| 53 | Describe any service standards or guarantees that apply to your services (policies, metrics, KPIs, etc.) | NAFG and staff uphold high standards with how we provide service to the members, not only holding each other accountable but by embracing member feedback of how we can improve. Then we act upon it and implement improvements. | * |

Table 10: Payment Terms and Financing Options

| Line Item | Question | Response * | |
|-----------|--|---|---|
| 54 | Describe your payment terms and accepted payment methods? | Standard payment terms are Net 20, with a 10 – day grace period. | * |
| 55 | Describe any leasing or financing options available for use by educational or governmental entities. | . In order to provide leasing or financing options, NAFG has partnered with National Cooperative Leasing to offer leasing terms for Sourcewell members for all NAFG quotes under the Sourcewell contract. For further review, we have attached a PDF called "NCL Sample Lease" in the "Member Walk Through" Zip file. | * |
| 56 | Describe any standard transaction documents that you propose to use in connection with an awarded contract (order forms, terms and conditions, service level agreements, etc.). Upload a sample of each (as applicable) in the document upload section of your response. | National Auto Fleet Group's transaction process (Purchase Order) is closely tracked, well documented, and neatly organized to monitor each transaction performed through our Sourcewell Contract. This way, NAFG may produce swift and accurate quarterly reporting. | * |
| 57 | Do you accept the P-card procurement and payment process? If so, is there any additional cost to Sourcewell participating entities for using this process? | Yes, NAFG accepts up to \$2,500 per vehicle. However, any dollar amount higher than \$2,500 will require a P-card/ Credit Card transactional fee that would be passed onto the member | * |

Table 11: Pricing and Delivery

Provide detailed pricing information in the questions that follow below. Keep in mind that reasonable price and product adjustments can be made during the term of an awarded Contract as described in the RFP, the template Contract, and the Sourcwell Price and Product Change Request Form.

| Line Item | Question | Response * | |
|-----------|---|---|---|
| 58 | Describe your pricing model (e.g., line-item discounts or product-category discounts). Provide detailed pricing data (including standard or list pricing and the Sourcwell discounted price) on all of the items that you want Sourcwell to consider as part of your RFP response. If applicable, provide a SKU for each item in your proposal. Upload your pricing materials (if applicable) in the document upload section of your response. | National Auto Fleet Group is offering Line-Item Discounts Off Manufacture Suggested Retail Price for 15 manufacturers that is detailed in the Price File. NAFG will also offer any Upfits to be added to any and all vehicles' that members wish to add. Details are located on the Price Summary Page in the Price File. | * |
| 59 | Quantify the pricing discount represented by the pricing proposal in this response. For example, if the pricing in your response represents a percentage discount from MSRP or list, state the percentage or percentage range. | NAFG has an provided offerings from 15 Brands/OEMS and there respective percentage off vary and are detailed in the "Price File" zip Each Manufacture Range is detailed in the tabs below, here is an overview Chevrolet from -.077 to 24.45 % Ford Motor Company from -5.19 to 23.31 % GMC from 6.14 to 22.45 % Ram from 4.99 to 14.23 % Dodge from 3.09 to 9.96 % Jeep from 1.38 to 4.17 % Chrysler from 1.65 to 4.55 % Toyota from .03 to 8.98 % Honda from 1.34 to 4.9 % Nissan from -.085 to 14.61 % Buick from 2.36 to 6.08 Kia from .69 to 8.39 % BMW from 3.8 to 4.77 % Cadillac from 4.22 to 6.77 % Volkswagen from 2.17 to 2.46 % | * |
| 60 | Describe any quantity or volume discounts or rebate programs that you offer. | If clients are considering an order of 150 or more units, we encourage members to contact us for any additional discounted quotes. | * |
| 61 | Propose a method of facilitating "sourced" products or related services, which may be referred to as "open market" items or "nonstandard options". For example, you may supply such items "at cost" or "at cost plus a percentage," or you may supply a quote for each such request. | "Open Market" products or "Sourced Goods" will be considered and treated as regular upfits. However, they may be quoted up to a 10% mark up, if applicable. | * |
| 62 | Identify any element of the total cost of acquisition that is NOT included in the pricing submitted with your response. This includes all additional charges associated with a purchase that are not directly identified as freight or shipping charges. For example, list costs for items like pre-delivery inspection, installation, set up, mandatory training, or initial inspection. Identify any parties that impose such costs and their relationship to the Proposer. | All considerations have already been taken into account in its entirety. The Price Summary Page and Price Table contained in the price file includes all considered costs. Although if a member requested a specialized quote for a unique situation that requires special training, direction, or installation, the additional costs would be added as a part of the upfit and then included inside the member's quote. | * |
| 63 | If freight, delivery, or shipping is an additional cost to the Sourcwell participating entity, describe in detail the complete freight, shipping, and delivery program. | All manufactures charge a standard "Factory Destination Charge". However, that is separate from the freight/destination cost that members may incur to ship a vehicle to and from an installer, if applicable. These subsequent locational movements may bare additional freight costs that will be outlined within the members quote for their review prior to purchase. | * |
| 64 | Specifically describe freight, shipping, and delivery terms or programs available for Alaska, Hawaii, Canada, or any offshore delivery. | Freight, shipping, and delivery terms among these regions sometimes carry additional logistical charges for added ferry, port and driver costs from both to and from the mainland. These added costs will be disclosed on the quote for members to review and approve prior to purchase. | * |
| 65 | Describe any unique distribution and/or delivery methods or options offered in your proposal. | National Auto Fleet Group already has a well-established Automobile Franchise Distribution Network that allows for swift and relatively seamless delivery to members and their end users. | * |

Table 12: Pricing Offered

| Line Item | The Pricing Offered in this Proposal is: * | Comments |
|-----------|---|---|
| 66 | c. better than the Proposer typically offers to GPOs, cooperative procurement organizations, or state purchasing departments. | NAFG Strives to offer the best overall value to the member with each and every quote. |

Table 13: Audit and Administrative Fee

| Line Item | Question | Response * |
|-----------|--|--|
| 67 | Specifically describe any self-audit process or program that you plan to employ to verify compliance with your proposed Contract with Sourcewell. This process includes ensuring that Sourcewell participating entities obtain the proper pricing, that the Vendor reports all sales under the Contract each quarter, and that the Vendor remits the proper administrative fee to Sourcewell. Provide sufficient detail to support your ability to report quarterly sales to Sourcewell as described in the Contract template. | Sourcewell participating members are able to obtain proper pricing directly from our website, where they are able to use our user-friendly design to build and price their vehicles. The NAFG is updated daily to reflect updated manufacturer MSRP information. Our system will provide members with an accurate quote 99.99% of the time. In addition, NAFG has a stream line and organized process that calculates administrative fees and allows NAFG to give a turnaround time of 15 – 30 days for quarterly reports. |
| 68 | If you are awarded a contract, provide a few examples of internal metrics that will be tracked to measure whether you are having success with the contract. | One of the internal metrics NAFG uses to track and measure success with the Sourcewell Contract is maintained through our website. Our website keeps a detailed log of quotes that members are generating. We oversee and keep track of how many quotes are being generated and which quotes are met with a purchase order. Every month we evaluate our sales indicators and closely monitor the volume and frequency of sales. One example is by evaluating which members are purchasing from our platform – new members or frequent members to ensure we are growing our member base. We use these metrics to measure our projected growth rate and work to exceed our expectations. |
| 69 | Identify a proposed administrative fee that you will pay to Sourcewell for facilitating, managing, and promoting the Sourcewell Contract in the event that you are awarded a Contract. This fee is typically calculated as a percentage of Vendor's sales under the Contract or as a per-unit fee; it is not a line-item addition to the Member's cost of goods. (See the RFP and template Contract for additional details.) | NAFG will submit \$ 300 per vehicle purchased through NAFG and \$ 200 per vehicle purchased through our partner dealer Alan Jay Automotive. For the purpose of an admin fee there are no other partner dealer groups considered. |

Table 14A: Depth and Breadth of Offered Equipment Products and Services

| Line Item | Question | Response * |
|-----------|--|---|
| 70 | Provide a detailed description of the equipment, products, and services that you are offering in your proposal. | NAFG has provided a "Model Roll Out" Charts in the "Price File" zip, but of the 15 manufacturers we represent, they have over 100 makes and models for members to choose from that range from Class 1-3 and supporting Class 4 Cab and Chassis trucks. NAFG's platforms can add any upfit of their choosing, ranging from toolboxes to Line Mechanic Bodies. Any and all upfits can be added to any one of our vehicles through one of our upfit partner suppliers or by an upfit supplier of the members choosing. NAFG and the supplier will work together to supply members with turnkey quotes. |
| 71 | Within this RFP category there may be subcategories of solutions. List subcategory titles that best describe your products and services. | National Auto Fleet Group lists the makes and models of all 15 manufacturers we represent under the ZIP File "All 15 Manufacturers". These 15 OEMs make up over 100 combined makes, models, and engine combinations for members to select from along with several subtitle "Upfits" detailed for members in the price file. |

Table 14B: Depth and Breadth of Offered Equipment Products and Services

Indicate below if the listed types or classes of equipment, products, and services are offered within your proposal. Provide additional comments in the text box provided, as necessary.

| Line Item | Category or Type | Offered * | Comments |
|-----------|--|--|---|
| 72 | Automobiles | <input checked="" type="radio"/> Yes <input type="radio"/> No | 15 Manufacturers totaling well above 700 makes and models |
| 73 | Sport Utility Vehicles | <input checked="" type="radio"/> Yes <input type="radio"/> No | 15 Manufacturers totaling well above 700 makes and models |
| 74 | Vans | <input checked="" type="radio"/> Yes <input type="radio"/> No | 15 Manufacturers totaling well above 700 makes and models |
| 75 | Trucks | <input checked="" type="radio"/> Yes <input type="radio"/> No | 15 Manufacturers totaling well above 700 makes and models |
| 76 | Vehicles described in Lines 72-75 above for Public Safety applications | <input checked="" type="radio"/> Yes <input type="radio"/> No | 15 Manufacturers totaling well above 700 makes and models |
| 77 | Conventional internal combustion models | <input checked="" type="radio"/> Yes <input type="radio"/> No | 15 Manufacturers totaling well above 700 makes and models |
| 78 | Natural gas or propane autogas, hybrid, or alternative fuel models | <input checked="" type="radio"/> Yes <input type="radio"/> No | 15 Manufacturers totaling well above 700 makes and models |
| 79 | Electric powered models | <input checked="" type="radio"/> Yes <input type="radio"/> No | 15 Manufacturers totaling well above 700 makes and models |

Table 15: Exceptions to Terms, Conditions, or Specifications Form

Line Item 80. NOTICE: To identify any exception, or to request any modification, to the Sourcewell template Contract terms, conditions, or specifications, a Proposer must submit the exception or requested modification on the **Exceptions to Terms, Conditions, or Specifications Form** immediately below. The contract section, the specific text addressed by the exception or requested modification, and the proposed modification must be identified in detail. Proposer's exceptions and proposed modifications are subject to review and approval of Sourcewell and will not automatically be included in the contract.

| Contract Section | Term, Condition, or Specification | Exception or Proposed Modification |
|------------------|-----------------------------------|------------------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Documents

Ensure your submission document(s) conforms to the following:

1. Documents in PDF format are preferred. Documents in Word, Excel, or compatible formats may also be provided.
 2. Documents should NOT have a security password, as Sourcewell may not be able to open the file. It is your sole responsibility to ensure that the uploaded document(s) are not either defective, corrupted or blank and that the documents can be opened and viewed by Sourcewell.
 3. Sourcewell may reject any response where any document(s) cannot be opened and viewed by Sourcewell.
 4. If you need to upload more than one (1) document for a single item, you should combine the documents into one zipped file. If the zipped file contains more than one (1) document, ensure each document is named, in relation to the submission format item responding to. For example, if responding to the Marketing Plan category save the document as "Marketing Plan."
- [Pricing](#) - NAFG Price File for Bid 091521.zip - Monday September 13, 2021 19:29:27
 - [Financial Strength and Stability](#) - Market Success and Financial Stability.zip - Monday September 13, 2021 19:30:12
 - [Marketing Plan/Samples](#) - Marketing Plan Compressed.zip - Tuesday September 14, 2021 11:38:30
 - [WMBE/MBE/SBE or Related Certificates](#) - Insurance and Related Documents.zip - Tuesday September 14, 2021 11:40:18
 - [Warranty Information](#) - Warranties RFP 091521.zip - Tuesday September 14, 2021 11:40:36
 - [Standard Transaction Document Samples](#) - Standard Transaction.zip - Monday September 13, 2021 19:54:48
 - [Upload Additional Document](#) - ALL 15 Makes and Upfits.zip - Tuesday September 14, 2021 11:35:54

Addenda, Terms and Conditions**PROPOSER AFFIDAVIT AND ASSURANCE OF COMPLIANCE**

I certify that I am the authorized representative of the Proposer submitting the foregoing Proposal with the legal authority to bind the Proposer to this Affidavit and Assurance of Compliance:

1. The Proposer is submitting this Proposal under its full and complete legal name, and the Proposer legally exists in good standing in the jurisdiction of its residence.
2. The Proposer warrants that the information provided in this Proposal is true, correct, and reliable for purposes of evaluation for contract award.
3. The Proposer, including any person assisting with the creation of this Proposal, has arrived at this Proposal independently and the Proposal has been created without colluding with any other person, company, or parties that have or will submit a proposal under this solicitation; and the Proposal has in all respects been created fairly without any fraud or dishonesty. The Proposer has not directly or indirectly entered into any agreement or arrangement with any person or business in an effort to influence any part of this solicitation or operations of a resulting contract; and the Proposer has not taken any action in restraint of free trade or competitiveness in connection with this solicitation. Additionally, if Proposer has worked with a consultant on the Proposal, the consultant (an individual or a company) has not assisted any other entity that has submitted or will submit a proposal for this solicitation.
4. To the best of its knowledge and belief, and except as otherwise disclosed in the Proposal, there are no relevant facts or circumstances which could give rise to an organizational conflict of interest. An organizational conflict of interest exists when a vendor has an unfair competitive advantage or the vendor's objectivity in performing the contract is, or might be, impaired.
5. The contents of the Proposal have not been communicated by the Proposer or its employees or agents to any person not an employee or legally authorized agent of the Proposer and will not be communicated to any such persons prior to Due Date of this solicitation.
6. If awarded a contract, the Proposer will provide to Sourcewell Participating Entities the equipment, products, and services in accordance with the terms, conditions, and scope of a resulting contract.
7. The Proposer possesses, or will possess before delivering any equipment, products, or services, all applicable licenses or certifications necessary to deliver such equipment, products, or services under any resulting contract.
8. The Proposer agrees to deliver equipment, products, and services through valid contracts, purchase orders, or means that are acceptable to Sourcewell Members. Unless otherwise agreed to, the Proposer must provide only new and first-quality products and related services to Sourcewell Members under an awarded Contract.
9. The Proposer will comply with all applicable provisions of federal, state, and local laws, regulations, rules, and orders.
10. The Proposer understands that Sourcewell will reject RFP proposals that are marked "confidential" (or "nonpublic," etc.), either substantially or in their entirety. Under Minnesota Statutes Section 13.591, subdivision 4, all proposals are considered nonpublic data until the evaluation is complete and a Contract is awarded. At that point, proposals become public data. Minnesota Statutes Section 13.37 permits only certain narrowly defined data to be considered a "trade secret," and thus nonpublic data under Minnesota's Data Practices Act.
11. Proposer its employees, agents, and subcontractors are not:
 1. Included on the "Specially Designated Nationals and Blocked Persons" list maintained by the Office of Foreign Assets Control of the United States Department of the Treasury found at: <https://www.treasury.gov/ofac/downloads/sdnlist.pdf>;
 2. Included on the government-wide exclusions lists in the United States System for Award Management found at: <https://sam.gov/SAM/>; or
 3. Presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from programs operated by the State of Minnesota; the United States federal government or the Canadian government, as applicable; or any Participating Entity. Vendor certifies and warrants that neither it nor its principals have been convicted of a criminal offense related to the subject matter of this solicitation.

☒ By checking this box I acknowledge that I am bound by the terms of the Proposer's Affidavit, have the legal authority to submit this Proposal on behalf of the Proposer, and that this electronic acknowledgment has the same legal effect, validity, and enforceability as if I had hand signed the Proposal. This signature will not be denied such legal effect, validity, or enforceability solely because an electronic signature or electronic record was used in its formation. - Jesse Cooper, Fleet Manager, 72 Hour LLC

The Proposer declares that there is an actual or potential Conflict of Interest relating to the preparation of its submission, and/or the Proposer foresees an actual or potential Conflict of Interest in performing the contractual obligations contemplated in the bid.

☒ Yes ☐ No

The Bidder acknowledges and agrees that the addendum/addenda below form part of the Bid Document.

Check the box in the column "I have reviewed this addendum" below to acknowledge each of the addenda.

| File Name | I have reviewed the below addendum and attachments (if applicable) | Pages |
|---|--|-------|
| Addendum_6_Autos_SUVs_Vans_Trucks_RFP_091521 Wed September 8 2021 06:27 PM | <input checked="" type="checkbox"/> | 1 |
| Addendum_5_Autos_SUVs_Vans_Trucks_RFP_091521 Tue September 7 2021 07:28 PM | <input checked="" type="checkbox"/> | 2 |
| Addendum_4_Autos_SUVs_Vans_Trucks_RFP_091521 Thu August 26 2021 05:55 PM | <input checked="" type="checkbox"/> | 1 |
| Addendum_3_Autos_SUVs_Vans_Trucks_RFP_091521 Mon August 23 2021 09:47 AM | <input checked="" type="checkbox"/> | 1 |
| Addendum_2_Autos_SUVs_Vans_Trucks_RFP_091521 Sun August 8 2021 09:02 PM | <input checked="" type="checkbox"/> | 1 |
| Addendum_1_Autos_SUVs_Vans_Trucks_RFP_091521 Thu August 5 2021 03:58 PM | <input checked="" type="checkbox"/> | 1 |



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1006

Meeting Date: 2/7/2023

TITLE:

SECOND READING AND ADOPTION OF AN ORDINANCE TO AMEND THE CITY OF COSTA MESA'S MUNICIPAL CODE 3-151 APPEALS FROM ACTION OF POLICE CHIEF

DEPARTMENT: POLICE DEPARTMENT

PRESENTED BY: RONALD LAWRENCE, CHIEF OF POLICE

CONTACT INFORMATION: RONALD LAWRENCE, CHIEF OF POLICE, (714) 754-5117

RECOMMENDATION:

Staff recommends that the City Council give second reading and adopt:

Ordinance No. 2023-01 to amend Section 3-151 (Appeals from Action of Police Chief) Chapter VI (Special Animal Permit) of Title 3 (Animal Regulations) of the CMMC to grant appeal authority to the City Manager in place of the City Council for Special Animal Permit related actions taken by the Chief of Police.

BACKGROUND:

At its regular meeting on January 17, 2023, the City Council gave first reading to and introduced Ordinance No. 2023-01 by a 7-0 vote.

ANALYSIS:

The Ordinance is being presented for second reading and final adoption. If approved, the Ordinance would become effective 30 days after the second reading.

ALTERNATIVES:

The City Council may give second reading and adopt the Ordinance as proposed, modify the Ordinance, or not adopt the Ordinance. If the City Council chooses to make substantive modifications to the Ordinance after introduction, the modified Ordinance would need to be brought back at a future meeting for second reading and adoption.

FISCAL REVIEW:

No fiscal impact.

LEGAL REVIEW:

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

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the City Council Goal:

- Strengthen the public's safety and improve the quality of life

CONCLUSION:

Staff recommends that the City Council give second reading to and adopt Ordinance No. 2023-01. The adoption of the proposed Ordinance would grant appeal authority to the City Manager in place of the City Council for Special Animal Permit related actions taken by the Chief of Police.

ORDINANCE NO. 2023-01

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COSTA MESA AMENDING SECTION 3-151 OF CHAPTER VI TO TITLE 3, ANIMAL REGULATIONS, OF THE COSTA MESA MUNICIPAL CODE RELATING TO APPEALS FROM ACTION OF POLICE CHIEF.

WHEREAS, the Costa Mesa Police Chief is granted various powers under Chapter VI (Special Animal Permit), including the power to issue permits, to grant or deny applications for permits, and to revoke or suspend such permits; and

WHEREAS, any person aggrieved by an action taken by the Chief of Police pursuant to this Chapter has an appeal right; and

WHEREAS, currently, Section 3-151 requires an appeal of a decision made under Chapter VI be directed to the City Council; and

WHEREAS, the City Council finds that to create uniform appeal procedures across the City of Costa Mesa and to improve the efficiency of the appeal process under Chapter VI, any appeal under Section 3-151 shall be to the City Manager; and

NOW, THEREFORE, THE COSTA MESA CITY COUNCIL DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. Chapter VI (Special Animal Permit) of Title 3 (Animal Regulations) of the Costa Mesa Municipal Code is hereby amended to read as follows:

3-151. Appeals from action of police chief.

(a) If any person is aggrieved by any action of the police chief taken pursuant to this chapter, such person may appeal to the city manager by filing with the city clerk a statement addressed to the city manager setting forth the facts and circumstances regarding the action or failure to act on the part of the police chief. The city clerk shall notify the applicant in writing by registered mail of the time and place set for hearing the appeal. The *city manager* shall hold a hearing and determine the merits of the appeal, and may sustain, overrule or modify the action of the police chief. The decision of the *city manager* shall be final.

(b) The right to appeal to the *city manager* from any action or decision of the police chief under this chapter shall terminate upon the expiration of fifteen (15) days following the giving of notice to the applicant advising him of the action of the police chief. (Ord. No. 07-16, § 1, 8-7-07)

Section 2. Environmental Compliance. Pursuant to the provisions of the California Environmental Quality Act ("CEQA") (California Public Resources Code Sections 21000 et seq.) and State CEQA guidelines (Sections 15000 et seq.) the ordinance is not a "project" and further, that it can be seen with certainty that there is no possibility that the ordinance in question may have a significant effect on the environment, either directly or indirectly, and that therefore no environmental review under the CEQA is required, pursuant to CEQA Guidelines Section 15061(b)(3). In addition, the Ordinance is exempt pursuant to CEQA Guidelines Section 15308 (Class 8, Actions by Regulatory Agencies for the Protection of the Environment) because the adoption of this Ordinance is required to comply with state law in order to protect the environment.

Section 3. Inconsistencies. Any provision of the Costa Mesa Municipal Code or appendices thereto inconsistent with the provisions of the Ordinance, to the extent of such inconsistencies and no further, are repealed or modified to that extent necessary to affect the provisions of this Ordinance.

Section 4. Severability. If any chapter, article, section, subsection, subdivision, sentence, clause, phrase, word, or portion of this Ordinance, or the application thereof to any person, is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portion of this Ordinance or its application to other persons. The City Council hereby declares that it would have adopted this Ordinance and each chapter, article, section, subsection, subdivision, sentence, clause, phrase, word, or portion thereof, irrespective of the fact that any one or more subsections, subdivisions, sentences, clauses, phrases, or portions of the application thereof to any person, be declared invalid or unconstitutional. No portion of this Ordinance shall supersede any local, State, or Federal law, regulation, or codes dealing with life safety factors.

Section 5. Certification. After this ordinance is approved by a majority vote of the City Council, the Mayor and City Clerk shall certify that the ordinance was approved by a majority vote. The City Clerk shall file one copy of the approved ordinance with the Orange County Clerk-Recorder's office, one copy with the Orange County Registrar of Voters and keep one copy in the City's archive. The City Clerk shall certify to the passage and adoption of this ordinance and shall cause the same to be published in the manner required by law.

Section 6. Effective Date. This Ordinance shall become effective on the thirty-first day after its passage.

PASSED, APPROVED AND ADOPTED this 7th day of February, 2023.

John Stephens, Mayor

ATTEST:

Brenda Green, City Clerk

APPROVED AS TO FORM:

Kimberly Hall Barlow, City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, BRENDA GREEN, City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that the above and foregoing Ordinance No. 2023-01 was duly introduced and given first reading at a regular meeting of the City Council held on January 17, 2023 and adopted at a regular meeting of the City Council held on the 7th day of February, 2023, by the following roll call vote, to wit:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this 7th day of February, 2023.

BRENDA GREEN, CITY CLERK

(SEAL)



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1008

Meeting Date: 2/7/2023

TITLE:

REPEAL OF THE ORDINANCES UNDER CHAPTER I (BICYCLES AND MOTORIZED BICYCLE LICENSING) TO TITLE 4 (BICYCLES) OF THE COSTA MESA MUNICIPAL CODE

DEPARTMENT: POLICE DEPARTMENT

PRESENTED BY: BRYAN WADKINS, ACTING CAPTAIN

CONTACT INFORMATION: BRYAN WADKINS, ACTING CAPTAIN, (714) 754-5354

SUMMARY:

The City of Costa Mesa Municipal Code (CMMC) currently has several provisions that require bicycles to be registered and licensed, and outlines penalties associated with non-compliance. The State of California recently passed a new law, Assembly Bill 1909 the Bicycle Omnibus Bill, that prohibits a jurisdiction from requiring any bicycle operated within its jurisdiction to be licensed. This Ordinance repeals Chapter I (Bicycle and Motorized Bicycle Licensing) to Title 4 (Bicycles) in order to comply with the new law.

RECOMMENDATION:

Staff recommends that the City Council introduce for first reading the attached Ordinance No. 2023-xx to repeal Chapter I (Bicycles and Motorized Bicycle Licensing) to Title 4 (Bicycles) of the Costa Mesa Municipal Code to comply with current California law.

BACKGROUND:

The current ordinance related to bicycle licensing was enacted in 1977 with the intent of preventing bicycle theft and assisting in the recovery and return of stolen bicycles. This chapter of the Municipal Code comprises the following sections:

- **4-1 Adoption of state act**
- **4-2 Definitions**
- **4-3 Bicycle license required**
 - Requires all bicycles operated in city be registered and have a city issued license sticker affixed.
- **4-4 Bicycle registration card; bicycle license plate issuance**
 - Defines process of registration and license issuance.

- **4-5 Sale or transfer of bicycle**
 - Requires the sale or transfer of a bicycle be documented and reported to city within 10-days.
- **4-6 Change of address, bicycle license**
 - Requires the owner of a registered/licensed bicycle to report a change of address within 10-days.
- **4-7 Lost or stolen bicycle registration card or bicycle license plate; report; replacement**
 - Requires the owner of a registered/licensed bicycle to report a lost or stolen registration card or license within 10-days.
- **4-8 Tampering with license receipt, bicycle plate prohibited**
 - It is unlawful to tamper with, destroy, mutilate or alter a bicycle license or registration card.
- **4-9 Bicycle retailer; weekly bicycle sales reports required**
 - Requires business who sell bicycles to report the name, address and telephone number of persons who have purchased a bicycle weekly. Businesses must also report the manufacture, model, type, color and serial number of the bicycle purchased.
- **4-10 Bicycles in violation of chapter; impounding, fee**
 - Allows for unregistered or unlicensed bicycles to be impounded and after 90-days be sold at auction.
- **4-11 Violation; penalty**
 - Defines the penalty of the chapter as an infraction and punishable by a fine not to exceed five dollars (\$5) for each offense.
- **4-12 Enforcement**
 - Provides the police department the authority to enforce the ordinances.

Staff is recommending to repeal the current ordinance set out in Chapter I (Bicycles and Motorized Bicycle Licensing) to Title 4 (Bicycles) of the Costa Mesa Municipal Code to be consistent and comply with current California law.

ANALYSIS:

The public's compliance with the bicycle registration and licensing ordinances has been minimal for many years. Therefore, the intent of the bicycle licensing Chapter to deter bicycle theft and reunify victims with their stolen property has not been as successful as intended. Businesses that sell bicycles are also unaware of the ordinance requiring them to report weekly sales and are not in compliance with the ordinance.

The Police Department has made efforts to encourage bicycle registration and licensing during bicycle rodeos and other public events, with the objective of helping recover stolen bicycles. Licensing is also offered at the front desk of the Police Department. However, these efforts have not generated widespread usage.

- Bicycles registered/licensed by year:
 - 2020: 85
 - 2021: 198
 - 2022: 110

The Police Department has conducted limited enforcement efforts related to this ordinance based upon the concerns listed above.

- Citations issued under these ordinances by year:
 - 2020: 42
 - 2021: 64
 - 2022: 3

Unrelated to the ordinance, the Police Department has recently sought new methods, community education/outreach and technology to offer our community voluntary options to assist with the prevention and recovery of stolen bicycles. The Police Department will soon offer a new program this year (Project 529), which is an app-based program allowing bicycle owners to voluntarily register their bicycles online if they so choose. If a bicycle is stolen or found, users can use the app to search for their bicycle, notify other users, or notify the police. This free, voluntary program has been well received by bicycle owners nationwide and creates a community forum to voluntarily share and search stolen bicycle information. While Project 529 is not a police database, the Police Department will check the Project 529 app when receiving bicycles into our local evidence/storage in an effort to help locate and recover bicycles that a resident self-reported as stolen or missing into the Project 529 app.

The Police Department will also offer “529 Shields” to owners who voluntarily register their bicycle with Project 529 and who would like to display them on their bicycle. Shields are stickers affixed to a bicycle, notifying potential thieves that the bicycle is registered with Project 529 to serve as a possible deterrent of theft.

It is the Police Department’s hope that through promotion of this new program and ease of access and use of the app, bicycle owners will be motivated to voluntarily register their bicycles. Use of this program and registration of bicycles is completely voluntary and intended to help with bicycle recovery only; the Police Department would not use Project 529 for any enforcement action whatsoever, and a bicycle voluntarily entered into the Project 529 app and later reported by the owner as stolen or lost within the app would not create grounds for the Police Department to take any enforcement action without other independent verification from the owner. Currently, Huntington

Beach and Newport Beach also participate in this program.

In September 2022, the Governor of the State of California signed into law Assembly Bill 1909, known as the Bicycle Omnibus Bill. One of the provisions of the law states the following:

- “Existing law authorizes a local authority to adopt a bicycle licensing ordinance or resolution, as specified. Existing law authorizes a local authority that has adopted a bicycle licensing ordinance or resolution to prohibit a resident of that jurisdiction to operate a bicycle in a public place within the jurisdiction unless the bicycle is licensed. This bill would instead prohibit a jurisdiction from requiring any bicycle operated within its jurisdiction to be licensed.”

Based upon this new law, the ordinance codified in Chapter I of Title 4 of the Costa Mesa Municipal Code is no longer lawful. Repeal of this Chapter is required to bring the city into compliance with current state law.

ALTERNATIVES:

City Council could elect to not repeal the ordinance; however, the city would no longer be able to enforce compliance of the ordinances as it would conflict with state law.

FISCAL REVIEW:

There is no appreciable fiscal impact to repealing Title 4 (Bicycles), Chapter 1 (Bicycles and Motorized Bicycle Licensing) of the Costa Mesa Municipal Code.

LEGAL REVIEW:

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

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the City Council Goal:

- Strengthen the public’s safety and improve the quality of life

CONCLUSION:

Staff recommends that the City Council:

Introduce for first reading the attached Ordinance No. 2023-xx to repeal Chapter I (Bicycles and Motorized Bicycle Licensing) to Title 4 (Bicycles) of the Costa Mesa Municipal Code to comply with current California law.

ORDINANCE NO. 23-XX

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, REPEALING CHAPTER I OF TITLE 4 OF THE COSTA MESA MUNICIPAL CODE

THE CITY COUNCIL OF THE CITY OF COSTA MESA DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. Chapter I (Bicycle and Motorized Bicycle Licensing) of Title 4 (Bicycles) of the Costa Mesa Municipal Code is hereby repealed.

Section 2. The Mayor shall sign and the City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same to be published and posted pursuant to the provisions of law.

Section 3. Effective Date. This Ordinance shall take effect thirty (30) days after its final passage.

Section 4. Certification. The City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same to be published or posted in the manner as required by law.

PASSED AND ADOPTED this ___ day of _____, 2023.

John Stephens, Mayor

ATTEST:

APPROVED AS TO FORM:

Brenda Green, City Clerk

Kimberly Hall Barlow, City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, BRENDA GREEN, City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that the above and foregoing Ordinance No. 2023-xx was duly introduced for first reading at a regular meeting of the City Council held on the ____ day of _____, 2023, and that thereafter, said Ordinance was duly passed and adopted at a regular meeting of the City Council held on the _____ day of _____, 2023, by the following roll call vote, to wit:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this ____ day of _____, 2023.

BRENDA GREEN, CITY CLERK



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1009

Meeting Date: 2/7/2023

TITLE:

CITY COUNCIL FIRST READING OF AN ORDINANCE TO AMEND TITLE 13 OF THE COSTA MESA MUNICIPAL CODE (ZONING CODE) TO MODIFY EXISTING ACCESSORY DWELLING UNIT (ADU) STANDARDS TO CONFORM WITH RECENT REVISIONS TO STATE LAW AND TO CLARIFY LOCAL PROVISIONS TO IMPROVE PERMIT PROCESSING (CODE AMENDMENT CO 2022-01)

DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT/PLANNING DIVISION

PRESENTED BY: CHRIS YEAGER, ASSOCIATE PLANNER

CONTACT INFORMATION: CHRIS YEAGER, ASSOCIATE PLANNER, 714-754-4883

RECOMMENDATION:

Introduce for first reading, by title only, Ordinance No. 2023-XX approving Code Amendment CO-2022-01, amending Title 13 of the Costa Mesa Municipal Code (Zoning Code) to modify the City's accessory dwelling unit (ADU) standards to conform to recent revisions to State law, and to clarify several existing provisions to improve ADU permit processing.

BACKGROUND:

The City of Costa Mesa has historically allowed ADUs and similar uses (such as granny flats) as either permitted or conditionally permitted uses. In response to State mandates effective on January 1, 2020, the City Council adopted an Urgency Ordinance at its December 17, 2019 meeting to establish temporary provisions permitting ADUs and JADUs in the City's residential zones. Later, on March 2, 2021, the City Council adopted Ordinance 2021-03 to establish permanent regulations, which provide the City's current ADU regulations.

Currently, the City's ADU provisions specify that ADUs can be established through new construction or the conversion of existing floor area (remodels), and are subject to specific development standards including, but not limited to, the number of allowed units on one lot, floor area, setbacks, and height. The City's ADU provision were adopted in compliance with State law and are intended to increase the City's overall housing supply while also providing additional affordable housing opportunities. The City's ADU provisions are also adopted to ensure that ADUs remain as an accessory use to single-family and multi-family residences, and that ADUs do not adversely impact surrounding residents or the community at large. The City's adopted ADU provisions are comprehensive, more flexible than the State requirements and have resulted in a successful local housing program with growing community interest.

In 2020, the City issued 19 building permits for the construction of ADUs; in 2021, the City issued 43 building permits for the construction of ADUs (a 226 percent increase from 2020); and in 2022, the City issued 68 building permits for the construction of ADUs (a 62 percent increase from 2021). Since the beginning of the year (2023), and at the time this report was drafted, the City had issued an additional 14 ADU building permits. Since the adoption of the City's ADU provisions, the City has approved and/or is processing 223 ADUs and JADUs as indicated in the below Table 1.

| Table 1 - ADUs and JADUs in Costa Mesa | |
|---|----------|
| Total Approved/In Process | 223 |
| Attached ADUs | 91 |
| Detached ADUs | 132 |
| ADUs on Single Family Properties | 163 |
| ADUs on Multiple Family Properties | 60 |
| Average Square Footage | 641 SF |
| Median Square Footage | 606 SF |
| Smallest Approved | 152 SF |
| Largest Approved (converted ADU) | 1,508 SF |

State Law Changes

Recent State laws were enacted modifying the California Government Code regarding ADUs and JADUs, including AB 2221 and SB 897. As a result, modifications to the City's local ADU provisions are required in order to maintain consistency with State law. Pursuant to Government Code Section 65852.2(a)(4), if a local agency has an existing accessory dwelling unit ordinance that fails to meet the requirements of the Government Code, then that ordinance shall be considered "null and void."

State HCD Letter

In addition, in March 2022 the California Department of Housing and Community Development (HCD) provided a letter to the City indicating that the City's ADU provisions included inconsistencies with State Law (see the attached HCD letter). In response to HCD, Housing Element Program 3E is included in the 6th Cycle Housing Element re-adopted by the City Council in November 2022. Housing Element Program 3E specifies that the City will revise the ADU Ordinance as appropriate by December 2024. This Code Amendment implements and completes Housing Element Program 3E ahead of schedule.

Planning Commission Review

On October 24, 2022, staff presented the Planning Commission with a Draft Ordinance to modify the City's ADU provisions for a recommendation to the City Council. After receiving a presentation from staff and considering public testimony, the Planning Commission voted unanimously to recommend that the City Council give first reading to an Ordinance approving the Code Amendment. With the recommendation, the Planning Commission also provided several suggested edits to the Draft Ordinance (described below in the "Analysis" section of this report).

Staff Report:

[CITY OF COSTA MESA - File #: 22-920 \(legistar.com\)](https://costamesa.legistar.com/legislationdetail.aspx?ID=5895133&GUID=4B3859F6-A841-43BB-BD19-31759A5B79D2)

<https://costamesa.legistar.com/LegislationDetail.aspx?ID=5895133&GUID=4B3859F6-A841-43BB-BD19-31759A5B79D2>

Video:

[PLANNING COMMISSION on 2022-10-24 6:00 PM \(granicus.com\)](https://costamesa.granicus.com/player/clip/3913?view_id=14&redirect=true&h=411624c83e350f024b332588593ae79b)
<[https://costamesa.granicus.com/player/clip/3913?](https://costamesa.granicus.com/player/clip/3913?view_id=14&redirect=true&h=411624c83e350f024b332588593ae79b)
[view_id=14&redirect=true&h=411624c83e350f024b332588593ae79b](https://costamesa.granicus.com/player/clip/3913?view_id=14&redirect=true&h=411624c83e350f024b332588593ae79b)>

ANALYSIS:

The proposed Draft Ordinance is limited to modifications to Section 13-35 of Title 13 of the Costa Mesa Municipal Code ("*Accessory Dwelling Units*"). Amendments include, but not limited to, modifications to definitions, ADU maximum size standards, setback requirements and height requirements. As previously mentioned, the proposed ordinance amendments are primarily a result of the recent changes to State laws. In addition and after several years of implementing the City's current ADU provisions, various ADU processing issues and questions have occurred that staff believes necessitates Ordinance modification to improve the processing of ADU applications. These edits are also proposed in the Draft Ordinance. Lastly, staff has also included the Planning Commission's suggested edits in the proposed Draft Ordinance update for City Council consideration.

The proposed amendments are included in Exhibit A to the Draft Ordinance and in underline/~~striketrough~~ format. Below is a summary of the draft changes organized under the following headings: (1) the State required updates, (2) the staff proposed revisions to improve ADU processing, and (3) the Planning Commission's suggested edits:

1. Recent ADU State Law Changes

In 2022, the State approved two bills that modify the Government Code in regard to ADUs (Assembly Bill 2221 and Senate Bill 897). Several of these recently adopted State provisions preempt a City's discretion to regulate ADUs, and also clarifies allowable standards for local agencies' processing of ADUs.

ADU Height

The 2022 State laws increase the State-required minimum heights for ADUs from 16 feet to 18 to 25 feet (under certain circumstances). The City's ADU provisions currently permit two-story ADUs on single-family properties up to 27 feet in height, similar to the allowed height for the primary residential structure. (These provisions are more flexible than the State requirements). The City's proposed revisions clarify that ADU height regulations apply on multi-family dwelling properties as well.

ADU Processing

The 2022 State laws provide additional requirements regarding the review and processing of ADUs including the following:

- In reviewing ADU applications, the City must return comments on a proposed ADU within 60 days. If the City denies an ADU application, it must provide the applicant with a “full set of comments” listing the specific items that are “defective or deficient.” These comments must also describe, “how the application can be remedied” by the applicant;
- A demolition permit for a detached garage that is to be demolished in conjunction with and replaced with an ADU must now be reviewed with the ADU application and issued at the same time; and
- Local agencies cannot deny an application to create an ADU because corrections are needed to address nonconforming zoning conditions, building code violations, or unpermitted structures elsewhere on the lot unless they pose a threat to public health and safety.

The City currently processes applications for ADUs in compliance with the aforementioned State laws. Since these processing changes do not directly affect the Ordinance, no modifications are proposed that specifically address these requirements. Nonetheless, the City will continue to permit ADUs pursuant to the requirements of State law.

JADU Standards

The 2022 State laws specifically allow JADUs within attached garages and provide clarifications regarding access as follows:

- Under existing State Law, a junior accessory dwelling unit (JADU) must be “within the walls” of a proposed or existing single-family dwelling. The new laws specify that “enclosed uses within the residence, such as attached garages, are considered part of the proposed or existing single-family residence”; and
- In instances where a JADU shares a bathroom with the primary dwelling, local agencies must now require that the JADU maintain an interior entry to the primary dwelling’s “main living area,” independent of the exterior entrances of the JADU and primary dwelling.

The proposed revisions include the requirement for JADUs that share a bathroom with the main residence to maintain “interior entry to the main dwelling’s living area”.

Maximum Size of detached ADUs in a Multifamily Development

State Law requires the following in regard to maximum floor area for ADUs proposed in a multifamily development:

- The maximum floor area for a detached ADU shall not exceed 1,200 square feet (with the below exception); and
- The maximum floor area of an ADU where two detached ADUs are proposed in a multifamily development shall not exceed 800 square feet each.

The City's current ADU provisions for detached ADUs on a multi-family property specifies that two new construction detached ADU's are allowed or for conversion ADU's, 25% of the number of units onsite are allowed. The existing provisions state that on a multi-family property "an [detached] ADU shall not exceed 800 square feet". Recent State law specifies that the City's ordinance "shall" require that "the total floor area for a detached accessory dwelling unit shall not exceed 1,200 square feet". Therefore, the Draft Ordinance has been updated. Additionally, pursuant to State Law, the Ordinance has also been updated to clarify that when two detached ADUs are proposed in a multifamily development, the maximum size of each unit shall not exceed 800 square feet.

2. Ordinance Clarifications to Improve Processing

The following ADU Draft Ordinance updates are intended to clarify and improve existing ADU provisions and are based on staff's previous experiences with Code interpretations for ADUs and/or ADU permit processing issues. Proposed modifications include the following:

- Modifications to CMMC Section 13-35(d)(4)(d) regarding the assignment of street addresses to ADUs in compliance with the City's addressing requirements. Properly addressing residential units in the City is vital for the City and other agencies to provide life safety response and other necessary services to residents;
- Modifications to CMMC Section 13-35(d)(8)(a) to clarify that an ADU may be constructed within the footprint of an existing accessory structure with no setback required as long as it is constructed within the existing building envelope;
- Modifications to CMMC Section 13-35(d)(9)(a) to move ADU balcony provisions to Section 13-35(d)(10);
- Modifications to CMMC Section 13-35(d)(9)(b) to clarify that if an existing accessory structure is converted into a detached ADU on a multi-family dwelling property, then no maximum height is applied because the structure is existing;
- Modifications to CMMC Section 13-35(d)(17) regarding the requirement to provide landscaping in open space areas. The proposed modification clarifies that ADUs constructed that are greater than 800 square feet in gross floor area must meet site open space requirements and landscaping (similar to requirements applied to the primary dwelling).

3. Planning Commission Recommendations

After review of the proposed ADU Ordinance updates at their October 22, 2022 meeting, the Planning Commission provided the following comments/suggestions for City Council consideration. Staff has included language in the Draft Ordinance to implement the Planning Commission's comments:

- ***“Look for ways to continue to facilitate the development of additional ADUs within the City including considering allowing one ADU per unit on a common interest development property”***. A new provision has been added to the Draft Ordinance to permit ADUs in common interest developments. Many existing residential developments in Costa Mesa are developed with multiple attached and/or detached residences located on one lot and subdivided using a condominium-style subdivision map (referred to as a common interest development). The proposed revisions add flexibility by allowing existing floor area to be converted to one ADU for each housing unit on a common interest development lot. (See Draft Ordinance Track Changes Section 13-35(b)(4)(c));
- ***“Prohibit mechanical equipment placement within required four-foot side and rear setback for ADUs”***. Because State law preempts the City for applying a lesser or more stringent setback to ADUs than is applied to the primary residential structure on the site, the Planning Commission suggested this edit to prevent noise impacts to neighbors from ancillary mechanical equipment associated with the ADU. This requirement also serves to improve site access for the City’s first responders. (See Draft Ordinance Track Changes Section 13-35(d)(8)(b));
- ***“Look to reduce the occurrence of poorly designed garage facades that are converted into ADUs including providing additional requirements related to the garage door façade conversion”***. The Planning Commission suggested this edit to ensure that garage conversions include designs that avoid the creation of “blank facades”. The revised provisions include a requirement to add windows and/or doors to garage conversions to cover 10% of the façade and to match the existing residence, or provide landscaping that covers at least 50% of the façade. (See Draft Ordinance Track Changes Section 13-35(d)(12)(a));
- ***“Acknowledge the difference between public facing property lines including front property lines, street side yard property lines, and alley property lines when assessing exterior stairs and entrance requirements for ADUs”***. The existing adopted ADU provisions generally require that ADU exterior stairs shall not be visible from the public right-of-way and the stair entry shall “face the interior of the lot”. The Planning Commission believed that this provision could be modified to allow additional flexibility for residences with multiple street frontages (such as a corner lot or a lot facing an alley). The revised provisions allow for ADU exterior staircases within street facing side and rear yards. (See Draft Ordinance Track Changes Section 13-35(d)(10)(a) and 13-35 (d)(13); and
- ***“Provide additional nuanced requirements for balcony location to ensure privacy for neighboring properties and allowing for eyes on the street”***. Similar to the above suggested edit regarding ADU entry staircases, the Planning Commission believed that the existing ADU provisions regarding balconies could be more flexible for residences with multiple street frontages. Modifications to CMMC Section 13-35(d)(10) were made to remove inconsistent language stating “balconies are prohibited” while maintaining existing provisions allowing for front-facing balconies and adding text to allow for street facing side and rear balconies as well. (See Draft Ordinance Track Changes Section 13-35(d)(10)(b)).

GENERAL PLAN CONFORMANCE

The City's 5th Cycle Housing Element indicates that second units (ADUs) should be promoted as a use because they "offer affordable housing opportunities for lower and moderate income households." The City's approved 6th Cycle Housing Element includes Program 3E which continues to promote the construction of ADUs as part of an overall housing plan. The proposed ordinance amendment is consistent with the General Plan in that it provides greater opportunities for ADUs pursuant to current State ADU law.

ENVIRONMENTAL DETERMINATION

The proposed Ordinance is exempt from environmental review under the California Environmental Quality Act ("CEQA") pursuant to Public Resources Code Section 21080.17 and CEQA Guidelines Section 15282(h), in that the adoption of an ordinance regarding second units in a single-family or multi-family zone by a city or county to implement the provisions of Sections 65852.1, 65852.150 and 65852.2 is exempt from the requirements of CEQA. In addition, the proposed Ordinance is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) in that there is no possibility that the minor updates to the City's ADU provisions will have a significant impact on the environment.

ALTERNATIVES:

The City Council has the following alternatives:

1. Give First Reading. The City Council may give first reading, by title only, Ordinance No. 2023-XX approving Code Amendment CO-2022-01, amendment Title 13 of the Costa Mesa Municipal Code (Zoning Code) to modify standards to conform to recent revisions to State law and clarify existing accessory dwelling unit provisions.
2. Give first reading with modifications. The City Council may recommend approval with modifications provided that the revisions are consistent with State Law.
3. Not adopt the changes to the City's ADU provisions. The City Council may choose to not adopt the proposed Code amendments.
4. Continue the Ordinance review to a date certain. The City Council may continue the item to a date certain with direction for staff to return with additional information, changes and/or clarifications.

FISCAL REVIEW:

The adoption of the proposed Ordinance will not have any direct fiscal impact on the City's budget.

LEGAL REVIEW:

The proposed draft Code Amendment and report have been prepared in conjunction with and reviewed by the City Attorney's Office.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Diversify, Stabilize and Increase Housing to Reflect Community Needs.

CONCLUSION:

The proposed ADU Code amendments are consistent with the General Plan, and will result in a local ADU program that is in compliance with State law. The City's current ADU Ordinance has shown considerable success and staff anticipates greater future success based on the City's track record of permits issued in previous years. In addition to the subject Code updates, pursuant to Housing Element Program 3E, the City will further promote ADUs through continued work efforts including:

- Coordinate with the County on implementation of a permit ready ADU program;
- Post a user friendly ADU FAQ on the City's website to assist the public;
- Expedited ADU plan check review process to ease the process for homeowners; and
- Research potential State and regional funding sources for affordable ADUs and make the information publicly available to homeowners.

Should the Council approve the Draft Ordinance for first reading, a second reading would be scheduled for the next City Council meeting.

ORDINANCE NO. 2023-XX

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COSTA MESA APPROVING CODE AMENDMENT CO-2023-XX AMENDING CHAPTER V, ARTICLE 1, SECTION 13-35 (ACCESSORY DWELLING UNITS) OF TITLE 13 OF THE COSTA MESA MUNICIPAL CODE TO MODIFY STANDARDS TO CONFORM WITH RECENT REVISIONS TO STATE LAW AND TO CLARIFY EXISTING ACCESSORY DWELLING UNIT PROVISIONS TO IMPROVE ADU PROCESSING

THE CITY COUNCIL OF THE CITY OF COSTA MESA DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1: Findings. The City Council finds and declares as follows:

WHEREAS, updates to the City's Accessory Dwelling Unit (ADU) and Junior Accessory Dwelling Unit (JADU) provisions are required to provide consistencies between the City's Zoning Code and the State law; and

WHEREAS, in response to the implementation of State and local law regarding ADUs and JADUs, City staff found inconsistencies in the Zoning Code that require updating; and

WHEREAS, recently adopted State housing laws, including AB 2221 and SB 987, require updates to the City's ADU and JADU provisions; and

WHEREAS, Government Code section 65852.2(a)(4) provides in part, "if a local agency has an existing accessory dwelling unit ordinance that fails to meet the requirements of this subdivision, that ordinance shall be null and void;" and

WHEREAS, this Ordinance is necessary to implement State and local ADU provisions, establish the minimum and maximum development standards in the Costa Mesa Municipal Code to regulate ADUs, and to ensure consistency with State law.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COSTA MESA HEREBY ORDAINS AS FOLLOWS:

SECTION 2: Code Amendment. Section 13-35 (Accessory Dwelling Units). Chapter V, Article 1, Section 13-35 (Accessory Dwelling Units) of Title 13, Planning, Zoning and Development of the Costa Mesa Municipal Code, as specified in Exhibit A, attached hereto and incorporated herein by this reference, is hereby amended as set forth therein.

SECTION 3. Repeal. All portions of prior ordinances, including those within Urgency Ordinance 19-19, to the extent that they are inconsistent with the terms of this Ordinance are hereby repealed and replaced by this Ordinance.

SECTION 4. Compliance with CEQA. Adoption of this Ordinance is exempt from the California Environmental Quality Act (“CEQA”) pursuant to Public Resources Code Section 21080.17 and CEQA Guidelines Section 15282(h), in that the adoption of an ordinance regarding second units in a single-family or multifamily zone by a city or county to implement the provisions of Sections 65852.1, 65852.150 and 65852.2 is exempt from the requirements of CEQA. In addition, the proposed ordinance amendment is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) in that there is no possibility that the minor updates to the City’s ADU provisions will have a significant impact on the environment.

SECTION 5. Inconsistencies with State Law. Any provision of this Ordinance which is inconsistent with State law shall be interpreted in a manner which is the most limiting on the ability to create ADUs or Junior ADUs, but which is consistent with State law. Any provision of the Costa Mesa Municipal Code or appendices thereto inconsistent with the provisions of this Ordinance, to the extent of such inconsistencies and no further, is hereby repealed or modified to that extent necessary to effect the provisions of this Ordinance.

SECTION 6. Severability. If any section, subsection, sentence, clause, phrase or portion of this Ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council of the City of Costa Mesa hereby declares that it would have adopted this Ordinance and each section, subsection, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases or portions be declared invalid or unconstitutional.

SECTION 7. Effective Date. This Ordinance shall take effect on the 31st day after final adoption.

SECTION 8. Certification. The Mayor shall sign and the City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same to be published or posted in the manner required by law.

SECTION 9. Transmit Ordinance to HCD. The City Clerk is directed to send a copy of this ordinance to the Department of Housing and Community Development within 60 days of the adoption of this Ordinance.

PASSED AND ADOPTED this ____ day of _____, 2023

Mayor Stephens

ATTEST:

APPROVED AS TO FORM

Brenda Green, City Clerk

Kimberly Hall Barlow, City Attorney

I, Brenda Green, City Clerk of the City of Costa Mesa, do hereby certify that the above and foregoing is a true and correct copy of Ordinance No. 2023-XX ____ introduced at a regular meeting of the City Council of the City of Costa Mesa held on the ____ day of _____, 2023, and was thereafter adopted at a regular meeting held on the ____ day of _____, 2023, by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

Said ordinance has been published or posted pursuant to law.

Witness my hand and the official seal of the City of Costa Mesa this ____ day of _____, 2023.

Brenda Green, City Clerk

13-35. Accessory dwelling units.

(a) *Purpose, general plan consistency, definitions.*

(1) *Purpose and interpretation.* The intent of this section is to ensure that accessory dwelling units (ADUs) and Junior ADUs remain as an accessory uses ~~to a single-family residence~~ in residential and mixed-use zones, that the structures on parcels are organized to accommodate an ADU and/or Junior ADU, and that such dwelling units do not adversely impact surrounding residents or the community. This section 13-35 is intended to retain the ability of the city to regulate ADUs in terms of design, aesthetics, massing and integration with existing structures and to comply with the requirements of state law.

(2) *General plan consistency.* In adopting these standards, the city recognizes that the approval of dwelling units may, in some instances, result in dwelling densities exceeding the maximum densities prescribed by the general plan. The city finds that this occurrence is consistent with the general plan, as allowed under state planning and zoning law applicable to ADUs, and that the amendment furthers the goals, objectives, and policies of the general plan housing element.

(3) *Definitions.* For purpose of this section 13-35 only:

a. The terms “accessory dwelling unit” (ADU), “public transit,” “passageway” and “tandem parking” all have the same meaning as that stated in Government Code section 65852.2 as that section may be amended time to time.

b. “Junior ADU” shall have the same meaning as that stated in Government Code section 65852.22(h)(1) as that section may be amended from time to time.

c. A structure is considered “existing” if a building permit was issued and finalized ~~at least two (2) years~~ before an ADU or JADU application is submitted under this section.

d. The terms “single-family dwelling” and “multifamily dwelling” exclude all ~~detached garages, carports, and similar accessory structures, regardless of whether such structures are attached or detached from the dwelling.~~

e. The term “single-family dwelling” is a dwelling (excluding any ADU or Junior ADU) that is not attached to another dwelling. Single-family dwellings may include detached single-family homes where there is more than one (1) primary dwelling on a lot.

ef. A “multifamily dwelling” is a dwelling (excluding any ADU or Junior ADU) within a multifamily dwelling structure, ~~including detached single-family homes where there is more than one (1) primary dwelling unit on a lot.~~

fg. A “multifamily dwelling structure” is a structure which contains at least two (2) lawful dwellings within the structure, excluding ADUs and Junior ADUs. Storage rooms, boiler rooms, passageways, attics, basements, garages and other non-habitable spaces are considered within a “multifamily dwelling structure” if such non-habitable spaces are within the same structure as at least two (2) other multifamily dwellings.

(b) *Accessory dwelling units.*

(1) *Residential and mixed use zones only.* ADUs are permitted in single-family, multifamily ~~zones~~, and mixed use zones (i.e., zones where single-family and/or multifamily dwellings are allowed), and only on a legal lot with proposed or existing residential dwelling(s) which will remain on site. By way of illustration only, the zones where accessory dwellings are allowed are shown on the Citywide Land Use Matrix at section 13-30. If there is any conflict between the requirement that ADUs be approved in (and only in) zones where single-family and multifamily dwellings are allowed and the Land Use Matrix, the former shall control.

(2) *Underlying zone.* Except as otherwise provided in this section, ADUs shall conform to the development standards of the underlying zone.

(3) *Ministerial.* Any application for an ADU that meets the requirements of this section shall be approved ministerially by the city by applying the standards herein and without a public hearing or notice of decision or zoning approval.

(4) *Maximum number of dwelling units.* The following is the maximum number of ADUs and or Junior ADUs allowed on any lot. Only one category may be used per lot including lots that include a mixture of single-family and multiple family dwellings with the exception as allowed in subsection “c” below.

a. *Single-family.* Only one ADU and only one Junior ADU may be permitted on a lot with a proposed or existing single-family dwelling subject to the following:

1. *Conversion within a single-family dwelling.*

(i) An ADU or Junior ADU may be within the existing footprint of a lawful single-family dwelling. Alternatively, an ADU may be within a lawfully constructed existing accessory structure; in this case up to one hundred fifty (150) square feet may be added beyond the physical dimensions of the existing accessory structure solely to accommodate ingress and egress to the ADU; and

(ii) Each such ADU and Junior ADU must have independent exterior access from the single-family dwelling, and have side and rear setbacks sufficient for fire safety; or

2. *New construction.* One (1) new construction ADU may be permitted on a lot with proposed or existing single-family dwelling. One (1) new construction Junior ADU may be allowed on the lot if the Junior ADU is to be in a single-family dwelling that meets all applicable legal standards.

b. *Multifamily.* Junior ADUs are not allowed on a lot with more than one residence. ADUs are not allowed within new construction residences where, after construction, there will be at least two (2) residences on the lot (e.g. detached residential structures, duplexes, apartments); up to two (2) ADUs are allowed with such structures pursuant to subsection 23, below. For lots with an existing legal multifamily dwelling (e.g., a legal non-conforming multifamily dwelling), the applicant may have ADU(s) pursuant to one of the following:

1. *Maximum ADUs within existing multifamily dwelling structure.* No more than twenty-five (25) percent, with any partial unit rounded down) of the number of existing multifamily dwelling units on the lot, but at least one (1) unit, shall be permitted as ADU(s) constructed within the enclosed non-livable space (e.g., storage rooms, boiler rooms, hallways, attics, basements, or garages) of the existing multifamily dwelling structures; or

2. *Maximum attached ADUs.* No more than one (1) attached ADU is permitted. The ADU shall be attached to the multifamily dwelling structure; or

23. *Maximum detached ~~external~~ ADUs.* No more than two (2) detached ADUs are permitted. Both units shall be detached from every residence on site (but need not be detached from each other). This section shall apply to detached structures that are converted and new construction detached ADUs. Conversion detached ADUs are not subject to height, setbacks, and maximum square footage. ~~Such ADUs shall not exceed eight hundred (800) square feet of gross floor area, shall be no taller than sixteen (16) feet in height, and shall have at least four (4) feet of side and rear yard setbacks;~~ or

43. *Maximum mixed (detached/within) ADUs.* No more than twenty-five (25) percent, with any partial unit rounded down) of the number of existing multifamily dwelling units on the lot, but at least one (1) unit, shall be permitted as ADU(s) constructed within the enclosed non-livable space (e.g., storage rooms, boiler rooms, hallways, attics, basements, or garages) of the existing multifamily dwelling structures~~No more than one ADU is permitted within the existing and enclosed non-livable space (e.g., storage rooms, boiler rooms, hallways, attics, basements, or garages) of~~

~~the existing multifamily dwelling structure; and no more than one two~~
ADUs that ~~is are~~ detached from each multifamily dwelling structure on site,
~~provided that such ADU does not exceed eight hundred (800) square feet~~
~~of gross floor area, is no taller than sixteen (16) feet in height, and has at~~
~~least four (4) feet of side and rear yard setbacks.~~

c. Common Interest Developments. One conversion ADU may be permitted per unit on lots developed with common interest developments.

(5) *Maximum size.*

a. *Single-family.*

1. *Detached.* For lots with a proposed or existing single-family dwelling, a detached ADU shall not have more than one thousand two hundred (1,200) square feet.

2. *Attached.* An ADU attached to a single-family dwelling shall be no more than the greater of fifty (50) percent of the square footage of the existing single-family dwelling or one thousand (1,000) square feet.

b. *Multifamily, exterior construction.*

1. *Detached.* For lots with an existing legal multifamily dwelling structure proposing one (1), a new construction detached ADU, the ADU shall not exceed eight one thousand two hundred (1,200) square feet. For lots with an existing or proposed legal multifamily dwelling structure proposing two (2) detached ADUs, the ADUs shall not exceed eight hundred (800) square feet; or

2. *Attached.* For lots with an existing legal multifamily dwelling structure, an attached ADU shall not exceed the greater of: 1,000 square feet or fifty (50) percent of the average floor area of the existing multiple family dwelling units.

c. *Interior conversions.* Notwithstanding subsections a and b immediately above, ADUs which are converted from space entirely within lawful existing structures, and ADUs entirely within proposed lawful single-family dwellings, are not subject to a limit on maximum square footage.

(6) *Minimum size.*

a. ADUs may be efficiency units. Notwithstanding the general limitation on efficiency units being no smaller than two hundred twenty (220) square feet, ADUs may also be less than two hundred twenty (220) square feet, provided

that they are no smaller than one hundred fifty (150) square feet, and comply with all other legal requirements.

(7) *Conversions of dwelling units.*

a. *Total conversion of single-family ~~unit~~dwelling.* An entire existing single-family ~~or multifamily~~ dwelling may be converted to an ADU if the ADU complies with all applicable requirements of this section and a new single-family residence with a total gross floor area exceeding that of the ADU is constructed in full compliance with code requirements.

b. *Partial conversion/addition.* A portion of the existing single-family or multifamily dwelling may be converted to an ADU with new additional square footage, which additional square footage shall comply with all standards applicable to attached ADUs, and all converted square footage shall comply with standards applicable to conversions. The maximum square footage of the attached ADU shall be based upon the size of the existing ~~primary~~ dwelling before construction of the ADU addition.

(c) *Junior ADUs.*

(1) *Rule.* Junior ADUs shall comply with the requirements of this subsection (c), in addition to the requirements of subsection (d) of this section 13-35.

(2) *Maximum size.* A Junior ADU shall not exceed five hundred (500) square feet in gross floor area.

(3) *Owner occupancy requirement.* The owner of a parcel proposed for a Junior ADU shall occupy as a primary residence either the primary dwelling unit or the Junior ADU. Owner-occupancy is not required if the owner is a governmental agency, land trust, or "housing organization" as that term is defined in Government Code section 65589.5(k)(2), as that section may be amended from time to time.

(4) *Short-term rentals prohibited.* A Junior ADU shall not be rented for periods of less than 31 days unless otherwise authorized by the municipal code.

(5) *Location of Junior ADU.* A Junior ADU shall be entirely within an existing or proposed single-family ~~residence~~dwelling.

(6) *Kitchen requirements.* A Junior ADU shall include an efficiency kitchen, including ~~a sink, a single or multiple cooktop~~ a cooking facility with appliances, outlet for a small refrigerator, food preparation counter and storage cabinets that are of reasonable size in relation to the size of the Junior ADU.

(7) *Parking.* No additional parking is required beyond that already required for the primary dwelling.

(8) *Fire protection; utility service.* For the purposes of any fire or life protection ordinance or regulation or for the purposes of providing service for water, sewer, or power, a Junior ADU shall not be considered a separate or new unit, unless the Junior ADU was constructed in conjunction with a new single-family dwelling. No separate connection between the Junior ADU and the utility shall be required for units created within a single-family dwelling, unless the Junior ADU is being constructed in connection with a new single-family dwelling.

(9) *Exterior and interior access.* The Junior ADU shall include an exterior entrance separate from the main entrance to the single-family dwelling. If the Junior ADU shares bathroom facilities with the main dwelling, the Junior ADU shall also have interior entry to the main dwelling's living area.

(d) *Development standards.* All ADUs and Junior ADUs must comply with the following requirements:

(1) *Ministerial project.* Any application for an ADU or Junior ADU that meets the requirements of this section shall be approved without a public hearing.

(2) *Application by owner.* An application for a building permit for an ADU or Junior ADU building permit shall be made by the owner of the parcel on which the primary unit sits and shall be filed with the city on a city-approved application form and subject to the established fee set by city council resolution as it may be amended from time to time.

(3) *Separate sale prohibited.* Except as otherwise provided by law (e.g., Government Code section 65852.26), ADUs and Junior ADUs may not be sold or otherwise conveyed separate from the primary residence.

(4) *Utilities.*

a. All ADUs and Junior ADUs must be connected to public utilities (or their equivalent), including water, electric, and sewer services.

b. Except as provided in subsection c immediately below, the city may require the installation of a new or separate utility connection between the ADU and the utility. For Junior ADUs, see subsection (c)(8), above.

c. No separate connection between the ADU and the utility shall be required for units created within a single-family dwelling, unless the ADU is being constructed in connection with a new single-family dwelling.

d. Each ADU and Junior ADU shall have a separate mailing address as assigned by the City.

(5) *Recorded covenants.* Before obtaining a building permit, the owner shall file with the county recorder, in a form approved by the city attorney, a covenant which does all of the following:

- a. Prohibit the sale of the ADU and Junior ADU separate from the single-family residence; and
- b. Unless subsequently prohibited by an amendment to state law, for ADUs approved on or after January 1, 2025, the ADU shall be considered legal only as long as either the primary residence or the ADU is occupied by the owner of record or state law is amended to prohibit such requirements. Junior ADUs require owner occupancy of either the single-family dwelling or the Junior ADU; and
- c. Restrict the ~~accessory second unit~~ ADU or JADU to the maximum size allowed by Municipal Code section 13-35, as it may be amended from time to time; and
- d. Unless authorized by this Code, prohibit renting the ADU for periods less than thirty-one (31) days; and
- e. Confirm that the restrictions shall be binding upon any successor in ownership of the property, and lack of compliance shall result in legal action against the property owner for noncompliance.

(6) *Passageway.* No passageway shall be required in conjunction with the construction of an ADU.

(7) *Building permits required.* Applications for ADUs and Junior ADUs shall conform to the requirements for, and shall obtain, a building permit consistent with the requirements of Title 5 (Buildings and Structures). By way of reference only, current requirements generally require all dwellings to have no less than two hundred twenty (220) square feet. Fire sprinklers shall not be required if they are not required for the primary residence; if, however, the ADU is attached to the primary dwelling, and if an addition to the ~~house dwelling~~ would require sprinklers for an addition to the primary dwelling in the same location, then sprinklers shall be required.

(8) *Setbacks.*

- a. *None.* No setbacks are required for either: (1) those portions of ADUs that are created by converting existing living area or existing accessory structures to a new ADU; or (2) constructing new ADUs in the same location, while not exceeding the existing dimensions, including height and to the same dimensions as an existing structure. Notwithstanding the foregoing, ADUs ~~and~~

~~Junior ADUs~~ shall, at minimum, comply with setbacks that are sufficient for fire and life safety.

b. *Other setbacks.* For all other ADUs, there shall be a minimum of setbacks of four (4) feet from side and rear property lines and full compliance with all applicable front yard setbacks for the underlying zone. ~~Second floor ADUs shall provide setbacks in conformance with the underlying zone. All mechanical equipment associated with the ADUs shall maintain the minimum ADU applicable setbacks.~~ An ADU on a corner lot shall maintain a minimum setback of ten (10) feet from the public right-of-way on the street side or be consistent with the existing setback distance of the main residential structure, whichever is less.

c. *Distance between structures.* The minimum required distance between a detached ADU and the primary dwelling unit, and all other structures on the property, including garages, shall be six (6) feet.

(9) *Height.* Except as authorized in subsection b, below, in no event may any portion of a new construction ADU exceed two (2) stories or exceed the height of any other dwelling that ~~will could legally~~ be on the property. ~~except that if~~ In all cases, a height of at least ~~sixteen eighteen~~ (16/18) feet shall be allowed for ADUs. An additional two feet in height may be permitted to accommodate a roof pitch on the ADU that is aligned with the roof pitch of the primary dwelling unit. Furthermore, except as authorized in subsection a and b, below, an ADU shall be entirely only on the first floor.

a. *Second floor or two-stories.* An ADU on a lot which has an existing lawfully constructed ~~single-family dwelling or will have a new single-family dwelling,~~ may be in whole or in part on a second floor, or be a two (2) story ADU, if all five (5) of the following occur:

1. All portions of the ADU structure on a second floor are at least twenty-five (25) feet from the front property line ~~(except that front facing balconies may be constructed as close as twenty (20) feet from the front property line if the balcony is open on three (3) sides and the wall of the main structure is at least twenty-five (25) feet from the front property line);~~ and

2. Each stairwell for the ADU is interior or complies with subsection (10), below; and

3. The second floor of any portion of the ADU, if built above a detached garage, does not exceed the footprint of the garage; and

4. No windows are installed on the second floor on side elevations if such windows are within twenty-five (25) feet of a neighboring dwelling

and face the neighboring property unless such windows have a minimum sill height of at least five (5) feet; and

5. The second floor (or the entire two (2) story ADU as applicable) meets the setbacks applicable to additions ~~and accessory structures~~ for the underlying zone.

b. *Within structure.* The ADU is built entirely within either:

1. A proposed or existing lawfully constructed single-family dwelling, except that an external stairwell to the ADU which meets all requirements of this code, including the requirements of subsection (10), below, may be constructed to allow access to the ADU; or

2. The non-habitable space of an existing multifamily structure or within an accessory structure on a lot with a multifamily structure.

(10) *Exterior stairways, ~~and balconies.~~*

a. *Exterior Stairways.* A ~~new~~ exterior stairway to a second-floor ADU shall ~~be facing the interior of the lot and shall not be readily~~ visible from the ~~public right-of-way~~ public right of way at the front of the property. Second floor landings using an exterior stairway shall be kept to the minimum size required to comply with applicable codes. Stairways and landings shall incorporate screening materials designed to eliminate views into abutting neighboring properties. Stairways and landings, which exceed standard building code minimum sizes, ~~and balconies~~ are prohibited. Stairways and landings shall not be counted toward residential open space requirements.

b. *Balconies.* New balconies which face the street and are located at the front of the main residential structure are permitted provided that the balcony be set back a minimum of twenty (20) feet from the front property line. On corner properties, balconies may face the side street provided that they maintain the setback for the underlying zone. Balconies within 25 feet of a neighboring residence shall incorporate screening to ensure there are no direct views into the abutting property. New construction balconies that are not facing the front of the property or a side street, are prohibited. ~~Stairways, landings, and balconies shall not be counted toward residential open space requirements.~~

c. *Roof Decks.* No new roof decks are allowed for ADUs.

(11) *Architectural standards.*

a. *Attached ADUs.* Each ADU which is attached to the primary dwelling shall appear to be part of the primary dwelling. It shall have the same design,

materials, finishes, and colors as the primary dwelling and shall be in accordance with code design standards and guidelines applicable to the zone.

b. *Detached ADUs.* Any detached ADU shall be compatible in exterior appearance with the primary unit or units in terms of design, materials, finishes, and colors within the same property on which it is proposed to be constructed, in accordance with code design standards and guidelines applicable to the zone.

c. *Junior ADUs.* Junior ADUs shall ~~be compatible in match~~ exterior appearance with the primary unit in terms of design, materials, finishes, and colors within the same property on which it is proposed to be constructed, in accordance with code design standards and guidelines applicable to the zone.

(12) *Garage conversions.*

a. *No blank façade.* When a garage is converted to an ADU, if the façade of the converted garage is visible from a public right-of-way, the façade ~~must have substantial articulation in terms of design and architectural features, or substantial landscaping, or some combination thereof to improve aesthetics. For example, obscuring the façade with~~ shall implement at least one of the following:

i. be covered with landscaping that covers at least fifty (50) percent of the wall, or

ii. include openings of at least 10% of the façade with at least one door that complies with section 13 below or -one window which matches the material and design of the existing windows on the residence.

~~would meet this requirement, as would construction of an attached code-compliant pergola or awning which was constructed in front of the façade of the converted garage.~~

ba. *Driveway.* The driveway may only be removed if it is replaced with landscaping or open space, and the curb cut and driveway apron are removed and replaced with a curb and gutter which meet city standards. Partial driveway removals may be permitted if the remaining driveway provides the minimum parking dimensions per subsection 14 below.

(13) *Entry and walkways.* The entrance to an ADU or Junior ADU ~~should be located in a manner that it is subordinate to the~~ shall match the materials and color of the main entrance of the primary residence(s), not be located on the same building elevation as the main entrance of the primary residence(s) and shall be located along the ~~such as areas along the side~~ building side, rear, or within the interior of the property, unless the Economic and Development Services Director approves an alternative configuration due to unique development circumstances.

~~The walkway leading to the ADU shall be hardscaped and connect to the driveway or the public sidewalk.~~

(14) *Parking.*

a. The owner may provide parking that is at least eight and a half (8.5) feet wide and eighteen (18) feet long and may be provided as:

1. Tandem parking on an existing driveway in a manner that does not encroach onto a public sidewalk; or

2. Within a setback area or in locations determined feasible by the city. Locations will be determined infeasible based upon specific site or regional topographical or fire and life safety conditions, or that such parking is not permitted anywhere else in the city.

b. When an existing garage, carport, or covered parking structure is converted or demolished in conjunction with the construction of an ADU or converted to an ADU, the off-street parking spaces do not have to be replaced, notwithstanding any other provision of this code to the contrary (e.g., the definition of “driveway” in section 13-6, Table 20-8(c) a driveway does not lose its status as a lawful “driveway” if it leads to a structure that was either converted from a garage into either an ADU or Junior ADU or demolished in conjunction with the construction of an ADU or Junior ADU. In no event shall the demolition of a garage be considered “in conjunction with” the construction of an ADU if the ADU will not be constructed within any portion of the footprint of the demolished garage.

(15) *Non-conforming.* The city shall not require, as a condition of a permit for an ADU or Junior ADU the correction of nonconforming development standards.

(16) *Short-term rentals prohibited.* ADUs and Junior ADUs shall not be rented for a term of less than thirty-one (31) days, unless otherwise authorized by this code.

(17) *Open space and landscaping.* ADUs which exceed eight hundred (800) square feet in gross floor area shall meet the open space requirements of section 13-32 and shall be subject to provide landscaping as required in section 13-106. (Ord. No. 11-10, § 1, 9-20-11; Ord. No. 18-03, § 5, 1-16-18; Ord. No. 21-03, § 3, 3-2-21)

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT

2020 W. El Camino Avenue, Suite 500
 Sacramento, CA 95833
 (916) 263-2911 / FAX (916) 263-7453
www.hcd.ca.gov



March 17, 2022

Barry Curtis
 Economic and Development Services Director
 City of Costa Mesa
 77 Fair Drive
 Costa Mesa, CA 92626

Dear Barry Curtis:

RE: Review of Costa Mesa's Accessory Dwelling Unit (ADU) Ordinance under ADU Law (Gov. Code, § 65852.2)

Thank you for submitting the City of Costa Mesa's (City) accessory dwelling unit (ADU) ordinance No. 2021-03 ("the Ordinance") adopted March 2, 2021, to the California Department of Housing and Community Development (HCD). HCD has reviewed the Ordinance and is submitting these written findings pursuant to Government Code section 65852.2, subdivision (h). HCD has determined that the Ordinance does not comply with section 65852.2 in the manner noted below. Under the statute, the City has up to 30 days to respond to these findings. Accordingly, the City must provide a written response to these findings no later than April 15, 2022.

The adopted ADU ordinance addresses many statutory requirements; however, HCD finds that the Ordinance does not comply with ADU law in the following respects:

- **Section 13-35 (A)(1) – *Omitted Reference to Multifamily*** – The Ordinance lays out its purpose to ensure that "...ADUs and Junior ADUs remain as an accessory use to a single-family residence...." The Ordinance omits mention of multifamily dwellings. Government Code section 65852.2, subdivision (a)(1), states that "[a] local agency may, by ordinance, provide for the creation of accessory dwelling units in areas zoned to allow single-family or multifamily dwelling residential use." Multifamily buildings are also considered to be primary buildings for the purposes of creating ADUs. The City should change the reference to "a single-family residence" to "a single-family or multifamily residence."
- **Section 13-35 (A)(3)(c) – *Definitions*** – The Ordinance states that "a structure is considered 'existing' if a building permit was issued and finalized at least two years before an application is submitted under this section...." However, defining whether a structure is "existing" based on when it was permitted rather than whether it actually exists would prohibit certain actions. For example, converting

an ADU from an existing primary dwelling or existing primary accessory structure, as allowed under Government Code section 65852.2, subdivision (e), would be prohibited by the Ordinance if it is within two years of when the primary structure was “finaled.” Moreover, in addition to “proposed” and “existing” structures, it would create a third category of structures that are in limbo because they were permitted less than two years prior. The Ordinance effectively creates a two-year waiting period before the homeowner may apply for an ADU. Therefore, the definition must be removed from the Ordinance.

- Section 13-35 (A)(3)(d) – *Definitions* – The Ordinance states that “the terms ‘single-family dwelling’ and ‘multifamily dwelling’ exclude all garages, carports, and similar structures, regardless of whether such structures are attached or detached from the dwelling.” Government Code section 65852.2, subdivision (a)(1)(D)(iii), refers to “the accessory dwelling unit [that] is either attached to, or located within, the proposed or existing primary dwelling, including attached garages, storage areas or similar uses,” and Government Code section 65852.22, subdivision (a)(4), states that a JADU must be “constructed within the walls of the proposed or existing single-family residence.” HCD has determined that a single-family residence includes an attached garage, as cited in the ADU Handbook of December 2020 on page 18. The definition as it appears in the Ordinance would impact the creation of a JADU within a single-family residence that includes an attached garage. Therefore, the City should remove the reference to garages as an ‘excluded’ area within a single-family residence.
- Section 13-35 (A)(3)(e) – *Definitions* – The Ordinance states that “a “multifamily dwelling” is a dwelling (excluding any ADU or Junior ADU) within a multifamily dwelling structure, including detached single-family homes where there is more than one (1) primary dwelling unit on a lot.” HCD has determined that, as quoted from the ADU Handbook of December 2020 on page 21, “for the purposes of state ADU law, a structure with two or more attached dwellings on a single lot is considered a multifamily dwelling structure. Multiple detached single-unit dwellings on the same lot are not considered multifamily dwellings for the purposes of state ADU law.” As written, the Ordinance would conflict with state law on the issue of JADUs, as JADUs are not permitted within multifamily buildings and multiple single-family homes on one lot would therefore be ineligible. Therefore, the City should revise its definition of a “multifamily dwelling.”
- Section 13-35 (B)(4)(b)(ii and iii) – *Setback Requirements* – The Ordinance states that detached ADUs on multifamily lots “shall be no taller than sixteen (16) feet in height, and shall have at least four (4) feet of side and rear yard setbacks....” However, this would be impermissible in the case of converted units. Government Code section 65852.2, subdivision (a)(1)(D)(vii) states that “[n]o setback shall be required for an existing living area or accessory structure or a structure constructed in the same location and to the same dimensions as an existing structure that is converted to an accessory dwelling unit or to a

portion of an accessory dwelling unit.” The City must add language noting that converted units are excepted from the setback limitations.

- Section 13-35 (B)(4)(b)(ii), (B)(4)(b)(iii), (B)(5)(b) – *Multifamily ADU Size Limitations* – The Ordinance states, in multiple sections, that the maximum size of detached ADUs for multifamily dwellings “shall not exceed 800 square feet,” and nowhere does the Ordinance mention conversions made in detached accessory structures. However, the statute provides for different size maximums for different kinds of ADUs built with multifamily buildings:
 - One new construction *attached* ADU may be built with a multifamily building under Government Code section 65852.2, subdivision (a), and be subject to a maximum size established in subdivision (c)(2)(B), which states that “a local agency shall not establish by ordinance... a maximum square footage requirement for either an attached or detached accessory dwelling unit that is less than either of the following: (i) 850 square feet [or] (ii) 1,000 square feet for an accessory dwelling unit that provides more than one bedroom....” Such a unit would also be subject to subdivision (a)(1)(D)(iv), which states, “If there is an existing primary dwelling, the total floor area of an attached accessory dwelling unit shall not exceed 50 percent of the existing primary dwelling.” Be advised that HCD considers that the 50-percent size limitation for such a unit may be based on the average size of a multifamily unit rather than the multifamily building’s total floor area.
 - New construction *detached* ADUs may be built under Government Code section 65852.2, subdivision (e)(1)(D), which allows “not more than two accessory dwelling units that are located on a lot that has an existing multifamily dwelling, but are detached from that multifamily dwelling....” Such units are subject to a maximum size, as permitted in subdivision (a)(1)(D)(v), of no less than 1,200 square feet.
 - Conversions of detached accessory structures may not be limited to a maximum size, as converted units are created under Government Code section 65852.2, subdivision (e), which exempts such units from local development standards like size maximums.

The City should use these references to establish maximum sizes for ADUs with multifamily buildings.

- Section 13-35 (D)(4)(b) – *Development Standards – Utilities* – The reference for JADUs is noted as subsection D.8, where it should be C.8. Please correct what appears to be a typographical error.
- Section 13-35 (D)(8)(b) – *Corner lot setbacks* – The Ordinance states that “an ADU on a corner lot shall maintain a minimum setback of ten feet from the public right of way or be consistent with the existing setback distance of the main residential structure, whichever is less.” However, Government Code section

65852.2, subdivision (e)(1)(B), states that setbacks of more than 4 feet shall not be required for side or rear lot lines, and subdivision (a)(1)(D)(vii) states that “a setback of no more than four feet from the side and rear lot lines shall be required for an accessory dwelling unit that is not converted from an existing structure or a new structure constructed in the same location and to the same dimensions as an existing structure.” HCD has determined that the four-foot side setback includes the side of a corner lot. Therefore, the City must remove this bullet point.

- Section 13-35 (D)(10) – *Exterior Stairway* – The Ordinance requires that “an exterior stairway to a second-floor ADU shall be facing the interior of the lot and shall not be readily visible from the public right-of-way.” This is impermissibly restrictive. Local development standards provided by the Ordinance pursuant to Government Code section 65852.2, subdivisions (a) through (d), do not apply to ADUs created under Government Code section 65852.2, subdivision (e), which applies to converted units created on the second floor. Furthermore, the term “readily visible” is subjective, and the City’s compliance review of an exterior stairway may be a discretionary process in violation of Government Code section 65852.2, subdivision (a)(4), which requires “only ministerial provisions for the approval of accessory dwelling units....” This would unreasonably restrict second floor units on corner lots, on lots with a rear property line facing a street, or on homes where a side-facing entry is most feasible. The City must remove this section.
- Section 13-35 (D)(11)(c) – *Architectural Standards – Junior ADUs* – The Ordinance requires that JADUs “shall be compatible in exterior appearance with the primary unit....” However, Government Code section 65852.22, subdivision (h)(1), defines a JADU as a unit that is...contained entirely within a single-family residence. As JADUs are created entirely within the single-family residence, there should be no architectural change to the structure’s exterior. Therefore, the City should remove this section.
- Section 13-35 (D)(12)(a) – *Aesthetic Requirements* – The Ordinance states that “when a garage is converted to an ADU, if the façade of the converted garage is visible from a public right of way, the façade must have substantial articulation in terms of design and architectural features, or substantial landscaping, or some combination thereof to improve aesthetics....” However, local development standards like façade articulation provided by the Ordinance pursuant to Government Code section 65852.2, subdivisions (a) through (d), do not apply to ADUs created in converted garages, which are created under Government Code section 65852.2, subdivision (e)(1)(A). Therefore, the City must remove this section.
- Section 13-35 (D)(13) – *Entry and Walkways* – The Ordinance requires that a “walkway leading to an ADU shall be hardscaped and connect to the driveway or the public sidewalk.” This appears to be requiring a passageway. However, per

Government Code section 65852.2, subdivision (a)(1)(D)(vi), “No passageway shall be required in conjunction with the construction of an accessory dwelling unit.” Therefore, the City must remove this reference.

- Section 4 – *Land Use Matrix* – The land use matrix lacks a substantial amount of information – it does not indicate which zones allow single-family and/or multifamily development, nor does it include the allowances or definitions of the zones. Please point HCD to the part of the City’s municipal code where this information is clarified.
- Section 5 (d) – *Parking* – The Ordinance requires that “parking for ADUs and JADUs be provided per the requirements of Section 13-35....” However, as noted in Government Code section 65852.22, subdivision (b), “An ordinance shall not require additional parking as a condition to grant a permit” for a JADU. The City must remove the reference to JADUs here to comply with statute.
- Section 6, 13-261.6. (a)(2) – *Fee Structure* – The Ordinance states that “the fees for ADUs and JADUs shall take into consideration the fees charged for apartments and shall not violate Government Code 65852.2, as it may be amended from time to time.” However, the fees for JADUs are also governed by Government Code section 65852.22, not exclusively by section 65852.2. The City should amend this language to comply with statute.

In these respects, revisions are necessary to comply with statute. HCD will consider any written response to these findings, such as a revised ordinance or a detailed plan to bring the Ordinance into compliance with law by a date certain, before taking further action authorized pursuant to Government Code section 65852.2. Please note that HCD may notify the Attorney General’s Office in the event that the City fails to take appropriate and timely action under section 65852.2, subdivision (h).

HCD appreciates the City’s efforts in the preparation and adoption of the Ordinance and welcomes the opportunity to assist the City in fully complying with ADU Law. Please contact Mike Van Gorder of our staff, at (916) 776-7541 or mike.vangorder@hcd.ca.gov if you have any questions or would like HCD’s technical assistance in these matters.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Zisser', with a stylized flourish extending to the right.

David Zisser
Assistant Deputy Director
Local Government Relations and Accountability



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1063

Meeting Date: 2/7/2023

TITLE:

RETAINER AGREEMENTS BETWEEN THE CITY OF COSTA MESA AND COMPLEX APPELLATE LITIGATION GROUP, LLP FOR LEGAL SERVICES

DEPARTMENT: CITY ATTORNEY

PRESENTED BY: KIMBERLY HALL BARLOW, CITY ATTORNEY

CONTACT INFORMATION: KIMBERLY HALL BARLOW, CITY ATTORNEY, (714) 446-1400

RECOMMENDATION:

It is recommended the City Council:

1. Approve the Agreements between the City of Costa Mesa and the law firm of Complex Appellate Litigation Group, LLP in connection with the pending lawsuits entitled The Ohio House LLC v. City of Costa Mesa, United States District Court for the Central District of California, Case No. 8:19-cv-01710-JVS (GJSx), Insight Psychology and Addiction, Inc. v. City of Costa Mesa, United States District Court for the Central District of California, Case No. 8:20-cv-00504-MEMF-JDE, SoCal Recovery, LLC v. City of Costa Mesa, 9th Circuit Court of Appeals No. 20-55820, RAW Recovery, LLC v. City of Costa Mesa, 9th Circuit Court of Appeals No. 20-55870.
2. Authorize the City Manager and the City Clerk to execute the Agreements.

BACKGROUND:

The City has been sued multiple times relating to sober living home ordinances for the R1 and multi-family zones. M.C. Sungaila has been handling the appeals in SoCal Recovery and RAW Recovery, LLC. through the Buchalter law firm. She has also consulted on The Ohio House v. City of Costa Mesa matter. The court entered judgment for the City in the Ohio House case on September 6, 2022, and an appeal has now been filed. Another case, Insight Psychology and Addiction v. City of Costa Mesa, is pending in the trial court, and is being handled by Everett and Dorey. Ms. Sungaila was previously retained to work with Everett and Dorey to assist in the litigation. Ms. Sungaila has now moved her practice to the Complex Litigation Appellate Group, LLC (CLAG).

ANALYSIS:

The fees proposed with CLAG are set out in the exhibits to the retainer agreements. Ms. Sungaila's hourly rate is proposed at \$900 per hour, which represents an increase over the \$775.00 per hour charged by the Buchalter firm. The proposed agreements provide for a 10% reduction to fees if payment is made within thirty-five days of invoicing.

Staff is recommending that the City Council approve retention of Ms. Sungaila and the CLAG firm to handle the appeals in SoCal Recovery, RAW Recovery, and The Ohio House cases, as well as consulting on the Insight Psychology case.

ALTERNATIVES:

The City Council could direct staff to seek modification of the Agreements or choose not approve the Agreements. Alternatively, the City Council could direct staff to solicit proposals from other law firms to join the appeal/defense team.

FISCAL REVIEW:

The proposed retainer agreements reflects competitive hourly rates for legal counsel with the experience and expertise to effectively handle the appeals in SoCal Recovery, RAW Recovery, and The Ohio House cases and trial consulting in Insight Psychology. A litigation budget will be prepared to provide the City with a better assessment of the fiscal impact of continuing to litigate these matters. The City Attorney and City staff will provide an update reflecting the proposed budget to the City Council and subsequently track actual billings and expenditures. In addition, the FY 2022-23 Budget includes funds adequate to cover the estimated litigation budgets.

LEGAL REVIEW:

The City Attorney has reviewed and approved the retainer agreements as to form and prepared this report.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Strengthen the Public's Safety and Improve the Quality of Life

CONCLUSION:

Staff recommends that the City Council approve the Agreements between the City and Complex Litigation Appellate Group, LLC.



January 31, 2023

Via Email

Lori Ann Farrell Harrison, City Manager
City of Costa Mesa
c/o Kimberly Hall Barlow, City Attorney
khh@jones-mayer.com

**Re: *Socal Recovery, LLC, et al. v. City of Costa Mesa*
(9th Cir. Court of Appeals, No. 20-55820);
RAW Recovery, LLC v. City of Costa Mesa (9th Cir.
Court of Appeals, No. 20-55870)**

Dear Lori Ann:

The Complex Appellate Litigation Group LLP (CALG) would be pleased to represent you on appeal under the following terms:

A. Services To Be Rendered.

1. Our only client under this agreement is the City of Costa Mesa (“you”). This agreement does not apply to any other individuals, entities, organizations, employees, managers, members, partners, officers, directors, owners, or shareholders, even if affiliated or related to you.

2. We will represent you in filing a petition for panel rehearing and rehearing en banc in the above matter.

3. The scope of our engagement is limited to the services described above. Thus, for example, our services do not include advice under tax, bankruptcy, or insurance coverage laws. Our representation under this agreement also does not include any independent or related litigation that may arise, nor does it include representing you in any capacity in the trial court.

4. You have the right to terminate this agreement at any time for any reason. We have the right to terminate this agreement in accordance with the rules governing the legal profession, including but not limited to your breach of this agreement, failure to pay our bills, refusal to cooperate with us or to follow our advice on a material matter, or if our continued representation would be unlawful, unethical, unreasonably difficult, or undesirable. In the event of termination of this agreement by either party, you are responsible for all fees and costs up to the point of termination, and any fees and costs incurred subsequent to any notice of termination for work that was reasonably necessary to protect your interests.

B. Fees for Legal Services.

1. M.C. Sungaila will be the primary attorney responsible for this matter. Other attorneys may also work on this matter, subject to your approval. All time is billed in minimum units of one-tenth (.1) of an hour.

2. The hourly rates for our attorneys are listed in Attachment A to this agreement. We agree to discount these rates by 10% for any invoice paid within 35 days of the date of issuance.

3. We will invoice periodically for fees and costs. Bills are due and payable on receipt and will be considered delinquent if not paid within 35 days. If you have any objections to an invoice, you must bring them to our attention in those 35 days; otherwise, you agree the invoice is acceptable to you. You assume full responsibility for the payment of our fees and costs in accordance with all provisions of this letter.

4. If an invoice is not paid when due, interest may be charged on the principal balance (consisting of any unpaid fees, costs, and/or expenses) shown on the invoice. Interest will be calculated by multiplying the unpaid balance by the periodic rate of 0.833% per month (10% per year). The unpaid balance will bear interest until paid.

5. In addition to our fees, we will charge you for any costs as they are incurred. Costs include items such as any court fees we may be

required to pay on your behalf, legal research services, travel expenses for oral arguments or meetings, and postage and delivery.

6. Fees paid to CALG's attorneys may be split between CALG and its attorneys on a pro rata basis ranging from 20 to 80 percent. The total fees charged are not increased in any way by reason of the provision for division of fees. By executing this agreement, you consent to this fee sharing arrangement.

7. CALG's tax i.d. number is 47-3204221.

C. Extensions of Time & Authority for Arguments.

It is common for litigants on appeal to seek extensions of the brief-filing deadlines set by the rules of court. We may request such extensions in this case. We may also agree to reasonable extension requests from an opposing party. You hereby authorize us to represent to the court that you are aware of and concur in our decision to seek or agree to any extension we deem appropriate. Please contact us immediately if, for any reason, you prefer that we not seek or agree to routine extensions in this case.

The process of crafting an appellate brief is complex and nuanced. We are experts in appellate practices and procedures, but we generally welcome comments, questions, and inputs from our clients, such as you or anyone you wish, as long we believe sufficient time permits. You agree, however, that CALG retains ultimate authority over whether and how to present any and all facts and arguments in any filing on which CALG's name appears.

D. Effective Date.

The proposal reflected in this letter will remain open for 14 days after the date set forth at the beginning of this letter, at which point the proposal will expire. This agreement will not take effect and we will have no obligation to provide legal services until a signed copy of this agreement is returned to us within 14 days after the date set forth at the beginning of the letter.

E. Conflicts.

While we are not presently aware of any conflicts of interest triggered by this engagement, the nature and scope of our work for other clients could give rise to a conflict of interest in the future. It is possible that while we are representing you in this engagement, a conflict could arise in a matter unrelated to this engagement. Other existing or future clients of the firm, including some who rely upon us for general representation or advice, may ask us to represent them in litigation adverse to you. You agree that you will reasonably consider a request to waive any future conflict for any matter that is legally and factually unrelated to legal services we have agreed to provide in this engagement, and you agree that you will not unreasonably withhold consent to such a waiver request in the future.

F. Mediation & Arbitration; Use of California Law.

Any dispute, claim, or controversy arising under or relating to this agreement or in connection with the provision of legal services by us (including without limitation any claim of professional error or omission, any dispute about fees or costs, or the determination of the scope or applicability of this agreement to arbitrate) shall be submitted for mediation and arbitration to JAMS in San Francisco, California, in accordance with the rules of JAMS. The parties shall first attempt to mediate the dispute and, if unsuccessful, resolve the dispute by binding arbitration. The parties may invoke any arbitration appeal procedures JAMS offers.

California law and the California Arbitration Act will apply and jurisdiction and venue will be in the City and County of San Francisco, California. You understand this means that both CALG and you are waiving our right to a jury trial. After the arbitration, however, either party may file an application to correct or vacate the arbitration award in the appropriate court, which will have authority to review all questions of law decided by the arbitrator. Both CALG and you agree that all aspects of the arbitration or mediation, including the initiation, filings, hearings, and result, will be held completely confidential and will not be disclosed to any third parties unless required to enforce the terms of this agreement or required by law.

Notwithstanding the foregoing, fee disputes may first be submitted to the State Bar of California's program for arbitration of fee disputes pursuant to Business and Professions Code sections 6200 et seq. If the State Bar declines to hear a fee dispute, or if either party rejects the State Bar panel's decision on any fee dispute, then instead of the right to trial mentioned in the statute, our fee dispute will be resolved by binding JAMS arbitration as set forth above.

G. Disposition of Case File.

By executing this agreement, you consent to storage of your case file in an entirely electronic format and on a secure internet cloud storage system. If you request, the case documents in our file will be electronically transferred to you at the end our representation. Except as provided under California Rules of Professional Conduct Rule 1.15, we may destroy the documents in your case file after one year from the conclusion of our work under this agreement.

H. Disclaimer of Guarantee.

Nothing in this agreement and nothing in our statements to you are to be construed as a promise or guarantee concerning the outcome of this matter. We make no such promises or guarantees. Any comments about the outcome of this matter are expressions of opinion only.

I. Advice of Independent Counsel.

This document affects your legal rights. Since it is a contract between you and this firm, we recommend you seek independent counsel to advise you in regard to the terms of this agreement.

CALG takes no responsibility for advising you about any professional negligence claims you may have against any prior counsel you may have had. If you believe you may have a professional negligence claim against your prior counsel, you should promptly speak with an attorney who specializes in that area of law.

J. Severability.

The terms of this agreement shall be deemed severable, such that the invalidity of one provision shall not invalidate the remainder of the agreement. If a provision is severed, the remainder of the agreement shall be interpreted so as to give this agreement its intended effect to the limit of the law.

K. Complete Integration.

This contract contains the entire agreement regarding CALG's representation of you for the work described in Section A. It supersedes and replaces any previous agreement between us. This agreement shall be binding upon the signatories and their respective legal representatives and successors. It shall not be modified except by written agreement signed by both CALG and you.

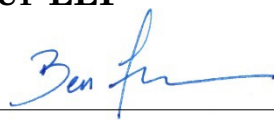
L. Counterparts.

This agreement may be executed in any number of counterparts, all of which together shall comprise a single agreement. Docusign signatures or PDF scans of signatures shall be construed as original signatures.

* * *

If this agreement is satisfactory, please sign the enclosed copy and return it to us. If you have any questions, please do not hesitate to call or email us. We look forward to working with you.

Very truly yours,
**COMPLEX APPELLATE LITIGATION
GROUP LLP**

By: 
Ben Feuer, Chairman

* * *

I have read and understood the foregoing terms and agree to them. By signing below, I acknowledge that I have reviewed this agreement carefully, that I have been given an opportunity to consult with an outside lawyer and negotiate the terms of the agreement, and that I understand and agree to the provisions above regarding payment, arbitration, and all other elements of the agreement. I am authorized to sign this agreement on behalf of the City of Costa Mesa.

By _____
Lori Ann Farrell Harrison
City Manager

Date

Attachment A

Hourly Billing Rates

| | | | |
|---------------------------|------|-------------------------|-----|
| Kirstin Ault | 720 | Johanna Schiavoni | 725 |
| Sharon Baumgold | 685 | Jocelyn Sperling..... | 685 |
| Pablo Drobny | 685 | M.C. Sungaila | 900 |
| Reno Fernandez | 685 | Jennifer Teaforde | 685 |
| Ben Feuer | 830 | Jessica Weisel | 830 |
| Melanie Gold | 685 | Greg Wolff | 725 |
| Katy Graham | 685 | Kelly Woodruff | 725 |
| Rex Heinke | 1150 | Susan Yorke | 720 |
| Susan Horst | 740 | | |
| Charles Kagay | 740 | | |
| Anna-Rose Mathieson | 830 | Sr. Paralegal | 230 |
| Claudia Ribet | 725 | Jr. Paralegal | 200 |
| Robert Roth | 1055 | Other Staff | 165 |

From time to time, new attorneys may join our firm who may be assigned to work on this matter. Their rates will ordinarily be within this range.

Payment Methods

| | |
|-------------------|--|
| Electronic Check: | We encourage electronic checks, which work the same as paper checks, but online. They simply require the routing and account number from the bottom of your paper check. Each transaction is limited to \$10,000, but you can enter multiple transactions. |
| Paper Check: | Please make check payable to the Complex Appellate Litigation Group LLP and mail it to 96 Jessie St., San Francisco, CA, 94105. |
| Credit Cards: | CALG accepts all major credit cards for retainer and monthly payments with no surcharge. However, if you pay by credit card, we request that you keep the card on file and approve automatic payments for all invoices (except those for which you send objections within 14 days). Please ask for a credit card autopayment form to pay by credit card. |
| Wire Transfer: | Please ask for account information to pay by wire transfer. |

Please email billing@calg.com or call us with any questions.



January 31, 2023

Via Email

Lori Ann Farrell Harrison, City Manager
City of Costa Mesa
c/o Kimberly Hall Barlow, City Attorney
khh@jones-mayer.com

**Re: *The Ohio House, LLC v. City of Costa Mesa, et al.*
(9th Cir. Court of Appeals, No. 22-56181)**

Dear Lori Ann:

The Complex Appellate Litigation Group LLP (CALG) would be pleased to represent you on appeal under the following terms:

A. Services To Be Rendered.

1. Our only client under this agreement is the City of Costa Mesa (“you”). This agreement does not apply to any other individuals, entities, organizations, employees, managers, members, partners, officers, directors, owners, or shareholders, even if affiliated or related to you.

2. We will represent you in defending the above appeal. Our services will include a comprehensive review of the district court record, all necessary legal research, preparation and filing of the appellee’s brief, presentation of oral argument, and participation in post-decision proceedings in the Court of Appeals and/or Supreme Court as necessary to protect your interests. With your approval, we will also participate in any settlement discussions. Our obligation to provide services under this agreement will automatically cease when the case is remitted to the district court at the conclusion of the appeal.

3. The scope of our engagement is limited to the services described above. Thus, for example, our services do not include advice under tax, bankruptcy, or insurance coverage laws. Our representation under this agreement also does not include any independent or related litigation that may arise, nor does it include representing you in any capacity in the trial court.

4. You have the right to terminate this agreement at any time for any reason. We have the right to terminate this agreement in accordance with the rules governing the legal profession, including but not limited to your breach of this agreement, failure to pay our bills, refusal to cooperate with us or to follow our advice on a material matter, or if our continued representation would be unlawful, unethical, unreasonably difficult, or undesirable. In the event of termination of this agreement by either party, you are responsible for all fees and costs up to the point of termination, and any fees and costs incurred subsequent to any notice of termination for work that was reasonably necessary to protect your interests.

B. Fees for Legal Services.

1. M.C. Sungaila will be the primary attorney responsible for this matter. Other attorneys may also work on this matter, subject to your approval. All time is billed in minimum units of one-tenth (.1) of an hour.

2. The hourly rates for our attorneys are listed in Attachment A to this agreement. We agree to discount these rates by 10% for any invoice paid within 35 days of the date of issuance.

3. We will invoice periodically for fees and costs. Bills are due and payable on receipt and will be considered delinquent if not paid within 35 days. If you have any objections to an invoice, you must bring them to our attention in those 35 days; otherwise, you agree the invoice is acceptable to you. You assume full responsibility for the payment of our fees and costs in accordance with all provisions of this letter.

4. If an invoice is not paid when due, interest may be charged on the principal balance (consisting of any unpaid fees, costs, and/or expenses) shown on the invoice. Interest will be calculated by multiplying the unpaid

balance by the periodic rate of 0.833% per month (10% per year). The unpaid balance will bear interest until paid.

5. In addition to our fees, we will charge you for any costs as they are incurred. Costs include items such as any court fees we may be required to pay on your behalf, legal research services, travel expenses for oral arguments or meetings, and postage and delivery.

6. Fees paid to CALG's attorneys may be split between CALG and its attorneys on a pro rata basis ranging from 20 to 80 percent. The total fees charged are not increased in any way by reason of the provision for division of fees. By executing this agreement, you consent to this fee sharing arrangement.

7. CALG's tax i.d. number is 47-3204221.

C. Extensions of Time & Authority for Arguments.

It is common for litigants on appeal to seek extensions of the brief-filing deadlines set by the rules of court. We may request such extensions in this case. We may also agree to reasonable extension requests from an opposing party. You hereby authorize us to represent to the court that you are aware of and concur in our decision to seek or agree to any extension we deem appropriate. Please contact us immediately if, for any reason, you prefer that we not seek or agree to routine extensions in this case.

The process of crafting an appellate brief is complex and nuanced. We are experts in appellate practices and procedures, but we generally welcome comments, questions, and inputs from our clients, such as you or anyone you wish, as long we believe sufficient time permits. You agree, however, that CALG retains ultimate authority over whether and how to present any and all facts and arguments in any filing on which CALG's name appears.

D. Effective Date.

The proposal reflected in this letter will remain open for 14 days after the date set forth at the beginning of this letter, at which point the proposal will expire. This agreement will not take effect and we will have no obligation to provide legal services until a signed copy of this agreement is returned to us within 14 days after the date set forth at the beginning of the letter.

E. Conflicts.

While we are not presently aware of any conflicts of interest triggered by this engagement, the nature and scope of our work for other clients could give rise to a conflict of interest in the future. It is possible that while we are representing you in this engagement, a conflict could arise in a matter unrelated to this engagement. Other existing or future clients of the firm, including some who rely upon us for general representation or advice, may ask us to represent them in litigation adverse to you. You agree that you will reasonably consider a request to waive any future conflict for any matter that is legally and factually unrelated to legal services we have agreed to provide in this engagement, and you agree that you will not unreasonably withhold consent to such a waiver request in the future.

F. Mediation & Arbitration; Use of California Law.

Any dispute, claim, or controversy arising under or relating to this agreement or in connection with the provision of legal services by us (including without limitation any claim of professional error or omission, any dispute about fees or costs, or the determination of the scope or applicability of this agreement to arbitrate) shall be submitted for mediation and arbitration to JAMS in San Francisco, California, in accordance with the rules of JAMS. The parties shall first attempt to mediate the dispute and, if unsuccessful, resolve the dispute by binding arbitration. The parties may invoke any arbitration appeal procedures JAMS offers.

California law and the California Arbitration Act will apply and jurisdiction and venue will be in the City and County of San Francisco, California. You understand this means that both CALG and you are waiving

our right to a jury trial. After the arbitration, however, either party may file an application to correct or vacate the arbitration award in the appropriate court, which will have authority to review all questions of law decided by the arbitrator. Both CALG and you agree that all aspects of the arbitration or mediation, including the initiation, filings, hearings, and result, will be held completely confidential and will not be disclosed to any third parties unless required to enforce the terms of this agreement or required by law.

Notwithstanding the foregoing, fee disputes may first be submitted to the State Bar of California's program for arbitration of fee disputes pursuant to Business and Professions Code sections 6200 et seq. If the State Bar declines to hear a fee dispute, or if either party rejects the State Bar panel's decision on any fee dispute, then instead of the right to trial mentioned in the statute, our fee dispute will be resolved by binding JAMS arbitration as set forth above.

G. Disposition of Case File.

By executing this agreement, you consent to storage of your case file in an entirely electronic format and on a secure internet cloud storage system. If you request, the case documents in our file will be electronically transferred to you at the end of our representation. Except as provided under California Rules of Professional Conduct Rule 1.15, we may destroy the documents in your case file after one year from the conclusion of our work under this agreement.

H. Disclaimer of Guarantee.

Nothing in this agreement and nothing in our statements to you are to be construed as a promise or guarantee concerning the outcome of this matter. We make no such promises or guarantees. Any comments about the outcome of this matter are expressions of opinion only.

I. Advice of Independent Counsel.

This document affects your legal rights. Since it is a contract between you and this firm, we recommend you seek independent counsel to advise you in regard to the terms of this agreement.

CALG takes no responsibility for advising you about any professional negligence claims you may have against any prior counsel you may have had. If you believe you may have a professional negligence claim against your prior counsel, you should promptly speak with an attorney who specializes in that area of law.

J. Severability.

The terms of this agreement shall be deemed severable, such that the invalidity of one provision shall not invalidate the remainder of the agreement. If a provision is severed, the remainder of the agreement shall be interpreted so as to give this agreement its intended effect to the limit of the law.

K. Complete Integration.

This contract contains the entire agreement regarding CALG's representation of you for the work described in Section A. It supersedes and replaces any previous agreement between us. This agreement shall be binding upon the signatories and their respective legal representatives and successors. It shall not be modified except by written agreement signed by both CALG and you.

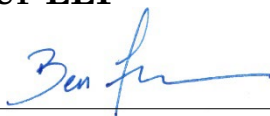
L. Counterparts.

This agreement may be executed in any number of counterparts, all of which together shall comprise a single agreement. Docusign signatures or PDF scans of signatures shall be construed as original signatures.

* * *

If this agreement is satisfactory, please sign the enclosed copy and return it to us. If you have any questions, please do not hesitate to call or email us. We look forward to working with you.

Very truly yours,
**COMPLEX APPELLATE LITIGATION
GROUP LLP**

By: 
Ben Feuer, Chairman

* * *

I have read and understood the foregoing terms and agree to them. By signing below, I acknowledge that I have reviewed this agreement carefully, that I have been given an opportunity to consult with an outside lawyer and negotiate the terms of the agreement, and that I understand and agree to the provisions above regarding payment, arbitration, and all other elements of the agreement. I am authorized to sign this agreement on behalf of the City of Costa Mesa.

By _____
Lori Ann Farrell Harrison
City Manager

Date

Attachment A

Hourly Billing Rates

| | | | |
|---------------------------|------|-------------------------|-----|
| Kirstin Ault | 720 | Johanna Schiavoni | 725 |
| Sharon Baumgold | 685 | Jocelyn Sperling..... | 685 |
| Pablo Drobny | 685 | M.C. Sungaila | 900 |
| Reno Fernandez | 685 | Jennifer Teaforde | 685 |
| Ben Feuer | 830 | Jessica Weisel | 830 |
| Melanie Gold | 685 | Greg Wolff | 725 |
| Katy Graham | 685 | Kelly Woodruff | 725 |
| Rex Heinke | 1150 | Susan Yorke | 720 |
| Susan Horst | 740 | | |
| Charles Kagay | 740 | | |
| Anna-Rose Mathieson | 830 | Sr. Paralegal | 230 |
| Claudia Ribet | 725 | Jr. Paralegal | 200 |
| Robert Roth | 1055 | Other Staff | 165 |

From time to time, new attorneys may join our firm who may be assigned to work on this matter. Their rates will ordinarily be within this range.

Payment Methods

| | |
|-------------------|--|
| Electronic Check: | We encourage electronic checks, which work the same as paper checks, but online. They simply require the routing and account number from the bottom of your paper check. Each transaction is limited to \$10,000, but you can enter multiple transactions. |
| Paper Check: | Please make check payable to the Complex Appellate Litigation Group LLP and mail it to 96 Jessie St., San Francisco, CA, 94105. |
| Credit Cards: | CALG accepts all major credit cards for retainer and monthly payments with no surcharge. However, if you pay by credit card, we request that you keep the card on file and approve automatic payments for all invoices (except those for which you send objections within 14 days). Please ask for a credit card autopayment form to pay by credit card. |
| Wire Transfer: | Please ask for account information to pay by wire transfer. |

Please email billing@calg.com or call us with any questions.



January 31, 2023

Via Email

Lori Ann Farrell Harrison, City Manager
City of Costa Mesa
c/o Kimberly Hall Barlow, City Attorney
khh@jones-mayer.com

**Re: *Insight Psychology v. City of Costa Mesa*
(U.S.D.C., C.D. Cal, No. 8:20-cv-00504-MEMF-JDE)**

Dear Lori Ann:

The Complex Appellate Litigation Group LLP (CALG) would be pleased to provide consulting services for you under the following terms:

A. Services To Be Rendered.

1. Our only client under this agreement is the City of Costa Mesa (“you”). This agreement does not apply to any other individuals, entities, organizations, employees, managers, members, partners, officers, directors, owners, or shareholders, even if affiliated or related to you.

2. We will consult and advise as needed on issues in the district court that you or your trial counsel identify as potentially important to an appeal. As you are already represented by counsel of record, we do not have final responsibility for researching, writing, filing documents, or presenting oral argument.

3. We will perform no other legal services under this agreement. We will not appear as attorney of record in the Court of Appeals or the superior court, and our firm name will not appear on any brief or other document filed in this case. We will not be responsible for filing any papers or

tracking any court deadlines in the Court of Appeals or superior court, and we will not have the final determination of the contents of any document filed. Services in any matter not described above will require a separate written agreement.

4. Either of us may terminate this agreement at any time for any reason. In the event of termination of this agreement by either party, you are responsible for all fees and costs up to the point of termination.

B. Fees for Legal Services.

1. M.C. Sungaila will be the primary attorney responsible for this matter. Other attorneys may also work on this matter, subject to your approval. All time is billed in minimum units of one-tenth (.1) of an hour.

2. The hourly rates for our attorneys are listed in Attachment A to this agreement. We agree to discount these rates by 10% for any invoice paid within 35 days of the date of issuance.

3. We will invoice periodically for fees and costs. Bills are due and payable on receipt and will be considered delinquent if not paid within 35 days. If you have any objections to an invoice, you must bring them to our attention in those 35 days; otherwise, you agree the invoice is acceptable to you. You assume full responsibility for the payment of our fees and costs in accordance with all provisions of this letter.

4. If the balance is not paid when due, interest may be charged on the principal balance (consisting of any unpaid fees, costs, and/or expenses) shown on the invoice. Interest will be calculated by multiplying the unpaid balance by the periodic rate of 0.833% per month (10% per year). The unpaid balance will bear interest until paid.

5. In addition to our fees, we will charge you for any costs as they are incurred. Costs include items such as any court fees we may be required to pay on your behalf, legal research services, travel expenses for oral arguments or meetings, and postage and delivery.

6. Fees paid to CALG's attorneys may be split between CALG and its attorneys on a pro rata basis ranging from 20 to 80 percent. The total fees charged are not increased in any way by reason of the provision for division of fees. By executing this agreement, you consent to this fee sharing arrangement.

7. CALG's tax i.d. number is 47-3204221.

C. Effective Date.

The proposal reflected in this letter will remain open for 14 days after the date set forth at the beginning of this letter, at which point the proposal will expire. This agreement will not take effect and we will have no obligation to provide legal services until a signed copy of this agreement is returned to us within 14 days after the date set forth at the beginning of the letter.

D. Conflicts.

While we are not presently aware of any conflicts of interest triggered by this engagement, the nature and scope of our work for other clients could give rise to a conflict of interest in the future. It is possible that while we are advising you in this engagement, a conflict could arise in a matter unrelated to this engagement. Other existing or future clients of the firm, including some who rely upon us for general representation or advice, may ask us to represent them in litigation adverse to you. You agree that you will reasonably consider a request to waive any future conflict for any matter that is legally and factually unrelated to legal services we have agreed to provide in this engagement, and you agree that you will not unreasonably withhold consent to such a waiver request in the future.

E. Mediation & Arbitration; Use of California Law.

Any dispute, claim, or controversy arising under or relating to this agreement or in connection with the provision of legal services by us (including without limitation any claim of professional error or omission, any dispute about fees or costs, or the determination of the scope or applicability of this agreement to arbitrate) shall be submitted for mediation and arbitration to

JAMS in San Francisco, California, in accordance with the rules of JAMS. The parties shall first attempt to mediate the dispute and, if unsuccessful, resolve the dispute by binding arbitration. The parties may invoke any arbitration appeal procedures JAMS offers.

California law and the California Arbitration Act will apply and jurisdiction and venue will be in the City and County of San Francisco, California. You understand this means that both CALG and you are waiving all rights to a jury trial. After the arbitration, however, either party may file an application to correct or vacate the arbitration award in the appropriate court, which will have authority to review all questions of law decided by the arbitrator. Both CALG and you agree that all aspects of the arbitration or mediation, including the initiation, filings, hearings, and result, will be held completely confidential and will not be disclosed to any third parties unless required to enforce the terms of this agreement or required by law.

Notwithstanding the foregoing, fee disputes may first be submitted to the State Bar of California's program for arbitration of fee disputes pursuant to Business and Professions Code sections 6200 et seq. If the State Bar declines to hear a fee dispute, or if either party rejects the State Bar panel's decision on any fee dispute, then instead of the right to trial mentioned in the statute, our fee dispute will be resolved by binding JAMS arbitration as set forth above.

F. Disposition of Case File.

By executing this agreement, you consent to storage of your case file in an entirely electronic format and on a secure internet cloud storage system. If you request, the case documents in our file will be electronically transferred to you at the end our engagement. Except as provided under California Rules of Professional Conduct Rule 1.15, we may destroy the documents in your case file after one year from the conclusion of our work under this agreement.

G. Disclaimer of Guarantee

Nothing in this agreement and nothing in our statements to you are to be construed as a promise or guarantee concerning the outcome of this matter. We make no such promises or guarantees. Any comments about the outcome of this matter are expressions of opinion only.

H. Advice of Independent Counsel.

This document affects your legal rights. Since it is a contract between you and this firm, we recommend you seek independent counsel to advise you in regard to the terms of this agreement.

CALG takes no responsibility for advising you about any professional negligence claims you may have against any prior counsel you may have had. If you believe you may have a professional negligence claim against your prior counsel, you should promptly speak with an attorney who specializes in that area of law.

I. Severability.

The terms of this agreement shall be deemed severable, such that the invalidity of one provision shall not invalidate the remainder of the agreement. If a provision is severed, the remainder of the agreement shall be interpreted so as to give this agreement its intended effect to the limit of the law.

J. Complete Integration.

This contract contains the entire agreement regarding CALG's services for the work described in Section A. It supersedes and replaces any previous agreement between us. This agreement shall be binding upon the signatories and their respective legal representatives and successors. It shall not be modified except by written agreement signed by both CALG and you.

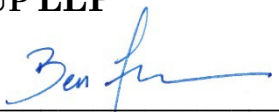
K. Counterparts

This agreement may be executed in any number of counterparts, all of which together shall comprise a single agreement. DocuSign signatures or PDF scans of signatures shall be construed as original signatures.

* * *

If this agreement is satisfactory, please sign the enclosed copy and return it to us. If you have any questions, please do not hesitate to call or email us. We look forward to working with you.

Very truly yours,
**COMPLEX APPELLATE LITIGATION
GROUP LLP**

By: 
Ben Feuer, Chairman

* * *

I have read and understood the foregoing terms and agree to them. By signing below, I acknowledge that I have reviewed this agreement carefully, that I have been given an opportunity to consult with an outside lawyer and negotiate the terms of the agreement, and that I understand and agree to the provisions above regarding payment, arbitration, and all other elements of the agreement. I am authorized to sign this agreement on behalf of the City of Costa Mesa.

By _____
Lori Ann Farrell Harrison
City Manager

Date

Attachment A

Hourly Billing Rates

| | | | |
|---------------------------|------|-------------------------|-----|
| Kirstin Ault | 720 | Johanna Schiavoni | 725 |
| Sharon Baumgold | 685 | Jocelyn Sperling..... | 685 |
| Pablo Drobny | 685 | M.C. Sungaila | 900 |
| Reno Fernandez | 685 | Jennifer Teaforde | 685 |
| Ben Feuer | 830 | Jessica Weisel | 830 |
| Melanie Gold | 685 | Greg Wolff | 725 |
| Katy Graham | 685 | Kelly Woodruff | 725 |
| Rex Heinke | 1150 | Susan Yorke | 720 |
| Susan Horst | 740 | | |
| Charles Kagay | 740 | | |
| Anna-Rose Mathieson | 830 | Sr. Paralegal | 230 |
| Claudia Ribet | 725 | Jr. Paralegal | 200 |
| Robert Roth | 1055 | Other Staff | 165 |

From time to time, new attorneys may join our firm who may be assigned to work on this matter. Their rates will ordinarily be within this range.

Payment Methods

| | |
|-------------------|--|
| Electronic Check: | We encourage electronic checks, which work the same as paper checks, but online. They simply require the routing and account number from the bottom of your paper check. Each transaction is limited to \$10,000, but you can enter multiple transactions. |
| Paper Check: | Please make check payable to the Complex Appellate Litigation Group LLP and mail it to 96 Jessie St., San Francisco, CA, 94105. |
| Credit Cards: | CALG accepts all major credit cards for retainer and monthly payments with no surcharge. However, if you pay by credit card, we request that you keep the card on file and approve automatic payments for all invoices (except those for which you send objections within 14 days). Please ask for a credit card autopayment form to pay by credit card. |
| Wire Transfer: | Please ask for account information to pay by wire transfer. |

Please email billing@calg.com or call us with any questions.



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-1004

Meeting Date: 2/7/2023

TITLE:

CDBG CV HOMELESSNESS PREVENTION AND SERVICES TO LOW/MODERATE INCOME HOUSEHOLDS

DEPARTMENT: CITY MANAGER'S OFFICE

PRESENTED BY: NATE ROBBINS, NEIGHBORHOOD IMPROVEMENT MANAGER

CONTACT INFORMATION: LORI KARAGUEZIAN, SENIOR MANAGEMENT ANALYST,
(714) 593-5347

RECOMMENDATION:

Staff recommends the City Council:

1. Approve the recommended reallocation of \$344,000 in Community Development Block Grant - Coronavirus (CDBG-CV) funds from Program Administration (\$274,000) and the Motel Isolation Voucher Program (\$70,000) for street outreach, workforce development, senior meals, and homeless youth programs.
2. Authorize the City Manager (or their designee) and the City Clerk to execute all agreements and/or amendments to the agreements to award CDBG-CV funding in the amount of \$70,000 for Trellis International, \$189,000 for City Net, and \$35,000 for Project Hope Alliance, each for a one-year term.
3. Approve the appropriation of \$50,000 in CDBG-CV funds to provide meals for Costa Mesa senior citizens.

BACKGROUND:

Since March 2020, the COVID-19 Pandemic has had significant economic impacts on communities. Programs designed to provide a safety net for residents have been necessary to mitigate the related impacts pertaining to food, housing, and income insecurity.

Locally identified COVID-19 Pandemic related impacts, such as an increase in visible homelessness, extra costs for basic necessities such as food, and the economic downturn as a consequence of the pandemic, precipitated a review of current allocations for public services subsidized with CDBG-CV funds. Based on staff's review, a determination has been made that additional funding is needed for services related to street outreach, youth experiencing homelessness, and home-delivered/congregate meals for seniors. A reallocation of CDBG-CV funds from Program

Administration and the Motel Isolation Voucher Program could provide the additional funding needed to subsidize services in these key areas.

Community Development Block Grant Coronavirus (CDBG-CV)

The Coronavirus Aid, Relief and Economic Security Act of 2020 (the “Cares Act”) provided \$5 billion in Community Development Block Grant Coronavirus funding (“CDBG-CV”) to assist low-income and vulnerable Americans impacted by the Coronavirus pandemic. The U.S. Department of Housing and Urban Development (“HUD”) allocated \$2 billion of these funds to eligible jurisdictions by using the existing CDBG grant formula. The CDBG-CV program is a COVID 19 resource that was approved as a substantial amendment to the FY 2019-2020 Annual Action Plan and is not a recurring source of funding.

City Council accepted round one of CDBG-CV funds on May 26, 2020 in the amount of \$668,658 and round two of CDBG-CV funds on October 9, 2020 in the amount of \$1,168,216 for a total CDBG-CV award of \$1,836,874. Of this total, \$333,942 was allocated for Program Administration to cover staff’s costs of administering the CDBG-CV funds and \$138,535 was allocated for the Motel Voucher Program to facilitate the isolation of emergency shelter guests who have tested positive for COVID-19.

ANALYSIS:

CDBG-CV funds set aside for motel isolation vouchers and program administration are not being expended at rates that will meet the required expenditure deadlines, thus a portion of these funds must be reallocated to avoid being recaptured by HUD.

The \$138,535 in CDBG-CV funds set aside for motel isolation vouchers has been underutilized, as there is access to free isolation beds within the County’s Continuum of Care system. Using these free isolation beds has allowed the City to retain CDBG-CV funds that can now be reprogrammed for other uses.

Similarly, the \$333,942 in CDBG-CV funds allocated for Administration is not on pace to meet expenditure deadlines because the City has effectively used subrecipients to prevent, prepare for, and respond to coronavirus with minimal program oversight needed by City staff. As a result, a portion of these CDBG-CV funds can be reallocated to provide more services for the community.

Workforce Development and Like Skills Training

The City funds Trellis International (Trellis) to administer a workforce development and life skills training program called the Community Impact Team (CIT). The CIT provides employment services and transitional employment opportunities for homeless and extremely low-income Costa Mesa residents seeking to reenter the workforce. The City recently expanded its partnership with Trellis to subsidize three (3) projects per week where Teams perform clean-ups at City parks and along major thoroughfares throughout Costa Mesa. Reallocating \$70,000 in CDBG-CV funds to Trellis will allow the CIT to operate in the City of Costa Mesa for an additional 12 months.

Street Outreach

The City funds City Net to provide after-hours street outreach to unsheltered homeless people, four days a week (Mon, Tue, Thu, Fri) from 4-9pm. This service is extremely important as it offers additional support for both City Outreach and the Community Policing Unit (CPU) in providing case management services to our most vulnerable residents. During 2022, City Net Outreach Workers made contact with 844 people, connected 196 of those to services, and facilitated 38 street exits to housing or specialized treatment facilities. Reallocating \$189,000 in CDBG-CV funds to City Net will allow them to provide an additional 10.5 months of street outreach to our unsheltered residents.

Youth Services

The City funds Project Hope Alliance (PHA) to provide on- and off-campus case management of homeless and at-risk Newport Mesa Unified School District (NMUSD) students and their families. The services provided by PHA are vital to preventing both current and future homelessness for Costa Mesa residents. During 2022, PHA assisted a total of 329 NMUSD students across 23 campuses. Reallocating \$35,000 in CDBG-CV funds to PHA will allow them to continue to support NMUSD students and their families through the current school year.

Meals for Seniors

The City currently funds Community SeniorServ (CSS) to provide home-delivered and congregate meals to an estimated 170 Costa Mesa senior citizens per year. During the current fiscal year, CSS's Congregate Lunch program has seen a 300% increase over last year in the number of seniors served (80 residents this year vs. 24 last year) and food costs are rising. The raw food costs incurred by CSS for the first quarter of 2022 was \$34,056, which is \$6,132 more than their entire annual award of \$27,924.

An additional \$50,000 in CDBG-CV funds is needed to provide for the increased number of Costa Mesa seniors facing food insecurity. Staff intends to solicit applications for funding to provide additional meals to our vulnerable senior population, thus fulfilling the City's procurement requirements.

The reallocation of these funds does not require a substantial amendment to the Annual Action Plan as, per the City's HUD-approved Citizen Participation Plan, there will not be a substantial change to the purpose, scope, location or beneficiaries of the activities in the original allocation and the amount of the reallocation does not exceed 45% of the total CDBG-CV award. A summary of the allocations, expenditures, balances and proposed reallocations of CDBG-CV funds is outlined in the table below.

| AGENCY/USE | Total Allocation | Total Expended | Balance | Proposed Reallocation |
|---|-------------------|-------------------|-------------------|-----------------------|
| Motel Isolation Vouchers | \$ 138,535 | \$ 38,424 | \$ 100,111 | \$ (70,000) |
| City Admin (18%) | \$ 333,942 | \$ 28,261 | \$ 305,681 | \$ (274,000) |
| City Net - Street Outreach | \$ 192,000 | \$ 179,745 | \$ 12,255 | \$ 189,000 |
| Trellis - Street Outreach | \$ 90,382 | \$ 79,653 | \$ 10,729 | \$ 70,000 |
| Project Hope Alliance - Youth Services | \$ 162,382 | \$ 162,382 | \$ - | \$ 35,000 |
| Community SeniorServ - Meals on Wheels | \$ 15,000 | \$ 15,000 | \$ - | \$ - |
| TBD - Meals for Seniors | \$ - | \$ - | \$ - | \$ 50,000 |
| TOTALS | \$ 932,241 | \$ 503,465 | \$ 428,776 | \$ - |

ALTERNATIVES:

The City Council can choose to reject staff's recommendation and continue to set the available CDBG-CV funds aside for administrative costs; however, this would place the City at risk of having to return the funds to HUD. Hence, this alternative is not advised.

FISCAL REVIEW:

This item does not contemplate the use of General Funds.

LEGAL REVIEW:

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

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Strengthen the Public's Safety and Improve the Quality of Life

CONCLUSION:

Staff recommends the City Council:

1. Approve the recommended reallocation of \$344,000 in Community Development Block Grant - Coronavirus (CDBG-CV) funds from Program Administration (\$274,000) and the Motel Isolation Voucher Program (\$70,000) for street outreach, workforce development, senior meals, and homeless youth programs.
2. Authorize the City Manager (or their designee) and the City Clerk to execute all agreements and/or amendments to the agreements to award CDBG-CV funding in the amount of \$70,000 for Trellis International, \$189,000 for City Net, and \$35,000 for Project Hope Alliance, each for a one-year term.
3. Approve the appropriation of \$50,000 in CDBG-CV funds to provide meals for Costa Mesa senior citizens.

**AMENDMENT NUMBER TWO
TO 2020-2021 SUBRECIPIENT AGREEMENT
AMONG THE CITY OF COSTA MESA, AS GRANTEE UNDER THE
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM,
THE COSTA MESA HOUSING AUTHORITY, AND KINGDOM CAUSES, INC. DBA CITY NET**

This Amendment Number Two ("Amendment") is made and entered into this 7th day of February, 2023 ("Effective Date"), by and between the CITY OF COSTA MESA, a municipal corporation and a grantee under the U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant-Coronavirus ("CDBG-CV") Program (Catalog of Federal Domestic Assistance Number 14-218; Grant No: B-20-MC-06-0503) ("City"), the COSTA MESA HOUSING AUTHORITY, a public body corporate and political ("Authority"), and KINGDOM CAUSES, INC., a California nonprofit corporation DBA CITY NET ("Subrecipient"). City and Authority are collectively referred to herein as "City."

WHEREAS, City and Subrecipient entered into a 2020-2021 Subrecipient Agreement dated May 1, 2021 for Subrecipient to provide after hours homeless prevention and street outreach services (the "Agreement"); and

WHEREAS, Section A(3) of the Agreement provides for a term of one (1) year, with the option to extend the Agreement for one (1) additional one (1) year period; and

WHEREAS, on April 30, 2022, City and Subrecipient entered into Amendment One to extend the Agreement through April 30, 2023; and

WHEREAS, City and Subrecipient desire to extend the term for an additional one (1) year period to extend the Agreement through April 30, 2024; and

WHEREAS, City desires to increase the total amount granted to Subrecipient accordingly and to allocate an additional One Hundred and Eighty-Nine Thousand Dollars (\$189,000.00) of CDBG-CV funds; and

WHEREAS, due to the immediate need for the community to receive the services of Subrecipient, City may provide the CDBG-CV funds immediately upon City Council approval.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The term of the Agreement shall be extended through April 30, 2024.
2. Section 1 of the Agreement shall be amended to add subsection (c) **Use of CDBG-CV Funds; Duplication of Benefits**. SUBRECIPIENT acknowledges that CITY is utilizing CDBG-CV funds allocated to City through the CARES Act in whole or in part to fund the services set forth in this Agreement. SUBRECIPIENT understands and agrees that CDBG-CV funds may only be utilized to prevent, prepare for, and respond to the COVID-19 pandemic. SUBRECIPIENT shall not carry out any of the activities under this Agreement in a manner that results in a prohibited duplication of benefits as defined by the CARES Act and/or HUD's CDBG-CV guidance. SUBRECIPIENT must comply with HUD's requirements for duplication

of benefits imposed on the CITY, which are: CDBG-CV funds may not be used to pay costs if another source of financial assistance is available to pay that cost. SUBRECIPIENT further agrees to repay the CITY any assistance determined to be duplicative.

- 3. Section 4 of the Agreement shall be amended to reflect that Subrecipient's total compensation shall not exceed Three Hundred and Eighty-One Thousand Dollars (\$381,000.00). Subrecipient shall be paid according to the fee schedule set forth in the Agreement.
- 4. Section 8 of the Agreement shall be amended to add subsection (j) Records specifying how the Coronavirus impacted persons assisted and that no other financial resource is available to provide assistance.
- 5. All terms not defined herein shall have the same meaning and use as set forth in the Agreement.
- 6. All other terms, conditions, and provisions of the Agreement shall remain in full force and effect.
- 7. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by and through their respective authorized officers, as of the date first written above.

SUBRECIPIENT

KINGDOM CAUSES, INC. DBA CITY NET
Federal Tax ID Number: 57-1162424

Signature

Date: _____

Name and Title

Signature

Date: _____

Name and Title

CITY OF COSTA MESA

Lori Ann Farrell Harrison
City Manager

Date: _____

COSTA MESA HOUSING AUTHORITY

Lori Ann Farrell Harrison
Executive Director

Date: _____

ATTEST:

Brenda Green
City Clerk

APPROVED AS TO FORM:

Kimberly Hall Barlow
City Attorney/Housing Authority General Counsel

Date: _____

APPROVED AS TO INSURANCE:

Ruth Wang
Risk Management

Date: _____

APPROVED AS TO CONTENT:

Lori Karaguezian
Project Manager

Date: _____

APPROVED AS TO PURCHASING:

Carol Molina
Finance Director

Date: _____

**AMENDMENT NUMBER TWO
TO 2020-2021 SUBRECIPIENT AGREEMENT
AMONG THE CITY OF COSTA MESA, AS GRANTEE UNDER THE
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM,
THE COSTA MESA HOUSING AUTHORITY, AND TRELLIS INTERNATIONAL**

This Amendment Number Two ("Amendment") is made and entered into this 7th day of February, 2023 ("Effective Date"), by and between the CITY OF COSTA MESA, a municipal corporation and a grantee under the U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant-Coronavirus ("CDBG-CV") Program (Catalog of Federal Domestic Assistance Number 14-218; Grant No: B-20-MC-06-0503) ("City"), the COSTA MESA HOUSING AUTHORITY, a public body corporate and political ("Authority"), and TRELLIS INTERNATIONAL, a California nonprofit corporation ("Subrecipient"). City and Authority are collectively referred to herein as "City."

WHEREAS, City and Subrecipient entered into a 2020-2021 Subrecipient Agreement dated May 1, 2021 for Subrecipient to provide Innovative Street Outreach and Life Skills Training services (the "Agreement"); and

WHEREAS, Section A(3) of the Agreement provides for a term of one (1) year, with the option to extend the Agreement for one (1) additional one (1) year period; and

WHEREAS, City and Subrecipient entered into Amendment Number One on April 30, 2022 to extend the term for an additional one (1) year period through April 30, 2023; and

WHEREAS, City and Subrecipient now desire to extend the term for an additional one (1) year period to extend the Agreement through April 30, 2024; and

WHEREAS, City desires to increase the total amount granted to Subrecipient accordingly and to allocate an additional Seventy-Thousand Dollars (\$70,000.00) of CDBG-CV funds; and

WHEREAS, due to the immediate need for the community to receive the services of Subrecipient, City may provide the CDBG-CV funds immediately upon City Council approval of this Amendment Two.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The term of the Agreement shall be extended through April 30, 2024.
2. Section 1 of the Agreement shall be amended to add subsection (c) **Use of CDBG-CV Funds; Duplication of Benefits**. SUBRECIPIENT acknowledges that CITY is utilizing CDBG-CV funds allocated to City through the CARES Act in whole or in part to fund the services set forth in this Agreement. SUBRECIPIENT understands and agrees that CDBG-CV funds may only be utilized to prevent, prepare for, and respond to the COVID-19 pandemic. SUBRECIPIENT shall not carry out any of the activities under this Agreement in a manner that results in a prohibited duplication of benefits as defined by the CARES Act and/or HUD's CDBG-CV guidance. SUBRECIPIENT must comply with HUD's requirements for duplication of benefits imposed on the CITY, which are: CDBG-CV funds may not be used to

pay costs if another source of financial assistance is available to pay that cost. SUBRECIPIENT further agrees to repay the CITY any assistance determined to be duplicative.

3. Section 4 of the Agreement shall be amended to reflect that Subrecipient's total compensation shall not exceed One Hundred and Sixty Thousand and Three Hundred and Eighty-Two Dollars (\$160,382.00). Subrecipient shall be paid according to the fee schedule set forth in the Agreement.
4. Section 8 of the Agreement shall be amended to add subsection (j) Records specifying how the Coronavirus impacted persons assisted and that no other financial resource is available to provide assistance.
5. All terms not defined herein shall have the same meaning and use as set forth in the Agreement.
6. All other terms, conditions, and provisions of the Agreement shall remain in full force and effect.
7. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by and through their respective authorized officers, as of the date first written above.

SUBRECIPIENT

TRELLIS INTERNATIONAL

Federal Tax ID Number: 47-5324236

Signature

Date: _____

Name and Title

Signature

Date: _____

Name and Title

CITY OF COSTA MESA

Lori Ann Farrell Harrison
City Manager

Date: _____

COSTA MESA HOUSING AUTHORITY

Lori Ann Farrell Harrison
Executive Director

Date: _____

ATTEST:

Brenda Green
City Clerk

APPROVED AS TO FORM:

Kimberly Hall Barlow
City Attorney/Housing Authority General Counsel

Date: _____

APPROVED AS TO INSURANCE:

Ruth Wang
Risk Management

Date: _____

APPROVED AS TO CONTENT:

Lori Karaguezian
Project Manager

Date: _____

APPROVED AS TO PURCHASING:

Carol Molina
Finance Director

Date: _____

**SUBRECIPIENT AGREEMENT
AMONG THE CITY OF COSTA MESA,
THE COSTA MESA HOUSING AUTHORITY AND
PROJECT HOPE ALLIANCE
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM-CORONAVIRUS
(CDBG-CV)**

This SUBRECIPIENT AGREEMENT (“Agreement”) is entered into as of February 7, 2023 (“Effective Date”) by and among the CITY OF COSTA MESA, a California municipal corporation and a grantee under the U.S. Department of Housing and Urban Development (“HUD”) Community Development Block Grant-Coronavirus (“CDBG-CV”) Program (Catalog of Federal Domestic Assistance Number 14-218; Grant No: B-20-MW-06-0503) (“CITY”), the COSTA MESA HOUSING AUTHORITY, a public body corporate and politic (“AUTHORITY”), and PROJECT HOPE ALLIANCE, a California nonprofit corporation (“SUBRECIPIENT”). CITY and AUTHORITY are collectively referred to herein as “CITY.”

WHEREAS, the primary objective of the Housing and Community Development Act of 1974, 42 U.S.C. section 5301 et seq., as amended (“Act”) and the CDBG Program is the development of viable urban communities by providing decent housing, a suitable living environment and expanding economic opportunities; principally for persons of low and moderate income; and

WHEREAS, pursuant to Title 24, Part 570 of the Code of Federal Regulations (24 C.F.R. 570 et seq.) (“CDBG Regulations”), CITY may engage certain organizations to assist in utilizing CDBG-CV funds pursuant to subrecipient agreements, provided that the activities funded are eligible for funding and meet a national objective; and

WHEREAS, eligible activities are set forth at 24 C.F.R. 570.201-207; and

WHEREAS, each CDBG-CV funded activity must meet one of the following national objectives: (1) benefit low-income and moderate-income persons; (2) prevent or eliminate slums or blight; or (3) meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available to meet such needs; and

WHEREAS, pursuant to the Coronavirus Aid, Relief, and Economic Security Act of 2020 (the “CARES Act”), and notice dated April 2, 2020, the U.S. Department of Housing and Urban Development (“HUD”) has awarded \$1,168,216.00 in Community Development Block Grant - Coronavirus (“CDBG-CV”) funds to the CITY for activities authorized under Title I of the Act and described in the CITY’s 2019 Annual Action Plan Substantial Amendment (the “Action Plan”); and

WHEREAS, CDBG-CV funds must only be used to prevent, prepare for, or respond to the Coronavirus (COVID-19) pandemic; and

WHEREAS, the CITY wishes to engage SUBRECIPIENT to assist the CITY in utilizing such funds to carry out a part of the CITY’s Federal award by committing \$35,000.00 of the CITY’s Federal award, pursuant to this Agreement; and

WHEREAS, due to the immediate need for the community to receive the services of SUBRECIPIENT, CITY may provide the CDBG-CV funds immediately upon City Council approval of this Agreement; and

WHEREAS, the CDBG-CV funds made available for use by the SUBRECIPIENT under this Agreement constitute a subaward of the CITY's Federal award, the use of which must be in accordance with requirements imposed by Federal statutes, regulations, and the terms and conditions of the CITY's Federal award; and

WHEREAS, SUBRECIPIENT will use CDBG-CV funds to provide on- and off-campus case management of homeless and at-risk Newport Mesa Unified School District (NMUSD) students and their families; and

WHEREAS, CITY has determined that SUBRECIPIENT's activities are eligible for funding, meet one of the national objectives and will be used to prevent, prepare for, or respond to the Coronavirus pandemic.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions set forth herein, the parties hereby agree as follows:

A. SUBRECIPIENT OBLIGATIONS.

1. Scope of Services.

- (a) Activities.** The subgranting of CDBG-CV funds to SUBRECIPIENT shall be used to provide the specific services as described in the CITY's Request for Proposal ("RFP"), attached hereto as Exhibit "A," and SUBRECIPIENT's response to City's RFP ("SUBRECIPIENT'S PROPOSAL"), attached hereto as Exhibit "B," both incorporated herein. Such services are summarized as follows: case management services for Costa Mesa elementary, junior high, and high school students experiencing homelessness. In accordance with CITY requirements, SUBRECIPIENT shall ensure that at least seventy percent (70%) of SUBRECIPIENT's clients served by the CDBG-CV funded program be in the low-income and moderate-income categories as established by HUD.
- (b) National Objectives.** SUBRECIPIENT certifies that SUBRECIPIENT's activities will meet the national objective of benefitting low-income and moderate-income persons.
- (c) Levels of Accomplishment – Goals and Performance Measures.** SUBRECIPIENT agrees to carry out the activities set forth in this Agreement in accordance with the goals and performance measures set forth in Exhibits A and B.
- (d) Performance Monitoring.** CITY will monitor the performance of SUBRECIPIENT against the goals and performance standards set forth in Exhibits A and B. Substandard performance, as determined by CITY, will constitute noncompliance with this Agreement. If SUBRECIPIENT does not take action to correct such substandard performance within a reasonable period of time after being notified by CITY, CITY may initiate termination or suspension of this Agreement as set forth herein.
- (e) Use of CDBG-CV Funds; Duplication of Benefits.** SUBRECIPIENT acknowledges that CITY is utilizing CDBG-CV funds allocated to City through the CARES Act in whole or in part to fund the services set forth in this Agreement. SUBRECIPIENT understands and agrees that CDBG-CV funds may only be utilized to prevent, prepare for, and respond to the COVID-19 pandemic. SUBRECIPIENT shall not carry out any of the activities under this Agreement in a manner that results in a prohibited duplication of benefits as defined by the CARES Act and/or HUD's CDBG-CV guidance. SUBRECIPIENT must comply

with HUD's requirements for duplication of benefits imposed on the CITY, which are: CDBG-CV funds may not be used to pay costs if another source of financial assistance is available to pay that cost. SUBRECIPIENT further agrees to repay the CITY any assistance determined to be duplicative.

2. **Non-Profit Status.** SUBRECIPIENT represents and warrants that it is a private, not-for-profit corporation, duly organized under the laws of the State of California, and whose officers are recorded in the Articles of Incorporation on file with the State of California.
3. **Term of Agreement.** Subject to the termination provisions set forth herein, the term of this Agreement is from February 7, 2023 through February 6, 2024, except that SUBRECIPIENT shall be obligated to perform such duties as would normally extend beyond this term, including but not limited to obligations with respect to indemnification, audits, reporting, data retention/data reporting, and accounting. The term may be extended for up to one (1) year upon mutual written agreement of the parties.
4. **Amount of Grant and Quarterly Disbursement.** The amount granted to SUBRECIPIENT shall not exceed Thirty-Five Thousand Dollars (\$35,000.00) ("CDBG-CV FUNDS"). SUBRECIPIENT understands and agrees that all funds must be expended by June 30, 2026. CITY will disburse CDBG-CV FUNDS to SUBRECIPIENT on a quarterly basis subject to and upon receipt and approval of a complete quarterly activity report from SUBRECIPIENT.
 - (a) **Quarterly Reports.** SUBRECIPIENT shall cause to be prepared and submitted to CITY on or before each October 15, January 15, April 15, and July 15 of each year of this Agreement a quarterly activity report in conformity with applicable CDBG Regulations ("Quarterly Activity Report").
 - (b) **Invoice Submittal.** Concurrently with the submittal of each quarterly report as described in subsection 4(a) above, SUBRECIPIENT shall submit both:
 - (i) in original invoice; and
 - (ii) true copies of other receipts, agreements, or other documentation supporting and evidencing how the CDBG-CV FUNDS have been expended during the applicable quarter. Drawdowns for the payment of eligible expenses will be made against the budget categories.

For example and by way of illustration, if SUBRECIPIENT intends to expend the applicable quarterly disbursement on staff salary, then true copies of the time card(s) or other satisfactory evidence of employment of the subject staff member with the SUBRECIPIENT shall be submitted as a part of the quarterly report.
5. **Administrative Rules.** SUBRECIPIENT agrees to conduct all activities of the organization, whether funded in whole or in part by CDBG-CV FUNDS from CITY, in accordance with the provisions contained in 2 C.F.R. Part 200.
6. **Conflicts.** SUBRECIPIENT agrees that no officer, employee, agent or assignee of CITY having direct or indirect control of any CDBG or CDBG-CV monies granted to the CITY, inclusive of the subject CDBG FUNDS, shall serve as an officer of SUBRECIPIENT. Further, any conflict or potential conflict of interest of any officer of SUBRECIPIENT shall be fully disclosed in writing prior to the execution of this Agreement; or, in the event a conflict or

potential conflict of interest arises after execution of this Agreement, SUBRECIPIENT shall fully disclose the conflict or potential conflict within fifteen (15) days of becoming aware of same, and said writing shall be attached and deemed fully incorporated as a part hereof.

7. Use of CDBG FUNDS.

- (a) Income Prohibited.** SUBRECIPIENT agrees that it shall not use CDBG-CV FUNDS in any manner that provides income to SUBRECIPIENT. Any earned interest income on funds generated through the use of investment of funds received from CDBG-CV FUNDS shall be cause, at the discretion of the CITY, for recapture of such income and/or the full amount of funds originally granted to SUBRECIPIENT.
- (b) Program Income.** The use of program income by the SUBRECIPIENT shall comply with the requirements set forth at 24 C.F.R. 570.504. SUBRECIPIENT may use such income during the term of this Agreement for activities permitted under this Agreement and shall reduce requests for additional funds by the amount of any such program income balances on hand. SUBRECIPIENT shall report quarterly all program income (as defined in 24 C.F.R. 570.500(a)) generated by activities carried out with CDBG-CV FUNDS made available under this Agreement.
- (c) Unexpended Program Income.** All unexpended program income shall be returned to the CITY at the end of the term as required by 24 C.F.R. 570.503(b)(7). Any interest earned on cash advances from the United States Treasury and from funds held in a revolving fund account is not program income and shall be remitted promptly to the CITY.

8. Records and Reports. The SUBRECIPIENT shall maintain all records required by the CDBG Regulations specified in 24 C.F.R. 570.206 that are pertinent to the activities to be funded under this Agreement and such records as may be required by CITY. Such records shall include but not be limited to the following:

- (a)** Records providing a full description of each activity undertaken.
- (b)** Records demonstrating that each activity undertaken meets one of the national objectives of the CDBG program.
- (c)** Records required to determine the eligibility of activities.
- (d)** Records required to document the acquisition, improvement, use or disposition of real property acquired or improved with CDBG-CV FUNDS.
- (e)** Records documenting compliance with the fair housing and equal opportunity components of the CDBG-CV program.
- (f)** Financial records as required by 24 C.F.R. 570.502. Such records shall contain documentation of expenses, including evidence of incurring the expense, invoice(s) for goods or services, all other invoices for which CDBG-CV FUNDS were expended, and payment therefore.
- (g)** Records necessary to document compliance with Subpart K or 24 C.F.R. Part 570.

- (h) Records demonstrating client eligibility for the services provided. Such records shall include data including but not limited to: client name, address, income level or other basis for determining eligibility, and description of service provided. If self-certification is used to verify CDBG-CV eligibility, actual client eligibility documentation must be collected and analyzed for CDBG-CV eligibility for a minimum of ten percent (10%) of total clients served each quarter. Such information shall be made available to CITY or its designees for review upon request.
- (i) Records specifying how the Coronavirus impacted persons assisted and that no other financial resource is available to provide assistance.
- (j) Any such other related records as CITY may reasonably require or as required to be maintained pursuant to the CDBG-CV Regulations.

SUBRECIPIENT shall, upon request of CITY, prepare such reports as may be required for CITY and/or SUBRECIPIENT to comply with the CDBG and CDBG-CV Regulations.

9. **Client Data and Other Sensitive Information.** SUBRECIPIENT must comply with 2 C.F.R. 200.303 and take reasonable measures to safeguard protected personally identifiable information, as defined in 2 C.F.R. 200.82, and other information HUD or CITY designates as sensitive or SUBRECIPIENT considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.
10. **Retention of Records.** All accounting records, reports, supporting documents pertaining to all costs, expenses and the CDBG-CV FUNDS received by SUBRECIPIENT and all documents related to this Agreement shall be maintained and kept available at SUBRECIPIENT's office or place of business for the duration of the Agreement and thereafter for five (5) years after CITY submits its annual performance and evaluation report to HUD to report the activities assisted under the Agreement for the final time in conformity with the CDBG and CDBG-CV Regulations. Notwithstanding the foregoing, records which relate to (a) complaints, claims, administrative proceedings or litigation arising out of the performance of this Agreement, or (b) costs and expenses of this Agreement to which CITY or any other governmental agency takes exception, shall be retained beyond the five (5) years until complete resolution or disposition of such claims, litigation, appeals, or exceptions.
11. **Audit Requirements.** If SUBRECIPIENT is granted Seven Hundred Fifty-Thousand Dollars (\$750,000.00) or more in federal funds under this Agreement, SUBRECIPIENT shall comply with and/or cause compliance with all audit requirements established by 2 C.F.R. 200.501 et seq.
12. **Uniform Administrative Requirements.** SUBRECIPIENT shall comply with applicable uniform administrative requirements as described in 24 C.F.R. 570.502.
13. **Separation of Accounts.** All CDBG-CV FUNDS received by SUBRECIPIENT from CITY pursuant to this Agreement shall be maintained in an account in a federally insured banking or savings and loan institution with recordkeeping of such accounts maintained pursuant to applicable requirements set forth in 2 C.F.R. 200 et seq. SUBRECIPIENT is not required to

maintain separate depository accounts for CDBG-CV FUNDS; provided, however, that SUBRECIPIENT must be able to account for receipt, obligation and expenditure of CDBG-CV FUNDS pursuant to applicable requirements of 2 C.F.R. 200.302 et seq. and any other applicable law.

14. Compliance with Applicable Laws. SUBRECIPIENT shall comply with all applicable federal, state and local laws, ordinances, regulations, and permits, including but not limited to all CDBG and CDBG-CV Regulations relating to financial and contractual procedures, and 2 C.F.R. 200 et seq. and as set forth in 24 C.F.R. 570.502(b), which are on file in the City of Costa Mesa, 77 Fair Drive, Costa Mesa, California 92626, and are fully incorporated herein by reference. If applicable, SUBRECIPIENT shall further comply with the requirements of Part 570 of Title 24 of the Code of Federal Regulations, including subpart K of Part 570, except that SUBRECIPIENT does not assume CITY's environmental responsibilities described in 24 C.F.R. 570.604 or CITY's responsibility for initiating the review process under 24 C.F.R. Part 52.

- (a) SUBRECIPIENT shall maintain all presently required permits and shall secure any new permits required by authorities herein with jurisdiction over the work, project, or services provided by SUBRECIPIENT with the CDBG-CV FUNDS.
- (b) SUBRECIPIENT shall ensure that the requirements of the National Environmental Policy Act and California Environmental Quality Act are met for any permits, discretionary approvals, or other entitlement required to carry out the terms of this Agreement.

15. Non-Discrimination; Civil Rights Compliance.

- (a) **Compliance.** SUBRECIPIENT shall comply with the Unruh Civil Rights Act, and with Title VI of the Civil Rights Act of 1964 as amended, Title VIII of the Civil Rights Act of 1968 as amended, Section 104(b) and Section 109 of Title I of the Housing and Community Development Act of 1974 as amended, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Age Discrimination Act of 1975, Executive Order 11063, and Executive Order 11246 as amended by Executive Orders 11375, 11478, 12107 and 12086.
- (b) **No Discrimination in Any Program or Activity.** In the performance of this Agreement, SUBRECIPIENT shall not under any program or activity funded in whole or in part with CDBG-CV FUNDS on the basis of sex, race, color, religion, ancestry, national origin, ethnic group identification, age, mental disability, physical disability, medical condition, genetic information, marital status, or sexual orientation:
 - (i) Subject an individual to unlawful discrimination.
 - (ii) Deny any facilities, services, financial aid or other benefits provided under the program or activity.
 - (iii) Provide any facilities, services, financial aid or other benefits that are different or are provided in a different form from that provided to others under the program or activity.
 - (iv) Segregate or separate treatment in any facility in, or in any matter or process related to receipt of any service or benefit under the program or activity.

- (v) Restrict in any way access to, or in the enjoyment of any advantage or privilege enjoyed by others in connection with facilities, services, financial aid or other benefits under the program or activity.
 - (vi) Treat an individual differently from others in determining whether the individual satisfies any admission, enrollment, eligibility, membership, or other requirement or condition that the individual must meet in order to be provided any facilities, services or other benefit provided under the program or activity.
 - (vii) Deny an opportunity to participate in a program or activity as an employee.
- (c) **Non-Discrimination in Administration of Services.** SUBRECIPIENT may not utilize criteria or methods of administration which have the effect of subjecting individuals to discrimination on the basis of race, color, national origin, religion, or sex, or have the effect of defeating or substantially impairing accomplishment of the objectives of the program or activity with respect to individuals of a particular race, color, national origin, religion, or sex.
- (d) **Non-Discrimination in Site Selection.** SUBRECIPIENT, in determining the site or location of housing or facilities provided in whole or in part with CDBG-CV FUNDS, may not make selections of such site or location which will have the effect of excluding individuals from, denying them the benefits of, or subjecting them to discrimination on the grounds of race, color, national origin, religion, or sex, or which have the purpose or effect of defeating or substantially impairing the accomplishment of the objectives of the Civil Rights Act of 1964 and amendments thereto.
- (e) **Overcoming Effects of Prior Discrimination.** If SUBRECIPIENT has previously discriminated against persons on the grounds of race, color, national origin, religion, or sex, SUBRECIPIENT must take affirmative action to overcome the effects of prior discrimination, as and pursuant to applicable requirements of the CDBG Regulations and other applicable federal laws and regulations.
- (i) Even in the absence of prior discrimination, SUBRECIPIENT should take affirmative action to overcome the effects of conditions which would otherwise result in limiting participation by persons of a particular race, color, national origin, religion or sex. Where previous discriminatory practice or usage tends, on the grounds of race, color, national origin, religion, or sex, to exclude individuals from participation in, to deny them the benefits of, or to subject them to discrimination under any program or activity to which CDBG funding applies, SUBRECIPIENT shall take reasonable action to remove or overcome the consequences of the prior discriminatory practice or usage, and to accomplish the purpose of the Civil Rights Act of 1964.
 - (ii) SUBRECIPIENT shall not be prohibited by this part from taking any eligible action to ameliorate an imbalance in services or facilities provided to any geographic area or specific group of persons within its jurisdiction where the purpose of such action is to overcome prior discriminatory practice or usage.
- (f) **Exceptions.** Notwithstanding the foregoing non-discrimination provisions, nothing contained herein shall be construed to prohibit SUBRECIPIENT from maintaining or

constructing separate living facilities or restroom facilities for the different sexes. Furthermore, selectivity on the basis of sex is not prohibited when only a member of the same sex can properly perform institutional or custodial services for the recipients of the services.

(g) Non-Discrimination in Employment. SUBRECIPIENT shall comply with 24 C.F.R. 570.607, including the non-discrimination in employment and contracting opportunities laws, regulations, and executive orders set forth therein.

(i) SUBRECIPIENT shall, in all solicitations or advertisements for employees placed by or on behalf of SUBRECIPIENT, state that SUBRECIPIENT is an equal opportunity employer.

(ii) SUBRECIPIENT shall send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided by CITY's contracting officers advising the labor union or workers' representative of SUBRECIPIENT commitments under Section 202 of Executive Order 11246 of September 24, 1965, as amended, and shall post copies of the notices in conspicuous places available to employees and applicants for employment.

(h) SUBRECIPIENT shall include the provisions of this Section 15 (Non-Discrimination; Civil Rights Compliance) in every subcontract or purchase order unless exempted by rules, regulations, or order of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246, as amended, so that such provisions will be binding upon each subcontractor or vendor.

16. Ineligibility of SUBRECIPIENT or Contractors. SUBRECIPIENT shall not use CDBG-CV FUNDS directly or indirectly in its operations or to employ, award contracts to, or otherwise engage the services of, or fund any contractor during any period of debarment, suspension, or placement in ineligibility status of the SUBRECIPIENT or such contractor under the provisions of the CDBG Regulations.

17. Conflict of Interest in Procurement. SUBRECIPIENT shall comply with all applicable conflict of interest provisions set forth in 2 C.F.R. Part 200 and 24 C.F.R. 570.611 in the procurement of supplies, equipment, construction, and services by SUBRECIPIENT.

18. Condition for Religious Organization. SUBRECIPIENT shall comply with all applicable conditions prescribed by HUD for the use of CDBG FUNDS by religious organizations if SUBRECIPIENT is a religious organization.

19. Termination of Agreement.

(a) Termination without Cause. In accordance with 2 C.F.R. 200.339, this Agreement may be terminated for convenience by CITY or SUBRECIPIENT, in whole or in part, by providing thirty (30) days written notice setting forth the reasons for such termination, the effective date, and, in the case of partial termination, the portion to be terminated. However, if in the case of a partial termination, CITY determines that the remaining portion of the award will not accomplish the purpose for which the award was made, CITY may terminate the award in its entirety.

(b) Termination for Cause. In accordance with 2 C.F.R. 200.338, CITY may suspend or terminate this Agreement if SUBRECIPIENT materially fails to comply with any terms of this Agreement, which include, but are not limited to, the following:

(i) Failure to comply with any of the rules, regulations or provisions referred to herein, or such statutes, regulations, executive orders, and HUD guidelines, policies or directives as may become applicable at any time.

(ii) Failure, for any reason, of SUBRECIPIENT to fulfill in a timely and proper manner its obligations under this Agreement.

(iii) Ineffective or improper use of funds provided under this Agreement.

(iv) Submission by SUBRECIPIENT to CITY reports that are incorrect or incomplete in any material respect.

(c) Repayment of Funds by SUBRECIPIENT. In the event this Agreement is terminated, as provided in this section, SUBRECIPIENT shall immediately return to CITY any and all unexpended and unencumbered CDBG FUNDS. Further, SUBRECIPIENT shall comply with the provisions of the section of this Agreement relating to Reversion of Assets.

(d) Additional Payment after Notice of Termination at Discretion of CITY.

In the event of early termination of the Agreement by either party without cause, at CITY's sole discretion, SUBRECIPIENT may be compensated for all services rendered through the date of notice of termination and necessarily incurred costs performed in good faith in accordance with the terms of this Agreement that have been previously eligible for reimbursement, to the extent that CDBG-CV funds are available from HUD.

In the event of early termination of the Agreement by CITY for cause (except when due to the non-performance or breach by SUBRECIPIENT), at CITY's sole discretion, SUBRECIPIENT may be compensated for all services rendered through the date of termination and necessarily incurred costs performed in good faith in accordance with the terms of this Agreement that have been previously eligible for reimbursement, to the extent that CDBG-CV funds are available from HUD.

20. Defaults; Remedies. If either party materially fails to comply with any term of this Agreement, said noncompliance shall be considered a breach or default hereunder and a basis for termination for cause as provided herein.

(a) Enforcement by CITY Due to Default by SUBRECIPIENT. In the event of default by SUBRECIPIENT, in addition to any other remedies available at law or in equity, CITY may take one or more of the actions provided under CDBG Regulations, including, but not limited to, 2 C.F.R. 200.338 relating to enforcement for breach of this Agreement.

(i) The remedies available to the CITY under 2 C.F.R. 200.338 include, without limitation, temporarily withholding cash payments, disallowing non-compliant costs, wholly or partly suspending or terminating the award, and withholding future awards.

(ii) If the CITY finds that SUBRECIPIENT has violated a term or condition of this Agreement, CITY, in its sole discretion, may require the SUBRECIPIENT to:

(1) Repay all monies received from the CITY under this Agreement; and/or

(2) Transfer possession of all materials and equipment purchased with grant money to the CITY.

(b) **Recapture.** SUBRECIPIENT shall have the affirmative obligation to repay, and CITY shall have the affirmative right (but not the obligation) to recapture from SUBRECIPIENT, all (or any portion of) CDBG-CV FUNDS disbursed to SUBRECIPIENT hereunder in the event of SUBRECIPIENT's default hereunder or in the event SUBRECIPIENT refuses to accept or fails to comply with any conditions which may subsequently be imposed by HUD for the operation of the CDBG or CDBG-CV Program.

21. Reversion of Assets.

(a) **Unencumbered or Unexpended Funds.** Upon the termination or expiration of the term of this Agreement, SUBRECIPIENT shall transfer to CITY any unexpended and unencumbered CDBG-CV FUNDS on hand at the time of such termination or expiration and any accounts receivable attributable to the use of subject funds.

(b) **Real or Personal Property Assets.** Any real property or moveable or immovable personal property under SUBRECIPIENT's control or ownership that is acquired or improved in whole or in part with CDBG-CV FUNDS disbursed under this Agreement, the original cost of which exceeds five thousand dollars (\$5,000.00), shall either be, at the election of CITY: (1) used by SUBRECIPIENT for the eligible program services meeting the purposes of the CDBG-CV Program for a period of five (5) years after termination or expiration of this Agreement; or (2) disposed of and proceeds paid to CITY in a manner that results in CITY being reimbursed in the amount of the current fair market value (assuming depreciation in accordance with customary business practices) of the real or personal property less any portion of the current value attributable to SUBRECIPIENT's out of pocket expenditures using non-CDBG-CV Program funds for acquisition of, or improvement to, such real or personal property and less any direct and reasonable costs of disposition, including a reasonable and customary broker's fees incurred in listing and completion of sale of such asset.

(i) In furtherance of the foregoing, if CITY selects continued use of the capital asset, then SUBRECIPIENT hereby agrees that it shall be subject to an ongoing operating and use covenant relating to the subject real or personal property. The foregoing covenant shall survive the termination or expiration of this Agreement and shall be actionable at law or in equity by CITY against SUBRECIPIENT and its successors in interest.

(ii) In the event CITY selects disposition of the subject real or personal property, then SUBRECIPIENT shall exercise due diligence to dispose of such property in conformity with applicable laws and regulations and in accordance with customary business practices. The net proceeds of such disposition shall be disbursed directly to and be payable to CITY upon the close of the applicable disposition transaction, such as close of escrow for the sale of real property, transfer of a motor vehicle "pink slip" in accordance with applicable California Vehicle Code requirements, or completion of

sale of personal property by bill of sale in accordance with Uniform Commercial Code (UCC) requirements.

- 22. Independent Contractor.** SUBRECIPIENT is and shall be acting at all times as an independent contractor and not as an employee or agent of CITY. Neither CITY nor any of its employees shall have any control over the conduct of SUBRECIPIENT, its agents or employees, except as set forth in this Agreement.
- 23. Licensing.** SUBRECIPIENT shall obtain and maintain all required licenses, registrations, accreditation and inspections from all agencies governing its operations. SUBRECIPIENT shall ensure that its staff shall also obtain and maintain all required licenses, registrations, accreditations, and inspections from all agencies governing SUBRECIPIENT's operations and work hereunder.
- 24. Inspection of Records.** CITY and the United States government and/or their representatives shall have access, for purposes of monitoring, auditing, and examining SUBRECIPIENT's activities and performance, to books, records, reports, documents, and papers, and the right to examine comparable records of SUBRECIPIENT's subcontractors, bookkeepers and accountants, employees and participants in regard to said program.
- (a) Monitoring.** CITY and the United States government and/or their representatives may schedule on-site monitoring at their discretion. Monitoring activities may also include, but are not limited to, questioning employees and participants in said program and entering any premises or any site in which any of the services or activities funded hereunder are conducted or in which any of the records of SUBRECIPIENT are kept. Nothing herein shall be construed to require access to any privileged or confidential information.
- (b) Failure to Provide Records.** In the event SUBRECIPIENT does not make the above-referenced records available within the City of Costa Mesa, California, SUBRECIPIENT shall pay all necessary and reasonable expenses incurred by CITY in conducting any audit at the location where said records and books of account are maintained.
- 25. Assignability.** SUBRECIPIENT shall not assign or transfer any interest in this Agreement, whether by assignment, delegation or novation, without the prior written consent of CITY, except that claims for money due or to become due to SUBRECIPIENT from CITY under this Agreement may be assigned to a bank, trust company or other financial institution, or to a trustee in bankruptcy, without such approval. Any assignment delegation or novation other than as provided above shall be void and inoperative. Written notice of any request for an assignment or transfer shall be promptly furnished to CITY and CITY shall exercise reasonable diligence in reviewing and approving or disapproving such request.
- 26. Prohibition on Expending CDBG-CV FUNDS to Obtain Other Funding.** SUBRECIPIENT shall not expend CDBG-CV FUNDS granted hereunder to fund another service provider, to pay a contractor for services outside the scope of this Agreement, to apply for other public agencies' program funds, or to supplant another funding source, unless expressly approved in writing by CITY.
- 27. Indemnification.** SUBRECIPIENT shall indemnify, defend, and hold free and harmless CITY, its elected officials, officers, employees, agents, and volunteers from and against any and all claims, demands, actions, suits or other legal proceedings brought against CITY, its

elected officials, officers, employees, agents and volunteers, arising out of or relating to the performance of this Agreement by SUBRECIPIENT, its officers, employees, agents, volunteers and/or subcontractors.

SUBRECIPIENT shall further indemnify, defend, and hold harmless CITY, its elected officials, officers, employees, agents, and volunteers from and against any and all claims, demands, suits, actions or proceedings arising from or relating to any failure of SUBRECIPIENT to comply with any applicable laws or regulations.

28. Insurance.

- (a) SUBRECIPIENT shall furnish to CITY insurance certificates from its workers' compensation insurance carrier certifying that it carries such insurance and that the policy shall not be canceled nor the coverage reduced except upon thirty (30) days' prior written notice to CITY at the address specified in this Agreement.
- (b) SUBRECIPIENT shall obtain, at its sole cost, a comprehensive general liability insurance policy or policies insuring against liability for any and all claims and suits for damage or injuries to persons or property resulting from or arising out of operations of SUBRECIPIENT, its officers, agents, employees, or volunteers. Said policy or policies of insurance shall provide coverage for both bodily injury and property damages in not less than the following minimum amounts: One Million Dollars (\$1,000,000.00) combined single limits, or its equivalent. Said policy or policies shall also contain a provision that no termination, cancellation or change of coverage of any insured or additional insured shall be effective until thirty (30) days' notice thereof has been given in writing to CITY at the address specified in this Agreement. SUBRECIPIENT shall file with CITY prior to exercising any right or performing any obligation pursuant to this Agreement, and maintain for the period covered by this Agreement, a policy or policies of general liability insurance, or certificate of such insurance, satisfactory to the City Attorney, expressly naming the City of Costa Mesa and the Costa Mesa Housing Authority as additional insured.
- (c) SUBRECIPIENT shall obtain, at its sole cost, business automobile liability for owned vehicles, hired, and non-owned vehicles, with a policy limit of not less than One Million Dollars (\$1,000,000.00) combined single limits, per occurrence for bodily injury and property damage. Said policy or policies shall also contain a provision that no termination, cancellation or change of coverage of any insured or additional insured shall be effective until thirty (30) days' notice thereof has been given in writing to CITY at the address specified in this Agreement. SUBRECIPIENT shall file with CITY prior to exercising any right or performing any obligation pursuant to this Agreement, and maintain for the period covered by this Agreement, a policy or policies of general liability insurance, or certificate of such insurance, satisfactory to the City Attorney, expressly naming the City of Costa Mesa and the Costa Mesa Housing Authority as additional insured.
- (d) SUBRECIPIENT shall give CITY prompt and timely notice of any claim made or suit instituted. SUBRECIPIENT shall procure and maintain, at its own cost and expense, any additional kinds and amounts of insurance which, in its own judgment, may be necessary for its proper protection in the prosecution of the work.

B. CITY OBLIGATIONS.

- 1. Payment of Funds.** CITY shall disburse to SUBRECIPIENT from CDBG-CV FUNDS, if and to the extent received from HUD, amounts expended by SUBRECIPIENT in carrying out said program pursuant to this Agreement in quarterly installments determined by CITY. Payment shall be made to SUBRECIPIENT based on the submission of quarterly invoices, in a form prescribed by CITY, detailing such expenses. Invoices must include documentation of expenses by receipts, time records, invoices, canceled checks, or other appropriate documentation that fully and completely discloses the amount(s) and nature(s) of the expenditures. CITY shall pay such invoices within forty-five (45) days after receipt thereof, provided CITY is satisfied that such expenses have been incurred and documented within the scope and provisions of this Agreement and in conformity with the CDBG Regulations and that SUBRECIPIENT is in compliance with the terms and conditions of this Agreement.
- 2. Sole Source of Funding is CDBG-CV Program Funds.** SUBRECIPIENT expressly acknowledges and agrees that the sole source of funding available to CITY to meet its funding obligation to SUBRECIPIENT under this Agreement is from CDBG-CV Program funds allocated to and paid to CITY by HUD and that no other source of revenues or funding is made available, offered, or construed to be provided hereunder by CITY to SUBRECIPIENT. To the extent CITY is not allocated and/or does not receive the CDBG-CV funds necessary to pay SUBRECIPIENT pursuant to the terms of this Agreement, then SUBRECIPIENT acknowledges and agrees there is no other funding source available or committed to meet CITY's funding described hereunder and no payment obligation of the CITY shall exist or be construed to exist.
- 3. Audit of Account.** CITY will include an audit of the records and accounts maintained by SUBRECIPIENT pursuant to this Agreement in CITY's annual audit of all CDBG and CDBG-CV funds pursuant to CDBG Regulations, Title 24 of the Code of Federal Regulations, and other applicable federal laws and regulations.

In response to audit deficiencies or other findings of noncompliance with this Agreement, CITY may impose additional conditions on the use of the CDBG-CV funds to ensure future compliance, or provide training and technical assistance as needed to correct noncompliance.

C. MISCELLANEOUS PROVISIONS.

- 1. Notices.** All notices to the parties required by this Agreement shall be in writing and shall be sent by certified mail, addressed as follows:

TO CITY: City of Costa Mesa/Costa Mesa Housing Authority
Office of the City Manager/Executive Director
77 Fair Drive
Costa Mesa, CA 92626
Attn: Susan Price, Assistant City Manager

TO SUBRECIPIENT: Project Hope Alliance
1954 Placentia Ave. #202
Costa Mesa, CA 92627
Attn: Jennifer Friend

2. **No Disposition of Assets Acquired with CDBG-CV FUNDS.** SUBRECIPIENT shall not dispose of any real or personal property acquired in full or in part with CDBG-CV FUNDS through sale, use or relocation without the express and prior written permission of the CITY.
3. **Disbursement Pursuant to Agreement.** SUBRECIPIENT acknowledges that the CITY shall disburse funds to SUBRECIPIENT only upon execution of this Agreement and CITY is empowered to provide funds to SUBRECIPIENT only pursuant to the provisions of this Agreement.
4. **Drug-Free Work Place Policy.** SUBRECIPIENT, upon notification of contract award, shall establish a Drug-Free Awareness Program to inform employees of the dangers of drug abuse in the work place, the penalties that may be imposed upon employees for drug abuse violations occurring in the work place, and the employee assistance programs available to employees. Each employee engaged in the performance of a SUBRECIPIENT contract must be notified of this Drug-Free Awareness Program, and must abide by its terms. SUBRECIPIENT shall conform to all the requirements of CITY's Council Policy No. 100-5, attached hereto as Exhibit "C." Failure to establish a program, notify employees, or inform the CITY of a drug-related workplace conviction will constitute a material breach of contract and cause for immediate termination of this Agreement by CITY.
5. **No Use of CDBG-CV FUNDS for Lobbying.** SUBRECIPIENT shall not expend any CDBG-CV FUNDS for the purpose of influencing or attempting to influence any officer or employee of any agency, a member of Congress, any officer or employee of Congress or any employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant or loan, the entering into of any cooperative federal agreement, and/or the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan or cooperative agreement.
SUBRECIPIENT shall complete and submit Standard Form LLL (Disclosure of Lobbying Activities) if it expends any funds other than grant funds for the purpose of influencing or attempting to influence the persons listed in the above paragraph.
6. **Constitutional Use of Funds.** As an express condition to this Agreement, SUBRECIPIENT agrees that the funds provided by CITY to SUBRECIPIENT hereunder shall not be used to promote any religion, religious creed or cult, denomination, sectarian organization or religious belief or to fund any proselytizing activities. The parties agree the foregoing covenant is intended to and shall be construed for the limited purpose of assuring compliance with respect to the use of CITY funds by SUBRECIPIENT with applicable constitutional limitations respecting the establishment of religion as set forth in the establishment clause under the First Amendment of the United States Constitution and Article I, Section 4 of California Constitution, and is not in any manner intended to restrict other activities of SUBRECIPIENT.
7. **Severability.** If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable in any circumstance, such determination shall not affect the validity or enforceability of the remaining terms and provisions hereof or of the offending provision in any other circumstance.
8. **Corporate Authority.** The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that by doing so the parties hereto are formally bound to the provisions of this Agreement.

9. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.

11. Entire Agreement; Modification. This Agreement contains the entire agreement of the parties and supersedes all other prior negotiations, understandings or agreements. This Agreement may be modified only upon mutual written agreement of the parties. Notwithstanding the foregoing, SUBRECIPIENT shall agree to any amendment necessary to conform with federal, state or local governmental regulations, guidelines or policies.

[Signatures appear on following page.]

IN WITNESS WHEREOF, CITY and SUBRECIPIENT have caused this Agreement to be executed by their duly authorized officers on the day and year first above written.

CITY OF COSTA MESA

Lori Ann Farrell Harrison
City Manager

COSTA MESA HOUSING AUTHORITY

Lori Ann Farrell Harrison
Executive Director

SUBRECIPIENT

PROJECT HOPE ALLIANCE
Federal Tax ID Number: 75-3099628
DUNS Number: 055708303

Signature

Date: _____

Name Title

Signature

Date: _____

Name and Title

ATTEST:

Brenda Green
City Clerk/Housing Authority Secretary

APPROVED AS TO FORM:

Kimberly Hall Barlow
City Attorney/Housing Authority General Counsel

APPROVED AS TO CONTENT:

Lori Karaguezian
Assistant City Manager

APPROVED AS TO PURCHASING:

Carol Molina
Finance Director

APPROVED AS TO INSURANCE:

Ruth Wang
Risk Management

EXHIBIT A
REQUEST FOR PROPOSAL



REQUEST FOR PROPOSAL

FOR

Community Services Programs

CDBG-CV

RFP No. 21-13



OFFICE OF THE CITY MANAGER

CITY OF COSTA MESA

Released on June 23rd, 2021

REQUEST FOR PROPOSAL FOR Community Services Programs - CDBG-CV

To assist in responding to the impacts of the COVID-19 Pandemic, the U.S. Department of Housing and Urban Development (HUD) has allocated a special grant Community Development Block Grant – Coronavirus (CDBG-CV) to the City of Costa Mesa through the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act). The City of Costa Mesa plans to allocate CDBG-CV funds for community-based services that response to the direct impacts of the COVID-19 Pandemic.

The City of Costa Mesa (hereinafter referred to as the “City”) is requesting Proposals from qualified nonprofit agencies who have a demonstrated success in serving low- and moderate-income households that are directly impacted by the COVID-19 Pandemic. Proposals must be for a minimum of one-year program from organizations who can provide any or all of the services listed below, within targeted budget of **\$162,382**. All funds must be expended by June 30, 2023.

The City has previously allocated CDBG-CV funds to provide rental assistance to lower-income households that have experienced a direct financial impact due to the COVID-19 Pandemic, and to support outreach and engagement services for individuals experiencing homelessness and that are impacted by the coronavirus. The City has previously released a RFP to solicit proposals for food assistance programs (e.g., food banks); however, no proposals for this service were received. This remains an eligible activity and Council priority. The City now seeks services under this RFP that will support, complement, enhance, or fill a gap in services currently offered to lower-income Costa Mesa residents that are impacted by the COVID-19 Pandemic.

Eligible Population

To be eligible for consideration under this RFP, all applicants must detail how funds will support eligible activities, with at least 70 percent of the program’s beneficiaries being low- and moderate-income as defined by HUD, and that have a documented COVID-related impact.

HUD 2021 Low & Moderate-Income Limits

| Household Size | Household Income at 80% of OC Median Income |
|----------------|--|
| 1-Person | \$75,300 |
| 2-Person | \$86,050 |
| 3-Person | \$96,800 |
| 4-Person | \$107,550 |
| 5-Person | \$116,200 |
| 6-Person | \$124,800 |
| 7-Person | \$133,400 |
| 8-Person | \$142,000 |

The awarded Contractor, (hereinafter referred to as “Contractor”) shall be in accordance with the Sample Subrecipient Agreement, **Appendix B** terms and conditions. Prior to submitting a Proposal, Proposers are advised to carefully read the instructions below, including the Sample Subrecipient

Agreement and any solicitation appendix/exhibits. The City reserves the right to award one or more contracts for this service.

Proposers will be subject to oversight, reporting, and requirements for all CDBG-CV programs and services provided, and must have adequate procedures to prevent the duplication of benefits. A duplication of benefits occurs when an individual or entity receives financial assistance from multiple sources for the same purpose, and the total assistance received for that purpose is more than the total need for assistance. The Contractor will be responsible to repay any amount that may be determined to be duplicative by the City, HUD, or auditor as may be determined in a program monitoring or audit.

I. GENERAL INFORMATION

The City of Costa Mesa is a general law city, which operates under the council/manager form of government with an annual General Fund budget of over \$154 million and a total budget of over \$197 million for fiscal year 2021-2022.

The City of Costa Mesa, incorporated in 1953, has an estimated population of 113,003 and has a land area of 16.8 square miles. It is located in the northern coastal area of Orange County, California, and is bordered by the cities of Santa Ana, Newport Beach, Huntington Beach, Fountain Valley and Irvine.

The City is a “full service city” providing a wide range of services. These services include: police and fire protection; animal control; emergency medical aid; building safety regulation and inspection; street lighting; land use planning and zoning; housing and community development; maintenance and improvement of streets and related structures; traffic safety maintenance and improvement; and full range of recreational and cultural programs.

The City of Costa Mesa is home of the Segerstrom Center for the Arts, Orange County Fairgrounds, South Coast Repertory Theater and the South Coast Plaza Shopping Center, which is the single largest commercial activity center in the City. The volume of sales generated by South Coast Plaza secures its place as the highest volume regional shopping center in the nation.

The successful Proposer, shall have experience in similar types of services. All Proposers responding to this Request for Proposal (RFP) will be evaluated on the basis of their expertise, prior experience on similar projects, demonstrated competence, ability to meet the requested services, adequate staffing, reference check, understanding of services, cost and responsiveness to the needs and concerns of the City of Costa Mesa.

- 1. Important Notice:** The City has attempted to provide all information available. It is the responsibility of each Proposer to review, evaluate, and, where necessary, request any clarification prior to submission of a Proposal. **Proposers are not to contact other City personnel with any questions or clarifications concerning this Request for Proposal (RFP).** The City’s Purchasing Department contact set out in RFP, Section II, Subsection 2, Inquires, will provide all official communication concerning this RFP. Any City response relevant to this RFP other than through or approved by City’s Purchasing Department is unauthorized and will be considered invalid.

If clarification or interpretation of this solicitation is considered necessary by City, a written addendum shall be issued and the information will be posted on Planetbids. Any interpretation of, or correction to, this solicitation will be made only by addendum issued by the City’s Purchasing Department. It is the responsibility of each Proposer to periodically check the City’s

website to ensure that it has received and reviewed any and all addenda to this solicitation. The City will not be responsible for any other explanations, corrections to, or interpretations of the documents, including any oral information.

2. Schedule of Events: This Request For Proposal shall be governed by the following schedule:

| | |
|---------------------------------------|------------------------------------|
| Release of RFP | June 23, 2021 |
| Pre-Proposal Conference | N/A |
| Deadline for Written Questions | June 28, 2021 at 4:00 p.m. |
| Responses to Questions Posted | July 1, 2021 |
| Proposals are Due | July 15, 2021 at 10:00 a.m. |
| Approval of Contract | August 3, 2021 |

****All dates are subject to change at the discretion of the City.**

Pre-Proposal Conference: No Pre-Proposal conference will be held.

3. Proposer's Minimum Requirements: Interested and qualified Proposers that can demonstrate their ability to successfully provide the required services outlined in Appendix A–Scope of Work, of this RFP are invited to submit a proposal, provided they meet the following requirements. All requirements must be met at the time of the proposal due date. **If these requirements are not met, the proposal may not receive further consideration, as determined in the sole discretion of the City.**

- a) Proposers must have at least five years of experience administering program(s) with low- and moderate-income households.
- b) Proposers must demonstrate 501(c)(3) determination from the IRS at the time of application.
- c) Proposers must have services and/or an office located within a 30-mile radius of the City of Costa Mesa.

II. GENERAL INSTRUCTIONS AND PROVISIONS

1. Proposal Format Guidelines: Interested entities or contractors are to provide the City of Costa Mesa with a thorough Proposal using the following guidelines: Proposal should be typed and should contain no more than 20 typed pages using a 12-point font size, including transmittal letter and resumes of key people, but excluding Index/Table of Contents, tables, charts, graphic exhibits and pricing forms. Each Proposal will adhere to the following order and content of sections. Proposal should be straightforward, concise and provide “layman” explanations of technical terms that are used. Emphasis should be concentrated on conforming to the RFP instructions, responding to the RFP requirements (**APPENDIX A** Scope of Work requirements), and on providing a complete and clear description of the offer. Proposals which appear unrealistic in terms of technical commitments, lack of technical competence or are indicative of failure to comprehend the complexity and risk of this contract may be rejected. **THE FOLLOWING PROPOSAL SECTIONS ARE TO BE INCLUDED IN THE PROPOSER'S RESPONSE:**

- **Cover Letter:** A cover letter, not to exceed three pages in length, should summarize key elements of the Proposal. An individual authorized to bind the Contractor must sign the letter. Indicate the address and telephone number of the contractor's office located nearest to Costa Mesa, California, and the office from which the project will be managed. And include proposed working relationship among the offering agency and subcontractors, if applicable.

- **Background and Project Summary Section:** The Background and Project Summary Section should describe your understanding of the City, the work to be done, and the objectives to be accomplished.
- **Method of Approach:** Provide a detailed description of the approach and methodology that will be used to fulfill services. The section should include:
 1. An implementation plan that describes in detail (i) the methods, including controls by which your firm manages projects of the type sought by this RFP; (ii) methodology for soliciting and documenting views of internal and external stakeholders; (iii) and any other project management or implementation strategies or techniques that the respondent intends to employ in carrying out the work.
 2. Detailed description of efforts your firm will undertake to achieve client satisfaction and to satisfy the low- and moderate-income requirements.
 3. Detailed project schedule, identifying all tasks and deliverables to be performed, durations for each task, and overall time of completion.
 4. Detailed description of specific tasks you will require from City staff. Explain what the respective roles of City staff and your staff would be to complete specified tasks.
 5. Proposers are encouraged to provide additional innovative and/or creative approaches for providing the service that will maximize efficient, safe, and cost-effective operations or increased performance capabilities.
 6. Firms, individuals and entities wishing to be considered shall include in their submissions the steps they will, if selected, implement and adhere to for the recruitment, hiring and retention of former employees of the City who have been displaced due to layoff or outsourcing of functions and services formerly provided by the City.
- **Qualifications & Experience of the Firm:** Describe the qualifications and experience of the organization or entity performing services/projects within the past five years that are similar in size and scope to demonstrate competence to perform these services. Information shall include:
 1. If the owner is a corporation please provide: Name of corporation, corporate office street address, city, state, and zip code, state where incorporated, date of incorporation, first and last name of officers, local office address, city, state & zip, and the date local office opened its doors for business.
 2. If the owner is a partnership or joint venture, please provide: Name of partnership or joint venture, principal office street address, city, state, and zip code, state of organization, date of organization, first and last name of general partner(s), local office address, city, state, and zip code, and date local office opened its doors for.

3. List all businesses owned or controlled by yourself (applicant) or business manager doing similar business in California under another name. List business name and address and specify who owns or controls the business (e.g., self, business manager, etc.).
4. List all businesses for which you or your business manager is or was an officer, director, or partner doing similar business in California under another name. List business name and address, title, date(s) in position; specify who was in position (e.g., self, business manager, etc.).
5. How many years have you been in business under your present business name?
6. Provide a list of current and previous contracts similar to the requirements for Costa Mesa, including all public agencies served (if any). For each, provide a brief description of the service performed, the length of time you have been providing services, and the name, title, and telephone number of the person who may be contacted regarding your organization's service record.
7. Submit a description of the organization's qualifications, experience and abilities that make it uniquely capable to provide the services.
8. The City of Costa Mesa is interested in knowing how Proposers support the communities that they serve. Please provide information on your organization's participation in local community, charitable and civic organizations and events, including membership in the Costa Mesa Chamber of Commerce, charitable contributions made by your organization, etc.

Any public entity which submits a Proposal should describe in detail how it currently performs services, like those identified as eligible activities, within its or other jurisdictions, including photographs, written policies and/or video of services provided. If you have performed these services under contract for another public entity, please provide references for those entities as set forth above for private Proposers.

- **Financial Capacity:** The City is concerned about bidders' financial capability to perform, therefore, may request sufficient data to allow an evaluation of firm's financial capabilities.
- **Key Personnel:** It is essential that the Proposer provide adequate experienced personnel, capable of and devoted to the successful accomplishment of work to be performed under this contract. The Proposer must agree to assign specific individuals to the key positions.
 - Identify the members of the staff who would be assigned to act for Proposer's firm in key management and filed positions providing the services described in the Proposal, and the functions to be performed by each.
 - Include resumes or curriculum vitae of each such staff member, including name, position, telephone number, email address, education, and years and type of experience. Describe for each such person, the relevant transactions on which they have worked.
- **Cost Proposal:** Provide a fee schedule/pricing information for the project as referenced in the attached in Appendix C. Proposals shall be valid for a minimum of 180 days following submission.

- Cover letter stating the total lump sum fee.
- A spreadsheet with a detailed fee schedule of the proposed costs. Each fee schedule shall depict individual project asks, number of hours assigned for specific personnel and their basic hourly rates.
- **Disclosure:** Please disclose any and all past or current business and personal relationships with any current Costa Mesa elected official, appointed official, City employee, or family member of any current Costa Mesa elected official, appointed official, or City employee. **Any past or current business relationship may not disqualify the firm from consideration.**
- **Sample Subrecipient Agreement:** The firm selected by the City will be required to execute a Subrecipient Agreement with the City. A sample of the Agreement is enclosed as **Appendix B**, but may be modified to suit the specific services and needs of the City. **If a Proposer has any exceptions or conditions to the Agreement, these must be submitted for consideration with the Proposal. Otherwise, the Proposer will be deemed to have accepted the form of Agreement.** See No. 12 of this RFP below.
- **Checklist of Forms to Accompany Proposal:** As a convenience to Proposers, following is a list of the forms, **Appendix C** included in this RFP, which should be included with Proposals:
 1. Vendor Application Form
 2. Company Profile & References
 3. Ex Parte Communications Certificate
 4. Disclosure of Government Positions
 5. Disqualifications Questionnaire
 6. Bidder/Applicant/Contractor Campaign Contribution
 7. Cost Proposal

2. Process for Submitting Proposals:

- **Content of Proposal:** The Proposal must be submitted using the format as indicated in the Proposal format guidelines.
- **Preparation of Proposal:** Each Proposal shall be prepared simply and economically, avoiding the use of elaborate promotional material beyond those sufficient to provide a complete, accurate and reliable presentation.
- **Cost for Preparing Proposal:** The cost for developing the Proposal is the sole responsibility of the Proposer. All Proposals submitted become the property of the City. Fee proposal shall be submitted in a **separate** file.
- **Forms to Accompany Proposal:** Appendix C forms shall be attached at the end of the Proposal with the exception of the Cost Proposal which shall be submitted in a separate file.
- **Number of Proposals:** Submit one (1) PDF file format copy of your proposal in sufficient detail for thorough evaluation and comparative analysis
- **Submission of Proposals:** ***Complete written Proposals must be submitted electronically in PDF file format via the planetbids.com website not later than 10:00***

a.m. (P.S.T) on July 15, 2021. Proposals will not be accepted after this deadline. Bids received after the scheduled closing time will not be accepted. It shall be the sole responsibility of the Bidder to see that the bid is received in proper time. Faxed or e-mailed Proposals will not be accepted. NO EXCEPTIONS.

- **Inquiries:** Questions about this RFP must be posted in the Q & A tab on Planetbids no later than June 28, 2021 at 4:00 p.m. The City reserves the right not to answer all questions.
 - The City reserves the right to amend or supplement this RFP prior to the Proposal due date. All addendum(s), responses to questions received, and additional information will be posted to the Costa Mesa Procurement Registry, [Costa Mesa-Official City Web Site-Business-Bids & RFP's.](#) Proposers should check this web page daily for new information.
 - From the date that this RFP is issued until a firm or entity is selected and the selection is announced, firms or public entities are not allowed to communicate outside the process set forth in this RFP with any City employee other than the contracting officer listed above regarding this RFP. The City reserves the right to reject any Proposal for violation of this provision. No questions other than posted on Planetbids will be accepted, and no response other than written will be binding upon the City.
- **Conditions for Proposal Acceptance:** This RFP does not commit the City to award a contract or to pay any costs incurred for any services. The City, at its sole discretion, reserves the right to accept or reject any or all Proposals received as a result of this RFP, to negotiate with any qualified source(s), or to cancel this RFP in part or in its entirety. The City may waive any irregularity in any Proposal. All Proposals will become the property of the City of Costa Mesa, USA. If any proprietary information is contained in the Proposal, it should be clearly identified.
- **Insurance & W-9 Requirements:** Upon recommendation of contract award, Contractor will be required to submit the following documents with ten (10) days of City notification, unless otherwise specified in the solicitation:
 - **Insurance** - City requires that licensees, lessees, and vendors have an approved Certificate of Insurance (not a declaration or policy) or proof of legal self-insurance on file with the City for the issuance of a permit or contract. Within ten (10) consecutive calendar days of award of contract, successful Bidder must furnish the City with the Certificates of Insurance proving coverage as specified in the sample contract.
 - **W-9** – Current signed form W-9 (Taxpayer Identification Number & Certification) which includes Contractor's legal business name(s).

3. Evaluation Criteria: The City's evaluation and selection process will be conducted in accordance with Chapter V, Article 2 of the City's Municipal Code (Code). In accordance with the Code, the responsive responsible proposer shall be determined based on evaluation of qualitative factors in addition to cost. At all times during the evaluation process, the following criteria will be used. Sub-criteria are not necessarily listed in order of importance. Additional sub-criteria that logically fit within a particular evaluation criteria may also be considered even if not specified below.

1. Method of Approach ----- 30%

2. Qualifications of Experience of Key Personnel ----- 30%

3. Qualifications of the Firm -----40%

4. Evaluation of Proposals and Selection Process: In accordance with its Municipal Code, the City will adhere to the following procedures in evaluating Proposals. An Evaluation Committee, which may include members of the City's staff and possibly one or more outside experts, will screen and review all Proposals according to the weighted criteria set forth above. While price is one basic factor for award, it is not the sole consideration.

A. Responsiveness Screening: Proposals will first be screened to ensure responsiveness to the RFP. The City may reject as non-responsive any Proposal that does not include the documents required to be submitted by this RFP. At any time during the evaluation process, the City reserves the right to request clarifications or additional information from any or all Proposers regarding their Proposals.

B. Initial Proposal Review: The Committee will initially review and score all responsive written Proposals based upon the Evaluation Criteria set forth above. The Committee may also contact Proposer's references. Proposals that receive the highest evaluation scores may be invited to the next stage of the evaluation process. The City may reject any Proposal in which a Proposer's approach, qualifications, or price is not considered acceptable by the City. An unacceptable Proposal is one that would have to be substantially rewritten to make it acceptable. The City may conclude the evaluation process at this point and recommend award to the lowest responsible bidder. Alternatively, the City may elect to negotiate directly with one or more Proposers to obtain the best result for the City prior to making a recommendation or selection.

C. Interviews, Reference Checks, Revised Proposals, Discussions: Following the initial screening and review of Proposals, the Proposers included in this stage of the evaluation process may be invited to participate in an oral interview – to be determined.

During the evaluation process, the City may also contact and evaluate the Proposer's references, contact any Proposer to clarify any response or request revised or additional information, contact any current users of a Proposer's services, solicit information from any available source concerning any aspect of a Proposal, and seek and review any other information deemed pertinent to the evaluation process.

Following conclusion of this stage of the evaluation process, the Committee will again rank all Proposers according to the evaluation criteria set forth above. The Committee may conclude the evaluation process at this point, and make a recommendation for award, or it may request Best and Final Offers from Proposers. The City may accept the Proposal or negotiate the terms and conditions of the agreement with the highest ranked organization. The City may recommend award without Best and Final Offers, so Proposers should include their best Proposal with their initial submission.

Recommendation for award is contingent upon the successful negotiation of final contract terms. Negotiations shall be confidential and not subject to disclosure to competing

Proposers unless an agreement is reached. If contract negotiations cannot be concluded successfully within a time period determined by the City, the City may terminate negotiations and commence negotiations with the next highest scoring Proposer or withdraw the RFP.

5. Protests: Failure to comply with the rules set forth herein may result in rejection of the protest. Protests based upon restrictive specifications or alleged improprieties in the Proposal procedure, which are apparent or reasonably should have been discovered prior to receipt of Proposals shall be filed in writing with the City's Purchasing Department at least 10 calendar days prior to the deadline for receipt of Proposals. The protest must clearly specify in writing the grounds and evidence on which the protest is based.

Protests based upon alleged improprieties that are not apparent or that could not reasonably have been discovered prior to submission date of the Proposals, such as disputes over the staff recommendation for contract award, shall be submitted in writing to the City's Purchasing Department, within 48 hours from receipt of the notice from the City advising of City's recommendation for award of contract. The protest must clearly specify in writing the grounds and evidence on which the protest is based. The City's Purchasing Department will respond to the protest in writing at least 3 days prior to the meeting at which City's recommendation to the City Council will be considered. Should Proposer decide to appeal the response of the City's Purchasing Department, and pursue its protest at the Council meeting, it will notify the City's Purchasing Department of its intention at least 2 days prior to the scheduled meeting.

A. Procedure – All protests shall be typed under the protester's letterhead and submitted in accordance with the provisions stated herein. All protests shall include at a minimum the following information:

- The name, address and telephone number of the protester;
- The signature of the protester or the protester's representative;
- The solicitation or contract number;
- A detailed statement of the legal and/or factual grounds for the protest; and
- The form of relief requested.

6. Accuracy of Proposals: Proposers shall take all responsibility for any errors or omissions in their Proposals. Any discrepancies in numbers or calculations shall be interpreted to reflect the cost to the City.

If prior to contract award, a Proposer discovers a mistake in their Proposal which renders the Proposal unwilling to perform under any resulting contract, the Proposer must immediately notify the facilitator and request to withdraw the Proposal. It shall be solely within the City's discretion as to whether withdrawal will be permitted. If the solicitation contemplated evaluation and award of "all or none" of the items, then any withdrawal must be for the entire Proposal. If the solicitation provided for evaluation and award on a line item or combination of items basis, the City may consider permitting withdrawal of specific line item(s) or combination of items.

7. Responsibility of Proposers: The City shall not be liable for any expenses incurred by potential Contractors in the preparation or submission of their Proposals. Pre-contractual expenses are not to be included in the Contractor's Pricing Sheet. Pre-contractual expenses are defined as, including but not limited to, expenses incurred by Proposer in:

- Preparing Proposal in response to this RFP;

- Submitting that Proposal to the City;
- Negotiating with the City any matter related to the Proposal; and,
- Any other expenses incurred by the Proposer prior to the date of the award and execution, if any, of the contract.

8. Confidentiality: The California Public Records Act (Cal. Govt. Code Sections 6250 et seq.) mandates public access to government records. Therefore, unless information is exempt from disclosure by law, the content of any request for explanation, exception, or substitution, response to this RFP, protest, or any other written communication between the City and Proposer, shall be available to the public. The City intends to release all public portions of the Proposals following the evaluation process at such time as a recommendation is made to the City Council.

If Proposer believes any communication contains trade secrets or other proprietary information that the Proposer believes would cause substantial injury to the Proposer's competitive position if disclosed, the Proposer shall request that the City withhold from disclosure the proprietary information by marking each page containing such proprietary information as confidential. Proposer may not designate its entire Proposal as confidential nor designate its Price Proposal as confidential.

Submission of a Proposal shall indicate that, if Proposer requests that the City withhold from disclosure information identified as confidential, and the City complies with the Proposer's request, Proposer shall assume all responsibility for any challenges resulting from the non-disclosure, indemnify and hold harmless the City from and against all damages (including but not limited to attorney's fees and costs that may be awarded to the party requesting the Proposer information), and pay any and all costs and expenses related to the withholding of Proposer information. Proposer shall not make a claim, sue, or maintain any legal action against the City or its directors, officers, employees, or agents concerning the disclosure, or withholding from disclosure, of any Proposer information. If Proposer does not request that the City withhold from disclosure information identified as confidential, the City shall have no obligation to withhold the information from disclosure and may release the information sought without any liability to the City.

9. Ex Parte Communications: Proposers and Proposers' representatives should not communicate with the City Council members about this RFP. In addition, Proposers and Proposers' representatives should not communicate outside the procedures set forth in this RFP with an officer, employee or agent of the City, including any member of the evaluation panel, with the exception of the RFP Facilitator, regarding this RFP until after Contract Award. Proposers and their representatives are not prohibited, however, from making oral statements or presentations in public to one or more representatives of the City during a public meeting.

A "Proposer" or "Proposer's representative" includes all of the Proposer's employees, officers, directors, providers and agents, any subcontractors or suppliers listed in the Proposer's Proposal, and any individual or entity who has been requested by the Proposer to contact the City on the Proposer's behalf. Proposers shall include the Ex Parte Communications Form, **Appendix C** with their Proposals certifying that they have not had or directed prohibited communications as described in this section.

10. Conflict of Interest: The Proposer warrants and represents that it presently has no interest and agrees that it will not acquire any interest which would present a conflict of interest under California Government Code Sections 1090 et seq., or Sections 87100 et seq., during the

performance of services under any Agreement awarded. The Proposer further covenants that it will not knowingly employ any person having such an interest in the performance of any Agreement awarded. Violation of this provision may result in any Agreement awarded being deemed void and unenforceable.

11. Disclosure of Governmental Position: In order to analyze possible conflicts that might prevent a Proposer from acting on behalf of the City, the City requires that all Proposers disclose in their Proposals any positions that they hold as directors, officers, or employees of any governmental entity. Additional disclosure may be required prior to contract award or during the term of the contract. Each Proposer shall disclose whether any owner or employee of the firm currently hold positions as elected or appointed officials, directors, officers, or employees of a governmental entity or held such positions in the past twelve months using the attached Disclosure of Government Positions Form, **Appendix C**.

12. Conditions to Agreement: The selected Proposer will execute a Subrecipient Agreement for Services with the City describing the Scope of Services to be performed, the schedule for completion of the services, compensation, and other pertinent provisions. The contract shall follow the sample form of Agreement provided as **Appendix B** to this RFP, which may be modified by the City.

All Proposers are directed to particularly review the indemnification and insurance requirements set forth in the sample Agreement. **The terms of the agreement, including insurance requirements have been mandated by the City and can be modified only if extraordinary circumstances exist.**

Submittal of a Proposal shall be deemed acceptance of all the terms set forth in this RFP and the sample agreement for services unless the Proposer includes with its Proposal, in writing, any conditions or exceptions requested by the Proposer to the proposed Agreement.

13. Disqualification Questionnaire: Proposers shall complete and submit, under penalty of perjury, a standard form of questionnaire inquiring whether a Proposer, any officer of a proposer, or any employee of a Proposer who has a proprietary interest in the Proposer, has **ever** been disqualified, removed, or otherwise prevented from proposing on, or completing a federal, state, or local government project because of a violation of law or safety regulation and if so, to explain the circumstances. A Proposal may be rejected on the basis of a Proposer, any officer or employee of such Proposer, having been disqualified, removed, or otherwise prevented from proposing on, or completing a federal, state, or local project because of a violation of law or a safety regulation, **Appendix C**.

14. Standard Terms and Conditions: The City reserves the right to amend or supplement this RFP prior to the Proposal due date. All addendum(s) and additional information will be posted to the Costa Mesa Procurement Registry, [Costa Mesa - Official City Web Site - Business - Bids & RFP's](#). Proposers should check this web page daily for new information

APPENDIX A
SCOPE OF WORK

INTRODUCTION

The City of Costa Mesa, a medium urban city with a residential population of 113,003 people and an estimated 193 residents experiencing homelessness on any given night in 2019. Diversifying, stabilizing, and increasing housing to reflect community needs is a priority for the City Council. In February 2021, the City Council adopted a new Strategic Plan to achieve this and four other priorities over the next three years:

1. Achieve Long-Term Fiscal Sustainability
2. Strengthen Public Safety and Keep the Community Safe
3. Maintain and Enhance these City's Infrastructure, Facilities, Equipment, and Technology
4. Diversify, Stabilize and Increase Housing to Reflect Community Needs

The City of Costa Mesa seeks services under this RFP that will support, complement, enhance, or fill a gap in services currently offered to lower-income Costa Mesa residents that are impacted by the COVID-19 Pandemic. HUD has identified various activities that could be eligible for CDBG-CV funding.

ELIGIBLE ACTIVITIES

In general, applicants can propose use CDBG-CV funds for the same wide range of activities that are eligible under the annual CDBG program. Applicants should keep in mind that the CARES Act requires that all activities assisted with CDBG-CV funds must be used to prevent, prepare for, and respond to coronavirus, and sub-grantees must have adequate policies and procedures in place to prevent duplication of benefits.

This broad list of activities is provided, by HUD, below:

| Public Services (including emergency subsistence payments) |
|---|
| Job training in communities affected by coronavirus-related job loss since January 2020 to revitalize affected labor force and business sectors or to help workers re-train for expanding sectors. |
| Increase the capacity and availability of daycare or after-school services serving low/mod parents that have dropped out of the workforce since January 2020 to enable workers to rejoin the workforce. |
| Provide equipment, supplies, or materials necessary to carry-out a public service related to the effects of the pandemic, or to enable resilience to the effects of coronavirus in future, such as food banks, youth services, health care, WIFI, or senior services. |
| Provide testing, diagnosis, vaccination, or other health services to low/mod persons at a mobile location. |
| Provide emergency subsistence payments (e.g., rent, mortgage, or utilities) on behalf of families to prevent eviction resulting from economic disruption since January 2020. |

| Provision of New or Quantifiably Increased Public Services |
|---|
| <i>Following enactment of the CARES Act¹, the public services cap² has no effect on CDBG-CV grants and no effect on FY 2019 and 2020 CDBG grant funds used for coronavirus efforts.</i> |
| Carry out job training to expand the pool of health care workers and technicians that are available to treat disease within a community. |
| Provide testing, diagnosis or other services at a fixed or mobile location. |
| Increase the capacity and availability of targeted health services for infectious disease response within existing health facilities. |
| Provide equipment, supplies, and materials necessary to carry-out a public service. |
| Deliver meals on wheels to quarantined individuals or individuals that need to maintain social distancing due to medical vulnerabilities. |

NATIONAL OBJECTIVE (REQUIREMENT)

The CARES Act did not suspend the requirement to meet a national objective. Applicants must ensure that every activity carried out with CDBG-CV funds will do so. Every CDBG-CV funded activity must meet the standards for one of the following three CDBG National Objectives.

1. An activity that benefits low- and moderate-income (LMI) persons.
2. An activity designed to meet community development needs having a particular urgency. The activity must be designed to alleviate existing conditions which pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, and the recipient must demonstrate inability to finance the activity on its own and that other sources of funding are not available.
3. An activity that aids in the prevention or elimination of slums or blight.

The proposed activity must achieve one of these national objectives before you can proceed with a final decision to use CDBG-CV funds. You also need to ensure that your CDBG-CV grant meets the overall benefit requirement, meaning no less than 70 percent of the combined CDBG-CV expenditures from all three stages of funding must be used for activities that benefit LMI persons (see [Demonstrating Area Benefit](#) methodology for CDBG that should be similarly utilized for the 70 percent requirement under CDBG-CV).

¹ On March 27, 2020, President Trump approved the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136) (CARES Act). The CARES Act makes available \$5 billion in CDBG coronavirus response (CDBG-CV) funds to prevent, prepare for, and respond to coronavirus.

² Section 105(a)(8) of the HCD Act caps public service activities at 15 percent of most CDBG grants. Some grantees have a different percentage cap.

Documentation of Eligibility: Applicant information or registration forms (Exhibit A) which includes name, address, income, source of income, household type, ethnicity, racial background, and signature of participant and all adult household members. In addition, Agencies will be required to show adequate low-income backup data, including collecting a 10% sampling of income documentation of the CDBG-CV3 program(s) operated by the Agency.

Since CDBG-CV funded activities must also prevent, prepare for, and respond to the COVID-19 pandemic, some activities may qualify under the Urgent Need objective, even though it is rarely used in the regular CDBG program. Before applicants undertake any Urgent Need national objective analysis, review the extensive discussion and guidance on recordkeeping methods to meet the Urgent Need national objective in the [CDBG-CV Notice](#) (see page 51465).

Though CDBG-CV funds may be used for activities that achieve any of the three national objectives, the elimination of slums and blight does not often apply. Under this national objective, CDBG-CV records must document the activity alleviates blighting conditions, and it may be difficult to relate activities that primarily meet this national objective to the prevention, preparation for, and response to coronavirus. Additional guidance and resources related to common CDBG-CV eligible activities can be found [here](#).

EXHIBIT B
SUBRECIPIENT'S PROPOSAL



July 28, 2021

Dear Lori Ann Farrell Harrison,

Thank you for your continued service to our Costa Mesa community. We are grateful for the repurposed financial resources that are to be allocated for homelessness prevention.

In addition to our private philanthropy, the Newport Mesa Unified School District has committed to financially support PHA in order to serve the growing list of kids experiencing homelessness in our Costa Mesa schools. The potential trifecta of district and city support here in Costa Mesa, in combination with our private fundraising, has the potential to drive real change for our kids. Costa Mesa has the opportunity to lead a partnership that will not only address the disproportionate impact of COVID 19 for these kids, but also prevent future homelessness.

We make commitments to kids from Kindergarten through 24 years old; requiring that we are present year-round and 24/7 for the students. The relationships we build with students on campus allow us to readily *develop academic goals, increase school attendance, and provide social-emotional support.*

Project Hope Alliance has always operated at the intersection of serving kids experiencing homelessness and preventing homelessness as they enter adulthood. We have seen the disproportionate impact of COVID 19 play out before our eyes. This is particularly evident for residents of Westside, where we proudly operate our main office. For perspective, we were serving 50 Costa Mesa students in February of 2020 and we are now serving over 100 Costa Mesa residents, with an additional 200 on a waitlist. As the economy opens back up, this list will only continue to grow, especially when the moratorium on evictions is lifted.

The proposed funding request of \$160,942 covers 12 months of service, broken into two phases; fall and spring semesters. All numbers are based on a 30:1 student to case manager ratio. Not included in the proposals are any hard costs associated with professional development, mental health services or data analysis. We consider those to be a no-cost value-add to the partnership.

For the kids,

A handwritten signature in black ink, appearing to read "Jennifer Friend", is written over a circular, scribbled background.

Jennifer Friend, JD
Chief Executive Officer

**Project Hope Alliance CDBG Application
to the City of Costa Mesa
CDBG-CV/RFP No. 21-13**

Background and Project Summary Section: *The Background and Project Summary Section should describe your understanding of the City, the work to be done and the objectives to be accomplished.*

We have been serving the Costa Mesa community since 2016, providing wraparound case management for students experiencing homelessness. In 2019 the Newport Mesa Unified School (NMUSD) provided PHA with an MOU authorizing our programmatic presence at all 32 of their campuses. In the Fall of 2020, we received a list of all the students who qualified as homeless and have been working diligently to invite and incorporate them into our wraparound program. By intervening early in a child's educational journey, we exponentially increase the likelihood of their graduating high school and attaining independence and financial stability in life. CDBG grant funds will be used for continued one-on-one case management, mentoring, tutoring, college and FAFSA application assistance, job search assistance, basic needs support like food, clothing, hygiene and 24x7 support. We work with students along the entire educational spectrum from Kindergarten to age 24.

50% of Costa Mesa residents are non-White, 25% are foreign-born, 45% are Hispanic, with 12% living in poverty (compared to 9.5% across Orange County). Project Hope Alliance is already serving 12 of the 13 Title 1 schools in the District and all of them are in Costa Mesa. Title 1 schools typically garner the majority of resources (federal aid) as the campuses represent high need populations. This leaves low income students at non-Title 1 schools bereft of government aid, making PHA's role even more crucial. We are also serving many of these schools, including: (Elementary) California, Davis Magnet, Kaiser, Newport Heights, Victoria, (Middle) Ensign, Costa Mesa, Estancia and (High) Back Bay, Newport Harbor and Costa Mesa. Services include a case management program providing educational, socio-emotional and basic needs support.

NMUSD reported that almost 300 of their students qualified as homeless. This includes those living not only on the streets but in shelters, motels, cars, doubled-up and in places unsafe for human habitation. COVID has had a profound impact on student academic performance. The job losses and correlating housing losses levied a toll on housed and non-housed students alike. By way of example, a study of SoCal students shows that 13% of youth during the first 3 months of the pandemic had no online contact with their teachers and 1/3 had intermittent participation in online learning especially in lower income areas.

As an organization, we have defined five key objectives:

- 1) Ensure that all students and families that PHA serves who are experiencing homelessness are stably supported through the end of the 2021-22 school year.
- 2) Expand the In-Place Case Management Program in the 2021-2022 school year to provide full time case management on additional school campuses, in order to match the strategy plan laid out by the signed Memorandum of Understanding

recently signed by the school district to serve their youth who are experiencing homelessness at their campuses. PHA will prioritize student needs by school zones and assign case managers to the appropriate zones and schools.

- 3) As a primary outcome of Objective #2, we will work to engage every student in our program who reside in Cost Mesa. The original list contained 236 students (the majority of whom are in Costa Mesa).
- 4) Continue strategic thought partnership in regard to professional development for district liaisons, educators and administrators within the district. This will include assisting in virtual trainings for said trainees, directed by PHA's Director of Education and Director of Behavioral Health.
- 5) Develop a data-sharing platform to provide real-time analytics and reporting of progress. Collaborative review and reflection of data will inform the strategic direction of the services.

Our projected outcomes (success metrics) are a natural outgrowth of the program design and the students we serve:

- 1) 200 students will be served in the 2021/22 school year
- 2) Each K-6th grader will be work with a one-on-one mentor and 75% will report that they care about doing well academically
- 3) 75% of all students in the program will attend school consistently
- 4) 85% of all students in our program will report a high level of trust with PHA Case Managers
- 5) 80% of high school senior students in our program will graduate from high school (as opposed to 64% for homeless students in CA)

Method of Approach: *Provide a detailed description of the approach and methodology that will be used to fulfill services. The section should include:*

1. An implementation plan that describes in detail (i) the methods, including controls by which your firm manages projects of the type sought by this RFP; (ii) methodology for soliciting and documenting views of internal and external stakeholders; (iii) and any other project management or implementation strategies or techniques that the respondent intends to employ in carrying out the work.

i. Methods and Controls

PHA deploys a long-term, onsite intervention model for children and youth experiencing homelessness who face obstacles that prevent them from accessing resources, being a kid and achieving educational and life goals.

We work one-on-one with kids, placing full-time case managers on elementary, junior high and high school campuses. Case managers identify homeless students, remove barriers to their basic needs (such as food, clothing, or transportation); conduct regular check-ins to provide educational support, stable and trusted adult mentors and connections to needed resources. (Case management for post-high school youth is provided individually and is not tied to an educational campus.)

The primary assessment that case managers use is our innovative and proprietary Hope Index, which covers 10 distinct domains: social and emotional wellness; education; parental and family support; housing; financial stability; basic needs; health and safety; stable and trusted adult; life experiences and passions; and future vision and direction. The tool provides a unique lens on the condition and needs of their students. Case managers also complete a Hope Index every 90 days to assist in tailoring their intervention methods and case management approach to work towards improving scores in areas of deficit for each student, thereby having a direct beneficial impact on the lives of our kids. With the use of the Hope Index, our case managers can track and encourage development of specific skills, knowledge, or capabilities in specific life areas. Hope Index data that are gathered by our case managers is recorded in Salesforce, our enterprise software platform. We analyze this data on a regular basis so that we, as an organization, can better understand our impact and make necessary modifications to our programs.

Because the results of the Hope Index focus on a point-in-time, extrapolating this data across time is not necessarily valid. This is because situations and needs of our youth change constantly. For example, a parent's sudden loss of employment is likely to have a negative impact on several of the Hope Index domains and subdomains. However, the work that our case managers do is focused on treating each child as a whole and encouraging development across life areas. Additional assessment tools include the Developmental Asset Profile, Youth Assessment and Adverse Childhood Experience Index. After using these assessment tools, the case manager assists the student in creating an individualized case plan.

ii. Methodology for soliciting and documenting views of stakeholders

PHA collects survey data, hosts informational meetings and conducts site visits throughout the course of an academic year to a) regularly communicate our work and progress to invested stakeholders and b) to ensure that we are meeting all expectations set forth by our Board of Directors. Upon grant award, the city of Costa Mesa would also receive a survey and be included in any meetings.

iii. Project management/implementation strategies to be employed

In addition to the site-based case management, PHA has built an infrastructure that simultaneously handles Marketing, Fundraising and Professional Development for our frontline team. Our strategic priorities are as follows:

One Team: Consciously instill a sense of unity, pride & support amongst the team that fosters psychological safety, diversity and leadership development.

Systems Enhancement: Establish clear and purposeful systems that equip PHA to demonstrate impact, raise money and provide clarity.

Innovation: Actively seek creative solutions to ensure organizational sustainability.

2. Detailed description of efforts your firm will undertake to achieve client satisfaction and to satisfy the low and moderate-income requirements.

Client Satisfaction

Our clients are the kids and we use an assessment based on social-emotional support. Our assessment helps us answer the following questions about the young people we serve:

- Do they feel surrounded by people who love, care for, appreciate and accept them?*
- Do they feel valued, valuable and safe?*
- Do they feel that they have been provided with clear rules, consistent consequences for breaking rules and encouragement to always do their best?*
- Do they have opportunities outside of school to learn and develop new skills and interests with other youth and adults?*
- Do they understand the lasting importance of learning and believe in their own abilities?*
- Are they developing strong guiding values that will help them make healthy life choices, including responsibility, empathy and self-control?*
- Do they have the skills to interact effectively with others, to make difficult decisions, and to cope with new situations?*
- Do they believe in their own self-worth and feel that they have control over the things that happen to them?*

Low-Income Requirements

Our educational programs are targeted toward those children who are living in extreme poverty and experiencing homelessness. Our programs are designed to help homeless youth overcome the obstacles that prevent them from accessing resources and achieving educational, employment and healthy living goals. Case managers and education specialists work on a one-on-one basis with each youth to remove barriers, and connect them to other needed resources. In terms of identification and verification, we work alongside schools and inherit cases from them based on their official verification processes, which aligns with state and local legislation that defines homelessness; being inherently low-income (under the Federal Poverty Level).

3. Detailed project schedule, identifying all tasks and deliverables to be performed, durations for each task and overall time of completion.

If awarded, the proposed 12-month funding will allow PHA to respond in real time and also proactively plan to meet the following objectives:

| Objective | Phase 1 <i>September – December 2021</i> | Phase 2 <i>January 2022 – August 2022</i> |
|--|---|---|
| <i>Ensure that Costa Mesa students and families experiencing homelessness are enrolled in PHA and stably supported through the end of the 2020-21 school year.</i> | <ul style="list-style-type: none"> • Continue to enroll all eligible students (max limit of 81) • Complete all screenings • Case Managers dedicated solely to Costa Mesa students | <ul style="list-style-type: none"> • Continue to serve and enroll eligible students |
| <i>Expand the services to provide full time case management on additional school campuses.</i> | <ul style="list-style-type: none"> • Develop a site-based expansion strategy, in collaboration with school partners | <ul style="list-style-type: none"> • Prioritize student needs by school zones • Assign Case Managers to zones and schools |
| <i>Continue enhancing professional development for school liaisons, educators, and administrators within Costa Mesa.</i> | <ul style="list-style-type: none"> • Continue assisting in virtual training efforts for district personnel • PHA's Director of Education and Director of Behavioral Health will assist as needed in professional development efforts. | <ul style="list-style-type: none"> • Advise and assist in collaborative trainings for educators, liaisons and administrators (on-going, as-needed) |
| <i>Develop a data-sharing platform to provide real-time analytics and reporting of progress.</i> | <ul style="list-style-type: none"> • Establish protocols for data sharing • Build a shared digital platform to report real time data | <ul style="list-style-type: none"> • Establish regular data reporting, and collaborative reflection to inform strategic direction of services. |

4. Detailed description of specific tasks you will require from City staff. Explain what the respective roles of City staff and your staff would be to complete specified tasks.

The only tasks we would require assistance with would be a) the technical assistance when it comes to reporting and b) guidance with any questions that may arise.

5. Proposers are encouraged to provide additional innovative and/or creative approaches for providing the service that will maximize efficient, safe and cost-effective operations or increased performance capabilities.

Program Approach

Project Hope Alliance is the only Orange County organization that combines a) in-place case management, b) education, c) social and emotional support and d) access to opportunity to create a multi-generational approach to ending not only the instance of homelessness today, but permanently ending the cycle of homelessness tomorrow. No other single organization in Orange County combines all four of these pillars of service to effectively help children and their families move permanently past homelessness.

Financial Impact

A May 2020 study by Edwards Lifesciences, an international medical technology device manufacturer with over \$4 billion annually in revenue, completed a study in 2020 around PHA's innovative work. The ROI study was titled "Project Hope Alliance: Societal Benefits of Ending the Cycle of Homelessness in Orange County". The study found that PHA's programs annually save \$75,000 per graduate. This is a combination of \$40,000 in avoided costs, as well as \$35,000 in increased wages per graduate. The avoided costs illustrate the savings to entities like hospital emergency rooms, social service agencies (ex. CalFresh, SNAP, MediCal and CalWORKS). The increased wages give our youth the opportunity to complete college, acquire gainful employment and build stable lives.

Advocacy & Partnerships

PHA's work has been gaining increasing attention, allowing our leadership to inform policy discussions at the county as well as state level. In 2018, PHA's leadership team was invited by Jennifer Newsom to visit Sacramento for a 3-day strategic discussion on the crisis of child homelessness. In December 2019, Jennifer Friend, PHA's CEO, was also named one of Orange County's Top 100 Influencers by The Orange County Register. Our work has also been recognized in a research study by Edwards Lifesciences, an international medical technology device manufacturer with over \$4 billion annually in revenue. In October of 2020, our innovative work was published in a front-page article of the Orange County Register, triggering a wave of calls and donations toward our place-based work on behalf of students living at the motels. A more recent front page news article in the Register solicited an invitation from the Garden Grove Unified School District to serve in all of their schools.

To make system wide and systemic change children and youth experiencing homelessness must not only have a champion, they must have an elevated voice and a seat at the table where decisions are made. Project Hope Alliance serves as a zealous advocate for our children & youth elevating their voices, championing their causes, advising and participating in legislation and policy-making locally, statewide and nationally. Whether it is our contribution to the nation's leading policy document Hidden in Plain Sight: Homeless Students In America's Public Schools, or an invitation to provide advice to the U.S. Department of Health & Human Services Administration for Children & Families, PHA is in the fight for the kids. This includes our in-person state and federal lobbying activities in support of the "Every Student Succeeds Act", the

Emergency Family Stabilization Act (HR 7950), California State Assembly Bill AB10 and other legislation with elected officials or partners like School House Connections. Similarly, we work in partnership with national communicators and creators like Sesame Street and Lego - engaged in both educating and activating our community to eliminate the barriers homelessness causes in the lives of our kids.

6. Firms, individuals and entities wishing to be considered shall include in their submissions the steps they will, if selected, implement and adhere to the recruitment, hiring and retention of former employees of the City who have been displaced due to layoff or outsourcing of functions and services formerly provided by the City.

Insofar as former city employees are experienced in trauma-informed care for youth experiencing homelessness, have experience working 1:1 with children utilizing education-based programming and meet all minimum requirements, we would welcome the opportunity to interview them for employment if positions were to open up.

Qualifications & Experience of the Firm: Describe the qualifications and experience of the organization or entity performing services/projects within the past five years that are similar in size and scope to demonstrate competence to perform these services. Information shall include:

1. If the owner is a corporation please provide: Name of corporation, corporate office street address, city, state, and zip code, state where incorporated, date of incorporation, first and last name of officers, local office address, city, state & zip, and the date local office opened its doors for business.

Corporation: Project Hope Alliance

Office Street Address: 1954 Placentia Ave, Suite 202

Date of Incorporation: October 17, 2002

First and last names of officers: Jennifer Friend, CEO; Tracy Carmichael, President

Local Office Address: Same as above

2. If the owner is a partnership or joint venture, please provide: Name of partnership or joint venture, principal office street address, city, state and zip code, state of organization, date of organization, first and last name of general partner(s), local office address, city, state and zip code and date local office opened its doors for.

N/A

Experience:

Our CEO, Jennifer Friend, grew up experiencing homelessness and went on to become partner in a law firm before starting at PHA in 2013. Her unique experience motivates the rest of our team to serve with compassion and innovation. Our President, Dr. Tracy Carmichael, has a Ph.D. in Educational Policy and Social Context from UCI and extensive experience in leading nonprofits through mission and capacity building. Our Director of Education, Jennifer Marin, comes from an extensive teaching career at Newport-Mesa Unified School District. Our Director of Behavioral Health, Rachel

Cardenas, has a Doctorate in Psychology and has spent her career serving at-risk youth in schools, inpatient and outpatient facilities. She specializes in working with trauma-informed treatment and youth experiencing homelessness. Our Program Manager, Bonita Vecchio, has held roles working with trauma and learning disabilities, as well as advocacy for vulnerable populations.

Our case management team includes Guadalupe Contreras, Chrissie Lee, Jose Aleman, and La Shawn Hye who reflect the ethnicities of those we serve. These individuals regularly exceed PHA's standards for case managers in cultural competency and bilingualism, expertise of the school system and local resource offices, creating comprehensive case plans, communication with families and school staff, among others.

In addition, PHA holds key community partnerships with homeless-serving organizations and school districts. As our work is conducted primarily on-site at school campuses, we have a strong relationship with the Newport Mesa Unified School District and have Sean Boulton, Newport Harbor High Principal, on our Board of Directors. In 2019, we received a Memorandum of Understanding to serve all 32 campuses in the Newport Mesa Unified School District. We signed a similar MOU with the Santa Ana Unified School District in March of 2021.

Previous to 2021, we had not received any CDBG funding. However, after a favorable article in the Orange County Register on PHA in October, we were contacted by the City of Santa Ana with an invitation to apply for CDBG funding to provide services to their students experiencing homelessness. Within the same week, we were approached by Santa Ana Unified School District, who requested that PHA provide case management services to their students who were experiencing homelessness. We now have an agreement with the City, funding has been approved and we are finalizing an MOU with the school district and expect to begin services in March. Our Grant Writer and Director of Finance both have previous experience managing CDBG grants.

3. List all businesses owned or controlled by yourself (applicant) or business manager doing similar business in California under another name. List business name and address and specify who owns or controls the business (e.g., self, business manager, etc.).

N/A

4. List all businesses for which you or your business manager is or was an officer, director, or partner doing similar business in California under another name. List business name and address, title, date(s) in position; specify who was in position (e.g., self, business manager, etc.).

N/A

5. How many years have you been in business under your present business name?

2011-2021: Project Hope Alliance (10 years)

(Note: Prior to 2011, PHA was incorporated as the Project Hope School Foundation)

6. Provide a list of current and previous contracts similar to the requirements for Costa Mesa, including all public agencies served (if any). For each, provide a brief description of the service performed, the length of time you have been providing services and the name, title and telephone number of the person who may be contacted regarding your organization's service record.

City of Santa Ana

Description: Provide holistic supportive and educational-related services, centered around an intensive case management model, to 50 school age children, adolescents and young adults (up to age 24) who are experiencing barriers to education and employment due to homelessness. Also provide distance learning support related to the ongoing impact from the COVID pandemic.

Duration: One year

Contact: David Flores, Community Development Analyst
(714) -647-6561

City of Costa Mesa

Description: Serve 25 Costa Mesa students experiencing homelessness, as well as expand the in-place case management program to Estancia High School and/or TeWinkle Intermediate School in the 2021/22 school year.

Duration: One year

Contact: Mike Linares, Housing and Community Development
(714) 754-5678

7. Submit a description of the organization's qualifications, experience and abilities that make it uniquely capable to provide the services.

Project Hope Alliance always looks for ways to innovate so that we can better achieve our mission and goals at a broad level, as well as support a larger number of individual students. One way that we are innovative is by choosing not to work from the "outside-in." Instead, we operate within an existing system structure (school campuses), which enables us to be a positive influence in children's lives by offering supportive services directly where the children attend. With a district-wide invitation from the Newport Mesa School District to host our programs on all 32 campuses, we take a kid-centered approach to disrupting the cycles of homelessness in our students' lives. We currently serve 5 high schools, 2 middle schools and 15 elementary schools, for a total of 22 program schools in the Newport-Mesa School District.

Our work is and has always been child-centric, innovative, revolutionary and more than ever, essential for the success of our youth. By focusing on children's holistic development, we provide hope so that kids can visualize and realize a future without homelessness while reaching their full potential as self-sufficient adults.

Measurement

Our proprietary Hope Index is another example of innovation. As mentioned earlier, our case managers use the Hope Index during the initial assessment of students who are new to our program. The tool provides a holistic and unique lens on the condition and needs of their students. Case managers utilization of the Hope Index enables them to

tailor their intervention efforts for each student based on the highlighted needs derived from the assessment.

Mentorship

Another innovation is apparent in how we support our K-6 students, who are assigned a volunteer mentor, trained by Project Hope Alliance. Many of these students need special assistance in literacy and math. Our innovative, multilingual online curriculum is highly adaptive and personalized to each child's unique needs and level of understanding. These young students enjoy a strong, consistent relationship with a trusted adult, a relationship that promotes a healthy social-emotional development. These students receive Chromebooks, Wi-Fi hotspots, individualized academic support and materials, personal weekly mentoring sessions, teacher coordination, parent involvement, enrichment activities, support in navigating the school system (IEP, 504) and a variety of items that fill their basic needs.

Data Tracking Capacity

Even in how we do our work, we are innovative, specifically striving to inform our decisions and programs with data. As part of our external relationship-building with school districts, we are continually expanding the type of student-level data we can acquire. For example, in our new service agreement in Santa Ana, we have access to data that informs us of attendance, academic goals and special needs. Internally, Project Hope Alliance tracks the services we provide to each student and school to capture a broad understanding of our impact, as well as dozens of data points that underlie clearly defined outcomes and measures for every program. Hope Index data that is gathered by our case managers is recorded in Salesforce, our enterprise software platform. We analyze this data on a regular basis so that we, as an organization, can better understand our impact and make necessary modifications to our programs. We are also working with Salesforce consultants to optimize the data that we track to better inform our decisions. Program data is reviewed quarterly by the Project Hope Alliance leadership team and annually by the Board of Directors. These reviews result in program refinements for the following year.

8. The City of Costa Mesa is interested in knowing how Proposers support the communities that they serve. Please provide information on your organization's participation in local community, charitable and civic organizations and events, including membership in the Costa Mesa Chamber of Commerce, charitable contributions made by your organization, etc.

Any public entity which submits a Proposal should describe in detail how it currently performs services, like those identified as eligible activities, within its or other jurisdictions, including photographs, written policies and/or video of services provided. If you have performed these services under contract for another public entity, please provide references for those entities as set forth above for private Proposers.

Financial Capacity: The City is concerned about bidders' financial capability to perform, therefore, may request sufficient data to allow an evaluation of firm's financial capabilities.

Our leadership team is well integrated within the community and holds strong relationships with prominent Orange County philanthropists. Our Chief Executive Officer and President hold multiple speaking engagements throughout the year to generate corporate partnerships and giving campaigns. Our full-time Grants team is dedicated to maintaining the relationships with our current family of corporate and private foundations and growing relationships with new funders. Having a full-time foundation team has allowed us to build our portfolio of grants and major gifts by over 50% in the past five years, resulting in over \$2 million annually in funds raised.

As we broaden our base and build community support, we have created a strong social media presence and internal process to cultivate smaller individual gifts. We are working to develop a direct mail program that will allow us to leverage our operational partnerships with individual donors, community service groups and faith communities, among others. Our Community Engagement Coordinator and Grants & Development Coordinator have worked to develop a quarterly communication and fund-generating process targeted toward individual donors, corporate partners, community organizations, and faith-based supporters.

Key Personnel: It is essential that the Proposer provide adequate experienced personnel, capable of and devoted to the successful accomplishment of work to be performed under this contract. The Proposer must agree to assign specific individuals to the key positions.

- o Identify the members of the staff who would be assigned to act for Proposer's firm in key management and filed positions providing the services described in the Proposal, and the functions to be performed by each.
- o Include resumes or curriculum vitae of each such staff member, including name, position, telephone number, email address, education, and years and type of experience. Describe for each such person, the relevant transactions on which they have worked.

Jennifer Friend, CEO
jennifer@projecthopealliance.org

Prior to becoming CEO at Project Hope Alliance (PHA), Jennifer Friend enjoyed a successful career as a partner at a large law firm representing national and international clients throughout the civil courts of California. While practicing law, she became involved in PHA's board and was actively engaged in the organization's expansion and strategic growth. In 2013, Jennifer answered her calling, left her partnership, and became Project Hope Alliance's full-time CEO. Her personal experience as a homeless child in Orange County, which inspired the Broadway play *Nomad Motel*, fuels her deep-rooted passion and commitment to homeless children and youth, while her ability to cast vision, think strategically, lead and direct broader systems change uniquely qualify her to serve as Project Hope Alliance's CEO.

Jennifer holds a JD from Whittier Law School and a BA in Criminology, Law, and Society from the University of California, Irvine. She currently serves as a Trustee of the UCI Foundation; an Appointed member of the Fiat Lux Alliance; a Member of the Susan

Samueli Integrative Health Institute Advisory Board; and is a proud parent volunteer for the Newport Harbor High School Marching Band and Davis Magnet School.

Tracy Carmichael, President & Chief Strategy Officer

Tracy@projecthopealliance.org

Dr. Tracy Carmichael serves as Project Hope Alliance's President & Chief Strategy Officer. Tracy has spent most of her career working to bridge the gap between research and practice within the educational system, and developing equity-centered programs that produce opportunities for children to reach their full potential. She has a deep comprehension of non-profit management including strategic planning, fundraising, and outcome measurement. Tracy is a valued resource and champion in the development and implementation of the organization's strategic plans which foster program expansion while maintaining internal efficiency.

Tracy holds a B.A. in Criminology from UC Irvine, an M.A. in Educational Research from the University of Michigan, and a Ph.D. in Education from UC Irvine.

Jennifer Marin, MA

jmarin@projecthopealliance.org

Before joining Project Hope Alliance, Jennifer spent 16 years teaching in the elementary school classrooms of Newport-Mesa Unified School District and serving as a curriculum specialist, teacher trainer, English learner coordinator, Early Intervention for School Success (EISS) coordinator, literacy coach, and grade-level chair. Throughout her impassioned career, she built a stellar reputation as an educator, leader, and advocate for the kids. In recognition of her extraordinary dedication to childhood education, Jennifer was named 2015-2016 Teacher of the Year at Pomona Elementary. As Director of Education at Project Hope Alliance, Jennifer brings to the organization her passion for and expertise in leveraging education as a tool to ending generational poverty.

Jennifer received her Bachelor of Arts in Liberal Studies with a concentration in Spanish from California State University, Northridge, and her Master of Arts in Education/Bilingual Credential and Preliminary Administrative Services Credential from Loyola Marymount University, Los Angeles.

Rachel Cardenas, PysD

rcardenas@projecthopealliance.org

Prior to joining Project Hope Alliance, Dr. Cardenas worked as a therapist in schools with youth experiencing social, emotional, and behavioral issues and in inpatient and outpatient facilities with individuals experiencing severe mental health concerns. While working in the school system, Rachel also worked as a consultant for teachers and school staff regarding mental health, crisis intervention, behavioral interventions, and social skill development. Rachel worked at Gordon Psychology Group where she led

their clinical team, developed the training program, and was responsible for training and supervising therapists, case managers, and substance abuse counselors. Rachel specializes in working with individuals who have experienced trauma and has a passion for working with youth. She aims to bring her clinical lens to her work with Project Hope Alliance.

Rachel holds a B.A. in Psychology from Dominican University and a Psy.D in Clinical Psychology from Argosy University.

□ **_Cost Proposal:** Provide a fee schedule/pricing information for the project as referenced in the attached in Appendix C. Proposals shall be valid for a minimum of 180 days following submission.

- o Cover letter stating the total lump sum fee.

See Cost Plan Document

- o A spreadsheet with a detailed fee schedule of the proposed costs. Each fee schedule shall depict individual project asks, number of hours assigned for specific personnel and their basic hourly rates.

See Cost Plan Document



**VENDOR APPLICATION FORM
FOR
RFP No. 21-13 for Community Service Programs - CDBG-CV**

TYPE OF APPLICANT: ☐ NEW ☒ CURRENT VENDOR

CONTRACT TERM: ☒ 1 YEAR ☐ 2 YEAR

Legal Contractual Name of Corporation: Project Hope Alliance

Contact Person for Agreement: Jennifer Friend

Title: Chief Executive Officer E-Mail Address: jennifer@projecthopealliance.org

Business Telephone: (949) 722-7863 Business Fax: (949) 722-7836

Corporate Mailing Address: 1954 Placentia Ave. #202

City, State and Zip Code: Costa Mes, CA 92627

Contact Person for Proposals: John Eumurian

Title: Foundation Relations Manager E-Mail Address: john@projecthopealliance.org

Business Telephone: (714) 337-1118 Business Fax: (949) 722-7837

Is your business: (check one)

☒ NON PROFIT CORPORATION ☐ FOR PROFIT CORPORATION

Is your business: (check one)

☒ CORPORATION ☐ LIMITED LIABILITY PARTNERSHIP
☐ INDIVIDUAL ☐ SOLE PROPRIETORSHIP
☐ PARTNERSHIP ☐ UNINCORPORATED ASSOCIATION

Names & Titles of Corporate Board Members

(Also list Names & Titles of persons with written authorization/resolution to sign contracts)

| Names | Title | Phone |
|--------------------------------------|----------------|----------------|
| Lynn Hemans | President | (949) 722-7863 |
| Sean Boulton | Director | (949) 722-7863 |
| Pete Deutschman | Treasurer | (949) 722-7863 |
| Ray Weston | Director | (949) 722-7863 |
| Joe Lewis, III | Secretary | (949) 722-7863 |
| Eric Rans | Director | (949) 722-7863 |
| April Negrete | Director | (949) 722-7863 |
| Kathy Kiefe (Authorized Signee) | Acctg. Manager | (949) 722-7863 |
| Jennifer Friend (Authorized Signee) | CEO | (949) 722-7863 |
| Tracy Carmichael (Authorized Signee) | President | (949) 722-7863 |
| John Eumurian (Authorized Signee) | Director | (949) 722-7863 |

Federal Tax Identification Number: 75-3099628

City of Costa Mesa Business License Number: #43665

(If none, you must obtain a Costa Mesa Business License upon award of contract.)

City of Costa Mesa Business License Expiration Date: 5/31/2022

EX PARTE COMMUNICATIONS CERTIFICATION

Please indicate by signing below one of the following two statements. **Only sign one statement.**

I certify that Proposer and Proposer's representatives have not had any communication with a City Councilmember concerning informal **RFP No. 21-13 for Community Service Programs-CDBG-CV** at any time after June 23, 2021.

Signature

Jennifer Friend

Print

Date: 07/29/2021

OR

I certify that Proposer or Proposer's representatives have communicated after June 23, 2021 with a City Councilmember concerning informal **RFP No. 21-13 for Community Service Programs-CDBG-CV**. A copy of all such communications is attached to this form for public distribution.

Signature

Print

Date: _____

DISQUALIFICATION QUESTIONNAIRE

The Contractor shall complete the following questionnaire:

Has the Contractor, any officer of the Contractor, or any employee of the Contractor who has proprietary interest in the Contractor, ever been disqualified, removed, or otherwise prevented from bidding on, or completing a federal, state, or local government project because of a violation of law or safety regulation?

Yes _____ No ^X _____

If the answer is yes, explain the circumstances in the following space.

DISCLOSURE OF GOVERNMENT POSITIONS

Each Proposer shall disclose below whether any owner or employee of Contractor currently hold positions as elected or appointed officials, directors, officers, or employees of a governmental entity or held such positions in the past twelve months. List below or state "None."

None

COMPANY PROFILE & REFERENCES

Company Legal Name:

Company Legal Status (corporation, partnership, sole proprietor etc.): Corporation

Active licenses issued by the California State Contractor's License Board:

Business Address: 1954 Placentia Ave. #202

Website Address: www.projecthopealliance.org

Telephone Number: (949) 722-7863

Facsimile Number: (949) 722-7836

Email Address:

Length of time the firm has been in business: 32 years

Length of time at current location: 8 years

Is your firm a sole proprietorship doing business under a different name: ___Yes ☒ No

If yes, please indicate sole proprietor's name and the name you are doing business under:

Federal Taxpayer ID Number: 75-3099628

Regular Business Hours: 9-5

Regular holidays and hours when business is closed: National holidays, Good Friday, Christmas to New Years

Contact person in reference to this solicitation: Jennifer Friend, CEO

Telephone Number: (949) 500-5828

Facsimile Number: (949) 722-7836

Email Address: jennifer@projecthopealliance.org

Contact person for accounts payable: Kathy Kiefe, Manager of Acctg. & Admin.

Telephone Number: (949) 791-2710

Facsimile Number: (949) 722-7836

Email Address: kathy@projecthopealliance.org

Name of Project Manager: Rachel Cardenas, Dir. of Behavioral Health

Telephone Number: (949) 722-7801

Facsimile Number: (949) 722-7836

Email Address: rcardenas@projecthopealliance.org

COMPANY PROFILE & REFERENCES (Continued)

Submit the company names, addresses, telephone numbers, email, contact names, and brief contract descriptions of at least three clients, preferably other municipalities for whom comparable projects have been completed or submit letters from your references which include the requested information.

Company Name: City of Santa Ana

Contact Name: David Flores

Contract Amount: \$150,000

Email: DFlores@santa-ana.org, (714) 647-6561

Address: 20 Civic Center Plaza | Santa Ana, CA 92702

Brief Contract Description: Provide holistic supportive and educational-related services, centered around an intensive case management model, to 50 school age children, adolescents and young adults (up to age 24) who are experiencing barriers to education and employment due to homelessness. Also provide distance learning support related to the ongoing impact from the COVID pandemic.

Company Name: City of Costa Mesa

Telephone Number: (714) 754-5678

Contact Name: Mike Linares

Contract Amount: \$20,000

Email: MIKE.LINARES@costamesaca.gov

Address: P.O. Box 1200
Costa Mesa, CA 92628-1200

Brief Contract Description: Serve 25 Costa Mesa McKinney-Vento program students as well as expand the in-place case management program to Estancia High School and/or TeWinkle Intermediate School in the 2021/22 school year.

Company Name: United Way of Orange County

Telephone Number: (949) 263-6121

Contact Name: Carol Kim

Contract Amount: \$300,000

Email: CarolK@UnitedWayOC.org

Address: 18012 Mitchell South
Irvine, CA 92614-6008

Brief Contract Description: Funds provided for rapid rehousing services for OC homeless families (96 individuals annually) living in emergency shelters, motels, transitional housing and doubled/tripled up. Contract supplied \$100,000 per year for 3 years.

Company Name:

Telephone Number:

Contact Name:

Contract Amount:

Email:

Address:

Brief Contract Description:

Company Name:

Telephone Number:

Contact Name:

Contract Amount:

Email:

Address:

Brief Contract Description:



**BIDDER/APPLICANT/CONTRACTOR CAMPAIGN CONTRIBUTION
DISCLOSURE FORM**

Proposer/Provider/Applicant is required to identify any campaign contribution or cumulative contributions greater than \$249 to any city council member in the twelve months prior to submitting an application, proposal, statement of qualifications or bid requiring approval by the City Council.

| Date | Name of Donor | Company/Business Affiliation | Name of Recipient | Amount |
|----------------|---------------|------------------------------|-------------------|--------|
| Not Applicable | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Except as described above, I/we have not made any campaign contribution in the amount of \$250 or more to any Costa Mesa City Council Member in the twelve months preceding this Application/Proposal.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Jennifer Friend

Bidder/Applicant/Proposer

07/29/2021

Date

MONTHLY COST ALLOCATION PROPOSAL

| TASK | DESCRIPTION | MONTHLY PROGRAM COST |
|------|----------------|----------------------|
| 1 | Case Manager 1 | 5,610.00 |
| 2 | Case Manager 2 | 3,910.16 |
| 3 | Case Manager 3 | 3,058.38 |
| 4 | Overhead | 833.33 |

TOTAL 13,411.79

All originals of plans, field notes, data and calculations, reports, electronic files, etc., will be turned over to the City upon completion of work. Ten percent (10%) of the total contract fee will be withheld under final project documents are submitted to the City.

EXHIBIT C
COUNCIL POLICY NO. 100-5

CITY OF COSTA MESA, CALIFORNIA

COUNCIL POLICY

| SUBJECT | POLICY NUMBER | EFFECTIVE DATE | PAGE |
|---------------------|------------------|-------------------|--------|
| DRUG-FREE WORKPLACE | 100-5 | 8-8-89 | 1 of 3 |

BACKGROUND

Under the Federal Drug-Free Workplace Act of 1988, passed as part of omnibus drug legislation enacted November 18, 1988, contractors and grantees of Federal funds must certify that they will provide drug-free workplaces. At the present time, the City of Costa Mesa, as a sub-grantee of Federal funds under a variety of programs, is required to abide by this Act. The City Council has expressed its support of the national effort to eradicate drug abuse through the creation of a Substance Abuse Committee, institution of a City-wide D.A.R.E. program in all local schools and other activities in support of a drug-free community. This policy is intended to extend that effort to contractors and grantees of the City of Costa Mesa in the elimination of dangerous drugs in the workplace.

PURPOSE

It is the purpose of this Policy to:

1. Clearly state the City of Costa Mesa's commitment to a drug-free society.
2. Set forth guidelines to ensure that public, private, and nonprofit organizations receiving funds from the City of Costa Mesa share the commitment to a drug-free workplace.

POLICY

The City Manager, under direction by the City Council, shall take the necessary steps to see that the following provisions are included in all contracts and agreements entered into by the City of Costa Mesa involving the disbursement of funds.

1. Contractor or Sub-grantee hereby certifies that it will provide a drug-free workplace by:
 - A. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in Contractor's and/or sub-grantee's workplace, specifically the job site or location included in this contract, and specifying the actions that will be taken against the employees for violation of such prohibition;
 - B. Establishing a Drug-Free Awareness Program to inform employees about:

| SUBJECT | POLICY NUMBER | EFFECTIVE DATE | PAGE |
|---------------------|--------------------------|---------------------------|-------------|
| DRUG-FREE WORKPLACE | 100-5 | 8-8-89 | 2 of 3 |

1. The dangers of drug abuse in the workplace;
 2. Contractor's and/or sub-grantee's policy of maintaining a drug-free workplace;
 3. Any available drug counseling, rehabilitation and employee assistance programs; and
 4. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
- C. Making it a requirement that each employee to be engaged in the performance of the contract be given a copy of the statement required by subparagraph A;
- D. Notifying the employee in the statement required by subparagraph 1 A that, as a condition of employment under the contract, the employee will:
1. Abide by the terms of the statement; and
 2. Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five (5) days after such conviction;
- E. Notifying the City of Costa Mesa within ten (10) days after receiving notice under subparagraph 1 D 2 from an employee or otherwise receiving the actual notice of such conviction;
- F. Taking one of the following actions within thirty (30) days of receiving notice under subparagraph 1 D 2 with respect to an employee who is so convicted:
1. Taking appropriate personnel action against such an employee, up to and including termination; or
 2. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health agency, law enforcement, or other appropriate agency;

| SUBJECT | POLICY NUMBER | EFFECTIVE DATE | PAGE |
|---------------------|--------------------------|---------------------------|-------------|
| DRUG-FREE WORKPLACE | 100-5 | 8-8-89 | 3 of 3 |

- G. Making a good faith effort to maintain a drug-free workplace through implementation of subparagraphs 1 A through 1 F, inclusive.
2. Contractor and/or sub-grantee shall be deemed to be in violation of this Policy if the City of Costa Mesa determines that:
 - a. Contractor and/or sub-grantee has made a false certification under paragraph 1 above;
 - b. Contractor and/or sub-grantee has violated the certification by failing to carry out the requirements of subparagraphs 1 A through 1 G above;
 - c. Such number of employees of Contractor and/or sub-grantee have been convicted of violations of criminal drug statutes for violations occurring in the workplace as to indicate that the contractor and/or sub-grantee has failed to make a good faith effort to provide a drug-free workplace.
 3. Should any contractor and/or sub-grantee be deemed to be in violation of this Policy pursuant to the provisions of 2 A, B, and C, a suspension, termination or debarment proceeding subject to applicable Federal, State, and local laws shall be conducted. Upon issuance of any final decision under this section requiring debarment of a contractor and/or sub-grantee, the contractor and/or sub-grantee shall be ineligible for award of any contract, agreement or grant from the City of Costa Mesa for a period specified in the decision, not to exceed five (5) years. Upon issuance of any final decision recommending against debarment of the contractor and/or sub-grantee, the contractor and/or sub-grantee shall be eligible for compensation as provided by law.



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 23-998

Meeting Date: 2/7/2023

TITLE:

CITY OF COSTA MESA, COSTA MESA PUBLIC FINANCING AUTHORITY, COSTA MESA FINANCING AUTHORITY, AND COSTA MESA HOUSING AUTHORITY FINANCIAL STATEMENTS, AND HOUSING SUCCESSOR ANNUAL REPORT FOR THE PERIOD ENDING JUNE 30, 2022.

DEPARTMENT: FINANCE DEPARTMENT

PRESENTED BY: CAROL MOLINA, FINANCE DIRECTOR

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

RECOMMENDATION:

1. Staff recommends the City Council receive and file the following reports for the fiscal year ended June 30, 2022:
 - a. Annual Comprehensive Financial Report (ACFR) (Attachment 1);
 - b. Air Quality Improvement Fund Compliance Report (Attachment 2);
 - c. Audit Communication Letter (Attachment 3); and
 - d. Independent Accountant's Report on Agreed-Upon Procedures Applied to Appropriation Limit Worksheets (Attachment 4).
2. Staff recommends the City Council and Costa Mesa Public Financing Authority receive and file the Costa Mesa Public Financing Authority audited financial statements for the fiscal year ended June 30, 2022 (Attachment 5).
3. Staff recommends the City Council and Costa Mesa Financing Authority receive and file the Costa Mesa Financing Authority audited financial statements for the fiscal year ended June 30, 2022 (Attachment 6).
4. Staff recommends the City Council and Housing Authority receive and file the following reports for the fiscal year ended June 30, 2022:
 - a. Independent Financial Audit of the Costa Mesa Housing Authority, including the Low and Moderate Income Housing Asset Fund (Attachment 7); and
 - b. The Fiscal Year 2021-22 Housing Successor Annual Report prepared under the California Health and Safety Code Section 34176.1 as the housing successor and Section 34328 as a housing authority (Attachment 8).

BACKGROUND:

Federal Single Audit guidelines require a recipient of federal funds to have an independent annual financial audit and compliance audit of the federal programs. As such, the City has retained an independent public accounting firm of licensed certified public accountants, Davis Farr LLP, to complete an audit of the City's financial records. The goal of the financial statement audit is to provide users with a reasonable assurance from an independent source that the information presented in the financial statements is reliable and free of material misstatements. All of the financial reports received unmodified opinions from Davis Farr LLP signifying that, without exception, the financial statements fairly present in all material respects the financial position of the City.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

The ACFR is an audited summary report of the financial transactions of the City for Fiscal Year 2021-22. The report is presented to the City Council and designed to provide summary financial information.

The financial statements were prepared in conformity with generally accepted accounting principles (GAAP) as set by the Governmental Accounting Standards Board (GASB). The specific financial documents on which the auditor expresses an opinion include (1) the financial statements, and (2) notes to the basic financial statements, which include required supplementary information. These documents, along with the auditor's opinion letter and management's discussion and analysis, form the core of the ACFR. The additional documents within the ACFR include: the letter of transmittal jointly from the City Manager and Finance Director, the combining and individual fund statements, and a supplemental statistical section presenting detailed information to assist the reader in assessing the economic condition of the City.

The City's audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Such audits utilize sampling of data, inquiries of staff and management, testing of procedures and transactions, confirmation with outside parties, checking of certain internal files and documents, review of meeting minutes, specialized audit checklists, and numerous other accounting techniques. The auditors also considered the City's internal controls in determining what procedures to use and the size of samples to be selected and reviewed. In their report, the auditors indicated that the financial statements were free of material misstatements and all significant transactions were recognized in the proper period.

AIR QUALITY IMPROVEMENT FUND COMPLIANCE REPORT

Assembly Bill 2766 (AB2766) authorized the South Coast Air Quality Management District (SCAQMD) to impose an annual vehicle registration fee and to distribute a portion of that revenue to all local jurisdictions within the South Coast Air Basin. These revenues are to be used solely to reduce air pollution from motor vehicles by implementing new programs and studies necessary for the implementation of the California Clean Air Act. The City's Air Quality Improvement Fund accounts for the use of these funds received from SCAQMD. The Air Quality Improvement Fund Compliance Report received an unmodified (clean) audit opinion.

AUDIT COMMUNICATION LETTER

Audit clarity standards (AU-C) Section 260 requires defined and documented communications between the auditors and the City Council or Audit Committee. This letter provides an opportunity for the auditors to report on any difficulties or major concerns discovered during the audit and explain their role. They provide commentary on management's responsibilities for accounting policies and states that no significant difficulties were encountered in performing the audit, and no disagreements occurred with management.

INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES APPLIED TO APPROPRIATION LIMIT WORKSHEETS

Section 1.5 of Article XIII B of the California Constitution requires that the City follow the procedures agreed upon by the State of California and the League of California Cities (as presented in the League publication entitled "Article XIII B Appropriations Limitation Uniform Guidelines") to determine the annual appropriations limit (known as the Gann Limit), which sets forth the maximum amount of special tax revenues an agency is allowed to spend. The auditors perform an "Agreed-Upon Procedure" where they recalculate the Gann Limit. They determined that the City has correctly calculated the Gann Limit.

COSTA MESA PUBLIC FINANCING AUTHORITY FINANCIAL STATEMENTS

The Costa Mesa Public Financing Authority was created by a joint powers agreement between the City of Costa Mesa and the former Costa Mesa Redevelopment Agency, dated August 20, 1990, to provide financing for capital improvements, acquisition of capital improvements, and the purchase of local obligations. Davis Farr LLP completed an audit of the Costa Mesa Public Financing Authority's (a component unit of the City of Costa Mesa) financial statements and the related notes to the financial statements.

COSTA MESA FINANCING AUTHORITY FINANCIAL STATEMENTS

The Costa Mesa Financing Authority was created by a joint powers agreement between the City of Costa Mesa and the Costa Mesa Housing Authority, dated August 1, 2017. It was created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California to provide financing for capital improvements, acquisition of capital improvements, and the purchase of local obligations. Davis Farr LLP completed an audit of the Costa Mesa Financing Authority's (a component unit of the City of Costa Mesa) financial statements and the related notes to the financial statements.

COSTA MESA HOUSING AUTHORITY FINANCIAL STATEMENTS AND HOUSING SUCCESSOR ANNUAL REPORT

On January 17, 2012, under the California Housing Authorities Law (HAL), Health and Safety Code (HSC) Section 34200, et seq., the City Council established the Costa Mesa Housing Authority (Housing Authority). Also on that date, the City Council selected the Housing Authority to be the housing successor and, as of February 1, 2012, to assume the housing assets, duties, functions and obligations of the former Costa Mesa Redevelopment Agency (Former Agency). These actions occurred as a result of the dissolution of the Former Agency under Assembly Bill x1 26, the California Supreme Court's decision in California Redevelopment Association v. Matosantos, Assembly Bill

1484, and other subsequent dissolution legislation (together, "Dissolution Law"), which laws regulate the administration of successor agencies and housing successors due to the dissolution of all California redevelopment agencies. Further, under Section 34328 of the HAL, the Housing Authority also prepares and presents an annual report on its activities for the preceding year.

Under Section 34176, added by AB x1 26 and amended by AB 1484, the State Department of Finance (DOF) issued a decision letter in January 2013 that confirms the Housing Authority holds all affordable housing assets of the Former Agency as listed in a Housing Asset Transfer schedule prepared by the Housing Authority and submitted to the DOF prior to August 1, 2012. Since dissolution, all housing assets are held and administered by the Housing Authority in the Low to Moderate Income Housing Asset Fund (LMIHAF) under the Dissolution Law, as per Sections 34176 and 34176.1. Under Section 34176.1(f), the Housing Successor is required to conduct an independent financial audit of LMIHAF and prepare an annual report for each fiscal year, and provide such reports to the governing body, within six months after the end of the fiscal year.

From inception, the Housing Authority's primary function had been to serve as the Housing Successor to the former Agency. Beginning in Fiscal Year (FY) 2018-19, the Housing Authority expanded services beyond the scope of LMIHAF by consolidating the City's existing homeless outreach program and establishing a new bridge shelter operation for homeless individuals.

ANALYSIS:

Based on the results of their audit, Davis Farr LLP provided the City with an unmodified opinion on the financial statements, which indicates that the City's financial statements are free of material misstatements and are in accordance with GAAP. This is the best and highest audit opinion the City could receive.

GENERAL FUND FINANCIAL RESULTS

FY 2021-22 General Fund revenues totaled \$165.7 million, overall in line with pre-pandemic levels. Revenues in the past fiscal year were impacted by the closures due to the pandemic, whereas FY 2021-22 started to experience pre-pandemic levels in some of the main revenue categories. Summary is as follows:

- Sales tax revenue increased by \$13.5 million compared to last fiscal year. Sales tax revenues have exceeded pre-pandemic levels due to increased consumer demand and increased prices as a result of inflation.
- Transient occupancy tax (hotel tax) increased by \$4.1 million over the prior fiscal year, almost at pre-pandemic levels, as a result of significant increase in tourism and travel, as travel restrictions put in place during the pandemic were lifted.
- License & permits and charges for services increased by \$2.9 million and \$2.1 million, respectively.

General Fund expenditures (before transfers) totaled \$140.1 million, approximately \$3.1 million below the budget. The variance was due to a deference of debt service payments for the Fire and Rescue Department safety apparatus and citywide vacancies.

General Fund transfers-out totaled \$21.4 million and included \$8.5 million to the Capital Improvements Fund for capital improvement projects and the transfer for the 5% Capital Assets Needs (CAN) Ordinance, \$2.8 million to the Financing Authority Debt Service Fund for bond debt service payments, \$1.7 million to the Housing Authority for the homeless shelter and related program costs, \$6.4 million to the Internal Service Funds for various equipment, technology and vehicle purchases, and \$1.8 million to the Self-Insurance Fund for annual worker's compensation claims and general liability costs.

GENERAL FUND - FUND BALANCE

The General Fund's ending fund balance increased by \$4.3 million. General Fund expenditures totaled \$161.4 million, including transfers, and was offset by \$165.7 million in General Fund revenues.

As of June 30, 2022, the City has \$25.1 million committed for declared disasters, self-insurance, and economic uncertainty; \$13.1 million assigned for compensated absences, Police Retirement 1% Supplemental Plan, workers compensation claims, facilities reserve, strategic plan projects, prepaid items, and inventory; \$3.1 million for the Section 115 Trust for post-retirement benefits; and \$16.5 million in unassigned fund balance for a total of \$57.8 million.

STATEMENT OF NET POSITION

Change in Net Position

At June 30, 2022, the Statement of Net Position which is in essence the City's overall balance sheet, and reflects the City's total assets and liabilities on an All Funds basis, reflects a positive \$14.6 million increase. This is primarily due to the receipt of the second tranche of the Federal American Rescue Plan funds along with the City's prudent financial management.

Pensions and Retiree Medical Liabilities

The City's net pension liability decreased by \$82.8 million to \$229.6 million for two reasons: CalPERS rate of return in 2021 earned 13.3%, almost doubling its target of 6.8% and the difference between actual and expected experiences. Three of the City's four pension plans are administered by CalPERS. The Police 1% Supplemental Plan is administered by the City and is paid on a pay-as-you-go basis.

In addition, FY 2021-22 is the fifth year the City is required to record the OPEB net liability on its financial statements, similar to the pension liability above. The City's net OPEB liability increased by \$3.4 million to \$66.3 million. This plan is administered by the City and is paid to retirees on a pay-as-you-go basis.

COSTA MESA FINANCING AUTHORITY FINANCIAL STATEMENTS

The Financing Authority received an unmodified opinion from the auditors, Davis Farr LLP. This is the highest and cleanest attestation report given by independent auditors. The reports that deal with compliance information also received unmodified opinions and no findings were noted.

In Fiscal Year 2021-22, the Financing Authority continued to support debt service payments for the 2017 Lease Revenue Bonds, which were originally issued in October 2017 to fund the Donald

Dungan Library, Norma Hertzog Neighborhood Community Center and Lions Park projects; and to advance refund the 2007 Certificates of Participation. At June 30, 2022, the 2017 bonds outstanding principal was \$23.1 million.

COSTA MESA HOUSING AUTHORITY FINANCIAL STATEMENTS AND HOUSING SUCCESSOR ANNUAL REPORT

An audit of the Housing Authority's financial activities, consisting of the LMIHAF activities and homeless assistance programs, was completed as part of the City's overall financial audit by an independent certified public accounting firm, Davis Farr, LLP. The Housing Authority received an unmodified opinion. This is the highest attestation report given by independent auditors. The reports that deal with compliance information also received unmodified opinions with no findings. The audit results are incorporated as part of the City's Annual Comprehensive Financial Report (ACFR). The section in the City's audit/ACFR relating to the LMIHAF Audit is entitled: Costa Mesa Housing Authority (A Component Unit of the City of Costa Mesa) Financial Statements Year ended June 30, 2022 (Attachment 7).

In FY 2021-22, the Housing Authority received approximately \$2.2 million in revenues and incurred \$4.0 million in expenditures. The General Fund provided a budgeted \$1.7 million transfer to the homeless outreach and bridge shelter programs. At June 30, 2022, the Housing Authority's available fund balance was \$3.6 million, all of which is restricted for LMIHAF purposes.

ALTERNATIVES:

Not applicable. The reports are for receive and file purposes.

FISCAL REVIEW:

There is no fiscal impact associated with receiving and filing the reports.

LEGAL REVIEW:

The City Attorney's Office has reviewed the reports, and approves the reports as to form.

CITY COUNCIL GOALS AND PRIORITIES:

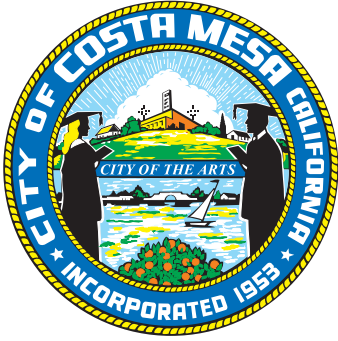
This item supports the following City Council Goal:

- Achieve Long-Term Fiscal Sustainability

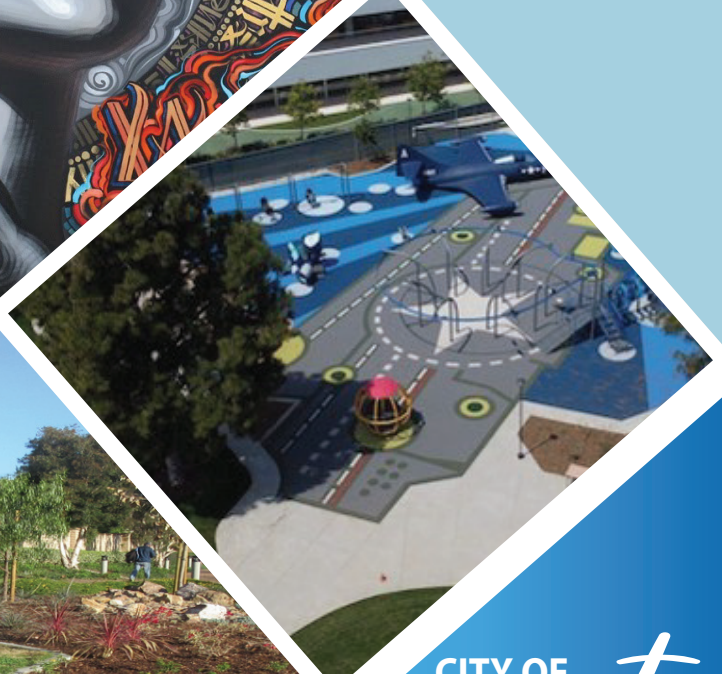
CONCLUSION:

1. Staff recommends the City Council receive and file the following reports for the fiscal year ended June 30, 2022:
 - a. Annual Comprehensive Financial Report (ACFR) (Attachment 1);
 - b. Air Quality Improvement Fund Compliance Report (Attachment 2);
 - c. Audit Communication Letter (Attachment 3); and
 - d. Independent Accountant's Report on Agreed-Upon Procedures Applied to Appropriation Limit Worksheets (Attachment 4).

2. Staff recommends the City Council and Costa Mesa Public Financing Authority receive and file the Costa Mesa Public Financing Authority audited financial statements for the fiscal year ended June 30, 2022 (Attachment 5).
3. Staff recommends the City Council and Costa Mesa Financing Authority receive and file the Costa Mesa Financing Authority audited financial statements for the fiscal year ended June 30, 2022 (Attachment 6)
4. Staff recommends the City Council and Housing Authority receive and file the following reports for the fiscal year ended June 30, 2022:
 - a. Independent Financial Audit of the Costa Mesa Housing Authority, including the Low and Moderate Income Housing Asset Fund (Attachment 7); and
 - b. The Fiscal Year 2021-22 Housing Successor Annual Report prepared under the California Health and Safety Code Seciton34176.1 as the housing successor and Section 34328 as a housing authority (Attachment 8).



CITY OF COSTA MESA, CALIFORNIA ANNUAL COMPREHENSIVE FINANCIAL REPORT



CITY OF
THE
arts

FISCAL YEAR ENDED
JUNE 30, 2022

CITY OF COSTA MESA, CALIFORNIA
Annual Comprehensive Financial Report
Year ended June 30, 2022

Prepared by: Finance
Department

www.costamesaca.gov

CITY OF COSTA MESA, CALIFORNIA
Annual Comprehensive Financial Report
Year ended June 30, 2022

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INTRODUCTORY SECTION: | |
| Letter of Transmittal | i |
| List of Principal Officials | vii |
| Organizational Chart | viii |
| GFOA Certificate of Achievement for Excellence in Financial Reporting | ix |
| FINANCIAL SECTION: | |
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis (Required Supplementary Information) | 5 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 16 |
| Statement of Activities | 17 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | 19 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 21 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 22 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 24 |
| Proprietary Funds: | |
| Statement of Net Position | 25 |
| Statement of Revenues, Expenses and Changes in Net Position | 26 |
| Statement of Cash Flows | 27 |
| Fiduciary Funds: | |
| Statement of Fiduciary Net Position | 28 |
| Statement of Changes in Fiduciary Net Position | 29 |
| Notes to the Basic Financial Statements | 30 |

CITY OF COSTA MESA, CALIFORNIA
Annual Comprehensive Financial Report
Year ended June 30, 2022

TABLE OF CONTENTS, (CONTINUED)

| | <u>Page</u> |
|---|-------------|
| Required Supplementary Information: | |
| Miscellaneous Plan: | |
| Schedule of Changes in the Net Pension Liability and Related Ratios | 76 |
| Schedule of Contributions | 78 |
| Police Safety Plan: | |
| Schedule of Changes in the Net Pension Liability and Related Ratios | 80 |
| Schedule of Contributions | 82 |
| Fire Safety Plan: | |
| Schedule of Proportionate Share of the Net Pension Liability | 84 |
| Schedule of Contributions | 86 |
| Police 1% Supplemental Retirement Plan: | |
| Schedule of Changes in the Net Pension Liability and Related Ratios | 88 |
| Other Post-Employment Benefit Plan: | |
| Schedule of Changes in OPEB Liability and Related Ratios | 90 |
| Schedule of Revenues, Expenditures and Changes in Fund | |
| Balances – Budget and Actual: | |
| General Fund | 92 |
| Government Grants Fund | 94 |
| American Rescue Plan Act Fund | 95 |
| Notes to Required Supplementary Information | 96 |
| Supplementary Schedules: | |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | 100 |
| Combining Statement of Revenues, Expenditures and | |
| Changes in Fund Balances | 104 |
| Schedule of Revenues, Expenditures and Changes in Fund | |
| Balances – Budget and Actual: | |
| Nonmajor Special Revenue Funds: | |
| Gas Tax Fund | 108 |
| HOME Program Fund | 109 |
| Air Quality Improvement Fund | 110 |
| Community Development Fund | 111 |
| Supplemental Law Enforcement Services Fund | 112 |
| Rental Rehabilitation Fund | 113 |
| Narcotics Forfeiture Fund | 114 |
| Local Law Enforcement Block Grant Fund | 115 |
| Office of Traffic Safety Fund | 116 |
| Housing Authority Fund | 117 |
| Major and Nonmajor Capital Projects Funds: | |
| Capital Improvements | 118 |
| Measure “M2” Fund | 119 |
| Parking Districts Fund | 120 |
| Golf Course Improvements Fund | 121 |

CITY OF COSTA MESA, CALIFORNIA
Annual Comprehensive Financial Report
Year ended June 30, 2022

TABLE OF CONTENTS, (CONTINUED)

| | <u>Page</u> |
|---|-------------|
| Park Development Fund | 122 |
| Drainage Fees Fund | 123 |
| Traffic Impact Fees Fund | 124 |
| Fire System Development Fees Fund | 125 |
| Jack Hammett Sports Complex Fund | 126 |
| Lions Park Capital Improvements Fund | 127 |
| Internal Service Funds: | |
| Combining Statement of Net Position | 129 |
| Combining Statement of Revenues, Expenses and Changes in Net Position | 130 |
| Combining Statement of Cash Flows | 131 |
| STATISTICAL SECTION: | Table |
| Net Position by Component – Last Ten Fiscal Years | 1 133 |
| Changes in Net Position – Last Ten Fiscal Years | 2 134 |
| Fund Balances of Governmental Funds – Last Ten Fiscal Years | 3 135 |
| Changes in Fund Balance of Governmental Funds – Last Ten Fiscal Years | 4 136 |
| Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years | 5 137 |
| Taxable Sales by Category – Last Ten Calendar Years | 6 138 |
| Principal Sales Tax Remitters by Category – Current Year and Nine Years Ago | 7 139 |
| Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years | 8 140 |
| Property Tax Levies and Collections – Last Ten Fiscal Years | 9 141 |
| Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years | 10 142 |
| Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years | 11 143 |
| Principal Property Taxpayers – Current Year and Nine Years Ago | 12 144 |
| Ratio of General Bonded Debt Outstanding and Legal Debt Margin – Last Ten Fiscal Years | 13 145 |
| Ratios of Outstanding Debt by Type - Last Ten Fiscal Years | 14 146 |
| Direct and Overlapping Governmental Activities Debt | 15 147 |

CITY OF COSTA MESA, CALIFORNIA
Annual Comprehensive Financial Report
Year ended June 30, 2022

TABLE OF CONTENTS, (CONTINUED)

| | <u>Table</u> | <u>Page</u> |
|---|--------------|-------------|
| Demographic and Economic Statistics – Last Ten Calendar Years | 16 | 148 |
| Principal Employers - Current Year and Nine Years Ago | 17 | 149 |
| Operating Indicators by Function/Program – Last Ten Fiscal Years | 18 | 150 |
| Full Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years | 19 | 151 |
| Capital Asset Statistics by Function/Program – Last Ten Fiscal Years | 20 | 152 |



CITY OF COSTA MESA

77 FAIR DRIVE, P.O. BOX 1200, COSTA MESA, CA 92628-1200

FROM THE OFFICE OF THE FINANCE DIRECTOR —CITY TREASURER

December 30, 2022

Honorable Mayor and Councilmembers:

The Annual Comprehensive Financial Report (ACFR) of the City of Costa Mesa (the City) for the fiscal year ended June 30, 2022, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

This report consists of management's representations concerning finances of the City. Responsibility for both accuracy of the data, and completeness and fairness of presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Management asserts that to the best of its knowledge and belief, the enclosed data is accurate in all material respects, and reported in a manner designed to present fairly the financial position and results of operations of various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements for the fiscal year ended June 30, 2022, have been audited by Davis Farr LLP, an independent public accounting firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

PROFILE OF THE GOVERNMENT

The City, incorporated in 1953, has an estimated population of 112,780 and a land area of 16.8 square miles. It is located in the southern coastal area of Orange County, California, and is bordered by the cities of Santa Ana, Newport Beach, Huntington Beach, Fountain Valley, and Irvine. The City is approximately 35 miles southeast of Los Angeles and 85 miles northwest of San Diego. At its nearest point, the City is approximately 1.5 miles from the Pacific Ocean. The City is also home to the world-renowned Henry and Renee Segerstrom Concert Hall, the Segerstrom Center for the Arts, the Orange County Fairgrounds, and the new state-of-the-art of the Orange County Museum of the Arts (OCMA).

The City has operated under the council-manager form of government since incorporation. Policy making and legislative authority are vested in the Mayor and City Council. The City Manager is responsible for implementing policies and ordinances approved by the City Council, overseeing the day-to-day operations of the City, and appointing department heads.

In November 2016, voters approved Measure EE regarding Voting District Formation and six voting districts were formed. Beginning in December 2018, the City Council transitioned from five Council Members elected at-large to seven Council Members. Each of the six districts elects one Council Member and the Mayor is elected at-large every two years. Council members are elected to four-year staggered terms.

The City is a "full service city" and provides a wide range of services including: police and fire protection; emergency medical aid; building safety regulation and inspection; land use planning and zoning; housing and community development; maintenance and improvement of streets and related structures; traffic safety, maintenance, and improvement; homeless street outreach and shelter services; and a full range of recreational and cultural programs. A "full-service city" is defined as a city that is financially responsible for the full set of basic tax-dependent municipal services within its jurisdiction including police, fire, parks and recreation, public works, and land-use planning.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Annual budgets are legally adopted for all governmental funds on a basis consistent with GAAP, except for certain special revenue and debt service funds for which annual budgets are not adopted. Budgetary control for management purposes is maintained as authorized by City Council.

The City Manager submits the budget to the City Council, who adopts it prior to the beginning of the fiscal year. Public hearings are conducted prior to budget adoption. Supplemental appropriations, when required during the fiscal year, are also approved by the City Council. Intra-functional and interfund budgetary amendments are approved by the City Manager subject to the total amount authorized by City Council.

ECONOMIC CONDITION

During fiscal year 2021-22, the City continued to demonstrate resilience despite two years of challenges from the COVID-19 pandemic. The City's local economy has fared better than both the nation and State of California based primarily on the strength of a strong retail base, local businesses, and the diverse types of industries located within the City. A strong tax base along with fiscal prudence resulted in a year-end surplus for FY 2021-22.

Fiscal year 2021-22 marked the second full year of the economic impacts of the worldwide pandemic, COVID-19. The pandemic reshaped the consumer's purchasing interests towards more "experiences" such as an increase in dining out, rise in tourism, and entertainment venues. Commuters returning to offices combined with foreign conflicts abroad put upward pressure on oil prices and left Californians facing the highest average price per gallon on record resulting in fuel and service station receipts 42% higher than last year.

Further, higher priced consumer goods through periods of consistent demand have led to economic inflation. The Federal Reserve Board's actions to aggressively raise interest rates to curb inflation coupled with supply shortages are anticipated to put downward pressure on building materials and financed general consumer goods, resulting in slower growth expectations into 2023.

In fiscal year 2021-22, General Fund revenue, not including transfers, increased by \$24.7 million or 17.5 percent restoring General Fund revenue to essentially pre-pandemic levels. This is primarily due to a strong rebound in the retail sector and online purchases resulting in a sales tax revenue increase of \$13.5 million, or 21.1 percent, over the prior fiscal year which was artificially depressed due to the pandemic. Costa Mesa is home to the renowned luxury retail center South Coast Plaza, Metro Pointe, and a variety of brick and mortar stores. Pent up demand for in person retail and restaurant visits and high inflation passed along in the cost of goods resulted in a significant increase to sales tax revenue. Sales tax revenue has recovered to pre-pandemic levels and exceeded fiscal year 2018-19 revenue, the last full fiscal year prior to the pandemic, by \$12.4 million, or 19.1 percent.

Prior to the economic impacts of the pandemic, transient occupancy tax (TOT) revenue showed signs of a slight slowdown. In March 2020, the pandemic spread globally. Costa Mesa hotels experienced a significant reduction in visitors. Increased tourism and travel, as travel restrictions were lifted, led to an increase in this revenue stream. TOT revenue increased by \$4.1 million, or 95.4 percent, over the prior fiscal year. While occupancy levels have not returned to pre-pandemic levels, they are increasing. TOT revenue has not fully recovered to pre-pandemic levels.

General Fund expenditures increased by \$16.5 million or 2.6 percent compared to the prior year. This increase essentially reflects a return to pre-pandemic levels of spending and the restoration of staffing and serious cuts during the pandemic. For fiscal year 2021-22, the General Fund ended with a net operating positive of \$25.6 million before other financing uses of \$21.4 million, comprised of transfers to the Internal Services Funds for the City's Capital, Technology, and Equipment Funds; Financing Authority Debt Service Fund for debt service payments; and the Housing Authority for homeless services programs costs. Operating transfers out decreased by \$5.3 million, however net financing uses increased by \$3.9 million compared to the prior fiscal year. This was due to offsetting operating transfers in to the General Fund during FY 2020-21 for eligible American Rescue Plan Act (ARPA) expenses incurred. The City did not incur any eligible ARPA expenses in FY 2021-22. The City received its second installment of ARPA funds in June 2022. After the net of other financing uses, the General Fund ended with an increase of \$4.3 million to fund balance for fiscal year 2021-22.

The City is cautiously expecting a stable outlook for the local economy. The City enjoys a strong, diverse local economy, well-funded emergency reserves, and a solid commitment to delivering top quality services to the community.

MAJOR AND FUTURE DEVELOPMENT INITIATIVES

Major Developments (completed):

Orange County Museum of Art (3333 Avenue of the Arts) – The City approved construction of a 53,875-square-foot structure which is the new home to the Orange County Museum of Art located within Costa Mesa’s Theater Arts District. Construction was completed and the grand opening was held in October 2022.

Vans Headquarters Expansion (1588 South Coast Drive) – The Vans Headquarters Expansion Project included the construction of a three-story, 91,032-square-foot office building on the Vans Headquarters Campus located at 1588 South Coast Drive. The project also included a three-story parking structure, and an outdoor seating area and half pipe skate ramp just west of the proposed office building. The project also included a traffic signal on Hyland Avenue at the Vans north driveway. Construction was completed in 2022.

Newport & Ford (1957 Newport Blvd.) – This 38-unit condominium project was approved by the City in October 2018. The project was constructed in phases and was completed in 2022.

Harbor/Hamilton (2095 Harbor Blvd. and Hamilton Street) – This 1.53-acre site was approved for construction of a 28-unit detached single-family condominium development including seven units with ground level work spaces. Construction of all homes was completed and occupied as of 2022.

Major Developments (approved/under construction):

Anduril Headquarters (1375 Sunflower Street- former LA Times site/The Press) – The Master Plan for this 665,000-square-foot office project was approved in August 2017 and became the new Orange County headquarters for Anduril Technologies in 2021. Phased construction is underway. Buildout of the entire Campus is projected to be completed in mid-2023.

Vanguard University (55 Fair Drive) – The City approved a Master Plan for Vanguard University in 2019. The Master Plan includes a 20-year investment and facilities plan for updating and replacing existing buildings with more modern facilities, providing additional onsite student housing, and replacing surface parking lots with new parking structures. Buildout of the Master Plan will accommodate 2,700 students and will take several years to complete. In 2020, the University opened its new 42,687-square-foot Student Center. Perimeter improvements along Fair Drive and Newport Boulevard include new fencing, landscaping and University signage which was also completed in 2022. In addition, the new 61,006-square-foot multi-purpose gymnasium, athletic facility, and events center are currently under construction and are projected to be completed by 2024.

Halcyon House (former Symphony Apartments located at 595 Anton Blvd.) – This project consists of 393 apartment units and retail shops at the corner of Anton Boulevard and Avenue of the Arts and was approved in 2015. Construction of Building A was completed in 2022 and Building B is nearing completion and is anticipated to open for leasing in early 2023.

LUX Apartments (2277 Harbor Boulevard) – This project consists of 200 apartment units located on Harbor Boulevard, including 9 very low-income units. The project is under construction and is projected to be completed and open for leasing in 2023.

Avenue of the Arts Hotel Expansion (3350 Avenue of the Arts) – The project is a hotel expansion of an existing 4-diamond hotel in North Costa Mesa. The Master Plan includes an expanded parking structure, a new restaurant and hotel lobby, and 150 new hotel rooms on six levels. Minor changes to the design were submitted in 2022 with construction anticipated in 2023.

The Plant (765-767 Baker Street and 2972 Century Place) – The City approved a Master Plan for the renovation of three existing commercial buildings, totaling 19,100 square feet, for retail and restaurant uses surrounding a central courtyard area located in Costa Mesa's SoBECA neighborhood. New food stalls and a four-story mixed use building are planned, with 48 residential units, 14 live/work units, and 2,570 square feet of workshop/maker office space above a two-level parking structure.

One Metro West (1683 Sunflower Avenue) – The project is a mixed-use development that includes up to 1,057 residential units, 25,000 square feet of commercial creative office, 6,000 square feet of specialty retail, 1.5-acres of public open space, streetscape improvements, and a Class-I bike trail on Sunflower Avenue providing access to the Santa Ana River Trail. The project was approved by the City Council in 2021, subject to Article 22, Chapter IX of Title 13 of the Costa Mesa Municipal Code.

Future Development (under review):

Project Homekey (Motel 6 site – 2274 Newport Boulevard) – The project consists of a two-phase adaptive re-use of an 88-unit motel for permanent affordable housing. All units will be converted to 300-square-foot studio apartments with new kitchenettes, countertops, flooring, paint, fixtures, appliances, and furniture. Additional common areas for residents will include a new outdoor patio, smoking area, dog run, and community garden. Exterior improvements will include building façade enhancements, public art, and substantial upgrades to existing landscaped areas. Construction is expected to commence in early 2023.

Senior Housing Project at City Senior Center (695 West 19th Street) – An application for a Master Plan Screening for a 60-unit housing project on a 0.90-acre portion of the parking lot at the City's Senior Center property has been submitted and is under review.

DEBT ADMINISTRATION

The City accounts for general debt service under the following funds in the financial statements: the Public Financing Authority (PFA) Debt Service Fund and the Financing Authority (FA) Debt Service Fund. Sources of revenues for retirement of outstanding bonded indebtedness include general property and sales taxes.

In October 2017, the FA issued the 2017 Lease Revenue Bonds that refinanced the PFA Series 2007 Certificates of Participation (COP) and provided partial funding for the Lion's Park, Donald Dungan Library and Norma Hertzog Neighborhood Community Center projects. Standard & Poor's (S&P) rated the 2017 bonds AA+ upon initial issuance. On November 3, 2020, in the height of the pandemic, Standard & Poor's reaffirmed the 2017 bonds' AA+ long-term rating with a stable outlook. According to the final report, S&P "reviewed governance risks and consider them better than the sector standard because of the City's very strong management profile with strong financial policies and practices, and successful economic development efforts."

The City continuously reviews existing debt for refunding possibilities to lower total debt service requirements. The City has also adopted a comprehensive set of debt policies covering all aspects of debt issuance in order to consolidate information for debt obligations and maintain or improve its excellent credit standing.

FINANCIAL REPORTING AWARDS

The Government Finance Officers Association (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the 24th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of

Achievement for Excellence in Financial Reporting, the City must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must also satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our June 30, 2022 Annual Comprehensive Financial Report continues to meet the Certificate of Achievement program requirements and it will be submitted to the GFOA to determine its eligibility for another award.

ACKNOWLEDGMENTS

Special recognition is extended to the entire Finance Department for their ongoing dedication and support to all City departments and citizens on a daily basis. Special appreciation is also extended specifically to Accounting Division staff who contributed to and participated in the coordination and preparation of this Annual Comprehensive Financial Report. In addition, our deepest appreciation is also extended to the Central Services Division staff for their assistance in the design of the report cover and printing of this document. Further, thanks are also extended to our independent auditors, Davis Farr LLP, for their continued oversight, expertise, and advice.

Respectfully submitted,



LORI ANN FARRELL HARRISON
City Manager



CAROL MOLINA
Finance Director



City of Costa Mesa List of Principal Officials

June 30, 2022

Mayor

John Stephens

City Council

Andrea Marr

Manuel Chavez

Loren Gameros

Jeff Harlan

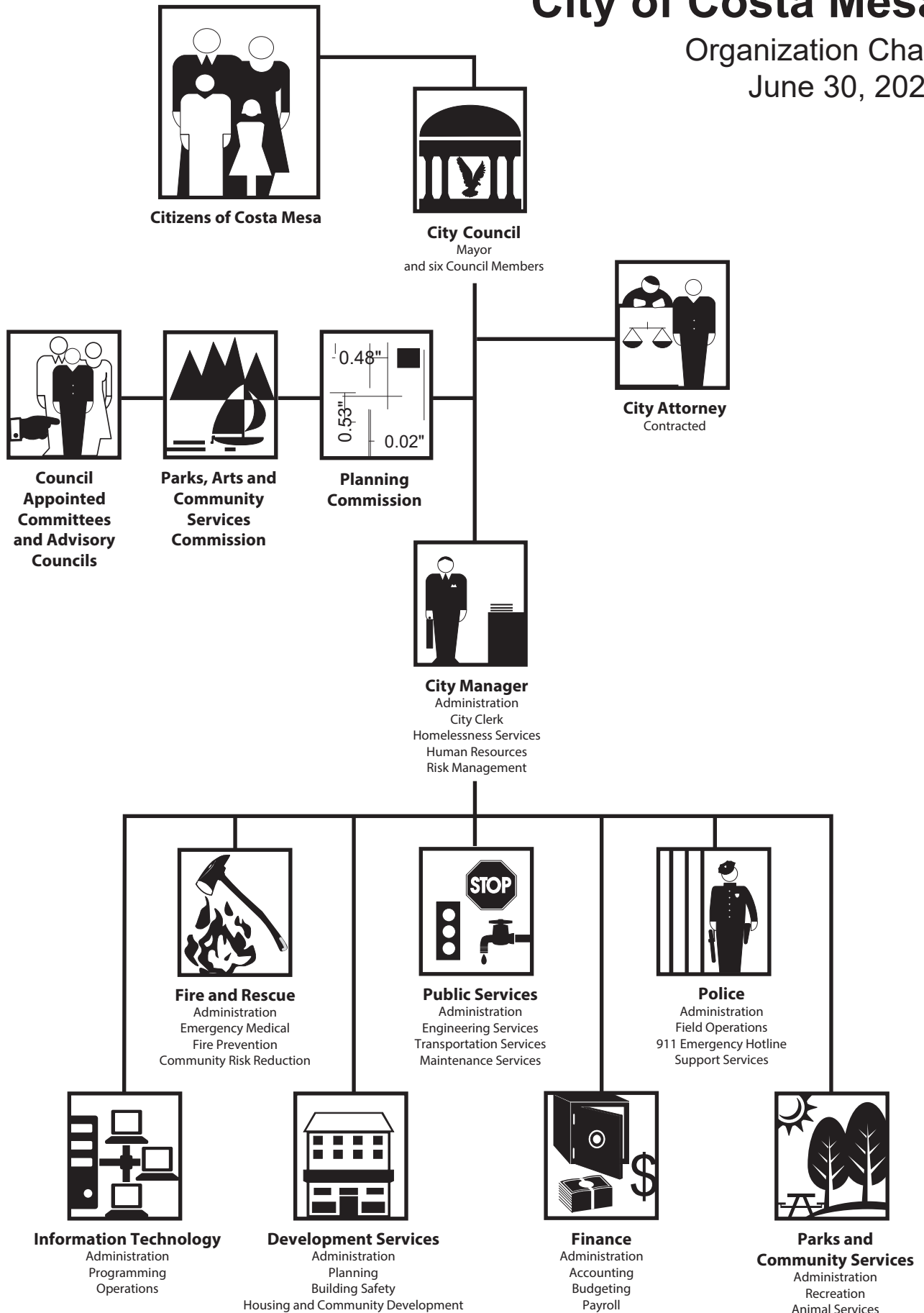
Don Harper

Arlis Reynolds

City Manager ----- --Lori Ann Farrell Harrison
Assistant City Manager----- --Susan Price
City Attorney (Contract) ----- Kimberly Barlow
Development Services Director----- Jennifer Le
Finance Director -----Carol Molina
Information Technology Director ----- Steve Ely
Parks and Community Services Director ----- Jason Minter
Public Services Director ----- Raja Sethuraman
Fire Chief ----- Dan Stefano
Police Chief ----- Ronald Lawrence

City of Costa Mesa

Organization Chart
June 30, 2022



Visit our website at www.costamesaca.gov



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Costa Mesa
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
of the City of Costa Mesa
Costa Mesa, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa (the City), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

During the year ended June 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87: Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedules identified as Required Supplementary Information (RSI) in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of

inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *combining and individual nonmajor fund financial statements and schedules* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual nonmajor fund financial statements and schedules* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements and schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited the City's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results

of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Costa Mesa (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022. We encourage all readers to consider information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–vi of this report.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the City's primary government exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2022 by \$51.6 million (*net position*). Of this amount, \$225.7 million (*unrestricted net position deficit*) primarily resulted from implementations of Governmental Accounting Standards Board (GASB) Statement Nos. 68, 71 and 73 for pensions, and GASB Statement No. 75 for Postemployment Benefit Other than Pensions (OPEB). These statements established standards for measuring and recognizing liabilities for defined benefit plans.
- In the government-wide financial statements, total net position increased by \$14.6 million from the prior fiscal year total of \$37.1 million primarily due to an increase federal funding from the American Rescue Plan Act (ARPA).
- In the fund financial statements, the governmental funds reported a combined ending fund balance of \$117.5 million, an increase of \$8.1 million in comparison with the prior year total of \$109.4 million.
- At the end of fiscal year 2022, the General Fund's unassigned fund balance was \$16.5 million or 11.8 percent of general fund expenditures of \$140.1 million. Unassigned fund balance may be used to meet the government's ongoing obligations.
- At June 30, 2022, the City reported \$229.6 million in pension liabilities and \$66.3 million in OPEB liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information to show how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both *government-wide financial statements* distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities include general government, protection of persons and property, community programs, public services, and interest on long-term debt. The City has no business-type activities or discretely presented component units.

The basic government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 26 individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances for the General, Capital Improvements and Gas Tax funds, all of which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual operating and capital budget for its General, Special Revenue, and Capital Projects funds. Budgetary comparison statements have been provided for these fund types to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 19-24 of this report.

Proprietary Funds

The City maintains one type of proprietary fund, *internal service funds*. Internal service funds are an accounting device used to accumulate and allocate costs internally among various City functions. The City uses internal service funds to account for equipment replacement, self-insurance (workers' compensation, general liability, unemployment), and information technology replacement functions. Because there are no business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the Equipment Replacement, Self-Insurance, and Information Technology Replacement funds, all of which are considered to be nonmajor funds. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each nonmajor internal service funds is provided in the form of *combining statements* in the supplementary schedules section of this report.

The basic proprietary fund financial statements can be found on pages 25-27 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because resources of these funds are *not* available to support the City's own programs and services. The accounting method used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 28-29 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 30-75 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City. Required supplementary information can be found on pages 76-96 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information section. Combined and individual fund statements and schedules can be found on pages 100-131 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$51.6 million at June 30, 2022, an increase of \$14.6 million from 2021.

As in previous years, the City's net position continued to reflect the impact from implementations of GASB Statements No. 68, 71 and 73 for pension and GASB 75 for OPEB, all of which account for the City's defined benefit liabilities. The City's total defined benefit liability is estimated at \$297.7 million on the Statement of Net Position, a decrease of \$79.8 million as compared to the prior year.

Another significant portion of the City's total net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less related outstanding debt used to acquire assets that are still in service. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CONDENSED STATEMENT OF NET POSITION

| | June 30, 2022 | June 30, 2021 | Increase/ (Decrease) | Percent Increase/ (Decrease) |
|--|----------------------|----------------------|-------------------------|------------------------------------|
| ASSETS: | | | | |
| Current and other assets | \$192,540,139 | \$155,763,694 | \$ 36,776,445 | 23.61% |
| Capital assets, net of accumulated depreciation | 279,567,632 | 282,879,937 | (3,312,305) | -1.17% |
| Total assets | 472,107,771 | 438,643,631 | 33,464,140 | 7.63% |
| Deferred outflows of resources | 56,137,273 | 52,911,235 | 3,226,038 | 6.10% |
| LIABILITIES: | | | | |
| Current and other liabilities | 33,026,449 | 15,215,718 | 17,810,731 | 117.05% |
| Long-term liabilities | 348,415,949 | 430,748,965 | (82,333,016) | -19.11% |
| Total liabilities | 381,442,398 | 445,964,683 | (64,522,285) | -14.47% |
| Deferred inflows of resources | 95,175,548 | 8,529,449 | 86,646,099 | 1015.85% |
| NET POSITION: | | | | |
| Net investment in capital assets | 249,096,798 | 255,443,158 | (6,346,360) | -2.48% |
| Restricted | 28,232,693 | 25,552,401 | 2,680,292 | 10.49% |
| Unrestricted | (225,702,393) | (243,934,825) | 18,232,432 | -7.47% |
| Total net position | \$ 51,627,098 | \$ 37,060,734 | \$ 14,566,364 | 39.30% |

At the end of fiscal year 2021-22, the City continued to report positive balances in two out of three categories of net position for the government as a whole, as well as for its separate governmental activities. The unrestricted net position improved by \$18.2 million, ending the fiscal year with a balance of \$225.7 million primarily due to implementations of pension and OPEB accounting standards.

During the fiscal year 2021-22, the City's total net position increased by \$14.6 million.

| CHANGES IN NET POSITION | | |
|--|--------------------------------|----------------------|
| | Governmental Activities | |
| | 2022 | 2021 |
| REVENUES: | | |
| Program Revenues: | | |
| Charges for services | \$ 21,962,861 | \$ 17,113,465 |
| Operating contributions and grants | 14,404,940 | 32,519,129 |
| Capital contributions and grants | 5,528,637 | 8,267,623 |
| General Revenues: | | |
| Taxes: | | |
| Property taxes | 49,706,079 | 47,891,698 |
| Sales and use taxes | 77,165,533 | 63,738,411 |
| Transient occupancy tax | 8,366,278 | 4,282,802 |
| Franchise taxes | 5,318,541 | 4,895,574 |
| Business tax | 1,468,202 | 1,227,843 |
| Other intergovernmental, unrestricted | 130,289 | 84,182 |
| Investment income | (3,609,117) | (80,831) |
| Miscellaneous | 1,718,804 | 1,420,418 |
| Total revenues | 182,161,047 | 181,360,314 |
| EXPENSES: | | |
| General Government | 31,808,370 | 36,763,868 |
| Protection of persons and property | 98,324,072 | 88,643,852 |
| Community programs | 14,887,015 | 22,007,275 |
| Public services | 21,645,247 | 17,663,842 |
| Interest on long-term debt | 929,979 | 986,593 |
| Total expenses | 167,594,683 | 166,065,430 |
| Change in net position | 14,566,364 | 15,294,884 |
| NET POSITION, BEGINNING OF YEAR | 37,060,734 | 21,765,850 |
| NET POSITION, END OF YEAR | \$ 51,627,098 | \$ 37,060,734 |

Governmental Activities

Governmental activities increased the City's net position by \$14.6 million. The Coronavirus (COVID-19) pandemic that started at the beginning of 2020 forced government agencies worldwide to issue business closure and shelter-at-home orders to protect life and safety. In fiscal year 2021-22, the City took a conservative approach as the effects of the pandemic started to subside, increasing staffing levels and returning local services to pre-pandemic levels in a strategic, yet controlled measure. This approach contributed to the increase of the net position. Key factors in the City's net position included:

- Sales tax increased by \$13.4 million or 21.1 percent. Costa Mesa is primarily based on retail commercial business, sales tax from which is the City's largest revenue source. Sales tax revenues have recovered to pre-pandemic levels. Increased revenues are due to an increase in consumer demand and increased prices as a result of inflation.
- Operating contributions and grants decreased \$18.1 million or 55.7 percent primarily due to the one-time CARES ACT federal stimulus funding received in the prior fiscal year; the second tranche of funding, although received in FY 2021-22, is not recognized until it is committed or spent.
- Transient occupancy tax increased by \$4.1 million or 95.4 percent due to a significant increase in tourism and travel, as travel restrictions put in place during the pandemic were lifted.
- Investment income decreased by \$3.5 million due to the GASB 31 adjustment.
- Overall expenses increased by \$1.5 million or 0.92 percent from fiscal year 2020-21 as the City resumes its normal operating expenses after the global shut down experienced in the prior year due to the pandemic.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As was noted earlier, the City uses fund accounting to ensure and demonstrate compliance with professional standards promulgated by oversight agencies and also due to finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2021-22, the City's governmental funds reported combined ending fund balance of \$117.5 million, an increase of \$8.1 million in comparison with the prior fiscal year fund balance of \$109.4 million. Of this total amount:

- \$0.5 million represents *nonspendable fund balance* which includes amounts that cannot be used because they are either not spendable in form or legally or contractually required to remain intact.
- \$29.7 million represents *restricted fund balance* which includes amounts that can be spent only for specific purposes stipulated by external sources or through enabling legislation.

- \$25.1 million represents *committed fund balance* which includes amounts that can be used only for specific purposes determined by a formal action of the City Council. It includes legislation (City Council action) that can only be overturned by a subsequent council action requiring a voting consensus.
- \$47.4 million represents *assigned fund balance* which includes amounts that are designated or expressed by the City Council for certain purposes but do not require formal actions like resolutions or ordinances. City Council, via resolution, delegated the authority to establish, modify, or rescind a fund balance assignment to the Finance Director.
- The remaining \$14.7 million constitutes *unassigned fund balance*.

The General Fund is the primary operating fund of the City. At the end of fiscal year 2021-22, the General Fund's fund balance increased by \$4.3 million. While the total fund balance amounted to \$57.8 million, the unassigned fund balance was \$16.5 million. Key factors attributable to the increase in net position include:

- Sales tax revenues increased by \$13.4 million or 21.1 percent from fiscal year 2020-21. This is due to increased consumer spending and prices as a result of inflation.
- Transient occupancy tax increased by \$4.1 million or 95.4 percent due to increased travel and tourism.
- Property tax increased by \$1.6 million or 3.3 percent.
- Overall, total revenues in the General Fund increased by \$24.6 million or 17.4 percent.
- Community programs and public services expenditures increased by \$3.9 million, or 27.0 percent, in total, as the City implemented measures to resume its normal operations after the shutdown impacts of COVID.
- Overall, total expenditures in the General Fund increased by \$16.5 million or 13.4 percent over prior fiscal year.

Major Funds Other Than the General Fund

The Capital Improvements Fund had \$21.9 million in fund balance at the end of the fiscal year which represents a net increase of \$4.7 million or 27.2 percent from the prior fiscal year. The increase in fund balance is mainly attributed to Transfers in for various capital improvement projects as well as the true up of 5 percent of General Fund revenues towards capital projects per the City's Capital Asset Needs Ordinance requirement.

The Government Grants Fund had a deficit fund balance of \$1.1 million at the end of the fiscal year which represents a net decrease of \$0.7 million or 154.1 percent from the prior fiscal year. The deficit and decrease in fund balance is due to grant expenditures not yet reimbursed.

The American Rescue Plan Act (ARPA) Fund had \$50,329 in fund balance at the end of the fiscal year which had a fund balance of \$0 in the prior fiscal year. The City expended all funding received in the prior fiscal year. Although the City received its second tranche of ARPA funds, the City has not expended or committed funds received in the current fiscal year; as per Generally Accepted Accounting Principles (GAAP) revenues cannot be recognized at this time. As a result, revenues recognized were due to interest earnings.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City also utilizes Internal Service Funds, which are a propriety fund type.

The unrestricted net position of the Internal Service Funds at the end of the fiscal year was \$20.2 million. Total net position increased by \$6.9 million from the prior fiscal year. This was primarily due to a decrease in payables and increase in current assets for prepaid equipment and fleet purchases.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2021-22 the actual revenues were \$4.8 million or 2.8 percent lower than the final adjusted budget, however, actual revenues were higher than pre-pandemic levels. Year over year, sales tax revenue was \$13.4 million higher than prior fiscal year. Charges for services revenue received increased by \$2.1 million compared to prior fiscal year.

Actual expenditures were \$3.1 million or 2.2 percent lower than originally estimated and final adjusted budget. The variance was due to a deference of debt service payments for Fire and Rescue Department vehicles and citywide vacancies.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities (the City has no business-type activities or discretely presented component units) as of June 30, 2022, amounted to \$279.6 million net of accumulated depreciation and amortization. The investment in capital assets includes land, building improvements and structures, landscaping and sprinklers, machinery and equipment, intangible assets, park system and facilities, and road and storm drain infrastructure. The City's investment in capital assets for the current fiscal year decreased by \$3.3 million. Major infrastructure asset additions during fiscal year 2021-22 were citywide street rehabilitation for Hamilton Street and Santa Ana Avenue, Fairview Road Improvements, citywide alley improvements, and other ongoing capital projects. Other assets capitalized included vehicle replacements and a variety of equipment purchases. During the fiscal year, capital assets not being depreciated increased by \$3.0 million and capital assets being depreciated increased by \$3.4 million.

CAPITAL ASSETS
(NET OF DEPRECIATION)

| | Governmental Activities | |
|--------------------------------------|--------------------------------|-----------------------|
| | 2022 | 2021 |
| Land | \$ 34,579,306 | \$ 34,579,306 |
| Land rights related to streets | 29,821,224 | 29,821,224 |
| Construction in progress | 11,423,851 | 8,437,088 |
| Building improvements and structures | 72,060,015 | 75,902,623 |
| Machinery and equipment | 11,358,371 | 12,037,596 |
| Intangibles | 334,106 | 466,741 |
| Right-to-use-lease assets | 1,169,092 | - |
| Park system and facilities | 6,704,889 | 7,399,467 |
| Infrastructure- roads | 99,147,982 | 99,900,537 |
| Infrastructure- storm drains | 12,968,796 | 14,335,355 |
| TOTALS | \$ 279,567,632 | \$ 282,879,937 |

Construction in progress as of June 30, 2022 totaled \$11.4 million, \$3.0 million higher than the previous fiscal year, and included some of the following projects with significant commitment balances:

CONSTRUCTION COMMITMENTS

| CONSTRUCTION PROJECT | TOTAL BUDGET | SPEND TO DATE | REMAINING COMMITMENT |
|--|----------------------|----------------------|-----------------------------|
| Land Management System | \$ 1,976,759 | \$ 836,575 | \$ 1,140,184 |
| Fairview Road Improvement 405/Adams | 1,176,150 | 60,298 | 1,115,852 |
| SB Newport Blvd Improvements Mesa Victoria | 1,965,652 | 34,765 | 1,930,887 |
| Newport NB 22th Bristol SB Bristol Mesa | 2,131,786 | 58,525 | 2,073,261 |
| Adams Ave Improvement | 2,278,862 | - | 2,278,862 |
| Citywide Street Maintenance | 11,026,508 | 9,077,780 | 1,948,728 |
| Jack Hammett Field Upgrade | 2,710,274 | 2,205,228 | 505,046 |
| TOTALS | \$ 23,265,991 | \$ 12,273,171 | \$ 10,992,820 |

Additional information on capital assets can be found in note 7 on pages 50-51 of this report.

Long-Term Debt

At year-end, the City had one outstanding bond issues: the Financing Authority 2017 Lease Revenue Bonds with an outstanding balance of \$23.1 million. Additionally, the City had \$24.6 million in other outstanding liabilities related to leases, loans, claims, and employee benefits.

Long-term liabilities had a net decrease of \$2.5 million, primarily due to a decrease in the City's outstanding liability claims.

OUTSTANDING DEBT

| | Governmental Activities | |
|-------------------|--------------------------------|----------------------|
| | 2022 | 2021 |
| Bonds Payable | \$ 26,102,279 | \$ 28,200,046 |
| Other Liabilities | 24,565,203 | 24,960,460 |
| TOTALS | \$ 50,667,482 | \$ 53,160,506 |

Additional information on the City's long-term debt can be found in notes 8 through 9 on pages 51-56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During fiscal year 2021-22, the local economy continued to recover from the pandemic. The City took a conservative approach as the fiscal impacts of the pandemic started to subside. The City of Costa Mesa is experiencing an increase in its financial situation, attesting that the City is well positioned to continue to weather the fiscal impacts of the pandemic. For fiscal year 2022-23 the City is carefully restoring staffing and service levels cut at the height of the pandemic, while continuing to utilize federal stimulus funds.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all who have an interest in the government's funding streams and overall fiscal conditions. This report and other financial related information can be found on the City's website www.costamesaca.gov. Questions concerning any information provided in this report or requests for additional financial information should contact:

- by mail: Finance Department, City of Costa Mesa, P.O. Box 1200, Costa Mesa, California, 92628-1200
- by e-mail: financeadmin@costamesaca.gov
- by phone: (714) 754-5243

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities report information about the City as a whole and its activities. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

Statement of Net Position

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between assets/deferred outflows and liabilities/deferred inflows reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities

The Statement of Activities presents information to show how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF COSTA MESA, CALIFORNIA
Statement of Net Position
June 30, 2022
(With Comparative Data for Prior Year)

| | Governmental Activities | |
|---|-------------------------|----------------------|
| | 2022 | 2021 |
| Assets: | | |
| Cash and investments (note 2) | \$ 157,463,831 | \$ 127,921,427 |
| Cash and investments with fiscal agent (note 2) | 460,281 | 978,262 |
| Due from other governments | 20,103,936 | 20,450,671 |
| Accounts receivable | 4,183,311 | 2,351,222 |
| Interest receivable | 382,959 | 312,024 |
| Loans receivable, net (note 5) | 608,294 | 650,674 |
| Rent receivable | 355,664 | 346,702 |
| Leases receivable (note 6) | 4,419,068 | - |
| Inventories | 339,236 | 202,311 |
| Prepaid items | 4,223,559 | 2,550,401 |
| Capital assets (note 6): | | |
| Nondepreciable | 75,824,381 | 72,837,618 |
| Depreciable, net of accumulated depreciation | 203,743,251 | 210,042,319 |
| Total assets | <u>472,107,771</u> | <u>438,643,631</u> |
| Deferred outflows of resources: | | |
| Deferred outflows related to pensions (note 11) | 42,824,533 | 41,380,794 |
| Deferred outflows related to OPEB (note 14) | 13,312,740 | 11,530,441 |
| Total deferred outflows of resources | <u>56,137,273</u> | <u>52,911,235</u> |
| Liabilities: | | |
| Accounts payable | 9,418,820 | 7,898,300 |
| Accrued liabilities | 3,721,368 | 3,876,294 |
| Accrued interest payable | 262,935 | 280,975 |
| Retentions payable | 517,407 | 474,229 |
| Deposits payable | 2,952,644 | 2,381,365 |
| Unearned revenue | 16,153,275 | 304,555 |
| Long-term liabilities: | | |
| Portion due within one year (note 8) | 7,258,181 | 9,234,500 |
| Portion due beyond one year (note 8) | 43,409,301 | 43,926,006 |
| OPEB liability (note 14) | 66,254,495 | 62,882,272 |
| Police retirement 1% supplemental liability (note 12) | 1,884,759 | 2,274,765 |
| Net pension liability (note 11) | 229,609,213 | 312,431,422 |
| Total liabilities | <u>381,442,398</u> | <u>445,964,683</u> |
| Deferred inflows of resources: | | |
| Deferred inflows related to leases (note 6) | 4,338,750 | - |
| Deferred inflows related to pensions (note 11) | 87,708,150 | 5,792,266 |
| Deferred inflows related to OPEB (note 14) | 3,128,648 | 2,737,183 |
| Total deferred inflows of resources | <u>95,175,548</u> | <u>8,529,449</u> |
| Net position: | | |
| Net investment in capital assets | 249,096,798 | 255,443,158 |
| Restricted for: | | |
| Protection of persons and property | 1,333,365 | 1,329,350 |
| Community programs | 6,796,140 | 6,176,036 |
| Public services | 20,103,188 | 18,047,015 |
| Unrestricted | (225,702,393) | (243,934,825) |
| Total net position | <u>\$ 51,627,098</u> | <u>\$ 37,060,734</u> |

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Statement of Activities
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| Functions/programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | |
|---------------------------------------|-----------------------|-------------------------|--|--|---|----------------------|
| | | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants | 2022 | 2021 |
| Governmental activities: | | | | | | |
| General government | \$ 31,808,370 | \$ - | \$ 903,430 | \$ - | \$ (30,904,940) | \$ (21,270,525) |
| Protection of persons and property | 98,324,072 | 6,846,240 | 3,720,169 | - | (87,757,663) | (76,375,978) |
| Community programs | 14,887,015 | 6,220,199 | 3,863,039 | 503,000 | (4,300,777) | (11,906,571) |
| Public services | 21,645,247 | 8,896,422 | 5,918,302 | 5,025,637 | (1,804,886) | 2,374,454 |
| Interest on long-term debt | 929,979 | - | - | - | (929,979) | (986,593) |
| Total governmental activities | <u>\$ 167,594,683</u> | <u>\$ 21,962,861</u> | <u>\$ 14,404,940</u> | <u>\$ 5,528,637</u> | <u>(125,698,245)</u> | <u>(108,165,213)</u> |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| | | | | | 49,706,079 | 47,891,698 |
| | | | | | 77,165,533 | 63,738,411 |
| | | | | | 8,366,278 | 4,282,802 |
| | | | | | 5,318,541 | 4,895,574 |
| | | | | | 1,468,202 | 1,227,843 |
| | | | | | 130,289 | 84,182 |
| | | | | | (3,609,117) | (80,831) |
| | | | | | 1,718,804 | 1,420,418 |
| | | | | | <u>140,264,609</u> | <u>123,460,097</u> |
| | | | | | 14,566,364 | 15,294,884 |
| | | | | | <u>37,060,734</u> | <u>21,765,850</u> |
| | | | | | <u>\$ 51,627,098</u> | <u>\$ 37,060,734</u> |

See notes to financial statements

GOVERNMENTAL FUNDS

Major Governmental Funds

GENERAL FUND

The General Fund must be classified as a major fund in the accompanying fund financial statements and is used to account for all general revenues of the City not specifically levied or collected for some special purpose, and for expenditures related to the rendering of general services by the City. The General Fund is used to account for all resources not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Government Grants

Established to account for receipt and disbursement of grant monies provided by Federal, State, and County governmental agencies for various programs.

American Rescue Plan Act (ARPA)

Established to account for the receipt and disbursement of grant monies under the American Rescue Plan Act.

CAPITAL PROJECTS FUNDS

Capital Improvements Fund

Established to account for the construction of capital facilities financed by the City's General Fund and various governmental grants.

Nonmajor Governmental Funds

Nonmajor governmental funds constitute all other governmental funds which include eleven Special Revenue Funds, two Debt Service Funds and nine Capital Projects Funds.

CITY OF COSTA MESA, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2022
(With Comparative Data for Prior Year)

| | | Special Revenue | |
|---|----------------------|---------------------|--------------------------|
| | General | Government Grants | American Rescue Plan Act |
| <u>Assets:</u> | | | |
| Cash and investments | \$ 49,277,928 | \$ 2,346,624 | \$ 13,404,673 |
| Cash and investments with fiscal agents | - | - | - |
| Due from other governments | 15,152,189 | 1,064,881 | - |
| Accounts receivable, net | 3,958,185 | - | - |
| Interest receivable | 183,295 | 10 | 13,706 |
| Loans receivable, net | - | - | - |
| Leases receivables | 2,906,238 | - | - |
| Rent receivable | 355,664 | - | - |
| Due from other funds (note 3) | 716,536 | - | - |
| Inventories | 99,047 | - | - |
| Prepaid items | 504,500 | - | - |
| Total assets | <u>\$ 73,153,582</u> | <u>\$ 3,411,515</u> | <u>\$ 13,418,379</u> |
| <u>Liabilities:</u> | | | |
| Accounts payable | \$ 4,756,254 | \$ 728,930 | \$ - |
| Accrued liabilities | 3,574,209 | 5,834 | - |
| Retentions payable | - | 184 | - |
| Deposits payable | 2,915,429 | - | - |
| Due to other funds (note 3) | 43,770 | - | - |
| Unearned revenue | - | 2,785,225 | 13,368,050 |
| Total liabilities | <u>11,289,662</u> | <u>3,520,173</u> | <u>13,368,050</u> |
| <u>Deferred inflows of resources:</u> | | | |
| Lease related | 2,832,645 | - | - |
| Unavailable revenue | 1,255,428 | 1,037,107 | - |
| Total deferred inflows of resources | <u>4,088,073</u> | <u>1,037,107</u> | <u>-</u> |
| <u>Fund balances (note 10):</u> | | | |
| Non-spendable: | | | |
| Prepaid items | 504,500 | - | - |
| Inventories | 99,047 | - | - |
| Restricted: | | | |
| Pension and OPEB | 3,061,154 | - | - |
| Protection of persons and property | - | - | - |
| Community programs | - | - | - |
| Public services | - | - | - |
| Debt service | - | - | - |
| Committed | 25,125,000 | - | - |
| Assigned | 12,469,067 | - | 50,329 |
| Unassigned | 16,517,079 | (1,145,765) | - |
| Total fund balances | <u>57,775,847</u> | <u>(1,145,765)</u> | <u>50,329</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 73,153,582</u> | <u>\$ 3,411,515</u> | <u>\$ 13,418,379</u> |

See notes to financial statements

| Capital Projects Capital Improvements | Nonmajor Governmental Funds | Totals | |
|---|-----------------------------------|-----------------------|-----------------------|
| | | 2022 | 2021 |
| \$ 22,593,035 | \$ 38,548,506 | \$ 126,170,766 | \$ 99,758,343 |
| - | 460,281 | 460,281 | 978,262 |
| 35,624 | 3,851,242 | 20,103,936 | 20,450,671 |
| - | 225,126 | 4,183,311 | 2,351,222 |
| 44,092 | 81,886 | 322,989 | 269,589 |
| - | 608,294 | 608,294 | 650,674 |
| - | 1,512,830 | 4,419,068 | - |
| - | - | 355,664 | 346,702 |
| - | - | 716,536 | 590,847 |
| - | - | 99,047 | 70,717 |
| - | - | 504,500 | 894,129 |
| <u>\$ 22,672,751</u> | <u>\$ 45,288,165</u> | <u>\$ 157,944,392</u> | <u>\$ 126,361,156</u> |
| | | | |
| \$ 680,464 | \$ 2,452,001 | \$ 8,617,649 | \$ 7,250,120 |
| 71 | 96,336 | 3,676,450 | 3,844,877 |
| 122,825 | 394,398 | 517,407 | 474,229 |
| - | 37,215 | 2,952,644 | 2,381,365 |
| - | 672,766 | 716,536 | 590,847 |
| - | - | 16,153,275 | 304,555 |
| <u>803,360</u> | <u>3,652,716</u> | <u>32,633,961</u> | <u>14,845,993</u> |
| | | | |
| - | 1,506,105 | 4,338,750 | - |
| - | 1,177,888 | 3,470,423 | 2,100,305 |
| <u>-</u> | <u>2,683,993</u> | <u>7,809,173</u> | <u>2,100,305</u> |
| | | | |
| - | - | 504,500 | 894,129 |
| - | - | 99,047 | 70,717 |
| | | | |
| - | - | 3,061,154 | 1,778,220 |
| - | 1,293,762 | 1,293,762 | 1,329,138 |
| - | 5,480,097 | 5,480,097 | 5,655,880 |
| - | 19,863,022 | 19,863,022 | 17,651,961 |
| - | 4 | 4 | 563,401 |
| - | - | 25,125,000 | 25,125,000 |
| 21,869,391 | 13,019,593 | 47,408,380 | 39,368,714 |
| - | (705,022) | 14,666,292 | 16,977,698 |
| <u>21,869,391</u> | <u>38,951,456</u> | <u>117,501,258</u> | <u>109,414,858</u> |
| | | | |
| <u>\$ 22,672,751</u> | <u>\$ 45,288,165</u> | <u>\$ 157,944,392</u> | <u>\$ 126,361,156</u> |

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2022

| | |
|-------------------------------------|----------------|
| Fund balances of governmental funds | \$ 117,501,258 |
|-------------------------------------|----------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Related Items

When capital assets (property, plant, equipment) for governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in the governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the City as a whole:

| | |
|---------------------------------------|---------------|
| Cost of capital assets | 650,508,570 |
| Accumulated depreciation/amortization | (378,895,606) |

Long-Term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position:

| | |
|---------------------------------|--------------|
| Bonds payable | (23,109,999) |
| Premium on bonds | (2,992,279) |
| Loan payable | (97,479) |
| Lease payable | (1,197,414) |
| Employee benefits leave payable | (5,584,307) |

Accrued Interest

| | |
|---|-----------|
| Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds are due to accrued interest on outstanding debt payable. | (262,935) |
|---|-----------|

Internal Service Funds

| | |
|---|------------|
| Internal Service Funds are used by management to charge the costs of certain activities to individual City funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position because they primarily service governmental activities of the City. | 24,734,858 |
|---|------------|

Deferred Inflows of Resources

| | |
|--|-----------|
| Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds. | 3,470,423 |
|--|-----------|

Pension and OPEB

Amounts regarding the pension plans and OPEB are as follows:

| | |
|--|---------------|
| Deferred outflows of resources related to pensions | 42,824,533 |
| Deferred outflows of resources related to OPEB | 13,312,740 |
| Deferred inflows of resources related to pensions | (87,708,150) |
| Deferred inflows of resources related to OPEB | (3,128,648) |
| CalPERS pension liability | (229,609,213) |
| OPEB liability | (66,254,495) |
| Police 1% supplemental retirement liability | (1,884,759) |

| | |
|---|---------------|
| Net position of governmental activities | \$ 51,627,098 |
|---|---------------|

CITY OF COSTA MESA, CALIFORNIA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | | Special Revenue | |
|---|----------------------|--------------------|--------------------------|
| | General | Government Grants | American Rescue Plan Act |
| Revenues: | | | |
| Taxes | \$ 141,553,034 | \$ - | \$ - |
| Licenses and permits | 7,331,252 | - | - |
| Charges for services | 6,964,934 | - | - |
| Fines and forfeitures | 1,170,795 | - | - |
| Intergovernmental | 4,529,091 | 897,489 | - |
| Investment income (loss) | (1,246,827) | 10 | 50,329 |
| Rental income | 4,042,324 | - | - |
| Miscellaneous | 1,374,266 | - | - |
| Total revenues | <u>165,718,869</u> | <u>897,499</u> | <u>50,329</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 32,980,352 | - | - |
| Protection of persons and property | 88,414,231 | 1,426,724 | - |
| Community programs | 11,092,336 | 116,405 | - |
| Public services | 7,338,883 | 115,699 | - |
| Debt service: | | | |
| Principal | 217,231 | - | - |
| Interest and fiscal charges | 27,137 | - | - |
| Total expenditures | <u>140,070,170</u> | <u>1,658,828</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>25,648,699</u> | <u>(761,329)</u> | <u>50,329</u> |
| Other financing sources (uses): | | | |
| Transfer in (note 4) | - | 66,419 | - |
| Transfer out (note 4) | <u>(21,365,113)</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(21,365,113)</u> | <u>66,419</u> | <u>-</u> |
| Net change in fund balances | 4,283,586 | (694,910) | 50,329 |
| Fund balances (deficit) at beginning of year | <u>53,492,261</u> | <u>(450,855)</u> | <u>-</u> |
| Fund balances (deficit) at end of year | <u>\$ 57,775,847</u> | <u>(1,145,765)</u> | <u>\$ 50,329</u> |

See notes to financial statements

| Capital Projects | Nonmajor | Totals | |
|------------------|---------------|----------------|----------------|
| Capital | Governmental | | |
| Improvements | Funds | 2022 | 2021 |
| \$ - | \$ 366,844 | \$ 141,919,878 | \$ 122,138,588 |
| - | - | 7,331,252 | 4,368,740 |
| - | 2,065,622 | 9,030,556 | 7,309,872 |
| - | 5,562 | 1,176,357 | 1,061,346 |
| 546,129 | 12,104,743 | 18,077,452 | 39,855,634 |
| (603,855) | (967,460) | (2,767,803) | (37,016) |
| - | 773,253 | 4,815,577 | 4,773,662 |
| 59,431 | 112,273 | 1,545,970 | 1,410,996 |
| 1,705 | 14,460,837 | 181,129,239 | 180,881,822 |
| - | 587,233 | 33,567,585 | 31,851,632 |
| 74,688 | 782,720 | 90,698,363 | 84,027,648 |
| 84,589 | 4,974,070 | 16,267,400 | 18,578,311 |
| 3,693,683 | 9,814,027 | 20,962,292 | 27,033,542 |
| - | 1,985,332 | 2,202,563 | 1,890,391 |
| - | 1,068,649 | 1,095,786 | 1,155,360 |
| 3,852,960 | 19,212,031 | 164,793,989 | 164,536,884 |
| (3,851,255) | (4,751,194) | 16,335,250 | 16,344,938 |
| 8,533,467 | 4,516,377 | 13,116,263 | 26,619,517 |
| - | - | (21,365,113) | (35,851,711) |
| 8,533,467 | 4,516,377 | (8,248,850) | (9,232,194) |
| 4,682,212 | (234,817) | 8,086,400 | 7,112,744 |
| 17,187,179 | 39,186,273 | 109,414,858 | 102,302,114 |
| \$ 21,869,391 | \$ 38,951,456 | \$ 117,501,258 | \$ 109,414,858 |

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
Year ended June 30, 2022

| | |
|--|----------------------|
| Net changes in fund balances - total governmental funds | \$ 8,086,400 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| <u>Capital Related Items</u> | |
| When capital assets for governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources used, whereas net position decreases by the amount of depreciation expense charged for the year. | |
| Capital outlay | 9,632,422 |
| Depreciation expense | (14,919,773) |
| <u>Long-Term Debt Transactions</u> | |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities. | |
| Net changes in employee benefits leave payable | 336,357 |
| Principal payments - bonds | 1,950,000 |
| Principal payments - loans payable | 15,392 |
| Principal payments - lease payable | 237,171 |
| Amortization of bond premium | 147,767 |
| <u>Pension and OPEB</u> | |
| Pension and OPEB expense reported in the governmental funds include the actual contributions. In the Statement of Activities, pension and OPEB expenses include the change in net pension and opeb liabilities and the related changes in pension and OPEB amounts for deferred outflows of resources and deferred inflows of resources. | |
| Net change in pension liability | 2,740,070 |
| Net change in OPEB liability | (1,981,389) |
| <u>Accrued Interest</u> | |
| Recording of the current year change of accrued interest on outstanding debt payable. | 18,040 |
| <u>Internal Service Funds</u> | |
| Internal Service Funds are used by management to charge the costs of certain activities to individual City funds. The adjustments for Internal Service Funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the Internal Service Funds' costs for the year. | 6,933,789 |
| <u>Deferred Inflows of Resources</u> | |
| Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds. | 1,370,118 |
| Change in net position of governmental activities | <u>\$ 14,566,364</u> |

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Proprietary Funds
Statement of Net Position
June 30, 2022
(With Comparative Data for Prior Year)

| | Governmental Activities - Internal Service Funds | |
|----------------------------------|---|---------------|
| | 2022 | 2021 |
| <u>Assets:</u> | | |
| Current assets: | | |
| Cash and investments | \$ 31,293,065 | \$ 28,163,084 |
| Interest receivable | 59,970 | 42,435 |
| Prepaid items | 3,719,059 | 1,656,272 |
| Inventories | 240,189 | 131,594 |
| Total current assets | 35,312,283 | 29,993,385 |
| Capital Assets: | | |
| Construction in progress | 1,412,635 | 693,456 |
| Motorized equipment | 14,777,717 | 14,512,571 |
| Other equipment | 3,645,870 | 3,349,326 |
| Accumulated depreciation | (11,881,554) | (11,141,146) |
| Net capital assets | 7,954,668 | 7,414,207 |
| Total assets | 43,266,951 | 37,407,592 |
| <u>Liabilities:</u> | | |
| Current liabilities: | | |
| Accounts payable | 801,171 | 648,180 |
| Accrued liabilities | 44,918 | 31,417 |
| Notes payable | 325,037 | 135,493 |
| Claims payable | 1,379,844 | 3,754,328 |
| Total current liabilities | 2,550,970 | 4,569,418 |
| Long-term liabilities: | | |
| Notes payable | 3,061,525 | 1,336,909 |
| Claims payable | 12,919,598 | 13,700,196 |
| Total long-term liabilities | 15,981,123 | 15,037,105 |
| Total liabilities | 18,532,093 | 19,606,523 |
| <u>Net Position:</u> | | |
| Net investment in capital assets | 4,568,106 | 7,414,207 |
| Unrestricted | 20,166,752 | 10,386,862 |
| Total net position | \$ 24,734,858 | \$ 17,801,069 |

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Governmental Activities - Internal Service Funds | |
|--|---|----------------------|
| | 2022 | 2021 |
| Operating revenues: | | |
| Charges for services | \$ 7,472,134 | \$ 7,525,179 |
| Total operating revenues | <u>7,472,134</u> | <u>7,525,179</u> |
| Operating expenses: | | |
| Allocated administrative costs | 2,880,789 | 2,006,201 |
| Depreciation | 1,248,411 | 1,216,665 |
| Fuel and repair parts | 1,230,211 | 1,015,493 |
| Materials and supplies | 65,073 | - |
| Claims and premiums | <u>3,023,082</u> | <u>5,716,404</u> |
| Total operating expenses | <u>8,447,566</u> | <u>9,954,763</u> |
| Operating income (loss) | <u>(975,432)</u> | <u>(2,429,584)</u> |
| Nonoperating revenues (expenses): | | |
| Investment income (loss) | (841,310) | (42,398) |
| Intergovernmental | - | 25,670 |
| Other nonoperating revenue | 503,000 | 186,238 |
| Gain/(loss) on disposal of equipment | <u>(1,319)</u> | <u>(163,258)</u> |
| Total nonoperating revenues (expenses) | <u>(339,629)</u> | <u>6,252</u> |
| Income (loss) before transfers | (1,315,061) | (2,423,332) |
| Transfers in (note 4) | <u>8,248,850</u> | <u>9,232,194</u> |
| Change in net position | 6,933,789 | 6,808,862 |
| Net position at beginning of year | <u>17,801,069</u> | <u>10,992,207</u> |
| Net position at end of year | <u>\$ 24,734,858</u> | <u>\$ 17,801,069</u> |

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Proprietary Funds
Statement of Cash Flows
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Governmental Activities - Internal Service Funds | |
|--|---|----------------------|
| | 2022 | 2021 |
| Cash flows from operating activities: | | |
| Cash received from customers and user departments | \$ 7,472,134 | \$ 7,531,206 |
| Cash payments to suppliers for goods and services | (11,023,399) | (5,437,822) |
| Cash payments to employees for services | (1,685,505) | (1,597,124) |
| Net cash provided by (used for) operating activities | (5,236,770) | 496,260 |
| Cash flows from noncapital financing activities: | | |
| Cash received from other funds | 8,248,850 | 9,232,194 |
| Intergovernmental revenue received | - | 26,355 |
| Net cash provided by (used for) noncapital financing activities | 8,248,850 | 9,258,549 |
| Cash flows from capital and related financing activities: | | |
| Principal paid on capital debt | (135,493) | - |
| Proceeds from note payable | 2,049,653 | - |
| Proceeds from insurance settlement | 503,000 | - |
| Acquisition of capital assets | (1,440,414) | (1,216,361) |
| Net cash provided by (used for) capital and related financing activities | 976,746 | (1,216,361) |
| Cash flows from investing activities: | | |
| Investment income (loss) | (858,845) | (9,952) |
| Net cash provided by (used for) investing activities | (858,845) | (9,952) |
| Net increase (decrease) in cash and cash equivalents | 3,129,981 | 8,528,496 |
| Cash and cash equivalents at beginning of year | 28,163,084 | 19,634,588 |
| Cash and cash equivalents at end of year | <u>\$ 31,293,065</u> | <u>\$ 28,163,084</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | \$ (975,432) | \$ (2,429,584) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation | 1,248,411 | 1,216,665 |
| (Increase) decrease in inventories | (108,595) | (35,612) |
| (Increase) decrease in accounts receivable | - | 6,027 |
| (Increase) decrease in prepaid items | (2,062,787) | (183,870) |
| Increase (decrease) in accounts payable | (196,786) | 304,264 |
| Increase (decrease) in accrued liabilities | 13,501 | 18,842 |
| Increase (decrease) in claims payable | (3,155,082) | 1,599,528 |
| Net cash provided by (used for) operating activities | <u>\$ (5,236,770)</u> | <u>\$ 496,260</u> |

There were no noncash investing, capital and financing activities during fiscal years ended June 30, 2022.

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022
(With Comparative Data for Prior Year)

| | Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund | Custodial Fund |
|---|--|---------------------|
| <u>Assets:</u> | | |
| Cash and cash investments (note 2) | \$ 1,399,669 | \$ 1,169,918 |
| Total assets | <u>1,399,669</u> | <u>1,169,918</u> |
| <u>Liabilities:</u> | | |
| Accounts payable | - | 12,108 |
| Loan from City (note 18) | <u>3,102,031</u> | <u>-</u> |
| Total liabilities | <u>3,102,031</u> | <u>12,108</u> |
| <u>Net Position:</u> | | |
| Restricted for: | | |
| Held in trust for Successor Agency | (1,702,362) | - |
| Individuals, organizations and other governments | - | 1,157,810 |
| Total net position | <u>\$ (1,702,362)</u> | <u>\$ 1,157,810</u> |

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund | Custodial Fund |
|--|--|---------------------|
| Additions: | | |
| Property tax | \$ 1,749,586 | \$ - |
| Assessments and fees | - | 541,038 |
| Donations | - | 113,252 |
| | <u>1,749,586</u> | <u>654,290</u> |
| Total additions | <u>1,749,586</u> | <u>654,290</u> |
| Deductions: | | |
| Interest expense | 60,183 | - |
| Remittance to others | - | 139,852 |
| | <u>60,183</u> | <u>139,852</u> |
| Total deductions | <u>60,183</u> | <u>139,852</u> |
| Net increase (decrease) in fiduciary net position | 1,689,403 | 514,438 |
| Net position at beginning of year | <u>(3,391,765)</u> | <u>643,372</u> |
| Net position at end of year | <u>\$ (1,702,362)</u> | <u>\$ 1,157,810</u> |

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies of the City of Costa Mesa, California (City):

(a) Description of Reporting Entity

The City of Costa Mesa was incorporated on June 29, 1953 as a general law city under the Government Code of the State of California. The City operates under a Council-Manager form of government. Among services provided by the City are the following: public works, parks and recreation, planning, community development, fire, and law enforcement services.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

All of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are appropriately presented as funds of the primary government. The following organizations are considered to be component units of the City:

Costa Mesa Public Financing Authority

The Costa Mesa Public Financing Authority (Public Financing Authority) was established on August 20, 1990 for the purpose of financing public capital improvements. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Authority. Transactions of the Public Financing Authority are reported in the Debt Service Fund. Separate financial statements of the Public Financing Authority can be obtained at City Hall.

Costa Mesa Housing Authority

The Costa Mesa Housing Authority (Housing Authority) was created pursuant to the State of California Health and Safety Code, Section 34176(a). The Housing Authority promotes affordable housing for low and moderate income households within the City, administers the homeless outreach program and operates the bridge shelter for homeless individuals.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

The Housing Authority is a separate entity primarily funded by housing loan repayments and transfers from the City.

City Council members, in separate session, serve as the governing board of the Housing Authority, and all accounting and administrative functions are performed by the City. Financial activity of the Housing Authority has been reported as if it were part of the City in the Housing Authority Special Revenue Fund. Separate financial statements of the Housing Authority can be obtained at City Hall.

Costa Mesa Financing Authority

The Costa Mesa Financing Authority (Financing Authority) was created by a joint powers agreement between the City of Costa Mesa (the City) and the Costa Mesa Housing Authority (the Housing Authority), dated August 1, 2017. It was created pursuant to Article 1 of Chapter 5 of Division 7 of Title of the Government Code of the State of California (the "JPA Act"). Transactions of the Financing Authority are reported in the Debt Service Fund. Separate financial statements of the Financing Authority can be obtained at City Hall.

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The City has no business-type activities or discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Franchise fees and business license charges have been reported as general revenues because the fees are based on gross receipts, not charges for services.

Fund Financial Statements

The underlying account system of the City is organized and operated on the basis of separate funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves, and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds. Proprietary statements include financial information for internal service funds. Fiduciary statements include financial information for agency and private purpose trust funds. Fiduciary funds of the City represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

The City uses an availability period of 60 days for all governmental fund revenue, except for grant revenue which uses an availability period of 90 days.

Sales taxes, property taxes, franchise taxes, motor vehicle in lieu, transient occupancy taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange* transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that generally only current assets, current liabilities and deferred inflows of resources are included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheet in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent fund balance.

Recognition of governmental fund type revenues represented by unavailable revenues are reported as deferred inflows of revenues.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. Proceeds of long-term debt are recorded as *other financing sources*, rather than a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

The City's internal service funds are proprietary funds. In the fund financial statements, proprietary and all fiduciary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when related goods or services are delivered.

In the fund financial statements, proprietary and all fiduciary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the Statement of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives us essentially equal values. Nonoperating revenues, such as investment income, gain or loss on sale of equipment and miscellaneous revenues result from nonexchange transactions or ancillary activities. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. Amounts paid to acquire capital assets are capitalized as assets in the internal service fund financial statements, rather than being reported as expenses. Proceeds of long-term debt are recorded as liabilities in the internal service fund financial statements, rather than being reported as other financing sources. Amounts paid to reduce long-term indebtedness of the internal service fund are reported as reductions of the related liability, rather than as expenses. The City's custodial funds are fiduciary funds and use the accrual basis of accounting.

(c) Property Tax Calendar

Property tax revenues are recognized in the fiscal year for which the taxes have been levied, provided this accrual meets the available criteria. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County of Orange collects property taxes for the City tax liens attached annually as of 12:01 a.m. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1st to June 30th. All secured personal property taxes and one-half of the taxes on real property are due November 1st. The second installment is due February 1st. All taxes are delinquent if not paid as of December 10th and April 10th, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent if not paid as of August 31st.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

(d) Fund Classifications

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenditures and other costs, which are not paid through other funds.

Special Revenue Fund

Government Grants – Established to account for receipt and disbursement of grant monies provided by Federal, State, and County governmental agencies for various programs.

American Rescue Plan Act – Established to account for receipt and disbursement of ARPA monies received under the American Rescue Plan Act.

Capital Projects Fund

Capital Improvements Fund – This capital projects fund was established to account for construction of capital facilities financed by the City's General Fund and various governmental grants.

The City's fund structure also includes the following fund types:

Special Revenue Funds – The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for a specified purpose.

Debt Service Funds – The debt service funds are used to account for the accumulation of resources for, and the payment of, long-term liabilities, interest, and related fiscal agent costs.

Capital Projects Funds – The capital projects funds are used to account for financial resources segregated for the acquisition and construction of major capital facilities (other than those financed by the proprietary funds).

Internal Service Funds – The internal service funds are 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 as such goods are delivered or services rendered.

Private Purpose Trust Fund – The private-purpose trust fund accounts for the assets, liabilities, additions, and deductions made on behalf of the former Costa Mesa Redevelopment Agency.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

Custodial Funds – The custodial funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments. The custodial funds are used to account for fees, assessments, seizures and donations for which the City is acting in an agent capacity.

(e) Cash and Investments

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

(f) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash and cash equivalents include all investments with original purchase maturities of three months or less. Cash equivalents also represent the proprietary funds share in the cash and investment pool of the City.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

The City pools idle cash from all funds in order to maximize income from investment activities. Investments are recorded on the City's books at fair value (quoted market price or best available estimate thereof). Interest income on investments is allocated to individual funds on the basis of monthly cash and investment balances.

(g) Inventories

Inventories of materials and supplies are carried at cost on an average cost basis. The City uses the consumption method of accounting for inventories.

(h) Prepaids

The City uses the consumption method to record prepaid items.

(i) Leases

The City is a lessor and lessee for leases as detailed in notes 6 and 9. The City recognizes a lease receivable, a deferred inflow of resources, and a lease payable in the financial statements.

At the commencement of the lease, the City initially measures the lease receivable at the present value of payments expected to be received and paid during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received and the lease payable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts and payments to present value, lease term and lease receipts.

- The City uses the estimated cost of capital rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

(j) New Accounting Pronouncements

Current Year Standards

GASB 87 - Leases. The implementation of this statement resulted in a recognition of a lease receivable, deferred inflow of resources, and a lease payable in the financial statements.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

GASB 91 – Conduit Debt Obligations – The implementation of this statement did not result in financial impact to the City.

GASB 92 – Omnibus 2020 – Related to the implementation of GASB 87. The implementation of this statement resulted in a recognition of a lease receivable, deferred inflow of resources, and a lease payable in the financial statements.

GASB 93 – Replacement of Interbank Offered Rates - The implementation of this statement did not result in financial impact to the City.

Pending Accounting Standards

GASB has issued the following pronouncements that have an effective date subsequent to June 30, 2022, which may impact the City's financial reporting requirements in the future. Unless otherwise noted, management has not determined what, if any, impact implementation of the following Statements may have on future financial statements.

GASB 94 – Public-Private and Private-Public Partnerships and Availability Payment Arrangements: Effective for the City's fiscal year ending June 30, 2023.

GASB 96 – Subscription-Based Information Technology Arrangement: Effective for the year ending June 30, 2023.

GASB 99 – Omnibus 2022: Effective for the year ending June 30, 2023.

GASB 100 – Accounting Changes and Error Corrections: Effective for the year ending June 30, 2023.

GASB 101 – Compensated Absences: Effective for the year ending June 30, 2024.

(k) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost at the time of purchase. Assets acquired from gifts or contributions are recorded at acquisition value on the date received. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of two years or more.

Capital assets include public domain (infrastructure) capital assets consisting of certain improvements including roads, streets, sidewalks, medians, sewers, and storm drains. Public domain assets acquired prior to 1980 have been included in the accompanying financial statements.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

Capital assets used in operations are depreciated or amortized over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of proprietary funds. It is the City's policy not to depreciate or amortize assets in its first year of service. A full year of depreciation or amortization is charged at final year of asset life or upon disposal. Depreciation and amortization are charged as expenses against operations and accumulated depreciation and amortization are reported on the respective statement of net position.

The ranges of lives used for computing depreciation and amortization for each capital asset class are as follows:

| | | |
|--------------------------------------|--------|-------|
| Building improvements and structures | 10-20 | years |
| Landscaping and sprinklers | 35-40 | years |
| Automotive equipment | 2-20 | years |
| Office furniture | 5-20 | years |
| Office machines | 3-20 | years |
| Other equipment | 5-60 | years |
| Intangible assets | 7-10 | years |
| Right-to-use assets | 2-7 | years |
| Park system and facilities | 10-25 | years |
| Infrastructure – roads | 10-50 | years |
| Infrastructure – storm drains | 50-100 | years |

(I) Deferred Outflows/Inflows of Resources

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expenditure) until that time. The City has two items that qualify for reporting in this category. The items are deferred outflows related to pensions and OPEB.

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has four types of items which qualify for reporting in this category. Three of the items are deferred inflows related to pensions, OPEB, and leases which are presented on the government-wide statement of net position. The fourth item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from accounts, taxes, grant and leases receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

(m) Fund Balances

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance – This includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Restricted Fund Balance – This includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance – This includes amounts that can be used only for specific purposes determined by formal action of a city ordinance by the Council. It includes legislation (Council action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if Council action limiting the use of funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. For the purposes of establishing, modifying, and rescinding a committed fund balance, the City considers an ordinance more binding than a resolution or a minute action by City Council.

Assigned Fund Balance – This includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability to an employee or committee to assign uses of specific funds for specific purposes. In June 2011, the City Council passed Resolution 11-27, delegating authority to establish, modify, or rescind a fund balance assignment to the Finance Director.

Unassigned Fund Balance – This includes amounts that are the residual balance for the City's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of the unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

(n) Employee Leave Benefits

Eligible employees accumulate up to 26.5 days of vacation each year, depending on

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

the employee's bargaining unit and length of service, but may not carry over from one year to the next more than the equivalent of one to two (depends on Memorandum of Understanding or Salary Resolution) year's vacation without prior approval of the respective department head and/or City Manager.

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

A liability is recorded for unused sick leave balances except for miscellaneous, confidential and Costa Mesa Police Association (CMPA) employee groups. The liability is recorded only to the extent that it is probable that the unused balances will result in termination payments. Unused sick leave is converted to CalPERS service credit at the time of retirement. The ability to liquidate leave balances is available to all employee groups with the exception of miscellaneous, confidential and CMPA employee groups, separations from which result in the forfeiture of the accrued sick leave benefit. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

A current liability is accrued in the governmental funds for material leave benefits due on demand to governmental fund employees that have terminated prior to year-end. All other amounts are only recorded in the government-wide financial statements. These non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

(o) Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

This liability is recorded in an internal service fund, which accounts for the City's self-insurance activities.

(p) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For the purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

information within certain defined timeframe. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| | <u>CalPERS Plans</u> |
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Measurement Period | July 1, 2020 to June 30, 2021 |

| | |
|--------------------|-------------------------------|
| | <u>Supplemental Plan</u> |
| Valuation Date | June 30, 2022 |
| Measurement Date | June 30, 2022 |
| Measurement Period | July 1, 2021 to June 30, 2022 |

(q) Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense and information about the plan (OPEB Plan), have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2021 |
| Measurement Period | July 1, 2020 to June 30, 2021 |

(r) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(s) Prior Year Data

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles.

Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(2) Cash and Investments

Cash and investments are reported as follows:

| | |
|--|------------------------------|
| Statement of Net Position: | |
| Cash and Investments | \$ 157,463,831 |
| Cash and Investments with Fiscal Agent | 460,281 |
| Statement of Fiduciary Net Position: | |
| Cash and Investments | <u>2,569,587</u> |
| Total cash and investments | <u><u>\$ 160,493,699</u></u> |

Cash and investments at June 30, 2022 consisted of the following:

| | |
|----------------------------|------------------------------|
| Petty cash on hand | \$ 58,046 |
| Demand deposits | 24,598,864 |
| Investments | <u>135,836,789</u> |
| Total cash and investments | <u><u>\$ 160,493,699</u></u> |

Investments Authorized by the California Government Code and the City of Costa Mesa's Investment Policy

The table below identifies investment types that are authorized for the City by the California Government Code and investment policies of the City. The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

| <u>Authorized Investments</u> | <u>Maximum Maturity*</u> | <u>Percentage of Portfolio*</u> | <u>Investment In One Issuer*</u> |
|--|--------------------------|---------------------------------|----------------------------------|
| U.S. Treasury Securities | 5 years | None | None |
| Federal Agency Securities | 5 years | None | 35% |
| Municipal Securities | 5 years | None | 5% |
| Banker's Acceptances | 180 days | 40% | 5% |
| Commercial Paper | 270 days | 25% | 5% |
| Federally Insured Time Deposit | 5 Years | None | None |
| Non-Negotiable Certificates of Deposit | 5 years | 20% | 5% |
| Certificate of Deposit Placement Service | 5 years | 30% | None |
| Negotiable Certificates of Deposit | 5 years | 30% | 5% |
| Repurchase Agreements | 1 year | 30% | None |
| Medium-Term Corporate Notes | 5 years | 30% | 5% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Asset Backed Securities | 5 years | 20% | 5% |
| County Pooled Investment Funds | N/A | 35% | None |
| Local Agency Investment Fund | N/A | None | None |

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(2) Cash and Investments (Continued)

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Generally, the following investment types are authorized by the City's debt agreements:

| <u>Authorized Investments</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Allowed</u> | <u>Maximum Investment in One Issuer</u> |
|-----------------------------------|-----------------------------|---|---|
| U.S. Treasury Securities | None | None | None |
| Federal Agency Securities | 1 year | None | None |
| Banker's Acceptances | 30 days | None | None |
| Commercial Paper | 270 days | None | None |
| Money Market Mutual Funds | None | None | None |
| Investment Agreements | None | None | None |
| Interest-Bearing Time Deposits | 30 days | None | None |
| Repurchase Agreements | 270 days | None | None |
| Local Agency Investment Fund | None | None | None |
| State Obligations | None | None | None |
| Pre-funded Municipal Obligations | None | None | None |

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(2) Cash and Investments (Continued)

| <u>Investment Type</u> | 12 Months Or Less | 13 to 24 Months | 25 to 60 Months | Total |
|------------------------------|----------------------|----------------------|----------------------|-----------------------|
| Federal Agency Securities | \$ 6,486,699 | \$ 10,996,616 | \$ 5,111,604 | \$ 22,594,919 |
| State Investment Pool (LAIF) | 74,017,208 | - | - | 74,017,208 |
| U.S. Treasury Securities | - | 8,081,009 | 10,515,230 | 18,596,239 |
| Medium-Term Corporate Notes | 2,250,715 | 5,720,861 | 5,357,183 | 13,328,759 |
| Asset Backed Securities | - | 1,496,553 | 2,877,542 | 4,374,095 |
| Money Market Mutual Funds | 1,031,511 | - | - | 1,031,511 |
| PARS Section 115 Trust: | | | | |
| Pooled Balanced Index Plus | 1,561,154 | - | - | 1,561,154 |
| Held by Trustee: | | | | |
| Money Market Mutual Funds | 312,904 | - | - | 312,904 |
| Lehman Brothers Holdings | | | | |
| Inc. Bankruptcy | 20,000 | - | - | 20,000 |
| Total | <u>\$ 85,680,191</u> | <u>\$ 26,295,039</u> | <u>\$ 23,861,559</u> | <u>\$ 135,836,789</u> |

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City (including investments held by bond trustees) held no investments that were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

| <u>Investment Type</u> | Minimum Legal | | | | | Total |
|------------------------------|---------------|---------------------|----------------------|----------------------|----------------------|-----------------------|
| | Rating | AAA | AA | A | Not Rated | |
| Federal Agency Securities | N/A | \$ - | \$ 22,594,919 | \$ - | \$ - | \$ 22,594,919 |
| U.S. Treasury Securities* | N/A | - | - | - | - | 18,596,239 |
| Medium-Term Corporate Notes | A | - | 3,154,822 | 10,173,937 | - | 13,328,759 |
| State Investment Pool (LAIF) | N/A | - | - | - | 74,017,208 | 74,017,208 |
| Asset Backed Securities | AA | 4,374,095 | - | - | - | 4,374,095 |
| Money Market Mutual Funds | AAA | 1,031,511 | - | - | - | 1,031,511 |
| PARS Section 115 Trust: | | | | | | |
| Pooled Balanced Index Plus | N/A | - | - | - | 1,561,154 | 1,561,154 |
| Held by Trustee: | | | | | | |
| Money Market Mutual Funds | AAA | 312,904 | - | - | - | 312,904 |
| Lehman Brothers Holdings | | | | | | |
| Inc. Bankruptcy | N/A | - | - | - | 20,000 | 20,000 |
| Total | | <u>\$ 5,718,510</u> | <u>\$ 25,749,741</u> | <u>\$ 10,173,937</u> | <u>\$ 75,598,362</u> | <u>\$ 135,836,789</u> |

* not required to be rated

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(2) Cash and Investments (Continued)

GASB requires the disclosure of more than 5% total investments with a single issuer. At June 30, 2022, the City's investment in the following single issuers exceeded 5%:

| <u>Issuer</u> | <u>Investment Type</u> | <u>Reported Amount</u> | <u>Percentage</u> |
|---------------|---------------------------|------------------------|-------------------|
| FNMA | Federal Agency Securities | \$ 9,988,826 | 7% |
| FHLMC | Federal Agency Securities | 7,417,294 | 5% |

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by the state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in Public Agency Retirement Services

The City is a voluntary participant in the Public Agency Retirement Services (PARS). In 2021, the City funded an Internal Revenue Services Section 115 irrevocable trust with PARS for pension and OPEB benefits. The trust account allows more control and flexibility in investment allocations compared to the City's portfolio which is restricted by State regulations to fixed income instruments. OPEB and Pension trust fund assets are held on behalf of the City by PARS. The City provides investment direction and determines the amount and timing of disbursements of PARS trust fund assets.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(2) Cash and Investments (Continued)

Fair Value Measurements

The City's investments in the Costa Mesa Community Facilities District Bonds and Lehman Brothers Holdings, Inc. Bankruptcy are valued based on cost and the City's assumptions originated from market participant input, respectively. These investments are not traded on, and therefore, are categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

Fair value measurements for the year ended June 30, 2022 are as follows:

| | Quoted Prices Level 1 | Observable Inputs Level 2 | Unobservable Inputs Level 3 | Total |
|---|-----------------------------|---------------------------------|-----------------------------------|----------------|
| Federal Agency Securities | \$ - | \$ 22,594,919 | \$ - | \$ 22,594,919 |
| U.S. Treasury Securities | - | 18,596,239 | - | 18,596,239 |
| Medium Term Corporate Notes | - | 13,328,759 | - | 13,328,759 |
| Asset Backed Securities | - | 4,374,095 | - | 4,374,095 |
| Held by Trustee: Lehman Brothers Holdings Inc. Bankruptcy | - | - | 20,000 | 20,000 |
| Investments measured at Fair Value | \$ - | \$ 58,894,012 | \$ 20,000 | 58,914,012 |
| State Investment Pool (LAIF)* | | | | 74,017,208 |
| Money Market Mutual Funds* | | | | 1,031,511 |
| PARS Section 115 Trust: Pooled Balanced Index Plus* | | | | 1,561,154 |
| Held By Trustee: Money Market Mutual Funds* | | | | 312,904 |
| Total Investment Portfolio | | | | \$ 135,836,789 |

* Not subject to fair value categorization

(3) Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2022 are as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------------------|------------|
| General Fund | Nonmajor Governmental Funds | \$ 716,536 |

All receivables resulted from short term borrowing to cover negative cash balances.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(4) Transfers In and Out

Transfers in and out for the year ended June 30, 2022 are as follows:

| <u>Transfers out</u> | <u>Transfers in</u> | <u>Total</u> |
|----------------------|-----------------------------|----------------------|
| General Fund | Government Grants Fund | \$ 66,419 (a1) |
| General Fund | Capital Improvements Fund | 8,533,467 (a2) |
| General Fund | Nonmajor Governmental Funds | 4,516,377 (a3 to a4) |
| General Fund | Internal Service Funds | 8,248,850 (a5 to a6) |
| | | <u>\$ 21,365,113</u> |

(a) The General Fund transferred the following:

1. \$66,419 to Government Grants for the Firefighter Grant;
2. \$8,533,467 to the Capital Improvements Capital Projects Fund for capital improvement projects and transfer for 5% CAN Ordinance;
3. \$2,802,549 to the Financing Authority Debt Service Fund for debt service payments;
4. \$1,713,828 to the Housing Authority for subsidy of homeless program costs;
5. \$1,800,000 to the Self-Insurance Fund for pending litigations; and
6. \$6,448,850 to the Internal Service Funds for various equipment and vehicle purchases as well as true up 5% per CAN Ordinance.

(5) Loans Receivable

The City's loans receivable at June 30, 2022 by loan programs are as follows:

| | |
|--|--------------------|
| HOME Program | \$ 1,192,446 |
| Community Development Loan Program | 183,695 |
| Rental Rehabilitation Program | 231,539 |
| First Time Home Buyer Program | 1,477,168 |
| Single Family Rehabilitation Program | 142,500 |
| Neighborhood Stabilization Program | 181,250 |
| Other Programs | <u>508,542</u> |
| Total | 3,917,140 |
| Less allowance for uncollectible loans | <u>(3,308,846)</u> |
| Loans receivable, net | <u>\$ 608,294</u> |

Allowance for uncollectible accounts are established for various loans.

General Fund Loan to the Successor Agency

In years prior to 2013, the General Fund made loans in the amount of \$9,278,545 to the Successor Agency (formerly the Redevelopment Agency of the City of Costa Mesa). Loan repayments are subject to approved annually by the State. As a result, an allowance for doubtful accounts has been recorded for the outstanding loan balance.

| | |
|--------------------------------------|--------------------|
| Loan receivable | \$ 3,102,031 |
| Less allowance for doubtful accounts | <u>(3,102,031)</u> |
| Loans receivable, net | <u>\$ -</u> |

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(6) Leases Receivable

Land

On July 1, 1985, the City entered into a 55-year ground lease agreement with Costa Mesa Family Village for use of three parcels of City-owned land. The lease began in July 1985 and will end in October 2039. The lessee is required to make annual fixed payments ranging from \$6,750 to \$13,500 with an interest rate of 2.015%. As of June 30, 2022, the lease receivable is \$1,512,830, and deferred inflows of resources is \$1,506,105. The City recognized \$84,555 of lease revenue and interest revenue of \$23,445 during the fiscal year.

Buildings & Infrastructure

The City entered into 3 leases for use of building and infrastructure assets with lease terms of five years with the option to extend. The lessee is required to make annual fixed payments ranging from \$27,376 to \$42,083 with interest rates of 2.015%. As of June 30, 2022, the lease receivable is \$2,906,238, and deferred inflows of resources is \$2,832,645. The City recognized \$362,276 of lease revenue and interest revenue of \$64,710 during the fiscal year.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(7) Capital Assets

A summary of changes in capital assets is as follows:

| | Balance at July 1, 2021* | Additions | Deletions | Balance at June 30, 2022 |
|---|-----------------------------|--------------|----------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 34,579,306 | \$ - | \$ - | \$ 34,579,306 |
| Land rights related to streets | 29,821,224 | - | - | 29,821,224 |
| Construction in progress | 8,437,088 | 9,777,904 | (6,791,141) | 11,423,851 |
| Total capital assets not being depreciated | 72,837,618 | 9,777,904 | (6,791,141) | 75,824,381 |
| Capital assets being depreciated/amortized: | | | | |
| Building improvements and structures | 122,932,653 | 889,424 | - | 123,822,077 |
| Landscaping and sprinklers | 10,076,675 | - | - | 10,076,675 |
| Automotive equipment | 14,810,433 | 840,049 | (574,903) | 15,075,579 |
| Office furniture | 941,352 | 13,234 | - | 954,586 |
| Office machines | 8,511,377 | 205,331 | - | 8,716,708 |
| Other equipment | 13,695,464 | 521,513 | (8,006) | 14,208,971 |
| Intangible assets | 1,646,881 | 22,462 | - | 1,669,343 |
| Right-to-use lease assets | 1,434,585 | - | - | 1,434,585 |
| Park system and facilities | 19,634,609 | 225,904 | - | 19,860,513 |
| Infrastructure - roads | 296,554,610 | 5,783,514 | (4,488,199) | 297,849,925 |
| Infrastructure - storm drains | 100,851,449 | - | - | 100,851,449 |
| Total capital assets being depreciated/amortized | 591,090,088 | 8,501,431 | (5,071,108) | 594,520,411 |
| Less accumulated depreciation/amortization: | | | | |
| Building improvements and structures | (47,030,030) | (4,732,032) | - | (51,762,062) |
| Landscaping and sprinklers | (9,442,977) | (76,445) | - | (9,519,422) |
| Automotive equipment | (9,962,190) | (875,906) | 508,003 | (10,330,093) |
| Office furniture | (608,301) | (49,692) | - | (657,993) |
| Office machines | (7,641,131) | (234,007) | - | (7,875,138) |
| Other equipment | (8,343,106) | (956,402) | 8,006 | (9,291,502) |
| Intangible assets | (1,180,140) | (155,097) | - | (1,335,237) |
| Right-to-use lease assets | - | (265,493) | - | (265,493) |
| Park system and facilities | (12,235,142) | (920,482) | - | (13,155,624) |
| Infrastructure - roads | (196,654,073) | (6,536,069) | 4,488,199 | (198,701,943) |
| Infrastructure - storm drains | (86,516,094) | (1,366,559) | - | (87,882,653) |
| Total accumulated depreciation/amortization | (379,613,184) | (16,168,184) | 5,004,208 | (390,777,160) |
| Total capital assets being depreciated/amortized, net | 211,476,904 | (7,666,753) | (66,900) | 203,743,251 |
| Capital assets, net | \$ 284,314,522 | \$ 2,111,151 | \$ (6,858,041) | \$ 279,567,632 |

Depreciation expense is charged to the following functions for the year ended June 30, 2022:

Governmental activities:

| | |
|------------------------------------|--------------|
| General government | \$ 1,445,486 |
| Protection of persons and property | 3,253,363 |
| Community programs | 2,485,949 |
| Public services | 8,983,386 |

Total depreciation expense-governmental activities \$16,168,184

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(7) Capital Assets (Continued)

The City has active construction projects as of June 30, 2022. The significant projects include the following:

| Construction Project | Total Budget | Spent to Date | Remaining Commitment |
|--|----------------------|----------------------|----------------------|
| Land Management System | \$ 1,976,759 | \$ 836,575 | \$ 1,140,184 |
| Fairview Road Improvement | | | |
| 405/Adam | 1,176,150 | 60,298 | 1,115,852 |
| SB Newport Blvd Improvements (Mesa/Victoria) | 1,965,652 | 34,765 | 1,930,887 |
| Newport Blvd NB 22th Bristol SB | | | |
| Bristol Mesa | 2,131,786 | 58,525 | 2,073,261 |
| Adams Ave Improvement | 2,278,862 | - | 2,278,862 |
| Citywide Street Maintenance | 11,026,508 | 9,077,780 | 1,948,728 |
| Jack Hammett Sports Complex | 2,710,274 | 2,205,228 | 505,046 |
| Total | \$ 23,265,991 | \$ 12,273,171 | \$ 10,992,820 |

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities in primary government for the year ended June 30, 2022 is as follows:

| | Balance at July 1, 2021* | Additions | Reductions | Balance at June 30, 2022 | Due Within One Year |
|---------------------------------|-----------------------------|---------------------|-----------------------|-----------------------------|---------------------------|
| Bonds payable: | | | | | |
| Public Financing Authority | | | | | |
| 2006 Revenue | | | | | |
| Refunding Bonds | \$ 210,000 | \$ - | \$ (210,000) | \$ - | \$ - |
| Financing Authority | | | | | |
| 2017 Lease Revenue | | | | | |
| Bonds | 24,850,000 | - | (1,740,000) | 23,110,000 | 1,830,000 |
| Unamortized premium | 3,140,046 | - | (147,767) | 2,992,279 | 147,767 |
| Total bonds payable | 28,200,046 | - | (2,097,767) | 26,102,279 | 1,977,767 |
| Other liabilities: | | | | | |
| Lease payable - Facility | 309,105 | - | (72,176) | 236,929 | 75,501 |
| Lease payable - Warehouse | 1,068,577 | - | (129,663) | 938,914 | 136,839 |
| Lease payable - Office Trailer | 56,903 | - | (35,332) | 21,571 | 21,571 |
| Loans payable | 112,870 | - | (15,392) | 97,478 | 15,391 |
| Claims payable | 17,454,524 | 100,282 | (3,255,364) | 14,299,442 | 1,379,844 |
| Fire Truck Note payable | 1,472,402 | - | (135,493) | 1,336,909 | 137,978 |
| Mobile Command Note payable | - | 2,049,652 | - | 2,049,652 | 187,059 |
| Employee leave benefits payable | 5,920,664 | 3,491,555 | (3,827,911) | 5,584,308 | 3,326,231 |
| Total other liabilities | 26,395,045 | 5,641,489 | (7,471,331) | 24,565,203 | 5,280,414 |
| Total | \$ 54,595,091 | \$ 5,641,489 | \$ (9,569,098) | \$ 50,667,482 | \$ 7,258,181 |

*Balance at July 1, 2021 has been restated to include leases payable due to the implementation of GASB 87.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(9) Long-Term Liabilities

Costa Mesa Financing Authority Bonds - 2017 Lease Revenue Bonds

On October 1, 2017, the Costa Mesa Financing Authority issued \$29,735,000 of 2017 Lease Revenue Bonds to finance certain capital improvements of the City of Costa Mesa and to advance refund \$16,765,000 of outstanding Costa Mesa Public Financing Authority 2007 Certificates of Participation (2007 Certificates). The bond issue also included a bond premium of \$3,694,172. The bonds mature from October 1, 2018 through October 1, 2042 in annual installments ranging from \$570,000 to \$2,220,000. Interest is payable semi-annually on April 1 and October 1 of each year, commencing on April 1, 2018 at a rate ranging from 2% to 5%. As of June 30, 2022, the principal outstanding is \$23,110,000 and the unamortized bond premium balance is \$2,992,279.

Bond proceeds of \$14,530,520 along with \$2,302,225 of 2007 Certificates sinking fund monies, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 Certificates. As a result, the 2007 Certificates are considered to be defeased and the liability for those certificates have been removed from the government-wide Statement of Net Position.

The annual debt service requirements for the bonds as of June 30, 2022 are as follows:

| Year Ending June 30 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 1,830,000 | \$ 973,300 | \$ 2,803,300 |
| 2024 | 1,920,000 | 879,550 | 2,799,550 |
| 2025 | 2,015,000 | 781,175 | 2,796,175 |
| 2026 | 2,115,000 | 677,925 | 2,792,925 |
| 2027 | 2,220,000 | 569,550 | 2,789,550 |
| 2028 - 2032 | 3,160,000 | 2,191,000 | 5,351,000 |
| 2033 - 2037 | 4,015,000 | 1,329,881 | 5,344,881 |
| 2038 - 2042 | 4,785,000 | 568,593 | 5,353,593 |
| 2043 | <u>1,050,000</u> | <u>17,063</u> | <u>1,067,063</u> |
| Total | <u>\$ 23,110,000</u> | <u>\$ 7,988,037</u> | <u>\$ 31,098,037</u> |

Leases Payable

Community Service Facility

On July 1, 2012, the City entered into a 13-year lease agreement for the use of a community service facility. The total lease liability is \$309,105 at 2.20% interest. As of June 30, 2022, the value of the lease liability is \$236,929. The City is required to make annual payments ranging from \$78,976 to \$84,304. The value of the right-to-use asset is \$309,105 and had an accumulated amortization of \$77,276 as of June 30, 2022.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(9) Long-Term Liabilities (Continued)

The future principal and interest payments as of June 30, 2022, are as follows:

| Year Ending <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|-------------------|------------------|-------------------|
| 2023 | \$ 75,501 | \$ 5,212 | \$ 80,713 |
| 2024 | 78,938 | 3,551 | 82,489 |
| 2025 | <u>82,490</u> | <u>1,815</u> | <u>84,305</u> |
| Total | <u>\$ 236,929</u> | <u>\$ 10,578</u> | <u>\$ 247,507</u> |

Warehouse

On May 17, 2021, the City entered into a seven year lease agreement for the use of a warehouse. The total lease liability is \$1,068,577 at 2.015% interest. As of June 30, 2022, the value of the lease liability is \$938,914. The City is required to make monthly principal and interest payments of \$12,500. The value of the right-to-use asset is \$1,068,577 and had an accumulated amortization of \$152,652 as of June 30, 2022.

The future principal and interest payments as of June 30, 2022, are as follows:

| Year Ending <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|-------------------|------------------|-------------------|
| 2023 | \$ 136,839 | \$ 17,661 | \$ 154,500 |
| 2024 | 144,297 | 14,835 | 159,132 |
| 2025 | 152,052 | 11,856 | 163,908 |
| 2026 | 160,099 | 8,717 | 168,816 |
| 2027 | 168,466 | 5,414 | 173,880 |
| 2028 | <u>177,161</u> | <u>1,939</u> | <u>179,100</u> |
| Total | <u>\$ 938,914</u> | <u>\$ 60,422</u> | <u>\$ 999,336</u> |

Office Trailer

The City entered into a two year non-cancellable lease agreement for the use of a modular unit. The total lease liability is \$56,903 at 2.015% interest. As of June 30, 2022, the value of the lease liability is \$21,571. The City is required to make monthly principal and interest payments of \$2,371. The value of the right-to-use asset is \$56,903 and had an accumulated amortization of \$35,565 as of June 30, 2022.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(9) Long-Term Liabilities (Continued)

The future principal and interest payments as of June 30, 2022, are as follows:

| Year Ending <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|------------------|-----------------|------------------|
| 2023 | \$ 21,571 | \$ 180 | \$ 21,751 |
| Total | <u>\$ 21,571</u> | <u>\$ 180</u> | <u>\$ 21,751</u> |

Loans Payable – SCE On-Bill Financing (OBF) Loans

During the year ended June 30, 2019, the City entered into loan agreements with Southern California Edison to finance certain street lighting projects. The total amount of the loans was \$153,914. The loan's term is ten years with monthly payments of \$1,282. The loans bears no interest.

The annual debt service requirements for loans payable as of June 30, 2022 are as follows:

| Year Ending <u>June 30</u> | <u>Principal</u> | <u>Total</u> |
|----------------------------------|------------------|------------------|
| 2023 | \$ 15,391 | \$ 15,391 |
| 2024 | 15,391 | 15,391 |
| 2025 | 15,391 | 15,391 |
| 2026 | 15,391 | 15,391 |
| 2027 | 15,391 | 15,391 |
| 2028 - 2029 | <u>20,523</u> | <u>20,523</u> |
| Total | <u>\$ 97,478</u> | <u>\$ 97,478</u> |

Firetruck Note Payable

On February 25, 2021, the City entered into a Master Lease – Purchase Agreement and financed the purchase of a Pierce Arrow XT Firetruck for \$1,472,402. The note matures annually on March 5th of each year with annual payments of \$162,497. The note bears an interest rate of 1.8340% per annum.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(9) Long-Term Liabilities (Continued)

The annual debt service requirements for the note as of June 30, 2022 is as follows:

| Year Ending <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 137,978 | \$ 24,519 | \$ 162,497 |
| 2024 | 140,509 | 21,988 | 162,497 |
| 2025 | 143,086 | 19,411 | 162,497 |
| 2026 | 145,710 | 16,787 | 162,497 |
| 2027 | 148,382 | 14,115 | 162,497 |
| 2028 - 2031 | <u>621,244</u> | <u>28,743</u> | <u>649,987</u> |
| Total | <u>\$ 1,336,909</u> | <u>\$ 125,563</u> | <u>\$ 1,462,472</u> |

Mobile Command Center Note Payable

On January 7, 2022, the City entered into a Master Lease – Purchase Agreement and financed the purchase of a Mobile Command Center and a Pumping Engine for \$2,049,652. The note matures annually on March 7th of each year with annual payments of \$228,360. The note bears an interest rate of 2.0150% per annum.

The annual debt service requirements for the note as of June 30, 2022 is as follows:

| Year Ending <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 187,059 | \$ 41,301 | \$ 228,360 |
| 2024 | 190,829 | 37,531 | 228,360 |
| 2025 | 194,674 | 33,686 | 228,360 |
| 2026 | 198,596 | 29,763 | 228,359 |
| 2027 | 202,598 | 25,762 | 228,360 |
| 2028 - 2032 | <u>1,075,896</u> | <u>65,903</u> | <u>1,141,799</u> |
| Total | <u>\$ 2,049,652</u> | <u>\$ 233,946</u> | <u>\$ 2,283,598</u> |

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(10) Fund Balances

Fund balance consisted of the following at June 30, 2022:

| | Major Funds | | | | | |
|------------------------------------|----------------------|-----------------------|-------------------------------|----------------------|----------------------|------------|
| | General | Government Grants | American Rescue Plan Act Fund | Capital Improvements | Non-Major Funds | |
| Nonspendable: | | | | | | |
| Prepaid items | \$ 504,500 | \$ - | \$ - | \$ - | \$ - | |
| Inventories | 99,047 | - | - | - | - | |
| Restricted for: | | | | | | |
| Pension and OPEB | 3,061,154 | - | - | - | - | |
| Protection of persons and property | - | - | - | - | - | 1,293,762 |
| Community programs | - | - | - | - | - | 5,480,097 |
| Public services (1) | - | - | - | - | - | 19,863,022 |
| Debt service | - | - | - | - | - | 4 |
| Committed for: | | | | | | |
| Declared disasters (2) | 14,125,000 | - | - | - | - | - |
| Self insurance (3) | 2,000,000 | - | - | - | - | - |
| Economic reserves (4) | 9,000,000 | - | - | - | - | - |
| Assigned for: | | | | | | |
| Compensated absences | 5,584,308 | - | - | - | - | - |
| Police Retirement 1% Supplemental | 1,884,759 | - | - | - | - | - |
| Workers compensation | 1,000,000 | - | - | - | - | - |
| Facilities reserve | 2,000,000 | - | - | - | - | - |
| Strategic plan projects | 2,000,000 | - | - | - | - | - |
| Protection of persons and property | - | - | - | - | - | 635,684 |
| Public services | - | - | 50,329 | 21,869,391 | - | 12,383,909 |
| Unassigned | 16,517,079 | (1,145,765) | - | - | - | (705,022) |
| Total Fund Balance | \$ 57,775,847 | \$ (1,145,765) | \$ 50,329 | \$ 21,869,391 | \$ 38,951,456 | |

1. Restricted fund balances in the Public Services category consist of fund balances in the Gas Tax, Air Quality Improvement, Lions Park Capital Improvements, and Measure "M2" Construction funds. Revenues received in these funds are legally restricted for specific purposes, such as transportation and facility related capital projects.
2. The fund balance committed for declared disasters was adopted by Ordinance No. 91-20 and Municipal Code Section 2-206 to provide required funding as a result of a declared emergency by the City Council for an unanticipated but urgent event threatening the public health, safety and welfare of the City. Any fund balance utilized has to be replenished.
3. The fund balance committed for self-insurance was codified in the Ordinance No. 96-14 and City Municipal Code Section 2-154 to provide a self-insurance reserve to be used to pay actual losses not covered by insurance policies or insurance pools. Any fund balance utilized has to be replenished.
4. The fund balance committed for economic reserves was adopted by the City Council on March 3, 2015 as a part of the reserve goal plan. The City commits \$1,500,000 each year toward economic reserve.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(10) Fund Balances (Continued)

The following funds had deficits at June 30, 2022:

| | |
|--|---------------|
| Major Governmental Funds: | |
| Special Revenue Funds: | |
| Government Grants | \$(1,145,765) |
| Nonmajor Governmental Funds: | |
| Special Revenue Funds: | |
| Office of Traffic Safety | (40,708) |
| Disaster Fund | (664,963) |
| Arts Cultural Master Plan | (66,848) |
| Fiduciary Fund: | |
| Successor Agency to the City of Costa Mesa Redevelopment | |
| Agency Private Purpose Trust Fund | (1,702,362) |

(11) Defined Benefit Pension Plans

(a) General Information about the Pension Plans

Employees of the City are members of the California Public Employees' Retirement System (CalPERS), the cost of which is paid by the City. The information below includes the aggregate total pension plan related items:

| | <u>Miscellaneous</u> | <u>Police Safety</u> | <u>Fire Safety</u> | <u>1% supplemental</u> | <u>Total</u> |
|--|----------------------|----------------------|--------------------|------------------------|------------------|
| Net pension liability | \$ (70,556,028) | \$ (97,290,121) | \$ (61,763,064) | \$ - | \$ (229,609,213) |
| 1% supplemental liability | - | - | - | (1,884,759) | (1,884,759) |
| Deferred outflows of resources - pension | 11,072,097 | 12,048,233 | 19,704,203 | - | 42,824,533 |
| Deferred inflows of resources - pension | (23,141,473) | (23,625,352) | (40,941,325) | - | (87,708,150) |
| Pension expense (credit) | 2,320,280 | 3,636,601 | 22,001,613 | (185,561) | 27,772,933 |

Below are descriptions of the retirement plans along with selected information regarding benefits, contributions, liabilities and actuarial assumptions.

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's separate Miscellaneous and Police Safety Plans, agent multiple-employer defined benefit pension plans and the Fire Safety cost sharing plans. The plans are administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(11) Defined Benefit Pension Plans (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service.

PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service.

The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit.

Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

| | Miscellaneous (Agent Multiple-Employer) | | |
|--|---|-------------------------------|--------------------------------|
| | Prior to March 11, 2012 | On or After March 11, 2012 | On or After January 1, 2013 |
| Hire Date | | | |
| Benefit formula | 2.5% @55 | 2.0% @60 | 2% @62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 50 - 63 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.092% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates | 10.469% | 7% | 7.50% |
| Required employer contribution rates | 7.41% | 9.88% | 9.88% |

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(11) Defined Benefit Pension Plans (Continued)

| | <u>Police Safety (Agent Multiple-Employer)</u> | |
|--|--|--------------------------------|
| | On or After March 11, 2012 | On or After January 1, 2013 |
| Hire Date | | |
| Benefit formula | 3% @50 | 2.7% @57 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 | 50 - 57 |
| Monthly benefits, as a % of eligible compensation | 3% | 2.0% to 2.7% |
| Required employee contribution rates | 14% | 12.75% |
| Required employer contribution rates | 15.51% | 20.51% |

| | <u>Fire Safety (Cost Sharing Multiple-Employer)</u> | | |
|--|---|----------------------------------|--------------------------------|
| | Prior to December 30, 2012 | On or After December 30, 2012 | On or After January 1, 2013 |
| Hire Date | | | |
| Benefit formula | 3.0% @50 | 2.0% @50 | 2.7% @57 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 | 50 - 55 | 50 - 57 |
| Monthly benefits, as a % of eligible compensation | 3% | 2.0% to 2.7% | 2.0% to 2.7% |
| Required employee contribution rates | 14% | 9% | 13% |
| Required employer contribution rates | 20.59% | 18.19% | 13.13% |

Employees Covered

At the June 30, 2021 measurement date, the following employees were covered by each plan's benefit terms:

| | <u>Miscellaneous</u> | <u>Police Safety</u> | <u>Fire Safety</u> |
|---|----------------------|--------------------------|------------------------|
| Inactive employees or beneficiaries currently receiving benefits | 577 | 206 | 161 |
| Inactive employees entitled to but not yet receiving benefits | 781 | 71 | - |
| Active employees | 340 | 128 | 80 |
| Total | <u>1,698</u> | <u>405</u> | <u>241</u> |

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(11) Defined Benefit Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy plan member contribution requirements as identified by the pension plan terms are classified as plan member contributions.

(b) Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2021, based on an annual actuarial valuation as of June 30, 2020 and rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the three CalPERS Plans, the June 30, 2020 valuation was rolled forward to determine the June 30, 2021 pension liability, based on the following actuarial methods and assumptions:

| | |
|-----------------------------------|--|
| Valuation date | June 30, 2020 |
| Measurement date | June 30, 2021 |
| Actuarial cost method | Entry-Age Normal in accordance with the requirements of GASB 68 |
| Actuarial assumptions: | |
| Discount rate | 7.15% |
| Inflation | 2.50% |
| Salary increases | Varies by Entry Age and Service |
| Mortality Rate Table ¹ | Derived using CalPERS Membership Data for all Funds |
| Post Retirement Benefit Increase | The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter |

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(11) Defined Benefit Pension Plans (Continued)

¹ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at the statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long term expected rate of return on plan on investment was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, except compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(11) Defined Benefit Pension Plans (Continued)

The expected real rate of return by asset class are as followed:

| <u>Asset Class¹</u> | <u>Assumed asset allocation</u> | <u>Real Return Years 1-10²</u> | <u>Real Return Years 11+³</u> |
|--------------------------------|---------------------------------|---|--|
| Global Equity | 50.0% | 4.80% | 5.98% |
| Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation assets | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real assets | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | (0.92%) |

¹ In the system's ACFR, Fixed Income is included Global Debt Securities; Liquidity is included in Short-term Investment; Inflation Assets are included both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period

³ An expected inflation of 2.92% used for this period

Changes in Net Pension Liability

The changes in the net pension liability for the Miscellaneous (Agent Multiple-Employer) Plan, using the measurement date of June 30, 2021, are as follows:

| | <u>Increase (Decrease)</u> | | |
|--|--------------------------------|------------------------------------|---------------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Position Liability (Asset)</u> |
| Balance at June 30, 2020 (Valuation Date) | <u>\$ 301,096,031</u> | <u>\$ 197,576,863</u> | <u>\$ 103,519,168</u> |
| Changes in the Year: | | | |
| Service cost | 4,114,686 | - | 4,114,686 |
| Interest on the total pension liability | 20,957,522 | - | 20,957,522 |
| Differences between actual and expected experience | (1,467,232) | - | (1,467,232) |
| Net plan to plan resource movement | - | - | - |
| Changes in assumptions | - | - | - |
| Contributions - employer | - | 10,097,843 | (10,097,843) |
| Contributions - employees | - | 2,062,454 | (2,062,454) |
| Net investment income | - | 44,605,186 | (44,605,186) |
| Administrative expenses | - | (197,367) | 197,367 |
| Benefit payments, including refunds of employee contributions | (17,147,887) | (17,147,887) | - |
| Other Miscellaneous Income/(Expense) | - | - | - |
| Net Changes | <u>6,457,089</u> | <u>39,420,229</u> | <u>(32,963,140)</u> |
| Balance at June 30, 2021 (Measurement Date) | <u>\$ 307,553,120</u> | <u>\$ 236,997,092</u> | <u>\$ 70,556,028</u> |

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(11) Defined Benefit Pension Plans (Continued)

The changes in the net pension liability for the Police Safety (Agent-Multiple-Employer) Plan, using the measurement date of June 30, 2021, are as follows:

| | Increase (Decrease) | | |
|--|-------------------------------|-----------------------------------|--------------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Position Liability (Asset) |
| Balance at June 30, 2020 (Valuation Date) | \$ 322,201,085 | \$ 194,850,371 | \$ 127,350,714 |
| Changes in the Year: | | | |
| Service cost | 4,811,521 | - | 4,811,521 |
| Interest on the total pension liability | 22,650,069 | - | 22,650,069 |
| Differences between actual and expected experience | 503,266 | - | 503,266 |
| Net plan to plan resource movement | - | - | - |
| Changes in assumptions | - | - | - |
| Contributions - employer | - | 11,583,086 | (11,583,086) |
| Contributions - employees | - | 2,166,528 | (2,166,528) |
| Net investment income | - | 44,470,479 | (44,470,479) |
| Administrative expenses | - | (194,644) | 194,644 |
| Benefit payments, including refunds of employee contributions | (16,651,882) | (16,651,882) | - |
| Other Miscellaneous Income/(Expense) | - | - | - |
| Net Changes | 11,312,974 | 41,373,567 | (30,060,593) |
| Balance at June 30, 2021 (Measurement Date) | \$ 333,514,059 | \$ 236,223,938 | \$ 97,290,121 |

Proportionate Share of the Net Pension Liability for the Fire Safety Plan

As of June 30, 2022, the City reported net pension liabilities for its proportionate share of the net pension liability of the Fire Safety Plan as follows:

| | Proportionate Share of Net Pension Liability |
|------------------------------|--|
| Balance at: 6/30/2020 | \$ 81,561,540 |
| Balance at: 6/30/2021 | 61,763,064 |
| Net Changes during 2020-2021 | (19,798,476) |

The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for this Plan as of the measurement dates of June 30, 2020 and 2021 was as follows:

| | Fire Safety |
|------------------------------|-------------|
| Proportion - June 30, 2020 | 1.22422% |
| Proportion - June 30, 2021 | 1.75989% |
| Change - Increase (Decrease) | 0.53567% |

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(11) Defined Benefit Pension Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's net pension liability for each Plan, calculated using the Plan's discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Miscellaneous | Police Safety | Fire Safety |
|-----------------------|----------------|----------------|---------------|
| 1% Decrease | 6.15% | 6.15% | 6.15% |
| Net Pension Liability | \$ 109,451,295 | \$ 142,290,283 | \$ 90,813,408 |
| Current Discount Rate | 7.15% | 7.15% | 7.15% |
| Net Pension Liability | \$ 70,556,028 | \$ 97,290,121 | \$ 61,763,064 |
| 1% Increase | 8.15% | 8.15% | 8.15% |
| Net Pension Liability | \$ 38,459,595 | \$ 60,458,777 | \$ 37,901,794 |

Pension Plans Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Amortization of Deferred Outflows and Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

| | |
|--|--|
| Net difference between projected and actual earnings on pension plan investments | 5 year straight-line amortization |
| All other amounts | Straight-line amortization over the expected average remaining service lifetime (EARS�) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period |

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(11) Defined Benefit Pension Plans (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Miscellaneous | |
|--|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | \$ 11,072,097 | \$ - |
| Differences between expected and actual experience | - | (883,435) |
| Net differences between projected and actual earnings on plan investments | - | (22,258,038) |
| Total | <u>\$ 11,072,097</u> | <u>\$ (23,141,473)</u> |
| | Police Safety | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | \$ 11,680,985 | \$ - |
| Differences between expected and actual experience | 367,248 | (1,306,677) |
| Net differences between projected and actual earnings on plan investments | - | (22,318,675) |
| Total | <u>\$ 12,048,233</u> | <u>\$ (23,625,352)</u> |
| | Fire Safety | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | \$ 9,072,094 | \$ - |
| Differences between expected and actual experience | 10,552,166 | - |
| Change in employer's proportion | - | (3,688,065) |
| Net difference between projected and actual earnings on plan investments | - | (36,760,896) |
| Differences between employer's contributions and change in employer's proportion | 79,943 | (492,364) |
| Total | <u>\$ 19,704,203</u> | <u>\$ (40,941,325)</u> |

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(11) Defined Benefit Pension Plans (Continued)

At June 30, 2022, deferred outflows of resources in the amounts of \$11,072,097, \$11,680,985 and \$9,072,094 were related to contributions subsequent to the measurement date for the Miscellaneous, Police Safety and Fire Safety Plans, respectively. They will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ending June 30 | Miscellaneous | Police Safety | Fire Safety |
|----------------------------------|----------------|----------------|----------------|
| 2023 | \$ (6,341,713) | \$ (6,462,575) | \$ (5,536,777) |
| 2024 | (5,299,396) | (5,404,750) | (6,440,112) |
| 2025 | (5,355,561) | (5,258,192) | (8,216,241) |
| 2026 | (6,144,803) | (6,132,587) | (10,116,086) |
| Thereafter | - | - | - |

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(12) Police 1% Supplemental Retirement Plan

(a) General Information about the Pension Plan

Plan Description

The plan was effective on July 1, 1993 for sworn members of the City of Costa Mesa Police Department. The plan was originally a 1% supplemental plan to the City's 2%@50 benefit. Under the Retirement Plan for Safety Employees of the City of Costa Mesa, the City joined CalPERS with 3%@50 Safety benefit as of December 31, 2000 and transferred active members to CalPERS. Employees who retired prior to July 1, 1999 were not transferred to CalPERS.

The Police 1% Supplemental Retirement Plan is a single employer defined benefit plan. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3%@ 50 benefit plan. The number of participants at June 30, 2021 was 18. The average monthly benefit being paid is \$949.24. The retirement benefit is 1% of the highest 12-month earnings for credited services up to 25 years. Maximum benefit is 75% of the highest 12-month earnings for service retirement including all public plan pension benefits but not including Social Security. The 75% is proportionately reduced for less than 25 years of Costa Mesa Police Department service.

Contributions

The City has not adopted a funding policy for this supplemental retirement plan and accordingly plan benefits impact financial resources as benefits are paid.

(b) Pension Liability

The City's pension liability for the Plan is measured as the total pension liability, as the pension plan has no fiduciary net position. The pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2022. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(12) Police 1% Supplemental Retirement Plan

Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

| | |
|--------------------------|--|
| Measurement Date | June 30, 2022 |
| Actuarial Assumptions: | |
| Discount Rate | 3.75% per annum. This discount rate is the mid-point, rounded to 5 basis points, of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA 20 Year Bond Index. |
| Payroll Growth | N/A; all participants have retired |
| Inflation Rate | 2.75% per year |
| Cost Method | Entry Age Normal as a level percentage of payroll |
| Employer Funding Policy | Pay-as-you-go |
| Census Data | Census information was provided by the Plan Sponsor as of June 2022. |
| Retirement | |
| Disability/Turnover Rate | N/A; all participants have retired |
| Mortality | Rates are based on the 2021 CalPERS Experience Study for Public Agency Police as shown below: |

| Age | Healthy Retirees | | Non-Industrial Disabled Retirees | |
|-----|------------------|---------|----------------------------------|---------|
| | Male | Female | Male | Female |
| 50 | 0.27% | 0.20% | 1.70% | 1.44% |
| 60 | 0.58% | 0.46% | 2.71% | 1.96% |
| 70 | 1.33% | 1.00% | 4.00% | 2.91% |
| 80 | 4.37% | 3.40% | 7.94% | 6.11% |
| 90 | 14.54% | 11.09% | 16.61% | 14.40% |
| 100 | 36.20% | 31.58% | 36.20% | 31.58% |
| 110 | 100.00% | 100.00% | 100.00% | 100.00% |

Discount Rate

The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Professional judgment on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted for current members during the fiscal year. Therefore, the long-term expected rate of return of 3.75%

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(12) Police 1% Supplemental Retirement Plan (Continued)

was used to discount funded projected benefit payments to determine the total pension liability. The single effective discount rate was 3.75%.

The discount rate changed from 2.10% as of June 30, 2021 to 3.75% as of June 30, 2022 measurement date.

(c) Changes in the Pension Liability

| | |
|--|---------------------|
| Balance at June 30, 2021 | \$ 2,274,765 |
| Changes in the year: | |
| Interest on the total pension liability | 45,623 |
| Differences between actual expected and actual experience | 101,666 |
| Changes in assumptions | (332,850) |
| Benefit payments, including refunds of member contributions | <u>(204,445)</u> |
| Net Changes | <u>(390,006)</u> |
| Balance at June 30, 2022 | <u>\$ 1,884,759</u> |

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the total pension liability, calculated using the discount rate of 3.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | |
|-----------------------|--------------|
| 1% Decrease | 2.75% |
| Net Pension Liability | \$ 2,012,865 |
| Current Discount Rate | 3.75% |
| Net Pension Liability | \$ 1,884,759 |
| 1% Increase | 4.75% |
| Net Pension Liability | \$ 1,770,363 |

(d) Pension expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2022, the City recognized pension expense of \$185,561. At June 30, 2022, the City did not report any deferred outflows/inflows of resources related to the Police 1% Supplemental Retirement Plan.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(13) Defined Contribution Plan

On January 1, 2000, the City adopted a Defined Contribution Plan (Plan) for part-time employees that work under 1,000 hours during the fiscal year and do not meet the eligibility requirements to be enrolled in the California Public Employee Retirement System (CalPERS). The Plan is administered by the Public Agency Retirement Services (PARS). As of June 30, 2022, there were 143 active participants in the Plan. Both the City and employees are required to each contribute 3.75% of gross wages. The City's contribution to the defined contribution plan for the year ended June 30, 2022 was \$38,842.

(14) Other Post Employment Benefits Plan (OPEB)

Plan Description

The City administers a single-employer defined benefit plan, which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The plan covers employees hired before January 1, 2004 who retire directly from the City with 10 years or more of City service. The City provides a contribution up to a percentage of the lesser of \$500 per month or the premium for the most popular medical plan elected by the employees. The percentage varies by retirement date and years of City service. For employees hired on or after January 1, 2004, the City will only pay for the PEMHCA subsidy once they meet the definition of a retiree under CalPERS. The City provides retiree life insurance of \$1,000 for the retiree and \$500 for the retiree's spouse.

Employees Covered

As of the June 30, 2021 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

| | |
|--|------------|
| Active employees | 561 |
| Inactive employees or beneficiaries currently receiving benefits | 427 |
| Inactive employees entitled to but not yet receiving benefits | - |
| Total | <u>988</u> |

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(14) Other Post Employment Benefits Plan (OPEB) (Continued)

Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made under the City Council and labor agreement requirements is on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2022, the City contributed \$1,840,792 to the Plan. The City has not established a trust for the purpose of holding assets accumulated for plan benefits.

The City's total OPEB liability was measured as of June 30, 2021 by an actuarial valuation based on the following actuarial methods and assumptions:

Discount Rate: 2.19% for accounting disclosure purposes. The rate is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For the current valuation, the discount rate was selected from the range of indices as shown in the table below:

| | As of 06/30/21 |
|--|----------------|
| Bond Buyer Go 20 – Municipal Bond Index | 2.16% |
| S&P Municipal Bond 20-year High Grade Rate Index | 2.19% |
| Fidelity 20-year Go Municipal Bond Index | 1.94% |
| Bond Index Range | 1.94% - 2.19% |
| Actual Discount Rate Used | 2.19% |

Inflation Rate: 2.50% per year

Aggregate Payroll Increases: 2.75% per year. This assumption is used to amortize the unfunded actuarial accrued liability and to determine the Entry Age Normal actuarial liabilities.

Mortality Rate: Based on rates used in the most recent CalPERS pension valuation.

Turnover Rate: Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. The termination rates are based on those used in the most recent CalPERS pension valuation.

Retirement Rate: Annual retirement rates are based on those used in the most recent CalPERS pension valuation.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(14) Other Post Employment Benefits Plan (OPEB) (Continued)

Changes in the Total OPEB Liability

The changes in the Plan's total OPEB liability is as follows:

| | |
|--|----------------------|
| Balance at June 30, 2021 | \$ 62,882,272 |
| Changes recognized for the measurement period: | |
| Service cost | 1,469,582 |
| Interest | 1,675,650 |
| Differences between expected and actual experience | (894,275) |
| Changes of assumptions | 3,854,176 |
| Contributions - employer | - |
| Benefit payments | (2,732,910) |
| Administrative expense | - |
| Net Changes | 3,372,223 |
| Balance at June 30, 2022 (Measurement Date June 30, 2021) | <u>\$ 66,254,495</u> |

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the City's OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

| | 1% Decrease (1.19%) | Current Discount Rate (2.19%) | 1% Increase (3.19%) |
|----------------|------------------------|-------------------------------------|------------------------|
| OPEB Liability | \$ 76,947,346 | \$ 66,254,495 | \$ 57,741,773 |

Sensitivity of the OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

| | 1% Decrease (5.75% decreasing to 3.50%) | Current Healthcare Cost Trend Rates (6.75% decreasing to 4.50%) | 1% Increase (7.75% decreasing to 5.50%) |
|----------------|---|--|---|
| OPEB Liability | \$60,716,376 | \$66,254,495 | \$74,451,162 |

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(14) Other Post Employment Benefits Plan (OPEB) (Continued)

The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The initial amortization period for deferred inflows and deferred outflows is three years.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$4,736,147. At June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| OPEB contributions subsequent to measurement date | \$ 1,840,792 | \$ - |
| Differences between expected and actual differences | 1,189,710 | (3,128,648) |
| Changes in assumptions | 10,282,238 | - |
| Total | <u>\$ 13,312,740</u> | <u>\$ (3,128,648)</u> |

The \$1,840,792 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2023.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

| Fiscal Year Ended June 30: | Deferred Outflows/(Inflows) of Resources |
|-------------------------------|--|
| 2023 | \$ 1,590,915 |
| 2024 | 1,590,915 |
| 2025 | 1,590,915 |
| 2026 | 1,590,914 |
| 2027 | 804,828 |
| Thereafter | 1,174,813 |

(15) Post Employment Benefits-RHS (Defined Contribution)

On January 1, 2004, the City adopted a new Retirement Health Savings Plan (RHS) for all full-time active employees. This benefit was ratified in the City's contractual agreements (MOU) with the Costa Mesa Employees Association (CMCEA), Costa Mesa Police Association (CMPA), Costa Mesa Police Management Association (CMPMA), and the Costa Mesa Firefighters Association (CMFA). This post-employment medical benefit is to assist employees with their qualifying medical expenses or premiums upon retirement or separation from the City with no minimum age requirement. The RHS plan is a defined contribution plan for all full time employees at the City. Under this plan, the employee and the City each make a mandatory 1% of base pay contribution. If the employee separates from the City prior to the 10-year vesting period, the employee forfeits his or her share of the City's contribution.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(15) Post Employment Benefits-RHS (Defined Contribution)

The City has no payment obligations once the employee separates from the City. Per a side letter agreement with employees, the RHS program was suspended starting November 7, 2010. For the CMPMA, effective July 2014, a 1% employee contribution is required to the plan, but no employer contribution is required. The City's contribution to the defined contribution post retirement plan for the year ended June 30, 2022 was \$0.

(16) Expenditures in Excess of Appropriations

Excess of expenditures over appropriations in individual funds at the function level (level of budgetary control) is as follows at June 30, 2022:

| | <u>Function</u> | <u>Expenditures</u> | <u>Appropriations</u> | <u>Excess</u> |
|--|------------------------------------|---------------------|-----------------------|---------------|
| Major Fund: | | | | |
| General Fund | Protection of persons and property | 88,413,582 | 85,792,240 | 2,621,342 |
| | Debt service | 244,368 | - | 244,368 |
| Special Revenue Funds: | | | | |
| Supplemental Law Enforcement Services Fund | Protection of persons and property | 277,824 | 277,372 | 452 |

(17) Risk Management

For the fiscal year ended June 30, 2022, the City participated in the California Municipal Excess Liability ("CAMEL") Program. The membership of CAMEL consists of 21 cities with similar interests and needs regarding liability insurance. The Board of Directors sets the premiums for each participant and each participant is represented on the Board. Premiums are based upon the losses incurred by each member and are not affected by losses incurred by other members.

In the Self-Insurance Workers' Compensation/General Liability/Unemployment Internal Service Fund, the City has recorded liabilities of \$15,982,611 for lawsuits and other claims arising in the ordinary course of business. The City is also self-insured for the first \$2,000,000 of each claim arising for workers' compensation and has purchased outside insurance coverage in excess of the \$2,000,000 up to an unlimited maximum. The City is self-insured for the first \$2,000,000 of each claim arising for general liability. The City has purchased outside insurance coverage in excess of the \$2,000,000 up to a maximum of \$25,000,000 per occurrence. For the past three years, claim payments have not exceeded the amount of applicable insurance coverage. The City has estimated losses for claims and judgments and has established liabilities of \$9,746,369 for workers' compensation and \$6,236,242 for general liability. Losses for claims incurred but not reported are recorded when the probable amount of loss can be reasonably estimated. These amounts represent estimates of amounts to be paid for reported claims and incurred but not yet reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2022 is dependent on future developments, based upon information from the City Attorney, the City's claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2022

(17) Risk Management (Continued)

The City is contingently liable for additional losses not reported in the accompanying financial statements in the range of approximately \$25,000 to \$2,000,000 for which the likelihood of an unfavorable outcome is only reasonably possible, as determined by legal counsel.

Changes in claims payable for the past two fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Claims Incurred and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Ending Balance</u> |
|--------------------|------------------------------|---|---------------------------|-----------------------|
| 2020-21 | \$ 15,854,996 | \$ 3,705,942 | \$ (2,106,414) | \$ 17,454,524 |
| 2021-22 | 17,454,524 | 100,282 | (3,255,364) | 14,299,442 |

(18) Legislation and Litigation Affecting the Successor Agency

As of February 1, 2012, California redevelopment agencies were dissolved. The Successor Agency to the Costa Mesa Redevelopment Agency (Successor Agency) succeeded to the former Costa Mesa Redevelopment Agency (former Agency) and administers the enforceable obligations, including a \$9,278,545 loan from the City's General Fund to the former agency. The Department of Finance has approved the Successor Agency to reinstate this loan on its Report Obligation Payment Schedule (ROPS).

The City has adjusted the loan for principal/interest additions and principal repayments from the annual ROPS as approved by the Department of Finance. As of June 30, 2022, the Successor Agency's loan payable balance was \$3,102,031.

A summary of changes in long-term liabilities in the Successor Agency for the year ended June 30, 2022 is as follows:

| | <u>Balance July 1, 2021</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at June 30, 2022</u> | <u>Portion Due Within One Year</u> |
|---------------|---------------------------------|------------------|-----------------------|-------------------------------------|--|
| Loans Payable | \$ 4,916,327 | \$ - | \$ (1,814,296) | \$ 3,102,031 | \$ 1,749,586 |
| Total | <u>\$ 4,916,327</u> | <u>\$ -</u> | <u>\$ (1,814,296)</u> | <u>\$ 3,102,031</u> | <u>\$ 1,749,586</u> |

CITY OF COSTA MESA, CALIFORNIA
Schedule of Changes in the Net Pension Liability and Related Ratios
Miscellaneous Plan
Last Ten Fiscal Years*

| Measurement date | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 |
|--|-----------------------|-----------------------|----------------------------------|-----------------------|
| Total pension liability: | | | | |
| Service cost | \$ 3,366,560 | \$ 3,187,235 | \$ 3,269,125 | \$ 3,659,618 |
| Interest on total pension liability | 17,792,384 | 18,262,096 | 18,633,944 | 18,996,998 |
| Difference between expected and actual experience | - | (2,016,112) | (2,818,846) | (1,038,444) |
| Changes in assumptions | - | (4,399,842) | - | 15,484,252 |
| Benefit payments, including refunds of employee contributions | (12,853,585) | (13,476,175) | (14,145,202) | (14,720,378) |
| Net Change in Total Pension Liability | 8,305,359 | 1,557,202 | 4,939,021 | 22,382,046 |
| Total pension liability - beginning of year | 241,975,291 | 250,280,650 | 251,837,852 | 256,776,873 |
| Total pension liability - End of Year (a) | <u>\$ 250,280,650</u> | <u>\$ 251,837,852</u> | <u>\$ 256,776,873</u> | <u>\$ 279,158,919</u> |
| Plan Fiduciary Net Position: | | | | |
| Contributions - employer | \$ 4,903,142 | \$ 5,768,827 | \$ 6,226,072 | \$ 6,712,045 |
| Contributions - employees | 2,137,933 | 1,978,052 | 1,966,557 | 1,936,240 |
| Net investment income | 26,075,603 | 3,881,685 | 897,287 | 18,711,484 |
| Benefit payments | (12,853,585) | (13,476,175) | (14,145,205) | (14,720,378) |
| Plan to plan resource movement | - | 13,634 | 3,064 | - |
| Administrative expense | - | (193,604) | (104,766) | (246,188) |
| Other miscellaneous income (expense) | - | - | - | - |
| Net change in plan fiduciary net position | 20,263,093 | (2,027,581) | (5,156,991) | 12,393,203 |
| Plan fiduciary net position - beginning of year | 153,666,841 | 173,929,934 | 171,902,353 | 166,745,362 |
| Plan fiduciary net position - end of year (b) | <u>\$ 173,929,934</u> | <u>\$ 171,902,353</u> | <u>\$ 166,745,362</u> | <u>\$ 179,138,565</u> |
| Net pension liability - ending (a)-(b) | <u>\$ 76,350,716</u> | <u>\$ 79,935,499</u> | <u>\$ 90,031,511</u> | <u>\$ 100,020,354</u> |
| | | | Net position - beginning of year | |
| Plan fiduciary net position as a percentage of the total pension liability | 69.49% | 68.26% | 64.94% | 64.17% |
| Covered payroll | \$ 18,366,435 | \$ 17,928,997 | \$ 19,890,931 | \$ 19,532,886 |
| Net pension liability as a percentage of covered payroll | 415.71% | 445.84% | 452.63% | 512.06% |

Notes to schedule:

Benefit changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2019 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions:

None in 2021, 2020, or 2019. In 2018, demographic assumptions and inflation were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, The accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50% discount rate.

* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

| June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 |
|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 3,528,896 | \$ 3,828,540 | \$ 4,081,002 | \$ 4,114,686 |
| 19,188,563 | 19,990,625 | 20,506,212 | 20,957,522 |
| (3,837,320) | 4,152,146 | (324,784) | (1,467,232) |
| (1,071,584) | - | - | - |
| (15,285,935) | (16,317,568) | (16,501,681) | (17,147,887) |
| 2,522,620 | 11,653,743 | 7,760,749 | 6,457,089 |
| 279,158,919 | 281,681,539 | 293,335,282 | 301,096,031 |
| <u>\$ 281,681,539</u> | <u>\$ 293,335,282</u> | <u>\$ 301,096,031</u> | <u>\$ 307,553,120</u> |
| \$ 7,300,573 | \$ 8,320,570 | \$ 9,336,852 | \$ 10,097,843 |
| 1,906,040 | 2,055,169 | 2,205,872 | 2,062,454 |
| 15,161,548 | 11,863,211 | 9,609,644 | 44,605,186 |
| (15,285,935) | (16,317,568) | (16,501,681) | (17,147,887) |
| (1,077) | - | - | - |
| (279,147) | (133,740) | (272,363) | (197,367) |
| (530,105) | 435 | - | - |
| 8,271,897 | 5,788,077 | 4,378,324 | 39,420,229 |
| 179,138,565 | 187,410,462 | 193,198,539 | 197,576,863 |
| <u>\$ 187,410,462</u> | <u>\$ 193,198,539</u> | <u>\$ 197,576,863</u> | <u>\$ 236,997,092</u> |
| <u>\$ 94,271,077</u> | <u>\$ 100,136,743</u> | <u>\$ 103,519,168</u> | <u>\$ 70,556,028</u> |
| 66.53% | 65.86% | 65.62% | 77.06% |
| \$ 20,067,193 | \$ 24,394,495 | \$ 24,012,483 | \$ 26,206,105 |
| 469.78% | 410.49% | 431.11% | 269.24% |

CITY OF COSTA MESA, CALIFORNIA
Schedule of Contributions
Miscellaneous Plan
Last Ten Fiscal Years*

| Fiscal year ended | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 |
|---|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined contribution | \$ 5,221,083 | \$ 6,056,123 | \$ 6,522,784 | \$ 6,913,866 |
| Contributions in relation to the actuarially determined contributions | <u>(5,221,083)</u> | <u>(6,056,123)</u> | <u>(6,522,784)</u> | <u>(6,913,866)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 17,928,997 | \$ 19,890,931 | \$ 19,532,886 | \$ 20,067,193 |
| Contributions as a percentage of covered payroll | 29.12% | 30.45% | 33.39% | 34.45% |

Notes to schedule:

Valuation date for June 30, 2022 6/30/2019

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|---|
| Single and agent employers | Entry Age Normal |
| Amortization method/period | For details, see June 30, 2019 Funding Valuation Report. |
| Asset valuation method | Fair Value of Assets. For details, see June 30, 2019 Funding Valuation Report. |
| Inflation | 2.50% |
| Salary increases | Varies by Entry Age and Service |
| Payroll growth | 2.75% |
| Investment rate of return | 7.00%, net of pension plan investment and administrative expense; includes inflation. |
| Retirement age | The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. |
| Mortality | The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. |

Other information:

For changes to previous year's information, refer to past GASB 68 reports.

Net position - beginning of year

* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

| <u>June 30, 2019</u> | <u>June 30, 2020</u> | <u>June 30, 2021</u> | <u>June 30, 2022</u> |
|----------------------|----------------------|----------------------|----------------------|
| \$ 9,256,492 | \$ 9,876,401 | \$ 10,249,971 | \$ 11,072,097 |
| <u>(9,256,492)</u> | <u>(9,876,401)</u> | <u>(10,249,971)</u> | <u>(11,072,097)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 24,394,495 | \$ 24,012,483 | \$ 26,206,105 | \$ 26,486,277 |
| 37.95% | 41.13% | 39.11% | 41.80% |

CITY OF COSTA MESA, CALIFORNIA
Schedule of Changes in the Net Pension Liability and Related Ratios
Police Safety Plan
Last Ten Fiscal Years*

| Measurement date | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability: | | | | |
| Service cost | \$ 4,675,505 | \$ 4,048,034 | \$ 4,011,055 | \$ 4,475,641 |
| Interest on total pension liability | 17,563,332 | 18,452,568 | 19,519,447 | 20,072,034 |
| Difference between expected and actual experience | - | 1,744,508 | 4,436,634 | (2,148,051) |
| Changes in assumptions | - | (4,744,823) | - | 17,608,748 |
| Benefit payments, including refunds of employee contributions | (11,159,179) | (12,625,831) | (13,319,431) | (13,984,335) |
| Net Change in Total Pension Liability | 11,079,658 | 6,874,456 | 14,647,705 | 26,024,037 |
| Total pension liability - beginning of year | 237,419,600 | 248,499,258 | 255,373,714 | 270,021,419 |
| Total pension liability - end of year (a) | <u>\$ 248,499,258</u> | <u>\$ 255,373,714</u> | <u>\$ 270,021,419</u> | <u>\$ 296,045,456</u> |
| Plan fiduciary net position: | | | | |
| Contributions - employer | \$ 5,066,147 | \$ 5,228,944 | \$ 5,992,098 | \$ 7,592,902 |
| Contributions - employees | 2,204,590 | 2,191,295 | 1,988,684 | 2,012,546 |
| Net investment income | 24,794,991 | 3,618,253 | 825,770 | 17,309,154 |
| Benefit payments | (11,159,179) | (12,625,831) | (13,319,431) | (13,984,335) |
| Plan to plan resource movement | - | - | 72 | - |
| Administrative expense | - | (182,933) | (98,993) | (233,009) |
| Other miscellaneous income (expense) | - | - | - | - |
| Net change in plan fiduciary net position | 20,906,549 | (1,770,272) | (4,611,800) | 12,697,258 |
| Plan fiduciary net Position -beginning of year | 143,294,304 | 164,200,853 | 162,430,581 | 157,818,781 |
| Plan fiduciary new position - end of year (b) | <u>\$ 164,200,853</u> | <u>\$ 162,430,581</u> | <u>\$ 157,818,781</u> | <u>\$ 170,516,039</u> |
| Net pension liability - ending (a)-(b) | <u>\$ 84,298,405</u> | <u>\$ 92,943,133</u> | <u>\$ 112,202,638</u> | <u>\$ 125,529,417</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 66.08% | 63.61% | 58.45% | 57.60% |
| Covered payroll | \$ 14,884,359 | \$ 13,714,558 | \$ 14,161,162 | \$ 14,696,132 |
| Net pension liability as a percentage of covered payroll | 566.36% | 677.70% | 792.33% | 854.17% |

Notes to schedule:

Benefit changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Credit (a.k.a. Golden Handshakes).

Changes in assumptions:

None in 2021, 2020, or 2019. In 2018, demographic assumptions and inflation were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, The accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50% discount rate.

* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

| <u>June 30, 2018</u> | <u>June 30, 2019</u> | <u>June 30, 2020</u> | <u>June 30, 2021</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 4,653,580 | \$ 4,959,915 | \$ 4,912,766 | \$ 4,811,521 |
| 20,611,486 | 21,235,614 | 21,872,003 | 22,650,069 |
| (1,494,789) | (2,112,152) | (1,729,542) | 503,266 |
| (1,540,347) | - | - | - |
| <u>(14,129,155)</u> | <u>(15,024,883)</u> | <u>(16,058,867)</u> | <u>(16,651,882)</u> |
| 8,100,775 | 9,058,494 | 8,996,360 | 11,312,974 |
| 296,045,456 | 304,146,231 | 313,204,725 | 322,201,085 |
| <u>\$ 304,146,231</u> | <u>\$ 313,204,725</u> | <u>\$ 322,201,085</u> | <u>\$ 333,514,059</u> |
| \$ 8,263,652 | \$ 9,471,893 | \$ 10,608,592 | \$ 11,583,086 |
| 2,120,029 | 2,222,313 | 2,285,323 | 2,166,528 |
| 14,402,562 | 11,872,172 | 9,465,284 | 44,470,479 |
| (14,129,155) | (15,024,883) | (16,058,867) | (16,651,882) |
| 222 | - | - | - |
| (265,711) | (128,739) | (266,185) | (194,644) |
| <u>(504,590)</u> | <u>420</u> | <u>-</u> | <u>-</u> |
| 9,887,009 | 8,413,176 | 6,034,147 | 41,373,567 |
| 170,516,039 | 180,403,048 | 188,816,224 | 194,850,371 |
| <u>\$ 180,403,048</u> | <u>\$ 188,816,224</u> | <u>\$ 194,850,371</u> | <u>\$ 236,223,938</u> |
| <u>\$ 123,743,183</u> | <u>\$ 124,388,501</u> | <u>\$ 127,350,714</u> | <u>\$ 97,290,121</u> |
| 59.31% | 60.29% | 60.47% | 70.83% |
| \$ 14,529,255 | \$ 17,534,445 | \$ 16,175,525 | \$ 15,883,165 |
| 851.68% | 709.40% | 787.30% | 612.54% |

CITY OF COSTA MESA, CALIFORNIA
Schedule of Contributions
Police Safety Plan
Last Ten Fiscal Years*

| Fiscal year ended | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 |
|---|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ 5,237,595 | \$ 5,994,277 | \$ 7,592,899 | \$ 8,098,773 |
| Contributions in relation to the actuarially determined contributions | (5,237,595) | (5,994,277) | (7,592,899) | (8,098,773) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 13,714,558 | \$ 14,161,162 | \$ 14,696,132 | \$ 14,529,255 |
| Contributions as a percentage of covered payroll | 38.19% | 42.33% | 51.67% | 55.74% |

Notes to schedule:

Valuation date for June 30, 2022 6/30/2019

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization method/period | For details, see June 30, 2019 Funding Valuation Report. |
| Asset valuation method | Fair Value of Assets. For details, see June 30, 2019 Funding Valuation Report. |
| Inflation | 2.50% |
| Salary increases | Varies by Entry Age and Service |
| Payroll growth | 2.75% |
| Investment rate of return | 7.00%, net of pension plan investment and administrative expense; includes inflation. |
| Retirement age | The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. |
| Mortality | The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. |

Other information:

For changes to previous year's information, refer to past GASB 68 reports.

* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

| <u>June 30, 2019</u> | <u>June 30, 2020</u> | <u>June 30, 2021</u> | <u>June 30, 2022</u> |
|----------------------|----------------------|----------------------|----------------------|
| \$ 10,894,754 | \$ 11,174,155 | \$ 11,803,904 | \$ 11,680,985 |
| <u>(10,894,754)</u> | <u>(11,174,155)</u> | <u>(11,803,904)</u> | <u>(11,680,985)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 17,534,445 | \$ 16,175,525 | \$ 15,883,165 | \$ 17,075,363 |
| 62.13% | 69.08% | 74.32% | 68.41% |

CITY OF COSTA MESA, CALIFORNIA
Schedule of Proportionate Share of the Net Pension Liability
Fire Safety Plan
Last Ten Fiscal Years*

| Measurement date | <u>June 30, 2014</u> | <u>June 30, 2015</u> | <u>June 30, 2016</u> |
|--|----------------------|----------------------|----------------------|
| Plan's proportion of the net pension liability | 0.86630% | 0.85980% | 0.78750% |
| Plan's proportionate share of the net pension liability | \$ 53,906,245 | \$ 59,018,969 | \$ 68,144,130 |
| Plan's covered payroll | \$ 9,348,967 | \$ 8,616,507 | \$ 9,235,056 |
| Plan's proportionate share of the net pension liability as a percentage of covered payroll | 576.60% | 684.95% | 737.89% |
| Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability | 70.20% | 78.40% | 74.06% |
| Plan's proportionate share of aggregate employer contributions | \$ 4,567,080 | \$ 4,600,229 | \$ 4,087,020 |

Notes to schedule:

Benefit changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Credit (a.k.a. Golden Handshakes).

Changes in assumptions:

None in 2021, 2020, or 2019. In 2018, demographic assumptions and inflation were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, The accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50% discount rate.

* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

| <u>June 30, 2017</u> | <u>June 30, 2018</u> | <u>June 30, 2019</u> | <u>June 30, 2020</u> | <u>June 30, 2021</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| 0.75976% | 0.78122% | 0.75901% | 0.74962% | 0.67861% |
| \$ 75,347,795 | \$ 75,280,246 | \$ 77,775,545 | \$ 81,561,540 | \$ 61,763,064 |
| \$ 9,116,708 | \$ 9,057,608 | \$ 9,614,585 | \$ 9,034,047 | \$ 9,203,544 |
| 826.48% | 831.13% | 808.93% | 902.82% | 671.08% |
| 71.74% | 73.39% | 73.37% | 73.12% | 71.38% |
| \$ 5,040,152 | \$ 5,855,909 | \$ 6,865,279 | \$ 7,555,475 | \$ 9,072,094 |

CITY OF COSTA MESA, CALIFORNIA
Schedule of Contributions
Fire Safety Plan
Last Ten Fiscal Years*

| Fiscal year ended | <u>June 30, 2015</u> | <u>June 30, 2016</u> | <u>June 30, 2017</u> | <u>June 30, 2018</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution (actuarially determined) | \$ 3,877,163 | \$ 3,286,280 | \$ 3,598,782 | \$ 5,040,152 |
| Contributions in relation to the actuarially determined contributions | <u>(4,603,714)</u> | <u>(3,786,280)</u> | <u>(3,598,782)</u> | <u>(5,040,152)</u> |
| Contribution deficiency (excess) | <u>\$ (726,551)</u> | <u>\$ (500,000)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 8,616,507 | \$ 9,235,056 | \$ 9,116,708 | \$ 9,057,608 |
| Contributions as a percentage of covered payroll | 53.43% | 41.00% | 39.47% | 55.65% |

Notes to schedule:

Valuation date for June 30, 2022 6/30/2019

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization method/period | For details, see June 30, 2019 Funding Valuation Report. |
| Asset valuation method | Fair Value of Assets. For details, see June 30, 2019 Funding Valuation Report. |
| Inflation | 2.50% |
| Salary increases | Varies by Entry Age and Service |
| Payroll growth | 2.75% |
| Investment rate of return | 7.00%, net of pension plan investment and administrative expense; includes inflation. |
| Retirement age | The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. |
| Mortality | The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. |

Other information:

For changes to previous year's information, refer to past GASB 68 reports.

* -

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

| <u>June 30, 2019</u> | <u>June 30, 2020</u> | <u>June 30, 2021</u> | <u>June 30, 2022</u> |
|----------------------|----------------------|----------------------|----------------------|
| \$ 5,855,909 | \$ 6,865,279 | \$ 7,555,477 | \$ 9,072,094 |
| <u>(5,855,909)</u> | <u>(6,865,279)</u> | <u>(7,555,477)</u> | <u>(9,072,094)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 9,614,585 | \$ 9,034,047 | \$ 9,203,544 | \$ 9,845,473 |
| 60.91% | 75.99% | 82.09% | 92.14% |

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
POLICE 1% SUPPLEMENTAL RETIREMENT PLAN
Last Ten Fiscal Years*

| Measurement date | June 30, 2016 | June 30, 2017 | June 30, 2018 |
|--|---------------------|---------------------|---------------------|
| Total pension liability: | | | |
| Interest on total pension liability | \$ 80,950 | \$ 77,214 | \$ 82,454 |
| Difference between expected and actual experience | (19) | - | (9,704) |
| Changes in assumptions | - | (107,900) | (18,938) |
| Benefit payments, including refunds of employee contributions | (211,287) | (208,260) | (205,233) |
| Net change in Total Pension Liability | (130,356) | (238,946) | (151,421) |
| Total pension liability - beginning of year | 2,897,028 | 2,766,672 | 2,527,726 |
| Total pension liability - end of year (a) | <u>\$ 2,766,672</u> | <u>\$ 2,527,726</u> | <u>\$ 2,376,305</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 0.00% | 0.00% | 0.00% |
| Covered - employee payroll | N/A | N/A | N/A |
| Net pension liability as a percentage of covered payroll | N/A | N/A | N/A |

Notes:

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension plan.
The discount rate changed from 3.50% as of June 30, 2018 to 3.15% as of June 30, 2019 measurement date.
The discount rate changed from 3.15% as of June 30, 2019 to 2.45% as of June 30, 2020 measurement date.
The discount rate changed from 2.45% as of June 30, 2020 to 2.10% as of June 30, 2021 measurement date.
The discount rate changed from 2.10% as of June 30, 2021 to 3.75% as of June 30, 2022 measurement date.

* - Fiscal year 2016 was the first year of implementation, therefore only seven years are shown.

| <u>June 30, 2019</u> | <u>June 30, 2020</u> | <u>June 30, 2021</u> | <u>June 30, 2022</u> |
|----------------------|----------------------|----------------------|----------------------|
| \$ 79,579 | \$ 69,134 | \$ 55,426 | \$ 45,623 |
| - | 80,298 | - | 101,666 |
| 46,602 | 122,873 | 59,262 | (332,850) |
| <u>(205,233)</u> | <u>(205,036)</u> | <u>(204,445)</u> | <u>(204,445)</u> |
| (79,052) | 67,269 | (89,757) | (390,006) |
| <u>2,376,305</u> | <u>2,297,253</u> | <u>2,364,522</u> | <u>2,274,765</u> |
| <u>\$ 2,297,253</u> | <u>\$ 2,364,522</u> | <u>\$ 2,274,765</u> | <u>\$ 1,884,759</u> |
| 0.00% | 0.00% | 0.00% | 0.00% |
| N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A |

CITY OF COSTA MESA, CALIFORNIA
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Ten Fiscal Years*

| Measurement date | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 |
|---|---------------|---------------|---------------|---------------|---------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 1,229,918 | \$ 1,098,145 | \$ 1,110,733 | \$ 1,145,090 | \$ 1,469,582 |
| Interest on the total OPEB liability | 1,622,474 | 1,812,069 | 1,852,821 | 2,060,874 | 1,675,650 |
| Actual and expected experience difference | - | - | 2,081,994 | (3,128,209) | (894,275) |
| Changes in assumptions | (3,959,316) | (670,841) | 3,420,614 | 6,606,929 | 3,854,176 |
| Benefit payments | (2,318,709) | (2,469,425) | (2,751,358) | (2,719,892) | (2,732,910) |
| Net change in total OPEB liability | (3,425,633) | (230,052) | 5,714,804 | 3,964,792 | 3,372,223 |
| Total OPEB liability - beginning | 56,858,361 | 53,432,728 | 53,202,676 | 58,917,480 | 62,882,272 |
| Total OPEB liability - ending | \$ 53,432,728 | \$ 53,202,676 | \$ 58,917,480 | \$ 62,882,272 | \$ 66,254,495 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Covered - employee payroll ¹ | \$ 41,026,788 | \$ 43,392,898 | \$ 43,828,141 | \$ 45,645,442 | \$ 48,101,217 |
| OPEB liability as a percentage of covered-employee payroll ¹ | 130.24% | 122.61% | 134.43% | 137.76% | 137.74% |

Notes to schedule:

¹ - OPEB benefits are not based on employee payroll.

In Fiscal Year 2021 the City created a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan. The funds are in a pooled account - balanced index. As of June 30, 2022 the market value of the investments held in the trust was \$1,561,154 and is reflected as a contribution subsequent to the measurement date as of Fiscal Year 2022.

Changes in assumptions. The discount rate as of the June 30, 2016 measurement date was 2.85%. The discount rate as of the June 30, 2017 measurement date was 3.40%. The discount rate as of the June 30, 2018 measurement date was 3.50%. The discount rate as of the June 30, 2019 measurement date was 3.51%. The discount rate as of the June 30, 2020 measurement date was 2.66%. The discount rate as of the June 30, 2021 measurement date was 2.19%.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

* - Fiscal year 2018 was the first year of implementation, therefore only five years are shown.

GENERAL FUND

The General Fund is used to account for all general revenues of the City not specifically levied or collected for special purposes, and for expenditures related to the provision of general services by the City. The General Fund is used to account for all resources not required to be accounted for in another fund.

GOVERNMENT GRANTS FUND

The Government Grants Fund is used to account for receipt and disbursement of grant monies provided by Federal, State, and County governmental agencies for various programs.

AMERICAN RESCUE PLAN ACT Fund (ARPA)

The ARPA Fund is used to account for the receipt and disbursement of grant monies under the American Rescue Plan Act.

CITY OF COSTA MESA, CALIFORNIA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|---|--------------------|-----------------|---------------|---|----------------------|
| Revenues: | | | | | |
| Taxes: | | | | | |
| Sales tax | \$ 59,938,452 | \$ 79,523,566 | \$ 77,312,838 | \$ (2,210,728) | \$ 63,834,761 |
| Property tax | 49,552,799 | 49,324,153 | 49,087,175 | (236,978) | 47,502,237 |
| Transient occupancy tax | 5,569,330 | 8,323,300 | 8,366,278 | 42,978 | 4,282,802 |
| Franchise tax | 5,183,043 | 5,285,167 | 5,318,541 | 33,374 | 4,895,574 |
| Business license tax | 928,160 | 928,160 | 919,491 | (8,669) | 901,604 |
| Marijuana business tax | 2,000,000 | 690,000 | 548,711 | (141,289) | 326,239 |
| Total taxes | 123,171,784 | 144,074,346 | 141,553,034 | (2,521,312) | 121,743,217 |
| Licenses and permits | 5,343,662 | 7,849,542 | 7,331,252 | (518,290) | 4,368,740 |
| Fines and forfeitures | 1,401,089 | 1,200,545 | 1,170,795 | (29,750) | 1,055,886 |
| Intergovernmental: | | | | | |
| Motor vehicle in-lieu | 85,000 | 110,000 | 130,289 | 20,289 | 84,182 |
| Prop 172 | 1,088,281 | 1,711,000 | 1,467,173 | (243,827) | 1,151,953 |
| Advances repayment | 1,464,562 | 1,524,562 | 1,524,562 | - | 1,581,124 |
| Grants and other reimbursements | 190,523 | 1,287,358 | 1,407,067 | 119,709 | 1,280,562 |
| Total intergovernmental | 2,828,366 | 4,632,920 | 4,529,091 | (103,829) | 4,097,821 |
| Charges for services | 6,393,390 | 8,087,107 | 6,964,934 | (1,122,173) | 4,897,671 |
| Rental | 4,283,522 | 4,098,530 | 4,042,324 | (56,206) | 4,112,442 |
| Investment income (loss) | 600,000 | (691,026) | (1,246,827) | (555,801) | (67,681) |
| Miscellaneous | 600,247 | 1,305,650 | 1,374,266 | 68,616 | 859,000 |
| Total revenues | 144,622,060 | 170,557,614 | 165,718,869 | (4,838,745) | 141,067,096 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government: | | | | | |
| City council | 891,341 | 891,341 | 867,913 | 23,428 | 644,710 |
| City manager: | | | | | |
| Administration | 4,439,899 | 4,439,899 | 3,796,264 | 643,635 | 3,600,414 |
| City clerk | 965,645 | 1,000,895 | 936,966 | 63,929 | 917,491 |
| Personnel services | 1,643,223 | 1,674,986 | 1,481,900 | 193,086 | 1,252,768 |
| Risk management services | 336,948 | 337,248 | 362,648 | (25,400) | 298,024 |
| City attorney | 1,000,000 | 1,000,000 | 958,775 | 41,225 | 968,030 |
| Financial services | 4,750,218 | 4,607,709 | 3,799,043 | 808,666 | 3,578,773 |
| Information technology | 4,523,856 | 4,523,355 | 4,092,844 | 430,511 | 3,760,161 |
| Facilities and equipment maintenance | 12,181,731 | 12,427,833 | 12,151,003 | 276,830 | 10,905,348 |
| Non-departmental | 6,489,827 | 6,318,733 | 4,532,996 | 1,785,737 | 3,183,528 |
| Total general government | 37,222,688 | 37,221,999 | 32,980,352 | 4,241,647 | 29,109,247 |

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA
General Fund
(continued)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|--------------------|-----------------|---------------|---|----------------------|
| Protection of persons and property: | | | | | |
| Police protection | 51,507,415 | 51,830,760 | 53,409,112 | (1,578,352) | 48,905,954 |
| Fire protection | 30,142,203 | 31,117,622 | 32,298,528 | (1,180,906) | 29,042,308 |
| Building and safety | 2,891,056 | 2,843,858 | 2,706,591 | 137,267 | 1,944,663 |
| Total protection of persons and property | 84,540,674 | 85,792,240 | 88,414,231 | (2,621,991) | 79,892,925 |
| Community programs: | | | | | |
| Community recreation | 7,664,502 | 7,719,131 | 6,288,274 | 1,430,857 | 4,004,633 |
| Planning | 2,225,031 | 1,986,119 | 2,135,517 | (149,398) | 1,750,901 |
| Community improvement | 1,670,352 | 1,823,749 | 1,592,410 | 231,339 | 1,077,268 |
| Development services administration | 996,125 | 1,100,209 | 1,076,135 | 24,074 | 808,778 |
| Total community programs | 12,556,010 | 12,629,208 | 11,092,336 | 1,536,872 | 7,641,580 |
| Public services: | | | | | |
| Administration | 2,111,966 | 2,235,259 | 2,171,885 | 63,374 | 1,967,042 |
| Engineering | 2,584,692 | 2,262,492 | 2,097,776 | 164,716 | 2,151,377 |
| Transportation | 3,082,211 | 3,018,318 | 3,069,222 | (50,904) | 2,755,522 |
| Total public services | 7,778,869 | 7,516,069 | 7,338,883 | 177,186 | 6,873,941 |
| Debt Service: | | | | | |
| Principal | - | - | 217,231 | (217,231) | 15,391 |
| Interest and fiscal charges | - | - | 27,137 | (27,137) | - |
| Total debt service | - | - | 244,368 | (244,368) | 15,391 |
| Total expenditures | 142,098,241 | 143,159,516 | 140,070,170 | 3,089,346 | 123,533,084 |
| Excess (deficiency) of revenues over (under) expenditures | 2,523,819 | 27,398,098 | 25,648,699 | (1,749,399) | 17,534,012 |
| Other financing sources (uses): | | | | | |
| Transfers in | 6,561,529 | 8,061,529 | - | (8,061,529) | 9,173,146 |
| Transfers out | (8,980,936) | (18,436,238) | (21,365,113) | (2,928,875) | (26,678,565) |
| Total other financing sources (uses) | (2,419,407) | (10,374,709) | (21,365,113) | (10,990,404) | (17,505,419) |
| Net change in fund balance | 104,412 | 17,023,389 | 4,283,586 | (12,739,803) | 28,593 |
| Fund balance at beginning of year | 53,492,261 | 53,492,261 | 53,492,261 | - | 53,463,668 |
| Fund balance at end of year | \$ 53,596,673 | \$ 70,515,650 | \$ 57,775,847 | \$ (12,739,803) | \$ 53,492,261 |

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA
Government Grants Fund - Major Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|---------------------|-----------------------|-----------------------|---|----------------------|
| Revenues: | | | | | |
| Intergovernmental | \$ 329,813 | \$ 1,877,059 | \$ 897,489 | \$ (979,570) | \$ 4,015,354 |
| Investment income (loss) | 500 | 500 | 10 | (490) | 5,887 |
| Total revenues | 330,313 | 1,877,559 | 897,499 | (980,060) | 4,021,241 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Protection of persons and property | 577,333 | 2,288,692 | 1,426,724 | 861,968 | 619,643 |
| Community programs | - | 773,406 | 116,405 | 657,001 | 2,930,251 |
| Public services | - | 871,791 | 115,699 | 756,092 | 985,617 |
| Total expenditures | 577,333 | 3,933,889 | 1,658,828 | 2,275,061 | 4,535,511 |
| Excess (deficiency) of revenues over (under) expenditures | (247,020) | (2,056,330) | (761,329) | 1,295,001 | (514,270) |
| Other financing sources (uses): | | | | | |
| Transfer in | - | 66,419 | 66,419 | - | - |
| Total other financing sources (uses) | - | 66,419 | 66,419 | - | - |
| Net change in fund balance | (247,020) | (1,989,911) | (694,910) | 1,295,001 | (514,270) |
| Fund balance (deficit) at beginning of year | (450,855) | (450,855) | (450,855) | - | 63,415 |
| Fund balance (deficit) at end of year | <u>\$ (697,875)</u> | <u>\$ (2,440,766)</u> | <u>\$ (1,145,765)</u> | <u>\$ 1,295,001</u> | <u>\$ (450,855)</u> |

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA
American Resuce Plan Act Fund - Major Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|--------------------|-----------------|-----------|---|----------------------|
| Revenues: | | | | | |
| Intergovernmental | \$ 13,240,757 | \$ 13,240,757 | \$ - | \$ (13,240,757) | \$ 13,113,464 |
| Investment income (loss) | - | - | 50,329 | 50,329 | 381 |
| Total revenues | 13,240,757 | 13,240,757 | 50,329 | (13,190,428) | 13,113,845 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | 1,988,022 |
| Protection of persons and property | - | - | - | - | 1,735,514 |
| Community programs | - | - | - | - | 134,315 |
| Public services | - | - | - | - | 82,848 |
| Total expenditures | - | - | - | - | 3,940,699 |
| Excess (deficiency) of revenues over (under) expenditures | 13,240,757 | 13,240,757 | 50,329 | (13,190,428) | 9,173,146 |
| Other financing sources (uses): | | | | | |
| Transfer out | (860,649) | (860,649) | - | 860,649 | (9,173,146) |
| Total other financing sources (uses) | (860,649) | (860,649) | - | 860,649 | (9,173,146) |
| Net change in fund balance | 12,380,108 | 12,380,108 | 50,329 | (12,329,779) | - |
| Fund balance at beginning of year | - | - | - | - | - |
| Fund balance at end of year | \$ 12,380,108 | \$ 12,380,108 | \$ 50,329 | \$ (12,329,779) | \$ - |

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA
Notes to Required Supplementary Information
Year ended June 30, 2022

(1) Budgetary Data

Annual budgets are legally adopted or amended for all governmental funds on a basis consistent with generally accepted accounting principles, except for the following funds for which annual budgets were not adopted or amended:

 Special Revenue Funds:

 Disaster Fund

 Debt Service Funds:

 Financing Authority Debt Service Fund

 Public Financing Authority Debt Service Fund

The City Council adopts an annual budget submitted by the City Manager prior to the beginning of each new fiscal year. Public hearings are conducted prior to budget adoption by the Council. Supplemental appropriations, when required during the period, are also approved by the City Council. Interfunctional budget adjustments are approved by the City Manager. Expenditures may not legally exceed appropriations at the department functional level. At fiscal year-end all operating budget appropriations lapse.

MAJOR AND NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenue derived from specific taxes or other earmarked revenues sources (other than expendable trust or for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

The following funds have been classified as nonmajor governmental funds in the accompanying fund financial statements:

Gas Tax Fund

Established to account for the receipt and disbursement of funds required to be used for construction and maintenance of the City's road network system. Financing is provided by the City's share of State gasoline taxes, including allocations from the Highway Users Tax Account (HUTA) and the Road Maintenance and Rehabilitation Account (RMRA).

HOME Program Fund

Established to account for the receipt and disbursement of funds received under the Federal Home Investment Partnership Program of the Department of Housing and Urban Development. These revenues must be expended for acquisition, rehabilitation, and new construction of rental housing.

Air Quality Improvement Fund

Established to account for the receipt and disbursement of the City's share of funds received under Health & Safety Code 44223 (AB 2766) to finance mobile source air pollution reduction programs consistent with the California Clean Air Act of 1988.

Community Development Fund

This fund accounts for the receipt and disbursement of the Department of Housing and Urban Development grants. These revenues must be expended to accomplish one of the following objectives: elimination of slum or blighted areas to benefit low and moderate income persons, or to meet certain urgent community development needs.

Supplemental Law Enforcement Services Fund (SLESF)

Established to account for the receipt and disbursement of funds received under the State Citizen's Option for Public Safety (COPS) Program allocated pursuant to Government Code Section 30061 enacted by Assembly Bill 3229, Chapter 134 of the 1996 Statutes. These COPS/SLESF funds are allocated based on population and can only be spent for "front line municipal police services" as per Government Code Section 30061(c)(2).

Rental Rehabilitation Program Fund

Established to account for the receipt and disbursement of grants received from the Department of Housing and Urban Development under Section 17 of the U.S. Housing Act of 1937. These revenues must be expended to provide assistance to rehabilitate primarily privately-owned residential rental property.

Narcotics Forfeiture Fund

Established to account for the receipt and disbursement of narcotic forfeitures received from County, State, and Federal agencies pursuant to Section 11470 of State Health and Safety Code and Federal Statute 21USC Section 881.

Local Law Enforcement Block Grant Fund

Established to account for the receipt and disbursement of Federal grant monies provided by the 1998 Appropriations Act, Public Law 105-119. These funds are restricted for projects utilized to reduce crime and improve public safety.

Office of Traffic Safety Fund

Established to account for the receipt and disbursement of Federal grant monies received through the State Office of Traffic Safety. These funds are restricted for operations utilized to enhance traffic safety and to reduce drunk driving within the City.

Housing Authority Fund

Established pursuant to the California Health and Safety Code, Section 34176(a). The Housing Authority serves two distinct functions: Low and Moderate Income Housing Asset Fund (LMIHAF) and homeless program. The LMIHAF is to promote affordable housing for families of low and moderate income within the City. The homeless program is to provide temporary assistance including housing to homeless individuals.

Disaster Fund

Established to account for receipt and disbursement of Federal and State grant monies received for COVID-19 mitigation and relief efforts.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are established to account for financial resources segregated for acquisition and construction of major capital facilities (other than those financed by proprietary funds).

The following have been classified as a major fund in the accompanying government-wide financial statements:

Capital Improvements Fund

Established to account for construction of capital facilities funded by the City's General Fund and various governmental grants.

The following have been classified as nonmajor funds in the accompanying fund financial statements:

Measure "M2" Fund

Established to account for the receipt and expenditure of the 2006 voter-approved one-half percent sales tax for local transportation improvements. Measure M2 is a 30-year extension of the earlier Measure M program.

Parking Districts Fund

Established under the Vehicle Parking District Law of 1943 to provide vehicle facilities in the downtown area. Funding is provided through specific property tax levies.

Golf Course Improvements Fund

Established to account the receipt and disbursement of funds for Costa Mesa Country Club capital improvements. Funding is provided by the receipt of two and one-half percent of monthly gross receipts of green and tournament fees.

Park Development Fund

Established to account for the receipt and disbursement of funds for development and maintenance of the City's park system. Funding is provided by fees charged to residential and commercial developers.

Drainage Fees Fund

Established to account for the receipt and disbursement of funds for construction and maintenance of the City's drainage system. Funding is provided by fees charged to residential and commercial developers.

Traffic Impact Fees Fund

Established to account for the receipt and disbursement of funds for transportation improvements Citywide. Funding is provided by fees charged to residential and commercial developers.

Fire System Development Fees Fund

Established to account for receipt and disbursement of development impact fees established by Ordinance 89-1 for future construction of fire protection facilities and equipment for the north Costa Mesa area.

Jack Hammett Sports Complex Fund

Establish to account for receipt and disbursement of funds related to on-going maintenance of Jack Hammett Sports Complex. Funding is provided by the facility's rental income.

Lions Park Capital Improvements Fund

Established to account for the receipt and disbursement of funds for construction of a new library and renovation of the existing library into a neighborhood community center. Project funding is partially provided by bond proceeds with the remaining balance provided by the Capital Improvements Fund.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for accumulated resources for and payment of general long-term debt.

The following have been classified as nonmajor funds in the accompanying fund financial statements:

Public Financing Authority Debt Service Fund

To accumulate monies for payment of the 2006 Revenue Refunding bonds. The 2006 Revenue Refunding bonds refunded the 1991 Local Agency Revenues Bonds that provided monies for the purchase of the Costa Mesa Community Facilities 1991 Special Tax Bonds.

Financing Authority Debt Service Fund

To accumulate monies for the payment of the 2017 Lease Revenue Bonds. The 2017 Lease Revenue bonds refunded the Public Financing Authority 2007 Certificates of Participation and provided partial funding for the Lion's Park Project.

CITY OF COSTA MESA, CALIFORNIA
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022
(With Comparative Data for Prior Year)

| | Special Revenue | | | | | |
|--|----------------------|---------------------|-------------------------------|--------------------------|--|-------------------------------------|
| | Gas Tax | HOME Program | Air Quality Improvement | Community Development | Supplemental Law Enforcement Services | Rental Rehabilitation Program |
| <u>Assets:</u> | | | | | | |
| Cash and investments | \$ 14,301,555 | \$ 1,485,202 | \$ 418,601 | \$ 41,605 | \$ 26,964 | \$ 274,070 |
| Cash and investments with fiscal agents | - | - | - | - | - | - |
| Due from other governments | 601,923 | 27,101 | - | 104,099 | - | - |
| Accounts receivable, net | - | - | - | - | - | - |
| Interest receivable | 29,684 | 3,096 | 923 | 78 | - | 573 |
| Loans receivable, net | - | - | - | - | - | - |
| Leases receivable | - | - | - | - | - | - |
| Total assets | <u>\$ 14,933,162</u> | <u>\$ 1,515,399</u> | <u>\$ 419,524</u> | <u>\$ 145,782</u> | <u>\$ 26,964</u> | <u>\$ 274,643</u> |
| <u>Liabilities:</u> | | | | | | |
| Accounts payable | \$ 168,955 | \$ - | \$ 36,614 | \$ 38,100 | \$ - | \$ - |
| Accrued liabilities | 15,845 | 906 | - | 12,878 | 9,075 | - |
| Retentions payable | 56,268 | - | - | - | - | - |
| Deposits payable | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - |
| Total liabilities | <u>241,068</u> | <u>906</u> | <u>36,614</u> | <u>50,978</u> | <u>9,075</u> | <u>-</u> |
| <u>Deferred Inflows of Resources:</u> | | | | | | |
| Lease related | - | - | - | - | - | - |
| Unavailable revenues | 38,340 | 27,103 | - | - | - | - |
| Total deferred inflows of resources | <u>38,340</u> | <u>27,103</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Fund Balances:</u> | | | | | | |
| Restricted for: | | | | | | |
| Protection of persons or property | - | - | - | - | 17,889 | - |
| Community programs | - | 1,487,390 | - | 94,804 | - | 274,643 |
| Public services | 14,653,754 | - | 382,910 | - | - | - |
| Debt service | - | - | - | - | - | - |
| Assigned for: | | | | | | |
| Protection of persons and property | - | - | - | - | - | - |
| Public services | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - |
| Total fund balances (deficit) | <u>14,653,754</u> | <u>1,487,390</u> | <u>382,910</u> | <u>94,804</u> | <u>17,889</u> | <u>274,643</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 14,933,162</u> | <u>\$ 1,515,399</u> | <u>\$ 419,524</u> | <u>\$ 145,782</u> | <u>\$ 26,964</u> | <u>\$ 274,643</u> |

| Special Revenue | | | | |
|-------------------------|--|--------------------------------|----------------------|-------------------|
| Narcotics Forfeiture | Local Law Enforcement Block Grant | Office of Traffic Safety | Housing Authority | Disaster Fund |
| \$ 1,681,681 | \$ 33,536 | \$ - | \$ 3,448,364 | \$ - |
| - | - | - | 22,800 | - |
| - | - | 39,603 | 546,140 | 306,283 |
| - | - | - | 58,422 | - |
| 3,427 | 70 | - | 6,096 | - |
| - | - | - | 608,294 | - |
| - | - | - | 1,512,830 | - |
| <u>\$ 1,685,108</u> | <u>\$ 33,606</u> | <u>\$ 39,603</u> | <u>\$ 6,202,946</u> | <u>\$ 306,283</u> |
| | | | | |
| \$ 442,841 | \$ - | \$ 375 | \$ 777,638 | \$ 5,635 |
| - | - | 5,567 | 21,895 | 20,679 |
| - | - | - | - | - |
| - | - | - | 22,215 | - |
| - | - | 34,117 | - | 638,649 |
| <u>442,841</u> | <u>-</u> | <u>40,059</u> | <u>821,748</u> | <u>664,963</u> |
| | | | | |
| - | - | - | 1,506,105 | - |
| - | - | 39,603 | 251,833 | 306,283 |
| - | - | 39,603 | 1,757,938 | 306,283 |
| | | | | |
| 1,242,267 | 33,606 | - | - | - |
| - | - | - | 3,623,260 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | (40,059) | - | (664,963) |
| <u>1,242,267</u> | <u>33,606</u> | <u>(40,059)</u> | <u>3,623,260</u> | <u>(664,963)</u> |
| | | | | |
| <u>\$ 1,685,108</u> | <u>\$ 33,606</u> | <u>\$ 39,603</u> | <u>\$ 6,202,946</u> | <u>\$ 306,283</u> |

CITY OF COSTA MESA, CALIFORNIA
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022
(Continued)
(With Comparative Data for Prior Year)

| | Capital Projects | | | | |
|--|---------------------|----------------------|-----------------------------|---------------------|---------------------|
| | Measure "M2" | Parking Districts | Golf Course Improvements | Park Development | Drainage Fees |
| <u>Assets:</u> | | | | | |
| Cash and investments | \$ 3,372,000 | \$ 135,775 | \$ 521,474 | \$ 4,145,886 | \$ 2,243,503 |
| Cash and investments with fiscal agents | 124,577 | - | - | - | - |
| Due from other governments | 2,226,082 | 11 | - | - | - |
| Accounts receivable, net | - | - | 15,908 | - | - |
| Interest receivable | 9,039 | 284 | 1,075 | 9,344 | 4,766 |
| Loans receivable, net | - | - | - | - | - |
| Leases receivable | - | - | - | - | - |
| Total assets | <u>\$ 5,731,698</u> | <u>\$ 136,070</u> | <u>\$ 538,457</u> | <u>\$ 4,155,230</u> | <u>\$ 2,248,269</u> |
| <u>Liabilities:</u> | | | | | |
| Accounts payable | \$ 475,356 | \$ - | \$ - | \$ 465,654 | \$ 6,048 |
| Accrued liabilities | 9,491 | - | - | - | - |
| Retentions payable | 230,326 | - | - | 74,139 | - |
| Deposits payable | - | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| Total liabilities | <u>715,173</u> | <u>-</u> | <u>-</u> | <u>539,793</u> | <u>6,048</u> |
| <u>Deferred Inflows of Resources:</u> | | | | | |
| Lease related | - | - | - | - | - |
| Unavailable revenues | 514,726 | - | - | - | - |
| Total deferred inflows of resources | <u>514,726</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Fund Balances:</u> | | | | | |
| Restricted for: | | | | | |
| Protection of persons or property | - | - | - | - | - |
| Community programs | - | - | - | - | - |
| Public services | 4,501,799 | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned for: | | | | | |
| Protection of persons and property | - | - | - | - | - |
| Public services | - | 136,070 | 538,457 | 3,615,437 | 2,242,221 |
| Unassigned | - | - | - | - | - |
| Total fund balances (deficit) | <u>4,501,799</u> | <u>136,070</u> | <u>538,457</u> | <u>3,615,437</u> | <u>2,242,221</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 5,731,698</u> | <u>\$ 136,070</u> | <u>\$ 538,457</u> | <u>\$ 4,155,230</u> | <u>\$ 2,248,269</u> |

| Capital Projects | | | | Debt Service | | Totals | |
|------------------------|------------------------------------|-----------------------------------|---------------------------------------|----------------------------------|------------------------|----------------------|----------------------|
| Traffic Impact Fees | Fire System Development Fees | Jack Hammett Sports Complex | Lions Park Capital Improvements | Public Financing Authority | Financing Authority | 2022 | 2021 |
| \$ 5,681,131 | \$ 634,358 | \$ 91,166 | \$ 11,635 | \$ - | \$ - | \$ 38,548,506 | \$ 38,864,324 |
| - | - | - | 312,900 | - | 4 | 460,281 | 978,262 |
| - | - | - | - | - | - | 3,851,242 | 2,567,794 |
| 46 | - | 150,750 | - | - | - | 225,126 | 133,725 |
| 11,890 | 1,326 | 191 | 24 | - | - | 81,886 | 75,399 |
| - | - | - | - | - | - | 608,294 | 650,674 |
| - | - | - | - | - | - | 1,512,830 | - |
| <u>\$ 5,693,067</u> | <u>\$ 635,684</u> | <u>\$ 242,107</u> | <u>\$ 324,559</u> | <u>\$ -</u> | <u>\$ 4</u> | <u>\$ 45,288,165</u> | <u>\$ 43,270,178</u> |
| | | | | | | | |
| \$ 34,785 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,452,001 | \$ 2,789,935 |
| - | - | - | - | - | - | 96,336 | 52,368 |
| 515 | - | 33,150 | - | - | - | 394,398 | 369,792 |
| - | - | 15,000 | - | - | - | 37,215 | 41,592 |
| - | - | - | - | - | - | 672,766 | 122,148 |
| <u>35,300</u> | <u>-</u> | <u>48,150</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,652,716</u> | <u>3,375,835</u> |
| | | | | | | | |
| - | - | - | - | - | - | 1,506,105 | - |
| - | - | - | - | - | - | 1,177,888 | 708,070 |
| - | - | - | - | - | - | 2,683,993 | 708,070 |
| | | | | | | | |
| - | - | - | - | - | - | 1,293,762 | 1,329,138 |
| - | - | - | - | - | - | 5,480,097 | 5,655,880 |
| - | - | - | 324,559 | - | - | 19,863,022 | 17,651,961 |
| - | - | - | - | - | 4 | 4 | 563,401 |
| - | 635,684 | - | - | - | - | 635,684 | 651,541 |
| 5,657,767 | - | 193,957 | - | - | - | 12,383,909 | 13,334,565 |
| - | - | - | - | - | - | (705,022) | (213) |
| <u>5,657,767</u> | <u>635,684</u> | <u>193,957</u> | <u>324,559</u> | <u>-</u> | <u>4</u> | <u>38,951,456</u> | <u>39,186,273</u> |
| <u>\$ 5,693,067</u> | <u>\$ 635,684</u> | <u>\$ 242,107</u> | <u>\$ 324,559</u> | <u>\$ -</u> | <u>\$ 4</u> | <u>\$ 45,288,165</u> | <u>\$ 43,270,178</u> |

CITY OF COSTA MESA, CALIFORNIA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Special Revenue | | | | | |
|--|-----------------|-----------------|-------------------------------|--------------------------|--|-------------------------------------|
| | Gax Tax | HOME Program | Air Quality Improvement | Community Development | Supplemental Law Enforcement Services | Rental Rehabilitation Program |
| Revenues: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - |
| Intergovernmental | 4,937,524 | 16,639 | 108,658 | 594,255 | 279,630 | - |
| Investment income (loss) | (363,514) | (37,271) | (9,893) | 152 | (694) | (6,851) |
| Rental income | - | - | - | - | - | - |
| Miscellaneous | 32,358 | 45,009 | - | 7,500 | - | - |
| Total revenues | 4,606,368 | 24,377 | 98,765 | 601,907 | 278,936 | (6,851) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Protection of persons and property | - | - | - | - | 277,824 | - |
| Community programs | - | 109,036 | - | 594,255 | - | - |
| Public services | 3,505,880 | - | 218,184 | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Total expenditures | 3,505,880 | 109,036 | 218,184 | 594,255 | 277,824 | - |
| Excess (deficiency) of revenues over (under) expenditures | 1,100,488 | (84,659) | (119,419) | 7,652 | 1,112 | (6,851) |
| Other financing sources (uses): | | | | | | |
| Transfer in | - | - | - | - | - | - |
| Transfer out | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Net change in fund balances | 1,100,488 | (84,659) | (119,419) | 7,652 | 1,112 | (6,851) |
| Fund balances (deficit) at beginning of the year | 13,553,266 | 1,572,049 | 502,329 | 87,152 | 16,777 | 281,494 |
| Fund balances (deficit) at end of year | \$ 14,653,754 | \$ 1,487,390 | \$ 382,910 | \$ 94,804 | \$ 17,889 | \$ 274,643 |

| Special Revenue | | | | |
|-------------------------|--|--------------------------------|----------------------|------------------|
| Narcotics Forfeiture | Local Law Enforcement Block Grant | Office of Traffic Safety | Housing Authority | Disaster Fund |
| \$ - | \$ - | \$ - | \$ 349,917 | \$ - |
| - | - | - | - | - |
| 5,562 | - | - | - | - |
| - | - | 130,022 | 1,510,066 | 107,876 |
| (41,213) | (837) | - | (68,124) | - |
| - | - | - | 338,732 | - |
| - | - | - | 27,406 | - |
| (35,651) | (837) | 130,022 | 2,157,997 | 107,876 |
| - | - | - | - | 239,182 |
| - | - | 169,868 | - | 335,028 |
| - | - | - | 3,963,750 | 100,214 |
| - | - | - | - | 62,339 |
| - | - | - | - | 35,332 |
| - | - | - | - | 744 |
| - | - | 169,868 | 3,963,750 | 772,839 |
| (35,651) | (837) | (39,846) | (1,805,753) | (664,963) |
| - | - | - | 1,713,828 | - |
| - | - | - | - | - |
| - | - | - | 1,713,828 | - |
| (35,651) | (837) | (39,846) | (91,925) | (664,963) |
| 1,277,918 | 34,443 | (213) | 3,715,185 | - |
| \$ 1,242,267 | \$ 33,606 | \$ (40,059) | \$ 3,623,260 | \$ (664,963) |

CITY OF COSTA MESA, CALIFORNIA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2022
(Continued)
(With Comparative Data for Prior Year)

| | Capital Projects | | | | | |
|--|------------------|----------------------|-----------------------------|---------------------|------------------|------------------------|
| | Measure "M2" | Parking Districts | Golf Course Improvements | Park Development | Drainage Fees | Traffic Impact Fees |
| Revenues: | | | | | | |
| Taxes | \$ - | \$ 16,927 | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | 1,278,940 | 348,736 | 437,946 |
| Fines and forfeitures | - | - | - | - | - | - |
| Intergovernmental | 4,420,073 | - | - | - | - | - |
| Investment income (loss) | (105,712) | (3,453) | (13,547) | (100,791) | (57,057) | (143,171) |
| Rental income | - | - | 163,021 | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total revenues | 4,314,361 | 13,474 | 149,474 | 1,178,149 | 291,679 | 294,775 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Protection of persons and property | - | - | - | - | - | - |
| Community programs | - | - | - | 206,815 | - | - |
| Public services | 3,084,199 | - | - | 2,007,353 | 145,850 | 127,222 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Total expenditures | 3,084,199 | - | - | 2,214,168 | 145,850 | 127,222 |
| Excess (deficiency) of revenues over (under) expenditures | 1,230,162 | 13,474 | 149,474 | (1,036,019) | 145,829 | 167,553 |
| Other financing sources (uses): | | | | | | |
| Transfer in | - | - | - | - | - | - |
| Transfer out | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Net change in fund balances | 1,230,162 | 13,474 | 149,474 | (1,036,019) | 145,829 | 167,553 |
| Fund balances (deficit) at beginning of the year | 3,271,637 | 122,596 | 388,983 | 4,651,456 | 2,096,392 | 5,490,214 |
| Fund balances (deficit) at end of year | \$ 4,501,799 | \$ 136,070 | \$ 538,457 | \$ 3,615,437 | \$ 2,242,221 | \$ 5,657,767 |

| Capital Projects | | | Debt Service | | | |
|------------------------------------|-----------------------------------|---------------------------------------|----------------------------------|------------------------|---------------|---------------|
| Fire System Development Fees | Jack Hammett Sports Complex | Lions Park Capital Improvements | Public Financing Authority | Financing Authority | Totals | |
| | | | | | 2022 | 2021 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 366,844 | \$ 395,371 |
| - | - | - | - | - | 2,065,622 | 2,412,201 |
| - | - | - | - | - | 5,562 | 5,460 |
| - | - | - | - | - | 12,104,743 | 13,580,579 |
| (15,857) | 533 | (170) | 6 | 4 | (967,460) | 26,141 |
| - | 271,500 | - | - | - | 773,253 | 661,220 |
| - | - | - | - | - | 112,273 | 268,195 |
| (15,857) | 272,033 | (170) | 6 | 4 | 14,460,837 | 17,349,167 |
| - | - | - | 348,051 | - | 587,233 | 754,363 |
| - | - | - | - | - | 782,720 | 1,622,248 |
| - | - | - | - | - | 4,974,070 | 7,857,923 |
| - | 663,000 | - | - | - | 9,814,027 | 11,844,120 |
| - | - | - | 210,000 | 1,740,000 | 1,985,332 | 1,875,000 |
| - | - | - | 5,355 | 1,062,550 | 1,068,649 | 1,155,360 |
| - | 663,000 | - | 563,406 | 2,802,550 | 19,212,031 | 25,109,014 |
| (15,857) | (390,967) | (170) | (563,400) | (2,802,546) | (4,751,194) | (7,759,847) |
| - | - | - | - | 2,802,549 | 4,516,377 | 9,658,445 |
| - | - | - | - | - | - | - |
| - | - | - | - | 2,802,549 | 4,516,377 | 9,658,445 |
| (15,857) | (390,967) | (170) | (563,400) | 3 | (234,817) | 1,898,598 |
| 651,541 | 584,924 | 324,729 | 563,400 | 1 | 39,186,273 | 37,287,675 |
| \$ 635,684 | \$ 193,957 | \$ 324,559 | \$ - | \$ 4 | \$ 38,951,456 | \$ 39,186,273 |

CITY OF COSTA MESA, CALIFORNIA
Gas Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|---------------------|----------------------|---|----------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 5,219,123 | \$ 4,937,524 | \$ (281,599) | \$ 4,640,209 |
| Investment income (loss) | 55,000 | (363,514) | (418,514) | (11,307) |
| Miscellaneous | - | 32,358 | 32,358 | 71,583 |
| Total revenues | <u>5,274,123</u> | <u>4,606,368</u> | <u>(667,755)</u> | <u>4,700,485</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public services | <u>17,011,136</u> | <u>3,505,880</u> | <u>13,505,256</u> | <u>2,925,039</u> |
| Total expenditures | <u>17,011,136</u> | <u>3,505,880</u> | <u>13,505,256</u> | <u>2,925,039</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(11,737,013)</u> | <u>1,100,488</u> | <u>12,837,501</u> | <u>1,775,446</u> |
| Net change in fund balance | (11,737,013) | 1,100,488 | 12,837,501 | 1,775,446 |
| Fund balance at beginning of year | <u>13,553,266</u> | <u>13,553,266</u> | <u>-</u> | <u>11,777,820</u> |
| Fund balance at end of year | <u>\$ 1,816,253</u> | <u>\$ 14,653,754</u> | <u>\$ 12,837,501</u> | <u>\$ 13,553,266</u> |

CITY OF COSTA MESA, CALIFORNIA
HOME Program Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|---------------------|---------------------|---|----------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 501,749 | \$ 16,639 | \$ (485,110) | \$ 41,261 |
| Investment income (loss) | 30,000 | (37,271) | (67,271) | 903 |
| Miscellaneous | 20,000 | 45,009 | 25,009 | 46,325 |
| Total revenues | 551,749 | 24,377 | (527,372) | 88,489 |
| Expenditures: | | | | |
| Current: | | | | |
| Community programs | 701,298 | 109,036 | 592,262 | 193,092 |
| Total expenditures | 701,298 | 109,036 | 592,262 | 193,092 |
| Excess (deficiency) of revenues over (under) expenditures | (149,549) | (84,659) | 64,890 | (104,603) |
| Net change in fund balance | (149,549) | (84,659) | 64,890 | (104,603) |
| Fund balance at beginning of year | 1,572,049 | 1,572,049 | - | 1,676,652 |
| Fund balance at end of year | <u>\$ 1,422,500</u> | <u>\$ 1,487,390</u> | <u>\$ 64,890</u> | <u>\$ 1,572,049</u> |

CITY OF COSTA MESA, CALIFORNIA
Air Quality Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|------------------|-------------------|---|----------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 146,900 | \$ 108,658 | \$ (38,242) | \$ 272,415 |
| Investment income (loss) | 3,005 | (9,893) | (12,898) | (1,404) |
| Total revenues | 149,905 | 98,765 | (51,140) | 271,011 |
| Expenditures: | | | | |
| Current: | | | | |
| Public services | 606,421 | 218,184 | 388,237 | 137,450 |
| Total expenditures | 606,421 | 218,184 | 388,237 | 137,450 |
| Excess (deficiency) of revenues over (under) expenditures | (456,516) | (119,419) | 337,097 | 133,561 |
| Net change in fund balance | (456,516) | (119,419) | 337,097 | 133,561 |
| Fund balance at beginning of year | 502,329 | 502,329 | - | 368,768 |
| Fund balance at end of year | <u>\$ 45,813</u> | <u>\$ 382,910</u> | <u>\$ 337,097</u> | <u>\$ 502,329</u> |

CITY OF COSTA MESA, CALIFORNIA
Community Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|---------------------|------------------|---|----------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 1,121,215 | \$ 594,255 | \$ (526,960) | \$ 1,895,058 |
| Investment income | - | 152 | 152 | - |
| Miscellaneous | - | 7,500 | 7,500 | - |
| | <u>1,121,215</u> | <u>601,907</u> | <u>(519,308)</u> | <u>1,895,058</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| Community programs | <u>1,972,470</u> | <u>594,255</u> | <u>1,378,215</u> | <u>1,845,791</u> |
| Total expenditures | <u>1,972,470</u> | <u>594,255</u> | <u>1,378,215</u> | <u>1,845,791</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(851,255)</u> | <u>7,652</u> | <u>858,907</u> | <u>49,267</u> |
| Net change in fund balance | (851,255) | 7,652 | 858,907 | 49,267 |
| Fund balance at beginning of year | <u>87,152</u> | <u>87,152</u> | <u>-</u> | <u>37,885</u> |
| Fund balance (deficit) at end of year | <u>\$ (764,103)</u> | <u>\$ 94,804</u> | <u>\$ 858,907</u> | <u>\$ 87,152</u> |

CITY OF COSTA MESA, CALIFORNIA
Supplemental Law Enforcement Services Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|-----------------|------------|---|----------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 265,965 | \$ 279,630 | \$ 13,665 | \$ 273,945 |
| Investment income (loss) | - | (694) | (694) | 62 |
| Total revenues | 265,965 | 278,936 | 12,971 | 274,007 |
| Expenditures: | | | | |
| Current: | | | | |
| Protection of persons and property | 277,372 | 277,824 | (452) | 268,637 |
| Total expenditures | 277,372 | 277,824 | (452) | 268,637 |
| Excess (deficiency) of revenues over (under) expenditures | (11,407) | 1,112 | 12,519 | 5,370 |
| Net change in fund balance | (11,407) | 1,112 | 12,519 | 5,370 |
| Fund balance at beginning of year | 16,777 | 16,777 | - | 11,407 |
| Fund balance at end of year | \$ 5,370 | \$ 17,889 | \$ 12,519 | \$ 16,777 |

CITY OF COSTA MESA, CALIFORNIA
Rental Rehabilitation Program Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|-----------------|------------|---|----------------------|
| Revenues: | | | | |
| Investment income (loss) | \$ 1,000 | \$ (6,851) | \$ (7,851) | \$ 19 |
| Total revenues | 1,000 | (6,851) | (7,851) | 19 |
| Expenditures: | | | | |
| Current: | | | | |
| Community programs | 80,000 | - | 80,000 | - |
| Total expenditures | 80,000 | - | 80,000 | - |
| Excess (deficiency) of revenues over (under) expenditures | (79,000) | (6,851) | 72,149 | 19 |
| Net change in fund balance | (79,000) | (6,851) | 72,149 | 19 |
| Fund balance at beginning of year | 281,494 | 281,494 | - | 281,475 |
| Fund balance at end of year | \$ 202,494 | \$ 274,643 | \$ 72,149 | \$ 281,494 |

CITY OF COSTA MESA, CALIFORNIA
Narcotics Forfeiture Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|-----------------|--------------|---|----------------------|
| Revenues: | | | | |
| Fines and forfeitures | \$ - | \$ 5,562 | \$ 5,562 | \$ 5,460 |
| Investment income (loss) | 1,000 | (41,213) | (42,213) | 415 |
| Total revenues | 1,000 | (35,651) | (36,651) | 5,875 |
| Expenditures: | | | | |
| Current: | | | | |
| Protection of persons and property | 468,250 | - | 468,250 | 129,039 |
| Total expenditures | 468,250 | - | 468,250 | 129,039 |
| Excess (deficiency) of revenues over (under) expenditures | (467,250) | (35,651) | 431,599 | (123,164) |
| Net change in fund balance | (467,250) | (35,651) | 431,599 | (123,164) |
| Fund balance at beginning of year | 1,277,918 | 1,277,918 | - | 1,401,082 |
| Fund balance at end of year | \$ 810,668 | \$ 1,242,267 | \$ 431,599 | \$ 1,277,918 |

CITY OF COSTA MESA, CALIFORNIA
Local Law Enforcement Block Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|------------------|------------------|---|----------------------|
| Revenues: | | | | |
| Investment income (loss) | \$ - | \$ (837) | \$ (837) | \$ 1 |
| Total revenues | - | (837) | (837) | 1 |
| Excess (deficiency) of revenues over (under) expenditures | - | (837) | (837) | 1 |
| Net change in fund balance | - | (837) | (837) | 1 |
| Fund balance at beginning of year | 34,443 | 34,443 | - | 34,442 |
| Fund balance at end of year | <u>\$ 34,443</u> | <u>\$ 33,606</u> | <u>\$ (837)</u> | <u>\$ 34,443</u> |

CITY OF COSTA MESA, CALIFORNIA
Office of Traffic Safety Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|-----------------|-------------|---|----------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 250,875 | \$ 130,022 | \$ (120,853) | \$ 273,383 |
| Total revenues | 250,875 | 130,022 | (120,853) | 273,383 |
| Expenditures: | | | | |
| Current: | | | | |
| Protection of persons and property | 250,875 | 169,868 | 81,007 | 270,456 |
| Total expenditures | 250,875 | 169,868 | 81,007 | 270,456 |
| Excess (deficiency) of revenues over (under) expenditures | - | (39,846) | (39,846) | 2,927 |
| Fund balance (deficit) at beginning of year | (213) | (213) | - | (3,140) |
| Fund balance (deficit) at end of year | \$ (213) | \$ (40,059) | \$ (39,846) | \$ (213) |

CITY OF COSTA MESA, CALIFORNIA
Housing Authority Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|---------------------|---------------------|---|----------------------|
| Revenues: | | | | |
| Taxes | \$ 381,141 | \$ 349,917 | \$ (31,224) | \$ 381,141 |
| Intergovernmental | 1,528,581 | 1,510,066 | (18,515) | 1,041,662 |
| Investment income (loss) | 23,400 | (68,124) | (91,524) | (2,497) |
| Rental income | 370,000 | 338,732 | (31,268) | 396,753 |
| Miscellaneous | - | 27,406 | 27,406 | 41,466 |
| Total revenues | <u>2,303,122</u> | <u>2,157,997</u> | <u>(145,125)</u> | <u>1,858,525</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community programs | <u>5,616,215</u> | <u>3,963,750</u> | <u>1,652,465</u> | <u>3,574,792</u> |
| Total expenditures | <u>5,616,215</u> | <u>3,963,750</u> | <u>1,652,465</u> | <u>3,574,792</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,313,093)</u> | <u>(1,805,753)</u> | <u>1,507,340</u> | <u>(1,716,267)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>1,713,828</u> | <u>1,713,828</u> | <u>-</u> | <u>1,790,836</u> |
| Total other financing sources (uses) | <u>1,713,828</u> | <u>1,713,828</u> | <u>-</u> | <u>1,790,836</u> |
| Net change in fund balance | <u>(1,599,265)</u> | <u>(91,925)</u> | <u>1,507,340</u> | <u>74,569</u> |
| Fund balance at beginning of year | <u>3,715,185</u> | <u>3,715,185</u> | <u>-</u> | <u>3,640,616</u> |
| Fund balance at end of year | <u>\$ 2,115,920</u> | <u>\$ 3,623,260</u> | <u>\$ 1,507,340</u> | <u>\$ 3,715,185</u> |

CITY OF COSTA MESA, CALIFORNIA
Capital Improvements Fund - Major Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|-----------------|---------------|---|----------------------|
| Revenues: | | | | |
| Intergovernmental | \$ - | \$ 546,129 | \$ 546,129 | \$ 5,048,416 |
| Investment income (loss) | 60,000 | (603,855) | (663,855) | (1,744) |
| Miscellaneous | - | 59,431 | 59,431 | 283,801 |
| Total revenues | 60,000 | 1,705 | (58,295) | 5,330,473 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 251,359 | - | 251,359 | - |
| Protection of persons and property | 5,519,644 | 74,688 | 5,444,956 | 157,318 |
| Community programs | 92,962 | 84,589 | 8,373 | 14,242 |
| Public services | 14,506,432 | 3,693,683 | 10,812,749 | 7,247,016 |
| Total expenditures | 20,370,397 | 3,852,960 | 16,517,437 | 7,418,576 |
| Excess (deficiency) of revenues over (under) expenditures | (20,310,397) | (3,851,255) | 16,459,142 | (2,088,103) |
| Other financing sources (uses): | | | | |
| Transfers in | 9,195,505 | 8,533,467 | (662,038) | 7,787,926 |
| Total other financing sources (uses) | 9,195,505 | 8,533,467 | (662,038) | 7,787,926 |
| Net change in fund balance | (11,114,892) | 4,682,212 | 15,797,104 | 5,699,823 |
| Fund balance at beginning of year | 17,187,179 | 17,187,179 | - | 11,487,356 |
| Fund balance at end of year | \$ 6,072,287 | \$ 21,869,391 | \$ 15,797,104 | \$ 17,187,179 |

CITY OF COSTA MESA, CALIFORNIA
Measure "M2" Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|-----------------|--------------|---|----------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 4,269,909 | \$ 4,420,073 | \$ 150,164 | \$ 2,820,336 |
| Investment income (loss) | 40,000 | (105,712) | (145,712) | 19,408 |
| Total revenues | 4,309,909 | 4,314,361 | 4,452 | 2,839,744 |
| Expenditures: | | | | |
| Current: | | | | |
| Public services | 9,428,531 | 3,084,199 | 6,344,332 | 4,862,070 |
| Total expenditures | 9,428,531 | 3,084,199 | 6,344,332 | 4,862,070 |
| Excess (deficiency) of revenues over (under) expenditures | (5,118,622) | 1,230,162 | 6,348,784 | (2,022,326) |
| Net change in fund balance | (5,118,622) | 1,230,162 | 6,348,784 | (2,022,326) |
| Fund balance at beginning of year | 3,271,637 | 3,271,637 | - | 5,293,963 |
| Fund balance (deficit) at end of year | \$ (1,846,985) | \$ 4,501,799 | \$ 6,348,784 | \$ 3,271,637 |

CITY OF COSTA MESA, CALIFORNIA
Parking Districts Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|-------------------|-------------------|---|----------------------|
| Revenues: | | | | |
| Taxes | \$ 15,811 | \$ 16,927 | \$ 1,116 | \$ 14,230 |
| Investment income (loss) | 700 | (3,453) | (4,153) | (77) |
| Total revenues | <u>16,511</u> | <u>13,474</u> | <u>(3,037)</u> | <u>14,153</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>16,511</u> | <u>13,474</u> | <u>(3,037)</u> | <u>14,153</u> |
| Net change in fund balance | 16,511 | 13,474 | (3,037) | 14,153 |
| Fund balance at beginning of year | <u>122,596</u> | <u>122,596</u> | <u>-</u> | <u>108,443</u> |
| Fund balance at end of year | <u>\$ 139,107</u> | <u>\$ 136,070</u> | <u>\$ (3,037)</u> | <u>\$ 122,596</u> |

CITY OF COSTA MESA, CALIFORNIA
Golf Course Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|-------------------|-------------------|---|----------------------|
| Revenues: | | | | |
| Investment income (loss) | \$ 1,500 | \$ (13,547) | \$ (15,047) | \$ (434) |
| Rental income | 110,000 | 163,021 | 53,021 | 163,716 |
| Total revenues | 111,500 | 149,474 | 37,974 | 163,282 |
| Expenditures: | | | | |
| Current: | | | | |
| Public services | 265,000 | - | 265,000 | 49,820 |
| Total expenditures | 265,000 | - | 265,000 | 49,820 |
| Excess (deficiency) of revenues over (under) expenditures | (153,500) | 149,474 | 302,974 | 113,462 |
| Net change in fund balance | (153,500) | 149,474 | 302,974 | 113,462 |
| Fund balance at beginning of year | 388,983 | 388,983 | - | 275,521 |
| Fund balance at end of year | <u>\$ 235,483</u> | <u>\$ 538,457</u> | <u>\$ 302,974</u> | <u>\$ 388,983</u> |

CITY OF COSTA MESA, CALIFORNIA
Park Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|--------------------|---------------------|---|----------------------|
| Revenues: | | | | |
| Charges for services | \$ 708,869 | \$ 1,278,940 | \$ 570,071 | \$ 766,372 |
| Investment income (loss) | 50,000 | (100,791) | (150,791) | 8,022 |
| Miscellaneous | - | - | - | 106,966 |
| Total revenues | <u>758,869</u> | <u>1,178,149</u> | <u>419,280</u> | <u>881,360</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community programs | 507,380 | 206,815 | 300,565 | 229,921 |
| Public services | <u>4,781,907</u> | <u>2,007,353</u> | <u>2,774,554</u> | <u>1,523,234</u> |
| Total expenditures | <u>5,289,287</u> | <u>2,214,168</u> | <u>3,075,119</u> | <u>1,753,155</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,530,418)</u> | <u>(1,036,019)</u> | <u>3,494,399</u> | <u>(871,795)</u> |
| Net change in fund balance | (4,530,418) | (1,036,019) | 3,494,399 | (871,795) |
| Fund balance at beginning of year | <u>4,651,456</u> | <u>4,651,456</u> | - | <u>5,523,251</u> |
| Fund balance at end of year | <u>\$ 121,038</u> | <u>\$ 3,615,437</u> | <u>\$ 3,494,399</u> | <u>\$ 4,651,456</u> |

CITY OF COSTA MESA, CALIFORNIA
 Drainage Fees Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2022
 (With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|--------------------|---------------------|---|----------------------|
| Revenues: | | | | |
| Charges for services | \$ 426,411 | \$ 348,736 | \$ (77,675) | \$ 433,329 |
| Investment income (loss) | 20,000 | (57,057) | (77,057) | 2,101 |
| Total revenues | <u>446,411</u> | <u>291,679</u> | <u>(154,732)</u> | <u>435,430</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public services | <u>2,465,863</u> | <u>145,850</u> | <u>2,320,013</u> | <u>593,407</u> |
| Total expenditures | <u>2,465,863</u> | <u>145,850</u> | <u>2,320,013</u> | <u>593,407</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,019,452)</u> | <u>145,829</u> | <u>2,165,281</u> | <u>(157,977)</u> |
| Net change in fund balance | (2,019,452) | 145,829 | 2,165,281 | (157,977) |
| Fund balance at beginning of year | <u>2,096,392</u> | <u>2,096,392</u> | <u>-</u> | <u>2,254,369</u> |
| Fund balance at end of year | <u>\$ 76,940</u> | <u>\$ 2,242,221</u> | <u>\$ 2,165,281</u> | <u>\$ 2,096,392</u> |

CITY OF COSTA MESA, CALIFORNIA
Traffic Impact Fees Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|---------------------|---------------------|---|----------------------|
| Revenues: | | | | |
| Charges for services | \$ 200,000 | \$ 437,946 | \$ 237,946 | \$ 1,212,500 |
| Investment income (loss) | 30,000 | (143,171) | (173,171) | (9,495) |
| Miscellaneous | - | - | - | 1,855 |
| Total revenues | <u>230,000</u> | <u>294,775</u> | <u>64,775</u> | <u>1,204,860</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public services | <u>2,749,116</u> | <u>127,222</u> | <u>2,621,894</u> | <u>404,706</u> |
| Total expenditures | <u>2,749,116</u> | <u>127,222</u> | <u>2,621,894</u> | <u>404,706</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,519,116)</u> | <u>167,553</u> | <u>2,686,669</u> | <u>800,154</u> |
| Net change in fund balance | (2,519,116) | 167,553 | 2,686,669 | 800,154 |
| Fund balance at beginning of year | <u>5,490,214</u> | <u>5,490,214</u> | <u>-</u> | <u>4,690,060</u> |
| Fund balance at end of year | <u>\$ 2,971,098</u> | <u>\$ 5,657,767</u> | <u>\$ 2,686,669</u> | <u>\$ 5,490,214</u> |

CITY OF COSTA MESA, CALIFORNIA
Fire System Development Fees Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|-----------------------------------|-------------------|-------------------|---|----------------------|
| Revenues: | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Investment income (loss) | 700 | (15,857) | (16,557) | 44 |
| Total revenues | 700 | (15,857) | (16,557) | 44 |
| Net change in fund balance | 700 | (15,857) | (16,557) | 44 |
| Fund balance at beginning of year | 651,541 | 651,541 | - | 651,497 |
| Fund balance at end of year | <u>\$ 652,241</u> | <u>\$ 635,684</u> | <u>\$ (16,557)</u> | <u>\$ 651,541</u> |

CITY OF COSTA MESA, CALIFORNIA
 Jack Hammett Sports Complex Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2022
 (With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|-----------------|------------|---|----------------------|
| Revenues: | | | | |
| Investment income | \$ 3,000 | \$ 533 | \$ (2,467) | \$ 34 |
| Rental income | 150,750 | 271,500 | 120,750 | 100,751 |
| Total revenues | 153,750 | 272,033 | 118,283 | 100,785 |
| Expenditures: | | | | |
| Current: | | | | |
| Public services | 663,000 | 663,000 | - | - |
| Total expenditures | 663,000 | 663,000 | - | - |
| Excess (deficiency) of revenues over (under) expenditures | (509,250) | (390,967) | 118,283 | 100,785 |
| Net change in fund balance | (509,250) | (390,967) | 118,283 | 100,785 |
| Fund balance at beginning of year | 584,924 | 584,924 | - | 484,139 |
| Fund balance at end of year | \$ 75,674 | \$ 193,957 | \$ 118,283 | \$ 584,924 |

CITY OF COSTA MESA, CALIFORNIA
Lions Park Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|-----------------|------------|---|----------------------|
| Revenues: | | | | |
| Investment income (loss) | \$ 1,000 | \$ (170) | \$ (1,170) | \$ 1,639 |
| Total revenues | 1,000 | (170) | (1,170) | 1,639 |
| Expenditures: | | | | |
| Current: | | | | |
| Public services | 2,193,200 | - | 2,193,200 | - |
| Total expenditures | 2,193,200 | - | 2,193,200 | - |
| Excess (deficiency) of revenues over (under) expenditures | (2,192,200) | (170) | 2,192,030 | 1,639 |
| Net change in fund balance | (2,192,200) | (170) | 2,192,030 | 1,639 |
| Fund balance at beginning of year | 324,729 | 324,729 | - | 323,090 |
| Fund balance (deficit) at end of year | \$ (1,867,471) | \$ 324,559 | \$ 2,192,030 | \$ 324,729 |

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one City department to another City department on a cost-reimbursement basis.

Equipment Replacement Fund

Established to account for all motorized equipment used by City departments.

Self Insurance Fund – Workers’ Compensation/General Liability/Unemployment

Established to account for receipt and disbursement of funds used to pay worker’s compensation, general liability, and unemployment premiums and claims filed against the City.

Information Technology Replacement Fund

Established to provide funds for future replacements and upgrades to City computer equipment, systems, and supporting infrastructure.

CITY OF COSTA MESA, CALIFORNIA
Internal Service Funds
Combining Statement of Net Position
June 30, 2022
(With Comparative Data for Prior Year)

| | Equipment Replacement | Self-Insurance Workers' Compensation/ General Liability/ Unemployment | Information Technology Replacement | Totals | |
|----------------------------------|--------------------------|--|--|---------------|---------------|
| | | | | 2022 | 2021 |
| <u>Assets:</u> | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 7,235,650 | \$ 15,950,600 | \$ 8,106,815 | \$ 31,293,065 | \$ 28,163,084 |
| Interest receivable | 11,500 | 31,903 | 16,567 | 59,970 | 42,435 |
| Prepaid items | 3,522,055 | 197,004 | - | 3,719,059 | 1,656,272 |
| Inventories | 240,189 | - | - | 240,189 | 131,594 |
| Total current assets | 11,009,394 | 16,179,507 | 8,123,382 | 35,312,283 | 29,993,385 |
| Capital assets: | | | | | |
| Construction in progress | - | - | 1,412,635 | 1,412,635 | 693,456 |
| Motorized equipment | 14,777,717 | - | - | 14,777,717 | 14,512,571 |
| Other equipment | 3,458,071 | - | 187,799 | 3,645,870 | 3,349,326 |
| Accumulated depreciation | (11,780,142) | - | (101,412) | (11,881,554) | (11,141,146) |
| Net capital assets | 6,455,646 | - | 1,499,022 | 7,954,668 | 7,414,207 |
| Total assets | 17,465,040 | 16,179,507 | 9,622,404 | 43,266,951 | 37,407,592 |
| <u>Liabilities:</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 336,010 | 81,165 | 383,996 | 801,171 | 648,180 |
| Accrued liabilities | 32,157 | 11,615 | 1,146 | 44,918 | 31,417 |
| Notes payable | 325,037 | - | - | 325,037 | 135,493 |
| Claims payable | - | 1,379,844 | - | 1,379,844 | 3,754,328 |
| Total current liabilities | 693,204 | 1,472,624 | 385,142 | 2,550,970 | 4,569,418 |
| Long-term liabilities: | | | | | |
| Notes payable | 3,061,525 | - | - | 3,061,525 | 1,336,909 |
| Claims payable | - | 12,919,598 | - | 12,919,598 | 13,700,196 |
| Total long-term liabilities | 3,061,525 | 12,919,598 | - | 15,981,123 | 15,037,105 |
| Total liabilities | 3,754,729 | 14,392,222 | 385,142 | 18,532,093 | 19,606,523 |
| <u>Net Position:</u> | | | | | |
| Net investment in capital assets | 3,069,084 | - | 1,499,022 | 4,568,106 | 7,414,207 |
| Unrestricted (deficit) | 10,641,227 | 1,787,285 | 7,738,240 | 20,166,752 | 10,386,862 |
| Total net position (deficit) | \$ 13,710,311 | \$ 1,787,285 | \$ 9,237,262 | \$ 24,734,858 | \$ 17,801,069 |

CITY OF COSTA MESA, CALIFORNIA
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Equipment Replacement | Self-Insurance Workers' Compensation/ General Liability/ Unemployment | Information Technology Replacement | Totals | |
|---|--------------------------|--|--|---------------|---------------|
| | | | | 2022 | 2021 |
| Operating revenues: | | | | | |
| Charges for services | \$ 2,629,810 | \$ 4,842,324 | \$ - | \$ 7,472,134 | \$ 7,525,179 |
| Total operating revenues | 2,629,810 | 4,842,324 | - | 7,472,134 | 7,525,179 |
| Operating expenses: | | | | | |
| Allocated administrative costs | 1,171,325 | 758,504 | 950,960 | 2,880,789 | 2,006,201 |
| Depreciation | 1,214,607 | - | 33,804 | 1,248,411 | 1,216,665 |
| Fuel and repair parts | 1,230,211 | - | - | 1,230,211 | 1,015,493 |
| Materials and supplies | - | - | 65,073 | 65,073 | - |
| Claims and premiums | - | 3,023,082 | - | 3,023,082 | 5,716,404 |
| Total operating expenses | 3,616,143 | 3,781,586 | 1,049,837 | 8,447,566 | 9,954,763 |
| Operating income (loss) | (986,333) | 1,060,738 | (1,049,837) | (975,432) | (2,429,584) |
| Nonoperating revenues (expenses): | | | | | |
| Investment income (loss) | (202,457) | (423,934) | (214,919) | (841,310) | (42,398) |
| Intergovernmental | - | - | - | - | 25,670 |
| Other nonoperating revenue | 500,000 | 3,000 | - | 503,000 | 186,238 |
| Gain (loss) on disposal of equipment | (1,319) | - | - | (1,319) | (163,258) |
| Total nonoperating revenues (expenses) | 296,224 | (420,934) | (214,919) | (339,629) | 6,252 |
| Income (loss) before transfers | (690,109) | 639,804 | (1,264,756) | (1,315,061) | (2,423,332) |
| Transfers in | 3,567,549 | 1,800,000 | 2,881,301 | 8,248,850 | 9,232,194 |
| Change in net position | 2,877,440 | 2,439,804 | 1,616,545 | 6,933,789 | 6,808,862 |
| Net position (deficit) at beginning of year | 10,832,871 | (652,519) | 7,620,717 | 17,801,069 | 10,992,207 |
| Net position (deficit) at end of year | \$ 13,710,311 | \$ 1,787,285 | \$ 9,237,262 | \$ 24,734,858 | \$ 17,801,069 |

CITY OF COSTA MESA, CALIFORNIA
Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Equipment Replacement | Self-Insurance Workers' Compensation/ General Liability/ Unemployment | Information Technology Replacement | Totals | |
|--|--------------------------|--|--|-----------------------|----------------------|
| | | | | 2022 | 2021 |
| Cash flows from operating activities: | | | | | |
| Cash received from customers and user departments | \$ 2,629,810 | \$ 4,842,324 | \$ - | \$ 7,472,134 | \$ 7,531,206 |
| Cash payments to suppliers for goods and services | (3,511,883) | (6,494,748) | (1,016,768) | (11,023,399) | (5,437,822) |
| Cash payments to employees for services | (1,162,819) | (522,686) | - | (1,685,505) | (1,597,124) |
| Net cash provided by (used for) operating activities | (2,044,892) | (2,175,110) | (1,016,768) | (5,236,770) | 496,260 |
| Cash flows from noncapital financing activities: | | | | | |
| Cash received from other funds | 3,567,549 | 1,800,000 | 2,881,301 | 8,248,850 | 9,232,194 |
| Intergovernmental revenue received | - | - | - | - | 26,355 |
| Net cash provided by (used for) noncapital financing activities | 3,567,549 | 1,800,000 | 2,881,301 | 8,248,850 | 9,258,549 |
| Cash flows from capital and related financing activities: | | | | | |
| Principal paid on capital debt | (135,493) | - | - | (135,493) | - |
| Proceeds from note payable | 2,049,653 | - | - | 2,049,653 | - |
| Proceeds from insurance settlement | 500,000 | 3,000 | - | 503,000 | - |
| Acquisition of capital assets | (1,071,012) | - | (369,402) | (1,440,414) | (1,216,361) |
| Net cash provided by (used for) capital and related financing activities | 1,343,148 | 3,000 | (369,402) | 976,746 | (1,216,361) |
| Cash flows from investing activities: | | | | | |
| Investment income (loss) | (207,927) | (430,962) | (219,956) | (858,845) | (9,952) |
| Net cash provided by (used for) investing activities | (207,927) | (430,962) | (219,956) | (858,845) | (9,952) |
| Net increase (decrease) in cash and cash equivalents | 2,657,878 | (803,072) | 1,275,175 | 3,129,981 | 8,528,496 |
| Cash and cash equivalents at beginning of year | 4,577,772 | 16,753,672 | 6,831,640 | 28,163,084 | 19,634,588 |
| Cash and cash equivalents at end of year | <u>\$ 7,235,650</u> | <u>\$ 15,950,600</u> | <u>\$ 8,106,815</u> | <u>\$ 31,293,065</u> | <u>\$ 28,163,084</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Operating income (loss) | \$ (986,333) | \$ 1,060,738 | \$ (1,049,837) | \$ (975,432) | \$ (2,429,584) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation | 1,214,607 | - | 33,804 | 1,248,411 | 1,216,665 |
| (Increase) decrease in accounts receivable | - | - | - | - | 6,027 |
| (Increase) decrease in prepaid items | (2,049,653) | (13,134) | - | (2,062,787) | (183,870) |
| (Increase) decrease in inventories | (108,595) | - | - | (108,595) | (35,612) |
| Increase (decrease) in accounts payable | (123,424) | (73,362) | - | (196,786) | 304,264 |
| Increase (decrease) in accrued liabilities | 8,506 | 5,730 | (735) | 13,501 | 18,842 |
| Increase (decrease) in claims payable | - | (3,155,082) | - | (3,155,082) | 1,599,528 |
| Net cash provided by (used for) operating activities | <u>\$ (2,044,892)</u> | <u>\$ (2,175,110)</u> | <u>\$ (1,016,768)</u> | <u>\$ (5,236,770)</u> | <u>\$ 496,260</u> |

STATISTICAL SECTION

This part of the City's annual comprehensive financial report presents detailed information as a context for understanding what information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

FINANCIAL TRENDS

These schedules contain financial trend information to help the reader understand how the government's financial performance and well-being have changed over time.

TABLES 1 - 4

REVENUE CAPACITY

These schedules contain revenue information to help the reader assess the government's most significant local revenue source.

TABLES 5 - 12

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

TABLES 13 - 15

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

TABLES 16 - 17

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

TABLES 18 - 20

TABLE 1

CITY OF COSTA MESA, CALIFORNIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 204,884,524 | \$ 211,291,261 | \$ 211,133,458 | \$ 216,195,466 | \$ 219,280,752 | \$ 235,177,233 | \$ 248,255,931 | \$ 248,815,081 | \$ 255,443,158 | \$ 249,096,798 |
| Restricted | | | | | | | | | | |
| Protection of Persons and | | | | | | | | | | |
| Property | 2,329,840 | 1,441,906 | 552,573 | 1,022,546 | 217,303 | 150,169 | 872,898 | 1,628,892 | 1,329,350 | 1,333,365 |
| Community programs | 8,713,244 | 9,622,339 | 8,892,751 | 12,793,475 | 9,588,998 | 3,767,377 | 6,162,341 | 5,687,227 | 6,176,036 | 6,796,140 |
| Public services | 26,485,938 | 21,642,345 | 17,660,289 | 15,495,090 | 20,253,747 | 13,625,826 | 14,845,159 | 17,051,750 | 18,047,015 | 20,103,188 |
| Unrestricted | 43,798,620 | 51,403,839 | (170,836,260) | (159,357,224) | (161,805,274) | (224,657,548) | (241,478,263) | (251,417,100) | (243,934,825) | (225,702,393) |
| Total governmental activities | | | | | | | | | | |
| net position | \$ 286,212,166 | \$ 295,401,690 | \$ 67,402,811 | \$ 86,149,353 | \$ 87,535,526 | \$ 28,063,057 | \$ 28,658,066 | \$ 21,765,850 | \$ 37,060,734 | \$ 51,627,098 |

Source: Government-Wide Financial Statements

TABLE 2

CITY OF COSTA MESA, CALIFORNIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

| | Fiscal Years | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 22,655,452 | \$ 23,396,581 | \$ 25,225,607 | \$ 24,631,010 | \$ 28,474,037 | \$ 31,695,402 | \$ 34,008,731 | \$ 32,124,703 | \$ 36,763,868 | \$ 31,808,370 |
| Protection of persons and property | 63,383,715 | 62,634,432 | 64,184,047 | 63,956,413 | 70,786,483 | 86,777,544 | 86,440,751 | 96,625,585 | 88,643,852 | 98,324,072 |
| Community programs | 6,519,916 | 6,784,867 | 10,189,480 | 4,639,743 | 12,069,675 | 10,126,755 | 16,363,506 | 17,285,898 | 22,007,275 | 14,887,015 |
| Public services | 20,508,217 | 22,768,197 | 21,549,681 | 22,498,495 | 21,415,061 | 20,062,183 | 27,937,004 | 16,269,612 | 17,663,842 | 21,645,247 |
| Redevelopment | - | - | - | - | - | - | - | - | - | - |
| Interest on long-term debt | 1,726,008 | 1,273,152 | 1,210,723 | 1,081,605 | 974,233 | 1,082,361 | 1,138,694 | 1,083,190 | 986,593 | 929,979 |
| Total primary government expenses | 114,793,308 | 116,857,229 | 122,359,538 | 116,807,266 | 133,719,489 | 149,744,245 | 165,888,686 | 163,388,988 | 166,065,430 | 167,594,683 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Protection of persons and property | 2,739,881 | 2,338,910 | 2,299,476 | 2,707,819 | 2,819,809 | 3,805,473 | 7,267,233 | 7,461,872 | 5,497,350 | 6,846,240 |
| Community programs | 5,856,107 | 6,229,677 | 7,498,348 | 8,232,995 | 7,577,878 | 9,536,570 | 8,207,122 | 4,816,413 | 5,243,843 | 6,220,199 |
| Public services | 2,646,611 | 2,680,625 | 3,089,801 | 3,721,366 | 3,232,506 | 5,046,984 | 6,179,653 | 7,096,062 | 6,372,272 | 8,896,422 |
| Operating grants and contributions | 8,443,327 | 8,534,673 | 8,562,955 | 4,907,815 | 4,487,089 | 7,727,382 | 9,339,283 | 10,576,719 | 32,519,129 | 14,404,940 |
| Capital grants and contributions | 5,140,960 | 6,148,876 | 5,143,592 | 3,370,260 | 7,114,471 | 4,755,573 | 9,142,040 | 6,251,484 | 8,267,623 | 5,528,637 |
| Total primary government revenues | 24,826,886 | 25,932,761 | 26,594,172 | 22,940,255 | 25,231,753 | 30,871,982 | 40,135,331 | 36,202,550 | 57,900,217 | 41,896,438 |
| Total primary government net expense | <u>\$ (89,966,422)</u> | <u>\$ (90,924,468)</u> | <u>\$ (95,765,366)</u> | <u>\$ (93,867,011)</u> | <u>\$ (108,487,736)</u> | <u>\$ (118,872,263)</u> | <u>\$ (125,753,355)</u> | <u>\$ (127,186,438)</u> | <u>\$ (108,165,213)</u> | <u>\$ (125,698,245)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 23,192,755 | \$ 22,984,093 | \$ 24,139,297 | \$ 26,168,612 | \$ 37,925,385 | \$ 40,373,351 | \$ 43,226,688 | \$ 45,548,585 | \$ 47,891,698 | \$ 49,706,079 |
| Sales and use taxes | 46,743,795 | 50,329,310 | 52,117,128 | 58,524,162 | 57,591,889 | 56,971,636 | 62,689,811 | 55,866,831 | 63,738,411 | 77,165,533 |
| Transient occupancy tax | 7,257,695 | 7,676,090 | 7,995,154 | 8,622,505 | 8,924,854 | 8,819,617 | 8,595,417 | 6,587,224 | 4,282,802 | 8,366,278 |
| Franchise taxes | 4,818,972 | 4,891,465 | 4,885,925 | 5,060,402 | 4,593,631 | 4,965,515 | 5,042,551 | 4,822,964 | 4,895,574 | 5,318,541 |
| Business tax | 917,633 | 916,285 | 954,408 | 973,521 | 918,928 | 919,450 | 1,093,154 | 1,663,100 | 1,227,843 | 1,468,202 |
| Other intergovernmental unrestricted | 8,814,644 | 9,229,059 | 5,660,305 | 11,209,989 | 51,340 | 60,031 | 55,343 | 91,674 | 84,182 | 130,289 |
| Investment income (loss) | 640,159 | 1,772,900 | 1,692,528 | 1,871,216 | 496,650 | 256,438 | 4,264,987 | 4,075,623 | (80,831) | (3,609,117) |
| Miscellaneous | 181,943 | 495,154 | 949,533 | 913,351 | 1,333,610 | 1,903,266 | 1,380,413 | 1,638,221 | 1,420,418 | 1,718,804 |
| Settlements | 1,452,623 | 121,971 | - | - | - | - | - | - | - | - |
| Extraordinary items: | | | | | | | | | | |
| Gain on transfer of assets to Successor Agency | - | - | - | - | - | - | - | - | - | - |
| (Loss) on advance to Successor Agency | (11,888,159) | - | - | - | - | - | - | - | - | - |
| Total primary government Change in Net Position | <u>82,132,060</u> | <u>98,416,327</u> | <u>98,394,278</u> | <u>113,343,758</u> | <u>111,836,287</u> | <u>114,269,304</u> | <u>126,348,364</u> | <u>120,294,222</u> | <u>123,460,097</u> | <u>140,264,609</u> |
| | <u>\$ (7,834,362)</u> | <u>\$ 7,491,859</u> | <u>\$ 2,628,912</u> | <u>\$ 19,476,747</u> | <u>\$ 3,348,551</u> | <u>\$ (4,602,959)</u> | <u>\$ 595,009</u> | <u>\$ (6,892,216)</u> | <u>\$ 15,294,884</u> | <u>\$ 14,566,364</u> |

Source: Government-Wide Financial Statements

TABLE 3

CITY OF COSTA MESA, CALIFORNIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General fund | | | | | | | | | | |
| Nonspendable | \$ 3,137,794 | \$ 3,430,104 | \$ 4,165,795 | \$ 2,486,085 | \$ 2,253,843 | \$ 2,038,518 | \$ 280,195 | \$ 362,189 | \$ 964,846 | \$ 603,547 |
| Restricted | - | - | - | - | - | - | - | - | 1,778,220 | 3,061,154 |
| Committed | 16,125,000 | 16,125,000 | 16,125,000 | 16,125,000 | 16,125,000 | 16,125,000 | 23,625,000 | 25,125,000 | 25,125,000 | 25,125,000 |
| Assigned | 10,131,615 | 10,016,092 | 11,325,819 | 13,820,663 | 13,819,088 | 13,730,832 | 8,940,072 | 9,151,062 | 8,195,429 | 12,469,067 |
| Unassigned | 16,252,032 | 20,629,130 | 22,199,337 | 32,040,713 | 30,867,198 | 23,329,730 | 20,451,232 | 18,825,417 | 17,428,766 | 16,517,079 |
| Total general fund | <u>\$ 45,646,441</u> | <u>\$ 50,200,326</u> | <u>\$ 53,815,951</u> | <u>\$ 64,472,461</u> | <u>\$ 63,065,129</u> | <u>\$ 55,224,080</u> | <u>\$ 53,296,499</u> | <u>\$ 53,463,668</u> | <u>\$ 53,492,261</u> | <u>\$ 57,775,847</u> |
| All other governmental funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 29,302,059 | 25,097,114 | 20,914,771 | 19,309,083 | 28,056,898 | 30,108,463 | 21,753,832 | 25,676,330 | 25,200,380 | 26,636,885 |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | 9,162,682 | 11,741,220 | 19,147,805 | 23,738,380 | 27,619,480 | 25,415,708 | 24,337,823 | 25,474,636 | 31,173,285 | 34,939,313 |
| Unassigned | (2,892,237) | (2,288,538) | (368,083) | (139,064) | (248,979) | (6,353) | (9,453) | (2,312,520) | (451,068) | (1,850,787) |
| Total all other governmental funds | <u>\$ 35,572,504</u> | <u>\$ 34,549,796</u> | <u>\$ 39,694,493</u> | <u>\$ 42,908,399</u> | <u>\$ 55,427,399</u> | <u>\$ 55,517,818</u> | <u>\$ 46,082,202</u> | <u>\$ 48,838,446</u> | <u>\$ 55,922,597</u> | <u>\$ 59,725,411</u> |

Source: Fund Financial Statements

TABLE 4

CITY OF COSTA MESA, CALIFORNIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-----------------------|---------------------|---------------------|----------------------|---------------------|-----------------------|------------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 82,930,849 | \$ 86,797,242 | \$ 90,091,915 | \$ 99,349,202 | \$ 99,464,729 | \$ 110,884,896 | \$ 123,969,423 | \$ 114,463,599 | \$ 122,138,588 | \$ 141,919,878 |
| Licenses and permits | 1,997,057 | 2,085,348 | 2,313,296 | 2,983,081 | 2,933,305 | 3,837,564 | 5,104,022 | 5,496,049 | 4,368,740 | 7,331,252 |
| Fines and forfeits | 4,483,240 | 3,614,144 | 1,367,190 | 1,609,134 | 1,352,682 | 1,612,230 | 2,468,993 | 2,067,884 | 1,061,346 | 1,176,357 |
| Intergovernmental | 19,213,168 | 21,769,293 | 22,010,125 | 17,612,288 | 23,205,265 | 10,558,481 | 16,646,740 | 15,006,292 | 39,855,634 | 18,077,452 |
| Charges for services | 4,320,932 | 4,721,191 | 6,117,030 | 6,668,445 | 5,909,112 | 9,553,421 | 9,990,454 | 9,489,827 | 7,309,872 | 9,030,556 |
| Rental | 2,987,055 | 3,021,585 | 3,113,662 | 3,336,053 | 3,289,222 | 3,404,676 | 3,479,527 | 3,566,255 | 4,773,662 | 4,815,577 |
| Investment income (loss) | 533,469 | 1,712,058 | 1,771,527 | 1,775,765 | 420,561 | 244,606 | 3,616,606 | 3,394,398 | (37,016) | (2,767,803) |
| Return on equity | 2,551,815 | - | - | - | - | - | - | - | - | - |
| Settlements | 1,452,623 | 121,971 | - | - | - | - | - | - | - | - |
| Miscellaneous | 892,970 | 1,177,245 | 2,206,428 | 1,679,917 | 2,170,215 | 2,081,739 | 3,226,941 | 2,161,633 | 1,410,996 | 1,545,970 |
| Total revenues | <u>121,363,178</u> | <u>125,020,077</u> | <u>128,991,173</u> | <u>135,013,885</u> | <u>138,745,091</u> | <u>142,177,613</u> | <u>168,502,706</u> | <u>155,645,937</u> | <u>180,881,822</u> | <u>181,129,239</u> |
| Expenditures | | | | | | | | | | |
| General government | 21,982,783 | 23,893,450 | 24,699,226 | 25,102,067 | 26,518,266 | 29,048,355 | 29,219,530 | 30,808,182 | 31,851,632 | 33,567,585 |
| Protection of persons and property | 60,468,091 | 64,047,209 | 61,096,404 | 64,426,376 | 66,141,703 | 70,198,327 | 78,762,212 | 82,939,180 | 84,027,648 | 90,698,363 |
| Community programs | 6,166,791 | 6,442,241 | 8,821,298 | 8,019,356 | 9,410,168 | 10,888,393 | 13,265,742 | 14,297,137 | 18,578,311 | 16,267,400 |
| Public services | 16,781,751 | 22,863,385 | 21,860,252 | 19,836,633 | 21,680,495 | 42,305,565 | 50,429,478 | 20,506,675 | 27,033,542 | 20,962,292 |
| Redevelopment | - | - | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | | |
| Principal | 3,872,050 | 2,450,000 | 2,540,000 | 2,650,000 | 2,755,000 | 4,070,000 | 1,795,261 | 1,815,392 | 1,890,391 | 2,202,563 |
| Interest | 1,741,101 | 1,296,111 | 1,213,671 | 1,109,037 | 992,383 | 1,041,853 | 1,298,315 | 1,230,958 | 1,155,360 | 1,095,786 |
| Bond issuance costs | - | - | - | - | - | 344,858 | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - | - | 2,302,225 | - | - | - | - |
| Total expenditures | <u>111,012,567</u> | <u>120,992,396</u> | <u>120,230,851</u> | <u>121,143,469</u> | <u>127,498,015</u> | <u>160,199,576</u> | <u>174,770,538</u> | <u>151,597,524</u> | <u>164,536,884</u> | <u>164,793,989</u> |
| Excess of revenues over (under) expenditures | <u>10,350,611</u> | <u>4,027,681</u> | <u>8,760,322</u> | <u>13,870,416</u> | <u>11,247,076</u> | <u>(18,021,963)</u> | <u>(6,267,832)</u> | <u>4,048,413</u> | <u>16,344,938</u> | <u>16,335,250</u> |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 6,212,460 | 8,597,756 | 14,253,945 | 12,852,940 | 16,058,019 | 12,370,819 | 15,899,228 | 10,811,227 | 26,619,517 | 13,116,263 |
| Transfers out | (6,212,460) | (9,094,260) | (14,253,945) | (12,852,940) | (19,658,019) | (18,063,009) | (21,148,507) | (11,936,227) | (35,851,711) | (21,365,113) |
| Extraordinary gain (loss) | (11,888,159) | - | - | - | - | - | - | - | - | - |
| Issuance of debt | - | - | - | - | - | 29,735,000 | 153,914 | - | - | - |
| Premium on debt issue | - | - | - | - | - | 3,694,172 | - | - | - | - |
| Payment to bond escrow agent | - | - | - | - | - | (14,530,520) | - | - | - | - |
| Bond proceeds | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>(11,888,159)</u> | <u>(496,504)</u> | <u>-</u> | <u>-</u> | <u>(3,600,000)</u> | <u>13,206,462</u> | <u>(5,095,365)</u> | <u>(1,125,000)</u> | <u>(9,232,194)</u> | <u>(8,248,850)</u> |
| Net change in fund balances | <u>\$ (1,537,548)</u> | <u>\$ 3,531,177</u> | <u>\$ 8,760,322</u> | <u>\$ 13,870,416</u> | <u>\$ 7,647,076</u> | <u>\$ (4,815,501)</u> | <u>\$ (11,363,197)</u> | <u>\$ 2,923,413</u> | <u>\$ 7,112,744</u> | <u>\$ 8,086,400</u> |
| Debt service as a percentage of noncapital expenditures | 5.40% | 3.44% | 3.37% | 3.38% | 3.18% | 5.64% | 2.21% | 2.19% | 2.10% | 2.27% |

Source: Fund Financial Statements

TABLE 5

CITY OF COSTA MESA, CALIFORNIA
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

| Fiscal Years | Sales | Property | Transient Occupancy | Franchise | Business | Proposition 172 | Total |
|--------------|------------|------------|------------------------|-----------|-----------|--------------------|-------------|
| 2013 | 45,830,107 | 23,192,755 | 7,257,695 | 4,818,972 | 917,633 | 913,688 | 82,930,850 |
| 2014 | 49,264,634 | 22,984,093 | 7,676,090 | 4,891,465 | 916,285 | 1,064,676 | 86,797,243 |
| 2015 | 51,115,064 | 24,139,297 | 7,995,154 | 4,885,926 | 954,408 | 1,002,064 | 90,091,914 |
| 2016 | 57,593,561 | 26,168,612 | 8,622,505 | 5,060,402 | 973,521 | 930,601 | 99,349,202 |
| 2017 | 56,556,867 | 27,435,427 | 8,924,854 | 4,593,631 | 918,928 | 1,035,022 | 99,464,729 |
| 2018 | 54,656,183 | 40,458,402 | 8,819,617 | 4,965,515 | 919,450 | 1,065,729 | 110,884,896 |
| 2019 | 64,902,009 | 42,873,901 | 8,595,417 | 5,042,551 | 1,093,154 | 1,126,008 | 123,633,040 |
| 2020 | 55,866,831 | 45,548,585 | 6,587,224 | 4,822,964 | 1,663,100 | 1,102,506 | 115,591,210 |
| 2021 | 63,738,411 | 47,891,698 | 4,282,802 | 4,895,574 | 1,227,843 | 1,151,953 | 123,188,281 |
| 2022 | 77,165,533 | 49,706,079 | 8,366,278 | 5,318,541 | 1,468,199 | 1,467,173 | 143,491,803 |

Source: Required Supplementary Information

TABLE 6

CITY OF COSTA MESA, CALIFORNIA
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS
(in thousands of dollars)

| | Calendar Years | | | | | | | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Apparel stores | \$ 604,936 | \$ 681,348 | \$ 715,097 | \$ 727,073 | \$ 754,197 | \$ 714,478 | \$ 814,593 | \$ 835,594 | \$ 569,776 | \$ 1,031,162 |
| General merchandise | 591,832 | 599,163 | 615,702 | 618,702 | 582,500 | 565,635 | 534,747 | 512,500 | 315,884 | 515,117 |
| Food stores | 94,377 | 87,225 | 88,872 | 103,225 | 90,941 | 88,385 | 90,178 | 91,470 | 92,557 | 91,147 |
| Eating and drinking establishments | 387,667 | 421,830 | 443,384 | 469,465 | 496,041 | 515,683 | 535,744 | 556,504 | 405,696 | 589,711 |
| Building materials | 150,604 | 180,198 | 193,248 | 205,343 | 224,225 | 236,497 | 242,750 | 251,846 | 251,117 | 314,137 |
| Auto dealers and supplies | 613,669 | 670,976 | 753,804 | 858,187 | 924,641 | 1,006,804 | 1,153,396 | 1,230,062 | 1,149,598 | 1,380,887 |
| Service stations | 269,067 | 263,352 | 245,432 | 215,707 | 190,969 | 200,170 | 235,572 | 232,911 | 161,495 | 242,199 |
| Other retail stores | 961,488 | 972,383 | 1,025,424 | 1,047,009 | 1,050,063 | 1,116,930 | 1,178,337 | 1,165,897 | 943,056 | 1,320,071 |
| All other outlets | 839,005 | 914,501 | 1,015,134 | 1,112,851 | 1,206,829 | 1,157,415 | 1,269,997 | 1,402,675 | 1,447,700 | 1,697,098 |
| | <u>\$ 4,512,645</u> | <u>\$ 4,790,976</u> | <u>\$ 5,096,097</u> | <u>\$ 5,357,562</u> | <u>\$ 5,520,406</u> | <u>\$ 5,601,997</u> | <u>\$ 6,055,314</u> | <u>\$ 6,279,459</u> | <u>\$ 5,336,879</u> | <u>\$ 7,181,529</u> |
| City direct sales tax rate | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

Source: State of California Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office and the HdL Companies

TABLE 7

CITY OF COSTA MESA, CALIFORNIA
PRINCIPAL SALES TAX REMITTERS BY CATEGORY
CURRENT YEAR AND NINE YEARS AGO

| <u>Category</u> | 2021 | | | 2012 | | |
|------------------------------------|------------------|------|---|------------------|------|---|
| | Taxable Sales | Rank | Percentage of Total City Taxable Sales | Taxable Sales | Rank | Percentage of Total City Taxable Sales |
| All other outlets | \$ 1,697,098 | 1 | 23.63% | \$ 839,005 | 2 | 18.59% |
| Auto dealers and supplies | 1,380,887 | 2 | 19.23% | \$ 613,669 | 3 | 13.60% |
| Other retail stores | 1,320,071 | 3 | 18.38% | \$ 961,488 | 1 | 21.31% |
| Apparel stores | 1,031,162 | 4 | 14.36% | \$ 604,936 | 5 | 13.41% |
| Eating and drinking establishment: | 589,711 | 5 | 8.21% | \$ 387,667 | 6 | 8.59% |
| General merchandise | 515,117 | 6 | 7.17% | \$ 591,832 | 4 | 13.11% |
| Building materials | 314,137 | 7 | 4.37% | \$ 150,604 | 8 | 3.34% |
| Service stations | 242,199 | 8 | 3.37% | \$ 269,067 | 7 | 5.96% |
| Food stores | 91,147 | 9 | 1.27% | \$ 94,377 | 9 | 2.09% |

Source: State of California Board of Equalization, California Department of Taxes and Fees Administration,
State Controller's Office and the HdL Companies

TABLE 8

**CITY OF COSTA MESA, CALIFORNIA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS**

| <u>Fiscal Years</u> | <u>City Local Rate</u> | <u>Orange County Rate</u> | <u>State of California Rate</u> | <u>Total Sales Tax Rate</u> |
|---------------------|--------------------------------|-----------------------------------|---|-------------------------------------|
| 2013 | 1.00 | 0.50 | 6.50 | 8.00 |
| 2014 | 1.00 | 0.50 | 6.50 | 8.00 |
| 2015 | 1.00 | 0.50 | 6.50 | 8.00 |
| 2016 | 1.00 | 0.50 | 6.50 | 8.00 |
| 2017 | 1.25 | 0.50 | 6.00 | 7.75 |
| 2018 | 1.25 | 0.50 | 6.00 | 7.75 |
| 2019 | 1.25 | 0.50 | 6.00 | 7.75 |
| 2020 | 1.25 | 0.50 | 6.00 | 7.75 |
| 2021 | 1.25 | 0.50 | 6.00 | 7.75 |
| 2022 | 1.25 | 0.50 | 6.00 | 7.75 |

Source: State of California Board of Equalization

TABLE 9

**CITY OF COSTA MESA, CALIFORNIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collected for Subsequent Years (2) | Total Collections to Date | |
|----------------------------------|--|---|-----------------------|--|---------------------------|---------------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy (1) |
| 2013 | 21,112,082 | 20,599,679 | 97.57% | 382,281 | 20,981,960 | 99.38% |
| 2014 | 22,178,464 | 21,732,926 | 97.99% | 285,325 | 22,018,251 | 99.28% |
| 2015 | 23,405,838 | 22,897,171 | 97.83% | 242,634 | 23,139,805 | 98.86% |
| 2016 | 24,960,369 | 24,222,713 | 97.04% | 227,104 | 24,449,817 | 97.95% |
| 2017 | 26,330,538 | 25,640,344 | 97.38% | 216,963 | 25,857,308 | 98.20% |
| 2018 | 27,825,846 | 27,272,459 | 98.01% | 198,624 | 27,471,083 | 98.73% |
| 2019 | 29,820,941 | 29,186,740 | 97.87% | 196,710 | 29,383,450 | 98.53% |
| 2020 | 31,300,931 | 30,714,805 | 98.13% | 214,204 | 30,929,009 | 98.81% |
| 2021 | 32,769,949 | 32,203,394 | 98.27% | 294,030 | 32,497,424 | 99.17% |
| 2022 | 33,917,865 | 33,032,650 | 97.39% | 298,304 | 33,330,954 | 98.27% |

⁽¹⁾ The Percentage of Levy may exceed 100% if the amounts collected for subsequent years exceed the delinquency.

⁽²⁾ The County of Orange only makes this data available by collection year. Data by levy year is not available.

Source: Orange County Assessor 2021/2022 Combined Tax Rolls

TABLE 10

CITY OF COSTA MESA, CALIFORNIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

| Fiscal Years | Residential Property | Commercial Property | Industrial Property | Miscellaneous Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value ⁽¹⁾ | Taxable Assessed Value as a Percentage of Actual Taxable Value |
|--------------|-------------------------|------------------------|------------------------|---------------------------|------------------------------------|--------------------------|---|--|
| 2013 | 8,704,306,093 | 3,479,681,880 | 1,122,815,201 | 1,070,250,329 | 14,377,053,503 | 0.17288% | 14,377,053,503 | 100.00% |
| 2014 | 9,101,889,466 | 3,566,114,710 | 1,117,794,289 | 1,140,508,581 | 14,926,307,046 | 0.15040% | 14,926,307,046 | 100.00% |
| 2015 | 9,745,389,688 | 3,633,678,888 | 1,126,437,386 | 1,206,217,946 | 15,711,723,908 | 0.15035% | 15,711,723,908 | 100.00% |
| 2016 | 10,456,976,124 | 3,766,616,981 | 1,190,970,066 | 1,118,171,362 | 16,532,734,533 | 0.15038% | 16,532,734,533 | 100.00% |
| 2017 | 11,033,602,522 | 3,918,807,590 | 1,336,961,702 | 1,180,683,099 | 17,470,054,913 | 0.15014% | 17,470,054,913 | 100.00% |
| 2018 | 11,685,011,850 | 4,096,390,455 | 1,500,236,782 | 1,222,877,713 | 18,504,516,800 | 0.15009% | 18,504,516,800 | 100.00% |
| 2019 | 12,557,043,739 | 4,473,583,090 | 1,646,413,988 | 1,223,132,784 | 19,900,173,601 | 0.15002% | 19,900,173,601 | 100.00% |
| 2020 | 13,389,240,208 | 4,687,990,535 | 1,744,806,502 | 1,290,509,110 | 21,112,546,355 | 0.14848% | 21,112,546,355 | 100.00% |
| 2021 | 14,143,690,438 | 4,858,631,950 | 1,822,103,130 | 1,295,199,231 | 22,119,624,749 | 0.14856% | 22,119,624,749 | 100.00% |
| 2022 | 14,753,436,539 | 4,866,777,961 | 1,875,392,912 | 1,244,087,188 | 22,739,694,600 | 0.14824% | 22,739,694,600 | 100.00% |

⁽¹⁾ In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an inflation factor (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above, represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Therefore, the estimated actual taxable value equals the total taxable assessed value.

Source: HdL Coren & Cone, Orange County Assessor 2012/2013 - 2021/2022 Combined Tax Rolls.

TABLE 11

CITY OF COSTA MESA, CALIFORNIA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

| Fiscal Year | City Direct Rates | | | | Overlapping Rates | | |
|-------------|-------------------|---|-----------------------|----------------------------------|-----------------------|----------------------|------------------------|
| | Basic Rate | Redevelopment Debt Service ⁽²⁾ | Redevelopment Program | Total Direct Rate ⁽¹⁾ | County of Orange Debt | School District Debt | Special Districts Debt |
| 2013 | 0.14879 | - | - | 0.17288 | 0.36649 | 0.48300 | 0.00535 |
| 2014 | 0.14879 | - | - | 0.15040 | 0.36649 | 0.48300 | 0.00535 |
| 2015 | 0.14879 | - | - | 0.15035 | 0.36649 | 0.48300 | 0.00515 |
| 2016 | 0.14879 | - | - | 0.15038 | 0.36649 | 0.48300 | 0.00515 |
| 2017 | 0.14879 | - | - | 0.15014 | 0.36649 | 0.48300 | 0.00515 |
| 2018 | 0.14879 | - | - | 0.15009 | 0.36649 | 0.48300 | 0.00515 |
| 2019 | 0.14879 | - | - | 0.15002 | 0.36649 | 0.48300 | 0.00515 |
| 2020 | 0.14879 | - | - | 0.14848 | 0.36649 | 0.48300 | 0.00515 |
| 2021 | 0.14879 | - | - | 0.14856 | 0.36649 | 0.48300 | 0.00515 |
| 2022 | 0.14879 | - | - | 0.14824 | 0.36649 | 0.48300 | 0.00515 |

⁽¹⁾ Per the Government Finance Officers Association, the definition of "total direct rate" is as follows:
"The weighted average of all individual rates applied by the government preparing the statistical section"
The "total direct rate" for the City of Costa Mesa is a weighted average derived by dividing total City revenue by taxable assessed value.

⁽²⁾ As of February 1, 2012, the Successor Agency to the former Costa Mesa Redevelopment Agency is responsible for the outstanding Redevelopment debt.

Source: HdL Coren & Cone, Orange County Assessor 2012/2013 - 2021/2022 Combined Tax Rolls.

TABLE 12

CITY OF COSTA MESA, CALIFORNIA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

| <u>Taxpayer</u> | 2021-2022 | | | 2012-2013 | | |
|--------------------------------------|----------------------------|------|---|----------------------------|------|---|
| | Property Tax Revenue | Rank | Percentage of Total City Property Tax Revenue | Property Tax Revenue | Rank | Percentage of Total City Property Tax Revenue |
| The Irvine Company LLC | \$ 731,189 | 1 | 1.86% | \$ 322,678 | | 1.30% |
| Trust Costa Mesa Courtyards LLC | 575,242 | 2 | 1.46% | 399,345 | | 1.61% |
| Triangle Center LLC | 562,796 | 3 | 1.43% | | | |
| Behringer Harvard Pacifica Project | 528,679 | 4 | 1.34% | | | |
| South Coast Plaza | 514,634 | 5 | 1.31% | 402,934 | | 1.62% |
| 1901 Newport LLC Royal Street | 425,033 | 6 | 1.08% | 313,203 | | 1.26% |
| PR II MCC South Coast Property Owner | 397,617 | 7 | 1.01% | | | |
| United Dominion Realty LP | 314,529 | 8 | 0.80% | 201,691 | | 0.81% |
| Automobile CLUB of Southern CA | 255,994 | 9 | 0.65% | 203,229 | | 0.82% |
| Advanced Group | 248,984 | 10 | 0.63% | | | |
| WWG TSQ Owner LLC | | | | 249,351 | | 1.00% |
| Marjack LLC Irvine Company LLC | | | | 217,091 | | 0.87% |
| RREEF America Reit II Corporation | | | | 380,517 | | 1.53% |
| Casden Lakes LP | | | | 180,141 | | 0.72% |
| Total | <u>\$ 4,554,697</u> | | <u>11.56%</u> | <u>\$ 2,870,180</u> | | <u>11.55%</u> |

Source: HdL Coren & Cone, Orange County Assessor 2021/2022 & 2012/2013 Combined Tax Rolls.

TABLE 13

CITY OF COSTA MESA, CALIFORNIA
RATIO OF GENERAL BONDED DEBT OUTSTANDING AND LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

| | FISCAL YEARS | | | | | | | | | |
|---|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| General bonded debt outstanding | | | | | | | | | | |
| General obligation bonds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Redevelopment bonds (1) | - | - | - | - | - | - | - | - | - | - |
| Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Percentage of taxable assessed value | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| Per capita | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Less: Amounts set aside to repay general debt | - | - | - | - | - | - | - | - | - | - |
| Total net debt applicable to debt limit | - | - | - | - | - | - | - | - | - | - |
| Legal debt limit (3.75% of Assessed Value) | 585,780,638 | 607,508,126 | 637,377,201 | 669,713,004 | 705,606,516 | 743,516,945 | 796,252,660 | 842,737,426 | 881,515,407 | 907,985,504 |
| Legal debt margin | 585,780,638 | 607,508,126 | 637,377,201 | 669,713,004 | 705,606,516 | 743,516,945 | 796,252,660 | 842,737,426 | 881,515,407 | 907,985,504 |
| Legal debt margin as a percentage of the debt limit | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

⁽¹⁾ As of February 1, 2012, the Successor Agency to the former Costa Mesa Redevelopment Agency is responsible for the outstanding Redevelopment debt.

Source: City of Costa Mesa Finance Department and Orange County Assessor 2021/2022 combined tax rolls

TABLE 14

CITY OF COSTA MESA, CALIFORNIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

| Fiscal Year Ended June 30, | General Bonded Debt | | | Other Governmental Activities Debt | | | | | Percentage of Personal Income | Per Capita |
|----------------------------------|--------------------------------------|---|---------------|------------------------------------|-------------------------------------|-----------------|--------------------------------|--------------------------------|-------------------------------------|---------------|
| | Redevelopment Bond ⁽¹⁾ | Percentage of Total Taxable Assessed Value | Per Capita | Revenue Bonds ⁽²⁾ | Certificates of Participation | Loan Payable | Lease Purchase Financing | Total Primary Government | | |
| 2012 | 3,615,000 | 0.0256% | 8.43 | 10,490,000 | 25,140,000 | - | 1,057,907 | 40,302,907 | 1.11% | 1,224.86 |
| 2013 | - | 0.0000% | - | 8,140,000 | 23,875,000 | - | 611,729 | 32,626,729 | 0.89% | 999.53 |
| 2014 | - | 0.0000% | - | 7,005,000 | 22,560,000 | - | 415,395 | 29,980,395 | 0.79% | 886.84 |
| 2015 | - | 0.0000% | - | 5,830,000 | 21,195,000 | - | - | 27,025,000 | 0.73% | 832.10 |
| 2016 | - | 0.0000% | - | 4,600,000 | 19,775,000 | - | - | 24,375,000 | 0.64% | 732.66 |
| 2017 | - | 0.0000% | - | 3,325,000 | 18,295,000 | - | - | 21,620,000 | 0.57% | 649.85 |
| 2018 | - | 0.0000% | - | 34,103,345 | - | - | - | 34,103,345 | 0.77% | 991.21 |
| 2019 | - | 0.0000% | - | 32,170,580 | - | 143,653 | - | 32,314,233 | 0.78% | 906.39 |
| 2020 | - | 0.0000% | - | 30,222,813 | - | 128,261 | - | 30,351,074 | 0.69% | 788.54 |
| 2021 | - | 0.0000% | - | 28,200,046 | - | 112,870 | 1,472,402 | 29,785,318 | 0.64% | 721.65 |
| 2022 | - | 0.0000% | - | 26,102,279 | - | 97,479 | 1,336,909 | 27,536,667 | 0.55% | 613.11 |

⁽¹⁾ As of February 1, 2012, the Successor Agency to the former Costa Mesa Redevelopment Agency is responsible for the outstanding Redevelopment debt.

⁽²⁾ Amount includes the unamortized Bond Premium.

Source: City of Costa Mesa Finance Department

TABLE 15

CITY OF COSTA MESA, CALIFORNIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2022

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable ⁽²⁾</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|--|-----------------------------|---|---|
| Overlapping Debt | | | |
| Newport Mesa Unified School District | \$ 232,782,840 | 26.219% | \$ 61,033,333 |
| Coast Community College District | 945,799,424 | 13.302% | 125,810,239 |
| Santa Ana Unified School District | 339,341,119 | 3.317% | 11,255,945 |
| Rancho Santiago Community College District | 196,772,728 | 1.442% | 2,837,463 |
| Rancho Santiago Community College District SFID No. 1 | 162,125,000 | 2.695% | 4,369,269 |
| Metropolitan Water District | 4,052,114 | 3.340% | 135,341 |
| Total Overlapping Debt | <u>1,880,873,225</u> | | <u>205,441,590</u> |
| City Direct Debt | | | |
| Costa Mesa Public Financing Authority 2006 Revenue Refunding Bonds/ Costa Mesa Community Facilities District No. 91-1 | \$ - | 100% | \$ - |
| City of Costa Mesa General Fund Obligations ⁽¹⁾ | 26,102,279 | 100% | 26,102,279 |
| Loan Payable | 97,478 | 100% | 97,478 |
| Total Direct Debt | <u>26,199,757</u> | | <u>26,199,757</u> |
| Total Direct and Overlapping Debt | | | <u><u>\$ 231,641,347</u></u> |

⁽¹⁾ See Note 8 in Finance Statement for more information about the City's direct debt. The amount included the unamortized Bond Premium \$2,992,279

⁽²⁾ Overlapping governments are those that coincide with the geographic boundaries of the city. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Source: HdL Coren & Cone, Orange County Assessor and Auditor Combined 2021/22 Lien Data Tax Rolls.

TABLE 16

CITY OF COSTA MESA, CALIFORNIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

| Year | Population ⁽²⁾ | Personal Income (thousands of dollars) | Per Capita Personal Income ⁽¹⁾ | Median Age ⁽¹⁾ | School Enrollment ⁽³⁾ | Orange County Unemployment Rate ⁽⁴⁾ |
|------|---------------------------|---|---|------------------------------|-------------------------------------|--|
| 2013 | 111,358 | 3,711,117 | 33,326 | 33 | 21,944 | 6.10% |
| 2014 | 111,846 | 3,650,877 | 32,642 | 34 | 21,683 | 5.20% |
| 2015 | 111,835 | 3,780,694 | 33,806 | 34 | 21,540 | 4.30% |
| 2016 | 114,603 | 3,722,083 | 32,478 | 34 | 21,392 | 4.40% |
| 2017 | 114,044 | 3,794,132 | 33,269 | 34 | 20,801 | 3.80% |
| 2018 | 115,296 | 3,966,839 | 34,406 | 35 | 20,853 | 3.30% |
| 2019 | 115,830 | 4,129,505 | 35,651 | 35 | 20,316 | 3.00% |
| 2020 | 114,778 | 4,417,883 | 38,490 | 35 | 20,008 | 13.60% |
| 2021 | 112,780 | 4,654,963 | 41,274 | 35 | 20,173 | 6.50% |
| 2022 | 111,394 | 5,003,062 | 44,913 | 36 | 17,962 | 5.40% |

Source: (1) - City of Costa Mesa Finance Department / and The HdL Companies
(2) - California State Department of Finance
(3) - Newport-Mesa Unified School District.
(4) - State of California Employment Development Department as of June 30th each year.

TABLE 17

CITY OF COSTA MESA, CALIFORNIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

| <u>Employer</u> | <u>2021-2022</u> | | | <u>2012-2013</u> | | |
|--|------------------|-------------|--|------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| EPL Intermediate, Inc. | 3,998 | 1 | 6.23% | | | |
| Experian Information Solutions, Inc. | 3,700 | 2 | 5.76% | 3,700 | | 5.73% |
| Coast Community College District | 2,900 | 3 | 4.52% | 2,900 | | 4.49% |
| Orange Coast College | 1,900 | 4 | 2.96% | 1,900 | | 2.94% |
| Automobile Club of Southern California | 1,200 | 5 | 1.87% | | | |
| Deloitte & Touche LLP | 700 | 7 | 1.09% | | | |
| Anduril Industries | 650 | 7 | 1.01% | | | |
| Vans | 550 | 8 | 0.86% | | | |
| Sure Haven, Inc. | 550 | 9 | 0.86% | | | |
| Vanguard University | 319 | 10 | 0.50% | | | |

Source: City of Costa Mesa Department of Economic Development, Dunn & Bradstreet, State of California Employment Development Department

TABLE 18

CITY OF COSTA MESA, CALIFORNIA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| Function/Program | Fiscal Years | | | | | | | | | |
|--|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| General Government | | | | | | | | | | |
| Number of residents served via public services programs | 1,500 | 1,000 | 1,500 | 785 | 750 | 700 | 700 | 700 | 700 | 1,042 |
| Accounts payable checks issued | 9,561 | 9,506 | 9,764 | 9,182 | 9,031 | 8,734 | 8,857 | 8,604 | 7,269 | 7,079 |
| Total printshop photocopies produced | 1,554,927 | 1,691,606 | 1,806,965 | 1,619,784 | 1,749,460 | 1,996,486 | 1,699,007 | 1,116,892 | 1,250,000 | 1,250,000 |
| Protection of persons and property | | | | | | | | | | |
| Police protection | | | | | | | | | | |
| Emergency calls | 1,160 | 1,180 | 1,330 | N/A | 1,000 | 1,029 | 882 | 876 | 847 | 1,027 |
| Calls responded to within 5 minutes | 80% | 82% | 77% | N/A | 66% | 72% | 75% | 72% | 76% | 96% |
| Assigned theft cases | 1,900 | 1,000 | 400 | 900 | 1,200 | N/A | N/A | N/A | N/A | 2,171 |
| Percentage of theft cases cleared | 25% | 40% | 40% | 40% | 60% | 74% | 64% | 52% | 31% | 59% |
| Assigned burglary cases | 1,460 | 800 | 350 | 400 | 200 | N/A | N/A | N/A | N/A | 897 |
| Percentage of burglary cases cleared | 25% | 40% | 40% | 40% | 70% | 69% | 64% | 50% | 38% | 54% |
| Case and arrest reports processed | 21,921 | 18,133 | 15,128 | 14,584 | 19,310 | 19,319 | 18,382 | 19,079 | 18,794 | 22,135 |
| Fire protection | | | | | | | | | | |
| Number of calls for service | 10,000 | 11,300 | 11,100 | 12,955 | 12,721 | 12,936 | 10,572 | 10,637 | 10,073 | 11,249 |
| Fire related responses | 200 | 218 | 214 | 238 | 271 | 218 | 261 | 245 | 246 | 222 |
| Emergency medical aid responses | 7,000 | 7,818 | 7,250 | 9,366 | 9,374 | 9,603 | 9,639 | 9,454 | 8,960 | 10,055 |
| Community Programs | | | | | | | | | | |
| Number of program participants at the Downtown Recreation Center | 42,411 | 31,018 | 31,521 | 33,446 | 34,939 | 38,247 | 42,000 | 28,000 | 21,150 | 21,150 |
| Over-the-counter plan checks reviewed within five working days | 338 | 337 | 225 | 240 | 240 | 522 | 630 | 630 | 630 | N/A |
| Inspection requests with 24 hours | 14,345 | 17,460 | 22,560 | 29,100 | 31,040 | 29,585 | 29,100 | 18,966 | 28,012 | 35,000 |
| Complaint response within two working days | 90% | 90% | 90% | 90% | 90% | 90% | 90% | 90% | 90% | 100% |
| Public services | | | | | | | | | | |
| Number of trees trimmed annually | 7,882 | 8,140 | 7,700 | 7,750 | 6,250 | 6,250 | 6,250 | 8,750 | 5,291 | 3,317 |
| Number of catch basins cleaned annually | 1,165 | 1,165 | 1,165 | 1,165 | 1,115 | 1,100 | 1,100 | 1,165 | 1,165 | 1,165 |

Source: City of Costa Mesa Finance Department

TABLE 19

CITY OF COSTA MESA, CALIFORNIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| Function/Program | 2013 (1) | 2014 | 2015 (2) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Government | | | | | | | | | | |
| City council | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 8.0 | 10.5 | 10.5 | 10.5 |
| City Manager's office | 22.00 | 29.75 | 38.41 | 33.30 | 37.59 | 39.74 | 41.60 | 36.48 | 37.00 | 37.88 |
| Financial services | 27.21 | 27.21 | 20.21 | 21.71 | 21.50 | 22.25 | 22.50 | 22.00 | 23.00 | 23.00 |
| Information technology | - | - | 10.50 | 12.50 | 12.94 | 13.16 | 12.16 | 13.70 | 15.50 | 17.50 |
| Administrative services | - | - | - | - | - | - | - | - | - | - |
| Development services | 27.59 | 27.00 | 37.25 | 43.50 | 46.23 | 45.95 | 44.80 | 48.79 | 51.64 | 52.64 |
| Park and community services | - | - | 53.43 | 70.70 | 74.00 | 80.54 | 87.23 | 96.71 | 95.67 | 96.73 |
| Protection of persons and property | | | | | | | | | | |
| Police protection | 235.60 | 237.68 | 236.41 | 232.63 | 234.46 | 235.60 | 233.76 | 235.17 | 235.86 | 236.36 |
| Fire protection | 95.44 | 95.75 | 84.75 | 87.25 | 87.50 | 94.00 | 94.00 | 95.00 | 96.25 | 97.25 |
| Public services | 114.99 | 124.43 | 83.37 | 81.77 | 84.82 | 77.47 | 72.05 | 76.70 | 76.50 | 80.00 |
| | <u>528.83</u> | <u>547.82</u> | <u>570.33</u> | <u>589.36</u> | <u>605.04</u> | <u>614.71</u> | <u>616.10</u> | <u>635.05</u> | <u>641.92</u> | <u>651.86</u> |

(1) City's Administrative Services Department was reorganized. Divisions previously allocated to that department such as Human Resources, Central Services, and Risk Management were combined with the City Manager's Office and the Information Technology Division was combined with the Finance Department. In addition, the Recreation division was combined with Public Service Department.

(2) The Information Technology was separated from the Finance Department.
and Park & Community Services Department was separated from Public Service Department.

Source: City of Costa Mesa Finance Department

TABLE 20

CITY OF COSTA MESA, CALIFORNIA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| Function/Program | Fiscal Years | | | | | | | | | |
|----------------------------|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Police | | | | | | | | | | |
| Stations/substations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire | | | | | | | | | | |
| Fire stations | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Other public works | | | | | | | | | | |
| Streets (lane miles) | 525.0 | 529.0 | 529.0 | 529.0 | 529.0 | 535.6 | 535.6 | 535.6 | 540.0 | 522.0 |
| Streetlights | 6,674 | 6,674 | 6,674 | 6,674 | 6,674 | 6,674 | 6,881 | 6,869 | 6,869 | 6,882 |
| Traffic signals | 123 | 123 | 124 | 124 | 124 | 125 | 126 | 127 | 128 | 131 |
| Parks and recreation | | | | | | | | | | |
| Acres of open space | 1,957 | 1,957 | 1,957 | 1,957 | 1,957 | 1,957 | 1,957 | 2,067 | 2,067 | 2,067 |
| Park sites | 30 | 30 | 31 | 31 | 31 | 31 | 31 | 32 | 32 | 30 |
| Baseball/softball diamonds | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Soccer/football fields | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 6 | 6 | 6 |
| Community centers | 3 | 3 | 4 | 4 | 3 | 3 | 3 | 4 | 4 | 3 |
| Wastewater (miles) | | | | | | | | | | |
| Sanitary sewers | 325.7 | 325.7 | 325.7 | 325.7 | 325.7 | 325.7 | 325.7 | 325.7 | 325.7 | 325.7 |
| Storm sewers | 45.5 | 45.5 | 45.5 | 45.5 | 45.5 | 45.5 | 45.5 | 45.5 | 64.7 | 45.5 |

Source: City of Costa Mesa Finance Department



Davis Farr LLP
 18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
 Main: 949.474.2020 | Fax: 949.263.5520

**Independent Auditor's Report on Internal Control Over Financial Reporting
 and on Compliance and Other Matters Based on an Audit of the Air Quality
 Improvement Special Revenue Fund Performed
 in Accordance with Government Auditing Standards**

The Honorable Mayor and City Council
 City of Costa Mesa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the City of Costa Mesa, California (the City) including the Air Quality Improvement Special Revenue Fund (the Fund) of the City, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the Fund's financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Such provisions include those provisions of laws and regulations identified in Assembly Bill 2766 Chapter 1705 [Health and Safety Code Sections 44220 through 44247] (the Guide).

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Guide in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 30, 2022



Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

The Honorable Mayor and City Council
City of Costa Mesa, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa ("City") as of and for the year ended June 30, 2022, and have issued our report thereon dated December 30, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 11, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated in our letter to you dated May 17, 2022.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

We identified self-review threats to independence as a result of non-attest services provided. Those non-attest services included recording journal entries detected during the audit process and preparing the financial statements. To mitigate the risk, management has compared the draft financial statements and footnotes to the underlying accounting records to verify accuracy and has reviewed a disclosure checklist to ensure footnotes are complete and accurate.

Significant Risks Identified

We have identified the following significant risks:

- Implementation of the new lease accounting standard. We reviewed the City's inventory of leases and selected a sample of lease agreements to test the calculations of the lease transactions. We ensured the City's lease disclosure footnotes were accurate and complete in accordance with the new standard.
- Compliance with Federal Grant Requirements. We reviewed the City's schedule of federal expenses and selected major programs to test for compliance with federal grant requirements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. As described in Notes 6 and 9 to the financial statements, the City changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, Leases, in the fiscal year 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements include:

- Management's estimate of amounts recorded as claims and liabilities is based on management's reliance on a third-party claims administrator. We evaluated the key factors and assumptions used to develop the amounts by the third-party claims administrator and determined that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of transactions related to net pension and OPEB liabilities based on actuarial information. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the financial statements taken as a whole.

We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of investment fair value in note 2 to the financial statements

- The disclosure of pensions in note 11 to the financial statements
- The disclosure of OPEB in note 14 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no unusual transactions noted as a result of our audit procedures.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. Management has determined that the effects of the following uncorrected adjustment is immaterial, both individually and in the aggregate, to the financial statements as a whole: 1) an entry to reduce a loan receivable for the Housing Authority and 2) an entry to increase general liability claims payable.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were material entries recorded to 1) capitalize construction in progress for completed projects, 2) to record unavailable revenue for receivables not received within the availability period for the Housing Authority, 3) to reduce claims liability due to excess of self-insurance retention amounts, and 4) to segregate revenue and expenditures for fiduciary funds.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management in a letter dated December 30, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information Included in the Annual Comprehensive Financial Report

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual report, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 30, 2022



Davis Farr LLP
 18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
 Main: 949.474.2020 | Fax: 949.263.5520

INDEPENDENT ACCOUNTANT'S REPORT

The Honorable Mayor and City Council
 City of Costa Mesa, California

We have performed the procedures enumerated below on the City of Costa Mesa, California (City) appropriations limit worksheets for compliance with the requirements of Section 1.5 of Article XIII B of the California Constitution for the year ended June 30, 2022. The City is responsible for compliance with Section 1.5 of Article XIII B of the California Constitution.

The City has agreed to and acknowledged that these procedures are appropriate to meet the intended purpose of evaluating compliance with the requirements of Section 1.5 of Article XIII B of the California Constitution and the League of California Cities publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines* for the year ended June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. We obtained the worksheets referred to above and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote.

Results: No exceptions were noted as a result of our procedures.

2. We recalculated the mathematical computations reflected in the City's worksheets.

Results: No exceptions were noted as a result of our procedures.

3. We compared the current year information used to determine the current year limit and agreed it to worksheets prepared by the City and to information provided by the State Department of Finance.

Results: No exceptions were noted as a result of our procedures.

4. We compared the amount of the prior year appropriations limit presented in the worksheets to the amount adopted by the City Council for the prior year.

Results: No exceptions were noted as a result of our procedures.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the worksheets referred to above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Management of the City of Costa Mesa, California and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 30, 2022

**COSTA MESA PUBLIC
FINANCING AUTHORITY**

**(A Component Unit of the
City of Costa Mesa)**

Financial Statements

Year Ended June 30, 2022

COSTA MESA PUBLIC FINANCING AUTHORITY

Table of Contents

Year Ended June 30, 2022

| | <u>Page Number</u> |
|--|------------------------|
| Independent Auditor's Report | 1 - 3 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 4 |
| Statement of Activities | 5 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 6 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 7 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 8 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 9 |
| Notes to the Basic Financial Statements | 10 - 15 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 16 - 17 |

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Costa Mesa Public Financing Authority
Costa Mesa, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Costa Mesa Public Financing Authority (the Authority), a component unit of the City of Costa Mesa, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As described more fully in Note 1A, the basic component unit financial statements present only the Authority and are not intended to present fairly the financial position and results of operations of the City of Costa Mesa, California in accordance with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Report on Summarized Comparative Information

We have previously audited the Authority's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Davis Fan" followed by a stylized flourish.

Irvine, California
December 30, 2022

COSTA MESA PUBLIC FINANCING AUTHORITY**Statement of Net Position****June 30, 2022****(With comparative totals for June 30, 2021)**

| | Governmental Activities | |
|--|-------------------------|------------|
| | 2022 | 2021 |
| ASSETS: | | |
| Cash and investments with fiscal agent | \$ - | \$ 563,400 |
| TOTAL ASSETS | - | 563,400 |
| LIABILITIES: | | |
| Interest payable | - | 4,463 |
| Noncurrent liabilities: | | |
| Due within one year | - | 210,000 |
| TOTAL LIABILITIES | - | 214,463 |
| NET POSITION: | | |
| Restricted for debt service | - | 348,937 |
| TOTAL NET POSITION | \$ - | \$ 348,937 |

See accompanying notes to financial statements.

COSTA MESA PUBLIC FINANCING AUTHORITY

Statement of Activities

June 30, 2022

(With comparative totals for the year ended June 30, 2021)

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues | |
|--------------------------------------|-------------------|----------------------------|--|--|-------------------------|-------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | 2022 | 2021 |
| Governmental Activities: | | | | | | |
| Interest on | | | | | | |
| Long-term debt | \$ 892 | \$ - | \$ - | \$ - | \$ (892) | \$ (11,560) |
| Transfer to City of Costa Mesa | 348,051 | - | - | - | (348,051) | (5,162) |
| Total governmental activities | <u>\$ 348,943</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(348,943)</u> | <u>(16,722)</u> |
| General revenues: | | | | | | |
| Investment income | | | | | 6 | 18,700 |
| Total general revenues | | | | | 6 | 18,700 |
| Changes in net position | | | | | (348,937) | 1,978 |
| NET POSITION AT BEGINNING OF YEAR | | | | | 348,937 | 346,959 |
| NET POSITION AT END OF YEAR | | | | | <u>\$ -</u> | <u>\$ 348,937</u> |

See accompanying notes to financial statements.

COSTA MESA PUBLIC FINANCING AUTHORITY

Balance Sheet

Governmental Funds

June 30, 2022
(With comparative totals for June 30, 2021)

| | Total Governmental Funds | |
|--|-----------------------------|-------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Cash and investments with fiscal agent | \$ - | \$ 563,400 |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 563,400</u> |
| FUND BALANCES | | |
| Restricted for debt service | \$ - | \$ 563,400 |
| TOTAL FUND BALANCES | <u>\$ -</u> | <u>\$ 563,400</u> |

See accompanying notes to financial statements.

COSTA MESA PUBLIC FINANCING AUTHORITY

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position**

June 30, 2022

| | | |
|--|----|-------------|
| Fund balances for governmental funds | \$ | - |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. | | |
| Revenue bonds | | - |
| Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. | | |
| Interest payable - revenue bonds | | - |
| | | <hr/> |
| Net position of governmental activities | \$ | - |
| | | <hr/> <hr/> |

See accompanying notes to financial statements.

COSTA MESA PUBLIC FINANCING AUTHORITY**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds****Year Ended June 30, 2022
(With comparative totals for the year ended June 30, 2021)**

| | Total Governmental Funds | |
|--|-----------------------------|------------|
| | 2022 | 2021 |
| REVENUES | | |
| Interest from bonds | \$ - | \$ 18,675 |
| Other interest | 6 | 25 |
| TOTAL REVENUES | 6 | 18,700 |
| EXPENDITURES | | |
| Debt service: | | |
| Principal | 210,000 | 200,000 |
| Interest | 5,355 | 15,810 |
| TOTAL EXPENDITURES | 215,355 | 215,810 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (215,349) | (197,110) |
| OTHER FINANCING SOURCES (USES) | | |
| Transfer to City of Costa Mesa | (348,051) | (5,162) |
| TOTAL OTHER FINANCING SOURCES (USES) | (348,051) | (5,162) |
| NET CHANGE IN FUND BALANCE | (563,400) | (202,272) |
| FUND BALANCES AT BEGINNING OF YEAR | 563,400 | 765,672 |
| FUND BALANCES AT END OF YEAR | \$ - | \$ 563,400 |

See accompanying notes to financial statements.

COSTA MESA PUBLIC FINANCING AUTHORITY

**Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities**

Year ended June 30, 2022

| | |
|--|----------------------------|
| Net change in fund balances - total governmental funds | \$ (563,400) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Repayment of long-term principal is an expenditure in the governmental funds and, thus, has the effect of reducing the fund balances because current financial resources have been used. For the Authority as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities. | |
| Debt service principal - revenue bonds | 210,000 |
| The Statement of Net Position includes accrued interest on long-term debt. The net change in accrued interest for the current period is reported on the Statement of Activities. | <u>4,463</u> |
| Change in net position of governmental activities | <u><u>\$ (348,937)</u></u> |

See accompanying notes to financial statements.

COSTA MESA PUBLIC FINANCING AUTHORITY

Notes to the Basic Financial Statements

Year Ended June 30, 2022

1. Reporting Entity and Summary of Significant Accounting Policies:

A. Description of the Reporting Entity:

The Costa Mesa Public Financing Authority (the Authority) was created by a joint powers agreement between the City of Costa Mesa (the City) and the former Costa Mesa Redevelopment Agency (the Agency), dated August 20, 1990. It was created pursuant to Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California in accordance with the provisions of the Mello-Roos Local Bond Pooling Act of 1985. The Authority was created for the purpose of providing financing for capital improvements, acquisition of capital improvements, and the purchase of local obligations. Article 4 authorizes the Authority to borrow money for the purpose of financing the acquisition of capital improvements and to lease capital improvements to the City.

The Authority is an integral part of the reporting entity of the City. The financial activity of the Authority has been included within the scope of the basic financial statements of the City because the City Council of the City of Costa Mesa is the governing board over the operations of the Authority. Only the financial activity of the Authority is included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City.

B. Basis of Accounting and Measurement Focus:

The *basic financial statements* of the Authority are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The Authority has no business-type activities or discretely presented component units.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. *Measurement focus* indicates the type of resources being measured. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 33.

COSTA MESA PUBLIC FINANCING AUTHORITY

Notes to the Basic Financial Statements

Year Ended June 30, 2022

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

When both restricted and unrestricted resources are combined, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Fund Financial Statements

The underlying accounting system of the Authority is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds primarily represent assets held by the Authority in a custodial capacity for other individuals or organizations. The Authority has no fiduciary funds.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as fund balances. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Authority uses a sixty-day availability period. Unavailable revenues are reported as deferred inflows of resources in the governmental funds.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided).

COSTA MESA PUBLIC FINANCING AUTHORITY

Notes to the Basic Financial Statements

Year Ended June 30, 2022

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first.

Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, current liabilities and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent available fund balance. Recognition of governmental fund type revenues represented by noncurrent receivables are reported as unavailable revenues. Noncurrent portions of other long-term receivables are offset by deferred inflows of resources - unavailable revenue.

Because of the spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing sources* rather than as fund liabilities. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

C. Activities in Major Fund:

The following debt service fund is presented as a major fund in the accompanying basic financial statements:

Revenue Refunding Bonds 2006 Series A Fund - To account for the accumulation of resources for the payment of debt service for bond principal and interest relating to the 2006 Series A Revenue Refunding Bonds.

COSTA MESA PUBLIC FINANCING AUTHORITY

Notes to the Basic Financial Statements

Year Ended June 30, 2022

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

D. Cash and Investments:

Investments are reported in the financial statements at fair value. The Authority does not have any applicable cash and investments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

E. Net Position:

Net position of the Authority is restricted. This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

F. Deferred Outflow/Inflows of Resources:

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that. The Authority does not have any applicable deferred outflows of resources.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any applicable deferred inflows of resources.

G. Budgetary Reporting:

Formal budgetary integration is not employed for the Authority because effective control is alternatively achieved through the debt indenture provisions.

H. Fund Equity:

The fund balances are reported in the fund statements in the following classification:

COSTA MESA PUBLIC FINANCING AUTHORITY

Notes to the Basic Financial Statements

Year Ended June 30, 2022

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

Restricted Fund Balance - this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Board action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

I. Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Fair Value Measurements:

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the Authority's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Authority's own data.

COSTA MESA PUBLIC FINANCING AUTHORITY

Notes to the Basic Financial Statements

Year Ended June 30, 2022

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

K. Prior Year Data:

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's prior year financial statements, from which this selected financial data was derived.

2. Long Term Liabilities:

The following is a summary of changes in long-term liabilities of the Authority for the year ended June 30, 2022:

| | Balance <u>July 1, 2021</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2022</u> | Due Within <u>One Year</u> | Due in More Than <u>One Year</u> |
|-----------------|--------------------------------|------------------|---------------------|---------------------------------|-------------------------------|--|
| Series 2006A | | | | | | |
| Refunding Bonds | <u>\$ 210,000</u> | <u>\$ -</u> | <u>\$ (210,000)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Series 2006A Revenue Refunding Bonds:

On June 1, 2006, the Authority issued \$2,365,000 of Revenue Refunding Bonds, Series 2006A, that were to advance refund the outstanding amount of 1991 Lease Revenue Bonds issued on November 1, 1991. The bonds were issued to provide monies to enable the Authority to acquire the City of Costa Mesa Community Facilities District 91-1 (Plaza Tower Public Improvements). The \$2,365,000 Revenue Refunding Bonds consist of \$1,955,000 of serial bonds and \$410,000 of term bonds. The serial bonds mature from August 1, 2007 through August 1, 2019 in annual installments ranging from \$120,000 to \$190,000. The term bonds mature from August 1, 2020 through August 1, 2021 in annual installments ranging from \$200,000 to \$210,000. Interest is payable semi-annually on February 1 and August 1 of each year, commencing on February 1, 2007 at rates ranging from 3.85% to 5.10%.

The City has no principal balance outstanding at June 30, 2022.

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
Costa Mesa Public Financing Authority
Costa Mesa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, financial statements of the governmental activities and the major fund of the Costa Mesa Public Financing Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise of the Authority's basic financial statements, and have issued our report thereon dated December 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Davis Fan".

Irvine, California
December 30, 2022

**COSTA MESA
FINANCING AUTHORITY
(A Component Unit of the
City of Costa Mesa)
Financial Statements
Year Ended June 30, 2022**

COSTA MESA FINANCING AUTHORITY

Table of Contents

Year Ended June 30, 2022

| | <u>Page Number</u> |
|--|------------------------|
| Independent Auditor's Report | 1 - 3 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 4 |
| Statement of Activities | 5 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Fund | 6 |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | 7 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund | 8 |
| Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 9 |
| Notes to the Basic Financial Statements | 10 - 17 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 18 - 19 |

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Costa Mesa Financing Authority
Costa Mesa, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and the major fund of the Costa Mesa Financing Authority (the Authority), a component unit of the City of Costa Mesa, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As described more fully in Note 1A, the basic component unit financial statements present only the Authority and are not intended to present fairly the financial position and results of operations of the City of Costa Mesa, California in accordance with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Report on Summarized Comparative Information

We have previously audited the Authority's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Davis Fan" followed by a stylized flourish.

Irvine, California
December 30, 2022

COSTA MESA FINANCING AUTHORITY**Statement of Net Position**

June 30, 2022
(With comparative totals for June 30, 2021)

| | Governmental Activities | |
|---|-------------------------|----------------|
| | 2022 | 2021 |
| ASSETS: | | |
| Cash and investments with fiscal agent (Note 2) | \$ 4 | \$ 1 |
| Lease interest receivable | 254,763 | 276,512 |
| Leases receivable (Note 3) | 23,110,000 | 24,850,000 |
| | | |
| TOTAL ASSETS | 23,364,767 | 25,126,513 |
| | | |
| LIABILITIES: | | |
| Interest payable | 254,763 | 276,512 |
| Noncurrent liabilities: | | |
| Due within one year (Note 3) | 1,977,767 | 1,887,767 |
| Due in more than one year (Note 3) | 24,124,512 | 26,102,279 |
| | | |
| TOTAL LIABILITIES | 26,357,042 | 28,266,558 |
| | | |
| NET POSITION: | | |
| Restricted for debt service | 4 | 1 |
| Unrestricted | (2,992,279) | (3,140,046) |
| | | |
| TOTAL NET POSITION | \$ (2,992,275) | \$ (3,140,045) |

See accompanying notes to financial statements.

COSTA MESA FINANCING AUTHORITY

Statement of Activities

**Year Ended June 30, 2022
(With comparative totals for the year ended June 30, 2021)**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues | |
|-----------------------------------|-------------------|----------------------------|--|--|-------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | 2022 | 2021 |
| Governmental Activities: | | | | | | |
| Interest on Long-term debt | \$ 914,783 | - | - | - | \$ (914,783) | (991,783) |
| Total governmental activities | <u>\$ 914,783</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(914,783)</u> | <u>(991,783)</u> |
| General revenues: | | | | | | |
| Investment income | | | | | <u>1,062,553</u> | <u>1,139,508</u> |
| Total general revenues | | | | | <u>1,062,553</u> | <u>1,139,508</u> |
| Changes in net position | | | | | 147,770 | 147,725 |
| NET POSITION AT BEGINNING OF YEAR | | | | | <u>(3,140,045)</u> | <u>(3,287,770)</u> |
| NET POSITION AT END OF YEAR | | | | | <u>\$ (2,992,275)</u> | <u>(3,140,045)</u> |

See accompanying notes to financial statements.

COSTA MESA FINANCING AUTHORITY

**Balance Sheet
Governmental Fund**

**June 30, 2022
(With comparative totals for June 30, 2021)**

| | Total Government Fund | |
|---|--------------------------|----------------------|
| | 2022 | 2021 |
| ASSETS: | | |
| Cash and investments with fiscal agent | \$ 4 | \$ 1 |
| Leases receivable | 23,110,000 | 24,850,000 |
| TOTAL ASSETS | <u>\$ 23,110,004</u> | <u>\$ 24,850,001</u> |
| DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE: | | |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Unavailable lease revenue | <u>\$ 23,110,000</u> | <u>\$ 24,850,000</u> |
| TOTAL DEFERRED INFLOW OF RESOURCES | <u>23,110,000</u> | <u>24,850,000</u> |
| FUND BALANCE: | | |
| Restricted for debt service | <u>4</u> | <u>1</u> |
| TOTAL FUND BALANCE | <u>4</u> | <u>1</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 23,110,004</u> | <u>\$ 24,850,001</u> |

See accompanying notes to financial statements.

COSTA MESA FINANCING AUTHORITY

**Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position**

June 30, 2022

| | | |
|--|----|---------------------------|
| Fund balances for governmental fund | \$ | 4 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Accrued interest receivable for the current portion of interest due on lease payments has not been reported in the governmental funds. | | |
| Interest receivable | | 254,763 |
| Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. | | |
| Revenue bonds | | (23,110,000) |
| Premium on bonds | | (2,992,279) |
| Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. | | |
| Interest payable - revenue bonds | | (254,763) |
| Revenues relating to leases receivable are measurable but not available and, accordingly, are recorded as unavailable revenue in the governmental funds under the modified accrual basis of accounting. | | |
| | | <u>23,110,000</u> |
| Net position of governmental activities | \$ | <u><u>(2,992,275)</u></u> |

See accompanying notes to financial statements.

COSTA MESA FINANCING AUTHORITY

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund**

**Year Ended June 30, 2022
(With comparative totals for the year ended June 30, 2021)**

| | Total Governmental Fund | |
|--|----------------------------|-----------|
| | 2022 | 2021 |
| REVENUES: | | |
| Other interest | \$ 4 | \$ 7 |
| Lease payments | 2,802,549 | 2,814,501 |
| TOTAL REVENUES | 2,802,553 | 2,814,508 |
| EXPENDITURES: | | |
| Debt service: | | |
| Principal | 1,740,000 | 1,675,000 |
| Interest | 1,062,550 | 1,139,550 |
| TOTAL EXPENDITURES | 2,802,550 | 2,814,550 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 3 | (42) |
| NET CHANGE IN FUND BALANCE | 3 | (42) |
| FUND BALANCE AT BEGINNING OF YEAR | 1 | 43 |
| FUND BALANCE AT END OF YEAR | \$ 4 | \$ 1 |

See accompanying notes to financial statements.

COSTA MESA FINANCING AUTHORITY

**Reconciliation of the Governmental Fund Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities**

Year Ended June 30, 2022

| | | |
|---|----|--------------------|
| Net change in fund balances - total governmental fund | \$ | 3 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| The Statement of Net Position includes accrued interest on leases receivable. The net change in accrued interest for the current period is reported on the Statement of Activities. | | |
| | | 254,763 |
| Repayment of long-term principal is an expenditures in the governmental and, thus, has the effect of reducing the fund balances because current funds resources have been used. For the Authority as a whole, however, the principal financial payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities. | | |
| Debt service principal | | 1,740,000 |
| Amortization of bond premium | | 147,767 |
| The Statement of Net Position includes accrued interest on long-term debt. The net change in accrued interest for the current period is reported on the Statement of Activities. | | |
| | | (254,763) |
| Revenues relating to leases receivable that do not meet the "availability" criteria for revenue recognition and therefore are not reported as revenue in the funds. | | |
| | | <u>(1,740,000)</u> |
| Change in net position of governmental activities | \$ | <u>147,770</u> |

See accompanying notes to financial statements.

COSTA MESA FINANCING AUTHORITY
Notes to the Basic Financial Statements
Year Ended June 30, 2022

1. Reporting Entity and Summary of Significant Accounting Policies

A. Description of the Reporting Entity:

The Costa Mesa Financing Authority (the Authority) was created by a joint powers agreement between the City of Costa Mesa (the City) and the Costa Mesa Housing Authority (the Housing Authority), dated August 1, 2017. It was created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title of the Government Code of the State of California (the "JPA Act").

The Authority is an integral part of the reporting entity of the City. The financial activity of the Authority has been included within the scope of the basic financial statements of the City because the City Council of the City of Costa Mesa is the governing board over the operations of the Authority. Only the financial activity of the Authority is included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City.

B. Basis of Accounting and Measurement Focus:

The *basic financial statements* of the Authority are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The Authority has no business-type activities or discretely presented component units.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. *Measurement focus* indicates the type of resources being measured. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

COSTA MESA FINANCING AUTHORITY
Notes to the Basic Financial Statements
(Continued)

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

When both restricted and unrestricted resources are combined, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Fund Financial Statements

The underlying accounting system of the Authority is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds primarily represent assets held by the Authority in a custodial capacity for other individuals or organizations. The Authority has no fiduciary funds.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as fund balances. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Authority uses a sixty-day availability period. Unavailable revenues are reported as deferred inflows of resources in the governmental funds.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

COSTA MESA FINANCING AUTHORITY
Notes to the Basic Financial Statements
(Continued)

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, current liabilities and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent available fund balance. Recognition of governmental fund type revenues represented by noncurrent receivables are reported as unavailable revenues. Noncurrent portions of other long-term receivables are offset by deferred inflows of resources - unavailable revenue.

Because of the spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing sources* rather than as fund liabilities. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

C. Activities in Major Fund:

The following debt service fund is presented as a major fund in the accompanying basic financial statements:

2017 Lease Revenue Bonds Fund - To account for the accumulation of resources for the payments of debt service for lease revenue bond principal and interest relating to the 2017 Lease Revenue Bonds.

D. Cash and Investments:

Investments are reported in the accompanying financial statements at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

COSTA MESA FINANCING AUTHORITY
Notes to the Basic Financial Statements
(Continued)

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

E. Net Position:

Restricted net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the remaining balance of net position.

F. Deferred Outflow/Inflows of Resources:

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that. The Authority does not have any applicable deferred outflows of resources.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority reports unavailable lease revenue as deferred inflows of resources in the governmental funds.

G. Budgetary Reporting:

Formal budgetary integration is not employed for the Authority because effective control is alternatively achieved through the debt indenture provisions.

H. Fund Equity:

The fund balances are reported in the fund statements in the following classification:

Restricted Fund Balance - this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Board action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

I. Long Term Obligations:

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as prepaid insurance costs related to bond issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

COSTA MESA FINANCING AUTHORITY
Notes to the Basic Financial Statements
(Continued)

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

J. Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Fair Value Measurements:

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the Authority's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Authority's own data.

L. Prior Year Data:

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's prior year financial statements, from which this selected financial data was derived.

COSTA MESA FINANCING AUTHORITY
Notes to the Basic Financial Statements
(Continued)

2. Cash and Investments:

Cash and investments at June 30, 2022 are classified in the accompanying Statement of Net Position as follows:

Cash and investments with fiscal agent \$ 4

Cash and investments held at June 30, 2022 consisted of the following:

Investments:
 Money market mutual funds \$ 4

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government code or the City's investment policy. The table on the following page identifies the investment types that are generally authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

| <u>Authorized Investments</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Allowed</u> | <u>Maximum Investment in One Issuer</u> |
|------------------------------------|-----------------------------|---|---|
| United States Treasury Securities | None | None | None |
| Federal Agency Securities | 1 year | None | None |
| Banker's Acceptances | 30 days | None | None |
| Commercial Paper | 270 days | None | None |
| Money Market Mutual Funds | None | None | None |
| Investment Agreements | None | None | None |
| Interest-Bearing Time Deposits | 30 days | None | None |
| Repurchase Agreements | 270 days | None | None |
| Local Agency Investment Fund | None | None | None |
| State Obligations | None | None | None |
| Pre-refunded Municipal Obligations | None | None | None |

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

COSTA MESA FINANCING AUTHORITY
Notes to the Basic Financial Statements
(Continued)

2. Cash and Investments (Continued):

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

| Investment Type | Remaining Maturity (in Months) | | Total |
|---------------------------|--------------------------------|----------------------|-------|
| | 12 Months or Less | 13 Months or More | |
| Money market mutual funds | \$ 4 | \$ - | \$ 4 |

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the Standard & Poor's actual rating as of year end for each investment type:

| Investment Type | Minimum Legal Rating | Rating | |
|---------------------------|-------------------------|--------|------|
| | | Total | AAA |
| Money market mutual funds | AAA | \$ 4 | \$ 4 |

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in anyone issuer beyond that stipulated by the California Government Code. No investments in anyone issuer (other than mutual funds and external investment pools) represent 5% or more of total investments by reporting unit (governmental activities or major fund).

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

COSTA MESA FINANCING AUTHORITY

Notes to the Basic Financial Statements

(Continued)

3. Long-Term Liabilities:

The following is a summary of changes in long-term liabilities of the Authority for the year ended June 30, 2022:

| | Balance at July 1, 2021 | Additions | Reductions | Balance at June 30, 2022 | Amount Due Within One Year | Amount Due Beyond One Year |
|--------------------------|----------------------------|-------------|-----------------------|-----------------------------|----------------------------------|----------------------------------|
| 2017 Lease Revenue Bonds | \$ 24,850,000 | \$ - | \$ (1,740,000) | \$ 23,110,000 | \$ 1,830,000 | \$ 21,280,000 |
| 2017 Bond Premium | 3,140,046 | - | (147,767) | 2,992,279 | 147,767 | 2,844,512 |
| Total | <u>\$ 27,990,046</u> | <u>\$ -</u> | <u>\$ (1,887,767)</u> | <u>\$ 26,102,279</u> | <u>\$ 1,977,767</u> | <u>\$ 24,124,512</u> |

2017 Lease Revenue Bonds:

On October 1, 2017, the Authority issued \$29,735,000 in 2017 Lease Revenue Bonds to finance certain capital improvements of the City of Costa Mesa and to advance refund \$16,765,000 of outstanding Costa Mesa Public Financing Authority 2007 Certificates of Participation (2007 Certificates). The bond issue also included a bond premium of \$3,694,172. The bonds mature from October 1, 2018 through October 1, 2042 in annual installments ranging from \$570,000 to \$2,220,000. Interest is payable semi-annually on April 1 and October 1 of each year, commencing on April 1, 2018 at a rate ranging from 2.0% to 5.0%. As of June 30, 2022, the principal outstanding is \$23,110,000 and the unamortized bond premium balance is \$2,992,279.

The lease agreement requires the City to make lease payments to the Authority on each April 1 and October 1 preceding the debt service payment date, commencing April 1, 2018. Lease payments are paid by the City directly to the Trustee.

The Authority's source of payment on the certificates will be from lease payments received from its lease with the City. This lease receivable has been recorded on the balance sheet of the related debt service fund. Unavailable revenue has been recorded in an equal amount in the fund financial statements because this lease revenue, although measurable, is not considered available to finance expenditures of the fiscal year reported upon. Lease revenues are pledged toward payment of these bonds. The amount of anticipated future lease payments is equal to the amount of future principal and interest installments due on the debt.

Future debt requirements for the 2017 Lease Revenue Bonds are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 1,830,000 | \$ 973,300 | \$ 2,803,300 |
| 2024 | 1,920,000 | 879,550 | 2,799,550 |
| 2025 | 2,015,000 | 781,175 | 2,796,175 |
| 2026 | 2,115,000 | 677,925 | 2,792,925 |
| 2027 | 2,220,000 | 569,550 | 2,789,550 |
| 2028-2032 | 3,160,000 | 2,191,000 | 5,351,000 |
| 2033-2037 | 4,015,000 | 1,329,881 | 5,344,881 |
| 2038-2042 | 4,785,000 | 568,593 | 5,353,593 |
| 2043 | 1,050,000 | 17,063 | 1,067,063 |
| Total | <u>\$ 23,110,000</u> | <u>\$ 7,988,037</u> | <u>\$ 31,098,037</u> |

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
Costa Mesa Financing Authority
Costa Mesa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, financial statements of the governmental activities and the major fund of the Costa Mesa Financing Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise of the Authority's basic financial statements, and have issued our report thereon dated December 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 30, 2022

**COSTA MESA HOUSING
AUTHORITY**

**(A Component Unit of the
City of Costa Mesa)**

Financial Statements

Year ended June 30, 2022

COSTA MESA HOUSING AUTHORITY

Table of Contents

Year ended June 30, 2022

| | <u>Page Number</u> |
|---|------------------------|
| Independent Auditor's Report | 1 - 3 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 4 |
| Statement of Activities | 5 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Fund | 6 |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | 7 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund | 8 |
| Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities | 9 |
| Notes to Basic Financial Statements | 10 - 28 |
| Required Supplementary Information: | |
| Schedule of Proportionate Share of the Net Pension Liability and Related Ratios | 29 - 30 |
| Schedule of Pension Plan Contributions | 31 - 32 |
| Schedule of Proportionate Share of OPEB Liability and Related Ratios | 33 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 34 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 35 - 36 |

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Costa Mesa Housing Authority
Costa Mesa, California

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Costa Mesa Housing Authority (Authority), a component unit of the City of Costa Mesa, California, as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described more fully in Note 1A, the basic financial statements present only the Authority and are not intended to present fairly the financial position and results of operations of the City of Costa Mesa, California, in conformity with accounting principles generally accepted in the United States of America. Additionally, during the year ended June 30, 2022, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 87 Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability and related ratios, the schedule of pension plan contributions, the schedule of proportionate share of the Other Post Employment Benefit liability and related ratios, and the schedule of revenues, expenditures and changes in fund balance - budget and actual, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Report on Summarized Comparative Information

We have previously audited the Authority's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 30, 2022

Costa Mesa Housing Authority
Statement of Net Position
June 30, 2022
(With comparative totals for June 30, 2021)

| | Governmental Activities | |
|---|-------------------------|---------------------|
| | 2022 | 2021 |
| ASSETS: | | |
| Cash and investments (Note 2) | \$ 3,448,364 | \$ 3,389,539 |
| Cash and investments with fiscal agent (Note 2) | 22,800 | 23,652 |
| Due from other governments | 546,140 | 513,081 |
| Rent receivable | 58,422 | 17,297 |
| Interest receivable | 6,096 | 4,940 |
| Loans receivable, net of allowance (Note 3) | 608,294 | 650,674 |
| Lease receivable (Note 6) | 1,512,830 | - |
| Capital assets (Note 4): | | |
| Not depreciated | 2,063,865 | 2,063,865 |
| Being depreciated, net | 2,307,060 | 2,471,850 |
| TOTAL ASSETS | 10,573,871 | 9,134,898 |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Pension related (Note 7) | 265,290 | 321,582 |
| OPEB related (Note 8) | 138,680 | 131,732 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 403,970 | 453,314 |
| LIABILITIES: | | |
| Accounts payable | 777,638 | 839,142 |
| Accrued liabilities | 21,895 | 18,264 |
| Deposits | 22,215 | 26,592 |
| Net pension liability (Note 7) | 1,690,541 | 2,699,607 |
| OPEB liability (Note 8) | 690,181 | 718,412 |
| TOTAL LIABILITIES | 3,202,470 | 4,302,017 |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Lease related (Note 6) | 1,506,105 | - |
| Pension related (Note 7) | 554,476 | 4,941 |
| OPEB related (Note 8) | 32,591 | 31,272 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,093,172 | 36,213 |
| NET POSITION: | | |
| Investment in capital assets | 4,370,925 | 4,535,715 |
| Restricted for community programs | 1,311,274 | 714,267 |
| TOTAL NET POSITION | \$ 5,682,199 | \$ 5,249,982 |

See accompanying notes to financial statements.

Costa Mesa Housing Authority
Statement of Activities
Year ended June 30, 2022
(With comparative totals for the year ended June 30, 2021)

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position Governmental Activities | |
|---------------------------------------|---------------------|-------------------------|--|--|---|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | 2022 | 2021 |
| Governmental Activities: | | | | | | |
| Community programs | \$ 3,691,441 | \$ 338,732 | \$ 1,761,899 | \$ - | \$ (1,590,810) | \$ (2,754,534) |
| Total governmental activities | <u>\$ 3,691,441</u> | <u>\$ 338,732</u> | <u>\$ 1,761,899</u> | <u>\$ -</u> | <u>(1,590,810)</u> | <u>(2,754,534)</u> |
| General revenues: | | | | | | |
| Repayment of Successor Agency advance | | | | | 349,917 | 381,141 |
| Investment income (loss) | | | | | (68,124) | (2,497) |
| Other income | | | | | 27,406 | 41,466 |
| Transfer from the City of Costa Mesa | | | | | <u>1,713,828</u> | <u>1,790,836</u> |
| Total general revenues and transfers | | | | | <u>2,023,027</u> | <u>2,210,946</u> |
| CHANGE IN NET POSITION | | | | | 432,217 | (543,588) |
| NET POSITION AT BEGINNING OF YEAR | | | | | <u>5,249,982</u> | <u>5,793,570</u> |
| NET POSITION AT END OF YEAR | | | | | <u>\$ 5,682,199</u> | <u>\$ 5,249,982</u> |

See accompanying notes to financial statements.

Costa Mesa Housing Authority
Balance Sheet
Governmental Fund
June 30, 2022
(with comparative totals for June 30, 2021)

| | <u>2022</u> | <u>2021</u> |
|---|--------------------------------|--------------------------------|
| ASSETS: | | |
| Cash and investments | \$ 3,448,364 | \$ 3,389,539 |
| Cash and investments with fiscal agent | 22,800 | 23,652 |
| Due from other governments | 546,140 | 513,081 |
| Rent receivable | 58,422 | 17,297 |
| Interest receivable | 6,096 | 4,940 |
| Loans receivable, net of allowance | 608,294 | 650,674 |
| Lease receivable | <u>1,512,830</u> | <u>-</u> |
| TOTAL ASSETS | <u><u>\$ 6,202,946</u></u> | <u><u>\$ 4,599,183</u></u> |
| LIABILITIES: | | |
| Accounts payable | \$ 777,638 | \$ 839,142 |
| Accrued liabilities | 21,895 | 18,264 |
| Deposits payable | <u>22,215</u> | <u>26,592</u> |
| TOTAL LIABILITIES | <u><u>821,748</u></u> | <u><u>883,998</u></u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Lease related | 1,506,105 | |
| Unavailable revenue | <u>251,833</u> | <u>-</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u><u>1,757,938</u></u> | <u><u>-</u></u> |
| FUND BALANCE: | | |
| Restricted for community programs | <u>3,623,260</u> | <u>3,715,185</u> |
| TOTAL FUND BALANCE | <u><u>3,623,260</u></u> | <u><u>3,715,185</u></u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 6,202,946</u></u> | <u><u>\$ 4,599,183</u></u> |

See accompanying notes to financial statements.

Costa Mesa Housing Authority
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

| | |
|--|--------------|
| Fund balance - total governmental fund | \$ 3,623,260 |
|--|--------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Related Items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the Authority as whole:

| | |
|--------------------------|-----------|
| Capital assets | 5,359,665 |
| Accumulated depreciation | (988,740) |

Deferred Inflows of Resources

Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.

251,833

Pension and OPEB Related Transactions

Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Also, deferred outflows of resources and deferred inflows of resources related to the long term liabilities do not provide current financial resources and are therefore not presented in the governmental funds:

| | |
|--|-------------|
| Deferred outflows of resources related to pensions | 265,290 |
| Deferred outflows of resources related to OPEB | 138,680 |
| Deferred inflows of resources related to pensions | (554,476) |
| Deferred inflows of resources related to OPEB | (32,591) |
| CalPERS pension liability | (1,690,541) |
| OPEB liability | (690,181) |

| | |
|---|----------------------------|
| Net position of governmental activities | <u><u>\$ 5,682,199</u></u> |
|---|----------------------------|

See accompanying notes to financial statements.

Costa Mesa Housing Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year ended June 30, 2022
(with comparative totals for June 30, 2021)

| | 2022 | 2021 |
|--|---------------------|---------------------|
| REVENUES: | | |
| Rental income | \$ 338,732 | \$ 396,753 |
| Repayment of Successor Agency advance | 349,917 | 381,141 |
| Intergovernmental | 1,510,066 | 1,041,662 |
| Investment income (loss) | (68,124) | (2,497) |
| Miscellaneous | 27,406 | 41,466 |
| | <u>2,157,997</u> | <u>1,858,525</u> |
| TOTAL REVENUES | | |
| EXPENDITURES: | | |
| Current: | | |
| Community programs | 3,963,750 | 3,574,792 |
| | <u>3,963,750</u> | <u>3,574,792</u> |
| TOTAL EXPENDITURES | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,805,753)</u> | <u>(1,716,267)</u> |
| OTHER FINANCING SOURCES: | | |
| Transfer from the City of Costa Mesa | 1,713,828 | 1,790,836 |
| | <u>1,713,828</u> | <u>1,790,836</u> |
| Net change in fund balances | (91,925) | 74,569 |
| FUND BALANCE - BEGINNING OF YEAR | 3,715,185 | 3,640,616 |
| | <u>3,715,185</u> | <u>3,640,616</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 3,623,260</u> | <u>\$ 3,715,185</u> |

See accompanying notes to financial statements.

Costa Mesa Housing Authority
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Year ended June 30, 2022

| | |
|--|--------------------------|
| Net change in fund balances - total governmental fund | \$ (91,925) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| <u>Capital Related Items</u> | |
| Governmental funds report capital outlay as expenditures. | |
| However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation charged to the program in the Statement of Activities in the current period: | |
| Depreciation expense | (164,790) |
| <u>Deferred Inflows of Resources</u> | |
| Certain unavailable revenues that do not provide current financial resources are reported as deferred inflow of resources in the funds. | |
| | 251,833 |
| <u>Pension</u> | |
| Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expenses includes the change in the net pension liability, and related changes in pension amounts for deferred outflows of resources and deferred inflows of resources. | |
| | 403,239 |
| <u>OPEB</u> | |
| OPEB expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, OPEB expense includes the change in the net pension liability, and related changes in OPEB amounts for deferred outflows of resources and deferred inflows of resources. | |
| | <u>33,860</u> |
| Change in net position of governmental activities | <u><u>\$ 432,217</u></u> |

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

Year ended June 30, 2022

1. Reporting Entity and Summary of Significant Accounting Policies:

The accounting policies of the Costa Mesa Housing Authority (Authority) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the Authority's significant accounting policies:

A. Description of the Reporting Entity:

The Authority was established on January 17, 2012, pursuant to City Council Resolution No. 12-3. The primary purpose of the Authority is to promote affordable housing for families of low and moderate income within the City of Costa Mesa, California (City). Pursuant to Assembly Bill 1484, the housing assets and obligations of the former Redevelopment Agency's Low and Moderate Income Housing Fund were transferred to the Authority. The Authority is an integral part of the reporting entity of the City. The fund of the Authority has been included within the scope of the basic financial statements of the City because the City Council exercises oversight responsibility over the operations of the Authority.

Only the fund of the Authority is included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City.

B. Fund Accounting:

The basic accounting and reporting entity is a "fund". A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The accounting records of the Authority are organized on the basis of funds. Currently, the Authority only utilizes one fund.

C. Basis of Accounting and Measurement Focus:

The *basic financial statements* of the Authority are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

Government-wide Financial Statements

Government-wide financial statements display information about the Authority as a whole. All activities of the Authority are classified as governmental activities. Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. *Measurement focus* indicates the type of resources being measured. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized in the government-wide financial statements, rather than reported as expenditures.

Fund Financial Statements

The underlying accounting system of the Authority is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in the individual fund based upon the purposes for which it is to be spent and the means by which spending activities are controlled.

Fund financial statements for the Authority's governmental fund are presented after the government-wide financial statements. These statements display information about the governmental major fund individually and nonmajor funds in aggregate if applicable.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as fund balances. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Authority generally considers revenues collected within sixty days after the fiscal year-end to be available, which includes loan repayments and rental income.

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheet in spite of their spending measurement focus.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term indebtedness are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

D. New Accounting Pronouncements

Current Year Standards

GASB 87 - Leases. The implementation of this statement resulted in a recognition of a lease receivable, deferred inflow of resources, and a lease payable in the financial statements.

GASB 91 – Conduit Debt Obligations – The implementation of this statement did not result in financial impact to the Authority.

GASB 92 – Omnibus 2020 – Related to the implementation of GASB 87. The implementation of this statement resulted in a recognition of a lease receivable, deferred inflow of resources, and a lease payable in the financial statements.

GASB 93 – Replacement of Interbank Offered Rates - The implementation of this statement did not result in financial impact to the Authority.

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

Pending Accounting Standards

GASB has issued the following pronouncements that have an effective date subsequent to June 30, 2022, which may impact the financial reporting requirements in the future. Unless otherwise noted, management has not determined what, if any, impact implementation of the following Statements may have on future financial statements.

GASB 94 – Public-Private and Private-Public Partnerships and Availability Payment Arrangements: Effective for the Authority's fiscal year ending June 30, 2023.

GASB 96 – Subscription-Based Information Technology Arrangement: Effective for the year ending June 30, 2023.

GASB 99 – Omnibus 2022: Effective for the year ending June 30, 2023.

GASB 100 – Accounting Changes and Error Corrections: Effective for the year ending June 30, 2023.

GASB 101 – Compensated Absences: Effective for the year ending June 30, 2024.

E. Cash and Investments:

Investments are reported in the accompanying financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

F. Leases:

The Authority is a lessor for leases as detailed in note 6. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of the lease, the Authority initially measures the lease receivable at the present value of payments expected to be received and paid during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

Key estimates and judgments include how the Authority determines the discount rate it uses to discount the expected lease receipts and payments to present value, lease term and lease receipts.

- The Authority uses the estimated cost of capital rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

G. Capital Assets:

Capital assets are recorded at historical cost at the time of purchase. Assets acquired from gifts or contributions are recorded at acquisition value on the date contributed. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of two years or more. Capital assets used in operations are generally depreciated in the government-wide financial statements. It is the Authority's policy not to depreciate assets in its first year of service. A full year of depreciation is charged at final year of asset life or upon disposal. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position. The range of lives used for computing depreciation for building improvements and structures is 10 to 20 years.

H. Net Position:

Net position of the Authority can be classified into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted". The Authority has no unrestricted net position.

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

I. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority has two items that qualify for reporting in this category in the statement of net position. The items are deferred outflows related to pensions and OPEB.

In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority has three items that qualify for reporting in this category in the statement of net position. The items are deferred inflows related to pensions, OPEB and leases.

J. Fund Balance:

Fund balance classifications are defined as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned - The classifications include the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications.

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

It is the Authority's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Board.

K. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For the purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframe. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Measurement Period | July 1, 2020 to June 30, 2021 |

L. Other Post Employment Benefits (OPEB):

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense and information about the plan (OPEB Plan), have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Measurement Period | July 1, 2020 to June 30, 2021 |

M. Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

1. Reporting Entity and Summary of Significant Accounting Policies (Continued):

N. Prior Year Data

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

2. Cash and Investments:

Equity in Cash and Investment Pool of the City of Costa Mesa

The Authority does not have a separate bank account; however, the Authority's cash and investments are maintained in an investment pool managed by the City. The Authority is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City. The Authority has not adopted an investment policy separate from that of the City. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis. At June 30, 2022, the Authority had a total cash balance of \$3,471,164, of which \$3,448,364 was part of the City's cash and investment pool and the remaining \$22,800 was cash held with a fiscal agent for tenant deposits.

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

3. Loans Receivable:

Loans receivable as of June 30, 2022 were comprised of the following:

| | <u>Amount</u> |
|---|--------------------|
| The first-time homebuyer program provides loans to first-time homebuyers for purchases of homes in the City of Costa Mesa. For loans made before 2007, loan repayments were deferred for 10 years and for loans made in 2007 and after, repayments of the loan are deferred for 30 years. | \$ 1,477,168 |
| The single-family rehabilitation loan program provides loans to homeowners to make home improvements and repair code violations. There were 3 loans made under this program in 2009. The loans do not pay interest and are not due until the property is sold. | 142,500 |
| The rental rehabilitation program is for deferred loans to owners of multi-family properties to make improvements and repair code violations. There are 3 remaining loans under this program and repayment is deferred until sale, transfer or default. Interest of 4 percent is due on these loans. | 151,539 |
| There are 3 loans made to underwrite land to a developer to build 3 single-family homes to be maintained in perpetuity for affordable housing. The Authority maintains enforceable covenants on the property. The loans are to be repaid only upon default of affordable housing covenants. | 508,542 |
| There are 2 loans made to eligible homebuyers under the Federal Neighborhood Stabilization Program (NSP) administered by the State of California. The NSP program consists of acquisition, rehabilitation, and subsequent sale of foreclosed homes. Borrowers met income and affordability qualifications set by the HUD HOME Program and California Community Redevelopment law. | <u>181,250</u> |
| Total loans receivable | 2,460,999 |
| Less allowance for doubtful accounts | <u>(1,852,705)</u> |
| Loans receivable, net of allowance for doubtful accounts | <u>\$ 608,294</u> |

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

4. Capital Assets:

The following is a summary of the capital asset activity for the year ended June 30, 2022:

| | Balance at July 1, 2021 | Additions | Deletions | Balance at June 30, 2022 |
|---|----------------------------|--------------|-----------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,063,865 | \$ - | \$ - | \$ 2,063,865 |
| Capital assets being depreciated: | | | | |
| Building improvements and structures | 3,295,800 | - | - | 3,295,800 |
| Less accumulated depreciation/amortization: | | | | |
| Building improvements and structures | (823,950) | (164,790) | - | (988,740) |
| Total capital assets being depreciated, net | 2,471,850 | (164,790) | - | 2,307,060 |
| Capital assets, net | \$ 4,535,715 | \$ (164,790) | \$ - | \$ 4,370,925 |

Depreciation expense of \$164,790 was charged to the community programs function on the Statement of Activities.

5. Repayment of Successor Agency Advance

In 2012, all California redevelopment agencies were dissolved, including the City of Costa Mesa Redevelopment agency. In the dissolution process, the State of California Department of Finance (DOF) disallowed a loan in the amount of \$9,278,545 from the City's General Fund to the former Redevelopment Agency as an enforceable obligation. Subsequently, the Department of Finance (DOF) Finding of Completion on May 24, 2013 allowed the placement of these loan agreements on the Recognized Obligation Payment Schedule (ROPS).

The City has adjusted the loan for repayments and interest additions. The loan repayment, reported on the ROPS, is subject to DOF approval on an annual basis. As of June 30, 2022, the loan balance is estimated to be \$3,102,030. The Housing Authority is entitled to receive 20% of the annual repayment. In the current fiscal year, the Housing Authority received \$349,917 on this loan.

6. Lease Receivable

Land

On July 1, 1985, the City entered into a 55-year ground lease agreement with Costa Mesa Family Village for three parcels of land. The lease began in July 1985 and will end in October 2039. The lessees are required to make annual fixed payments ranging from \$6,750 to \$13,500 with an interest rate of 2.015%. As of June 30, 2022, the lease receivable is \$1,512,830, and deferred inflows of resources is \$1,506,105. The City recognized \$91,290 of lease revenue during the fiscal year.

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

7. Defined Benefit Pension Plan (CalPERS):

Plan Description

All qualified permanent and probationary Authority employees are eligible to participate in the City's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan, administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

For further details regarding this plan, including funding progress, refer to the City of Costa Mesa's Annual Comprehensive Financial Report.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. The cost of living adjustments are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

| | Miscellaneous (Agent Multiple-Employer) | | |
|--|---|-------------------------------|--------------------------------|
| | Prior to March 11, 2012 | On or After March 11, 2012 | On or After January 1, 2013 |
| Hire Date | | | |
| Benefit formula | 2.5% @55 | 2.0% @60 | 2% @62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 50 - 63 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.092% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates | 10.47% | 7.00% | 7.50% |
| Required employer contribution rates | 7.41% | 9.88% | 9.88% |

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

7. Defined Benefit Pension Plan (CalPERS) (Continued):

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the year ended June 30, 2022, the Authority's total contributions for the Miscellaneous Plan were \$265,290.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2020 valuation was rolled forward to determine the June 30, 2021 total pension liability, based on the following actuarial methods assumptions:

| | |
|-----------------------------------|--|
| Measurement date | June 30, 2021 |
| Actuarial cost method | Entry-Age Normal in accordance with the requirements of GASB 68 |
| Actuarial assumptions: | |
| Discount rate | 7.15% |
| Inflation | 2.50% |
| Salary increases | Varies by Entry Age and Service |
| Mortality Rate Table ¹ | Derived using CalPERS Membership Data for all funds |
| Postretirement benefit increase | The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter |

¹ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rate include 15 years of projected mortality improvement using le includes 15 years of mortality improvements using 90% of Scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

7. Defined Benefit Pension Plan (CalPERS) (Continued):

will be made at the current member contribution rates and that contributions from employers will be made at the statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on plan on investment was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, except compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rate of returns by asset class are as followed:

| Asset Class ¹ | Assumed asset allocation | Real Return Years 1 – 10 ² | Real Return Years 11+ ³ |
|--------------------------|--------------------------|---------------------------------------|------------------------------------|
| Public Equity | 50.0% | 4.80% | 5.98% |
| Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation assets | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real assets | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | (0.92%) |

¹ In the System's CAFR, Fixed Income is included Global Debt Securities; Liquidity is included in Short-term Investment; Inflation Assets are included both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period

³ An expected inflation of 2.92% used for this period

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

7. Defined Benefit Pension Plan (CalPERS) (Continued):

The following table shows the Authority's proportionate share of the net pension liability over the measurement period:

| | Increase (Decrease) | | |
|----------------------------|-------------------------|-----------------------------|-----------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (c) = (a) - (b) |
| Balance at: 6/30/2020 (VD) | \$ 7,852,083 | \$ 5,152,476 | \$2,699,607 |
| Balance at: 6/30/2021 (MD) | 7,369,056 | 5,678,515 | 1,690,541 |
| Net Changes during 2020-21 | (483,027) | 526,039 | (1,009,066) |

The Authority's net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2021, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The Authority's proportionate share of the net pension liability for the plan as of June 30, 2020 and 2021 was as follows:

| | Miscellaneous Plan |
|------------------------------|--------------------|
| Proportion – June 30, 2020 | 2.608% |
| Proportion – June 30, 2021 | 2.396% |
| Change – Increase (Decrease) | (0.212%) |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

| | Discount Rate – 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1% (8.15%) |
|--|----------------------------|-------------------------------|----------------------------|
| Authority's proportionate share of the Net Pension Liability | \$2,622,483 | \$1,690,541 | \$921,502 |

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

7. Defined Benefit Pension Plan (CalPERS) (Continued):

in future pension expense. The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments 5 year straight-line amortization

All other amounts Straight-line amortization over the expected average remaining service lifetime (EARS�) of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period

Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2022, the Authority recognized pension expense of \$544,214. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to the CalPERS pension as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Pension contributions subsequent to the measurement date | \$ 265,290 | \$ - |
| Differences between expected and actual experience | - | (21,167) |
| Net difference between projected and actual earnings on pension plan investments | - | (533,309) |
| Totals | <u>\$ 265,290</u> | <u>\$ (554,476)</u> |

The Authority reported \$265,290 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Fiscal Year Ended June 30:</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|---------------------------------------|---|
| 2022 | \$ (151,949) |
| 2023 | (126,975) |
| 2024 | (128,321) |
| 2025 | (147,231) |
| 2026 | - |
| Thereafter | - |

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

7. Defined Benefit Pension Plan (CalPERS) (Continued):

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

8. Other Post-Employment Benefits (OPEB):

Plan Description

The City administers a single-employer defined benefit plan, which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The plan covers employees hired before January 1, 2004 who retire directly from the City with 10 or more years of City service. The City provides a contribution up to a percentage of the lesser of \$500 per month or the premium for the most popular medical plan elected by the employees. The percentage varies by retirement date and years of City service. For employees hired on or after January 1, 2004, the City will only pay for the PEMHCA subsidy once they meet the definition of a retiree under CalPERS. The City provides retiree life insurance of \$1,000 for the retiree and \$500 for the retiree's spouse.

Contributions

The contribution requirements of plan members and the Authority are established and may be amended by the City Council. The required contribution is made on a pay-as-you-go basis (i.e., as medical insurance premiums become due). Neither the City nor the Authority has established a trust for the purpose of holding assets accumulated for plan benefits.

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

8. Other Post-Employment Benefits (OPEB) (Continued):

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2021 by an actuarial valuation based on the following actuarial methods and assumptions:

Discount Rate: 2.66% for accounting disclosure purposes. The rate is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For the current valuation, the discount rate was selected from the range of indices as shown in the table below:

| | As of 06/30/21 |
|--|----------------|
| Bond Buyer Go 20 – Municipal Bond Index | 2.16% |
| S&P Municipal Bond 20-year High Grade Rate Index | 2.19% |
| Fidelity 20-year Go Municipal Bond Index | 1.94% |
| Bond Index Range | 1.94% - 2.19% |
| Actual Discount Rate Used | 2.19% |

Inflation Rate: 2.50% per year

Aggregate Payroll Increases: 2.75% per year. This assumption is used to amortize the unfunded actuarial accrued liability and to determine the Entry Age Normal actuarial liabilities.

Mortality Rate: Based on trends based upon Pub-1010 Mortality tables and the most recent generational projection scale MP-2021.

Turnover Rate: Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. The termination rates are based on those used in the most recent CalPERS pension valuation.

Retirement Rate: Annual retirement rates are based on those used in the most recent CalPERS pension valuation.

The following table shows the Authority's proportionate share of the total OPEB liability over the measurement period ended June 30, 2021:

| | Increase (Decrease) Total OPEB Liability |
|----------------------------|--|
| Balance at: June 30, 2020 | \$ 718,412 |
| Balance at: June 30, 2021 | 690,181 |
| Net Changes during 2020-21 | (28,231) |

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

8. Other Post-Employment Benefits (OPEB) (Continued):

The Authority's total OPEB liability for the plan is measured as the proportionate share of the plan's total OPEB liability. The total OPEB liability of the plan is measured as of June 30, 2021, and the total OPEB liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2021. The Authority's proportion of the total OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the total OPEB liability for the plan as of June 30, 2021 and 2020 was as follows:

| | OPEB Plan |
|------------------------------|-----------|
| Proportion – June 30, 2020 | 1.142% |
| Proportion – June 30, 2021 | 1.042% |
| Change – Increase (Decrease) | (0.100%) |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Plan as of the Measurement Date, calculated using the discount rate of 2.19 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.19 percent) or 1 percentage-point higher (3.19 percent) than the current rate:

| | Discount Rate – 1% (1.19%) | Current Discount Rate (2.19%) | Discount Rate + 1% (3.19%) |
|--|----------------------------------|-------------------------------------|----------------------------------|
| Authority's proportionate share of the total OPEB liability | \$801,569 | \$690,181 | \$601,503 |

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease (6.75% decreasing to 4.50%) | Current Healthcare Cost Trend Rates (5.75% decreasing to 3.50%) | 1% Increase (7.75% decreasing to 5.50%) |
|--|---|---|---|
| Authority's proportionate share of the total OPEB liability | \$632,489 | \$690,181 | \$775,566 |

COSTA MESA HOUSING AUTHORITY

Notes to Basic Financial Statements

(Continued)

8. Other Post-Employment Benefits (OPEB) (Continued):

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Authority recognized OPEB income of \$14,684. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| OPEB contributions subsequent to the measurement date | \$ 19,176 | \$ - |
| Differences between expected and actual differences | 12,393 | (32,591) |
| Changes in assumptions | <u>107,111</u> | <u>-</u> |
| Totals | <u>\$ 138,680</u> | <u>\$ (32,591)</u> |

The Authority reported \$19,176 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2023.

Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ended June 30: | Deferred Outflows/(Inflows) of Resources |
|-------------------------------|--|
| 2023 | \$ 16,573 |
| 2024 | 16,573 |
| 2025 | 16,573 |
| 2026 | 16,573 |
| 2027 | 8,384 |
| Thereafter | 12,237 |

**Costa Mesa Housing Authority
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
CalPERS Miscellaneous Plan**

Last Ten Fiscal Years*

| Measurement date June 30 | 2014 | 2015 | 2016 | 2017 |
|---|------------|------------|------------|--------------|
| Plan's proportion of the net pension liability | 0.703% | 0.703% | 0.703% | 1.095% |
| Plan's proportionate share of the net pension liability | \$ 536,746 | \$ 561,947 | \$ 632,922 | \$ 1,095,223 |
| Plan's covered payroll | \$ 129,116 | \$ 126,041 | \$ 139,833 | \$ 213,885 |
| Plan's proportionate share of the net pension liability as a percentage of covered payroll | 415.71% | 445.84% | 452.63% | 512.06% |
| Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability | 69.49% | 68.26% | 64.94% | 64.17% |
| Plan's proportionate share of aggregate employer contributions | \$ 36,704 | \$ 42,575 | \$ 45,855 | \$ 75,706 |

Notes to schedule:

Benefit changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2019 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administration expense.

In 2017, The accounting discount rate reduced from 7.65% to 7.15%.

In 2018, demographic assumptions and inflation were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

None in 2019, 2020 and 2021.

* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

| 2018 | 2019 | 2020 | 2021 |
|------------|--------------|--------------|--------------|
| 0.831% | 2.218% | 2.608% | 2.396% |
| \$ 783,393 | \$ 2,221,033 | \$ 2,699,607 | \$ 1,690,541 |
| \$ 166,758 | \$ 541,070 | \$ 626,246 | \$ 299,397 |
| 469.78% | 410.49% | 431.08% | 564.65% |
| 66.53% | 65.86% | 65.62% | 77.06% |
| \$ 76,921 | \$ 219,059 | \$ 267,302 | \$ 265,290 |

**Costa Mesa Housing Authority
Required Supplementary Information
Schedule of Pension Plan Contributions
CalPERS Miscellaneous Plan
Last Ten Fiscal Years***

| Fiscal year ended June 30 | 2015 | 2016 | 2017 | 2018 |
|--|------------|------------|------------|------------|
| Contractually required contribution (actuarially determined) | \$ 36,704 | \$ 42,575 | \$ 45,855 | \$ 75,706 |
| Contributions in relation to the actuarially determined contributions | (36,704) | (42,575) | (45,855) | (75,706) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 126,041 | \$ 139,833 | \$ 213,885 | \$ 166,758 |
| Contributions as a percentage of covered payroll | 29.12% | 30.45% | 21.44% | 45.40% |

Notes to schedule:

| | | | | |
|----------------|-----------|-----------|-----------|-----------|
| Valuation date | 6/30/2012 | 6/30/2013 | 6/30/2014 | 6/30/2015 |
|----------------|-----------|-----------|-----------|-----------|

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|---|
| Single and agent employers | Entry Age Normal |
| Amortization method/period | For details, see June 30, 2019 Funding Valuation Report. |
| Asset valuation method | Market Value of Assets. For details, see June 30, 2019 Funding Valuation Report. |
| Inflation | 2.50% |
| Salary increases | Varies by Entry Age and Service |
| Payroll growth | 2.75% |
| Investment rate of return | 7.00%, net of pension plan investment and administrative expense; including inflation. |
| Retirement age | The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. |
| Mortality | The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. |

Other information:

For changes to previous year's information, refer to past GASB 68 reports.

* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

| <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|-----------------|------------------|------------------|------------------|
| \$ 76,921 | \$ 219,059 | \$ 267,302 | \$ 265,290 |
| <u>(76,921)</u> | <u>(219,059)</u> | <u>(267,302)</u> | <u>(265,290)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 541,070 | \$ 627,898 | \$ 299,397 | \$ 634,611 |
| 14.22% | 34.89% | 89.28% | 41.80% |

| | | | |
|-----------|-----------|-----------|-----------|
| 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 |
|-----------|-----------|-----------|-----------|

Costa Mesa Housing Authority
Required Supplementary Information
Schedule of Proportionate Share of OPEB Liability and Related Ratios
Last Ten Fiscal Years*

| Measurement date June 30 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------------|------------|------------|------------|------------|
| Plan's proportion of the total OPEB liability | 0.391% | 0.510% | 1.065% | 1.142% | 1.042% |
| Plan's proportionate share of the total OPEB liability | \$ 208,922 | \$ 271,334 | \$ 627,570 | \$ 718,412 | \$ 690,181 |
| Plan's covered payroll | \$ 160,415 | \$ 221,304 | \$ 466,770 | \$ 521,271 | \$ 556,337 |
| Plan's proportionate share of the OPEB liability as a percentage of covered employee payroll | 130.24% | 122.61% | 134.45% | 137.82% | 124.06% |
| Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Notes to schedule:

Changes in assumptions. The discount rate as of the June 30, 2016 measurement date was 2.85%. The discount rate as of the June 30, 2017 measurement date was 3.40%. The discount rate as of the June 30, 2018 measurement date was 3.50%. The discount rate as of the June 30, 2019 measurement date was 3.51%. The discount rate as of the June 30, 2020 measurement date was 2.66%.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

* - Fiscal year 2018 was the first year of implementation, therefore only five years are shown.

Costa Mesa Housing Authority
Required Supplementary Information
Housing Authority Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2022
(With Comparative Data for Prior Year)

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Prior Year Actual |
|--|---------------------|---------------------|---------------------|---|----------------------|
| REVENUES: | | | | | |
| Rental income | \$ 370,000 | \$ 370,000 | \$ 338,732 | \$ (31,268) | \$ 396,753 |
| Repayment of Successor Agency advance | 381,141 | 381,141 | 349,917 | (31,224) | 381,141 |
| Intergovernmental | 1,528,581 | 1,528,581 | 1,510,066 | (18,515) | 1,041,662 |
| Investment income (loss) | 23,400 | 23,400 | (68,124) | (91,524) | (2,497) |
| Miscellaneous | - | - | 27,406 | 27,406 | 41,466 |
| TOTAL REVENUES | 2,303,122 | 2,303,122 | 2,157,997 | (145,125) | 1,858,525 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Community programs | 4,060,211 | 5,616,215 | 3,963,750 | 1,652,465 | 3,574,792 |
| TOTAL EXPENDITURES | 4,060,211 | 5,616,215 | 3,963,750 | 1,652,465 | 3,574,792 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,757,089) | (3,313,093) | (1,805,753) | 1,507,340 | (1,716,267) |
| Other financing sources: | | | | | |
| Transfers from the City of Costa Mesa | 1,713,828 | 1,713,828 | 1,713,828 | - | 1,790,836 |
| Net change in fund balance | (43,261) | (1,599,265) | (91,925) | 1,507,340 | 74,569 |
| FUND BALANCE - BEGINNING OF YEAR | 3,715,185 | 3,715,185 | 3,715,185 | - | 3,640,616 |
| FUND BALANCE - END OF YEAR | \$ 3,671,924 | \$ 2,115,920 | \$ 3,623,260 | \$ 1,507,340 | \$ 3,715,185 |

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
Costa Mesa Housing Authority
Costa Mesa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, financial statements of the governmental activities and the major fund of the Costa Mesa Housing Authority (Authority), as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise of the Authority's basic financial statements, and have issued our report thereon dated December 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 30, 2022

**COSTA MESA HOUSING AUTHORITY ANNUAL REPORT
AS HOUSING AUTHORITY AND AS HOUSING SUCCESSOR
FOR FISCAL YEAR 2021-2022 UNDER CALIFORNIA
HEALTH & SAFETY CODE SECTIONS 34176.1 AND 34328**

This annual report (Report) of the Costa Mesa Housing Authority (Housing Authority) is prepared under the California Health and Safety Code (HSC), Division 24, Parts 1.8 and 1.85 (Dissolution Law), in particular Section 34176.1 as the housing successor, and under the California Housing Authorities Law, HSC Section 34200, *et seq.* (HAL), in particular Section 34328 as a housing authority. The Dissolution Law and HAL respectively require preparation of an annual report on the housing successor and the housing authority's activities for the prior fiscal year. This Report details the Housing Authority's activities during Fiscal Year (FY) 2021-22 and is intended to satisfy the requirements under both HSC Sections 34176.1 and 34328. More specifically, this Report includes information required about the Low and Moderate Income Housing Asset Fund (LMIHAF) and other information under Section 34176.1(f).

This Report is based on information prepared by City staff on behalf of the Housing Authority and data contained within the independent financial audit of the LMIHAF (Audit), which is prepared by Davis Farr LLP and accompanies this Report. The Audit is incorporated in the City of Costa Mesa's Annual Comprehensive Financial Report (ACFR) for FY 2021-22. The City Council and the Housing Authority will review and file the Report in an open meeting in January 2023; upon their review and approval, this Report will be posted on the City's website www.costamesaca.gov and thereafter appended to the City's annual update report prepared under Section 65400 of the Government Code.

This Report conforms with and is organized into sections I through XIV, inclusive, under HSC Section 34176.1(f) of the Dissolution Law and Section 34328 of the HAL:

- I. Amounts Received and Deposited Under 34191.4(b)(3)(A).** *This section provides the total amount of funds paid to the City and the amount deposited into the LMIHAF representing 20% of repayments on the reinstated City/Agency loan per Section 34191.4.*

The Department of Finance (DOF) approved a total of \$1,749,586 attributable to the reinstated City/Agency loan under Section 34191.4. The Successor Agency received \$1,749,586 in FY 2021-22. Of the \$1,749,586, \$1,399,669 (representing 80% of \$1,749,586) was due to the City. The remaining balance was deposited into the LMIHAF upon receipt in May 2022, totaling \$349,917 (representing 20% of \$1,749,586).

- II. Amount Deposited into LMIHAF.** *This section provides the total amount of funds deposited into the LMIHAF in FY 2021-22 and itemized by amounts listed on Recognized Obligation Payment Schedule (ROPS), amounts representing Section 34191.4 deposits, and other amounts deposited into the LMIHAF.*

- In FY 2021-22, the amount of \$349,917 (representing 20% of \$1,749,586) was deposited into the LMIHAF;
- \$0 was held for items listed on the ROPS; and
- other deposits into the LMIHAF in FY 2021-22 were: (1) \$362,445 rental income, (2) \$11,259 loan repayments, (3) \$ 91,836 investment loss, and (4)

\$6,945 in other reimbursements.

The cumulative total of all deposits into the LMIHAF was \$638,730 during FY 2021-22.

- III. Ending Balance of LMIHAF.** *This section provides a statement of the balance in the LMIHAF as of the close of FY 2021-22. Any amounts deposited for items listed on the ROPS and amounts representing Section 34191.4 deposits, must be distinguished from the other amounts deposited.*

At the close of FY 2021-22 on June 30, 2022, the ending balance in the LMIHAF was \$3,780,628, of which \$0 was held for items listed on the ROPS.

- IV. Description of Expenditures from LMIHAF.** *This section provides a description of expenditures made from the LMIHAF during FY 2021-22. The expenditures are to be categorized among (A) administration for monitoring, preserving covenanted housing units; (B) homeless prevention and rapid rehousing services; and (C) development of housing.*

The table below lists and describes FY 2021-22 LMIHAF expenditures by category:

| | | |
|---|---|-----------|
| Monitoring and Administration Expenditures | <p>Costs for monitoring, enforcement, and preserving long-term affordable housing covenants imposed by the former Costa Mesa Redevelopment Agency (Former Agency) or the Housing Authority, as housing successor.</p> <p>The maximum expenditure for this category in FY 2021-22 is the <i>greater</i> of (a) 5% of the statutory value of (i) real property owned by the housing successor <i>and</i> (ii) loans and grants receivable, or (b) \$200,000 (plus allowed CPI adjustments).</p> <p>Based on the valuation listed in Section V, [lines 6+7 in that table=\$4,979,221] for FY 2021-22, the Housing Authority as housing successor was authorized to spend up to \$248,961 (i.e., 5% of \$4,979,221), but only expended \$138,279.</p> | \$138,279 |
| Homeless Prevention and Rapid Rehousing Services Expenditures | <p>Costs for homeless prevention and rapid rehousing supportive services for individuals and families who are homeless or would be homeless without this assistance.</p> <p>The housing successor was authorized to spend up to \$250,000 for this category in FY 2021-22 and spent \$250,000.</p> | 250,000 |

| | | |
|--------------------------------------|--|-----------|
| Housing Development Expenditures | <p>Costs for housing “development”, which term is defined to include: (a) new construction, (b) acquisition and rehabilitation, (c) substantial rehabilitation, (d) long-term affordability covenants on multifamily units, and (e) preservation of assisted affordable housing that is eligible for (i) prepayment, (ii) termination, or (iii) for which the expiration of rental restrictions is scheduled to occur within five years.</p> <p>The costs in this category represent the operating costs for a 30-apartment low and very low income housing property, which the housing successor intends to solicit proposals from housing providers to purchase and extend affordability.</p> <p>The 30 apartments within eight properties commonly referred to as James/W. 18th Properties, were acquired by the City and Housing Authority through non-judicial foreclosure proceedings in FY 2015-2016. This acquisition was made in order to preserve the long-term affordable housing covenants which were at risk of termination and potential conversion to market housing.</p> <p>The eight properties are owned by the Housing Authority and continue to be operated as affordable housing units for low and very low income households/tenants by a professional property management company. The operating costs for the property include staff salaries and benefits, utilities, supplies, repairs and maintenance, taxes, property management fees, legal, and consulting costs. The total amount spent in FY 2021-22 was \$185,007.</p> | 185,007 |
| Total FY 2021-22 LMIHAF Expenditures | | \$573,286 |

V. Statutory Value of Assets Owned by Housing Successor. *This section provides the statutory value of real property owned by the Housing Authority, as housing successor, the value of loans and grants receivables, and the sum of these two amounts.*

Under Dissolution Law and for purposes of this Report, the “statutory value of real property” means the value of properties formerly held by the Former Agency as listed on the housing asset transfer schedule approved by the DOF under Section 34176(a)(2), the value of the properties transferred to the housing successor under Section 34181(f), and the purchase price of properties purchased by the Housing Authority. Further, the value of loans and grants receivable is included in these reported assets held in the LMIHAF.

The following table provides the statutory value of assets owned by the Housing

Authority as of the end of FY 2021-22:

| As of June 30, 2022 End of FY 2021-22 | |
|---|--------------------|
| 1. Cash and Investments | \$3,448,364 |
| 2. Cash and Investments with Fiscal Agent | 22,800 |
| 3. Interest Receivable | 6,095 |
| 4. Rent Receivable | 16,509 |
| 5. Accounts Receivable | 291,913 |
| 6. Statutory Value of Real Property Owned by the Housing Authority | 4,370,925 |
| 7. Value of Loans and Grants Receivable | 608,296 |
| Total Statutory Asset Value | <u>\$8,764,902</u> |

VI. Description of Transfers. *This section describes transfers, if any, to another housing successor made in previous fiscal year(s), including whether the funds are unencumbered and the status of projects, if any, for which the transferred LMIHAF will be used. The sole purpose of the transfers must be for development of transit priority projects, permanent supportive housing, regional homeless shelters, housing for agricultural employees, or special needs housing.*

The Housing Authority, as housing successor, did not make any LMIHAF transfers to other housing successor(s) under Section 34176.1(c)(2) during FY 2021-22.

VII. Project Descriptions. *This section describes any project for which the Housing Authority, as housing successor, receives or holds property tax revenue under the ROPS and the status of that project.*

The Housing Authority, as housing successor, does not receive or hold property tax revenue under a ROPS.

VIII. Status of Compliance with Section 33334.16. *As and if applicable, this section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the former redevelopment agency prior to February 1, 2012. For interests in real property, if any, acquired on or after February 1, 2012, provide a status update on the project.*

Section 34176.1 provides that Section 33334.16 does not apply to interests in real property acquired by the Housing Authority, as housing successor, on or after February 1, 2012.

With respect to interests in real property acquired by the Former Agency prior to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the DOF approved the property as a housing asset in the LMIHAF; thus, as to real property acquired by the Former Agency, now held by the Housing Authority as housing successor, in the LMIHAF, the Housing Authority as housing successor, must initiate activities consistent with development (as the term is explained in Section IV and Section 34176.1(a)(3)(D)) of the real property for the purpose for which it was acquired within five years of the date the

DOF approved such property as a housing asset.

In this regard, the Housing Authority as housing successor, did not own any real property acquired for development (to be developed) as of dissolution on February 1, 2012 subject to this limitation so the five-year limitation of Section 33334.16 does not apply.

It is noted that the Former Agency held at dissolution, now the Housing Authority holds as landlord/ground lessor, the underlying fee interests in three Ground Leases with Costa Mesa Family Village, a California limited partnership, as tenant/ground lessee (affiliate of Shapell Properties) relating to the existing 72-unit multifamily affordable housing apartment development called Costa Mesa Family Village, located at 1924 and 1981 Wallace Avenue and 2015 Pomona Avenue. The three ground leases end/expire in 2039. Section 33334.16 does not apply to such ground leases and this existing affordable housing development as the subject property was not held for development; it is developed property.

- IX. Description of Outstanding Obligations under Section 33413.** *This section describes outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012, along with the Housing Authority's progress, as housing successor, in meeting those prior obligations, if any, of the former redevelopment agency and how the Housing Authority, as housing successor, plans to meet unmet obligations, if any.*

Replacement Housing: Under the Former Agency's last Implementation Plan in effect prior to dissolution (the 2010-2014 plan), the Former Agency's replacement housing obligations, if any, under Section 33413(a) were transferred to the Housing Authority as housing successor; however, the Former Agency had no outstanding replacement housing obligations as of dissolution on February 1, 2012.

Inclusionary/Production Housing. Under the Former Agency's last Implementation Plan in effect prior to dissolution (the 2010-2014 plan), its inclusionary/production housing obligations, if any, under Section 33413(b) were transferred to the Housing Authority as housing successor; however, the Former Agency had no outstanding inclusionary/production housing obligations as of dissolution on February 1, 2012.

Therefore, the Housing Authority, as housing successor, has no outstanding replacement or inclusionary/production housing obligations and thus no implementation obligation under Section 33413.

For information, the Former Agency's Implementation Plan is posted on the City's website at www.costamesaca.gov.

- X. Income Test.** *This section provides information required by Section 34176.1(a)(3)(B), or a description of expenditures by income category and restriction for the applicable five-year period, with the time period beginning January 1, 2014 and whether the statutory thresholds have been met. However, the income test is not required until year 2019.*

The applicable provisions of Sections 34176.1(a)(3)(A)(B)(C) require that the Housing Authority, as housing successor, must require at least 30% of the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30% or less of the Area Median Income (AMI). If the Housing Authority as housing successor, fails to comply with the extremely-low income requirement in a five-year reporting period, then the provisions of Section 34176.1(B) will apply in each fiscal year following the latest fiscal year following the Report are expended for the development of housing occupied by extremely low income households until the housing successor demonstrates compliance with such requirement in a subsequent annual report.

FY 2018-19 was the end of the initial five-year period under Section 34176.1(a)(3)(B). The Housing Authority's next five-year report on compliance with Section 34176.1(a)(3)(A) is due in FY 2023-24.

- XI. Senior Housing Test.** *This section provides the percentage of deed-restricted rental housing units restricted to seniors and assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the housing successor, its former redevelopment agency and its host jurisdiction within the same 10-year time period.*

The housing successor is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the housing successor, the Former Agency and/or the City within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted by the housing successor, the Former Agency, and/or City within the same time period. If this percentage exceeds 50%, then the housing successor cannot expend future LMIHAF funds to assist additional senior housing units until the Housing Authority as housing successor, or City assists and construction has commenced on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.

As reported in the prior FY 2018-19 annual report, for the 10-year period of January 1, 2004 to January 1, 2014, 9.8% of the funds were expended on assistance to provide senior affordable housing units and 90.2% of the funds were expended on assistance to provide non-senior/family affordable housing units. In particular, 36 senior units with long-term 55-year affordability covenants were established during the previous 10-year period (specifically, the St. John's Manor Project in 2006).

For the current 10-year period of January 1, 2014 to January 1, 2024 that includes the subject FY 2021-22, the Housing Authority expended no funds (\$0) for senior housing thus far; therefore 0% of funds were expended on development or assistance to develop senior housing units.

- XII. Excess Surplus Test.** *This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the housing successor has had excess surplus, and the housing successor's plan for eliminating the excess surplus.*

The term excess surplus is defined in Section 34176.1(d) as: "an unencumbered

amount in the LMIHAF account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the housing successor's preceding four fiscal years, whichever is greater." The table below provides the Excess Surplus test for the preceding four years. The LMIHAF does not have an excess surplus.

| | LMIHAF July 1, 2021 | LMIHAF July 1, 2022 |
|--|--------------------------------|--------------------------------|
| Opening Fund Balance | \$ 3,715,185 | \$ 3,780,628 |
| Less Unavailable Amounts: | | |
| Loans Receivable Net | (650,674) | (608,296) |
| Accounts Receivable | - | (291,913) |
| Encumbrances | - | - |
| Available Housing Successor Funds (A) | 3,064,511 | 2,880,419 |
| Limitation (Greater of \$1,000,000 or four years deposits): | | |
| Aggregate Amount Deposited for last four years: | | |
| 2021-22 | N/A | \$ 638,730 |
| 2020-21 | 804,746 | 804,746 |
| 2019-20 | 770,962 | 770,962 |
| 2018-19 | 827,902 | 827,902 |
| 2017-18 | 687,292 | N/A |
| Total | \$ 3,090,902 | \$ 3,042,340 |
| Base Limitation | \$ 1,000,000 | \$ 1,000,000 |
| Greater Amount (B) | \$ 3,090,902 | \$ 3,042,340 |
| Excess/Surplus [(A)-(B)] | \$ - | \$ - |

- XIII. Inventory of Homeownership Units.** *This section provides a summary of covenanted homeownership units assisted by the former redevelopment agency or the housing successor that include equity sharing and repayment provisions, including: (A) number of units; (B) number of units lost to the portfolio in the last fiscal year and the reason for those losses; and (C) any funds returned to the housing successor due to losses or repayments.*

This section provides an inventory of homeownership units assisted by the Former Agency and assumed by the Housing Authority as housing successor, that are subject to covenants or restrictions or to an adopted program that protects the Former Agency's investment of moneys from the Low and Moderate Income Housing Fund per Section 33334.3(f).

Total homeownership inventory as of dissolution on February 1, 2012 (subparagraph (A) below) and inventory, losses, and repayments for the period from February 1, 2012 through June 30, 2022 (subparagraph (B) below) include:

(A) As of dissolution on February 1, 2012, the total number of homeownership units

assisted by the Former Agency and had covenants and restrictions of record was 41 units, which included loans and restricted single-family homes assisted by the Former Agency through its (1) First Time Homebuyer (FTHB) Program, (2) Single-Family Rehabilitation (SF Rehab) Program, (3) affordable housing projects with Habitat for Humanity of Orange County, and (4) Neighborhood Stabilization Program.

- (B) The total number of homeownership units lost to the Housing Authority's portfolio as housing successor between February 1, 2012 through June 30, 2022, along with the reasons for those losses.

Total losses between February 1, 2012 and June 30, 2022: 30 units

Reasons for the units' losses from the homeownership portfolio:

| | |
|-----------------------|-------------|
| Principal Repayments: | \$756,408 |
| Loan Impairment: | \$1,095,000 |
| Foreclosure: | \$436,000 |

Funds returned to the Housing Authority as housing successor, as part of an adopted program that protects the Former Agency's investment of moneys from the Low and Moderate Income Housing Fund, including loan principal, interest, and equity sharing payments between February 1, 2012 and June 30, 2022: \$1,184,433

- (C) The number of homeownership units lost to the Housing Authority's portfolio as housing successor in FY 2021-22 and the reason for those losses.

There were no homeownership units lost to the Housing Authority's portfolio as housing successor in FY 2021-22.

One owner made partial payments on homeownership loans. Principal and interest payments received totaled \$11,259 and were deposited into the LMIHAF.

The funds returned to the Housing Authority as housing successor, as part of an adopted program that protects the Former Agency's investment of moneys from Low and Moderate Income Housing Fund, included repayments of FTHB program loans. Total principal, interest, and equity sharing payments during FY 2021-22 was \$11,259

- (D) The Housing Authority as housing successor, has existing consulting agreements with: AmeriNational Community Services, Inc., a Minnesota Corporation (dba AmeriNat) and Farmers State Bank of Hartland, a Minnesota corporation. The agreements are related to certain, but not all, aspects of administration of the Former Agency's SF Rehab and FTHB programs that provided second lien mortgages for homeownership units. The consulting services include assistance with oversight and administration of amortized loan payments, if any, due; with tracking and calculation of loan balances in the event of payoff; and, other administrative activities for these outstanding SF

Rehab and FTHB loans.

In addition, the Housing Authority retains the services of Keyser Marston Associates, a professional housing economic consultant, and the Housing Authority legal counsels, City Attorney and Authority General Counsel Kimberly Hall Barlow of Jones & Mayer, and Celeste Brady of Stradling Yocca Carlson & Rauth (SYCR). Counsels assist staff in reviewing legal issues related to outstanding SF Rehab and FTHB program loans, such as the refinancing of first lien mortgages consistent with SF Rehab and FTHB program refinancing criteria, repayments, impairment analyses, defaults, foreclosures, bankruptcies, renting out part of the home, short sale requests, and other issues that arise in the administration of the former Agency's loan programs for ownership housing.

XIV. Additional Information: *Housing Authority's Activities for the preceding year (FY 2021-22) under HSC Section 34328.*

Without repeating the information presented above in this Report, the Housing Authority:

- (A) continued to monitor and enforce housing assets transferred from the Former Agency to the Housing Authority as housing successor, as well as other Housing Authority (non-housing successor) assets;
- (B) continued property management and operation of the James/W.18th Properties. See Sections IV. And X. above for more detailed discussion about these properties.
- (C) As housing successor under Section 34176.1(a)(2), the Housing Authority may expend up to \$250,000 per fiscal year "for homeless prevention and rapid rehousing services for individuals and families who are homeless or would be homeless but for this assistance, including the provision of short-term or medium-term rental assistance, housing relocation, and stabilization services including housing search, mediation, or outreach to property owners, credit repair, security or utility deposits, utility payments, rental assistance for a final month at a location, moving cost assistance, and case management, or other appropriate activities for homelessness prevention and rapid rehousing of persons who have become homeless." In this regard in FY 2021-22 and as detailed in this Report, the Housing Authority's LMIHAF provided partial funding for Community Outreach Workers who assertively work toward placing homeless individuals and families into temporary or permanent housing as it becomes available. Staff addresses the various needs represented by the local homeless population on a daily basis. Further, a part-time Management Analyst maintains the database that Community Outreach Workers and volunteers from varied community groups utilize to streamline their reporting and recordkeeping processes relative to placement of homeless individuals and families into housing.