



Agenda Report

Item #: 23-1224

Meeting Date: 6/06/2023

TITLE:

FISCAL YEAR 2023-24 PROPOSED OPERATING AND CAPITAL IMPROVEMENT PROGRAM AND HOUSING AUTHORITY BUDGET

DEPARTMENT: CITY MANAGER'S OFFICE, FINANCE DEPARTMENT

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

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

RECOMMENDATION:

Staff recommends the City Council:

1. Approve Resolution 23-XX, adopting the Proposed Fiscal Year 2023-24 Operating and Capital Improvement Program (CIP) Budget; and
2. Approve Joint Resolution 23-XX adopting the Housing Authority Budget including Housing and Community Development expenditures for Fiscal Year 2023-24; and
3. Authorize and approve staffing as follows:
 - a. Authorize the following full-time positions: Business License Inspector, Cyber Security Analyst, Associate Engineer, and a Management Analyst (Solid Waste Coordinator) for an increase of 4.0 FTE as presented at the May 9, 2023 Study Session; and
 - b. Authorize the following part-time to full-time conversions: Animal Control Officer, Community Services Specialist to Crime Analyst, Property Evidence Specialist, four Recreation Specialists, Video Production Specialist, and a Maintenance Worker to one Equipment Mechanic for a net 2.62 FTE increase as presented at the May 9, 2023 Study Session; and
 - c. Authorize an additional 0.25 FTE to convert a part-time Management Aide to full-time in the Homeless Services Division to help support increasing homeless services; and
 - d. Consolidate the Animal Services and Enforcement Program by transferring the Animal Services Program and associated staff from the Parks and Community Services Department to the Police Department and authorize a full-time Animal Control Supervisor position in the Police Department; and
 - e. Approve Salary and Classification Updates Resolution 23-xx (new Assistant Fire Chief positions); and

- f. Approve Salary and Classification Updates Resolution 23-xx for (Animal Control Supervisor and Cyber Security Analyst); and
4. Authorize the City Manager, or her designee, to appropriate funding to fully cover all prior years and new FY 2023-24 Arts and Culture Master Plan costs by utilizing FY 2022-23 General Fund year-end savings; and
5. Authorize the City Manager, or her designee, to work with the City Attorney's Office to execute any and all documents necessary to finance and purchase the large equipment and machinery purchases: water truck, stake bed, sign truck, street stencil truck, asphalt roller truck, and two Fire pumper trucks (one partially offset by CDBG funds) for an estimated lease amount of \$2.3 million; and
6. Authorize the City Manager, or her designee, to work with the Newport Mesa Unified School District for the use of school fields for expanded community and recreational use and open space opportunities, including but not limited to, the addition of new full time or part time staff and operating appropriations; and
7. Approve Resolution 23-XX establishing the Fiscal Year 2023-2024 GANN Appropriations Limit for the City of Costa Mesa at \$298,356,781, by using Orange County's growth for population adjustment, and the California per capita income growth for inflationary adjustment; and
8. Approve the City of Costa Mesa's Revised Special Event Rates; and
9. City Council action is requested for the following to comply with AB 481 Police Equipment Report and Resolution:
 - a. Receive and file the 2023 Annual AB 481 Report and take public comment; and
 - b. Approve Resolution 23-XX Renewing Ordinance No. 2022-03, the AB 481 Equipment Use Policy of the City of Costa Mesa, California, governing the use of police safety equipment.

BACKGROUND:

The Fiscal Year 2023-24 Proposed Operating and Capital Improvement Budget includes collaboration efforts throughout all sectors, including public safety, parks, facilities, streets and housing for the City of Costa Mesa residents, businesses and visitors.

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

Guiding Principles

The guiding principles that inspired the recommendations for the FY 2023-24 Proposed Budget were created when the City Council conducted a Strategic Planning workshop identifying key priorities, as well as the Mission Statement for Costa Mesa, as follows:

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

In addition, the City Council has developed the FY 2021- 2024 Three-Year Strategic Plan Goals:

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

The recommendations contained in the FY 2023-24 Proposed Budget are rooted in the Strategic Plan Goals created by the City Council for a safe, inclusive, and vibrant City.

ANALYSIS:

The theme for the FY 2023-24 Proposed Budget, “**The Art of Collaboration,**” reflects the City Council’s successful efforts in securing over \$14 million from the State and the County towards the enhancement of our City parks. This amount of funding allows us to achieve shared goals in addressing our most pressing needs and concerns. With support from State Senator Dave Min, Assemblywoman Cottie Petrie-Norris, and County Supervisor Katrina Foley, the City was able to allocate this historic funding to address neighborhood improvements.

The FY 2023-24 Proposed Budget underwent a thorough review and in-depth analysis. Funding requests contained herein to ensure both short-and long-term fiscal sustainability while committing resources to achieve Council’s goals. Recommended budget adjustments contained in the Proposed Budget were prudently selected based on operational needs, the provision of essential core services to our community and to more effectively implement the City Council’s stated Goals and Priorities.

At the April 11, 2023 and May 9, 2023 City Council FY 2023-24 Proposed Operating and Capital Improvement Budget Study Sessions, City Council provided feedback to staff regarding several items to include or adjust in the Proposed Budget. At the April 12, 2023 and the May 10, 2023 Finance and Pension Advisory Committee meetings, the FY 2023-24 Proposed Operating and Capital Improvement Budget were also presented and discussed.

The agenda reports and videos for the April 11, 2023 and May 9, 2023 City Council Study Sessions can be found here:

April 11, 2023 Agenda Report

- [FY2023-24 Proposed Capital Improvement Program Budget Study Session Staff Report and Corresponding Attachments](#)

May 9, 2023 Agenda Report

- [FY2023-24 Proposed Operating and Capital Improvement Program Budget Study Session Staff Report and Corresponding Attachments](#)

Overview of FY 2023-24 Proposed All Funds Budget

The FY 2023-24 Proposed Budget totals \$234 million in All Funds. This reflects an increase of \$27.9 million, or 14 percent, from the FY 2022-23 All Funds Adopted Budget of \$206.2 million.

Table 1 - FY 2023-24 Proposed Budget – All Funds

Appropriations All Funds	FY 2022/23 Adopted	FY 2023/24 Proposed	Park, Arts, Service Programs, and Rental Assistance	Adjusted Proposed	Increase / Amount	(Decrease) Percent
Operating Budget	\$170,215,673	\$187,491,589	\$857,476	\$188,349,065	\$18,133,392	11%
Transfers Out	10,627,990	14,198,326	384,576	14,582,902	3,954,912	37%
Capital Budget	25,312,023	31,081,719	-	31,081,719	5,769,696	23%
Total	\$206,155,686	\$232,771,634	\$1,242,052	\$234,013,686	\$27,858,000	14%

Operating Budget

The proposed increase of \$18.1 million, or 11 percent, for a total of \$188.3 million in the Operating Budget’s portion of the FY 2023-24 All Funds Budget is primarily attributed to address the Council’s goal to Recruit and Retain High Quality Staff, by annualizing the compensation to align with current market levels. Additionally, a \$2.4 million increase in the CalPERS retirement plan; a \$1.0 million debt service allocation for the future rehabilitation of two aging fire stations; a \$500,000 allocation for the Police Department security enhancements in the Asset Forfeiture special revenue fund; a \$500,000 increase to adjust the Fire Department’s overtime account; a \$250,000 additional allocation for the Self-Insurance Fund; and overall contractual increases.

American Rescue Plan Act

At the May 2, 2023 City Council meeting, the Council voted to approve an allocation increase of \$40,000 to fully fund Meals on Wheels, Families Forward, and Labor of Love programs that were not entirely funded by the Community Development Block Grant (CDBG). These three programs received partial funding from CDBG in FY 2023-24, as a result, the City Council requested that these programs’ remaining balances be funded in the new fiscal year’s budget. Therefore, Staff recommends utilizing available American Rescue Plan Act funds to fully cover their requests for a total of \$40,000.

At the May 9, 2023 Proposed Budget Study Session, City Council recommended a \$300,000 appropriation for rental assistance to be funded from the American Rescue Plan (ARP) Fund. City residents continue to experience hardships due to rising rents; as a result, Staff included allotment for additional assistance.

Parks Land Acquisition Fund

During the May 9, 2023 Proposed Budget Study Session, City Council discussed the need of park spaces in the Westside. As a result, Staff recommends to appropriate the unallocated \$384,576 in the Capital Improvement Fund and transfer into the new fund for seed money towards a Westside park acquisition. City staff created a new fund, the Park Land Acquisition Fund, to initiate the funding for park acquisition, design, and construction.

Arts and Culture Master Plan Policy Recommendation

During the May 9, 2023 Study Session, Staff recommended fully funding year three of the Arts and Culture Master Plan (additional \$132,900 appropriation) by utilizing FY 2022-23 savings. Therefore, Staff is requesting authorization from the City Council to allow the City Manager, or her designee, to allocate \$469,075 in FY 2022-23 to fully fund year three of the Plan and eliminate the shortfall in years one and two due to insufficient revenues (\$66,848 for year one, \$214,898 in year two, and \$187,329 for year three).

In the City's efforts to fully fund the Arts and Culture Master Plan in the outyears, Staff is recommending to implement a new policy to fund the differential amount from available General Fund Cannabis revenues into the Arts and Culture Master Plan Fund when a shortfall exists from the insufficient Cannabis Measure Q revenues 1/2 percent allocation.

Animal Services Program

At the May 9, 2023 Proposed Operating and Capital Improvement Budget Study Session, City Council discussed the opportunity to transfer the Animal Care Services program from the Parks and Community Services Department to the Police Department. The Police Department currently manages the Animal Control Program that enforces laws and ordinances applying to animals. As a result, Staff recommends the consolidation of the Animal Care Services and Enforcement Program in the Police Department. Staff is requesting an Animal Control Supervisor to assist in the management of the Animal Services and Enforcement Program. This reorganization aligns with the City Council goal to Strengthen the Public's Safety and Improve the Quality of Life.

Transfers Out

Transfers Out from All Funds total \$14.6 million, an increase of \$4 million, or 37 percent. Of that total, \$13.1 million are Transfers Out from the General Fund into three funds: \$6.8 million into the Capital Improvement Fund, \$3.1 million into the Information Technology Replacement Fund, and \$3.2 million into the Equipment Replacement Fund. During the Proposed Budget Study Session, City Council recommended to allocate the available funding in the Capital Improvement Fund to be used for park acquisition in the Westside area of the City. As mentioned above, \$384,576 is included as a Transfer Out from the Capital Improvement Fund into the Park Land Acquisition Fund.

The remaining \$1.1 million in Transfer Out of the \$14.6 million is from the American Rescue Plan Fund, consisting of an \$868,898 transfer into the General Fund for replacement of the revenue loss during the pandemic, and \$231,839 into the Housing Authority Fund to support homeless prevention and supportive services.

Equipment Replacement

The FY 2023-24 Proposed Budget includes an estimated debt service payment for the acquisition of one Pierce 1500 GPM Triple Combination Pumper Truck with South Coast Fire Equipment Inc., utilizing HGACBuy (Helping Governments Across the Country Buy) cooperative contract # FS12-19. The existing 2003 American LaFrance Pumper apparatus has high mileage with heavy wear and tear on all powertrain suspension, steering and pump. The manufacturer, American LaFrance, is out of business and parts are becoming obsolete which delays maintenance and repairs. The estimated cost for the replacement Fire pumper is \$1.2 million, plus \$0.3 million for the required equipment and fixtures for both Pumpers. The purchase of the second Fire Pumper is mostly offset by CDBG funds.

In addition, the Public Works Department is in need of several items of equipment to increase efficiencies during road maintenance and construction. Staff is recommending that the City Council authorize the City Manager and/or Finance Director to enter into a Master Lease Agreement for the Public Works equipment (estimated at \$775,000). The estimated annual lease payments are already included in the FY 2023-24 Proposed Budget:

- Water Truck (estimate at \$200,000), and
- Stake Bed (estimated at \$100,000), and
- Sign Truck (estimated at \$175,000), and
- Stencil Truck (estimated at \$125,000), and
- Asphalt Roller Truck (estimated at \$175,000).

These units are utilized by our Street Maintenance Section on a daily basis and are vital to continue maintenance operations and ensure public safety on City streets.

The existing water truck, stake bed, and the sign truck are aging, have become obsolete, and have high mileage, making it extremely difficult to locate parts. The units experience regular breakdowns resulting in being repaired by a specialty shop due to the rarity of these types of vehicles. This causes additional down time as there are limited vendors available to service these trucks. Additionally, Costa Mesa Fire and Rescue Department relies on the water truck at times for brush fire support. The stake bed, stencil truck, and asphalt roller truck all have surpassed service life expectancies, are high-use vehicles, have worn out suspension, and have transmission issues. The stencil truck paint system is currently inoperable.

Capital Improvement Program Budget

The All Funds Capital Budget of \$31.1 million reflects the City's annual Capital Improvement Program (CIP) Budget that contains an increase of \$5.8 million. It includes grant funding from State Senator Min, State Assemblywoman Petrie-Norris and County Supervisor Foley to invest in the City's parks, streets, active transportation network, facilities and other infrastructure. The CIP Budget was presented at the April 11, 2023 Study Session and is contained in the Proposed Budget.

The \$31.1 million consists of \$15.3 million in park improvement projects, \$6 million in street improvement projects, \$5.6 million in transportation projects, \$3.8 million in facilities improvement projects, \$375,000 in parkway and median improvement projects, and the transfer of \$385,576 into the new Parks Land Acquisition Fund.

Staff presented the CIP budget pertaining to parks, parkways and medians to the Parks and Community Services Commission at their May 11, 2023 meeting. The Commission unanimously approved the CIP budget with the following recommendations:

- Review the need for recreation and open space in the Westside, and re-engage and bring back existing recreation projects "to the streets";
- Include Brentwood Park improvements as Phase 1 project if possible, and look into opportunities to have consultants to make that possible;
- Support the Fairview park Master Plan process and include improvements to trails and signage using consultants;
- Review input of community engagement in a way that makes more sense locally; and

- Look at City-owned parcels and school district green spaces to provide additional park space, starting with City-owned parcel on Victoria and Pomona.

Staff presented the CIP to the Planning Commission at their May 22, 2023 meeting to review for General Plan conformity and approve a resolution. The Planning Commission unanimously approved the proposed one-year and five-year CIP and the General Plan conformity.

At the April 12, 2023 meeting, the Finance and Pension Advisory Committee members reviewed and discussed the FY 2023-24 CIP on April 12, 2023.

Coordination with Newport Mesa Unified School District

City staff is currently working alongside NMUSD staff to maximize open space opportunities for City of Costa Mesa resident use. In an effort to expedite the implementation of a new shared project with NMUSD, Staff is requesting City Council authority to the City Manager, or her designee, to enhance full-time and/or part-time staff and operating expenses for this purpose only from designated Contingency Funds. City staff will provide the City Council with the agreed upon plan, as well as any additional staff and appropriations that will be needed to guarantee a successful outcome.

FY 2023-24 Proposed General Fund Budget

The Proposed FY 2023-24 General Fund expenditure budget is a balanced budget and totals \$180.3 million. This reflects an increase of \$16.7 million or 10 percent, from the FY 2022-23 Adopted Budget of \$163.6 million. Table 2 is a summary of the FY 2023-24 General Fund Proposed Revenue and Expenditure Budget.

Table 2 - FY 2023-24 General Fund Proposed Budget

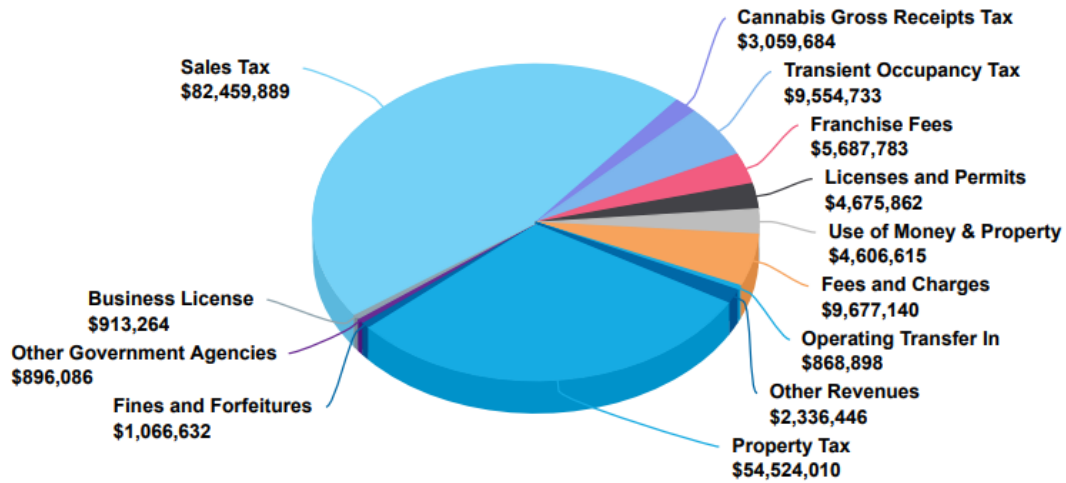
	FY 2022/23 Adopted	FY 2023/24 Proposed	Increase Amount	(Decrease) Percent
Estimated Revenues	\$163,627,538	\$179,458,144	\$15,830,606	10%
Transfers In		868,898	868,898	100%
Total Resources	\$163,627,538	\$180,327,042	\$16,699,504	10%
Operating Budget	\$152,999,548	\$167,229,453	\$14,229,905	9%
Transfers Out	10,627,990	13,097,589	2,469,599	23%
Total Appropriations	\$163,627,538	\$180,327,042	\$16,699,504	10%

General Fund Revenue Highlights

The FY 2023-24 Proposed Budget for Total General Fund Resources totals \$180.3 million, a \$16.7 million, or 10 percent increase from the FY 2022-23 Adopted Budget.

Recurring General Fund Revenue is recovering favorably for the second year with several categories already back to or above pre-pandemic levels such as Sales and Use Tax, Licenses and Permits, Use of Money and Property, and Fees and Charges. The funds typically are used to cover public safety, parks and community services, development services, and other activities and programs known to residents.

Graph 1 - General Fund Revenue Estimates by Category



Staffing Levels

The FY 2023-24 Proposed Budget includes 588 full-time employees which includes FY 2022-23 amendment staffing adjustments of a net 6.91 FTEs. The Proposed Budget incorporates an additional net of 7.87 full-time equivalents; however only 6.37 FTEs are funded from the General Fund. Even with the proposed changes, full-time staffing levels remain under FY 2009-10 pre-recession levels.

Department / Title Description	FTE
Information Technology	
Cybersecurity Analyst (funded by the IT Replacement Fund)	1.00
Finance	
Business License Inspector	1.00
City Manager’s Office	
Convert a Video Production Specialist (0.75) to full time	0.25
Parks and Community Services	
Convert four Recreation Specialists 4 part time positions to full time	1.12
Fire and Rescue	
Reclass Division Chief to Assistant Fire Chief (sworn)	0.00
Reclass Fire Marshal to Assistant Fire Chief (non-sworn)	0.00
Police	
Convert a Property and Evidence Specialist (0.75) to full time	0.25
Convert a Community Services Specialist (0.75) to a full time Crime Analyst	0.25
Convert an Animal Control Officer (0.50) to full time	0.50
Public Works	
Associate Engineer	1.00
Solid Waste Coordinator (Management Analyst, net neutral impact as a result of increased solid waste franchise revenues)	1.00
Maintenance Worker (0.75) to full time Equipment Mechanic (funded by the Equipment Replacement Fund)	0.25
Subtotal Request at the May 9, 2023 Study Session	6.62

Staff is requesting additional staffing adjustments since the Proposed Budget Study Session presentation

Department / Title Description	FTE
City Manager’s Office/Homeless Services	
Convert a Management Aide (0.75) to full time	0.25
Police	
Animal Control Supervisor	1.00
New Requested Staffing	1.25

- During the May 9, 2023 Proposed Budget Study Session, Council discussed the option of transferring the Animal Care Services program from the Parks and Community Services Department to the Police Department. As a result, Staff is recommending to add a full-time Animal Control Supervisor to the Police Department. Staff is recommending the use of Citywide salary savings as a bridge in the first year to support this additional expense.
- Staff also recommends to adjust the staffing proposal requested at the May 9, 2023 Budget Study Session, by converting a 0.75 part-time Management Aide to full-time in the Housing Authority to help support homeless services increases.

Strengthen the Public’s Safety

The FY 2023-24 Proposed Budget includes \$94 million designated as support to the City’s commitment to public safety comprised of the Police and Fire Departments. The public safety budgets make up more than 52 percent of the General Fund Proposed Budget at 32 percent and 20 percent, respectively. Of the 588 Citywide full-time personnel, approximately 39 percent are sworn which is the highest level since the Great Recession.

The Police Department budget now contains 142 full-time sworn personnel, reflecting one Deputy Police Chief position approved at mid-year. The Proposed Budget includes the conversion of three part-time positions to full-time, resulting in an increase of 1.0 FTE as well as the addition of a full-time Animal Control Supervisor. In addition, the Police Department’s maintenance and operations budget increased by a net of \$391,579 mostly for necessary contractual agreements and an increase in internal rent for Workers Compensation. As in prior years and to balance the General Fund, the Department includes a vacancy factor of approximately \$3.7 million to capture its routine vacancy rate. Furthermore, this budget will increase as a result of the Animal Care Services Program transfer from the Parks and Community Services Department. Staff is currently evaluating the staffing and operating budget transfer if this realignment is approved.

The Fire and Rescue Department contains 85 full-time sworn personnel. Staff requests the reclassification of two positions: Fire Division Chief to Assistant Fire Chief (sworn) and Fire Marshal to Assistant Fire Chief (non-sworn). This reclassification results in an estimated cost of \$56,797 annually, however does not increase the staffing levels for the department. The Fire Chief’s benefits have also been updated for internal alignment. Additionally, the Proposed Budget includes a \$500,000 increase in the department’s overtime costs to begin to address the structural issue. The FY 2023-24 Proposed Budget for the Equipment Replacement Fund includes funding to replace public safety aging vehicles and equipment including a 2003 American LaFrance Pumper with a replacement cost of \$1.2 million, a 2004 American LaFrance Combination Pumper for \$1.2 million with partial funding from the

Community Development Block Grant funds, \$0.3 million for the equipment outfitting for both Fire Pumper apparatus, and 16 police vehicles for an estimated replacement costs totaling \$1.05 million.

General Fund Reserves

The City continues to demonstrate strong fiscal prudence and controls on spending. The combined commitment for emergency reserves including the declared disaster and economic reserves, is indicative of financial discipline. The General Fund reserves currently at \$57.8 million exceeds the City Council policy of \$55 million.

Table 3 – General Fund Reserves (in millions)

Fund Balance Category	FY 2019/20 Audited	FY 2020/21 Audited	FY 2021/22 Audited	FY 2022/23 Estimate
Committed				
Declared Disasters	\$14,125	\$14,125	\$14,125	\$14,125
Self-Insurance	2,000	2,000	2,000	2,000
Economic Reserves	9,000	9,000	9,000	9,000
Assigned				
Compensated Absences	5,036	5,920	5,584	5,584
Police Retirement 1% Supplemental	2,365	2,275	1,885	1,885
Workers' Compensation			1,000	2,000
Facilities Reserve			2,000	2,000
Strategic Plan Projects			2,000	2,000
Section 115 Trust	1,750	-	-	1,500
Restricted				
Pension and OPEB	-	1,778	3,061	3,061
Non-spendable	362	965	604	604
Unassigned	18,825	17,429	16,517	16,517
Total Fund Balance	\$53,463	\$53,492	\$57,776	\$60,276

FY 2023-24 Housing Authority

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

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

Homeless Outreach

The Homeless Outreach program combines the City's Network for Homeless Solutions with the Housing Authority's Homeless Prevention and Rapid Rehousing Program. Both programs serve the same functions and offer a broad range of services to homeless individuals, such as assisting with

housing options; creating a social service registry; establishing a network of nonprofit and faith-based organizations; providing outreach services; and reconnecting new homeless persons to their families and services in their city/state of origin. As a result of an increase of homeless services, Staff is requesting to convert a 0.75 Management Aide position to full-time.

Costa Mesa Bridge Shelter

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

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

The Housing Authority’s FY 2023-24 budget consists of funding from a variety of resources with distinct purposes. This includes rental income, loan repayments, grants, subsidies, and contributions/donations.

Table 4 – FY2023-24 Proposed Housing Authority Budget

	FY 2022/23 Adopted	FY 2023/24 Proposed	Increase/(Decrease) Amount/Percentage	
Total Resources	\$4,060,211	\$4,017,325	\$42,886	1%
Total Appropriations	\$4,192,863	\$4,017,325	\$175,325	4%

FY2023-24 Successor Agency

As of February 1, 2012, all California redevelopment agencies were dissolved. The Successor Agency to the Costa Mesa Redevelopment Agency (Successor Agency) is performing its functions under Division 24, Parts 1.8 and 1.85 of the Health and Safety Code, as amended by Assembly Bill1484 and other subsequent legislation (together as amended, the “Dissolution Law”), to administer the enforceable obligations and unwind the affairs of the former Agency.

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

The enforcement obligation remaining is the annual payment on the \$9.3 million loan from the City’s General Fund to the former Redevelopment Agency. The current loan balance (as of June 2023) is \$1,710,056.

On January 17, 2023, the Successor Agency approved the FY2023-24 annual ROPS payment of \$1,710,056. The Successor Agency’s annual ROPS payment was subsequently approved by the Oversight Board on January 24, 2023 and the Department of Finance on March 24, 2023.

FY2023-24 Appropriations Limit

Article XIII B of the Constitution of the State of California requires that the City establish annually an Appropriations Limit. This appropriations limit determines the maximum amount of specific tax revenues which an agency is allowed to spend. Pursuant to Article XIII B and its implementing legislation, the total annual appropriations limit must be calculated by adjusting the prior year’s appropriations limit for changes in the cost of living and population growth.

The City may choose one of the following factors to use for inflationary adjustment:

- (a) the growth in California per capita income from the preceding year, or
- (b) the growth in the non-residential assessed property valuation due to new construction within the City.

For population growth, the City may choose to use either:

- (a) the population growth of the City, or
- (b) the population growth within the County. These two adjustment factors (one for inflation and one for population) are both annual elections for the City in determining its Appropriations Limit for the following Fiscal Year.

For the FY 2023-2024 calculation, the City is electing to use the City’s population growth of -0.42% rather than the population growth of the County of Orange of -0.46% since it yields a higher population growth factor, and the growth in California per capita income as its inflation factor as provided by the State Department of Finance (DOF).

The City is \$142.0 million less, or 47.6% below the proposed Fiscal Year 2023-2024 appropriations limit. Therefore, the City is well within its appropriations limit established pursuant to Section 7910 of the California Government Code and will not exceed this limit during Fiscal Year 2023-2024. Below is the calculation utilized for the appropriations limit.

**CITY OF COSTA MESA
CALCULATION OF APPROPRIATIONS LIMIT
FOR FY 2023-2024**

The City’s Appropriations Limit for FY 23-24 is calculated as follows:

Step 1	Appropriations Limit for FY 22-23	\$ 286,881,520
Step 2	Multiply the FY 22-23 Appropriations Limit by the cumulative growth factors for changes in the California per capita personal income and the population change for the City of Costa Mesa.	1.0400
	Appropriations Limit for FY 23-24	\$ 298,356,781

*CALCULATION OF CUMULATIVE GROWTH FACTORS:

Personal Income Factor	1.0444
Orange County Population Change	0.9954
Costa Mesa Population Change	0.9958
*(1.0444 x 0.9958) =	1.0400
Per capita Cost of Living converted to ratio (4.44+100/100)	1.0444
Orange County Population converted to ratio (-0.46+100/100)	0.9954
Costa Mesa Population converted to ratio (-0.42+100/100)	0.9958

* The City has the option to utilize the larger of the annual percentage change of the City or the County.

FY 2023-24 Special Event Rates

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

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

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

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

2023 Annual AB 481 Police Safety Equipment Report

Per AB 481, law enforcement agencies are required to submit an annual report to the governing body on the use of the equipment, any complaints regarding the use of the equipment, results of any internal audits on the use of the equipment, annual costs of the equipment, quantity possessed by the agency, and any intent to purchase new equipment in the following year.

Items deemed to be AB 481 equipment are used as a component of best practices for law enforcement agencies throughout the country. These tools have been tested in the field and used by law enforcement agencies to enhance both citizen safety and officer safety. Loss of these items would jeopardize the welfare of citizens and peace officers within the Costa Mesa Police Department

The term "military equipment," as used in AB 481, does not necessarily indicate equipment that has been used by, or obtained from, the military. Pursuant to AB 481, items deemed to be "military equipment" include, but are not limited to, unmanned aerial or ground vehicles, armored rescue vehicles, command and control vehicles, specialized firearms and ammunition, less lethal 40mm projectile launchers, long range acoustic devices, flashbangs, "tear gas," and pepper balls.

CMPD is committed to using the most up to date tools and equipment to safeguard the citizens of Costa Mesa. Many of the items deemed to be AB 481 equipment are utilized by CMPD, and law enforcement agencies across the country, in order to specifically reduce risk to community members. These items provide peace officers with the ability to safely resolve volatile situations which otherwise might rise to the level of a lethal force encounter. Items listed in this report, and accompanying AB 481 Equipment Use Policy, also provide CMPD's peace officers with vital tools that facilitate compliance with its comprehensive use of force policy.

Other items deemed to be AB 481 equipment include equipment such as specialized rifles. Specialized rifles allow peace officers in rare and unpredictable circumstances to address lethal threats from a greater distance and with greater precision.

There is significant interest to ensure law enforcement continues to have access to equipment that will provide peace officers as many options as possible to safeguard lives, ensure safety, de-escalate volatile circumstances, and protect civil liberties. The use of the tools identified below are vital to CMPD's mission and will continue to be strictly regulated through internal processes and oversight. Staff seeks to authorize the CMPD's continued use of the specified equipment based upon the attached Annual AB 481 Report. The report addressed each item responsive to the requirements of AB 481 and includes a list of equipment prescribed under AB 481, including information regarding the description, cost, quantity, capabilities, purpose, authorized use, lifespan, fiscal impact, training, and legal and procedural rules for each item. A majority of these particular items have been in place prior to the implementation of AB 481.

ALTERNATIVES

The City Council can provide alternative direction to Staff on the Proposed Budgets for FY 2023-24 through June 30, 2023.

FISCAL REVIEW

The FY 2023-24 Operating and Capital Improvement Budget provides the funding and expenditure plan for all funds. As such, it serves as the City's financial plan for the upcoming fiscal year. The City Council will be kept apprised regarding actual operating results for the General Fund through a quarterly financial report and the Mid-Year Budget Review. The Mid-Year Budget Review will include an update of the fiscal year's projected revenues and expenditures, and any recommended adjustments, if necessary.

LEGAL REVIEW

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

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the City Council goals:

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

CONCLUSION:

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

Staff recommends that City Council:

1. Approve Resolution 23-XX, adopting the Proposed Fiscal Year 2023-24 Operating and Capital Improvement Program (CIP) Budget; and
2. Approve Joint Resolution 23-XX adopting the Housing Authority Budget including Housing and Community Development expenditures for Fiscal Year 2023-24; and
3. Authorize and approve staffing as follows:
 - a. Authorize the following full-time positions: Business License Inspector, Cyber Security Analyst, Associate Engineer, and a Management Analyst (Solid Waste Coordinator) for an increase of 4.0 FTE as presented at the May 9, 2023 Study Session; and
 - b. Authorize the following part-time to full-time conversions: Video Production Specialist, Animal Control Officer, Community Services Specialist to one Crime Analyst, Property Evidence Specialist, four Recreation Specialists, and a Maintenance Worker to one Equipment Mechanic for a net 2.62 FTE increase as presented at the May 9, 2023 Study Session; and
 - c. Authorize an existing 0.75 part-time Management Aide to full-time in the Homeless Services Division to help support increasing homeless services; and
 - d. Consolidate the Animal Services and Enforcement Program by transferring the Animal Services Program from the Parks and Community Services Department to the Police Department and authorize a full-time Animal Control Supervisor position; and
 - e. Approve Salary and Classification Updates Resolution 23-xx for (Assistant Fire Chief); and
 - f. Approve Salary and Classification Updates Resolution 23-xx for (Animal Control Supervisor and Cyber Security Analyst); and
4. Authorize the City Manager, or her designee, to appropriate funding to cover the prior years' deficit and fully fund FY 2023-24 of the Arts and Culture Master Plan Fund by utilizing FY 2022-23 General Fund year-end savings; and
5. Authorize the City Manager, or her designee, to work with the City Attorney's Office to execute any and all documents necessary to finance and purchase the following: water truck, stake bed, sign truck, street stencil truck, asphalt roller truck, and two Fire pumper trucks (one partially offset by CDBG funds) for an estimated lease amount of \$2.3 million; and
6. Authorize the City Manager, or her designee, to work with the Newport Mesa Unified School District for shared open space options, including but not limited to, the addition of new full time or part time staff and operating appropriations; and

7. Approve Resolution 23-XX establishing the Fiscal Year 2023-2024 Appropriations Limit for the City of Costa Mesa at \$298,356,781, by using Orange County's growth for population adjustment, and the California per capita income growth for inflationary adjustment; and
8. Approve the City of Costa Mesa's Revised Special Event Rates; and
 9. City Council action is requested for the following to comply with AB 481 Police Equipment Report and Resolution:
 - g. Receive and file the 2023 Annual AB 481 Report and take public comment; and
 - h. Approve Resolution 23-XX Renewing Ordinance No. 2022-03, the AB 481 Equipment Use Policy of the City of Costa Mesa, California, governing the use of police safety equipment.