

City Of Costa Mesa, California

Annual Comprehensive Financial Report

FISCAL
YEAR ENDED
JUNE 30, 2023



CITY OF COSTA MESA, CALIFORNIA
Annual Comprehensive Financial Report
Year ended June 30, 2023

Prepared by: Finance
Department

www.costamesaca.gov



CITY OF COSTA MESA, CALIFORNIA
Annual Comprehensive Financial Report
Year ended June 30, 2023

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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 21, 2023

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, 2023, 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, 2023, 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, 2023, 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, 2023, 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 111,183 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 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 2022-23, the City continued to demonstrate resilience and strength economically. 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.

Financial results at the end of the fiscal year, along with positive key economic indicators such as unemployment rates, taxable sales, and assessed property values, are indicative of the recent robust improvement to the local economy.

In fiscal year 2022-23, General Fund revenue, not including transfers, increased by \$11.9 million or 7.2 percent. This is primarily due to a strong housing market and retail sector. Home sales activity remained relatively strong in spite of rising interest rates. This was apparent in the increase in the City's median sales price on single family homes, which increased \$185,000 over last year for a median of \$1.3 million or 17% increase. Additionally, the City's overall property assessed valuation increased from added developments and improvements to properties that were prudent during the pandemic. Property tax revenue increased by \$4.4 million, or 8.9 percent, over the prior fiscal year as a result. Pent up demand for in-person retail and restaurant visits resulted in a significant increase to sales tax revenue. Costa Mesa is home to the renowned luxury retail center South Coast Plaza, Metro Pointe, and a variety of brick and mortar stores. Strong job numbers and low unemployment rates allowed consumption spending, thus sales tax revenue increased by \$2.5 million or 3.28 percent.

A recovery in the travel industry also contributed to the increase in general fund revenues. A notable shift from consumer spending to experiences, travel, and leisure, coupled with increases in room rates resulted in an increase of transient occupancy tax (TOT) revenue by \$1.5 million to \$9.8 million, or 17.5 percent over the prior fiscal year. TOT revenue not only fully rebounded but also surpassed pre-pandemic levels, signaling a recovery in the tourism sector.

General Fund expenditures increased by \$9.8 million or 7.0 percent compared to the prior year. The increase includes growth in the annual required CalPERS contributions and the restoration of staffing to pre-pandemic levels. For fiscal year 2022-23, the General Fund ended with a net operating positive of \$6.4 million including the 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 from the General Fund increased by \$5.1 million over the prior fiscal year. The transfers were to fund various capital projects, partial cost of a fire apparatus, and the Housing Element and Visioning Plan. After the net of other financing uses, the General Fund ended with an increase of \$1.3 million to its fund balance for fiscal year 2022-23.

Fiscal year 2022-23 wasn't without economic headwinds. Record inflation caused by supply chain problems and pandemic-related economic monetary policy, continued to plague the economy. Gas prices reached over \$6.30 a gallon and the Federal Reserve Board continued to raise the Federal Funds Rate, which in turn raised the mortgage lending rates to levels not seen since 2000.

The outlook for fiscal year 2023-24 is a subdued one. Growth in the economy is expected to slow. The City is very 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):

Halcyon House (former Symphony Apartments located at 595 Anton Blvd.) – The five-story project consisting of 393 luxury apartment units and retail shops at the corner of Anton Boulevard and Avenue of the Arts was approved in 2015. Construction of Building A was completed in 2022 and Building B was completed early 2023.

Anduril Headquarters (1375 Sunflower Street- former LA Times) – The master plan for the 665,000 square foot office project was approved in August 2017. Construction for the campus is projected to be completed at the end of 2023. The City has worked with Anduril to develop a phased construction and operation plan that has allowed Anduril to occupy the completed buildings onsite. Anduril has been operating onsite since 2021.

Audi Dealership Expansion (1275 Bristol Street) – The site contains an existing two-story, 46,880-square-foot building occupied by automotive dealership (Audi Fletcher Jones). The two-story building addition includes additional ground-level service area (13 bays) and parts storage on the first level and indoor vehicle inventory display and offices on the second level. In addition, electrical service upgrades for the building addition, as well as additional electric vehicle (EV) charging stations are proposed. The project was completed in 2023.

LUX Apartments (2277 Harbor Boulevard) – The project consists of 200 apartment units, including 9 very low-income units. The project was completed in 2023.

Major Developments (approved/under construction):

Project Homekey (Motel 6 site – 2274 Newport Boulevard) – The Motel 6 property located at 2274 Newport Blvd involves the acquisition and two-phase adaptive re-use of an 88-unit motel into permanent 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 to encourage social interaction among residents. Pedestrian access at Newport Blvd will be enhanced, encouraging residents to walk to nearby community and commercial amenities. Aesthetic improvements will include building façade enhancements, public art, and substantial upgrades to existing landscaped areas. This project will be developed in two phases. Phase I will be completed by Winter 2023 and includes conversion of 40 units into housing for individuals earning 30% or less than the Area Median Income, 30 of which are permanent supportive housing units serving homeless veterans and 10 of which are set aside for homeless individuals who meet the Mental Health Services Act (MHSA) eligibility criteria. Construction of Phase II will involve conversion of the remaining units and will commence once funding resources are identified.

Vanguard University (55 Fair Drive) – The university has an approved master plan to replace some of the existing buildings with more modern facilities, provide additional student housing, and replace some surface parking with a parking structure. This amendment reflects long range plans for the university and will take several years to complete. The 42,687 square foot 2-story student center is complete. Construction of the perimeter improvements along Fair Drive and Newport Boulevard including new fencing and freestanding sign have also been completed. Construction continues for the Freed Center, a new 61,006-square-foot gymnasium and events center which will consist of a multipurpose gymnasium and athletic facility with additional student facilities, anticipated to be completed in 2024.

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 new master plan includes an expanded parking structure, a new restaurant and hotel lobby, and six levels of 150 new

hotel rooms. Minor changes have been approved in 2023 to modify the design. Construction is anticipated to begin in 2024.

The Plant (765-767 Baker Street and 2972 Century Place) – This project consists of the proposed renovation of three existing commercial buildings (containing the former Car Mart and Plant Stand) totaling 19,100 square feet, for retail and restaurant uses surrounding a central courtyard area. In addition, new buildings are proposed consisting of two greenhouse structures which will contain food stall uses, and a four-story mixed use building with 48 residential units, 14 live/work units, and 2,570 square feet of workshop/maker office space above a two-level parking structure containing 170 parking spaces. Additionally, 39 on-site open parking spaces and 34 open parking spaces accessible from Century Place are proposed, for a total of 243 proposed parking spaces. This project was approved by the City Council September 2019.

One Metro West (1683 Sunflower Avenue) – The project is a mixed-use development that consists of residential, specialty retail, creative office, and recreational uses. The Project is proposed to include up to 1,057 dwelling units (anticipated to be rental units), 25,000 square feet of commercial creative office, 6,000 square feet of specialty retail, and 1.5-acres of public open space. All existing buildings, structures, parking areas, drive aisles, and hardscape/landscape improvements are proposed to be demolished. The proposed development includes three multi-family residential structures with a maximum building height of seven stories; one stand-alone office building up to four stories in height; tenant-serving commercial retail space integrated into one of the residential structures; open space; landscaping; streetscape improvements; and a Class-I bike trail system on Sunflower Avenue providing access to the Santa Ana River Trail. The proposed Project is subject to Measure Y, as codified in Article 22, Chapter IX of Title 13 (Zoning) of the Costa Mesa Municipal Code. The project was approved by City Council in 2021 through a development agreement. Commencement of the development is yet to be determined.

Future Development (under review):

Senior Housing Project at Senior Center (Jamboree Housing ENA – 695 West 19th Street) – In 2020 the City Council approved an Exclusive Negotiating Agreement (ENA) to partner with Jamboree Housing Corporation in determining the feasibility, and potential terms, for the right to acquire a long-term leasehold interest in an approximately 0.90-acre portion of the parking lot at the Senior Center property to develop a senior housing project. The conceptual density study plans envision the potential for 60 senior affordable dwelling units (59 plus one manager unit). An application for an Urban Master Plan Screening for the proposed project was submitted with ongoing discussions with the applicant as the City reviews and process the application.

Hive Live (3333 Susan Street) – A General Plan Screening application was processed for *Hive Live* - The proposed development (“Hive Live”) involves a General Plan Amendment, Zone Change, Specific Plan Amendment, a Development Agreement, Zone Change, and a Tentative Parcel Map. The proposed development is comprised of residential uses and a small resident-serving commercial component. The proposed project is anticipated to be constructed and occupied in three phases. The proposed site plan includes three multifamily residential buildings with integrated parking structures with a total of 1,050 rental units with a proposed site density is 74 dwelling units per acre. Three “wrap” parking structures are proposed with a minimum parking ratio of 1.5 parking spaces per unit and would be built in phases concurrently with the residential component of the project. In addition, an approximate 2,500-square-foot resident-serving retail component is proposed on the ground floor.

Fairview Developmental Center – Specific Plan (2501 Harbor) – Fairview Developmental Center (FDC) is a 109-acre property owned by the State of California located at 2501 Harbor in the City of Costa Mesa. The site was developed and previously operated by the State as a residence for developmentally disabled persons, but is now largely vacant. The site has been

the subject of discussion between various agencies over the years as to its future potential use and disposition. In anticipation of State's disposition, the City's Housing Element included this site as a housing opportunity site that may accommodate an estimated 2,300 housing units. It also included a "program" or future action calling for the City to continue to coordinate with the State to define future uses including establishment of a Specific Plan to allow for residential development at the site consistent with the Housing Element. In December 2022, State and City entered into an agreement to plan for the future reuse of the site pursuant to Senate Bill 188 (Government Code Section 14670.31), which outlines the general terms under which the State of California, through the Department of General Services and the Department of Developmental Services, will collaborate with the City to determine the future of the FDC site. This Government Code Section sets forth the State's goals and requirements for the disposition of the property and a land use planning process to be conducted by the City for the future use of the property and allocates \$3.5 million in funding for that intended purpose. In Summer of 2023, the City retained PlaceWorks for consultant services to assist in the community outreach efforts, drafting of the Specific Plan (SP) and General Plan Amendment (GPA), and completion of the environmental review process. The FDC - SP will be the basis for all future development applications on the site. Community outreach was initiated in Fall of 2023 and will continue throughout the planning process.

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, 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

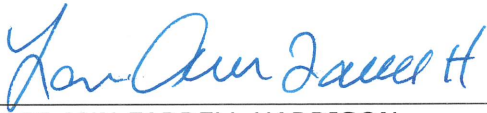
The Government Finance Officers Association (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the 25th consecutive year that the City has received this prestigious 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, 2023 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.

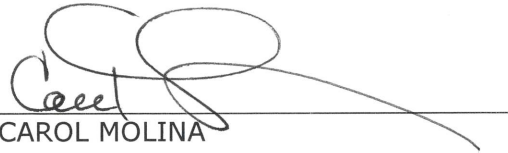
ACKNOWLEDGMENTS

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 the 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, 2023

Mayor

John Stephens

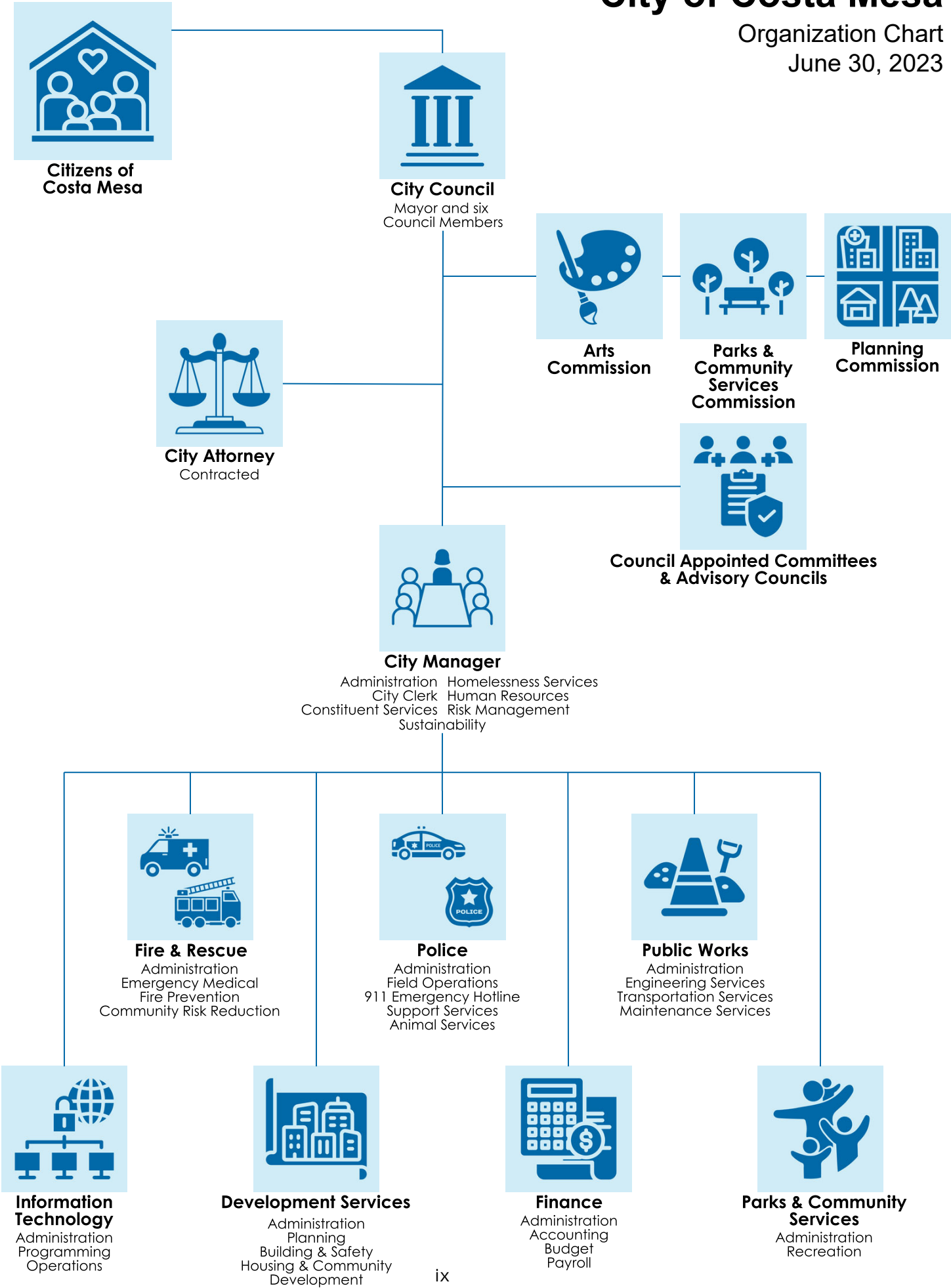
City Council

Jeff Harlan
Manuel Chavez
Loren Gameros
Don Harper
Andrea Marr
Arlis Reynolds

City Manager -----Lori Ann Farrell Harrison
 City Attorney (Contract) ----- Kimberly Barlow
 Assistant City Manager -----Vacant
 Deputy City Manager----- --Alma Reyes
 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, 2023





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, 2022

Christopher P. Morill

Executive Director/CEO

TAB

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, 2023, 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, 2023, 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, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96: Subscription-Based Information Technology Arrangements. 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 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 21, 2023 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.

Davis Fan UP

Irvine, California
December 21, 2023

TAB

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, 2023. 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–vii 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 2023 by \$110.9 (*net position*). Of this amount, \$166.2 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 \$59.3 million from the prior fiscal year total of \$51.6 million.
- In the fund financial statements, the governmental funds reported a combined ending fund balance of \$139.9 million, an increase of \$22.4 million in comparison with the prior year total of \$117.5 million.
- At the end of fiscal year 2023, the General Fund's unassigned fund balance was \$15.6 million or 10.4 percent of general fund expenditures of \$149.8 million. Unassigned fund balance may be used to meet the government's ongoing obligations.
- At June 30, 2023, the City reported \$332.4 million in pension liabilities and \$52.4 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 28 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 25 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 76-98 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 102-128 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$110.9 million at June 30, 2023, an increase of \$59.3 million from 2022.

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 \$386.5 million on the Statement of Net Position, an increase of \$88.8 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, 2023	June 30, 2022	Increase/ (Decrease)	Percent Increase/ (Decrease)
ASSETS:				
Current and other assets	\$217,770,841	\$192,540,139	\$ 25,230,702	13.10%
Capital assets, net of accumulated depreciation	287,317,473	279,567,632	7,749,841	2.77%
Total assets	<u>505,088,314</u>	<u>472,107,771</u>	<u>32,980,543</u>	<u>6.99%</u>
Deferred outflows of resources	107,892,710	56,137,273	51,755,437	92.19%
LIABILITIES:				
Current and other liabilities	33,622,613	33,026,449	596,164	1.81%
Long-term liabilities	436,113,296	348,415,949	87,697,347	25.17%
Total liabilities	<u>469,735,909</u>	<u>381,442,398</u>	<u>88,293,511</u>	<u>23.15%</u>
Deferred inflows of resources	32,300,324	95,175,548	(62,875,224)	-66.06%
NET POSITION:				
Net investment in capital assets	258,068,790	249,096,798	8,971,992	3.60%
Restricted	19,027,696	28,232,693	(9,204,997)	-32.60%
Unrestricted	(166,151,695)	(225,702,393)	59,550,698	-26.38%
Total net position	<u>\$ 110,944,791</u>	<u>\$ 51,627,098</u>	<u>\$ 59,317,693</u>	<u>114.90%</u>

At the end of fiscal year 2022-23, 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 \$59.6 million, ending the fiscal year with a balance of \$166.2 million primarily due to implementations of pension and OPEB accounting standards.

During the fiscal year 2022-23, the City's total net position increased by \$59.3 million.

CHANGES IN NET POSITION		
	Governmental Activities	
	2023	2022
REVENUES:		
Program Revenues:		
Charges for services	\$ 22,541,044	\$ 21,962,861
Operating contributions and grants	19,907,594	14,404,940
Capital contributions and grants	3,905,958	5,528,637
General Revenues:		
Taxes:		
Property taxes	53,806,587	49,706,079
Sales and use taxes	79,851,289	77,165,533
Transient occupancy tax	9,830,790	8,366,278
Franchise taxes	6,094,232	5,318,541
Business tax	1,907,551	1,468,202
Other intergovernmental, unrestricted	275,292	130,289
Investment income	1,821,815	(3,609,117)
Miscellaneous	3,345,453	1,718,804
Total revenues	<u>203,287,605</u>	<u>182,161,047</u>
EXPENSES:		
General Government	32,152,691	31,808,370
Protection of persons and property	76,378,672	98,324,072
Community programs	21,097,340	14,887,015
Public services	13,379,020	21,645,247
Interest on long-term debt	962,189	929,979
Total expenses	<u>143,969,912</u>	<u>167,594,683</u>
Change in net position	<u>59,317,693</u>	<u>14,566,364</u>
NET POSITION, BEGINNING OF YEAR	51,627,098	37,060,734
NET POSITION, END OF YEAR	<u>\$ 110,944,791</u>	<u>\$ 51,627,098</u>

Governmental Activities

During the current year, net position for governmental activities increased \$59.3 million from the prior fiscal year ending balance of \$51.6 million. Total revenues of \$203.3 million were more than expenses and net transfers of \$144.0 million. Key factors in the City's net position included:

- Property tax revenue increased by \$4.1 million or 8.2 percent. The increase is due to a strong housing market, despite rising interest rates, increase in the City's single-family homes median sales price, and an increase in overall property assessed valuations from new developments and improvements to properties.
- Sales tax increased by \$2.7 million or 3.5 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 exceeded pre-pandemic levels. Increased revenues are due to an increase in demand of consumer goods and restaurant visits, and increased prices as a result of inflation.
- Operating contributions and grants increased by \$5.5 million or 38.2 percent primarily due to one-time American Rescue Plan Act federal stimulus funding received in fiscal year 2021-22, however, revenue was not recognized because they were unspent in the prior fiscal year. The City was able to recognize \$4.8 million in FY 2022-23.
- Transient occupancy tax increased by \$1.5 million or 17.5 percent due to an increase in room rates and a shift from consumer spending to experiences, travel, and leisure.
- Investment income increased by \$5.4 million due to the GASB 31 adjustment.
- Overall expenses decreased by \$23.6 million or 14.1 percent from fiscal year 2021-22 due to the GASB 68 adjustment.

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 2022-23, the City's governmental funds reported combined ending fund balance of \$139.9 million, an increase of \$22.4 million in comparison with the prior fiscal year fund balance of \$117.5 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.
- \$38.4 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.
- \$59.3 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 \$17.3 million constitutes *unassigned fund balance*.

The General Fund is the primary operating fund of the City. At the end of fiscal year 2022-23, the General Fund's fund balance increased by \$1.3 million. While the total fund balance amounted to \$59.0 million, the unassigned fund balance was \$15.6 million. Key factors attributable to the increase in net position include:

- Property tax increased by \$4.4 million or 8.9 percent due to a strong housing market and an increase in overall property assessed valuations.
- Sales tax revenues increased by \$2.5 million or 3.3 percent from fiscal year 2021-22. This is due to strong job numbers and low unemployment rates which allowed consumption spending to remain solid.
- Transient occupancy tax increased by \$1.5 million or 17.5 percent due to increased room rates and a steady increase in travel and tourism.
- Overall, total revenues in the General Fund increased by \$11.9 million or 7.2 percent.
- General government and protection of persons and property expenditures increased by \$7.6 million 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 \$9.8 million or 7.0 percent over prior fiscal year.

Major Funds Other Than the General Fund

The Capital Improvements Fund had \$31.5 million in fund balance at the end of the fiscal year which represents a net increase of \$9.7 million or 44.2 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 fund balance of \$0.3 million at the end of the fiscal year which represents a net increase of \$1.4 million or 122.9 percent from the prior fiscal year. The increase in fund balance is due to reimbursed grant expenditures incurred in the prior year.

The Gas Tax Fund had a fund balance of \$17.6 million at the end of the fiscal year which represents a net increase of \$2.9 million or 19.8 percent from the prior fiscal year. Gas Tax revenues in the current year were \$5.5 million compared to \$2.6 million in expenditures.

The American Rescue Plan Act (ARPA) Fund had \$258,379 in fund balance at the end of the fiscal year which had a fund balance of \$50,329 in the prior fiscal year. The increase is 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 \$25.3 million. Total net position increased by \$8.4 million from the prior fiscal year. The increase in net position is mainly attributed to transfers in for IT infrastructure projects and the self-insurance fund, as well as the true up of 1.5 percent of General Fund revenues to fund the City's technology needs.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2022-23 the actual revenues were \$1.4 million or 0.8 percent higher than the final amended budget. Year over year, sales tax and property tax revenue were \$2.5 million and \$4.4 million, respectively, higher than prior fiscal year. Additionally, transient occupancy tax and charges for services revenue received increased by \$1.5 million and \$1.9 million, respectively, compared to prior fiscal year.

Actual expenditures were \$0.6 million or 0.4 percent lower than originally estimated and final adjusted budget.

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, 2023, amounted to \$279.8 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 increased by \$7.6 million. Major infrastructure asset additions during fiscal year 2022-23 were City Hall Elevator Modernization, Jack Hammett Field Upgrade, Wilson Street Improvement, Bristol Street Storm Drain Diversion Project, various building maintenance projects, various street rehabilitation projects, 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 \$7.7 million and capital assets being depreciated or amortized increased by \$15.9 million.

CAPITAL ASSETS
(NET OF DEPRECIATION)

	Governmental Activities	
	2023	2022*
Land	\$ 34,579,306	\$ 34,579,306
Land rights related to streets	29,821,224	29,821,224
Construction in progress	19,137,403	11,423,851
Building improvements and structures	68,072,806	72,060,015
Machinery and equipment	18,357,725	11,358,371
Intangibles	226,556	334,106
Right-to-use-assets	1,014,403	1,362,246
Park system and facilities	9,216,778	6,704,889
Infrastructure- roads	94,574,275	99,147,982
Infrastructure- storm drains	12,316,997	12,968,796
TOTALS	\$ 287,317,473	\$ 279,760,786

* Balance was restated to include subscription assets added due to the implementation of GASB 96

Construction in progress as of June 30, 2023 totaled \$19.1 million, \$7.7 million higher than the previous fiscal year. Generally, as the notice of completion (NOC) is filed on each project, the costs associated with each project will be deleted from the construction in progress capital asset category and added to the appropriate capital asset category in the year the NOC is filed. Construction in progress include some of the following projects with significant commitment balances:

CONSTRUCTION COMMITMENTS			
CONSTRUCTION PROJECT	TOTAL BUDGET	SPEND TO DATE	REMAINING COMMITMENT
Range Remodel/Update	2,448,550	1,444,287	1,004,263
Fairview Road Improvement 405/Adams	1,176,150	94,496	1,081,654
SB Newport Blvd Improvements Mesa Victoria	1,965,652	97,058	1,868,594
Newport NB 22th Bristol SB Bristol Mesa	2,131,786	94,186	2,037,600
Adams Ave Improvement	2,278,862	-	2,278,862
Jack Hammett Sports Complex	2,776,652	2,361,037	415,615
Ketchum-Libolt Park Expansion	1,297,520	6,940	1,290,580
Wilson Street Improvement	1,830,168	1,400,653	429,515
Fire Station #2	2,150,000	33,935	2,116,065
Fire Station #4	5,100,000	-	5,100,000
TOTALS	\$ 23,155,340	\$ 5,532,592	\$ 17,622,748

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 \$21.3 million. Additionally, the City had \$25.5 million in other outstanding liabilities related to leases, loans, claims, and employee benefits.

Long-term liabilities had a net decrease of \$1.3 million, primarily due to a decrease in the City's outstanding liability claims and employee leave benefits.

OUTSTANDING DEBT

	Governmental Activities	
	2023	2022*
Bonds Payable	\$ 24,124,512	\$ 26,102,279
Other Liabilities	25,483,202	24,756,616
TOTALS	\$ 49,607,714	\$ 50,858,895

* Balance was restated to include subscription assets added due to the implementation of GASB 96

Additional information on the City’s long-term debt can be found in notes 8 through 9 on pages 52-57 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

During fiscal year 2022-23, the local economy recovered from the pandemic. The City showcased economic resilience, surpassing national and state trends due to robust retail, local businesses, and diverse industries, and strong financial management. Positive indicators like reduced unemployment, increased taxable sales, and higher property values marked significant local economic growth. Looking ahead to fiscal year 2023-24, the city anticipates a slowdown in economic growth, exercising cautious optimism for stability. Supported by a strong economy, robust reserves, and a commitment to quality service delivery, Costa Mesa prepares to navigate the anticipated economic challenges.

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

TAB

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, 2023
(With Comparative Data for Prior Year)

	Governmental Activities	
	2023	2022
Assets:		
Cash and investments (note 2)	\$ 183,666,852	\$ 157,463,831
Cash and investments with fiscal agent (note 2)	481,295	460,281
Due from other governments	20,441,133	20,103,936
Accounts receivable	4,495,977	4,183,311
Interest receivable	878,395	382,959
Loans receivable, net (note 5)	496,321	608,294
Rent receivable	372,809	355,664
Leases receivable (note 6)	3,953,933	4,419,068
Inventories	234,360	339,236
Prepaid items	2,749,766	4,223,559
Capital assets (note 7):		
Nondepreciable	83,537,933	75,824,381
Depreciable, net of accumulated depreciation	203,779,540	203,743,251
Total assets	<u>505,088,314</u>	<u>472,107,771</u>
Deferred outflows of resources:		
Deferred outflows related to pensions (note 11)	96,668,625	42,824,533
Deferred outflows related to OPEB (note 14)	11,224,085	13,312,740
Total deferred outflows of resources	<u>107,892,710</u>	<u>56,137,273</u>
Liabilities:		
Accounts payable	7,081,402	9,418,820
Accrued liabilities	4,490,817	3,721,368
Accrued interest payable	251,727	262,935
Retentions payable	546,815	517,407
Deposits payable	3,254,566	2,952,644
Unearned revenue	17,997,286	16,153,275
Long-term liabilities:		
Portion due within one year (note 8)	7,710,029	7,258,181
Portion due beyond one year (note 8)	41,897,685	43,409,301
OPEB liability (note 14)	52,376,993	66,254,495
Police retirement 1% supplemental liability (note 12)	1,737,346	1,884,759
Net pension liability (note 11)	332,391,243	229,609,213
Total liabilities	<u>469,735,909</u>	<u>381,442,398</u>
Deferred inflows of resources:		
Deferred inflows related to leases (note 6)	3,811,601	4,338,750
Deferred inflows related to pensions (note 11)	12,271,830	87,708,150
Deferred inflows related to OPEB (note 14)	16,216,893	3,128,648
Total deferred inflows of resources	<u>32,300,324</u>	<u>95,175,548</u>
Net position:		
Net investment in capital assets	258,068,790	249,096,798
Restricted for:		
Protection of persons and property	1,672,814	1,333,365
Community programs	10,118,512	6,796,140
Public services	7,236,370	20,103,188
Unrestricted	(166,151,695)	(225,702,393)
Total net position	<u>\$ 110,944,791</u>	<u>\$ 51,627,098</u>

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Statement of Activities
Year ended June 30, 2023
(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	2023	2022
Governmental activities:						
General government	\$ 34,980,361	\$ -	\$ 306,283	\$ -	\$ (34,674,078)	\$ (30,904,940)
Protection of persons and property	73,222,044	8,548,513	9,721,551	-	(54,951,980)	(87,757,663)
Community programs	21,336,759	5,440,973	3,936,078	-	(11,959,708)	(4,300,777)
Public services	13,468,557	8,551,558	5,943,681	3,905,958	4,932,640	(1,804,886)
Interest on long-term debt	962,189	-	-	-	(962,189)	(929,979)
Total governmental activities	\$ 143,969,910	\$ 22,541,044	\$ 19,907,593	\$ 3,905,958	(97,615,315)	(125,698,245)
General revenues:						
Taxes:						
					53,806,587	49,706,079
					79,851,289	77,165,533
					9,830,790	8,366,278
					6,094,232	5,318,541
					1,907,551	1,468,202
					275,292	130,289
					1,821,815	(3,609,117)
					3,345,452	1,718,804
					<u>156,933,008</u>	<u>140,264,609</u>
					59,317,693	14,566,364
					<u>51,627,098</u>	<u>37,060,734</u>
					<u>\$ 110,944,791</u>	<u>\$ 51,627,098</u>

See notes to financial statements



TAB

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.

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).

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, nine Capital Projects Funds, and one Debt Service Fund.

CITY OF COSTA MESA, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2023
(With Comparative Data for Prior Year)

	Special Revenue		
	General	Government Grants	Gas Tax
<u>Assets:</u>			
Cash and investments	\$ 49,067,828	\$ 9,402,572	\$ 17,175,492
Cash and investments with fiscal agents	-	-	-
Due from other governments	16,739,461	185,515	689,813
Accounts receivable, net	3,961,743	-	-
Interest receivable	737,245	6	20,796
Loans receivable, net	257	-	-
Leases receivables	2,519,207	-	-
Rent receivable	372,809	-	-
Due from other funds (note 3)	54,037	-	-
Inventories	85,157	-	-
Prepaid items	373,530	-	-
Total assets	\$ 73,911,274	9,588,093	17,886,101
<u>Liabilities:</u>			
Accounts payable	\$ 4,290,768	\$ 117,400	\$ 171,837
Accrued liabilities	4,252,010	7,843	24,094
Retentions payable	-	-	85,516
Deposits payable	3,215,658	-	-
Due to other funds (note 3)	-	-	-
Unearned revenue	-	9,200,000	-
Total liabilities	11,758,436	9,325,243	281,447
<u>Deferred inflows of resources:</u>			
Lease related	2,396,776	-	-
Unavailable revenue	719,108	-	48,300
Total deferred inflows of resources	3,115,884	-	48,300
<u>Fund balances (note 10):</u>			
Non-spendable:			
Prepaid items	373,530	-	-
Inventories	85,157	-	-
Restricted:			
Pension and OPEB	3,178,229	-	-
Protection of persons and property	-	262,850	-
Community programs	-	-	-
Public services	-	-	17,556,354
Debt service	-	-	-
Committed	25,125,000	-	-
Assigned	13,946,622	-	-
Unassigned	16,328,416	-	-
Total fund balances	59,036,954	262,850	17,556,354
Total liabilities, deferred inflows of resources, and fund balances	\$ 73,911,274	\$ 9,588,093	\$ 17,886,101

See notes to financial statements

Special Revenue American Rescue Plan Act	Capital Projects Capital Improvements	Nonmajor Governmental Funds	Totals	
			2023	2022
\$ 8,811,314	\$ 32,291,970	\$ 29,107,646	\$ 145,856,822	\$ 126,170,766
-	-	481,295	481,295	460,281
-	73,503	2,752,841	20,441,133	20,103,936
-	-	534,234	4,495,977	4,183,311
12,259	30,745	33,752	834,803	322,989
-	-	496,064	496,321	608,294
-	-	1,434,726	3,953,933	4,419,068
-	-	-	372,809	355,664
-	-	-	54,037	716,536
-	-	-	85,157	99,047
-	-	-	373,530	504,500
<u>8,823,573</u>	<u>32,396,218</u>	<u>34,840,558</u>	<u>\$ 177,445,817</u>	<u>\$ 157,944,392</u>
\$ -	\$ 730,883	\$ 645,080	\$ 5,955,968	\$ 8,617,649
-	86	73,524	4,357,557	3,676,450
-	127,227	334,072	546,815	517,407
-	-	38,908	3,254,566	2,952,644
-	-	54,037	54,037	716,536
<u>8,565,194</u>	<u>-</u>	<u>232,092</u>	<u>17,997,286</u>	<u>16,153,275</u>
<u>8,565,194</u>	<u>858,196</u>	<u>1,377,713</u>	<u>32,166,229</u>	<u>32,633,961</u>
-	-	1,414,825	3,811,601	4,338,750
-	-	799,939	1,567,347	3,470,423
-	-	<u>2,214,764</u>	<u>5,378,948</u>	<u>7,809,173</u>
-	-	-	373,530	504,500
-	-	-	85,157	99,047
-	-	-	3,178,229	3,061,154
258,379	-	1,376,549	1,897,778	1,293,762
-	-	9,179,963	9,179,963	5,480,097
-	-	6,580,177	24,136,531	19,863,022
-	-	7,278	7,278	4
-	-	-	25,125,000	25,125,000
-	31,538,022	13,142,420	58,627,064	47,408,380
-	-	961,694	17,290,110	14,666,292
<u>258,379</u>	<u>31,538,022</u>	<u>31,248,081</u>	<u>139,900,640</u>	<u>117,501,258</u>
<u>\$ 8,823,573</u>	<u>\$ 32,396,218</u>	<u>\$ 34,840,558</u>	<u>\$ 177,445,817</u>	<u>\$ 157,944,392</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, 2023

Fund balances of governmental funds \$ 139,900,640

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	669,468,362
Accumulated depreciation/amortization	(394,292,476)

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	(21,279,999)
Premium on bonds	(2,844,512)
Loan payable	(82,086)
Leases payable	(963,502)
Subscription payable	(98,348)
Employee benefits leave payable	(6,209,276)

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.	(251,727)
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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.	33,131,963
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Deferred Inflows of Resources

Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.	1,567,347
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Pension and OPEB

Amounts regarding the pension plans and OPEB are as follows:

Deferred outflows of resources related to pensions	96,668,625
Deferred outflows of resources related to OPEB	11,224,085
Deferred inflows of resources related to pensions	(12,271,830)
Deferred inflows of resources related to OPEB	(16,216,893)
CalPERS pension liability	(332,391,243)
OPEB liability	(52,376,993)
Police 1% supplemental retirement liability	(1,737,346)

Net position of governmental activities	\$ 110,944,791
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See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2023
(With Comparative Data for Prior Year)

	General	Special Revenue	
		Government Grants	Gas Tax
Revenues:			
Taxes	\$ 151,126,811	\$ -	\$ -
Licenses and permits	6,342,557	-	-
Charges for services	8,886,692	-	-
Fines and forfeitures	1,190,281	-	-
Intergovernmental	4,175,205	2,169,633	5,357,007
Investment income (loss)	640,980	32,753	162,210
Rental income	3,995,450	-	-
Miscellaneous	1,282,572	-	-
Total revenues	<u>177,640,548</u>	<u>2,202,386</u>	<u>5,519,217</u>
Expenditures:			
Current:			
General government	36,593,171	13,536	-
Protection of persons and property	92,162,287	538,168	-
Community programs	12,771,313	130,723	-
Public services	7,948,741	111,344	2,616,617
Debt service:			
Principal	342,370	-	-
Interest and fiscal charges	26,564	-	-
Total expenditures	<u>149,844,446</u>	<u>793,771</u>	<u>2,616,617</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,796,102</u>	<u>1,408,615</u>	<u>2,902,600</u>
Other financing sources (uses):			
Transfer in (note 4)	-	-	-
Transfer out (note 4)	(26,534,995)	-	-
Total other financing sources (uses)	<u>(26,534,995)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,261,107	1,408,615	2,902,600
Fund balances (deficit) at beginning of year	<u>57,775,847</u>	<u>(1,145,765)</u>	<u>14,653,754</u>
Fund balances at end of year	<u>\$ 59,036,954</u>	<u>\$ 262,850</u>	<u>\$ 17,556,354</u>

See notes to financial statements

Special Revenue American Rescue Plan Act	Capital Projects Capital Improvements	Nonmajor Governmental Funds	Totals	
			2023	2022
\$ -	\$ -	\$ 357,364	\$ 151,484,175	\$ 141,919,878
-	-	-	6,342,557	7,331,252
-	-	1,268,832	10,155,524	9,030,556
-	-	76,487	1,266,768	1,176,357
4,802,856	190,599	9,558,795	26,254,095	18,077,452
208,050	216,228	256,379	1,516,600	(2,767,803)
-	-	726,933	4,722,383	4,815,577
-	64,585	268,280	1,615,437	1,545,970
<u>5,010,906</u>	<u>471,412</u>	<u>12,513,070</u>	<u>203,357,539</u>	<u>181,129,239</u>
-	-	12,564	36,619,271	33,567,585
2,915,000	1,275,395	826,415	97,717,265	90,698,363
-	40,505	6,692,394	19,634,935	16,267,400
-	2,969,206	3,957,882	17,603,790	20,962,292
-	-	1,830,000	2,172,370	2,202,563
-	-	973,300	999,864	1,095,786
<u>2,915,000</u>	<u>4,285,106</u>	<u>14,292,555</u>	<u>174,747,495</u>	<u>164,793,989</u>
<u>2,095,906</u>	<u>(3,813,694)</u>	<u>(1,779,485)</u>	<u>28,610,044</u>	<u>16,335,250</u>
-	13,482,325	8,729,864	22,212,189	13,116,263
<u>(1,887,856)</u>	<u>-</u>	<u>-</u>	<u>(28,422,851)</u>	<u>(21,365,113)</u>
<u>(1,887,856)</u>	<u>13,482,325</u>	<u>8,729,864</u>	<u>(6,210,662)</u>	<u>(8,248,850)</u>
208,050	9,668,631	6,950,379	22,399,382	8,086,400
50,329	21,869,391	24,297,702	117,501,258	109,414,858
<u>\$ 258,379</u>	<u>\$ 31,538,022</u>	<u>\$ 31,248,081</u>	<u>\$ 139,900,640</u>	<u>\$ 117,501,258</u>

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, 2023

Net changes in fund balances - total governmental funds	\$ 22,399,382
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	18,768,379
Depreciation expense	(15,396,870)
<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	(624,969)
Principal payments - bonds	1,830,000
Principal payments - loans payable	15,392
Principal payments - lease payable	233,912
Principal payments - subscription payable	93,066
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. of resources and deferred inflows of resources.	
Net change in pension liability	26,645,795
Net change in OPEB liability	(1,299,398)
<u>Accrued Interest</u>	
Recording of the current year change of accrued interest on outstanding debt payable.	11,208
<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.	
	8,397,105
<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.	
	(1,903,077)
Change in net position of governmental activities	\$ 59,317,692

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Proprietary Funds
Statement of Net Position
June 30, 2023
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2023	2022
<u>Assets:</u>		
Current assets:		
Cash and investments	\$ 37,810,030	\$ 31,293,065
Interest receivable	43,592	59,970
Prepaid items	2,376,236	3,719,059
Inventories	149,203	240,189
Total current assets	40,379,061	35,312,283
Capital Assets:		
Construction in progress	1,932,537	1,412,635
Motorized equipment	18,802,993	14,777,717
Other equipment	3,901,560	3,645,870
Accumulated depreciation	(12,495,503)	(11,881,554)
Net capital assets	12,141,587	7,954,668
Total assets	52,520,648	43,266,951
<u>Liabilities:</u>		
Current liabilities:		
Accounts payable	1,125,434	801,171
Accrued liabilities	133,260	44,918
Notes payable	564,329	325,037
Claims payable	1,134,946	1,379,844
Total current liabilities	2,957,969	2,550,970
Long-term liabilities:		
Notes payable	3,738,263	3,061,525
Claims payable	12,692,453	12,919,598
Total long-term liabilities	16,430,716	15,981,123
Total liabilities	19,388,685	18,532,093
<u>Net Position:</u>		
Net investment in capital assets	7,838,995	4,568,106
Unrestricted	25,292,968	20,166,752
Total net position	\$ 33,131,963	\$ 24,734,858

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, 2023
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2023	2022
Operating revenues:		
Charges for services	\$ 10,284,896	\$ 7,472,134
Total operating revenues	10,284,896	7,472,134
Operating expenses:		
Allocated administrative costs	3,961,064	2,854,592
Depreciation	1,120,805	1,248,411
Fuel and repair parts	1,050,894	1,230,211
Materials and supplies	71,077	65,073
Claims and premiums	3,589,183	3,023,082
Total operating expenses	9,793,023	8,421,369
Operating income (loss)	491,873	(949,235)
Nonoperating revenues (expenses):		
Investment income (loss)	305,212	(841,310)
Intergovernmental	159,985	-
Other nonoperating revenue	1,367,944	503,000
Interest expense	(121,301)	(26,197)
Gain/(loss) on disposal of equipment	(17,270)	(1,319)
Total nonoperating revenues (expenses)	1,694,570	(365,826)
Income (loss) before transfers	2,186,443	(1,315,061)
Transfers in (note 4)	6,210,662	8,248,850
Change in net position	8,397,105	6,933,789
Net position at beginning of year	24,734,858	17,801,069
Net position at end of year	\$ 33,131,963	\$ 24,734,858

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Proprietary Funds
Statement of Cash Flows
Year ended June 30, 2023
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2023	2022
Cash flows from operating activities:		
Cash received from customers and user departments	\$ 10,284,896	\$ 7,472,134
Cash payments to suppliers for goods and services	(6,308,170)	(11,023,399)
Cash payments to employees for services	(2,286,589)	(1,685,505)
Net cash provided by (used for) operating activities	1,690,137	(5,236,770)
Cash flows from noncapital financing activities:		
Cash received from other funds	6,210,662	8,248,850
Intergovernmental revenue received	159,985	-
Net cash provided by (used for) noncapital financing activities	6,370,647	8,248,850
Cash flows from capital and related financing activities:		
Principal paid on capital debt	(325,038)	(135,493)
Interest paid on capital debt	(121,301)	-
Proceeds from note payable	1,241,068	2,049,653
Proceeds from insurance settlement	1,367,944	503,000
Proceeds from sale of capital assets	67,960	-
Acquisition of capital assets	(4,096,041)	(1,440,414)
Net cash provided by (used for) capital and related financing activities	(1,865,408)	976,746
Cash flows from investing activities:		
Investment income (loss)	321,589	(858,845)
Net cash provided by (used for) investing activities	321,589	(858,845)
Net increase (decrease) in cash and cash equivalents	6,516,965	3,129,981
Cash and cash equivalents at beginning of year	31,293,065	28,163,084
Cash and cash equivalents at end of year	\$ 37,810,030	\$ 31,293,065
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 491,873	\$ (975,432)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,120,805	1,248,411
(Increase) decrease in inventories	90,986	(108,595)
(Increase) decrease in prepaid items	(45,022)	(2,062,787)
Increase (decrease) in accounts payable	415,196	(196,786)
Increase (decrease) in accrued liabilities	88,342	13,501
Increase (decrease) in claims payable	(472,043)	(3,155,082)
Net cash provided by (used for) operating activities	\$ 1,690,137	\$ (5,236,770)

There were no noncash investing, capital and financing activities during fiscal years ended June 30, 2023.

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2023
 (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)	\$ 1,368,045	\$ 637,722
Accounts receivable	-	46
	1,368,045	637,768
<u>Liabilities:</u>		
Loan from City - current (note 18)	1,368,045	-
Total liabilities	1,368,045	-
<u>Net Position:</u>		
Restricted for:		
Individuals, organizations and other governments	-	637,768
Total net position	\$ -	\$ 637,768

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2023
(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	\$ 1,710,056	\$ -
Assessments and fees	-	34,555
Donations	-	167,078
Total additions	1,710,056	201,633
Deductions:		
Interest expense	7,695	-
Remittance to others	-	721,675
Total deductions	7,695	721,675
Change in net position	1,702,361	(520,042)
Net position at beginning of year	(1,702,361)	1,157,810
Net position at end of year	\$ -	\$ 637,768

See notes to financial statements

TAB

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(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.

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, 2023

(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, 2023

(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, 2023

(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, 2023

(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, 2023

(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.

Gas Tax - 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).

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

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.

Custodial Funds – The custodial funds are used to account for assets held by the City 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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

(j) Subscription-Based Information (IT) Arrangements

The City is a participant in subscription-based IT arrangements as detailed in note 9. The City recognizes a subscription-based IT payable and right to use IT assets in the financial statements. At the commencement of the arrangement, the City initially measures the payable at the present value of payments expected to be paid during the arrangement term. Subsequently, the payable is reduced by the principal portion of payments made. The right to use assets are initially measured at the initial amount of the subscription-based IT payable. Subsequently, the right to use assets are amortized over the life of the arrangement term.

(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.

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 lease assets	2-7 years
Right-to-use subscription assets	2-7 years
Park system and facilities	10-25 years
Infrastructure – roads	10-50 years
Infrastructure – storm drains	50-100 years

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

(l) 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.

(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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

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 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.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

(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 information within certain defined timeframe. For this report, the following timeframes are used:

	<u>CalPERS Plans</u>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

	<u>Supplemental Plan</u>
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

(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.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

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, 2022
Measurement Period	July 1, 2021 to June 30, 2022

(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.

(t) Implementation of New GASB Pronouncement

Governmental Accounting Standards Board has issued Statement No. 96, *Subscription-based Information Technology Arrangements (SBITAs)*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Early application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(2) Cash and Investments

Cash and investments are reported as follows:

Statement of Net Position:	
Cash and Investments	\$ 183,666,852
Cash and Investments with Fiscal Agent	481,295
Statement of Fiduciary Net Position:	
Cash and Investments	2,005,767
Total cash and investments	\$ 186,153,914

Cash and investments at June 30, 2023 consisted of the following:

Petty cash on hand	\$ 52,200
Demand deposits	49,979,016
Investments	136,122,698
Total cash and investments	\$ 186,153,914

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
Supranational Securities	5 years	15%	5%

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(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, 2023

(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	\$ 5,398,016	\$ 5,456,886	\$ 7,044,408	\$ 17,899,310
State Investment Pool (LAIF)	73,862,125	-	-	73,862,125
U.S. Treasury Securities	1,096,787	5,383,540	14,477,633	20,957,960
Medium-Term Corporate Notes	2,427,245	2,246,210	10,488,313	15,161,768
Asset Backed Securities	-	744,504	3,809,437	4,553,941
Money Market Mutual Funds	1,672,883	-	-	1,672,883
PARS Section 115 Trust:				
Pooled Balanced Index Plus	1,678,229	-	-	1,678,229
Held by Trustee:				
Money Market Mutual Funds	328,982	-	-	328,982
Lehman Brothers Holdings				
Inc. Bankruptcy	7,500	-	-	7,500
Total	<u>\$ 86,471,767</u>	<u>\$ 13,831,140</u>	<u>\$ 35,819,791</u>	<u>\$ 136,122,698</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	\$ -	\$ 17,899,310	\$ -	\$ -	\$ 17,899,310
U.S. Treasury Securities*	N/A	-	-	-	20,957,960	20,957,960
Medium-Term Corporate Notes	A	-	2,234,106	12,927,662	-	15,161,768
State Investment Pool (LAIF)	N/A	-	-	-	73,862,125	73,862,125
Asset Backed Securities	AA	4,553,941	-	-	-	4,553,941
Money Market Mutual Funds	AAA	1,672,883	-	-	-	1,672,883
PARS Section 115 Trust:						
Pooled Balanced Index Plus	N/A	-	-	-	1,678,229	1,678,229
Held by Trustee:						
Money Market Mutual Funds	AAA	328,982	-	-	-	328,982
Lehman Brothers Holdings						
Inc. Bankruptcy	N/A	-	-	-	7,500	7,500
Total		<u>\$ 6,555,806</u>	<u>\$ 20,133,416</u>	<u>\$ 12,927,662</u>	<u>\$ 96,505,814</u>	<u>\$ 136,122,698</u>

* not required to be rated

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(2) Cash and Investments (Continued)

GASB requires the disclosure of more than 5% total investments with a single issuer. At June 30, 2023, 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	\$ 7,979,470	6%

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, 2023

(2) Cash and Investments (Continued)

Fair Value Measurements

The City's investment in Lehman Brothers Holdings, Inc. Bankruptcy is valued based on cost and the City's assumptions originated from market participant input, respectively. This investment is 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, 2023 are as follows:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Federal Agency Securities	\$ -	\$ 17,899,310	\$ -	\$ 17,899,310
U.S. Treasury Securities	-	20,957,960	-	20,957,960
Medium Term Corporate Notes	-	15,161,768	-	15,161,768
Asset Backed Securities	-	4,553,941	-	4,553,941
Held by Trustee: Lehman Brothers Holdings Inc. Bankruptcy	-	-	7,500	7,500
Investments measured at Fair Value	<u>\$ -</u>	<u>\$ 58,572,979</u>	<u>\$ 7,500</u>	58,580,479
State Investment Pool (LAIF)*				73,862,125
Money Market Mutual Funds*				1,672,883
PARS Section 115 Trust: Pooled Balanced Index Plus*				1,678,229
Held By Trustee: Money Market Mutual Funds*				<u>328,982</u>
Total Investment Portfolio				<u>\$ 136,122,698</u>

* Not subject to fair value categorization

(3) Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2023 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 54,037

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, 2023

(4) Transfers In and Out

Transfers in and out for the year ended June 30, 2023 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Total</u>
General Fund	Capital Improvements Fund	\$ 13,482,325 (a1)
General Fund	Nonmajor Governmental Funds	6,842,008 (a2 to a3)
General Fund	Internal Service Funds	6,210,662 (a4)
ARPA Fund	Nonmajor Governmental Funds	<u>1,887,856 (b1 to b2)</u>
		<u>\$ 28,422,851</u>

- (a) The General Fund transferred the following:
1. \$9,382,325 to the Capital Improvements Capital Projects Fund for capital improvement projects and transfer for 5% CAN Ordinance;
 2. \$1,638,708 to the Housing Authority for subsidy of homeless program costs, \$2,400,000 to the Housing Authority for Element and Visioning; and
 3. \$2,803,300 to the Financing Authority Debt Service Fund for debt service payments;
 4. \$6,210,662 to the Internal Service Funds for various equipment and vehicle purchases as well as true up 1.5% per Information Technology Needs Ordinance.
- (b) The American Rescue Plan Act fund transferred the following:
1. \$1,250,000 to the Housing Authority for the rental assistance program and administration for the program; and
 2. \$637,856 to the Disaster Fund for COVID-19 and winter storm expenditures.

(5) Loans Receivable

The City's loans receivable at June 30, 2023 by loan programs are as follows:

HOME Program	\$ 1,152,446
Community Development Loan Program	183,695
Rental Rehabilitation Program	234,518
First Time Home Buyer Program	1,522,685
Single Family Rehabilitation Program	142,500
Neighborhood Stabilization Program	115,250
Other Programs	<u>508,799</u>
 Total	 3,859,893
Less allowance for uncollectible loans	<u>(3,363,572)</u>
 Loans receivable, net	 <u>\$ 496,321</u>

Allowance for uncollectible accounts are established for various loans.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(5) Loans Receivable (Continued)

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	\$ 1,368,045
Less allowance for doubtful accounts	<u>(1,368,045)</u>
Loans receivable, net	<u>\$ -</u>

(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, 2023, the lease receivable is \$1,434,726, and deferred inflows of resources is \$1,414,825. The City recognized \$108,000 of lease revenue and interest revenue of \$29,896 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, 2023, the lease receivable is \$2,519,207, and deferred inflows of resources is \$2,396,776. The City recognized \$441,850 of lease revenue and interest revenue of \$54,818 during the fiscal year.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(7) Capital Assets

A summary of changes in capital assets is as follows:

	Balance at July 1, 2022*	Additions	Deletions	Balance at June 30, 2023
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	<u>11,423,851</u>	<u>14,651,970</u>	<u>(6,938,418)</u>	<u>19,137,403</u>
Total capital assets not being depreciated	<u>75,824,381</u>	<u>14,651,970</u>	<u>(6,938,418)</u>	<u>83,537,933</u>
Capital assets being depreciated/amortized:				
Building improvements and structures	123,822,077	772,109	-	124,594,186
Landscaping and sprinklers	10,076,675	-	-	10,076,675
Automotive equipment	15,075,579	4,617,360	(592,085)	19,100,854
Office furniture	954,586	-	-	954,586
Office machines	8,716,708	-	-	8,716,708
Other equipment	14,208,971	4,527,058	-	18,736,029
Intangible assets	1,669,343	45,000	-	1,714,343
Right-to-use lease assets	1,434,585	-	-	1,434,585
Right-to-use subscription assets	193,154	-	-	193,154
Park system and facilities	19,860,513	3,432,371	-	23,292,884
Infrastructure - roads	297,849,925	2,337,379	-	300,187,304
Infrastructure - storm drains	<u>100,851,449</u>	<u>714,760</u>	<u>-</u>	<u>101,566,209</u>
Total capital assets being depreciated/amortized	<u>594,713,565</u>	<u>16,446,037</u>	<u>(592,085)</u>	<u>610,567,517</u>
Less accumulated depreciation/amortization:				
Building improvements and structures	(51,762,062)	(4,759,318)	-	(56,521,380)
Landscaping and sprinklers	(9,519,422)	(74,709)	-	(9,594,131)
Automotive equipment	(10,330,093)	(708,923)	506,857	(10,532,159)
Office furniture	(657,993)	(51,015)	-	(709,008)
Office machines	(7,875,138)	(251,517)	-	(8,126,655)
Other equipment	(9,291,502)	(973,672)	-	(10,265,174)
Intangible assets	(1,335,237)	(152,550)	-	(1,487,787)
Right-to-use lease assets	(265,493)	(251,266)	-	(516,759)
Right-to-use subscription assets	-	(96,577)	-	(96,577)
Park system and facilities	(13,155,624)	(920,482)	-	(14,076,106)
Infrastructure - roads	(198,701,943)	(6,911,086)	-	(205,613,029)
Infrastructure - storm drains	<u>(87,882,653)</u>	<u>(1,366,559)</u>	<u>-</u>	<u>(89,249,212)</u>
Total accumulated depreciation/amortization	<u>(390,777,160)</u>	<u>(16,517,674)</u>	<u>506,857</u>	<u>(406,787,977)</u>
Total capital assets being depreciated/amortized, net	<u>203,936,405</u>	<u>(71,637)</u>	<u>(85,228)</u>	<u>203,779,540</u>
Capital assets, net	<u>\$ 279,760,786</u>	<u>\$ 14,580,333</u>	<u>\$ (7,023,646)</u>	<u>\$ 287,317,473</u>

* Balance at July 1, 2022 was restated to include subscription assets added due to the implementation of GASB 96.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(7) Capital Assets (Continued)

Depreciation expense is charged to the following functions for the year ended June 30, 2023:

Governmental activities:

General government	\$ 1,551,587
Protection of persons and property	3,276,211
Community programs	2,475,296
Public services	<u>9,214,580</u>

Total depreciation expense-governmental activities \$16,517,674

The City has active construction projects as of June 30, 2023. The significant projects include the following:

Construction Project	Total Budget	Spent to Date	Remaining Commitment
Range Remodel/Update	\$ 2,448,550	\$ 1,444,287	1,004,263
Fairview Road Improvement 405/Adam	1,176,150	94,496	1,081,654
SB Newport Blvd Improvements (Mesa/Victoria)	1,965,652	97,058	1,868,594
Newport Blvd NB 22th Bristol SB Bristol Mesa	2,131,786	94,186	2,037,600
Adams Ave Improvement	2,278,862	-	2,278,862
Ketchum-Libolt Park Expansion	1,297,520	6,940	1,290,580
Jack Hammett Sports Complex	2,776,652	2,361,037	415,615
Wilson Street Improvement	1,830,168	1,400,653	429,515
Fire Station #2	2,150,000	33,935	2,116,065
Fire Station #4	5,100,000	-	5,100,000
Total	<u>\$ 23,155,340</u>	<u>\$ 5,532,592</u>	<u>\$ 17,622,748</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities in primary government for the year ended June 30, 2023 is as follows:

	Balance at July 1, 2022*	Additions	Reductions	Balance at June 30, 2023	Due Within One Year
Bonds payable:					
Financing Authority					
2017 Lease Revenue					
Bonds	\$ 23,110,000	\$ -	\$ (1,830,000)	\$ 21,280,000	\$ 1,920,000
Unamortized premium	<u>2,992,279</u>	<u>-</u>	<u>(147,767)</u>	<u>2,844,512</u>	<u>147,767</u>
Total bonds payable	<u>26,102,279</u>	<u>-</u>	<u>(1,977,767)</u>	<u>24,124,512</u>	<u>2,067,767</u>
Other liabilities:					
Lease payable - Facility	236,929	-	(75,502)	161,427	78,939
Lease payable - Warehouse	938,914	-	(136,839)	802,075	144,297
Lease payable - Office Trailer	21,571	-	(21,571)	-	-
Loans payable	97,478	-	(15,392)	82,086	15,391
SBITA payable - Microsoft	191,414	-	(93,066)	98,348	94,773
Claims payable	14,299,442	1,602,104	(2,074,148)	13,827,398	1,134,946
Fire Truck Note payable	1,336,909	-	(137,978)	1,198,931	140,509
Mobile Command and Fire Pumper Note payable	2,049,652	-	(187,059)	1,862,593	190,829
Police Armored Vehicle Finance Lease	-	400,000	-	400,000	74,727
Ambulances Finance Lease	-	841,068	-	841,068	158,264
Employee leave benefits payable	<u>5,584,307</u>	<u>-</u>	<u>(4,573,666)</u>	<u>6,209,276</u>	<u>3,609,587</u>
Total other liabilities	<u>24,756,616</u>	<u>8,041,807</u>	<u>(7,315,221)</u>	<u>25,483,202</u>	<u>5,642,262</u>
Total	<u>\$ 50,858,895</u>	<u>\$ 8,041,807</u>	<u>\$ (9,292,988)</u>	<u>\$ 49,607,714</u>	<u>\$ 7,710,029</u>

*Balance at July 1, 2022 has been restated to include leases payable due to the implementation of GASB 96.

(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, 2023, the principal outstanding is \$21,280,000 and the unamortized bond premium balance is \$2,844,512.

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.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(9) Long-Term Liabilities (Continued)

The annual debt service requirements for the bonds as of June 30, 2023 are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Lease Revenue</u> <u>Interest</u>	<u>Total</u>
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	570,000	499,800	1,069,800
2029 - 2033	3,320,000	2,029,000	5,349,000
2034 - 2038	4,185,000	1,166,531	5,351,531
2039 - 2043	4,935,000	411,206	5,346,206
Total	\$ 21,280,000	\$ 7,014,737	\$ 28,294,737

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, 2023, the value of the lease liability is \$161,427. 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 \$154,553 as of June 30, 2023.

The future principal and interest payments as of June 30, 2023, are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 78,939	\$ 3,551	\$ 82,490
2025	82,488	1,815	84,303
Total	\$ 161,427	\$ 5,366	\$ 166,793

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, 2023, the value of the lease liability is \$802,075. 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 \$305,304 as of June 30, 2023.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(9) Long-Term Liabilities (Continued)

The future principal and interest payments as of June 30, 2023, are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 802,075</u>	<u>\$ 42,761</u>	<u>\$ 844,836</u>

Subscription-Based Information Technology Arrangements (SBITAs)

Microsoft – Software One

On September 1, 2021, the City entered into a three-year subscription-based IT arrangement for the use of software. The total lease liability is \$191,414 at 1.834% interest. As of June 30, 2023, the value of the SBITA liability is \$98,348. The City is required to make annual payments of \$96,577. The value of the right-to-use asset is \$193,154 and had an accumulated amortization of \$96,577 as of June 30, 2023.

The future principal and interest payments as of June 30, 2023 are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 94,773	\$ 14,835	\$ 111,412
2025	<u>3,575</u>	<u>66</u>	<u>3,641</u>
Total	<u>\$ 98,348</u>	<u>\$ 14,901</u>	<u>\$ 115,053</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 bear no interest.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(9) Long-Term Liabilities (Continued)

The annual debt service requirements for loans payable as of June 30, 2023 are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Total</u>
2024	\$ 15,391	\$ 15,391
2025	15,391	15,391
2026	15,391	15,391
2027	15,391	15,391
2028	15,391	15,391
2029	<u>5,131</u>	<u>5,131</u>
Total	<u>\$ 82,086</u>	<u>\$ 82,086</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.

The annual debt service requirements for the note as of June 30, 2023 is as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	151,103	11,394	162,497
2029 - 2031	<u>470,141</u>	<u>17,349</u>	<u>487,490</u>
Total	<u>\$ 1,198,931</u>	<u>\$ 101,044</u>	<u>\$ 1,299,975</u>

Mobile Command Center and Fire Pumper 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 Fire 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.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(9) Long-Term Liabilities (Continued)

The annual debt service requirements for the note as of June 30, 2023 is as follows:

Year Ending June 30	Principal	Interest	Total
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	206,681	21,679	228,360
2029 - 2032	<u>869,215</u>	<u>44,224</u>	<u>913,439</u>
Total	<u>\$ 1,862,593</u>	<u>\$ 192,645</u>	<u>\$ 2,055,238</u>

Police Armored Vehicle Note Payable

On August 15, 2022, the City entered in a Master Lease – Purchase Agreement and financed the purchase of a Police Bearcat Vehicle for \$400,000. The lease payment is due annually on August 17th of each year with annual payments of \$88,367. The note bears an interest rate of 3.410% per annum.

The annual debt service requirements for the finance lease as of June 30, 2023 is as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 74,727	\$ 13,640	\$ 88,367
2025	77,275	11,092	88,367
2026	79,910	8,457	88,367
2027	82,635	5,732	88,367
2028	<u>85,453</u>	<u>2,913</u>	<u>88,366</u>
Total	<u>\$ 400,000</u>	<u>\$ 41,834</u>	<u>\$ 441,834</u>

Ambulances Note Payable

On August 16, 2022, the City entered in a Master Lease – Purchase Agreement and financed the purchase of four CCL150 Type III Ambulances for \$841,068. The lease payment is due annually on September 16th of each year with annual payments of \$186,645. The note bears an interest rate of 3.670% per annum.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(9) Long-Term Liabilities (Continued)

The annual debt service requirements for the finance lease as of June 30, 2023 is as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 158,264	\$ 28,381	\$ 186,645
2025	161,586	25,059	186,645
2026	167,516	19,129	186,645
2027	173,664	12,981	186,645
2028	<u>180,038</u>	<u>6,605</u>	<u>186,643</u>
Total	<u>\$ 841,068</u>	<u>\$ 92,155</u>	<u>\$ 933,223</u>

(10) Fund Balances

Fund balance consisted of the following at June 30, 2023:

	Major Funds					
	General	Government Grants	Gas Tax Fund	American Rescue Plan Act Fund	Capital Improvements	Non-Major Funds
Nonspendable:						
Prepaid items	\$ 373,530	\$ -	\$ -	\$ -	\$ -	\$ -
Inventories	85,157	-	-	-	-	-
Restricted for:						
Pension and OPEB	3,178,229	-	-	-	-	-
Protection of persons and property	-	262,850	-	258,379	-	1,376,549
Community programs	-	-	-	-	-	9,179,963
Public services (1)	-	-	17,556,354	-	-	6,580,177
Debt service	-	-	-	-	-	7,278
Committed for:						
Declared disasters (2)	14,125,000	-	-	-	-	-
Self insurance (3)	2,000,000	-	-	-	-	-
Economic reserves (4)	9,000,000	-	-	-	-	-
Assigned for:						
Compensated absences	6,209,276	-	-	-	-	-
Police Retirement 1% Supplemental	1,737,346	-	-	-	-	-
Workers compensation	2,000,000	-	-	-	-	-
Facilities reserve	2,000,000	-	-	-	-	-
Strategic plan projects	2,000,000	-	-	-	-	-
Protection of persons and property	-	-	-	-	-	642,253
Public services	-	-	-	-	31,538,022	12,500,167
Unassigned	<u>16,328,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>961,694</u>
Total Fund Balance	<u>\$ 59,036,954</u>	<u>\$ 262,850</u>	<u>\$ 17,556,354</u>	<u>\$ 258,379</u>	<u>\$ 31,538,022</u>	<u>\$ 31,248,081</u>

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.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(10) Fund Balances (Continued)

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.

The following funds had deficits at June 30, 2023:

Nonmajor Governmental Funds:	
Special Revenue Funds:	
Office of Traffic Safety	\$ (7,895)

(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	\$ (107,568,266)	\$ (136,537,780)	\$ (88,285,197)	\$ -	\$ (332,391,243)
1% supplemental liability	-	-	-	(1,737,346)	(1,737,346)
Deferred outflows of resources - pension	27,659,249	33,038,702	35,970,674	-	96,668,625
Deferred inflows of resources - pension	(1,612,741)	(3,807,714)	(6,851,375)	-	(12,271,830)
Pension expense (credit)	10,839,863	11,611,651	14,762,195	50,952	37,264,661

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, 2023

(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, 2023, 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	7.29%	9.76%	9.76%

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(11) Defined Benefit Pension Plans (Continued)

	<u>Police Safety (Agent Multiple-Employer)</u>		
	On or After	On or After	
	<u>March 11, 2012</u>	<u>January 1, 2013</u>	
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	15.13%	20.13%	
	<u>Fire Safety (Cost Sharing Multiple-Employer)</u>		
	Prior to	On or After	On or After
	<u>December 30, 2012</u>	<u>December 30, 2012</u>	<u>January 1, 2013</u>
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	20.64%	18.17%	12.78%

Employees Covered

At the June 30, 2022 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	597	209	132
Inactive employees entitled to but not yet receiving benefits	794	69	30
Active employees	330	135	82
Total	<u>1,721</u>	<u>413</u>	<u>244</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(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, 2022, based on an annual actuarial valuation as of June 30, 2021 and rolled forward to June 30, 2022 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, 2021 valuation was rolled forward to determine the June 30, 2022 pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry-Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
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 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(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 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

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 1-10^{1,2}</u>
Global Equity – Cap-weighted	30.00%	4.54%
Global Equity – Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(11) Defined Benefit Pension Plans (Continued)

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, 2022, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability (Asset)
Balance at June 30, 2021 (Valuation Date)	<u>\$ 307,553,120</u>	<u>\$ 236,997,092</u>	<u>\$ 70,556,028</u>
Changes in the Year:			
Service cost	4,524,340	-	4,524,340
Interest on the total pension liability	21,200,745	-	21,200,745
Differences between actual and expected experience	(2,514,720)	-	(2,514,720)
Net plan to plan resource movement	-	-	-
Changes in assumptions	9,049,210	-	9,049,210
Contributions - employer	-	10,995,829	(10,995,829)
Contributions - employees	-	2,265,758	(2,265,758)
Net investment income	-	(17,866,615)	17,866,615
Administrative expenses	-	(147,635)	147,635
Benefit payments, including refunds of employee contributions	(18,185,189)	(18,185,189)	-
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes	<u>14,074,386</u>	<u>(22,937,852)</u>	<u>37,012,238</u>
Balance at June 30, 2022 (Measurement Date)	<u>\$ 321,627,506</u>	<u>\$ 214,059,240</u>	<u>\$ 107,568,266</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(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, 2022, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability (Asset)
Balance at June 30, 2021 (Valuation Date)	\$ 333,514,059	\$ 236,223,938	\$ 97,290,121
Changes in the Year:			
Service cost	5,458,052	-	5,458,052
Interest on the total pension liability	23,094,674	-	23,094,674
Differences between actual and expected experience	(4,554,440)	-	(4,554,440)
Net plan to plan resource movement	-	-	-
Changes in assumptions	11,831,923	-	11,831,923
Contributions - employer	-	12,366,023	(12,366,023)
Contributions - employees	-	2,367,983	(2,367,983)
Net investment income	-	(18,004,303)	18,004,303
Administrative expenses	-	(147,153)	147,153
Benefit payments, including refunds of employee contributions	(17,630,306)	(17,630,306)	-
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes	<u>18,199,903</u>	<u>(21,047,756)</u>	<u>39,247,659</u>
Balance at June 30, 2022 (Measurement Date)	<u>\$ 351,713,962</u>	<u>\$ 215,176,182</u>	<u>\$ 136,537,780</u>

Proportionate Share of the Net Pension Liability for the Fire Safety Plan

As of June 30, 2023, 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 <u>Pension Liability</u>
Balance at: 6/30/2021	\$ 61,763,064
Balance at: 6/30/2022	88,285,197
Net Changes during 2021-2022	26,522,133

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.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(11) Defined Benefit Pension Plans (Continued)

The City's proportionate share of the net pension liability for this Plan as of the measurement dates of June 30, 2021 and 2022 was as follows:

	<u>Fire Safety</u>
Proportion - June 30, 2021	1.75989%
Proportion - June 30, 2022	1.28479%
Change - Increase (Decrease)	-0.47510%

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:

	<u>Miscellaneous</u>	<u>Police Safety</u>	<u>Fire Safety</u>
1% Decrease	5.90%	5.90%	5.90%
Net Pension Liability	\$ 149,250,945	\$ 185,020,659	\$ 119,129,981
Current Discount Rate	6.90%	6.90%	6.90%
Net Pension Liability	\$ 107,568,266	\$ 136,537,780	\$ 88,285,197
1% Increase	7.90%	7.90%	7.90%
Net Pension Liability	\$ 73,312,204	\$ 97,018,452	\$ 63,076,553

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 (EARSL) 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, 2023

(11) Defined Benefit Pension Plans (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

At June 30, 2023, 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	\$ 11,953,509	\$ -
Differences between expected and actual experience	-	(1,612,741)
Change in assumptions	5,114,771	-
Net differences between projected and actual earnings on plan investments	10,590,969	-
Total	<u>\$ 27,659,249</u>	<u>\$ (1,612,741)</u>
	Police Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 13,172,096	\$ -
Differences between expected and actual experience	231,230	(3,807,714)
Change in assumptions	8,946,088	-
Net differences between projected and actual earnings on plan investments	10,689,288	-
Total	<u>\$ 33,038,702</u>	<u>\$ (3,807,714)</u>
	Fire Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,408,864	\$ -
Differences between expected and actual experience	3,653,804	(958,708)
Change in assumptions	8,901,820	-
Change in employer's proportion	-	(5,582,660)
Net difference between projected and actual earnings on plan investments	13,941,467	-
Differences between employer's contributions and change in employer's proportion	64,719	(310,007)
Total	<u>\$ 35,970,674</u>	<u>\$ (6,851,375)</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(11) Defined Benefit Pension Plans (Continued)

At June 30, 2023, deferred outflows of resources in the amounts of \$11,953,509, \$13,172,096 and \$9,408,864 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, 2024. 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	Miscellaneous	Police Safety	Fire Safety
<u>June 30</u>	<u> </u>	<u> </u>	<u> </u>
2024	\$ 4,341,524	\$ 3,208,229	\$ 5,048,313
2025	2,296,603	3,354,787	3,899,630
2026	655,035	2,480,392	2,258,019
2027	6,799,837	7,015,484	8,504,473
Thereafter	-	-	-

(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, 2023 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. As such, there are no assets accumulated in a trust for the plan.

(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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
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(12) Police 1% Supplemental Retirement Plan (Continued)

as of June 30, 2023, using an annual actuarial valuation as of June 30, 2023. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Measurement Date	June 30, 2023
Actuarial Assumptions:	
Discount Rate	3.90% 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 3.90%. 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. Basted on those

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(12) Police 1% Supplemental Retirement Plan (Continued)

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 3.90% was used to discount funded projected benefit payments to determine the total pension liability. The single effective discount rate was 3.90%.

The discount rate changed from 3.75% as of June 30, 2022 to 3.90% as of June 30, 2023 measurement date.

(c) Changes in the Pension Liability

Balance at June 30, 2022	\$ 1,884,759
Changes in the year:	
Interest on the total pension liability	66,959
Differences between actual expected and actual experience	-
Changes in assumptions	(16,007)
Benefit payments, including refunds of member contributions	<u>(198,365)</u>
Net Changes	<u>(147,413)</u>
Balance at June 30, 2023	<u>\$ 1,737,346</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 3.90%, 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:

	Supplemental Plan
1% Decrease	2.90%
Net Pension Liability	\$ 1,849,240
Current Discount Rate	3.90%
Net Pension Liability	\$ 1,737,346
1% Increase	4.90%
Net Pension Liability	\$ 1,637,002

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(12) Police 1% Supplemental Retirement Plan (Continued)

(d) Pension expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2023, the City recognized pension expense of \$50,952. At June 30, 2023, the City did not report any deferred outflows/inflows of resources related to the Police 1% Supplemental Retirement Plan.

(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, 2023, there were 75 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, 2023 was \$35,848.

(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, 2022 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	580
Inactive employees or beneficiaries currently receiving benefits	430
Inactive employees entitled to but not yet receiving benefits	-
Total	1,010

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2023

(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, 2023, the City contributed \$1,845,862 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, 2022 by an actuarial valuation based on the following actuarial methods and assumptions:

Discount Rate: 4.09% 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 06/30/22
Bond Buyer Go 20 – Municipal Bond Index	3.54%
S&P Municipal Bond 20-year High Grade Rate Index	4.09%
Fidelity 20-year Go Municipal Bond Index	3.69%
Bond Index Range	3.54% - 4.09%
Actual Discount Rate Used	4.09%

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, 2023

(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, 2022	\$	66,254,495
Changes recognized for the measurement period:		
Service cost		2,123,135
Interest		1,470,020
Differences between expected and actual experience		(480,791)
Changes of assumptions		(14,469,369)
Contributions - employer		-
Benefit payments		(2,520,497)
Administrative expense		-
Net Changes		(13,877,502)
Balance at June 30, 2023 (Measurement Date June 30, 2022)		\$ 52,376,993

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, 2023:

	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
OPEB Liability	\$ 59,517,860	\$ 52,376,993	\$ 46,538,016

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, 2023:

	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	\$48,378,923	\$52,376,993	\$58,014,193

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, 2023

(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, 2023, the City recognized OPEB expense of \$3,824,965. At June 30, 2023, 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	\$ 1,845,862	\$ -
Differences between expected and actual differences	892,282	(3,062,921)
Changes in assumptions	8,485,941	(13,153,972)
Total	<u>\$ 11,224,085</u>	<u>\$ (16,216,893)</u>

The \$1,845,862 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2024.

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
2024	\$ 231,810
2025	231,810
2026	231,809
2027	(554,277)
2028	(554,277)
Thereafter	(6,425,545)

(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, 2023

(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, 2023 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, 2023:

	<u>Function</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Major Fund:				
General Fund				
	Protection of persons and property	92,162,287	92,495,292	(333,005)
	Public services	7,948,741	7,771,588	177,153
	Transfers out	26,534,995	26,023,249	511,746
Special Revenue Funds:				
Office of Traffic Safety	Protection of persons and property	226,977	265,000	(38,023)
Park Development Fund	Public services	596,217	1,815,715	(1,219,498)

(17) Risk Management

For the fiscal year ended June 30, 2023, 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 \$13,827,398 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 \$8,350,610 for workers' compensation and \$5,476,788 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, 2023 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, 2023

(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:

Fiscal Year	Beginning Balance	Claims Incurred and Changes in Estimates	Claim Payments	Ending Balance
2021-22	\$ 17,454,524	\$ 100,282	\$ (3,255,364)	\$ 14,299,442
2022-23	14,299,442	1,602,104	(2,074,148)	13,827,398

(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, 2023, the Successor Agency's loan payable balance was \$1,368,045.

A summary of changes in long-term liabilities in the Successor Agency for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Reductions	Balance at June 30, 2023	Portion Due Within One Year
Loans Payable	\$ 3,102,031	\$ -	\$ (1,733,986)	\$ 1,368,045	\$ 1,368,045
Total	<u>\$ 3,102,031</u>	<u>\$ -</u>	<u>\$ (1,733,986)</u>	<u>\$ 1,368,045</u>	<u>\$ 1,368,045</u>

TAB



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>
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, 2021 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:

Effective with the June 30, 2021 valuation date, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns from all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

* - Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
\$ 3,528,896	\$ 3,828,540	\$ 4,081,002	\$ 4,114,686	\$ 4,524,340
19,188,563	19,990,625	20,506,212	20,957,522	21,200,745
(3,837,320)	4,152,146	(324,784)	(1,467,232)	(2,514,720)
(1,071,584)	-	-	-	9,049,210
<u>(15,285,935)</u>	<u>(16,317,568)</u>	<u>(16,501,681)</u>	<u>(17,147,887)</u>	<u>(18,185,189)</u>
2,522,620	11,653,743	7,760,749	6,457,089	14,074,386
<u>279,158,919</u>	<u>281,681,539</u>	<u>293,335,282</u>	<u>301,096,031</u>	<u>307,553,120</u>
<u>\$ 281,681,539</u>	<u>\$ 293,335,282</u>	<u>\$ 301,096,031</u>	<u>\$ 307,553,120</u>	<u>\$ 321,627,506</u>
\$ 7,300,573	\$ 8,320,570	\$ 9,336,852	\$ 10,097,843	\$ 10,995,829
1,906,040	2,055,169	2,205,872	2,062,454	2,265,758
15,161,548	11,863,211	9,609,644	44,605,186	(17,866,615)
(15,285,935)	(16,317,568)	(16,501,681)	(17,147,887)	(18,185,189)
(1,077)	-	-	-	-
(279,147)	(133,740)	(272,363)	(197,367)	(147,635)
(530,105)	435	-	-	-
<u>8,271,897</u>	<u>5,788,077</u>	<u>4,378,324</u>	<u>39,420,229</u>	<u>(22,937,852)</u>
<u>179,138,565</u>	<u>187,410,462</u>	<u>193,198,539</u>	<u>197,576,863</u>	<u>236,997,092</u>
<u>\$ 187,410,462</u>	<u>\$ 193,198,539</u>	<u>\$ 197,576,863</u>	<u>\$ 236,997,092</u>	<u>\$ 214,059,240</u>
<u>\$ 94,271,077</u>	<u>\$ 100,136,743</u>	<u>\$ 103,519,168</u>	<u>\$ 70,556,028</u>	<u>\$ 107,568,266</u>
66.53%	65.86%	65.62%	77.06%	66.56%
\$ 20,067,193	\$ 24,394,495	\$ 24,012,483	\$ 26,206,105	\$ 26,486,277
469.78%	410.49%	431.11%	269.24%	406.13%

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, 2023 6/30/2020

Methods and assumptions used to determine contribution rates:

Single and agent employers	Entry Age Normal
Amortization method/period	For details, see June 30, 2020 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2020 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 nine years are shown.

<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
\$ 9,256,492	\$ 9,876,401	\$ 10,249,971	\$ 11,072,097	\$ 11,953,509
<u>(9,256,492)</u>	<u>(9,876,401)</u>	<u>(10,249,971)</u>	<u>(11,072,097)</u>	<u>(11,953,509)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 24,394,495	\$ 24,012,483	\$ 26,206,105	\$ 26,486,277	\$ 27,755,413
37.95%	41.13%	39.11%	41.80%	43.07%

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:

Effective with the June 30, 2021 valuation date, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns from all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

* - Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
\$ 4,653,580	\$ 4,959,915	\$ 4,912,766	\$ 4,811,521	\$ 5,458,052
20,611,486	21,235,614	21,872,003	22,650,069	23,094,674
(1,494,789)	(2,112,152)	(1,729,542)	503,266	(4,554,440)
(1,540,347)	-	-	-	11,831,923
<u>(14,129,155)</u>	<u>(15,024,883)</u>	<u>(16,058,867)</u>	<u>(16,651,882)</u>	<u>(17,630,306)</u>
8,100,775	9,058,494	8,996,360	11,312,974	18,199,903
<u>296,045,456</u>	<u>304,146,231</u>	<u>313,204,725</u>	<u>322,201,085</u>	<u>333,514,059</u>
<u>\$ 304,146,231</u>	<u>\$ 313,204,725</u>	<u>\$ 322,201,085</u>	<u>\$ 333,514,059</u>	<u>\$ 351,713,962</u>
\$ 8,263,652	\$ 9,471,893	\$ 10,608,592	\$ 11,583,086	\$ 12,366,023
2,120,029	2,222,313	2,285,323	2,166,528	2,367,983
14,402,562	11,872,172	9,465,284	44,470,479	(18,004,303)
(14,129,155)	(15,024,883)	(16,058,867)	(16,651,882)	(17,630,306)
222	-	-	-	-
(265,711)	(128,739)	(266,185)	(194,644)	(147,153)
(504,590)	420	-	-	-
9,887,009	8,413,176	6,034,147	41,373,567	(21,047,756)
<u>170,516,039</u>	<u>180,403,048</u>	<u>188,816,224</u>	<u>194,850,371</u>	<u>236,223,938</u>
<u>\$ 180,403,048</u>	<u>\$ 188,816,224</u>	<u>\$ 194,850,371</u>	<u>\$ 236,223,938</u>	<u>\$ 215,176,182</u>
<u>\$ 123,743,183</u>	<u>\$ 124,388,501</u>	<u>\$ 127,350,714</u>	<u>\$ 97,290,121</u>	<u>\$ 136,537,780</u>
59.31%	60.29%	60.47%	70.83%	61.18%
\$ 14,529,255	\$ 17,534,445	\$ 16,175,525	\$ 15,883,165	\$ 17,075,363
851.68%	709.40%	787.30%	612.54%	799.62%

CITY OF COSTA MESA, CALIFORNIA
Schedule of Contributions
Police 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>
Actuarially determined contribution	\$ 5,237,595	\$ 5,994,277	\$ 7,592,899	\$ 8,098,773
Contributions in relation to the actuarially determined contributions	<u>(5,237,595)</u>	<u>(5,994,277)</u>	<u>(7,592,899)</u>	<u>(8,098,773)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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, 2023 6/30/2020

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method/period	For details, see June 30, 2020 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2020 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 nine years are shown.

<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
\$ 10,894,754	\$ 11,174,155	\$ 11,803,904	\$ 11,680,985	\$ 13,172,096
<u>(10,894,754)</u>	<u>(11,174,155)</u>	<u>(11,803,904)</u>	<u>(11,680,985)</u>	<u>(13,172,096)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 17,534,445	\$ 16,175,525	\$ 15,883,165	\$ 17,075,363	\$ 20,069,395
62.13%	69.08%	74.32%	68.41%	65.63%

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>	<u>June 30, 2017</u>
Plan's proportion of the net pension liability	0.86630%	0.85980%	0.78750%	0.75976%
Plan's proportionate share of the net pension liability	\$ 53,906,245	\$ 59,018,969	\$ 68,144,130	\$ 75,347,795
Plan's covered payroll	\$ 9,348,967	\$ 8,616,507	\$ 9,235,056	\$ 9,116,708
Plan's proportionate share of the net pension liability as a percentage of covered payroll	576.60%	684.95%	737.89%	826.48%
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%	71.74%
Plan's proportionate share of aggregate employer contributions	\$ 4,567,080	\$ 4,600,229	\$ 4,087,020	\$ 5,040,152

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:

Effective with the June 30, 2021 valuation date, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns from all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

* - Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
0.78122%	0.75901%	0.74962%	0.67861%	0.63698%
\$ 75,280,246	\$ 77,775,545	\$ 81,561,540	\$ 61,763,064	\$ 88,285,197
\$ 9,057,608	\$ 9,614,585	\$ 9,034,047	\$ 9,203,544	\$ 9,845,473
831.13%	808.93%	902.82%	671.08%	896.71%
73.39%	73.37%	73.12%	71.38%	71.38%
\$ 5,040,152	\$ 5,855,909	\$ 6,865,279	\$ 7,555,477	\$ 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, 2023 6/30/2020

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method/period	For details, see June 30, 2020 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2020 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 nine years are shown.

<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
\$ 5,855,909	\$ 6,865,279	\$ 7,555,477	\$ 9,072,094	\$ 9,408,864
<u>(5,855,909)</u>	<u>(6,865,279)</u>	<u>(7,555,477)</u>	<u>(9,072,094)</u>	<u>(9,408,864)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,614,585	\$ 9,034,047	\$ 9,203,544	\$ 9,845,473	\$ 10,924,436
60.91%	75.99%	82.09%	92.14%	86.13%

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	June 30, 2019
Total pension liability:				
Interest on total pension liability	\$ 80,950	\$ 77,214	\$ 82,454	\$ 79,579
Difference between expected and actual experience	(19)	-	(9,704)	-
Changes in assumptions	-	(107,900)	(18,938)	46,602
Benefit payments, including refunds of employee contributions	(211,287)	(208,260)	(205,233)	(205,233)
Net change in Total Pension Liability	(130,356)	(238,946)	(151,421)	(79,052)
Total pension liability - beginning of year	2,897,028	2,766,672	2,527,726	2,376,305
Total pension liability - end of year (a)	<u>\$ 2,766,672</u>	<u>\$ 2,527,726</u>	<u>\$ 2,376,305</u>	<u>\$ 2,297,253</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	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.
The discount rate changed from 3.75% as of June 30, 2022 to 3.90% as of June 30, 2023 measurement date.

* - Fiscal year 2016 was the first year of implementation, therefore only eight years are shown.

<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
\$ 69,134	\$ 55,426	\$ 45,623	\$ 66,959
80,298	-	101,666	-
122,873	59,262	(332,850)	(16,007)
<u>(205,036)</u>	<u>(204,445)</u>	<u>(204,445)</u>	<u>(198,365)</u>
67,269	(89,757)	(390,006)	(147,413)
<u>2,297,253</u>	<u>2,364,522</u>	<u>2,274,765</u>	<u>1,884,759</u>
<u>\$ 2,364,522</u>	<u>\$ 2,274,765</u>	<u>\$ 1,884,759</u>	<u>\$ 1,737,346</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
Total OPEB liability				
Service cost	\$ 1,229,918	\$ 1,098,145	\$ 1,110,733	\$ 1,145,090
Interest on the total OPEB liability	1,622,474	1,812,069	1,852,821	2,060,874
Actual and expected experience difference	-	-	2,081,994	(3,128,209)
Changes in assumptions	(3,959,316)	(670,841)	3,420,614	6,606,929
Benefit payments	(2,318,709)	(2,469,425)	(2,751,358)	(2,719,892)
Net change in total OPEB liability	(3,425,633)	(230,052)	5,714,804	3,964,792
Total OPEB liability - beginning	56,858,361	53,432,728	53,202,676	58,917,480
Total OPEB liability - ending	<u>\$ 53,432,728</u>	<u>\$ 53,202,676</u>	<u>\$ 58,917,480</u>	<u>\$ 62,882,272</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll ¹	\$ 41,026,788	\$ 43,392,898	\$ 43,828,141	\$ 45,645,442
OPEB liability as a percentage of covered-employee payroll ¹	130.24%	122.61%	134.43%	137.76%

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, 2023 the market value of the investments held in the trust was \$1,678,229 and is reflected as a contribution subsequent to the measurement date as of Fiscal Year 2023.

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%. The discount rate as of the June 30, 2022 measurement date was 4.09%.

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 six years are shown.

June 30, 2021 June 30, 2022

\$ 1,469,582	\$ 2,123,135
1,675,650	1,470,020
(894,275)	(480,791)
3,854,176	(14,469,369)
<u>(2,732,910)</u>	<u>(2,520,497)</u>
3,372,223	(13,877,502)
<u>62,882,272</u>	<u>66,254,495</u>
<u>\$ 66,254,495</u>	<u>\$ 52,376,993</u>

0.00% 0.00%

\$ 48,101,217 \$ 53,773,706

137.74% 97.40%

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.

GAS TAX FUND

The Gas Tax Fund is used 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).

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, 2023
(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes:					
Sales tax	\$ 71,243,148	\$ 78,643,950	\$ 79,851,289	\$ 1,207,339	\$ 77,312,838
Property tax	52,047,128	53,470,100	53,442,949	(27,151)	49,087,175
Transient occupancy tax	7,373,732	9,830,790	9,830,790	-	8,366,278
Franchise tax	5,168,793	6,130,590	6,094,232	(36,358)	5,318,541
Business license tax	3,086,667	1,074,386	939,200	(135,186)	919,491
Marijuana business tax	913,264	968,351	968,351	-	548,711
Total taxes	139,832,732	150,118,167	151,126,811	1,008,644	141,553,034
Licenses and permits	6,567,708	6,635,580	6,342,557	(293,023)	7,331,252
Fines and forfeitures	1,066,632	1,007,017	1,190,281	183,264	1,170,795
Intergovernmental:					
Motor vehicle in-lieu	136,804	136,804	115,307	(21,497)	130,289
Prop 172	1,372,284	1,255,920	1,396,896	140,976	1,467,173
Advances repayment	1,749,586	1,399,669	1,399,669	-	1,524,562
Grants and other reimbursements	477,448	804,317	1,263,333	459,016	1,407,067
Total intergovernmental	3,736,122	3,596,710	4,175,205	578,495	4,529,091
Charges for services	7,051,680	9,052,615	8,886,692	(165,923)	6,964,934
Rental	4,595,652	4,137,977	3,995,450	(142,527)	4,042,324
Investment income (loss)	100,000	300,000	640,980	340,980	(1,246,827)
Miscellaneous	1,025,407	1,399,415	1,282,572	(116,843)	1,374,266
Total revenues	163,975,933	176,247,481	177,640,548	1,393,067	165,718,869
Expenditures:					
Current:					
General government:					
City council	950,772	955,497	834,324	121,173	867,913
City manager:					
Administration	4,621,476	3,980,236	3,941,701	38,535	3,796,264
City clerk	1,177,100	1,161,899	1,151,400	10,499	936,966
Personnel services	2,028,585	2,094,964	2,079,915	15,049	1,481,900
Risk management services	337,197	319,478	400,346	(80,868)	362,648
City attorney	1,000,000	1,000,000	988,108	11,892	958,775
Financial services	5,233,710	4,342,420	4,271,187	71,233	3,799,043
Information technology	5,002,954	4,934,586	5,016,142	(81,556)	4,092,844
Facilities and equipment maintenance	12,468,699	12,623,149	12,463,523	159,626	12,151,003
Non-departmental	6,414,708	5,904,075	5,446,525	457,550	4,532,996
Total general government	39,235,201	37,316,304	36,593,171	723,133	32,980,352

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, 2023
(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	53,591,411	55,713,547	55,717,178	(3,631)	53,409,112
Fire protection	32,518,134	33,859,114	33,480,396	378,718	32,298,528
Building and safety	2,978,145	2,922,631	2,964,713	(42,082)	2,706,591
Total protection of persons and property	<u>89,087,690</u>	<u>92,495,292</u>	<u>92,162,287</u>	<u>333,005</u>	<u>88,414,231</u>
Community programs:					
Community recreation	7,802,826	7,522,115	7,528,022	(5,907)	6,288,274
Planning	3,006,989	2,658,450	2,627,389	31,061	2,135,517
Community improvement	1,666,832	1,698,541	1,620,694	77,847	1,592,410
Development services administration	858,008	975,756	995,208	(19,452)	1,076,135
Total community programs	<u>13,334,655</u>	<u>12,854,862</u>	<u>12,771,313</u>	<u>83,549</u>	<u>11,092,336</u>
Public services:					
Administration	2,292,395	2,190,489	2,115,976	74,513	2,171,885
Engineering	2,596,132	2,373,486	2,287,474	86,012	2,097,776
Transportation	3,059,071	3,207,613	3,545,291	(337,678)	3,069,222
Total public services	<u>7,947,598</u>	<u>7,771,588</u>	<u>7,948,741</u>	<u>(177,153)</u>	<u>7,338,883</u>
Debt Service:					
Principal	620,000	15,392	342,370	(326,978)	217,231
Interest and fiscal charges	1,067,905	973,300	26,564	946,736	27,137
Total debt service	<u>1,687,905</u>	<u>988,692</u>	<u>368,934</u>	<u>619,758</u>	<u>244,368</u>
Total expenditures	<u>149,605,144</u>	<u>150,438,045</u>	<u>149,844,446</u>	<u>1,582,291</u>	<u>140,070,170</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,370,789</u>	<u>25,809,436</u>	<u>27,796,102</u>	<u>2,975,358</u>	<u>25,648,699</u>
Other financing sources (uses):					
Transfers out	(12,457,990)	(26,023,249)	(26,534,995)	(511,746)	(21,365,113)
Total other financing sources (uses)	<u>(12,457,990)</u>	<u>(26,023,249)</u>	<u>(26,534,995)</u>	<u>(511,746)</u>	<u>(21,365,113)</u>
Net change in fund balance	1,912,799	(213,813)	1,261,107	2,463,612	4,283,586
Fund balance at beginning of year	57,775,847	57,775,847	57,775,847	-	53,492,261
Fund balance at end of year	<u>\$ 59,688,646</u>	<u>\$ 57,562,034</u>	<u>\$ 59,036,954</u>	<u>\$ 2,463,612</u>	<u>\$ 57,775,847</u>

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, 2023
(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ 858,919	\$ 4,768,418	\$ 2,169,633	\$ (2,598,785)	\$ 897,489
Investment income (loss)	-	-	32,753	32,753	10
Total revenues	858,919	4,768,418	2,202,386	(2,566,032)	897,499
Expenditures:					
Current:					
General government	2,561,125	5,272,250	13,536	5,258,714	-
Protection of persons and property	530,202	1,256,207	538,168	718,039	1,426,724
Community programs	-	703,077	130,723	572,354	116,405
Public services	331,116	2,799,354	111,344	2,688,010	115,699
Total expenditures	3,422,443	10,030,888	793,771	9,237,117	1,658,828
Excess (deficiency) of revenues over (under) expenditures	(2,563,524)	(5,262,471)	1,408,615	6,671,086	(761,329)
Other financing sources (uses):					
Transfer in	-	-	-	-	66,419
Total other financing sources (uses)	-	-	-	-	66,419
Net change in fund balance	(2,563,524)	(5,262,471)	1,408,615	6,671,086	(694,910)
Fund balance (deficit) at beginning of year	(1,145,765)	(1,145,765)	(1,145,765)	-	(450,855)
Fund balance (deficit) at end of year	\$ (3,709,289)	\$ (6,408,236)	\$ 262,850	\$ 6,671,086	\$ (1,145,765)

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA
Gas Tax Fund - Major Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2023
(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ 5,857,969	\$ 5,611,119	\$ 5,357,007	\$ (254,112)	\$ 4,937,524
Investment income (loss)	-	-	162,210	162,210	(363,514)
Miscellaneous	-	-	-	-	32,358
Total revenues	5,857,969	5,611,119	5,519,217	(91,902)	4,606,368
Expenditures:					
Current:					
Public services	6,459,528	38,331,374	2,616,617	35,714,757	3,505,880
Total expenditures	6,459,528	38,331,374	2,616,617	35,714,757	3,505,880
Excess (deficiency) of revenues over (under) expenditures	(601,559)	(32,720,255)	2,902,600	35,622,855	1,100,488
Net change in fund balance	(601,559)	(32,720,255)	2,902,600	35,622,855	1,100,488
Fund balance at beginning of year	14,653,754	14,653,754	14,653,754	-	13,553,266
Fund balance (deficit) at end of year	<u>\$ 14,052,195</u>	<u>\$ (18,066,501)</u>	<u>\$ 17,556,354</u>	<u>\$ 35,622,855</u>	<u>\$ 14,653,754</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, 2023
(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ -	\$ 2,525,000	\$ 4,802,856	\$ 2,277,856	\$ -
Investment income (loss)	-	-	208,050	208,050	50,329
Total revenues	-	2,525,000	5,010,906	2,485,906	50,329
Expenditures:					
Current:					
Protection of persons and property	-	4,475,000	2,915,000	1,560,000	-
Total expenditures	-	4,475,000	2,915,000	1,560,000	-
Excess (deficiency) of revenues over (under) expenditures	-	(1,950,000)	2,095,906	4,045,906	50,329
Other financing sources (uses):					
Transfer out	-	(2,187,856)	(1,887,856)	300,000	-
Total other financing sources (uses)	-	(2,187,856)	(1,887,856)	300,000	-
Net change in fund balance	-	(4,137,856)	208,050	4,345,906	50,329
Fund balance at beginning of year	50,329	50,329	50,329	-	-
Fund balance at end of year	\$ 50,329	\$ (4,087,527)	\$ 258,379	\$ 4,345,906	\$ 50,329

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA
Notes to Required Supplementary Information
Year ended June 30, 2023

(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

Opioid Settlement

Debt Service Funds:

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.

TAB

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:

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.

Opioid Settlement Fund

Established to account for receipt and disbursements from settlements related to opioid litigation. These funds are restricted for purposes aligned with mitigating the adverse effects of opioid abuse and supporting initiatives aimed at prevention, treatment, recovery, and community support.

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:

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, 2023
(With Comparative Data for Prior Year)

	Special Revenue				
	HOME Program	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
<u>Assets:</u>					
Cash and investments	\$ 1,384,892	\$ 426,986	\$ 4,209	\$ 55,701	\$ 277,140
Cash and investments with fiscal agents	-	-	-	-	-
Due from other governments	30,457	30,227	185,663	-	-
Accounts receivable, net	-	-	-	-	-
Interest receivable	1,704	500	29	79	340
Loans receivable, net	-	-	-	-	-
Leases receivable	-	-	-	-	-
Total assets	<u>\$ 1,417,053</u>	<u>\$ 457,713</u>	<u>\$ 189,901</u>	<u>\$ 55,780</u>	<u>\$ 277,480</u>
<u>Liabilities:</u>					
Accounts payable	\$ 3,694	\$ 11,709	\$ 28,003	\$ -	\$ -
Accrued liabilities	581	-	14,449	7,288	-
Retentions payable	-	-	58,289	-	-
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>4,275</u>	<u>11,709</u>	<u>100,741</u>	<u>7,288</u>	<u>-</u>
<u>Deferred Inflows of Resources:</u>					
Lease related	-	-	-	-	-
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances:</u>					
Restricted for:					
Protection of persons or property	-	-	-	48,492	-
Community programs	1,412,778	-	89,160	-	277,480
Public services	-	446,004	-	-	-
Debt service	-	-	-	-	-
Assigned for:					
Protection of persons and property	-	-	-	-	-
Public services	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<u>1,412,778</u>	<u>446,004</u>	<u>89,160</u>	<u>48,492</u>	<u>277,480</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,417,053</u>	<u>\$ 457,713</u>	<u>\$ 189,901</u>	<u>\$ 55,780</u>	<u>\$ 277,480</u>

Special Revenue

Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Opioid Settlement	Housing Authority	Disaster Fund
\$ 1,292,095	\$ 33,911	\$ -	\$ 290,217	\$ 6,904,364	\$ 50,743
-	-	-	-	24,493	-
-	-	57,182	-	1,220,209	-
-	-	-	307,442	58,613	-
2,009	42	-	287	5,050	-
-	-	-	-	496,064	-
-	-	-	-	1,434,726	-
<u>\$ 1,294,104</u>	<u>\$ 33,953</u>	<u>\$ 57,182</u>	<u>\$ 597,946</u>	<u>\$ 10,143,519</u>	<u>\$ 50,743</u>
\$ -	\$ -	\$ 904	\$ -	\$ 336,921	\$ 216
-	-	10,136	-	28,771	-
-	-	-	-	-	-
-	-	-	-	23,908	-
-	-	54,037	-	-	-
-	-	-	232,092	-	-
-	-	65,077	232,092	389,600	216
-	-	-	-	1,414,825	-
-	-	-	296,265	38,549	-
-	-	-	296,265	1,453,374	-
1,294,104	33,953	-	-	-	-
-	-	-	-	7,400,545	-
-	-	-	-	-	50,527
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(7,895)	69,589	900,000	-
<u>1,294,104</u>	<u>33,953</u>	<u>(7,895)</u>	<u>69,589</u>	<u>8,300,545</u>	<u>50,527</u>
<u>\$ 1,294,104</u>	<u>\$ 33,953</u>	<u>\$ 57,182</u>	<u>\$ 597,946</u>	<u>\$ 10,143,519</u>	<u>\$ 50,743</u>

CITY OF COSTA MESA, CALIFORNIA
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023
(Continued)
(With Comparative Data for Prior Year)

Capital Projects

	Measure "M2"	Parking Districts	Golf Course Improvements	Park Development	Drainage Fees	Traffic Impact Fees
Assets:						
Cash and investments	\$ 5,178,617	\$ 152,701	\$ 658,204	\$ 2,989,839	\$ 2,204,685	\$ 6,306,139
Cash and investments with fiscal agents	127,167	-	-	-	-	-
Due from other governments	1,229,090	13	-	-	-	-
Accounts receivable, net	-	-	17,383	-	-	46
Interest receivable	7,446	187	797	3,724	2,735	7,723
Loans receivable, net	-	-	-	-	-	-
Leases receivable	-	-	-	-	-	-
Total assets	\$ 6,542,320	\$ 152,901	\$ 676,384	\$ 2,993,563	\$ 2,207,420	\$ 6,313,908
Liabilities:						
Accounts payable	\$ 138,219	\$ -	\$ -	\$ 55,375	\$ 32,469	\$ 37,570
Accrued liabilities	12,299	-	-	-	-	-
Retentions payable	177,167	-	-	65,466	-	-
Deposits payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	327,685	-	-	120,841	32,469	37,570
Deferred Inflows of Resources:						
Lease related	-	-	-	-	-	-
Unavailable revenues	465,125	-	-	-	-	-
Total deferred inflows of resources	465,125	-	-	-	-	-
Fund Balances:						
Restricted for:						
Protection of persons or property	-	-	-	-	-	-
Community programs	-	-	-	-	-	-
Public services	5,749,510	-	-	-	-	-
Debt service	-	-	-	-	-	-
Assigned for:						
Protection of persons and property	-	-	-	-	-	-
Public services	-	152,901	676,384	2,872,722	2,174,951	6,276,338
Unassigned	-	-	-	-	-	-
Total fund balances (deficit)	5,749,510	152,901	676,384	2,872,722	2,174,951	6,276,338
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,542,320	\$ 152,901	\$ 676,384	\$ 2,993,563	\$ 2,207,420	\$ 6,313,908

Capital Projects			Debt Service		Totals	
Fire System Development Fees	Jack Hammett Sports Complex	Lions Park Capital Improvements	Financing Authority	2023	2022	
\$ 641,466	\$ 243,972	\$ 11,765	\$ -	\$ 29,107,646	\$ 24,246,951	
-	-	322,357	7,278	481,295	460,281	
-	-	-	-	2,752,841	3,249,319	
-	150,750	-	-	534,234	225,126	
787	299	14	-	33,752	52,202	
-	-	-	-	496,064	608,294	
-	-	-	-	1,434,726	1,512,830	
<u>\$ 642,253</u>	<u>\$ 395,021</u>	<u>\$ 334,136</u>	<u>\$ 7,278</u>	<u>\$ 34,840,558</u>	<u>\$ 30,355,003</u>	
\$ -	\$ -	\$ -	\$ -	\$ 645,080	2,283,046	
-	-	-	-	73,524	80,491	
-	33,150	-	-	334,072	338,130	
-	15,000	-	-	38,908	37,215	
-	-	-	-	54,037	672,766	
-	-	-	-	232,092		
-	48,150	-	-	1,377,713	3,411,648	
-	-	-	-	1,414,825	1,506,105	
-	-	-	-	799,939	1,139,548	
-	-	-	-	2,214,764	2,645,653	
-	-	-	-	1,376,549	1,293,762	
-	-	-	-	9,179,963	5,480,097	
-	-	334,136	-	6,580,177	5,209,268	
-	-	-	7,278	7,278	4	
642,253	-	-	-	642,253	635,684	
-	346,871	-	-	12,500,167	12,383,909	
-	-	-	-	961,694	(705,022)	
<u>642,253</u>	<u>346,871</u>	<u>334,136</u>	<u>7,278</u>	<u>31,248,081</u>	<u>24,297,702</u>	
<u>\$ 642,253</u>	<u>\$ 395,021</u>	<u>\$ 334,136</u>	<u>\$ 7,278</u>	<u>\$ 34,840,558</u>	<u>\$ 30,355,003</u>	

CITY OF COSTA MESA, CALIFORNIA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year ended June 30, 2023
 (With Comparative Data for Prior Year)

	Special Revenue				
	HOME Program	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Intergovernmental	137,581	177,214	1,794,310	284,819	-
Investment income (loss)	15,117	3,843	609	522	2,837
Rental income	-	-	-	-	-
Miscellaneous	40,000	-	-	-	-
Total revenues	<u>192,698</u>	<u>181,057</u>	<u>1,794,919</u>	<u>285,341</u>	<u>2,837</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	254,738	-
Community programs	267,310	-	1,800,563	-	-
Public services	-	117,963	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>267,310</u>	<u>117,963</u>	<u>1,800,563</u>	<u>254,738</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(74,612)</u>	<u>63,094</u>	<u>(5,644)</u>	<u>30,603</u>	<u>2,837</u>
Other financing sources (uses):					
Transfer in	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(74,612)</u>	<u>63,094</u>	<u>(5,644)</u>	<u>30,603</u>	<u>2,837</u>
Fund balances (deficit) at beginning of the year	<u>1,487,390</u>	<u>382,910</u>	<u>94,804</u>	<u>17,889</u>	<u>274,643</u>
Fund balances (deficit) at end of year	<u>\$ 1,412,778</u>	<u>\$ 446,004</u>	<u>\$ 89,160</u>	<u>\$ 48,492</u>	<u>\$ 277,480</u>

Special Revenue

Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Opioid Settlement	Housing Authority	Disaster Fund
\$ -	\$ -	\$ -	\$ -	\$ 342,011	\$ -
-	-	-	-	-	-
76,487	-	-	-	-	-
-	-	259,141	154,965	2,686,381	306,283
17,752	347	-	506	9,416	-
-	-	-	-	416,489	-
-	-	-	-	221,113	-
<u>94,239</u>	<u>347</u>	<u>259,141</u>	<u>155,471</u>	<u>3,675,410</u>	<u>306,283</u>
-	-	-	-	-	12,564
42,402	-	226,977	85,882	-	216,416
-	-	-	-	4,286,833	(331)
-	-	-	-	-	-
-	-	-	-	-	-
<u>42,402</u>	<u>-</u>	<u>226,977</u>	<u>85,882</u>	<u>4,286,833</u>	<u>228,649</u>
<u>51,837</u>	<u>347</u>	<u>32,164</u>	<u>69,589</u>	<u>(611,423)</u>	<u>77,634</u>
-	-	-	-	5,288,708	637,856
-	-	-	-	5,288,708	637,856
51,837	347	32,164	69,589	4,677,285	715,490
<u>1,242,267</u>	<u>33,606</u>	<u>(40,059)</u>	<u>-</u>	<u>3,623,260</u>	<u>(664,963)</u>
<u>\$ 1,294,104</u>	<u>\$ 33,953</u>	<u>\$ (7,895)</u>	<u>\$ 69,589</u>	<u>\$ 8,300,545</u>	<u>\$ 50,527</u>

CITY OF COSTA MESA, CALIFORNIA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2023
(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	\$ -	\$ 15,353	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	158,327	76,516	1,033,989
Fines and forfeitures	-	-	-	-	-	-
Intergovernmental	3,650,774	-	-	-	107,327	-
Investment income (loss)	53,052	1,478	6,255	33,194	22,712	63,154
Rental income	-	-	159,695	-	-	-
Miscellaneous	-	-	-	-	-	7,167
Total revenues	3,703,826	16,831	165,950	191,521	206,555	1,104,310
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Protection of persons and property	-	-	-	-	-	-
Community programs	-	-	-	338,019	-	-
Public services	2,456,115	-	28,023	596,217	273,825	485,739
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	2,456,115	-	28,023	934,236	273,825	485,739
Excess (deficiency) of revenues over (under) expenditures	1,247,711	16,831	137,927	(742,715)	(67,270)	618,571
Other financing sources (uses):						
Transfer in	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	1,247,711	16,831	137,927	(742,715)	(67,270)	618,571
Fund balances (deficit) at beginning of the year	4,501,799	136,070	538,457	3,615,437	2,242,221	5,657,767
Fund balances (deficit) at end of year	\$ 5,749,510	\$ 152,901	\$ 676,384	\$ 2,872,722	\$ 2,174,951	\$ 6,276,338

Capital Projects			Debt Service		Totals	
Fire System Development Fees	Jack Hammett Sports Complex	Lions Park Capital Improvements	Financing Authority	2023	2022	
\$ -	\$ -	\$ -	\$ -	\$ 357,364	\$ 366,844	
-	-	-	-	1,268,832	2,065,622	
-	-	-	-	76,487	5,562	
-	-	-	-	9,558,795	7,167,219	
6,569	2,165	9,577	7,274	256,379	(603,946)	
-	150,749	-	-	726,933	773,253	
-	-	-	-	268,280	79,919	
<u>6,569</u>	<u>152,914</u>	<u>9,577</u>	<u>7,274</u>	<u>12,513,070</u>	<u>9,854,473</u>	
-	-	-	-	12,564	587,233	
-	-	-	-	826,415	782,720	
-	-	-	-	6,692,394	4,974,070	
-	-	-	-	3,957,882	6,308,147	
-	-	-	1,830,000	1,830,000	1,985,332	
-	-	-	973,300	973,300	1,068,649	
-	-	-	2,803,300	14,292,555	15,706,151	
<u>6,569</u>	<u>152,914</u>	<u>9,577</u>	<u>(2,796,026)</u>	<u>(1,779,485)</u>	<u>(5,851,678)</u>	
-	-	-	2,803,300	8,729,864	4,516,377	
-	-	-	2,803,300	8,729,864	4,516,377	
6,569	152,914	9,577	7,274	6,950,379	(1,335,301)	
<u>635,684</u>	<u>193,957</u>	<u>324,559</u>	<u>4</u>	<u>24,297,702</u>	<u>25,633,003</u>	
<u>\$ 642,253</u>	<u>\$ 346,871</u>	<u>\$ 334,136</u>	<u>\$ 7,278</u>	<u>\$ 31,248,081</u>	<u>\$ 24,297,702</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, 2023
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 527,620	\$ 137,581	\$ (390,039)	\$ 16,639
Investment income (loss)	-	15,117	15,117	(37,271)
Miscellaneous	20,000	40,000	20,000	45,009
Total revenues	<u>547,620</u>	<u>192,698</u>	<u>(354,922)</u>	<u>24,377</u>
Expenditures:				
Current:				
Community programs	596,648	267,310	329,338	109,036
Total expenditures	<u>596,648</u>	<u>267,310</u>	<u>329,338</u>	<u>109,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,028)</u>	<u>(74,612)</u>	<u>(25,584)</u>	<u>(84,659)</u>
Net change in fund balance	(49,028)	(74,612)	(25,584)	(84,659)
Fund balance at beginning of year	<u>1,487,390</u>	<u>1,487,390</u>	-	<u>1,572,049</u>
Fund balance at end of year	<u>\$ 1,438,362</u>	<u>\$ 1,412,778</u>	<u>\$ (25,584)</u>	<u>\$ 1,487,390</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, 2023
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 150,000	\$ 177,214	\$ 27,214	\$ 108,658
Investment income (loss)	-	3,843	3,843	(9,893)
Total revenues	<u>150,000</u>	<u>181,057</u>	<u>31,057</u>	<u>98,765</u>
Expenditures:				
Current:				
Public services	<u>591,539</u>	<u>117,963</u>	<u>473,576</u>	<u>218,184</u>
Total expenditures	<u>591,539</u>	<u>117,963</u>	<u>473,576</u>	<u>218,184</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(441,539)</u>	<u>63,094</u>	<u>504,633</u>	<u>(119,419)</u>
Net change in fund balance	(441,539)	63,094	504,633	(119,419)
Fund balance at beginning of year	<u>382,910</u>	<u>382,910</u>	<u>-</u>	<u>502,329</u>
Fund balance (deficit) at end of year	<u>\$ (58,629)</u>	<u>\$ 446,004</u>	<u>\$ 504,633</u>	<u>\$ 382,910</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, 2023
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 1,054,960	\$ 1,794,310	\$ 739,350	\$ 594,255
Investment income	-	609	609	152
Miscellaneous	-	-	-	7,500
Total revenues	<u>1,054,960</u>	<u>1,794,919</u>	<u>739,959</u>	<u>601,907</u>
Expenditures:				
Current:				
Community programs	<u>2,127,593</u>	<u>1,800,563</u>	<u>327,030</u>	<u>594,255</u>
Total expenditures	<u>2,127,593</u>	<u>1,800,563</u>	<u>327,030</u>	<u>594,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,072,633)</u>	<u>(5,644)</u>	<u>1,066,989</u>	<u>7,652</u>
Net change in fund balance	<u>(1,072,633)</u>	<u>(5,644)</u>	<u>1,066,989</u>	<u>7,652</u>
Fund balance at beginning of year	<u>94,804</u>	<u>94,804</u>	<u>-</u>	<u>87,152</u>
Fund balance (deficit) at end of year	<u>\$ (977,829)</u>	<u>\$ 89,160</u>	<u>\$ 1,066,989</u>	<u>\$ 94,804</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, 2023
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 271,551	\$ 284,819	\$ 13,268	\$ 279,630
Investment income (loss)	-	522	522	(694)
Total revenues	<u>271,551</u>	<u>285,341</u>	<u>13,790</u>	<u>278,936</u>
Expenditures:				
Current:				
Protection of persons and property	<u>307,229</u>	<u>254,738</u>	<u>52,491</u>	<u>277,824</u>
Total expenditures	<u>307,229</u>	<u>254,738</u>	<u>52,491</u>	<u>277,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,678)</u>	<u>30,603</u>	<u>66,281</u>	<u>1,112</u>
Net change in fund balance	(35,678)	30,603	66,281	1,112
Fund balance at beginning of year	<u>17,889</u>	<u>17,889</u>	-	<u>16,777</u>
Fund balance (deficit) at end of year	<u><u>\$ (17,789)</u></u>	<u><u>\$ 48,492</u></u>	<u><u>\$ 66,281</u></u>	<u><u>\$ 17,889</u></u>

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, 2023
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income (loss)	\$ -	\$ 2,837	\$ 2,837	\$ (6,851)
Total revenues	-	2,837	2,837	(6,851)
Expenditures:				
Current:				
Community programs	80,000	-	80,000	-
Total expenditures	80,000	-	80,000	-
Excess (deficiency) of revenues over (under) expenditures	(80,000)	2,837	82,837	(6,851)
Net change in fund balance	(80,000)	2,837	82,837	(6,851)
Fund balance at beginning of year	274,643	274,643	-	281,494
Fund balance at end of year	\$ 194,643	\$ 277,480	\$ 82,837	\$ 274,643

CITY OF COSTA MESA, CALIFORNIA
Narcotics Forfeiture Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2023
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Fines and forfeitures	\$ -	\$ 76,487	\$ 76,487	\$ 5,562
Investment income (loss)	-	17,752	17,752	(41,213)
Total revenues	<u>-</u>	<u>94,239</u>	<u>94,239</u>	<u>(35,651)</u>
Expenditures:				
Current:				
Protection of persons and property	<u>80,000</u>	<u>42,402</u>	<u>37,598</u>	<u>-</u>
Total expenditures	<u>80,000</u>	<u>42,402</u>	<u>37,598</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(80,000)</u>	<u>51,837</u>	<u>131,837</u>	<u>(35,651)</u>
Net change in fund balance	(80,000)	51,837	131,837	(35,651)
Fund balance at beginning of year	<u>1,242,267</u>	<u>1,242,267</u>	<u>-</u>	<u>1,277,918</u>
Fund balance at end of year	<u>\$ 1,162,267</u>	<u>\$ 1,294,104</u>	<u>\$ 131,837</u>	<u>\$ 1,242,267</u>

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, 2023
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income (loss)	\$ -	\$ 347	\$ 347	\$ (837)
Total revenues	-	347	347	(837)
Excess (deficiency) of revenues over (under) expenditures	-	347	347	(837)
Net change in fund balance	-	347	347	(837)
Fund balance at beginning of year	33,606	33,606	-	34,443
Fund balance at end of year	<u>\$ 33,606</u>	<u>\$ 33,953</u>	<u>\$ 347</u>	<u>\$ 33,606</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, 2023
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 265,000	\$ 259,141	\$ (5,859)	\$ 130,022
Total revenues	<u>265,000</u>	<u>259,141</u>	<u>(5,859)</u>	<u>130,022</u>
Expenditures:				
Current:				
Protection of persons and property	<u>265,000</u>	<u>226,977</u>	<u>38,023</u>	<u>169,868</u>
Total expenditures	<u>265,000</u>	<u>226,977</u>	<u>38,023</u>	<u>169,868</u>
Excess (deficiency) of revenues over (under) expenditures	-	32,164	32,164	(39,846)
Fund balance (deficit) at beginning of year	<u>(40,059)</u>	<u>(40,059)</u>	<u>-</u>	<u>(213)</u>
Fund balance (deficit) at end of year	<u>\$ (40,059)</u>	<u>\$ (7,895)</u>	<u>\$ 32,164</u>	<u>\$ (40,059)</u>

CITY OF COSTA MESA, CALIFORNIA
Housing Authority Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2023
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 381,141	\$ 342,011	\$ (39,130)	\$ 349,917
Intergovernmental	2,274,179	2,686,381	412,202	1,510,066
Investment income (loss)	21,550	9,416	(12,134)	(68,124)
Rental income	370,000	416,489	46,489	338,732
Miscellaneous	6,000	221,113	215,113	27,406
Total revenues	<u>3,052,870</u>	<u>3,675,410</u>	<u>622,540</u>	<u>2,157,997</u>
Expenditures:				
Current:				
Community programs	8,789,294	4,286,833	4,502,461	3,963,750
Total expenditures	<u>8,789,294</u>	<u>4,286,833</u>	<u>4,502,461</u>	<u>3,963,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,736,424)</u>	<u>(611,423)</u>	<u>5,125,001</u>	<u>(1,805,753)</u>
Other financing sources (uses):				
Transfers in	5,214,993	5,288,708	73,715	1,713,828
Total other financing sources (uses)	<u>5,214,993</u>	<u>5,288,708</u>	<u>73,715</u>	<u>1,713,828</u>
Net change in fund balance	(521,431)	4,677,285	5,198,716	(91,925)
Fund balance at beginning of year	<u>3,623,260</u>	<u>3,623,260</u>	<u>-</u>	<u>3,715,185</u>
Fund balance at end of year	<u>\$ 3,101,829</u>	<u>\$ 8,300,545</u>	<u>\$ 5,198,716</u>	<u>\$ 3,623,260</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, 2023
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ -	\$ 190,599	\$ 190,599	\$ 546,129
Investment income (loss)	-	216,228	216,228	(603,855)
Miscellaneous	50,000	64,585	14,585	59,431
Total revenues	50,000	471,412	421,412	1,705
Expenditures:				
Current:				
Protection of persons and property	3,676,035	1,275,395	2,400,640	74,688
Community programs	1,720,000	40,505	1,679,495	84,589
Public services	21,653,745	2,969,206	18,684,539	3,693,683
Total expenditures	27,049,780	4,285,106	22,764,674	3,852,960
Excess (deficiency) of revenues over (under) expenditures	(26,999,780)	(3,813,694)	23,186,086	(3,851,255)
Other financing sources (uses):				
Transfers in	13,482,325	13,482,325	-	8,533,467
Total other financing sources (uses)	13,482,325	13,482,325	-	8,533,467
Net change in fund balance	(13,517,455)	9,668,631	23,186,086	4,682,212
Fund balance at beginning of year	21,869,391	21,869,391	-	17,187,179
Fund balance (deficit) at end of year	\$ 8,351,936	\$ 31,538,022	\$ 23,186,086	\$ 21,869,391

CITY OF COSTA MESA, CALIFORNIA
Measure "M2" Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2023
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 3,312,964	\$ 3,650,774	\$ 337,810	\$ 4,420,073
Investment income (loss)	-	53,052	53,052	(105,712)
Total revenues	<u>3,312,964</u>	<u>3,703,826</u>	<u>390,862</u>	<u>4,314,361</u>
Expenditures:				
Current:				
Public services	<u>8,422,954</u>	<u>2,456,115</u>	<u>5,966,839</u>	<u>3,084,199</u>
Total expenditures	<u>8,422,954</u>	<u>2,456,115</u>	<u>5,966,839</u>	<u>3,084,199</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,109,990)</u>	<u>1,247,711</u>	<u>6,357,701</u>	<u>1,230,162</u>
Net change in fund balance	(5,109,990)	1,247,711	6,357,701	1,230,162
Fund balance at beginning of year	<u>4,501,799</u>	<u>4,501,799</u>	-	<u>3,271,637</u>
Fund balance (deficit) at end of year	<u>\$ (608,191)</u>	<u>\$ 5,749,510</u>	<u>\$ 6,357,701</u>	<u>\$ 4,501,799</u>

CITY OF COSTA MESA, CALIFORNIA
 Parking Districts Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2023
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 16,311	\$ 15,353	\$ (958)	\$ 16,927
Investment income (loss)	-	1,478	1,478	(3,453)
	<u>16,311</u>	<u>16,831</u>	<u>520</u>	<u>13,474</u>
Total revenues				
Excess (deficiency) of revenues over (under) expenditures	<u>16,311</u>	<u>16,831</u>	<u>520</u>	<u>13,474</u>
Net change in fund balance	16,311	16,831	520	13,474
Fund balance at beginning of year	<u>136,070</u>	<u>136,070</u>	<u>-</u>	<u>122,596</u>
Fund balance at end of year	<u>\$ 152,381</u>	<u>\$ 152,901</u>	<u>\$ 520</u>	<u>\$ 136,070</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, 2023
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income (loss)	\$ -	\$ 6,255	\$ 6,255	\$ (13,547)
Rental income	110,000	159,695	49,695	163,021
Total revenues	<u>110,000</u>	<u>165,950</u>	<u>55,950</u>	<u>149,474</u>
Expenditures:				
Current:				
Public services	665,000	28,023	636,977	-
Total expenditures	<u>665,000</u>	<u>28,023</u>	<u>636,977</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(555,000)</u>	<u>137,927</u>	<u>692,927</u>	<u>149,474</u>
Net change in fund balance	(555,000)	137,927	692,927	149,474
Fund balance at beginning of year	<u>538,457</u>	<u>538,457</u>	<u>-</u>	<u>388,983</u>
Fund balance at end of year	<u>\$ (16,543)</u>	<u>\$ 676,384</u>	<u>\$ 692,927</u>	<u>\$ 538,457</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, 2023
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ 328,095	\$ 158,327	\$ (169,768)	\$ 1,278,940
Investment income (loss)	-	33,194	33,194	(100,791)
Total revenues	328,095	191,521	(136,574)	1,178,149
Expenditures:				
Current:				
Community programs	1,148,087	338,019	810,068	206,815
Public services	1,815,715	596,217	1,219,498	2,007,353
Total expenditures	2,963,802	934,236	2,029,566	2,214,168
Excess (deficiency) of revenues over (under) expenditures	(2,635,707)	(742,715)	1,892,992	(1,036,019)
Net change in fund balance	(2,635,707)	(742,715)	1,892,992	(1,036,019)
Fund balance at beginning of year	3,615,437	3,615,437	-	4,651,456
Fund balance at end of year	<u>\$ 979,730</u>	<u>\$ 2,872,722</u>	<u>\$ 1,892,992</u>	<u>\$ 3,615,437</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, 2023
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ -	\$ 107,327	\$ 107,327	\$ -
Charges for services	213,206	76,516	(136,690)	348,736
Investment income (loss)	-	22,712	22,712	(57,057)
	<u>213,206</u>	<u>206,555</u>	<u>(6,651)</u>	<u>291,679</u>
Total revenues				
Expenditures:				
Current:				
Public services	<u>2,478,471</u>	<u>273,825</u>	<u>2,204,646</u>	<u>145,850</u>
Total expenditures	<u>2,478,471</u>	<u>273,825</u>	<u>2,204,646</u>	<u>145,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,265,265)</u>	<u>(67,270)</u>	<u>2,197,995</u>	<u>145,829</u>
Net change in fund balance	(2,265,265)	(67,270)	2,197,995	145,829
Fund balance at beginning of year	<u>2,242,221</u>	<u>2,242,221</u>	-	<u>2,096,392</u>
Fund balance (deficit) at end of year	<u>\$ (23,044)</u>	<u>\$ 2,174,951</u>	<u>\$ 2,197,995</u>	<u>\$ 2,242,221</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, 2023
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ 1,533,025	\$ 1,033,989	\$ (499,036)	\$ 437,946
Investment income (loss)	-	63,154	63,154	(143,171)
Miscellaneous	-	7,167	7,167	-
Total revenues	1,533,025	1,104,310	(428,715)	294,775
Expenditures:				
Current:				
Public services	3,364,073	485,739	2,878,334	127,222
Total expenditures	3,364,073	485,739	2,878,334	127,222
Excess (deficiency) of revenues over (under) expenditures	(1,831,048)	618,571	2,449,619	167,553
Net change in fund balance	(1,831,048)	618,571	2,449,619	167,553
Fund balance at beginning of year	5,657,767	5,657,767	-	5,490,214
Fund balance at end of year	<u>\$ 3,826,719</u>	<u>\$ 6,276,338</u>	<u>\$ 2,449,619</u>	<u>\$ 5,657,767</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, 2023
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income (loss)	\$ -	\$ 6,569	\$ 6,569	\$ (15,857)
Total revenues	-	6,569	6,569	(15,857)
Net change in fund balance	-	6,569	6,569	(15,857)
Fund balance at beginning of year	635,684	635,684	-	651,541
Fund balance at end of year	<u>\$ 635,684</u>	<u>\$ 642,253</u>	<u>\$ 6,569</u>	<u>\$ 635,684</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, 2023
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ -	\$ 2,165	\$ 2,165	\$ 533
Rental income	150,750	150,749	(1)	271,500
Total revenues	<u>150,750</u>	<u>152,914</u>	<u>2,164</u>	<u>272,033</u>
Expenditures:				
Current:				
Public services	-	-	-	663,000
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>663,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>150,750</u>	<u>152,914</u>	<u>2,164</u>	<u>(390,967)</u>
Net change in fund balance	150,750	152,914	2,164	(390,967)
Fund balance at beginning of year	<u>193,957</u>	<u>193,957</u>	<u>-</u>	<u>584,924</u>
Fund balance at end of year	<u><u>\$ 344,707</u></u>	<u><u>\$ 346,871</u></u>	<u><u>\$ 2,164</u></u>	<u><u>\$ 193,957</u></u>

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)	\$ -	\$ 9,577	\$ 9,577	\$ (170)
Total revenues	-	9,577	9,577	(170)
Expenditures:				
Current:				
Public services	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	9,577	9,577	(170)
Net change in fund balance	-	9,577	9,577	(170)
Fund balance at beginning of year	324,559	324,559	-	324,729
Fund balance at end of year	<u>\$ 324,559</u>	<u>\$ 334,136</u>	<u>\$ 9,577</u>	<u>\$ 324,559</u>

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, 2023
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2023	2022
<u>Assets:</u>					
Current assets:					
Cash and investments	\$ 8,954,515	\$ 19,147,938	\$ 9,707,577	\$ 37,810,030	\$ 31,293,065
Interest receivable	10,308	22,278	11,006	43,592	59,970
Prepaid items	2,134,210	242,026	-	2,376,236	3,719,059
Inventories	149,203	-	-	149,203	240,189
Total current assets	<u>11,248,236</u>	<u>19,412,242</u>	<u>9,718,583</u>	<u>40,379,061</u>	<u>35,312,283</u>
Capital assets:					
Construction in progress	-	-	1,932,537	1,932,537	1,412,635
Motorized equipment	18,802,993	-	-	18,802,993	14,777,717
Other equipment	3,713,761	-	187,799	3,901,560	3,645,870
Accumulated depreciation	<u>(12,394,092)</u>	<u>-</u>	<u>(101,411)</u>	<u>(12,495,503)</u>	<u>(11,881,554)</u>
Net capital assets	<u>10,122,662</u>	<u>-</u>	<u>2,018,925</u>	<u>12,141,587</u>	<u>7,954,668</u>
Total assets	<u>21,370,898</u>	<u>19,412,242</u>	<u>11,737,508</u>	<u>52,520,648</u>	<u>43,266,951</u>
<u>Liabilities:</u>					
Current liabilities:					
Accounts payable	542,862	289,509	293,063	1,125,434	801,171
Accrued liabilities	95,791	12,660	24,809	133,260	44,918
Notes payable	564,329	-	-	564,329	325,037
Claims payable	-	1,134,946	-	1,134,946	1,379,844
Total current liabilities	<u>1,202,982</u>	<u>1,437,115</u>	<u>317,872</u>	<u>2,957,969</u>	<u>2,550,970</u>
Long-term liabilities:					
Notes payable	3,738,263	-	-	3,738,263	3,061,525
Claims payable	-	12,692,453	-	12,692,453	12,919,598
Total long-term liabilities	<u>3,738,263</u>	<u>12,692,453</u>	<u>-</u>	<u>16,430,716</u>	<u>15,981,123</u>
Total liabilities	<u>4,941,245</u>	<u>14,129,568</u>	<u>317,872</u>	<u>19,388,685</u>	<u>18,532,093</u>
<u>Net Position:</u>					
Net investment in capital assets	5,820,070	-	2,018,925	7,838,995	4,568,106
Unrestricted	<u>10,609,583</u>	<u>5,282,674</u>	<u>9,400,711</u>	<u>25,292,968</u>	<u>20,166,752</u>
Total net position	<u>\$ 16,429,653</u>	<u>\$ 5,282,674</u>	<u>\$ 11,419,636</u>	<u>\$ 33,131,963</u>	<u>\$ 24,734,858</u>

CITY OF COSTA MESA, CALIFORNIA
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2023
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2023	2022
Operating revenues:					
Charges for services	\$ 5,442,580	\$ 4,842,316	\$ -	\$ 10,284,896	\$ 7,472,134
Total operating revenues	5,442,580	4,842,316	-	10,284,896	7,472,134
Operating expenses:					
Allocated administrative costs	1,694,810	886,546	1,379,708	3,961,064	2,854,592
Depreciation	1,120,805	-	-	1,120,805	1,248,411
Fuel and repair parts	1,050,894	-	-	1,050,894	1,230,211
Materials and supplies	-	-	71,077	71,077	65,073
Claims and premiums	-	3,589,183	-	3,589,183	3,023,082
Total operating expenses	3,866,509	4,475,729	1,450,785	9,793,023	8,421,369
Operating income (loss)	1,576,071	366,587	(1,450,785)	491,873	(949,235)
Nonoperating revenues (expenses):					
Investment income (loss)	76,739	153,798	74,675	305,212	(841,310)
Intergovernmental	159,985	-	-	159,985	-
Other nonoperating revenue	41,562	1,326,382	-	1,367,944	503,000
Interest expense	(121,301)	-	-	(121,301)	(26,197)
Gain (loss) on disposal of equipment	(17,270)	-	-	(17,270)	(1,319)
Total nonoperating revenues (expenses)	139,715	1,480,180	74,675	1,694,570	(365,826)
Income (loss) before transfers	1,715,786	1,846,767	(1,376,110)	2,186,443	(1,315,061)
Transfers in	1,003,556	1,648,622	3,558,484	6,210,662	8,248,850
Change in net position	2,719,342	3,495,389	2,182,374	8,397,105	6,933,789
Net position at beginning of year	13,710,311	1,787,285	9,237,262	24,734,858	17,801,069
Net position at end of year	\$ 16,429,653	\$ 5,282,674	\$ 11,419,636	\$ 33,131,963	\$ 24,734,858

CITY OF COSTA MESA, CALIFORNIA
Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2023
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2023	2022
Cash flows from operating activities:					
Cash received from customers and user departments	\$ 5,442,580	\$ 4,842,316	\$ -	\$ 10,284,896	\$ 7,472,134
Cash payments to suppliers for goods and services	(753,056)	(4,127,992)	(1,427,122)	(6,308,170)	(11,023,399)
Cash payments to employees for services	(1,631,176)	(655,413)	-	(2,286,589)	(1,685,505)
Net cash provided by (used for) operating activities	3,058,348	58,911	(1,427,122)	1,690,137	(5,236,770)
Cash flows from noncapital financing activities:					
Cash received from other funds	1,003,556	1,648,622	3,558,484	6,210,662	8,248,850
Intergovernmental revenue received	159,985	-	-	159,985	-
Net cash provided by (used for) noncapital financing activities	1,163,541	1,648,622	3,558,484	6,370,647	8,248,850
Cash flows from capital and related financing activities:					
Principal paid on capital debt	(325,038)	-	-	(325,038)	(135,493)
Interest paid on capital debt	(121,301)	-	-	(121,301)	-
Proceeds from note payable	1,241,068	-	-	1,241,068	2,049,653
Proceeds from insurance settlement	41,562	1,326,382	-	1,367,944	503,000
Proceeds from sale of capital assets	67,960	-	-	67,960	-
Acquisition of capital assets	(3,485,206)	-	(610,835)	(4,096,041)	(1,440,414)
Net cash provided by (used for) capital and related financing activities	(2,580,955)	1,326,382	(610,835)	(1,865,408)	976,746
Cash flows from investing activities:					
Investment income (loss)	77,931	163,423	80,235	321,589	(858,845)
Net cash provided by (used for) investing activities	77,931	163,423	80,235	321,589	(858,845)
Net increase (decrease) in cash and cash equivalents	1,718,865	3,197,338	1,600,762	6,516,965	3,129,981
Cash and cash equivalents at beginning of year	7,235,650	15,950,600	8,106,815	31,293,065	28,163,084
Cash and cash equivalents at end of year	<u>\$ 8,954,515</u>	<u>\$ 19,147,938</u>	<u>\$ 9,707,577</u>	<u>\$ 37,810,030</u>	<u>\$ 31,293,065</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 1,576,071	\$ 366,587	\$ (1,450,785)	\$ 491,873	\$ (975,432)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	1,120,805	-	-	1,120,805	1,248,411
(Increase) decrease in prepaid items	-	(45,022)	-	(45,022)	(2,062,787)
(Increase) decrease in inventories	90,986	-	-	90,986	(108,595)
Increase (decrease) in accounts payable	206,852	208,344	-	415,196	(196,786)
Increase (decrease) in accrued liabilities	63,634	1,045	23,663	88,342	13,501
Increase (decrease) in claims payable	-	(472,043)	-	(472,043)	(3,155,082)
Net cash provided by (used for) operating activities	<u>\$ 3,058,348</u>	<u>\$ 58,911</u>	<u>\$ (1,427,122)</u>	<u>\$ 1,690,137</u>	<u>\$ (5,236,770)</u>

TAB

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)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 258,068,790
Restricted										
Protection of Persons and Property	1,441,906	552,573	1,022,546	217,303	150,169	872,898	1,628,892	1,329,350	1,333,365	1,672,814
Community programs	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	10,118,512
Public services	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	7,236,370
Unrestricted	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)	(166,151,695)
Total governmental activities net position	<u>\$ 295,401,690</u>	<u>\$ 67,402,811</u>	<u>\$ 86,149,353</u>	<u>\$ 87,535,526</u>	<u>\$ 28,063,057</u>	<u>\$ 28,658,066</u>	<u>\$ 21,765,850</u>	<u>\$ 37,060,734</u>	<u>\$ 51,627,098</u>	<u>\$ 110,944,791</u>

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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental Activities:										
General government	\$ 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	\$ 34,980,361
Protection of persons and property	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	73,551,002
Community programs	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	21,097,340
Public services	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	13,379,020
Interest on long-term debt	1,273,152	1,210,723	1,081,605	974,233	1,082,361	1,138,694	1,083,190	986,593	929,979	962,189
Total primary government expenses	<u>116,857,229</u>	<u>122,359,538</u>	<u>116,807,266</u>	<u>133,719,489</u>	<u>149,744,245</u>	<u>165,888,686</u>	<u>163,388,988</u>	<u>166,065,430</u>	<u>167,594,683</u>	<u>143,969,912</u>
Program Revenues										
Governmental Activities:										
Charges for services:										
Protection of persons and property	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	8,548,513
Community programs	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	5,440,973
Public services	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	8,551,558
Operating grants and contributions	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	19,907,594
Capital grants and contributions	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	3,905,958
Total primary government revenues	<u>25,932,761</u>	<u>26,594,172</u>	<u>22,940,255</u>	<u>25,231,753</u>	<u>30,871,982</u>	<u>40,135,331</u>	<u>36,202,550</u>	<u>57,900,217</u>	<u>41,896,438</u>	<u>46,354,596</u>
Total primary government net expense	<u><u>\$ (90,924,468)</u></u>	<u><u>\$ (95,765,366)</u></u>	<u><u>\$ (93,867,011)</u></u>	<u><u>\$ (108,487,736)</u></u>	<u><u>\$ (118,872,263)</u></u>	<u><u>\$ (125,753,355)</u></u>	<u><u>\$ (127,186,438)</u></u>	<u><u>\$ (108,165,213)</u></u>	<u><u>\$ (125,698,245)</u></u>	<u><u>\$ (97,615,316)</u></u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property taxes	\$ 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	\$ 53,806,587
Sales and use taxes	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	79,851,289
Transient occupancy tax	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	9,830,790
Franchise taxes	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	6,094,232
Business tax	916,285	954,408	973,521	918,928	919,450	1,093,154	1,663,100	1,227,843	1,468,202	1,907,551
Other intergovernmental unrestricted	9,229,059	5,660,305	11,209,989	51,340	60,031	55,343	91,674	84,182	130,289	275,292
Investment income (loss)	1,772,900	1,692,528	1,871,216	496,650	256,438	4,264,987	4,075,623	(80,831)	(3,609,117)	1,821,815
Miscellaneous	495,154	949,533	913,351	1,333,610	1,903,266	1,380,413	1,638,221	1,420,418	1,718,804	3,345,453
Settlements	121,971	-	-	-	-	-	-	-	-	-
Total primary government	<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>156,933,009</u>
Change in Net Position	<u><u>\$ 7,491,859</u></u>	<u><u>\$ 2,628,912</u></u>	<u><u>\$ 19,476,747</u></u>	<u><u>\$ 3,348,551</u></u>	<u><u>\$ (4,602,959)</u></u>	<u><u>\$ 595,009</u></u>	<u><u>\$ (6,892,216)</u></u>	<u><u>\$ 15,294,884</u></u>	<u><u>\$ 14,566,364</u></u>	<u><u>\$ 59,317,693</u></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)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General fund										
Nonspendable	\$ 3,430,104	\$ 4,165,795	\$ 2,486,085	\$ 2,253,843	\$ 2,038,518	\$ 280,195	\$ 362,189	\$ 964,846	\$ 603,547	\$ 458,687
Restricted	-	-	-	-	-	-	-	1,778,220	3,061,154	3,178,229
Committed	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	25,125,000
Assigned	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	14,646,622
Unassigned	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	15,628,416
Total general fund	<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>	<u>\$ 59,036,954</u>
All other governmental funds										
Restricted	\$ 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	\$ 35,221,550
Assigned	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	44,680,442
Unassigned	(2,288,538)	(368,083)	(139,064)	(248,979)	(6,353)	(9,453)	(2,312,520)	(451,068)	(1,850,787)	961,694
Total all other governmental funds	<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>	<u>\$ 80,863,686</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)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes	\$ 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	\$ 151,484,175
Licenses and permits	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	6,342,557
Fines and forfeits	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	1,266,768
Intergovernmental	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	26,254,095
Charges for services	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	10,155,524
Rental	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	4,722,383
Investment income (loss)	1,712,058	1,771,527	1,775,765	420,561	244,606	3,616,606	3,394,398	(37,016)	(2,767,803)	1,516,600
Settlements	121,971	-	-	-	-	-	-	-	-	-
Miscellaneous	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	1,615,437
Total revenues	125,020,077	128,991,173	135,013,885	138,745,091	142,177,613	168,502,706	155,645,937	180,881,822	181,129,239	203,357,539
Expenditures										
General government	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	36,619,271
Protection of persons and property	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	98,044,159
Community programs	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	19,397,579
Public services	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	17,514,252
Debt service:										
Principal	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	2,172,370
Interest	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	999,864
Bond issuance costs	-	-	-	-	344,858	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	2,302,225	-	-	-	-	-
Total expenditures	120,992,396	120,230,851	121,143,469	127,498,015	160,199,576	174,770,538	151,597,524	164,536,884	164,793,989	174,747,495
Excess of revenues over (under) expenditures	4,027,681	8,760,322	13,870,416	11,247,076	(18,021,963)	(6,267,832)	4,048,413	16,344,938	16,335,250	28,610,044
Other financing sources (uses):										
Transfers in	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	22,212,189
Transfers out	(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)	(28,422,851)
Issuance of debt	-	-	-	-	29,735,000	153,914	-	-	-	-
Premium on debt issue	-	-	-	-	3,694,172	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	(14,530,520)	-	-	-	-	-
Total other financing sources (uses)	(496,504)	-	-	(3,600,000)	13,206,462	(5,095,365)	(1,125,000)	(9,232,194)	(8,248,850)	(6,210,662)
Net change in fund balances	\$ 3,531,177	\$ 8,760,322	\$ 13,870,416	\$ 7,647,076	\$ (4,815,501)	\$ (11,363,197)	\$ 2,923,413	\$ 7,112,744	\$ 8,086,400	\$ 22,399,382
Debt service as a percentage of noncapital expenditures	3.44%	3.37%	3.38%	3.18%	5.64%	2.21%	2.19%	2.10%	2.27%	2.03%

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
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
2023	79,851,289	53,442,949	9,830,790	6,094,232	1,907,551	1,396,896	152,523,707

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Apparel stores	\$ 681,348	\$ 715,097	\$ 727,073	\$ 754,197	\$ 714,478	\$ 814,593	\$ 835,594	\$ 569,776	\$ 1,031,162	\$ 1,167,167
General merchandise	599,163	615,702	618,702	582,500	565,635	534,747	512,500	315,884	515,117	553,045
Food stores	87,225	88,872	103,225	90,941	88,385	90,178	91,470	92,557	91,147	91,789
Eating and drinking establishments	421,830	443,384	469,465	496,041	515,683	535,744	556,504	405,696	589,711	681,847
Building materials	180,198	193,248	205,343	224,225	236,497	242,750	251,846	251,117	314,137	351,411
Auto dealers and supplies	670,976	753,804	858,187	924,641	1,006,804	1,153,396	1,230,062	1,149,598	1,380,887	1,402,985
Service stations	263,352	245,432	215,707	190,969	200,170	235,572	232,911	161,495	242,199	315,387
Other retail stores	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	1,509,430
All other outlets	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	1,809,139
	<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>	<u>\$ 7,882,200</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**

Category	2022			2013		
	Taxable Sales	Rank	Percentage of Total City Taxable Sales	Taxable Sales	Rank	Percentage of Total City Taxable Sales
All other outlets	\$ 1,809,139	1	22.95%	\$ 914,501	2	19.09%
Other retail stores	1,509,430	2	19.15%	\$ 972,383	1	20.30%
Auto dealers and supplies	1,402,985	3	17.80%	\$ 670,976	4	14.00%
Apparel stores	1,167,167	4	14.81%	\$ 681,348	3	14.22%
Eating and drinking establishment:	681,847	5	8.65%	\$ 421,830	6	8.80%
General merchandise	553,045	6	7.02%	\$ 599,163	5	12.51%
Building materials	351,411	7	4.46%	\$ 180,198	8	3.76%
Service stations	315,387	8	4.00%	\$ 263,352	7	5.50%
Food stores	91,789	9	1.16%	\$ 87,225	9	1.82%

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>
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
2023	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)
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%
2023	37,663,468	36,812,087	97.74%	268,998	37,081,085	98.45%

⁽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 2022/2023 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)**

<u>Fiscal Years</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Miscellaneous Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value ⁽¹⁾</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
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%
2023	15,853,782,350	5,070,138,124	2,052,311,019	1,390,912,662	-	24,367,144,155	0.15103%	24,367,144,155	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 2013/2014 - 2022/2023 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	Total Direct Rate ⁽¹⁾	County of Orange Debt	School District Debt	Special Districts Debt
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
2023	0.14879	0.15103	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.

Source: HdL Coren & Cone, Orange County Assessor 2013/2014 - 2022/2023 Combined Tax Rolls.

TABLE 12

**CITY OF COSTA MESA, CALIFORNIA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	2022-2023			2013-2014		
	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	\$ 760,460	1	1.78%	\$ 340,457		1.32%
Trust Costa Mesa Courtyards LLC	587,577	2	1.38%	408,369		1.58%
Triangle Center LLC	574,988	3	1.35%			
Behringer Harvard Pacifica Project	540,089	4	1.26%			
South Coast Plaza	534,320	5	1.25%	410,258		1.59%
PR II MCC South Coast Property Owner	413,121	6	0.97%			
United Dominion Realty LP	336,279	7	0.79%	246,977		0.96%
1901 Newport LLC Royal Street	298,731	8	0.70%	320,317		1.24%
Automobile CLUB of Southern CA	272,125	9	0.64%			
Advanced Group	254,633	10	0.60%	215,584		0.84%
WWG TSQ Owner LLC				255,012		0.99%
Marjack LLC Irvine Company LLC				221,433		0.86%
RREEF America Reit II Corporation				388,127		1.51%
Casden Lakes LP				183,577		0.71%
Total	<u>\$ 4,572,323</u>		<u>10.71%</u>	<u>\$ 2,990,109</u>		<u>11.60%</u>

Source: HdL Coren & Cone, Orange County Assessor 2022/2023 & 2013/2014 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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General bonded debt outstanding										
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Redevelopment bonds (1)	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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)	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	968,274,281
Legal debt margin	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	968,274,281
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 2022/2023 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						
	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	Percentage of Personal Income	Per Capita
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
2023	-	0.0000%	-	24,124,512	-	82,086	1,198,931	25,405,529	0.48%	528.74

⁽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

CITY OF COSTA MESA, CALIFORNIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2023

<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	\$ 224,754,326	26.396%	\$ 59,326,152
Coast Community College District	923,641,084	13.483%	124,534,527
Santa Ana Unified School District	465,406,416	3.483%	16,210,105
Rancho Santiago Community College District	176,539,286	1.502%	2,651,620
Rancho Santiago Community College District SFID No. 1	149,820,000	2.833%	4,244,401
Metropolitan Water District	19,215,000	0.681%	130,854
OC General Fund Obligation	451,165,000	3.420%	15,429,843
OC Board of Education Certificate of Participation	10,860,000	3.420%	371,412
OC Santa Ana Heights Tax Allocation Bonds	1,320,000	0.117%	1,544
Total Overlapping Debt	2,422,721,112		222,900,458
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⁾	21,280,000	100%	21,280,000
Financed Lease	1,241,068	100%	1,241,068
Lease Payable	1,045,588	100%	1,045,588
Loan Payable	82,086	100%	82,086
Note Payable	3,061,524	100%	3,061,524
Total Direct Debt	26,710,266		26,710,266
Total Direct and Overlapping Debt			\$ 249,610,724

⁽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 2022/23 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⁾
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%
2023	111,183	5,342,262	48,049	36	17,816	3.70%

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>2022-2023</u>			<u>2013-2014</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	5.77%	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	1,773	5	2.76%			
Anduril Industries	1,100	6	1.71%			
Deloitte & Touche LLP	700	7	1.09%			
FileNet Corporation	600	8	0.94%			
Vans	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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
Number of residents served via public services programs	1,000	1,500	785	750	700	700	700	700	1,042	1,123
Accounts payable checks issued	9,506	9,764	9,182	9,031	8,734	8,857	8,604	7,269	7,079	7,347
Total printshop photocopies produced	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	1,250,000
Protection of persons and property										
Police protection										
Emergency calls	1,180	1,330	N/A	1,000	1,029	882	876	847	1,027	1,248
Calls responded to within 5 minutes	82%	77%	N/A	66%	72%	75%	72%	76%	96%	96%
Assigned theft cases	1,000	400	900	1,200	N/A	N/A	N/A	N/A	2,171	1,597
Percentage of theft cases cleared	40%	40%	40%	60%	74%	64%	52%	31%	59%	59%
Assigned burglary cases	800	350	400	200	N/A	N/A	N/A	N/A	897	1,097
Percentage of burglary cases cleared	40%	40%	40%	70%	69%	64%	50%	38%	54%	38%
Case and arrest reports processed	18,133	15,128	14,584	19,310	19,319	18,382	19,079	18,794	22,135	20,050
Fire protection										
Number of calls for service	11,300	11,100	12,955	12,721	12,936	10,572	10,637	10,073	11,249	12,063
Fire related responses	218	214	238	271	218	261	245	246	222	251
Emergency medical aid responses	7,818	7,250	9,366	9,374	9,603	9,639	9,454	8,960	10,055	10,746
Community Programs										
Number of program participants at the Downtown Recreation Center	31,018	31,521	33,446	34,939	38,247	42,000	28,000	21,150	21,150	15,000
Over-the-counter plan checks reviewed within five working days	337	225	240	240	522	630	630	630	N/A	N/A
Number of inspections performed	17,460	22,560	29,100	31,040	29,585	29,100	18,966	28,012	35,000	37,000
Complaint response within two working days	90%	90%	90%	90%	90%	90%	90%	90%	100%	N/A
Public services										
Number of trees trimmed annually	8,140	7,700	7,750	6,250	6,250	6,250	8,750	5,291	3,317	3,611
Number of catch basins cleaned annually	1,165	1,165	1,165	1,115	1,100	1,100	1,165	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**

<u>Function/Program</u>	<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Government										
City Council	6.0	6.0	6.0	6.0	6.0	8.0	10.5	10.5	10.5	10.5
City Manager's Office	29.75	38.41	33.30	37.59	39.74	41.60	36.48	37.00	37.88	47.95
Financial Services	27.21	20.21	21.71	21.50	22.25	22.50	22.00	23.00	23.00	24.00
Information Technology	-	10.50	12.50	12.94	13.16	12.16	13.70	15.50	17.50	20.50
Administrative Services	-	-	-	-	-	-	-	-	-	-
Development Services	27.00	37.25	43.50	46.23	45.95	44.80	48.79	51.64	52.64	53.34
Park and Community Services	-	53.43	70.70	74.00	80.54	87.23	96.71	95.67	96.73	88.16
Protection of Persons and Property										
Police Protection	237.68	236.41	232.63	234.46	235.60	233.76	235.17	235.86	236.36	240.36
Fire Protection	95.75	84.75	87.25	87.50	94.00	94.00	95.00	96.25	97.25	98.75
Public Services	124.43	83.37	81.77	84.82	77.47	72.05	76.70	76.50	80.00	81.25
	<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>	<u>664.81</u>

⁽¹⁾ The Information Technology was separated from the Finance Department and Park & Community Services Department was separated from Public Works 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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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)	529.0	529.0	529.0	529.0	535.6	535.6	535.6	540.0	522.0	522.0
Streetlights	6,674	6,674	6,674	6,674	6,674	6,881	6,869	6,869	6,882	6,882
Traffic signals	123	124	124	124	125	126	127	128	131	131
Parks and recreation										
Acres of open space	1,957	1,957	1,957	1,957	1,957	1,957	2,067	2,067	2,067	2,067
Park sites	30	31	31	31	31	31	32	32	30	30
Baseball/softball diamonds	5	6	6	6	6	6	6	6	6	6
Soccer/football fields	10	10	10	10	10	10	6	6	6	6
Community centers	3	4	4	3	3	3	4	4	3	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	64.7	45.5	45.5

Source: City of Costa Mesa Finance Department



