



# NEWPORT BEACH

## City Council Staff Report

March 26, 2024  
Agenda Item No. 7

**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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**TITLE:** Budget Amendment No. 24-059: Allocate Additional Funds for the Comprehensive General Plan Update (CIP Project No. 20M11)

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### **ABSTRACT:**

The City Council initiated the comprehensive review and update of the General Plan in 2019, assigning the project with the identifier 20M11 in the Capital Improvement Program (CIP). The project has been in progress since then, with an early focus on the Housing Element and Circulation Element, both adopted in late 2022. City staff is currently working with Dudek, Inc. for consulting services on the comprehensive review and update for the remainder of the General Plan, which is expected to be completed in late 2025.

For the City Council's consideration is a budget amendment to appropriate \$750,000 in increased expenditure appropriations from the General Fund unappropriated fund balance to General Fund Account No. 01201928-980000 for the General Plan Update. This budget amendment will ensure that there is adequate funding to offset future expenses incurred prior to FY2024-25.

### **RECOMMENDATIONS:**

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and
- b) Approve Budget Amendment No. 24-059, transferring \$750,000 from the unappropriated General Fund balance to the General Fund CIP and appropriating it into Account No. 01201928-980000-20M11 for the General Plan Update (Project No. 20M11).

### **DISCUSSION:**

Beginning in 2019, the City Council initiated a comprehensive review and update of the Newport Beach General Plan. The project was identified as number 20M11 in the Capital Improvement Program (CIP) with a budget allocation of \$2,238,000 between Fiscal Year (FY) 2019-20 and FY2022-23.

It is notable that \$452,000 of the initial budget allocation was put toward community engagement and outreach. \$1,217,461 was put toward preparation of the 6<sup>th</sup> Cycle Housing Element, Circulation Element, Land Use Element and Environmental Impact Report (EIR). An amendment for an additional \$395,310 is discussed further below.

### **State Grants Received**

Given the heightened focus on the Housing Element and the initial upfront cost involved, the City Council authorized submission of grant applications to the State Department of Housing and Community Development (HCD) in 2019 and 2020. The City received awards in the amounts of \$310,000 from the SB 2 Planning Grants Program and \$300,000 from the Local Early Action Planning (LEAP) Grants Program for a total of \$610,000 to help defray a portion of the City's costs.

### **CIP Allocation and Kimley-Horn Amendment**

On June 13, 2023, the City Council adopted the FY2023-24 through FY2028-29 CIP, which provides an allocation of \$1,022,000 for FY2023-24. Additionally, the City Council authorized execution of Amendment No. One to the Professional Services Agreement (PSA) with Kimley-Horn & Associates, Inc. (Kimley-Horn) for consulting services on the Housing, Land Use and Circulation Elements, and EIR. This Amendment increased the total not-to-exceed contract amount by \$395,310 to \$1,612,771. The increase was due to the additional cost in preparing the 6<sup>th</sup> Cycle Housing Element, and the EIR required for the City to implement the Housing Element, as required by State law.

### **Comprehensive General Plan Update with Dudek**

Shortly thereafter on June 27, 2023, the City Council authorized a PSA with Dudek, Inc. (Dudek) for consulting services for the comprehensive General Plan update in a not-to-exceed amount of \$1,478,030, with an expiration date of December 31, 2025. The PSA was executed, and the workplan kicked off in July 2023. The compensation to Dudek is not proposed to increase through this budget amendment.

### **Additional Allocation Needed**

Considering Amendment No. One to Kimley-Horn's PSA and Dudek's work on different pieces of the General Plan Update, the \$1,022,000 CIP allocation is nearing exhaustion prior to conclusion of FY2023-24.

The PSA expenditures and budget allocations described above are summarized in Table 1 on the following page.

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*Table 1, PSA Expenditures by Consultant and CIP Budget Allocation*

***Kearns & West – Housing Element Outreach***

PSA Total Amount	\$452,000
Total Amount Expended	\$452,000
PSA Amount Remaining (Feb. '24)	\$0
CIP Budget Amount Remaining (FY23-24)	\$0
Current CIP Budget Shortfall	N/A, fully expended

***Kimley-Horn & Associates – Housing, Circulation Element, Land Use Element, and EIR***

PSA Total Amount	\$1,612,771 (with Amendment No. One)
Total Amount Expended	\$1,408,923 <sup>(1)</sup>
PSA Amount Remaining (Feb. '24)	\$203,848
CIP Budget Amount Remaining (FY23-24)	\$203,848
Current CIP Budget Shortfall	N/A, fully encumbered

***Dudek – Comprehensive General Plan Update of the Remaining Elements***

PSA Total Amount	\$1,478,029
Total Amount Expended	\$464,645
PSA Amount Remaining (Feb. '24)	\$1,013,384
CIP Budget Amount Remaining (FY23-24)	\$130,703
Current CIP Budget Shortfall	(\$882,681)

(1) The City received SB 2 and LEAP Grants in the amount of \$610,000 to help offset a portion of the costs incurred for preparation of the 6<sup>th</sup> Cycle Housing Element.

With invoices received from Dudek for work through January 2024, there remains \$130,703 in the CIP budget account to cover invoices through the end of FY2023-24. Given a current monthly spending rate of approximately \$65,000, the current CIP budget account likely has enough funds to cover invoices through March 2024.

As demonstrated in Table 1 above, an additional \$882,681 is needed to complete the General Plan Update. Staff is requesting \$750,000 through a budget amendment. The remainder of funds needed will be addressed next year through the regular budget process. The General Plan Update is a long-term project that spans multiple budget cycles with an expected completion time of late 2025.

**FISCAL IMPACT:**

The budget amendment transfers \$750,000 from General Fund unappropriated fund balance to the General Fund CIP (Fund 012). All expenditures will be expensed to the General Fund Account No. 01201928-980000-20M11. The appropriation utilizes a portion of the FY2023-24 General Fund operating surplus. A General Fund operating surplus of \$7.7 million is currently projected based on the second quarter financial report.

**ENVIRONMENTAL REVIEW:**

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

**NOTICING:**

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

**ATTACHMENT:**

Attachment A – Budget Amendment No. 24-059