



Legislation Details (With Text)

File #: 23-1107 **Version:** 1

Type: Report **Status:** Agenda Ready

File created: 2/28/2023 **In control:** REGULAR CITY COUNCIL AND HOUSING AUTHORITY*

On agenda: 3/21/2023 **Final action:**

Title: FISCAL YEAR 2022-23 MID-YEAR BUDGET UPDATE AND ADJUSTMENTS INCLUDING RECOMMENDED STAFFING CHANGES

Sponsors:

Indexes:

Code sections:

Attachments: 1. Agenda Report, 2. 1. CIP Rollovers from FY 2021-22 to FY 2022-23, 3. 2. Executive Resolution, 4. 3. CMDMA Resolution, 5. 4. CMCEA Resolution, 6. 5. PT Resolution

| Date | Ver. | Action By | Action | Result |
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TITLE:

FISCAL YEAR 2022-23 MID-YEAR BUDGET UPDATE AND ADJUSTMENTS INCLUDING RECOMMENDED STAFFING CHANGES

DEPARTMENT: FINANCE DEPARTMENT

PRESENTED BY: CAROL MOLINA, FINANCE DIRECTOR

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

RECOMMENDATION:

1. Approve FY 2022-23 Budget Carryovers from the prior year in the General Fund and the various Capital Projects Funds for multi-year projects (Attachment 1).
2. Approve key staffing changes and compensation adjustments in order to: recruit for and hire certain hard to fill classifications in the Parks and Community Services Department; enhance productivity in the Public Works, Development Services and Information Technology Departments; and create stronger succession plans in the City Manager's Office and Police Department (Attachment 2).
 - a. Approve Resolution No. 2023-xx, approving the new classification and salary/pay ranges for a Deputy City Manager and Deputy Police Chief and compensation adjustments for the Assistant City Manager.

- b. Approve Resolution No. 2023-xx, approving new classifications and salary/pay ranges for the Planning and Sustainable Development Manager and a Deputy Director of Public Works.
- c. Approve Resolution No. 2023-xx, approving compensation adjustments and title changes for Parks and Community Services classifications and a title change for the Principal Civil Engineer.
- d. Approve Resolution No. 2023-xx, approving compensation adjustments for Community Services Leaders and Lifeguards.

BACKGROUND:

The FY 2021-22 Year-End Financials were presented to City Council on February 7, 2023. The financial statements were prepared in conformity with generally accepted accounting principles (GAAP) as set by the Governmental Accounting Standards Board (GASB) and the audit was performed in accordance with auditing standards generally accepted in the United States of America. The City received an unmodified opinion on the financial statements, the best and highest audit opinion the City could receive. The General Fund's Fund Balance increased by \$4.3 million, increasing the total General Fund Balance Reserves to a total of \$57.8 million.

Mid-Year Report

On July 1, 2022, Fiscal Year 2022-23 began with a Council approved General Fund (fund 101) balanced budget of \$163,627,538. Staff is providing a mid-year status of revenues and expenditures as authorities at the state and federal levels prepare to lift emergency declarations originally issued to marshal pandemic responses. The City's revenue is exceeding pre-pandemic levels, allowing for enhanced service levels to our community.

Carryovers

Each fiscal year, there are budgeted programs, activities and capital improvement projects that have not been completed by the close of the fiscal year. Previously approved, but unspent appropriations (carryovers) and contingent liability reserves for current CIP projects, purchases, or contracts that are paid in the following fiscal year (encumbrances) are financial obligations against reserves. Attachment 1 details the breakdown of projects that are requested to carry over into FY 2022/2023. Fiscal prudence requires that such obligations be limited and approved by City Council.

Personnel Requests

The City serves our residents, businesses, and visitors by promoting a safe and inclusive community. It is the staff that provides essential services to the community. Throughout the year, as unexpected circumstances occur, coupled with the City's existing vacancies, departments adapt and adjust to these occurrences, which may hinder the continuous provision of these essential services. In order to ensure the continuity of these enhanced service levels, the City is requesting mid-year approval of several key positions in administration, recreation, public works and public safety. The position augmentation request has a net full-time equivalent (FTE) of 6.91 positions.

ANALYSIS:

FY2022-23 MID-YEAR REPORT

Overall, the FY 2022-23 Second Quarter Financial Report reflects that revenues and expenditures are consistent with projections made in the FY 2022-23 Amended Budget. Since a significant portion of our revenues and expenses do not occur evenly throughout the year, the remaining half of the year's numbers cannot simply be extrapolated to arrive at the full year's amounts. However, we do utilize the best information available and historical data to provide an estimate of the fiscal year end performance. As of December 31, 2022, the General Fund recorded 40% of the projected revenues and 52% of budgeted expenditures. These percentages are consistent with what is expected at this time of the fiscal year.

As of December 31, 2022, total General Fund revenues are \$66.3 million and expenditures are \$86 million, representing 52% of total expenditure budget.

The City continues towards achieving City Council's goal for long term fiscal sustainability by monitoring and finding ways to improve the performance of revenues. Moreover, departments continue to prudently spend within budget while maintaining efficiencies and effectiveness to the benefit of Costa Mesa citizens.

CARRYOVER PROCESS

Each fiscal year, the Finance Department will submit a list of eligible carryovers and encumbrances to all departments for evaluation for all funds, including the General Fund. Departments may request to retain some or all carryovers and encumbrances when such balances are:

1. Deemed essential to the delivery of active city projects, programs and services; or
2. If the liquidation of such balances would be in violation of legislative or legal requirements.

A departmental request to retain operating or CIP carryovers and/or encumbrances must be submitted to the Finance Department. Departments shall provide specific reasons for requested carryovers and encumbrance carryovers, including, but not limited to, those reasons outlined above.

The Finance Department, with the City Manager, reviews and recommends the carryover requests to the City Council. The City Council approves requested carryovers and encumbrances that result in the approved carryovers being available to the appropriate department into the following fiscal year in order to complete these previously approved and budgeted programs, activities, and capital improvement projects.

Types of Carryovers

Encumbrance carryovers reflect contractual obligations entered into in FY 2021-22 which had not been paid as of June 30, 2022. Funding for these encumbered commitments will be brought forward into FY 2022-23 to provide for payment of those obligations.

General Fund and other carryovers reflect the carryover of funding appropriated by the City Council for specific purposes, services, and priority projects. Capital Improvement Funds (Fund 401) carryovers are for continuing projects.

Capital improvement projects are appropriated in current and prior year budgets and often extend over several years. To continue these projects, staff is requesting authorization to incorporate open projects previously budgeted in the FY 2021-22 amended budget as shown in Attachment 2.

The majority of the proposed carryovers totaling approximately \$52.5 million are special revenue or capital improvement funds that are legally restricted for specific purposes or to be used for the construction and major improvements to the City's infrastructure.

PERSONNEL REQUESTS

Understanding that personnel needs change throughout the fiscal year due to unexpected events, the City continuously strives to be proactive, adapt to these sudden changes, while keeping up with high turnovers and vacancies. As one position is filled, another becomes vacant. Any lag in filling positions has resulted in projects being delayed, maintenance and repairs being postponed, which may eventually pose health and safety hazards to our community. Staff believes that the reclassification of several positions, a net increase of two full-time equivalents (FTEs) and the addition of five (5) new positions (5 FTEs) will alleviate this cycle, provide a smoother transition between personnel, and alleviate long project delays and maintenance and repair upgrades.

City Manager's Office

The City Manager's Office is requesting to reallocate one of two Assistant City Manager positions to a newly established Deputy City Manager position. The new Deputy City Manager position will oversee the day-to-day operations of the City Manager's Office and assist with oversight of some of the City's smaller Departments. Creation of the Deputy City Manager position will assist with succession planning and allow for an added layer of continuity of operations.

The Assistant City Manager position will require a higher level of experience including several years of experience as a Department Director, Deputy City Manager, or as an Assistant City Manager at a full-service city. Staff is requesting a higher level of compensation for this position to be able to recruit candidates that could oversee all of the City's operations in the absence of the City Manager, including public safety and overall disaster preparedness. Increasing the salary to be at or slightly above the salaries of the Fire and Police Chiefs would assist in this regard.

The City Manager's Office is also requesting to convert one (1) part-time Management Aide (City Council Aide) to one (1) full-time Management Aide (City Council Aide). Conversion of the part-time Management Aide to full-time Management Aide will allow for additional full-time support and coverage to the City Council and the Constituent Services Team and will enhance productivity, improve efficiencies and assist with retention.

The City Manager's Office is also requesting to convert two (2) part-time Office Specialists to one (1) full-time Administrative Assistant (Confidential) in the City Clerk's Division. Currently the City Clerk's Division's administrative support staff consists of all part-time employees. It has been difficult to recruit and retain highly qualified part-time administrative support employees as most are looking for full-time work. Converting the positions to a full-time position will assist with retention in the division

and will provide the City Clerk and the division with additional administrative support which will include assisting with claims and summons processing and public records requests.

Parks and Community Services

The Parks and Community Services Department is requesting to convert three (3) part-time Recreation Specialists to three (3) full-time Recreation Specialists. Recreation Specialists are responsible for assisting with the day-to-day supervision of various recreation programs. Converting these positions to full-time Recreation Specialists will assist with retention of these hard-to-fill and retain positions and allow for consistent staffing and supervision of these programs.

The Parks and Community Services Department is also requesting to convert one (1) part-time Recreation Specialist and one (1) part-time Community Outreach Worker to one (1) full-time Community Outreach Worker. The Community Outreach Worker handles senior social services and is critical for programs such as support groups, counseling, Meals on Wheels intake evaluation, etc. Converting the positions to a full-time Community Outreach Worker position will provide additional social services at the Costa Mesa Senior Center and assist with retention.

The Parks and Community Services Department is also requesting a title change for the position of Assistant Recreation Supervisor to Recreation Supervisor and a title change for the position of Recreation Supervisor to Senior Recreation Supervisor to more closely align the positions' duties to the appropriate title and align with the industry standard.

Information Technology

The Information Technology Department is requesting to add one (1) full-time Office Specialist II position. The department's workload has increased due to the growth of the City's workforce, technology tools and the established information Technology Strategic Plan (ITSP). The Office Specialist II will provide additional administrative support to the Department to include tracking annual maintenance with vendors, assisting with purchase requisitions, purchase orders and invoices, maintaining department files, archiving and converting files to e-format, assisting with opening/closing help desk tickets and general data entry and record keeping tasks.

Development Services

The Development Services Department is requesting to add one (1) full-time Planning and Sustainable Development Manager and one (1) full-time Senior Planner. As the City Council discussed at its February 15, 2023 study session, in the coming years Development Services will be implementing multiple complex Council priorities, including completion of an inclusionary housing ordinance, community visioning and rezoning, planning for the Fairview Developmental Center, as well as multiple State mandates regarding housing and sustainability programs. Successful implementation of these programs depends on having appropriate staff capacity to carry the volume of work, as well as seasoned planning professionals to manage these complex projects.

Although the Planning Division is one of the Department's busiest functions, there is no dedicated Division Manager (this role is currently filled by a combination of the Assistant Director and Department Director). The Planning and Sustainable Development Manager position would function as the Division Manager and oversee the Planning Division's day-to-day operations, allowing the Department's Assistant Director and Director to focus on responsiveness to community requests and Council priorities. The Senior Planner position is necessary to augment the Planning team's capacity to manage complex projects. The Department currently has only one Senior Planner position, with

the majority of planner positions at entry- or junior-level.

Public Works

The Public Works Department is requesting to add one (1) full-time newly established Deputy Director of Public Works position and one (1) full-time Senior Engineer. Several of the City's facilities were built decades ago and aging rapidly. In addition, there are several major facility improvement projects already approved in the Capital Improvement Program (CIP). These include Fire Station 2 Reconstruction, Fire Station 4 Training Tower and Grounds improvements, Tennis Center improvements and Lions Park Cafe. Staff is currently implementing the Police Department Range Remodel project. There are facility improvements needs for the Police Westside Substation, communications building, Property and Evidence Warehouse and City Hall. While staff implemented several facility projects recently, staff delayed other programmed projects, such as Shalimar Park improvements, Ketchum-Libolt Park expansion, TeWinkle Skate Park expansion and several others, due to staffing issues.

In order to address the aging facilities, staff is proposing the initiation of a Citywide Facility Needs and Assessment Study. This will provide a good understanding of various facility needs and provide an implementation plan with timelines, estimated costs, and prioritization for various projects. These may include from repair projects to total reconstruction projects.

Staff is proposing creation of a new division within Public Works with a focus on planning, designing, implementing and maintaining City facilities as well as fleet infrastructure. This will be the internal-facing division of Public Works. The Facilities and Fleet maintenance team will be reporting to this new division under the leadership of a new Deputy Public Works Director. A new Senior Engineer is also requested to support the Deputy Director. In addition, existing staff from Engineering, including one Associate Engineer and one Assistant Engineer will be moved to the team. Staff is also proposing the Energy and Sustainability Manager to be part of this new division, which will be called Sustainability and Facilities.

The Department is also requesting a title change for the position of Principal Engineer to Assistant City Engineer. There is no change in pay or classification duties as part of this request. Staff believes that this revised title reflects the duties of the position better and may also attract better candidates. The position directly reports to the City Engineer.

Police Department

The Police Department is requesting to add one (1) full-time newly established Deputy Police Chief position. The new Deputy Police Chief position will augment the Office of the Chief and allow for day-to-day operational quality control and will provide increased oversight for internal audits, personnel matters and operations. The Deputy Police Chief will offer a clear line of authority in the Police Chief's absence, as the Deputy Chief will seamlessly be able to transition into being the Acting Police Chief when needed. This position will greatly assist the Police Chief and police executive staff in enhanced professional responsiveness and relationship building with the community, businesses and other government officials. Creation of the Deputy Police Chief position will assist with succession planning and allow the department to identify additional promotions within the chain-of-command to ensure future leadership sustainability within the department.

Summary

In summary, the total net increase to the Citywide Table of Organization of all these changes within all departments including the new positions, reallocations of classifications and part-time to full-time conversion is 6.91 FTE for all Departments. A summary of the proposed updates and resultant costs is contained below.

| Department | Staff Update | Net FTE | Current Year Prorated Impact | Annual Impact |
|------------------------------|---|-------------|---------------------------------|--------------------|
| City Manager | Reallocate 1.0 Assistant City Manager to 1.0 Deputy City Manager | 0.0 | \$(2,573) | \$(15,438) |
| City Manager | Convert 0.50 part-time Management Aide (Confidential) to 1.0 full-time Management Aide (Confidential) | 0.50 | 7,900 | 47,400 |
| City Manager | Convert 1.13 part-time Office Specialist IIs to 1.0 full-time Administrative Secretary (Confidential) | (-0.13) | 3,842 | 23,052 |
| Development Services | Add 1.0 full time Senior Planner | 1.0 | 25,098 | 150,588 |
| Development Services | Add 1.0 full-time Planning and Sustainable Development Manager | 1.0 | 28,349 | 170,094 |
| Information Technology | Add 1.0 full-time Office Specialist II | 1.0 | 18,099 | 108,594 |
| Parks and Community Services | Convert 2.25 part-time Recreation Specialists to 3.00 full-time Recreation Specialists | 0.75 | 20,391 | 122,346 |
| Parks and Community Services | Convert 0.75 part-time Recreation Specialists and 0.46 part-time Community Outreach Worker to 1.0 full-time Community Outreach Worker | (-0.21) | 6,797 | 40,782 |
| Police | Add 1.0 full-time Deputy Police Chief | 1.0 | 64,026 | 384,156 |
| Public Works | Add 1.0 full-time Deputy Director of Public Works | 1.0 | 40,300 | 218,580 |
| Public Works | Add 1.0 full-time Senior Engineer | 1.0 | 36,430 | 241,800 |
| TOTAL FTE | | 6.91 | \$248,659 | \$1,491,954 |

Compensation Adjustments

The Human Resources Division makes recommendations to the City Manager that may require adjustments based on input from City departments and labor associations along with recruitment and retention trends. Hard-to-fill positions include positions that are currently vacant, positions that are

not currently vacant but are traditionally hard to fill, and positions which are currently filled but are expected to be difficult to fill in the future or retain for long term due to their relative position in the marketplace as being well under market compensation. Further, certain positions would adversely impact City operations if the position were to become vacant, and would be difficult to fill at current salaries. Some adjustments are also recommended to maintain internal alignment or to address compaction issues with supervisory classifications.

The Assistant City Manager compensation is recommended for a market adjustment and to address internal alignment among the executive staff. Adjusting the salary range for Assistant City Manager will allow the City to attract a higher qualified applicant pool for the current vacancy. The realignment along with the reclassification of an existing City Manager position to Deputy City Manager totals \$26,451 annually.

The salary ranges for several Parks and Community Services classifications are recommended for adjustments. The Department experiences high turnover in the Community Services Leader and Lifeguard classifications due to the seasonal nature of the many programs and availability of staff, many of which are college students. While the salary ranges for the Community Services Leaders and Lifeguards were updated in 2021, they are not currently competitive with the labor market. In addition, adjustments are recommended for several full-time Parks and Community Services classifications as many of these classifications are 20-30% below market. The salary ranges are recommended for adjustments to hire and retain the staff necessary to accomplish the Department's mission across multiple program areas. The projected salary adjustments for Parks and Community Services totals \$98,337 for FY 2022-23, for an annual impact of \$590,022.

ALTERNATIVES:

The alternative to the Council action would be to refrain from approving the requested items. Staff does not recommend this action as certain City services, programs, activities or projects may be delayed.

FISCAL REVIEW:

The Fiscal Year 2021-22 carryovers are detailed in Attachment 1. Costs related to the approval of position requests will be absorbed by each affected department in the current fiscal year.

LEGAL REVIEW:

The City Attorney's Office has reviewed this report and the attached resolutions and approves them as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This staff report works toward achieving the following City Council goal of achieving long-term fiscal sustainability.

CONCLUSION:

Staff recommends that City Council approve the following:

1. Approve FY 2022-23 Budget Carryovers from the prior year in the General Fund and the various Capital Projects Funds (Attachment 1).

2. Approve FY 2022-23 Staffing Realignment and compensation adjustments in multiple departments citywide (Attachment 2).
 - a. Approve Resolution No. 2023-xx, approving the new classification and salary/pay ranges for a Deputy City Manager and Deputy Police Chief and compensation adjustments for an Assistant City Manager.
 - b. Approve Resolution No. 2023-xx, approving new classifications and salary/pay ranges for the Planning and Sustainable Development Manager and a Deputy Director of Public Works.
 - c. Approve Resolution No. 2023-xx, approving compensation adjustments and title changes for Parks and Community Services classifications and a title change for the Principal Civil Engineer.
 - d. Approve Resolution No. 2023-xx, approving compensation adjustments and title changes for Community Services Leaders and Lifeguards.