

FISCAL YEAR 2021-22 MID-YEAR PRESENTATION

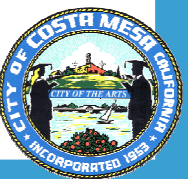
Finance Department

March 8, 2022



OVERVIEW

- Fiscal Year 2020-21 Year-End Highlights
- Fiscal Year 2021-22 General Fund Mid-Year Overview
- Requested Mid-Year Adjustments
- General Fund Balance Overview
- Budget Calendar

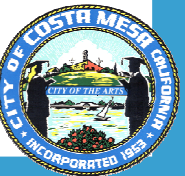




FISCAL YEAR ENDING 6/30/21 HIGHLIGHTS

FY 2020-21 HIGHLIGHTS

- City achieved strong financial performance last fiscal year, ending with a slight positive balance of \$29k for the \$154.7 million General Fund Budget;
- City prioritized the use of American Rescue Plan Act (ARPA) funds for revenue losses, small business grant assistance, and emergency expenses incurred due to COVID;
- No use of Declared Disaster Reserves or other Emergency Reserves;
- Represents City's 23rd consecutive year of award winning Annual Comprehensive Financial Report (ACFR) with an “unqualified (clean) opinion” issued by the Independent Auditors.





FISCAL YEAR 2021-22 GENERAL FUND OVERVIEW



FY 2021-22 HIGHLIGHTS

- City Council approved the All Funds FY2021-22 budget of \$197.9 million on June 15, 2021, with a General Fund Budget of \$154.4 million;
- Public Safety Spending for Police and Fire Services comprises 53% of the total General Fund Budget;
- The Adopted Budget supports 530 Full-Time Employees and 121.9 (FTEs) Part-Time positions in eight Departments Citywide;
- The Adopted Budget reinstated several reductions taken during the pandemic.



ECONOMIC INDICATORS

1ST QUARTER 2022



- Housing starts (number of new residential housing projects) are up 1.4%;
- Housing builds (home building permits) are up 9.1%;
- National unemployment rate down to 4% as a result of growth in professional and business services, retail trade, tourism, and transportation;
- Retail Sales across the United States increased 13% from prior year;
- Real Gross Domestic Product (GDP) increased at an annual rate of 6.9% in the fourth quarter of 2021;
- However, inflation is up at approximately 7.5%.



FY 2021-22

GENERAL FUND EXPENDITURES

(IN MILLIONS)

Category	Adopted FY 21-22	Projected FY 21-22*	Over/ (Under)
Salaries & Benefits	\$105.2M	\$104.2M	(\$1.0M)
Operating	40.2M	40.0M	(\$0.2M)
Subtotal	\$145.4M	\$144.2M	(\$1.2M)
Transfers Out:			
- Capital Improvement	\$6.9M	\$6.9M	0.0
- IT Replacement	2.1M	2.1M	0.0
Total Expenditures	\$154.4M	\$153.2M	(\$1.2M)

*Estimates only, subject to change



FY 2021-22

GENERAL FUND REVENUES AND EXPENDITURES

(IN MILLIONS)

Category	Adopted FY 21-22	Projected FY 21-22*	Difference
Property Taxes	\$49.6	\$49.7	\$0.1
Sales Tax	61.0	66.1	5.1
TOT (hotel tax)	5.6	6.7	1.1
Cannabis (fees and permits)	3.3	2.5	(0.8)
Other Revenues	25.1	28.0	2.9
Subtotal	\$144.6	\$153.0	\$8.4
Use of Reserves	3.2	0.0	(3.2)
Transfer In – Use of ARPA	6.6	3.0	(3.6)
Total Funding Sources	\$154.4	\$156.0	\$1.6
Expenditures	(\$154.4)	(\$153.2)	\$1.2
Net Gain / (Loss)	\$0.0	\$2.8	\$2.8

*Estimates only, subject to change

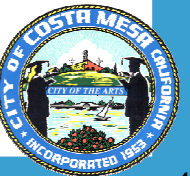




THREE YEAR COUNCIL GOALS AND PRIORITIES

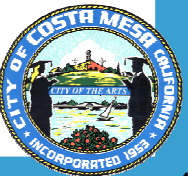
THREE YEAR STRATEGIC PLAN GOALS

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



RECRUIT AND RETAIN HIGH QUALITY STAFF

- At the September 2021 Strategic Plan Retreat, City Council requested staff expand personnel capacity for recruitment and retention;
- Also, continues to slowly improve the City's current efforts in recruiting and retaining talent
- To that end we brought an item in December to adjust compensation in certain classifications to the market;
- We are pleased to report that the Federal Government understands the need for governments to retain and attract staff, especially during the pandemic.





AMERICAN RESCUE PLAN ACT

NEW

- New guidelines released by the Department of Treasury state that ARPA funds can be utilized for:
 - ✓ Premium pay for essential workers,
 - ✓ To restore positions;
 - ✓ To restore employment;
 - ✓ Funding for employees that experienced pay reductions or work furloughs;
 - ✓ Maintain compensation levels to prevent payoffs; and
 - ✓ Provide worker retention incentives, including reasonable increases in compensation.



AMERICAN RESCUE PLAN ACT



- ARPA's eligibility requirements and guidelines include the ability to:
 - ✓ Realign positions;
 - ✓ Leverage existing positions;
 - ✓ Revamp the recruitment process; and
 - ✓ Provide reasonable increases in compensation to market levels.
- By March 2021, of the \$26.2 million approved ARPA funding for the City, \$13.2 million was received; next month, by April 2022, the City will receive the remaining \$13.2 million.
- City staff recommends the use of ARPA funding to recruit and retain high quality staff as approved by City Council as one of the Strategic Planning goals identified in September 2021.





Coming March 15th...

**STRENGTHEN THE
PUBLIC'S SAFETY AND
IMPROVE THE
QUALITY OF LIFE**

PUBLIC SAFETY OVERVIEW

- Costa Mesa is a full service City comprised of:
 - Police Department and Regional Counter Intelligence Services
 - Fire and Rescue Department
 - Emergency Operations Center
 - Ambulance and Paramedic Transportation Program
 - PSAP – Public Safety Access Points (9-1-1 Communications Center – both Police and Fire)
- Both Departments provided 24/7 operations throughout the entire pandemic



POLICE DEPARTMENT

Challenge	Solution	Net FTE	Current Year \$ Impact	Annual \$ Amount
Need to better address crime and enhance presence at prime retail locations	Add a new Police Sergeant (sworn)	1.0	\$40,975	\$163,900
Need to strengthen the emergency management team and functions	Upgrade Emergency Svcs Admin to Emergency Svcs Mgr	0.0	4,900	19,600
To relieve sworn Police Lieutenant from Records/Evidence Management to align to sworn duties	Upgrade Records Administrator to Records, Property & Evidence Mgr	0.0	3,525	14,100
Reduce crime scene investigations performed by sworn Police Officers to better provide patrol services	Convert P/T Crime Scene Specialist to F/T	0.5	12,625	50,500
To alleviate the heavy workload in the Crime Scene Unit associated with discovery requests	Convert 2 P/T Records Tech to 1 F/T Community Svcs Specialists	0.0	6,700	26,800
Subtotal		1.5	\$68,725	\$274,900



FIRE AND RESCUE DEPARTMENT

Challenge	Solution	Net FTE	Current Year \$ Impact	Annual \$ Amount
Need more substantive management and oversight of the Emergency Medical Services (EMS) section and program	EMS Fire Captain	1.0	\$43,625	\$174,500
Currently, no direct Fire and Rescue governance within the chain of command	Telecommunications Manager*	1.0	39,250	157,000
Hard-to-Fill and retain classifications	Fire Marshal and Inspectors	0.0	24,625	98,500
Subtotal		2.0	\$107,500	\$430,000

*Position will be reporting to a unified command structure from both Police Department and Fire and Rescue Department



FY 2021-22

BUDGET RESOLUTION UPDATE

Public Safety:

- Provide appropriation authority for year-to-date expenses incurred for public safety mutual aid assistance, for both Police and Fire, if necessary, and is reimbursable by the State or other jurisdiction.
- Expected reimbursements of \$1.2M
- Adjustment is net neutral.





Coming March 15th...

**RECRUIT AND RETAIN
HIGH QUALITY STAFF**

RECRUIT AND RETAIN HIGH QUALITY STAFF

- To that end, the City is recommending an expanded Recruitment Division in Human Resources;
- This entails the creation of a Human Resources Administrator position and a Human Resources Analyst position to enhance these efforts.
- Further adjustments are also recommended in other departments.
- The last two years have seen an unprecedented number of retirements citywide.
- In order to achieve the City Council's goals, Costa Mesa needs to strengthen its competitiveness.
- Past recessions have led to many positions being significantly under market creating recruitment and retention challenges.



MID-YEAR STAFFING REQUESTS

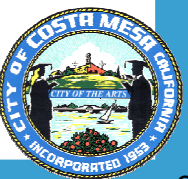
Classification	FTE	Current Year \$ Impact	Annualized \$ Amount
Human Resources Analyst	1.0	\$28,600	\$114,400
Human Resources Administrator	1.0	33,600	134,400
Senior Accountant (Confidential)	1.0	27,900	111,600
Subtotal	3.0	\$90,100	\$360,400
One P/T Management Analyst to F/T	0.5	15,150	60,600
Three P/T Community Services Leaders to One F/T Recreation Coordinator	(0.5)	3,100	12,400
One P/T Management Aide and One P/T Community Outreach Worker to One F/T Community Services Supervisor	0.0	10,825	43,300
Upgrade Two F/T Budget Analyst positions to Senior Budget Analysts	0.0	5,130	20,520
TOTAL REQUEST	3.0	\$124,305	\$497,220

*Estimates only, subject to change

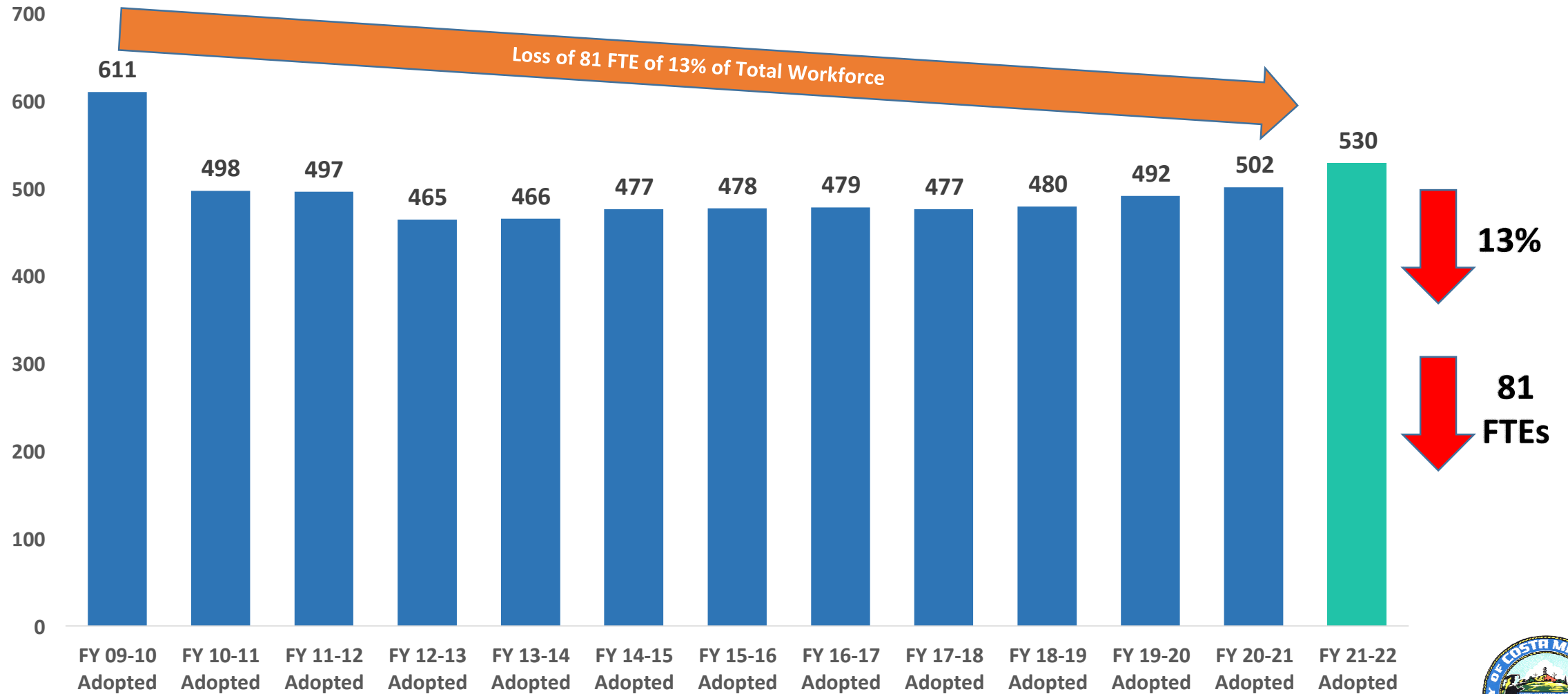


HARD TO FILL AND/OR RETAIN

- PHASE I: Approved by City Council in December 2021;
- PHASE II will include the following, among others:
 - Fire and Rescue
 - Development Services
 - Finance
 - Information Technology
- Current goal is to achieve market compensation (i.e. average compensation);
- Estimated fiscal impact of \$175,000 and \$700,000 annually for Phase II.



HISTORICAL STAFFING LEVELS (FY09 – FY21) FTE





GENERAL FUND OVERVIEW

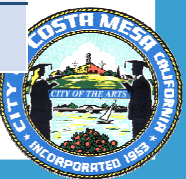
FUND BALANCE IN THE GENERAL FUND

(IN THOUSANDS)

Fund Balance Category	FY 18-19 Audited	FY 19-20 Audited	FY 20-21 Audited	FY 21-22 Projected
Committed				
Declared Disaster	\$ 14,125	\$ 14,125	\$ 14,125	\$ 14,125
Economic Reserves	7,500	9,000	9,000	9,000
Self Insurance	2,000	2,000	2,000	2,000
Assigned				
Compensated Absences	4,893	5,036	5,920	5,920
Police Retirement 1% Supp. Plan	2,297	2,365	2,275	2,275
Section 115 Trust	-	1,750	-	-
Restricted				
Pension and OPEB	-	-	1,778	1,778
Non-Spendable	280	362	965	965
Unassigned	20,451	18,825	17,429	17,429
TOTAL	\$ 51,546	\$ 53,463	\$ 53,492	\$ 53,492

Pre-COVID

Post COVID





BUDGET CALENDAR

BUDGET CALENDAR



DATE	TOPIC
March 8	FY 21-22 Mid-Year Study Session
March 15	FY 21-22 Mid-Year Adjustment Request
April 26	FY 22-23 Proposed Budget Study Session
May 10	FY 22-23 Proposed Budget Study Session
June 7	FY 22-23 Budget Adoption (Operating and CIP) Public Hearing
June 21	FY 22-23 Budget Adoption Public Hearing (Alternative Date)





QUESTIONS