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Date	Ver.	Action By	Action	Result
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TITLE:

FISCAL YEAR 2023-24 MID-YEAR BUDGET UPDATE AND ADJUSTMENTS

DEPARTMENT: FINANCE DEPARTMENT

PRESENTED BY: CAROL MOLINA, FINANCE DIRECTOR

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

RECOMMENDATION:

The Finance Department is undergoing the mid-year budget review for Fiscal Year 2023-24 that began on July 1, 2023. Certain staffing changes are recommended to assist in achieving City Council goals and priorities as soon as possible. In addition, Funds in the Capital Improvement Program (CIP) that need to be carried over into Fiscal Year 2023-24 require City Council approval.

1. Amend the Table of Organization to add 3.27 new FTEs in the Economic and Development Services Department (2.0 FTEs); Parks and Community Services (0.75 FTE); and the Police Department (0.52 FTEs) to help achieve City Council goals and priorities related to housing, park and environmental resources management, and public safety.
2. Approve FY 2023-24 Staffing title changes and compensation adjustments to realign positions with current operational needs in multiple departments.
 - a. Approve Resolution No. 2024-XX, approving new classification and salary/pay ranges for an Animal Services Coordinator, new title for Multimedia Specialist and new title and pay ranges for Finance Officer.
 - b. Approve Resolution No. 2024-XX approving compensation adjustments for Finance

Officer (Confidential).

- c. Approve Resolution No. 2024-XX creating new classification and salary/pay ranges for Graduate Intern and compensation adjustments for Intern classification, absorbed within the existing adopted budget, in order to create a more viable pipeline of applicants to recruit City employees.

3. Approve FY 2023-24 Budget Carryovers from the prior year in the General Fund and the various Capital Projects Funds for outstanding capital projects.

BACKGROUND:

The FY 2022-23 Year-End Financials were presented to City Council on February 20, 2024. 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 \$1.3 million, increasing the total General Fund Balance Reserves to a total of \$59 million. In addition, almost \$4.7 million in General Fund surplus funds were transferred into other funds and reserves to address other projects and priorities as recommended by FiPAC and approved by the City Council.

Mid-Year Report

On June 6, 2023, the City Council approved a General Fund (Fund 101) balanced budget of \$180.3 million and the All Funds (including Restricted Funds) budget totaled \$234 million with a total of 588 Full-Time Equivalents (FTEs) across City Departments. Staff is providing a mid-year status of General Fund revenues and expenditures.

Personnel Requests

Costa Mesa is a full service City providing services through multiple departments and programs. In order to ensure the continuity of these critical services, the City is requesting mid-year approval of key positions in Economic and Development Services, Parks and Community Services and Public Safety. The position augmentation request has a net full-time equivalent (FTE) of 3.27 positions.

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 2023-24. Fiscal prudence requires that such obligations be limited and approved by City Council.

ANALYSIS:

FY2023-24 MID-YEAR REPORT

Overall, the FY 2023-24 Second Quarter Financial Report indicates that revenues and expenditures are consistent with projections made in the FY 2023-24 Amended Budget. Since a significant portion

of our revenues and expenses do not occur evenly throughout the year, the remaining third and fourth quarter 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, 2023, the General Fund recorded 37% of the projected revenues and 53% of budgeted expenditures. These percentages are consistent with projections for this time of the fiscal year.

As of December 31, 2023, total General Fund revenues are \$66.3 million and expenditures are \$95.5 million, representing 53% of total expenditure budget. City departments strive towards achieving City Council's goals for long-term fiscal sustainability by monitoring revenues and identifying strategies to improve performance. Moreover, departments exercise prudence with the budget to deliver effective and efficient benefits to the residents of Costa Mesa. As of this writing, the City continues to have a balanced budget, and existing vacancy savings can be used to fund these changes, with ongoing funding added to the Fiscal Year 2024-25 Proposed Budget.

Requested Amendments to the Table of Organization

Economic and Development Services Department

The Economic and Development Services Department is requesting one (1) additional full-time Planning and Sustainable Development Manager to lead a team focused on development and implementation of the City's long range planning work programs. A manager position is necessary to lead and administer the numerous long range planning programs at the City including implementation of the Housing Element in order to achieve State Housing Element certification. These efforts include responsibility and staff/consultant oversight for the intensive zoning code amendments, re-zoning and General Plan amendments required to implement Measure K, lead the effort to develop objective design standards, oversee the development and implementation of work programs identified in the City's approved Housing Element, along with the associated Environmental Impact Report (EIR) efforts.

The Planning and Sustainable Development Manager would also implement, manage, monitor, and enforce the proposed inclusionary/affordable housing ordinance. The tasks would include but are not limited to the collection and management of in-lieu fees, preparation of requests for proposals for housing projects funded by in-lieu fees, agenda reports for the allocation of in-lieu housing funds, development of community development partnerships, preparation and monitoring of affordable housing agreements for each inclusionary project, annual rent certifications to ensure required units are rented to households at the appropriate income levels, and appropriate tracking and reporting of units to the State annually. This manager position is a companion position to the recently approved Planning and Sustainable Development Manager position that leads the Current Planning and Project Entitlement team.

The Development Services Department is also requesting to add one (1) Building Technician. The Development Services Department's Building Division provides plan review, permitting and inspection services to ensure compliance with mandatory state guidelines. The Development Services Department's Building Division provides plan review, permitting and inspection services to ensure compliance with mandatory state use and occupancy of private and public buildings and properties. The additional staff will assist in providing and processing information through TESSA for property owners, developers, contractors, architects, and others.

Some of the essential functions include: provide general and technical information to permit applicants, receive and review building permit applications for completeness and compliance with established regulations, routing plans to different departments for review, calculate and collect fees. The City Clerk's Office has been taking on these additional workload overflow duties since Permit Technicians must prioritize in-person customers. Based on the above responsibilities, an additional technician is necessary and will improve the customer service experience in the City.

Parks and Community Services Department

The Parks and Community Services Department is requesting to convert a part-time Sr. Community Services Leader (0.25) to one (1.0) full-time Recreation Specialist. This Recreation Specialist will assist with support in park restoration projects and public education programs. Converting the position will help in coordinating and supporting a variety of conservation, restoration, outreach and resource management activities for the City's natural parklands to ensure environmental compliance with federal, state and local laws and regulations and the preservation and operations of Fairview Park. In addition, the large amount of grant funded projects for Fairview Park will require additional assistance to complete while continuing to provide regular park programming. The current workload related to Fairview Park management requires at least one additional staff person to fulfill those obligations. This is an issue that has been raised by the CMCEA (general employees) Association as well. They are supportive of this position.

Police Department

The Police Department is requesting to convert a part-time Property and Evidence Specialist position (0.75), to one (1) full-time Property & Evidence Specialist. The Property and Evidence Bureau is responsible for securely storing and preserving all property and evidence acquired by the Police Department. During the past three years, the Property and Evidence Bureau received and processed an annual average of 12,836 items booked into property and evidence. Ensuring adequate staffing for the volume of property and evidence is crucial. Converting the position to full-time will assist the Bureau in meeting the increased demands and workload including maintaining the property warehouse, booking and purging property and evidence, coordinating fleet maintenance, purchasing, issuing and tracking police issued duty gear and equipment and will assist with retention.

The Police Department is also requesting to convert a part-time Sr. Community Services Leader (0.48) and part-time Office Specialist II (0.25) to one (1) full-time Permit Processing Specialist and retitle the full-time Recreation Coordinator position in the Police Department to a newly created Animal Services Coordinator classification with no fiscal impact. As part of the FY 2023-24 adopted budget, Animal Services was moved from the Parks and Recreation Department to the Police Department. This move included the transfer of a Recreation Coordinator and a Sr. Community Services Leader to the Police Department.

The City is on pace to have over 3,000 animal control calls for service and process over 3,100 animal license applications. As the "recreation coordinator" and "community services leader" classifications are aligned with the Parks and Community Services Department, the two new position titles have been created to better align with the Police Department and its functions. The Permit Processing Specialist will assist in processing animal licensing and provide administrative support to the Animal Services Bureau. The new Animal Services Coordinator classification will better align to the classification structure for the Animal Services Bureau. This action is cost neutral.

Summary

In summary, the total net increase to the Citywide Table of Organization of these changes including the new positions, reallocations of classifications and part-time to full-time conversion is 3.27 FTE for all Departments. The updated Table of Organization for each affected Division is reflected in Attachment 3. A summary of the proposed updates and resultant costs is contained below.

Department	Staff Update	Net FTE	Current Year Prorated Impact	Annual Impact
Economic and Development Services	Add 1.0 full-time Planning and Sustainable Development Manager	1.00	42,817	171,267
Economic and Development Services	Add 1.0 full-time Building Technician	1.00	26,739	106,956
Parks and Community Services	Convert 0.25 part-time Sr. Community Services Leader to 1.0 full-time Recreation Specialist	0.75	20,152	80,606
Police	Convert 0.75 part-time Property & Evidence Specialist to 1.0 full-time Property & Evidence Specialist	0.25	7,224	28,897
Police	Convert 0.48 part-time Sr. Community Services Leader and 0.25 Office Specialist II to 1.0 full-time Permit Processing Specialist	0.27	5,963	23,850
TOTAL FTE		3.27	\$ 102,895	\$411,576

Compensation Adjustments / Classification Updates

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 City Manager's Office has requested a title change from Video Production Specialist to Multimedia Specialist. Updating the title will attract more candidates, during the recruitment process, who have experience working with a variety of media including various social media platforms.

There is no fiscal impact for this update.

On September 19, 2023, the City Council approved market adjustments for positions in the Analyst series including an adjustment for Financial Analyst. In order to address compaction issues between the Revenue Supervisor and Financial Analyst which it supervises, an adjustment is being recommended for the Revenue Supervisor classification. The estimated fiscal impact is \$76,407 annually. This recommendation is for all the Finance Department Supervisors to include Revenue Supervisor, Accounting Supervisor, Purchasing Supervisor and Payroll Supervisor to maintain internal alignment.

The Finance Department is also requesting a new job classification titled Finance Officer to replace the department's supervisor classification. This will realign the compensation and duties to allow for succession planning in the department. The Finance Officers oversee the duties and responsibilities of the analysis series, including Finance Analyst and Sr. Budget Analyst. This will prepare the Finance Officers for the next Finance Management series, thereby ensuring internal staff has the opportunity to develop leadership skills to ensure successful succession planning for the City. Finance is a critical component of the City's infrastructure, as staff manages, processes, and implements financial transactions and strategies to ensure long term fiscal sustainability for the City.

The Human Resources Division is developing a new internship program to create a pipeline for identifying and nurturing local talent. Providing opportunities for students and recent graduates to gain practical experience within a municipality cultivates a pool of skilled individuals who can later become valuable employees. The Human Resources Division has been partnering with and attending job fairs at local universities and the most asked question at these fairs is regarding internship opportunities. Currently, the City offers one internship level paid at minimum wage. To encourage local students and recent graduates to participate in our internship program, it is recommended to increase the intern pay range and create two levels of internships: one geared towards undergraduate students and one geared towards recent graduates or graduate students.

The Human Resources Division is requesting to increase the compensation for the Intern (undergraduate) classification and create a new classification of Graduate Intern. Departments will absorb the fiscal impact within their budget if they choose to hire interns.

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 2022-23 carryovers are detailed in Attachment 1. The fiscal impact related to the approval of position requests will be absorbed by each affected Department in the current fiscal year. The annual estimated impact of \$487,983 will be included in the respective departments' FY 2024/25 proposed budget.

LEGAL REVIEW:

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

CITY COUNCIL GOALS AND PRIORITIES:

Strengthen the Public's Safety and Improve the Quality of Life

- Achieve Long-term Fiscal Sustainability
- Recruit and Retain High Quality Staff
- Diversify, Stabilize and Increase Housing to Reflect Community Needs
- Advance Environmental Sustainability and Climate Resiliency

CONCLUSION:

- 1) Approve FY 2023-24 Budget Carryovers from the prior year in the General Fund and the various Capital Projects Funds (Attachment 1).
- 2) Approve FY 2023-24 Staffing Realignments and compensation adjustments in multiple departments citywide (Attachment 2).
 - a) Approve Resolution No. 2024-XX, approving new classification and salary/pay ranges for an Animal Services Coordinator, new title for Multimedia Specialist and new title and pay ranges for Finance Officer.
 - b) Approve Resolution No. 2024-XX approving compensation adjustments for Finance Officer (Confidential).
 - c) Approve Resolution No. 2024-XX approving new classification and salary/pay ranges for Graduate Intern and compensation adjustments for Intern.