



CITY OF MANHATTAN BEACH CITY HALL

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TO: Honorable Mayor and Members of the City Council

FROM: Steve Charelian, Finance Director

MEETING: City Council Regular Meeting, February 15, 2022

SUBJECT: Agenda Item No. 15 – Fiscal Year 2021-2022 Mid-Year Budget Report and Fiscal Year 2022-2023 Budget Development Calendar

DATE: Tuesday, February 15, 2022

SUPPLEMENTAL ATTACHMENT

Due to the length of the staff report, the last three pages were inadvertently missing from the packet on February 9, 2022. This is the full staff report for Agenda Item No. 15, File No. 22-0033.



Agenda Date: 2/15/2022

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Steve S. Charelian, Finance Director
Libby Bretthauer, Financial Services Manager
Julie Bondarchuk, Financial Controller
Marcelo Serrano, Management Analyst

SUBJECT:

Fiscal Year 2021-2022 Mid-Year Budget Report and Fiscal Year 2022-2023 Budget Development Calendar (Finance Director Charelian).

(Estimated Time: 45 Min.)

- A) RECEIVE REPORT**
 - B) APPROPRIATE FUNDS**
 - C) APPROVE STAFFING ADJUSTMENTS**
-

RECOMMENDATION:

Staff recommends that the City Council 1) receive the Mid-Year Budget Report for Fiscal Year (FY) 2021-2022 and FY 2022-2023 budget development calendar, 2) appropriate funds for FY 2021-2022 budget adjustments, and 3) approve FY 2021-2022 staffing adjustments identified in the staff report.

FISCAL IMPLICATIONS:

Current trends indicate the City's General Fund operating budget will finish Fiscal Year (FY) 2021-2022 with revenues exceeding expenditures by \$4.3 million as a result of several revenue streams trending higher than the budget, which included conservative estimates due to uncertainty brought on by the ongoing Covid-19 pandemic. Additionally, the City is expected to receive a second payment of American Rescue Plan Act (ARPA) funds for \$4.2 million in July, for a total year-end surplus of nearly \$8.5 million. Expenditures are trending below budget due to staffing vacancies and various cost control measures.

Projected year-end transfers to other funds, including the Stormwater Fund, Street Lighting Fund, Capital Improvement Program Funds and Pension Stabilization Trust Fund, are expected to total approximately \$5.3 million.

Taking into account year-end projections and these anticipated transfers, the unreserved General Fund balance is projected to be \$14.8 million at fiscal year-end. Of this amount, federal ARPA funds contributed \$8.4 million. Due to ongoing capital improvement projects and pandemic-related revenue reductions in the prior year, there will be limited resources in the CIP Fund unreserved balance projected to allocate to new projects. Other Funds are trending as expected (Attachment).

BACKGROUND:

The City Council adopted the Fiscal Year 2021-2022 Budget on June 25, 2021, with a General Fund operating budget surplus of \$4,561,765. Nearly the entire adopted surplus was due to a one-time payment of \$4.2 million from the federal American Rescue Plan Act (ARPA).

Revenues	\$82,260,057
Expenditures	<u>77,698,292</u>
Adopted Surplus/(Deficit)	\$ 4,561,765
FY 2021-2022 ARPA Allocation	<u>(4,208,260)</u>
Adopted Surplus/(Deficit)	\$ 353,505

To achieve this surplus, the City Council adopted the Budget with several cost cutting measures continued from the prior year. Temporary measures maintained in FY 2021-2022 included the freezing of three vacant positions as well as reductions in some Contract Services (e.g. tree trimming and landscape maintenance) and Materials and Services.

A Budget Update for FY 2021-2022 was presented and discussed during the December 7, 2021, City Council meeting. The City Council has the authority to approve additional appropriations throughout the fiscal year. Taking into account all General Fund budget amendments to date, including encumbrances carried forward from the prior year, revenues (including ARPA) would exceed expenditures by \$3.4 million as budgeted. However, every January, City staff analyzes year-to-date activity and prepares mid-year projections for revenues and expenditures to evaluate potential budget variances and forecast year-end results. This report focuses on these mid-year projections and explains budget variances to provide a current depiction of the City's fiscal position.

DISCUSSION:

The City Council and staff respond to the community's needs in part through the budget. The budget is both a spending plan for the City's available financial resources and the legal authority for the City's various departments to spend these budgeted appropriations on goods and services that align with public priorities and meet the needs of Manhattan Beach residents.

In the current fiscal year, General Fund revenues are estimated to come in over the adjusted budget by \$4,589,799 (5.6%). Expenditures are projected to be \$431,972 (0.5%) under the adjusted budget (the adjusted budget includes City Council-approved amendments during the current year as well as encumbrances carried forward from the prior year).

When comparing estimated year-end revenues and expenditures irrespective of the budget, revenues are expected to exceed expenditures by \$8,483,469.

Adopted General Fund Surplus/(Deficit)	\$4,561,765
Net Budget Adjustments to date	(1,100,067)
Revenues over Budget	4,589,799
Operating Expenditures under Budget	<u>431,972</u>
Projected General Fund Surplus	\$8,483,469
FY 2021-2022 ARPA Allocation	<u>(4,208,260)</u>
Projected Surplus/(Deficit)	\$4,275,209

General Fund Revenues

The following are highlights of several key revenue areas. Table 2 on the General Fund Summary Attachment summarizes key General Fund Revenues this fiscal year, including a comparison to prior year actuals. Projections for revenues in FY 2021-2022 indicate a rebound close to or, in some cases, exceeding pre-pandemic levels. Generally, the three largest contributors to the City’s revenue mix are Property Tax, Sales & Use Tax, and Transient Occupancy Tax.

Property Tax is the strong foundation of the City’s General Fund revenues. The City’s Property Tax revenues are projected to total nearly \$39.2 million, which is about \$1.1 million (3.0%) above the amount currently budgeted. A combination of high demand for single-family homes, low inventory, historically low mortgage rates, and shortages of building materials all contributed to the increase in taxable property values.

Real Estate Transfer Tax revenue is derived from a charge of fifty-five cents per \$500 of sales price during the transfer of a property and is split evenly between the City and the County of Los Angeles. Based on transfer tax collections from all properties (residential and commercial) to date, revenues are expected to exceed the budget by \$290,000 (35.8%), yielding \$1.1 million for the year.

Sales & Use Tax received is projected \$449,000 higher than budget, for a total of \$9.7 million, due to the resurgence of activity after certain pandemic operational restrictions at brick and mortar retail locations were suspended. In addition to the rebound in general consumer goods, all eatery categories and service stations have increased taxable sales as restrictions have been lifted.

Transient Occupancy Tax (TOT) receipts are trending over budget by \$588,000 (14.6%) and \$2.2 million over the prior year, when occupancy rates plummeted. Although TOT receipts have proven to be highly sensitive to swings in the pandemic, it seems the worst of the downturn in occupancy rates may have passed. Total receipts in the first half of the fiscal year have already exceeded actuals received in FY 2020-2021. The trajectory of travel and tourism trends in the next few months will be a strong indicator of TOT revenue in FY 2022-2023 and beyond.

Business license tax, which is generally calculated upon a business’s prior year gross receipts, has remained level or had slight increases year over year, due to the fact that about 70 businesses (3.5%) pay the maximum gross receipts business license tax where changes in their gross receipts are unlikely to impact the total license tax paid. These businesses contribute about 35% of the total business license revenue collected. Business License tax revenues in FY

2021-2022 are expected to be stable with the prior year and over the conservatively estimated budget by \$150,000 (4.2%).

Revenues from all Building Permits and Plan Check fees are trending over budget by \$398,825. The volume of issued permits and plan checks have slightly decreased in the first half of FY 2021-2022, but the revenue received is projected higher due to the size of project submittals and the new fee schedule implemented in July 2020. The number of demolition permits issued is slightly under this time last year, pointing to a continuation of less new construction in favor of remodels.

Revenue from other Service Charges (not including Plan Checks) is projected to come in about \$351,365 (6.9%) over budget, mostly due to Parks and Recreation programming. As of the previous fiscal year, Parks and Recreation was able to bring back most programs, which has increased both expenditures and revenues accordingly. With enrollments at or near capacity, fee revenues are anticipated to be back in line with pre-pandemic levels.

The Use of Money and Property category, which is projected to be over budget by \$301,230 or 8.8%, includes Interest Earnings and Rents and Leases charged to tenants of City-owned properties. The most significant increase in this category is attributed to Westdrift Hotel Rent that was dramatically impacted by the drop in occupancy levels in the prior year.

Operating Service Transfers include reimbursements to the General Fund, per the Cost Allocation Plan adopted in February 2020, from other Special Revenue and Enterprise Funds for Administrative Service Charges. In addition, Engineering staff time allocated to capital projects and grants is also included in this reimbursement to the General Fund.

Lastly, in the Miscellaneous category, the increase is mostly attributable to Workers Compensation Salary Continuation revenues. Although a positive for General Fund revenues, this actually represents higher costs in the Insurance Fund for employees out on Injury-On-Duty leave. Workers Compensation costs are very difficult to predict. Although the last few years have trended lower, the projection for FY 2021-2022 is \$700,000 above budget, and double the amount of the previous fiscal year.

General Fund Expenditures

The following are highlights of several key expenditure areas. Table 3 on the General Fund Summary Attachment summarizes key General Fund Expenditures this fiscal year, including a comparison to prior year actuals. Projections for expenditures in FY 2021-2022 are \$431,972 (0.5%) below the budgeted amount.

Salaries and Wages for FY 2021-2022 are projected to be around \$74,469 (0.2%) above budget. Although Salaries & Allowances will be under budget corresponding with a higher than usual number of fulltime staff vacancies, increased costs associated with Overtime for Sworn Employees resulted in this category being slightly over budget. A total of six positions were put under a hiring freeze and therefore not funded in the FY 2020-2021 Adopted Budget; three remain frozen in FY 2021-2022. As of October, the City has about 35 unfilled positions budgeted in the General Fund. When budgeted positions remain unfilled, additional budgetary savings will result.

In the Benefits category, expenditures are projected to be lower than the budgeted amount by

roughly \$924,862 (6.5%) primarily due to unfilled positions and savings in the cost of medical insurance benefits, which experienced a smaller than budgeted increase. In the prior year, this category included the extraordinary, one-time payoff of CalPERS Net Pension Liabilities after the issuance of Pension Obligation Bonds (POB) in May 2021. Although pension liability payments to CalPERS are not due in FY 2021-2022, POB debt service payments are now paid twice a year in January and July.

Contract & Professional Services expenditures are projected \$634,048 (5.9%) above budgeted costs. About half of this increase is directly tied to escalated expenditures in Parks & Recreation programming. With State and County restrictions mostly lifted, Sports Classes, Sports Leagues & Tournaments, Tennis Operations, Special Activity Classes and Special Events are back in full operation, and associated contract costs have increased along with class offerings and enrollments. Other contract services costs trending over budget include temporary staffing augmentation services for Code Enforcement, Plan Check Services, and Engineering, but these costs are offset by budgetary savings in these divisions due to staffing vacancies. This category also includes employee Covid-19 testing, which ramped back up with the Omicron variant causing a need for an additional budget appropriation as described below (Fiscal Year Budget Adjustment #3).

Materials & Services are \$185,132 (6.6%) lower than the budgeted amount. About half the savings in this category results from unexpended budget in Training and Conferences, which are slowly returning to in-person offerings instead of online formats. Staffing availability and workloads are also weighed when determining whether staff can attend budgeted training. As positions are filled, training costs are expected to return to pre-pandemic spending levels.

The Utilities category is trending over budget by \$46,556 (4.8%) primarily due to the rate increases imposed by Southern California Edison as well as higher costs for Water and Gas bills. When the budget is calculated, a CPI increase was applied to utility costs, but recent increases have exceeded expectations.

Although trending in line with budget, the last notable category is Internal Service Charges. This category has a significant change from FY 2020-2021 when Fleet Rental and Maintenance internal service charges were temporarily eliminated from the General Fund since the Fleet Fund was able to absorb a year of expenditures with its fund balance. The charges were reinstated in FY 2021-2022, resulting in a significant increase from the prior year.

General Fund Transfers to Other Funds

Over the next five years, General Fund subsidies to the Stormwater Fund, Street Lighting Fund, Capital Improvement Program Funds and Pension Stabilization Trust Fund are projected between \$3.0 million and \$5 million per fiscal year. In FY 2021-2022, transfers out are projected to total \$5.25 million.

The *Street Lighting & Landscaping Fund* currently has no fund balance and assessments are inadequate to fund operations or provide for future capital needs. As a result, the General Fund subsidizes this fund every year, estimated at \$268,965 in FY 2021-2022. Street lighting costs are also on the rise due to utility cost increases imposed by Southern California Edison.

The General Fund's subsidy to the *Stormwater Fund* is estimated at \$2,358,552 in FY

2021-2022, mainly due to a prior year miscalculation in Measure W parcel tax revenues. The City is allotted \$410,000 annually in Measure W parcel taxes through the County. When the program began in FY 2020-2021, the City expected to receive a total of \$820,000 for the current year allocation plus a catchup payment for the prior year and this was incorporated into the City's spending plan. More recently, the County confirmed that after the initial payment of \$404,817 in FY 2020-2021, the City will receive a single disbursement of about \$410,000 each subsequent year (i.e. no catch-up payment). Therefore, projects budgeted in the Stormwater Fund exceeded fund balance expectations by roughly \$380,000, forcing a higher than anticipated transfer from the General Fund in FY 2021-2022. Future Measure W parcel tax revenues and allowable projects will be moved to the newly created Measure W Fund to prevent the comingling of these special revenue funds with enterprise Stormwater Fund assessments.

Although Measure W funds help mitigate the issue, the Stormwater Fund continues to encounter higher operating costs due to legislative action to clean and limit stormwater runoff, which reduces funds for highly needed capital improvement projects. Stormwater assessments will remain unchanged until a Proposition 218 vote is passed, forcing the General Fund to continue supporting these ancillary services.

Budgeted transfers to *Capital Improvement Program (CIP) Funds* include:

- \$450,000 to the CIP Fund for Fire Station 2 Debt Service in accordance with the City's Pension Policy (Pension Obligation Bond budgetary savings allocated 40% to fund debt service and future capital projects)
- \$175,000 to the CIP Fund for a School District Slurry Seal Project as approved by the City Council in June 2021
- \$1.4 million to the Fire Station 2 CIP Construction Fund as approved by City Council to reduce the Certificates of Participation bonds issued in August 2021

Lastly, a transfer to the *Pension Rate Stabilization Trust Fund* is budgeted at \$603,944 in accordance with the City's Pension Policy (Pension Obligation Bond budgetary savings allocated 60% to fund future pension costs). The balance of the Trust Fund before the transfer is about \$1.8 million, including principal of \$1.5 million and accumulated interest. These funds are available to fund any pension-related payments to CalPERS at the City Council's discretion.

FY 2021-2022 Budget Adjustments

1) Park Maintenance and Citywide Landscaping Improvements (\$625,000)

The Public Works Department is requesting additional funds to restore and elevate parks and citywide landscaped areas to excellent, pre-COVID levels. As part of service and cost reductions brought on by COVID-19 in FY 2020-2021, \$201,800 was cut from the department's landscaping budget and \$130,000 was cut from the tree maintenance budget. In FY 2021-2022, budget cuts were maintained at \$37,000 from the landscaping budget and \$130,000 from the tree maintenance budget.

Totaling nearly \$500,000 over the past two years, these budget reductions helped the City navigate the fiscal uncertainties of the pandemic, but they also resulted in significant levels of deferred maintenance in the community's parks and landscaped areas. If deferment continues, complications with tree canopy density, tree strength and

unmanicured parks could lead to trip hazards and other safety issues, as well as increased dissatisfaction with the City's park system and aesthetic appeal. As Public Works is making preparations for the upcoming summer season, staff recommends that deferred maintenance issues be addressed and historical landscaping schedules and standards be reinstated.

Areas of Note

a) Greenbelt (Veteran's Parkway) - Significant costs include trimming the trees along the City's Greenbelt (Veteran's Parkway) for an estimated \$100,000. Normally, tree trimming is on a three-year cycle; due to deferment, the City would perform the entire three-year cycle this spring. Another budget allocation will be needed in FY 2022-2023 to continue to maintain these trees as part of their pre-COVID-19 trimming schedule and into the future. Once the trees are trimmed, the City would restore or replace diseased or subpar plant materials for an estimated \$75,000.

b) Sand Dune Park - The hillside experienced significant infestation and disease which resulted in the removal of a significant number of trees and plantings. Staff estimates at least \$50,000 is necessary for the City to restore and replace the removed landscaping to improve safety and beautify the hillside.

Anticipated expenditures for Landscape Maintenance will be broken down as follows:

Greenbelt (Veteran's Parkway)	\$ 75,000
Parks	\$200,000
Business Districts	\$ 30,000
Medians and Other Areas	\$ 20,000

Anticipated Tree Maintenance expenditures will be broken down by:

Greenbelt (Veteran's Parkway)	\$100,000
Parks	\$100,000
Business Districts	\$ 50,000
Medians and Other Areas	\$ 50,000

If the additional appropriation from the unreserved General Fund balance is approved, Staff will return to Council in March with amendments to key contracts to formalize the authorizations to restore these areas.

2) Covid-19 Testing (\$150,000)

On September 9, 2021, the City Council approved an appropriation of \$100,000 for onsite Covid-19 testing for employees. Due to the subsequent surge in Covid-19 cases related to the Omicron variant, more frequent and continued testing for employees has been necessary to ensure the safety of staff and members of the public they interact with. An additional appropriation of \$150,000 is requested to cover testing as needed through June 30. Expended funds will then be submitted to the Federal Emergency Management Agency (FEMA) for possible reimbursement as Covid-19 expenses. Should FEMA funding be exhausted and unavailable to the City, the funds will have been spent out of the unreserved General Fund balance, which does contain the \$4.2 million in ARPA funds received last July to support Covid-19 mitigation and recovery measures.

3) Insurance Fund Budget Adjustments (Net \$112,597)

The nature of liability claims is unpredictable and wholly dependent on when a case settles. The City is self-insured for any liability claim up to \$500,000 and insurance

covers anything in excess of \$500,000. In FY 2021-2022, the City projects the liability claims paid to be \$3,750,000 over budget, which required a budget amendment since total fund expenditures will exceed total fund appropriations. The expenditure is mostly offset by a reimbursement received from the City's insurance company of \$3,637,403.

FY 2021-2022 Staffing Adjustments

The past year has been a time of rapid organizational change for the City of Manhattan Beach, resulting in opportunities for reorganization, aligning positions and staffing with the current needs of the organization. Although the City has been recruiting more quickly and efficiently than ever, the number of resignations and separations in the past year have left a high vacancy rate. Currently, the City has 31 open positions in various stages of recruitment (Attachment).

Taking position adjustments for approval throughout the year at the quarterly or mid-year budget reports provide staff an opportunity to be nimble in addressing staffing and position changes in a more agile and responsive way. Additionally, position vacancies that arise throughout the year provide an opportunity for departments to reevaluate the needs of the vacant positions, fill positions at the appropriate level, and take incremental steps towards reorganization.

The following requested position classification changes can be accommodated in the current fiscal year budget by utilizing existing personnel budgetary savings resulting from other position vacancies. While salary savings can be utilized in the existing fiscal year, the ongoing costs associated with these positions (as identified below) will be budgeted in Fiscal Year 2022-2023.

Human Resources reviewed the position classification changes and confirmed the requested positions and classification levels reflect the level of responsibilities and duties needed.

Public Works

Staff has identified the need to reorganize the work performed by the Maintenance Division to ensure critical administrative functions are properly resourced. By reorganizing this work group, the Public Works Department will improve its ability to plan, organize, and provide services necessary to maintain the City's infrastructure. While the majority of positions requests and changes related to this reorganization will be taken in the FY 2022-2023 budget, there is an immediate opportunity to fill a key need in the support of the Maintenance Division and to provide additional oversight of the Parking Services Section.

Accordingly, the Public Works Department recommends eliminating a vacant Building Repair Craftsperson position and replacing it with a Senior Management Analyst position.

a) Eliminate One (1) Building Repair Craftsperson (\$103,152 Annual Savings)

The Facilities Maintenance Section is currently budgeted for one Facilities Supervisor, one Electrician, and four Building Repair Craftsperson positions. One of the Building Repair Craftsperson positions is currently vacant. The elimination of this vacant position is operationally feasible and will not impair this work group's ability to accomplish its objectives.

b) Add One (1) Senior Management Analyst (\$149,178 Annually)

The Maintenance Division is the largest division in Public Works and is responsible for maintaining the City's streets, parks, landscaped areas, buildings, and fleet of vehicles. In order to ensure the division's services are both effectively and efficiently provided, additional resources are needed to assist with the administration of this division. The Public Works Department recommends adding one Senior Management Analyst to oversee contract management and procurement for the Maintenance Division and provide formal oversight of the new Parking Services Section. In years past, the department's efforts relating to parking focused on the technical aspects of installing and maintaining parking meters and the collection of coins from those meters. Going forward, the Parking Services Section will encompass all operational aspects of the department's parking-related services, including facility and equipment functionality and maintenance, meter and kiosk system oversight and data analysis, revenue collection, and customer service.

A recent vacancy in the Building Repair Craftsperson role provides optimal timing to complete the described position change. Additionally, the City's new Public Works Director and Utilities Manager have identified the need to add staffing in the Utilities Division. There is an identified need to increase staffing in the Water Plant Operator and Utilities Technician positions as the City nears completion of the Peck Reservoir project. Additional staffing will be needed for the City's new treatment facility in order to provide adequate monitoring of the water's quality and pressure levels, and complete required water quality sampling and reporting.

While current operational needs justify the addition of one Water Plant Operator position now, evaluations of job duties and certifications required to operate the new water treatment facility need to be conducted by Public Works and Human Resources staff before this position is filled. As such, staff is not recommending this position be added now at mid-year. However, there is a bona fide need to increase staffing in this work group. Public Works and Human Resources will be conducting the needed evaluations over the next few months, and staff anticipates bringing a recommendation to add positions in the utilities group as part of the FY 2022-2023 budget process.

Community Development

The department has identified the need for a senior-level member of the Planning Division to progress Work Plan items, which range from managing complex and sensitive work efforts to performing updates of City regulations. The Senior Planner would work on items related to the housing policy implementation and long-term outdoor dining and business use items. The department has also identified the need for increased administrative support in order to continue to meet objectives and allow the

department to align its management support with department operations.

a) Add One (1) Senior Planner (\$143,622 Annually)

The Senior Planner would implement, review, and manage a diverse and complex range of professional planning projects and studies, administer and update zoning ordinances and policies and procedures for development permits, and assign tasks to technical and professional staff. The position would also advance work plan items related to housing policy implementation and planning efforts such as the long-term outdoor dining and business use item. This position would also assist to improve more effective and efficient public counter coverage, plan review, and customer service duties.

b) Reclassify One (1) Office Assistant to Administrative Assistant (\$12,366 Annually)

The current Office Assistant supports the Planning Division of six employees, while also supporting the Planning Commission, including preparing agenda packets and participating in Planning Commission meetings. The position requires specialized knowledge of Brown Act requirements and general planning knowledge to be able to most effectively support the division. The Administrative Assistant is the more appropriate position level for the level of administrative support provided.

c) Upgrade One (1) Office Assistant to Administrative Analyst (\$28,748 Annually)

The Administrative Analyst is a new classification that was first approved in the quarterly budget report in November 2021. The Administrative Analyst will provide more versatility to the department's administrative functions. The position will also take on analytical and management functions from the Senior Management Analyst related to budgeting and procurement, policy development, and contracts so that the Senior Management Analyst can take on additional project and program management and provide management-level support to the Director. The position will also be the main department contact for records, records management, public records act requests, document indexing, coordinating with document vendors, and assist in the tracking of statistics and reporting of performance measures.

The Community Development Director has had the opportunity to evaluate staffing and position levels in the department over the course of her tenure with the City. In the past year, the staffing in the Code Enforcement section, including the upgrade of a Code Enforcement Officer to a Supervisor, and the reallocation of two Community Services Officers to Code Enforcement Officers, has been the staffing priority. Now that these positions are filled, additional position changes are being requested to ensure that positions are staffed at the level appropriate for the work being performed. The Department currently has three Office Assistant (formerly Administrative Clerk I/II) positions. However, the duties that have been expected of the positions are at a higher level, having been historically misaligned or evolved over time to meet operational needs. Two of these positions are being addressed in this mid-year report. The department continues to evaluate departmental staffing and organizational needs as part of the FY 2022-2023 budget request process.

Fire Department

The department has identified the need for increased analytical and administrative support in order to continue to meet objectives and allow the department to expand its management support. The Fire Department has been the only operational City department without at least one full-time dedicated analyst-level position for many years. The Fire Department had a part-time Senior Management Analyst for approximately seven years as its only analytical support. As this position recently became vacant, the Fire Department would like to formally request this position become full-time, so that it can be filled at the appropriate level to provide needed support for contract and procurement management, budgeting, grant application and management, and other key duties in the department.

b) Upgrade One (1) Part-Time Senior Management Analyst to Full-Time Administrative Analyst (\$57,488 Annually)

The full-time Administrative Analyst will absorb the duties of the part-time Senior Management Analyst. This position will support the department in development, processing and tracking of contracts, purchasing and budget preparation.

In his first six months with the City, the Fire Chief has determined additional administrative support is needed within the Fire Department to support a wide range of administrative, clerical and analytical functions to provide better oversight and management of the department's expenditures and budgeting, billing and reconciliation, and general office coverage and support. The only full-time support position in the Fire Department has been an Executive Assistant, whose primary function is to support the Fire Chief, and do various administrative functions for the department such as invoicing and budget monitoring, departmental payroll, and recordkeeping. Additional staffing is needed to support the Fire Prevention bureau, oversee invoicing, billing and collections for fire inspections and ambulance billing, and provide appropriate office coverage. While the vacancy created in the part-time Senior Management Analyst provides an opportunity to make the upgrade to full-time at the mid-year budget, this change will not satisfy the scope of needed administrative support staffing. The Fire Department will be making a request for additional staffing in the FY 2022-2023 budget process.

COVID-19 Reimbursements

FEMA Reimbursement

City staff has submitted six reimbursement application requests to FEMA for eligible expenditures that have occurred across four different periods over the last two years. Should all requests be approved, the City would expect to receive approximately \$1.1 million in reimbursements for materials, payroll, contracts, and rentals. Notably, the majority of reimbursable expenses were made prior to September 15, 2020, when the eligibility requirements were broader and included payroll, which made up about 40% of the expenditures submitted.

FY 2021-2022 Mid-Year Budget Summary

Development of the spending plan for FY 2021-2022 was mixed with uncertainty and concern

about the severity and duration of the COVID-19 pandemic. Revenues were conservatively estimated and expenditures were reduced where possible while still maintaining current service levels. With over half the year completed, General Fund revenues seem to have rebounded to pre-pandemic levels, but are still being closely monitored. Expenditure savings is mostly attributed to Salaries and Wages and Employee Benefits due to an unusually high number of staffing vacancies. Irrespective of budget, revenues are expected to exceed expenditures at year-end.

The projected General Fund surplus of \$8.5 million, as well as the existing Unreserved General Fund balance, provide an opportunity to allocate funds to City Council priorities, including capital projects. After transfers out totaling about \$5.3 million to the Stormwater Fund, Street Lighting Fund, CIP Fund, Fire Station 2 Construction Fund and Pension Rate Stabilization Fund, the Unreserved General Fund balance is projected at \$14.8 million after FY 2021-2022. Funding essential operations and capital priorities will be discussed during the FY 2022-2023 budget process.

FY 2022-2023 Budget Development Calendar

After reviewing requests from each Department and input from the Budget Priorities Community Meeting on February 7, a Proposed Budget for FY 2022-2023 will be prepared and presented to City Council on May 3, 2022. Following this initial presentation, one or more City Council Budget Study Sessions will be held between May 10 and 24 with an additional opportunity to discuss the budget at the City Council meeting on May 17. The public hearing and budget adoption is scheduled for June 7, 2022, before the new fiscal year begins on July 1. The FY 2022-2023 budget timeline is attached.

PUBLIC OUTREACH:

On Monday, February 7, 2022, the City held a Budget Priorities Community meeting via Zoom. The meeting, which had over 25 attendees, was used to answer questions from the public and collect community feedback regarding the City's FY 2022-2023 Budget. Feedback received during the meeting, as well as through an online "digital comment card", will be presented to City Council at a future meeting date.

Future opportunities for public input include May 3, 2022, when the FY 2022-2023 Proposed Budget is presented to the City Council, and during subsequent City Council Budget Study Session(s) tentatively scheduled for May 10 and 24, as well as at the City Council meeting on May 17. Questions and comments may also be submitted to Budget@manhattanbeach.gov.

ENVIRONMENTAL REVIEW:

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that there is no possibility that the activity may have a significant effect on the environment; therefore, pursuant to Section 15061(b)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW:

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

ATTACHMENTS:

1. Fiscal Year 2021-2022 General Fund Summary
2. Fiscal Year 2022-2023 Budget Timeline
3. Position Vacancy Report