

City of Huntington Beach

City Budget Update & Reorganization Plan

November 2, 2020



SUPPLEMENTAL COMMUNICATION

Meeting Date: 11/2/2020

Agenda Item No.: 19(20-1999)

City Budget Update

- **On June 29th, the City Council approved the FY 2020/21 Balanced Budget**
 - \$21.03 M in General Fund budget cuts were identified to address an identified \$20 M revenue shortfall
 - In addition to identified budget cuts, the City Council authorized the implementation of a Separation Incentive Program (SIP) to facilitate a reduction in staffing levels
 - Concurrent to the SIP being developed, staff has also been working these past few months on an overall Citywide restructuring plan
- **Based on the results of the SIP, coupled with the proposed Citywide reorganization plan, our FY 2020/21 GF budget is now balanced!**
 - If the reorganization plan is approved by the City Council, staff projects that we'll finish the current FY 2020/21 with a \$550 K surplus
 - Of note, the reorganization plan does not contemplate any additional employee / staffing / salary impacts, and maintains all existing external service levels

Summary of Proposed Reorganization Plan

- **97 individuals** participated in the Separation Incentive Program
- In total, the reorganization plan contemplates reductions to the City workforce by 33 positions
- **The proposed restructuring plan will result in no service level impacts**
 - Larger scale reorganization in the Public Works Department
 - Community Services and Library Departments will merge into one operation
 - IT and HR operations will be combined into a single Administrative Services Department
 - Additional operational adjustments for our Community Development, Finance, Police and Fire Departments
 - Use of 960 program to bring back retirees in our public safety operation
- **Estimated General Fund savings of \$6 M in the current year and increased savings in subsequent years**
- An overview of departmental changes is included in the following slides

3

City Manager Office

Move Human Resources function to a new Administrative Services Department

Position Reductions

- Director of Organizational Learning and Development

Position Additions

- Administrative Secretary – 0.5 FTE

Additional Adjustments

- Reassign Assistant to the City Manager (1) to the Administrative Services Department

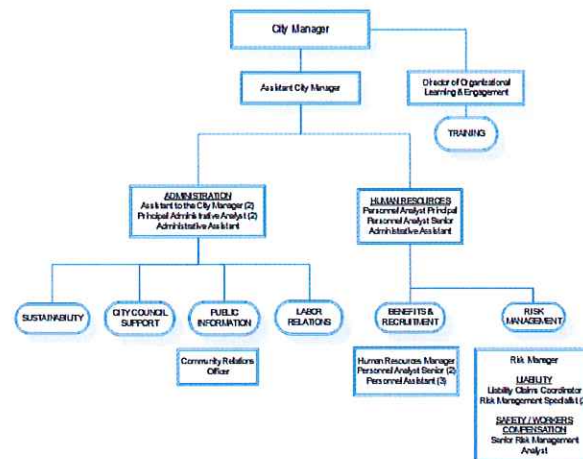
FY 20/21 Total Funded Department FTEs		
Adopted FTE	Net Change	Revised FTE
9.00	-1.50	7.50

Estimated Net General Fund Savings		
FY20/21	FY21/22	FY22/23+
\$246K	\$369K	\$369K

4

City Manager

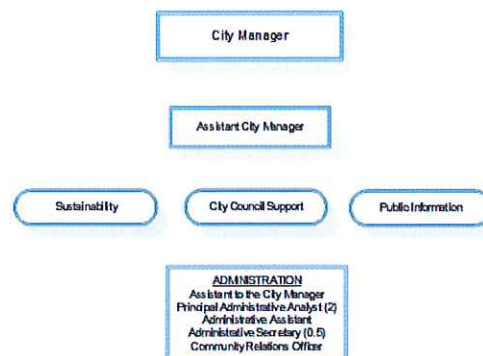
Table of Organization – Current FY 2020/21 Adopted Structure



5

City Manager

Table of Organization – Proposed FY 2020/21 Reorganization



6

Administrative Services Department

Combine HR & IS operations into a single Administrative Services Department

Position Reductions

- Liability Claims Coordinator
- Senior Personnel Analyst
- Senior Risk Management Analyst
- Senior Info Technology Analyst

Position Additions

- Director of Administrative Services

Additional Adjustments

- Move Assistant to the City Manager from City Manager's Office and shift to Deputy Director of Administrative Services
- Exchange Risk Management Specialist for Personnel Assistant
- Upgrade IT Manager – Operations to Senior IT Manager
- Reassign 7 IT positions to support department specific systems (Community Development, Finance, Police, Public Works)

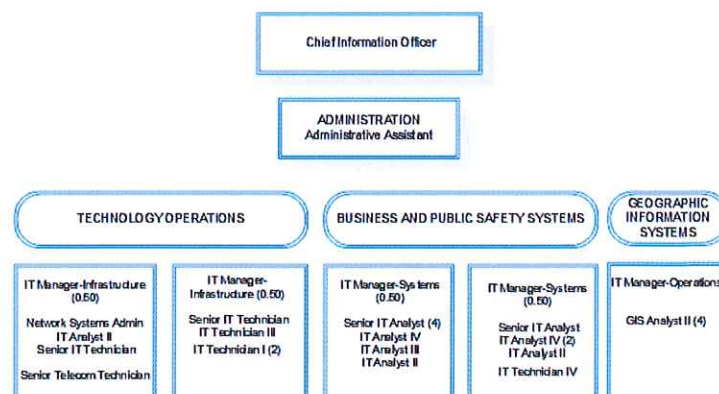
FY 20/21 Total Funded Department FTEs		
Adopted FTE	Net Change	Revised FTE
43.00	-10.00	33.00

Estimated Net General Fund Savings		
FY20/21	FY21/22	FY22/23+
\$560K	\$840K	\$840K

7

Information Services Department

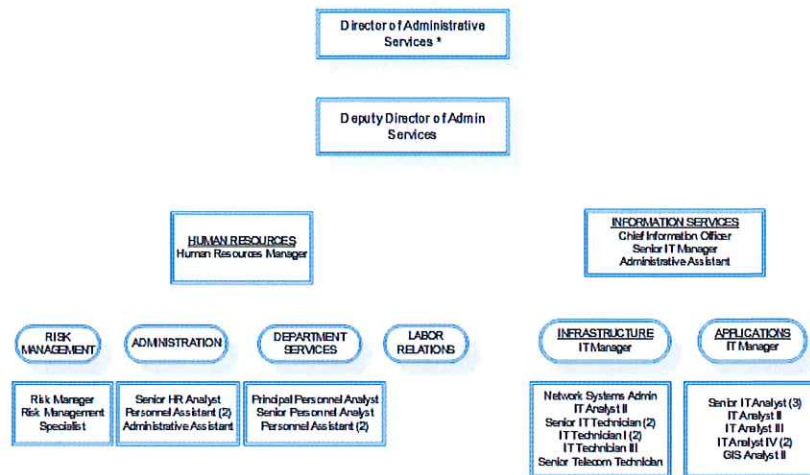
Table of Organization – Current FY 2020/21 Adopted Structure



8

Administrative Services Department

Table of Organization – Proposed FY 2020/21 Reorganization



9

Community & Library Services Department

Merge Community Services and Library Services into one operation

Position Reductions

- Community Services Recreation Supervisor
- Maintenance Worker
- Director of Library Services
- Librarian
- Library Services Clerk

Position Additions

- Community Services Deputy Director

Additional Adjustments

- Rehire 3 retirees as 960 employees to fill permanent positions temporarily to realize savings and address business continuity needs
- Upgrade Social Worker to Social Services Supervisor
- Exchange Library Specialist for Community Services & Recreation Specialist
- Move Park Development & Facilities Project Coordinator to Public Works
- Community Services Manager – Library & Cultural Services Division (underfill Library Services Director)

FY 20/21 Total Funded Department FTEs		
Adopted FTE	Net Change	Revised FTE
64.25	-4.00	60.25

Estimated Net General Fund Savings		
FY20/21	FY21/22	FY22/23+
\$339K	\$536K	\$536K

10

Community Services Department

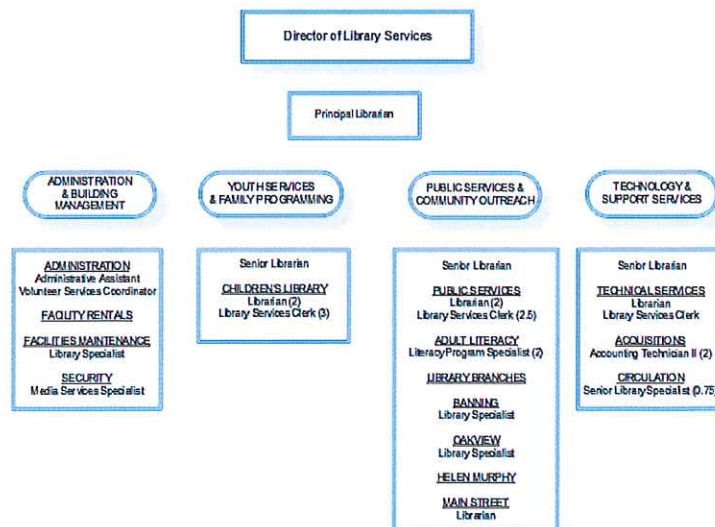
Table of Organization – Current FY 2020/21 Adopted Structure



11

Library Services Department

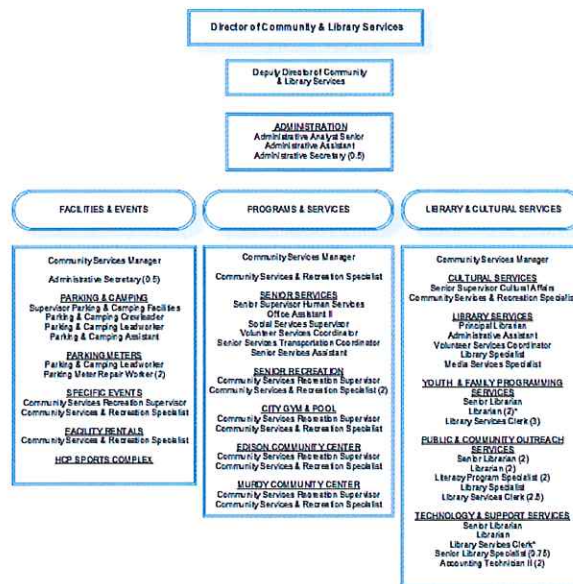
Table of Organization – Current FY 2020/21 Adopted Structure



12

Community & Library Services Department

Table of Organization – Proposed FY 2020/21 Reorganization



13

Public Works Department

Large-scale reorganization in Public Works

Position Reductions

- Accounting Tech II
- Beach Equipment Operator
- General Services Manager
- Landscape Maint Leadworker
- Mechanic II
- Signs & Markings Crewleader
- Signs Leadworker
- Signs/Markings Equip Operator
- Street Equip Operator
- Survey Party Chief
- Tree Equip Operator
- Water Quality Supervisor

Position Additions

- Administrative Analyst
- Deputy Director of Public Works

Additional Adjustments

- Rehire 6 retirees as 960 employees to fill permanent positions temporarily to realize savings and address business continuity needs
- Upgrade Maintenance Ops Manager to Operations Manager
- Upgrade Project Manager to Admin Services Manager
- Upgrade Water Distribution Supervisor to Water Distribution Superintendent

Additional Adjustments (continued)

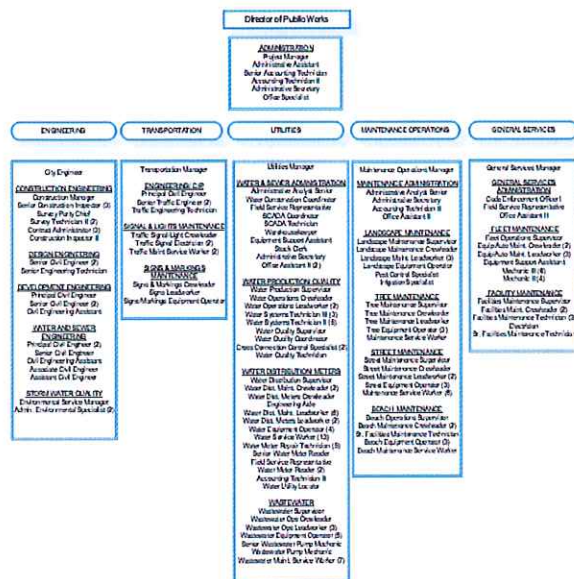
- Reclassify SCADA Coordinator to Utilities Technology Coordinator
- Rename Office Specialist with Office Assistant II
- Downgrade Equip Support Assistant to Stock Clerk
- Add 2 GIS Analyst II from Info Svcs
- Add Park Development Project Coordinator from Community Services
- Add Real Estate & Project Mgr from Community Development
- Realign certain GF-funded positions into appropriate restricted funding sources to perform program eligible services

FY 20/21 Total Funded Department FTEs		
Adopted FTE	Net Change	Revised FTE
207.00	-7.00	200.00

Estimated Net General Fund Savings		
FY20/21	FY21/22	FY22/23+
\$3.5M	\$5.2M	\$5.2M

14

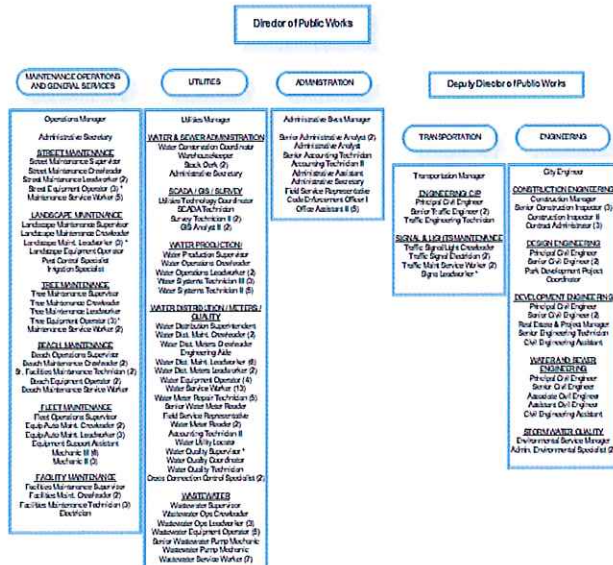
Table of Organization – Current FY 2020/21 Adopted Structure



15

Public Works Department

Table of Organization – Proposed FY 2020/21 Reorganization



16

Finance Department

Institute several modest operational adjustments

Position Reductions

- Finance Manager – Budget
- Accounting Technician II - AP
- Senior Payroll Technician

Additional Adjustments

- Upgrade Buyer position to Senior Buyer
- Upgrade Senior Accounting Tech to Accounting Tech Supervisor
- Add Sr. Info Tech Analyst from Information Services Dept to support Finance technology needs

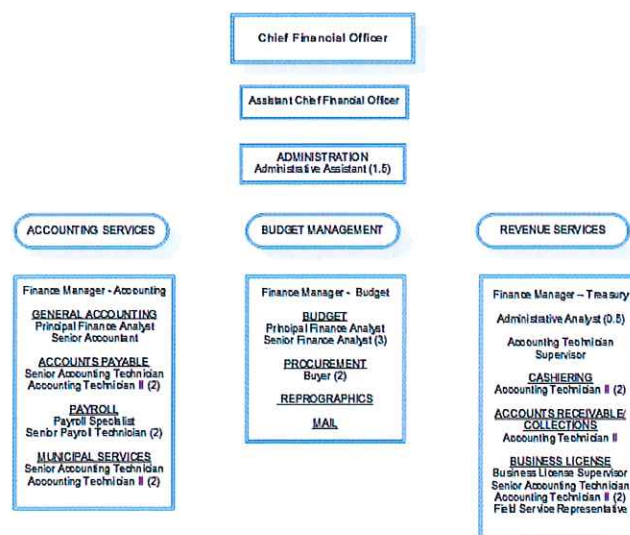
FY 20/21 Total Funded Department FTEs		
Adopted FTE	Net Change	Revised FTE
33.00	-2.00	31.00

Estimated Net General Fund Savings		
FY20/21	FY21/22	FY22/23+
\$75K	\$112K	\$112K

17

Finance Department

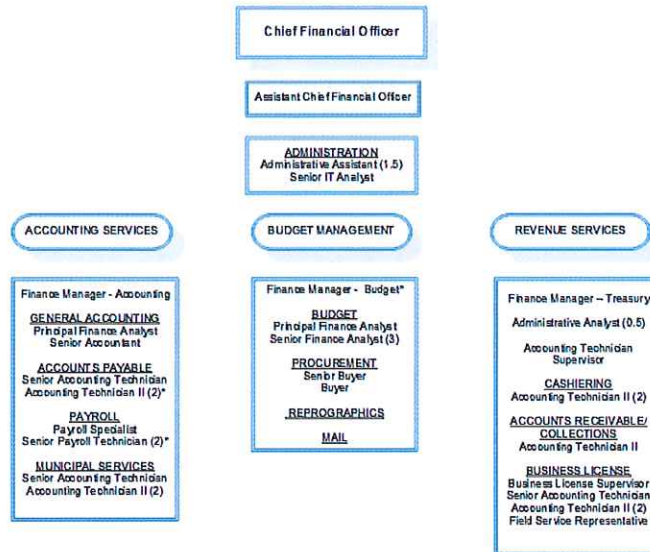
Table of Organization – Current FY 2020/21 Adopted Structure



18

Finance Department

Table of Organization – Proposed FY 2020/21 Reorganization



19

Community Development Department

Redirect vacated resources to enhance housing, ED, and permitting functions.

Position Reductions

- Associate Planner
- Building Inspector II
- Inspection Supervisor
- Plan Check Engineer

Position Additions

- Administrative Aide
- Economic Development Manager
- Housing Manager
- Senior Permit Technician

Additional Adjustments

- Rehire 3 retirees as 960 employees to fill permanent positions temporarily to realize savings and address business continuity needs
- Upgrade Permit & Plan Check Supervisor to Permit & Plan Check Manager
- Add a GIS Analyst II from Info Svcs Dept
- Move the Real Estate & Project Manager to Public Works

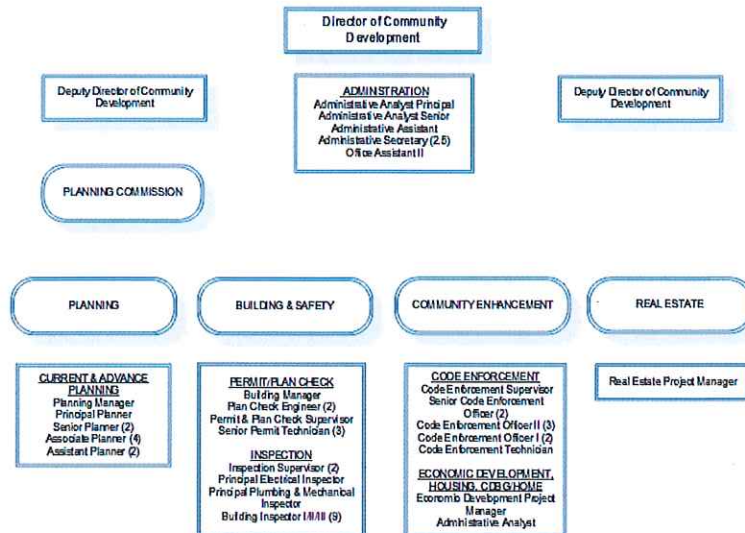
FY 20/21 Total Funded Department FTEs		
Adopted FTE	Net Change	Revised FTE
51.50	0.00	51.50

Estimated Net General Fund Savings		
FY20/21	FY21/22	FY22/23+
\$119K	\$179K	\$179K

20

Community Development Department

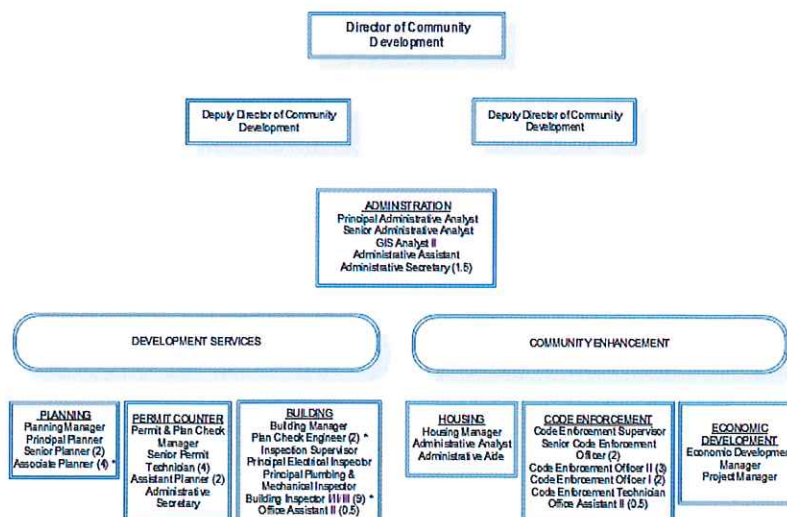
Table of Organization – Current FY 2020/21 Adopted Structure



21

Community Development Department

Table of Organization – Proposed FY 2020/21 Reorganization



22

Fire Department

Strengthen marine safety and community risk reduction efforts

Position Reductions

- Administrative Assistant
- Administrative Secretary

Position Additions

- Principal Administrative Analyst
- Marine Safety Captain (2 FTEs)

FY 20/21 Total Funded Department FTEs			
	Adopted FTE	Net Change	Revised FTE
Safety	141.00	-5.00*	136.00
Misc	52.00	-1.00	51.00
Total	193.00	-9.00	187.00

* Safety positions temporarily funded with a 960

Additional Adjustments

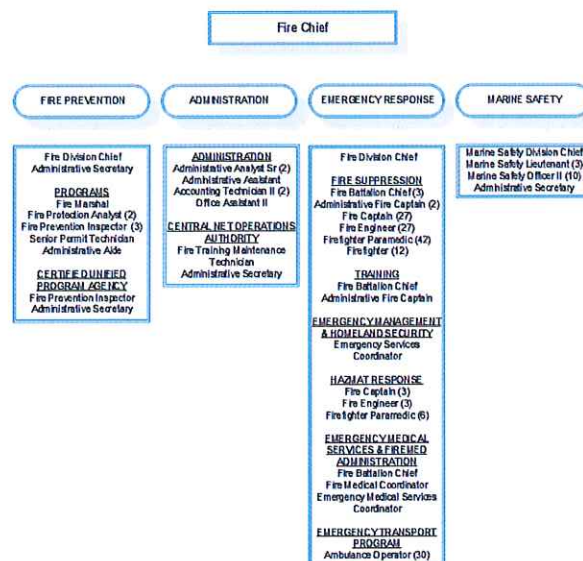
- Rehire 10 retirees as 960 employees to fill permanent positions temporarily to realize savings and address business continuity needs
- Upgrade Senior Permit Technician to Fire Safety Program Specialist
- Replace 4 SCLEA PT positions with 4 new ¾ Ocean Lifeguard Specialist positions
- Realign positions within the Professional Standards division as a part of the department's long-term strategic goal to achieve Accredited Agency status from the Center for Public Safety Excellence (CPSE)

Estimated Net General Fund Savings		
FY20/21	FY21/22	FY22/23+
\$565K	-\$37K	-\$163K

23

Fire Department

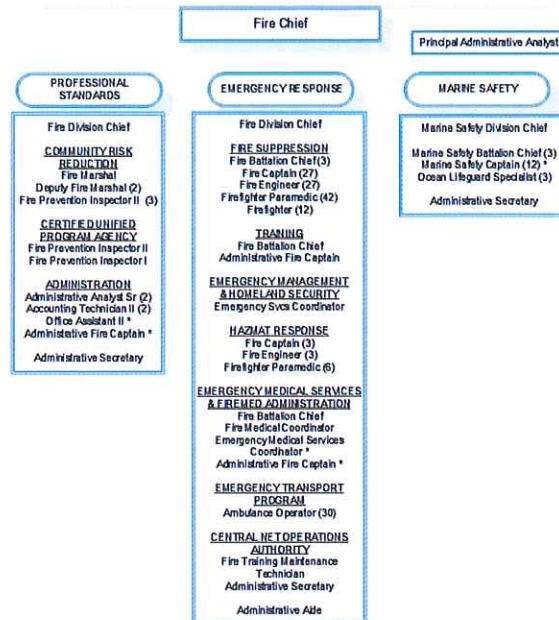
Table of Organization – Current FY 2020/21 Adopted Structure



24

Fire Department

Table of Organization – Proposed FY 2020/21 Reorganization



25

Police Department

Utilize vacated positions to strengthen law enforcement and homeless response.

Position Reductions

- Crime Scene Investigator
- Detention Administrator
- Latent Fingerprint Examiner (0.5 FTE)
- Parking/Traffic Control Officer
- Police Photo/Imaging Specialist
- Police Records Technician
- Police Services Specialist

Position Additions

- Police Support Services Manager
- Community Relations Specialist
- Community Relations Officer
- Police Lieutenant
- Police Sergeant

Additional Adjustments

- Rehire 6 retirees as 960 employees to fill permanent positions temporarily to realize savings and address business continuity needs
- Reassign Info Tech Analyst II, Info Tech Analyst IV, and Info Tech Technician IV from Info Svcs Dept to support Police technology needs

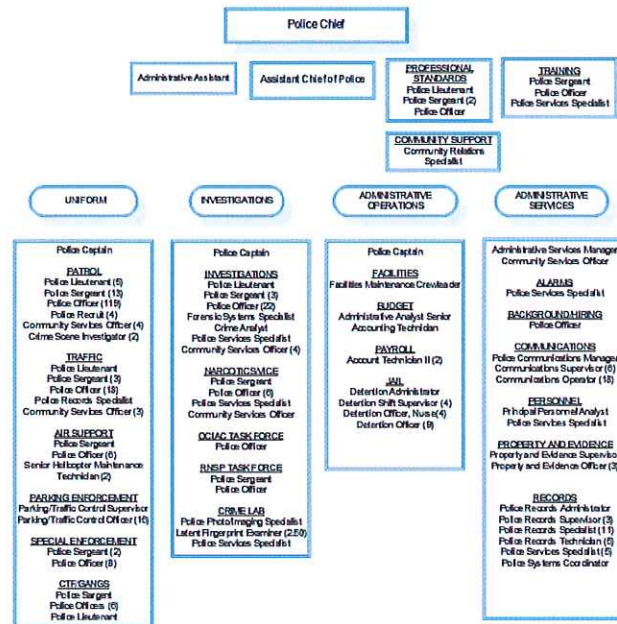
FY 20/21 Total Funded Department FTEs			
	Adopted FTE	Net Change	Revised FTE
Safety	223.00	0.00	223.00
Misc	122.50	-2.50	120.00
Total	345.50	-2.50	343.00

Estimated Net General Fund Savings		
FY20/21	FY21/22	FY22/23+
\$585K	-\$329K	-\$459K

26

Police Department

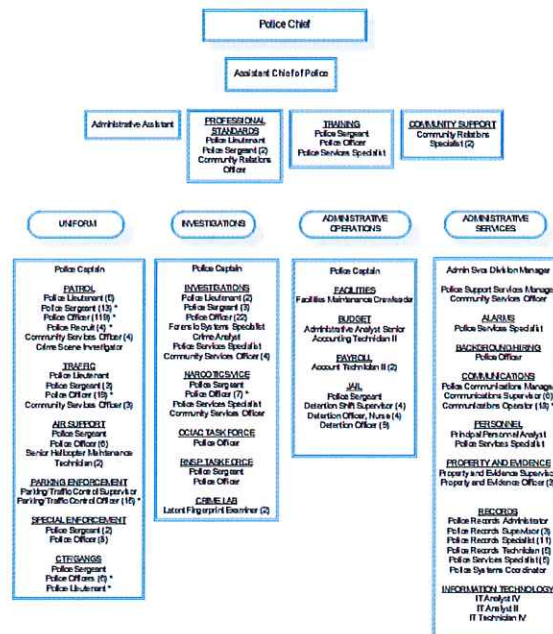
Table of Organization – Current FY 2020/21 Adopted Structure



27

Police Department

Table of Organization – Proposed FY 2020/21 Reorganization



28

Citywide FTE by Department

Department	Adopted FTE FY20/21	Net Change	Revised FTE FY20/21
City Council	1.00	-	1.00
City Attorney	11.00	-	11.00
City Clerk	4.00	-	4.00
City Treasurer	2.00	-	2.00
City Manager	9.00	-1.50	7.50
Administrative Services	43.00	-10.00	33.00
Community Development	51.50	-	51.50
Community & Library Services	64.25	-4.00	60.25
Finance	33.00	-2.00	31.00
Fire	193.00	-6.00	187.00
Police	345.50	-2.50	343.00
Public Works	207.00	-7.00	200.00
Total Citywide FTEs	964.25	-33.00	931.25

29

General Fund Savings Summary (in thousands)

Department	FY20/21*	FY21/22	FY22/23+
City Manager	\$246	\$369	\$369
Administrative Services	\$560	\$840	\$840
Community Development	\$119	\$179	\$179
Community & Library Services	\$339	\$536	\$536
Finance	\$75	\$112	\$112
Fire	\$565	-\$37	-\$163
Police	\$585	-\$329	-\$459
Public Works	\$3,480	\$5,220	\$5,220
Total General Fund Savings	\$5,970	\$6,890	\$6,634

* Fiscal Year 2020/21 Savings represents eight months of savings only.

30

FY 2020/21 Budgetary Position After Restructure (in thousands)

	Projected FY20/21
Revenues	\$223,041
Expenditures less UAL	194,026
CalPERS UAL	28,466
Total Expenditures	222,492
Surplus	\$549

31

Future Fiscal Concerns Still Exist

- **The fiscal impacts of COVID-19 for HB have been substantial and real, and staff is projecting a slow economic recovery**
- **As we look forward to the future, the City will have to contend with significant annual CalPERS Unfunded Accrued Liability (UAL) pension cost increases**
 - UAL payments will increase by ~\$10 M annually within the next 4-years
- **To address the future financial situation, the City will have to consider further cuts, revenue adjustments, and a possible refinancing of our future UAL pension costs**
 - Prior to COVID-19, staff had explored the option of lowering future UAL costs by refinancing existing debt loads

32

Refinancing Our Pension Debt

- **The City's current outstanding UAL pension liability stands at \$419.2 M**
 - We've modeled future UAL costs if we refinance 100%, 90%, and 80% of our overall pension debt
- **A historically low interest rate environment provide a unique opportunity to refinance at ~3.5% versus the current 7% CalPERS rate**
- **Of note, during the past several months, numerous agencies in California have started utilizing the refinance option**
 - During the past year, 28 agencies have issued / are in the process of refinancing UAL pension debt
 - Of note, the City recently achieved ~\$6.7M in budgetary savings when we refinanced our 2010A and 2011A Lease Revenue Bonds
- **The City also has worked on development of a pension stabilization reserve policy**
 - Contribute a minimum of \$1 million to the Section 115 Trust
 - Set-aside an additional 50% of any GF surplus at year-end in the Section 115 Trust

33

Long Term Financial Plan

Current Situation

(in thousands)

	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	\$223,041	\$228,439	\$233,277	\$237,529	\$241,260
Expenditures less UAL	194,026	202,278	207,098	211,327	214,960
CalPERS UAL	28,466	32,501	34,948	36,465	38,149
Total Expenditures	222,492	234,780	242,046	247,792	252,109
Surplus (Deficit)	\$549	-\$6,341	-\$8,769	-\$10,263	-\$11,849

34

Long Term Financial Plan

Refinance 100% of our UAL Debt Load

(in thousands)

	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	\$223,041	\$228,439	\$233,277	\$237,529	\$241,260
Expenditures less UAL	194,026	202,278	207,098	211,327	214,960
CalPERS UAL	28,466	-	-	-	-
POB	-	25,268	25,268	25,268	25,268
Total Expenditures	222,492	227,547	232,366	236,595	240,228
Surplus	\$549	\$892	\$911	\$934	\$1,031

35

Long Term Financial Plan

Refinance 90% of our UAL Debt Load

(in thousands)

	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	\$223,041	\$228,439	\$233,277	\$237,529	\$241,260
Expenditures less UAL	194,026	202,278	207,098	211,327	214,960
CalPERS UAL	28,466	3,419	3,419	3,419	3,419
POB	-	22,934	22,934	22,934	22,934
Total Expenditures	222,492	228,632	233,451	237,679	241,313
Surplus (Deficit)	\$549	-\$192	-\$173	-\$151	-\$53

36

Long Term Financial Plan

Refinance 80% of our UAL Debt Load

(in thousands)

	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	\$223,041	\$228,439	\$233,277	\$237,529	\$241,260
Expenditures less UAL	194,026	202,278	207,098	211,327	214,960
CalPERS UAL	28,466	6,837	6,837	6,837	6,837
POB	-	20,389	20,389	20,389	20,389
Total Expenditures	222,492	229,505	234,324	238,553	242,186
Surplus (Deficit)	\$549	-\$1,065	-\$1,047	-\$1,024	-\$926

37

Next Steps

- Adopt the attached resolutions and corresponding MOU side letters with MEO, HBMT, and MSMA
- Authorize the City Manager to take all administrative and budgetary actions necessary to implement the Citywide reorganization plan

38

Questions?