

**Finance Commission**  
**Thursday, October 30, 2019**  
**7:00 PM**  
**SPECIAL MEETING AGENDA**

**City of Huntington Beach**  
**2000 Main Street**  
**Huntington Beach, CA 92648**  
**Room B-7, Lower Level**



Dahle Bulosan, Acting Chief Financial Officer  
Sunny Rief, Acting Assistant Chief Financial Officer  
LINDA WINE, Finance Administrative Assistant  
THUY VI, Finance Administrative Assistant

RON STERUD, Chair  
FRANK LO GRASSO, Vice-Chair  
CHARLIE BUNTEN, Commissioner  
STEPHANIE GLEDHILL, Commissioner  
JAY HUDSON, Commissioner  
LAURA ROMERO, Commissioner  
GRACEY VAN DER MARK, Commissioner

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**A. CALL TO ORDER / ROLL CALL / PLEDGE OF ALLEGIANCE**

**B. PUBLIC COMMENTS**

Anyone wishing to speak during PUBLIC COMMENTS must fill out and submit a form to speak. The Finance Commission can take no action on this date, unless the item is agendized. Anyone wishing to speak on items not on today's agenda, may do so during PUBLIC COMMENTS. Please note comments on closed public hearing items will not be part of the permanent entitlement record. Speakers on items scheduled for PUBLIC HEARING will be invited to speak during the public hearing. (3 MINUTES PER PERSON, NO DONATING OF TIME TO OTHERS)

**C. APPROVAL OF MINUTES**

1. Finance Commission Meeting Minutes of July 24, 2019 – approval requested.
2. Finance Commission Meeting Minutes of September 25, 2019 – approval requested.

**D. PRESENTATIONS**

CalPERS Unfunded Accrued Liability presentation by City Manager Oliver Chi.

**E. DISCUSSION ITEMS AND POTENTIAL RECOMMENDATIONS**

**F. COMMISSIONER COMMENTS**

**G. ADJOURNMENT**

The next regularly scheduled meeting of the Finance Commission is Wednesday, November 20, 2019, at 5:00 p.m., Lower Level Caucus Room, Huntington Beach, California.

**INTERNET ACCESS TO THE FINANCE COMMISSION AGENDA AND STAFF REPORT MATERIAL IS AVAILABLE PRIOR TO FINANCE COMMISSION MEETINGS AT: <https://huntingtonbeach.legistar.com/>**

**MEETING ASSISTANCE NOTICE:**

In accordance with the Americans with Disabilities Act, services are available to members of our community who require special assistance to participate in public meetings. If you require special assistance, 48-hour prior notification will enable the City to make reasonable arrangements for an assisted listening device (ALD) for the hearing impaired, American Sign Language interpreters, a reader during the meeting and/or large print agendas. Please contact the Finance Department at 714-536-5200 for more information, or request assistance from the recording secretary at the meeting.



## MINUTES FINANCE COMMISSION

Wednesday, July 24, 2019 - 5:00 P.M.  
City of Huntington Beach  
Civic Center – Lower Level Conference Room #B-7  
2000 Main Street  
Huntington Beach, CA 92648-2702

Interim Chair Lo Grasso called the meeting to order at 5:00 p.m. and led the Pledge of Allegiance.

MEMBERS PRESENT: Lo Grasso; Bunten; Romero; Van Der Mark

MEMBERS ABSENT: Sterud; Hudson; Gledhill

STAFF PRESENT: Chuck Adams, Interim Chief Financial Officer  
Carol Molina-Espinoza, Acting Assistant Chief Financial Officer  
Dahle Bulosan, Finance Manager – Accounting  
Paulina Flores, Senior Finance Analyst – Budget Management  
Thuy Vi, Administrative Assistant, Finance  
Linda Wine, Administrative Assistant, Finance

**ORAL COMMUNICATIONS** – Ellen Riley spoke regarding the City's Pension Liability, and requested a discussion. Interim Chief Financial Officer Chuck Adams indicated that this item was not on the agenda, and could not be discussed by the Finance Commission.

### **MINUTES**

**Motion: Moved by Bunten and seconded by Lo Grasso to approve the Finance Commission Meeting Minutes dated May 22, 2019, as presented**

Ayes: Lo Grasso; Bunten; Romero; Van Der Mark

Noes: None

Abstain: None

Absent: Sterud; Hudson; Gledhill

**Approved: 4-0-3 (Sterud, Hudson, Gledhill-Absent)**

**Motion: Moved by Bunten and seconded by Lo Grasso to approve the Finance Commission Meeting Minutes dated June 26, 2019, as presented**

Ayes: Lo Grasso; Bunten; Van Der Mark

Noes: None

Abstain: Romero

Absent: Sterud; Hudson; Gledhill

**Approved: 3-0-4 (Romero-Abstain, Sterud, Hudson, Gledhill-Absent)**

Due to lack of quorum, the approval of the Finance Commission Minutes dated June 26, 2019 will be moved to the next Finance Commission meeting.

## **DIRECTOR ITEMS**

Adams stated that Carol Molina-Espinoza (Acting Assistant Chief Financial Officer) and Dahle Bulosan (Finance Manager – Accounting) would each be giving today's presentation.

## **DISCUSSION ITEMS**

- a. Staff will give a presentation on *Budget Balancing Options* and the *Master Fee and Charges Schedule and Other Revenue Adjustments*

Molina-Espinoza gave an overview of the City's *Budget Balancing Options*. She discussed the City Council Actions regarding the Transient Occupancy Tax (TOT), the Public Cable Television Authority (PCTA) and the Citywide Master Fee and Charges Schedule. She noted that the Finance Commission recommended "No" to increasing the TOT by 1%. She said that on January 22, 2019, the City Council approved a new agreement with Visit Huntington Beach (VHB), which allows the City to retain 1% of the total 10% of the City's TOT. Adams noted that visitors paid 13% last year, which increased to 14% this year.

Molina-Espinoza also discussed the PCTA. She said that on January 22, 2019, the City Council approved the City's PCTA membership termination, effective July 23, 2019. She said that the City established a new restricted fund to continue public television programming. Molina-Espinoza noted that budget projections indicate that the membership termination would result in an expenditure reduction of \$350,000.

Bulosan presented the *Master Fee and Charges Schedule and Other Revenue Adjustments*. He compared the fee changes in Citywide Fees and Charges and Parking Citations recommended by the Finance Commission with those that were approved by City Council. Bulosan noted that at the August 6, 2018 Budget Balancing Study Session, the Finance Commission recommended fee increases of \$1,117,000. On December 17, 2018, the City Council approved \$1,177,500 in fee increases, which was a \$60,500 increase over the Finance Commission's recommendations.

## **COMMISSIONER COMMENTS**

Commissioner Bunten said that there were many Finance Commission recommendations to City Council that were not addressed in the two presentations, such as cannabis, animal shelter and Black Fiber. Molina-Espinoza noted that those items were still under review. Interim Chair Lo Grasso asked if City Council's decisions on the pending items would be presented to the Finance Commission, and Molina-Espinoza confirmed they would. Lo Grasso asked for an update on the Finance Commission's recommendation to the City Council to request a RFP to outsource IT. Molina-Espinoza said that City Council has discussed the matter, but is uncertain if it is going to be on a future City Council agenda. Lo Grasso asked that the Finance Commission be kept updated.

Bunten requested a line by line item memorandum listing all the Finance Commission subcommittee recommendations, and staff recommendations and the City Council's responses to each item. Lo Grasso noted that approximately half of the Finance Commission's recommendations were addressed in tonight's presentations, and that he would like to see the disposition of all of the items.

Adams noted that he would not be in attendance at the Finance Commission meeting scheduled for August 28, 2019. Commissioner Van Der Mark also said that she would not be able to attend in August.

**Motion: Moved by Bunten and seconded by Romero to cancel the Finance Commission meeting scheduled for August 28, 2019**

Ayes: Bunten; Romero; Van Der Mark

Noes: Lo Grasso

Abstain: None

Absent: Sterud; Hudson; Gledhill

***Approved by Majority: 3-1-3 (Lo Grasso-No, Sterud, Hudson, Gledhill-Absent)***

Lo Grasso asked each Commissioner to talk to their appointing Council Member regarding what they would like to see the Finance Commission address at the next meeting.

**ADJOURNMENT** – There being no further business, the meeting adjourned at 5:45 p.m.

Submitted by:

Chuck Adams, Interim Chief Financial Officer

By: Linda Wine, Administrative Assistant, Finance Department  
Thuy Vi, Administrative Assistant, Finance Department



## MINUTES FINANCE COMMISSION

Wednesday, September 25, 2019 - 5:00 P.M.  
City of Huntington Beach  
Civic Center – Lower Level Conference Room #B-7  
2000 Main Street  
Huntington Beach, CA 92648-2702

Chair Sterud called the meeting to order at 5:00 p.m. and led the Pledge of Allegiance.

MEMBERS PRESENT: Sterud; Lo Grasso; Bunten; Van Der Mark; Gledhill, Hudson

MEMBERS ABSENT: Romero

STAFF PRESENT: Chuck Adams, Interim Chief Financial Officer  
Carol Molina, Acting Assistant Chief Financial Officer  
Dahle Bulosan, Controller  
Paulina Flores, Acting Finance Manager - Budget  
Thuy Vi, Administrative Assistant, Finance  
Linda Wine, Administrative Assistant, Finance

**ORAL COMMUNICATIONS** – None

### **MINUTES**

**Motion: Moved by Bunten and seconded by Gledhill to approve the Finance Commission Meeting Minutes dated June 26, 2019, as presented**

Ayes: Sterud, Lo Grasso; Bunten; Van Der Mark; Gledhill

Noes: None

Abstain: Hudson

Absent: Romero

**Approved: 5-0-2 (Hudson- Abstain, Romero-Absent)**

**Motion: Moved by Lo Grasso and seconded by Bunten to approve the Finance Commission Meeting Minutes dated July 24, 2019, as presented**

Ayes: Lo Grasso; Bunten; Van Der Mark

Noes: None

Abstain: Sterud, Gledhill, Hudson

Absent: Romero

**Approved: 3-0-4 (Sterud, Gledhill, Hudson-Abstain, Romero-Absent)**

Due to a lack of quorum, the approval of the Finance Commission Minutes dated July 24, 2019 will be moved to the next Finance Commission meeting.

### **DIRECTOR ITEMS**

Chuck Adams, Interim Chief Financial Officer, stated that Carol Molina, Acting Assistant Chief Financial Officer, and Dahle Bulosan, City Controller, would each be giving today's presentation

## **DISCUSSION ITEMS AND POTENTIAL RECOMMENDATIONS**

1. Finance staff will provide an update of the budget balancing recommendations that the Finance Commission provided to the City Council and the City Council's response.

Molina discussed the "Budget Balancing Options – Update." She noted that the City Council directed the Finance Commission to "review budget balancing revenue options from staff, and make recommendations to the City Council for approval." The Finance Commission Sub-Committee Recommendations were submitted to Finance Staff on June 27, 2018. Finance presented the Finance Commission's (FC) recommendations along with staff recommendations to the City Council at the August 6, 2018 Study Session. The City Council has taken action on some recommended items, no action on some items, and some items are still in progress.

Molina discussed recommended tax increases. The City Council and the FC recommended "No" to increasing the Transient Occupancy Tax (TOT) by 1%. The Visit Huntington Beach Business Improvement District (VHB) increased the TOT tax from 3% to 4% in February of 2019. The City Council approved an agreement with VHB that allowed the City to retain a 1% share, which resulted in a \$1.1 M in expenditures savings to the City. Molina noted that the FC recommended "No" to increasing the General Sales Tax from 7.75% to 8%, and Special Sales Tax for Public Safety from 7.75% to 8.75%. The City Council did not take action on either item.

Bulosan discussed increases in Citywide Fees and Charges. The FC recommended increases to Parking Fines and Citations, and the City Council approved increases. The FC recommended an \$1.75 rate for parking meter fees, and the City Council adopted an increase to \$2.00 per hour, year round (metered parking only). Bulosan noted that the FC voted for 100% cost recovery on massage parlors and entertainment permit fees, and that the City Council approved a five-year phase in plan for cost recovery. As a result, cost recovery increased from 74% to 75%.

Bulosan stated that the FC recommended full cost recovery for Independent Outside Contracts, such as Animal Services Contract with Orange County. Effective September 1, 2018, the Orange County Board of Supervisors increased fees for an Unaltered License from \$100 to \$159 (full cost recovery), and Altered License from \$27 to \$28. Molina noted that the fees collected by the County help offset expenditures that the City pays to the County for multiple services. Bulosan indicated that no action was taken by the City Council as the County adopts and collects these fees.

Molina discussed the Commercial Refuse Finance Franchise Fee, on which the FC recommended a "No" vote to increase the current 5% rate to 7-10%; the City Council took no action on this item. She reviewed the Dark Fiber Leasing Fee options, which had projected revenue of \$380,000. The FC recommended a "Yes" vote for the program. Molina noted that the City's Information Services Department is developing a Citywide Fiber Strategic Plan, and will return with recommendations.

Staff recommended exploring options regarding use of Public Cable Television Authority (PCTA) Cable Use and Franchise Fees. The FC voted "Yes" to moving forward with ending the City's membership in the PCTA and to bring programming services in house. The City Council terminated the City's membership on July 23, 2019. The City is currently fully managing its cable, public television and programming. Molina noted that the Huntington Beach had been paying nearly 70% of the PCTA's costs, despite sharing its services with the cities of Fountain Valley, Westminster and Stanton. The City will be able to retain restricted funds of approximately \$605,000 annually for Public, Education, Governmental (PEG) fees, and an estimated \$150,000 annually in unrestricted funds, which were formerly applied towards PCTA administrative costs. Chair Sterud inquired about fees that the PCTA refused to refund to the City and the lawsuit. Molina confirmed that there was a lawsuit in which the City participated in a mediation, and that

there has been a final determination, but will need to check with the City Attorney's office prior to disclosure of that amount.

Molina discussed Other Revenue Opportunities. Staff was directed to study and recommend revenue options that would include all cannabis related activities with no retail sales. Sterud noted that the FC had recommended a "Yes" vote on cannabis related revenue options with retail. Molina noted that the City Council discussed this item at the August 19, 2019 Study Session. Staff provided a variety of cannabis revenue options, and will be returning to the City Council for additional recommendations. Bunten asked, and Molina confirmed, that CBD oil is not a part of the restriction.

Molina also discussed Short Term Rental (STR) Revenue opportunities. Lo Grasso and Sterud noted that the FC recommended enforcement, fining the homeowners who violate the law, and creating revenue through fines. Molina stated that at the September 3, 2019 Study Session, staff explored fines as well as legalizing and restricting STRs. Potential revenue to legalize STRs was estimated to be a range of \$400,000 - \$800,000, depending on compliance, owner occupancy, or non-owner occupancy. Sterud clarified that the FC only recommended fines and enforcement of STRs, and outsourced enforcement would be cost-neutral. Molina noted that staff would be returning with recommendations to the City Council.

Molina noted that the FC voted "Yes" to sharing services with other cities, and that Huntington Beach now shares Public Safety Helicopter Services with the cities of Irvine (new), Newport Beach and Costa Mesa. General discussion was held regarding the FC's "Yes" recommendation to expand use of parking meters in Downtown Huntington Beach, and to install parking meters on streets not currently metered. Bunten requested a follow up on installing meters along the curb on Atlanta Avenue, on the north side of the Pacific City Apartments. The City Council took no action on the recommendation regarding other revenue opportunities.

Molina discussed CalPERS employee cost sharing, noting that the Police Management Association (PMA) employee group currently pays 12% and the Huntington Beach Firefighters' Association (HBFA) employee group pays 11% of those costs. Molina also gave an overview on Safety Departments (Police and Fire) and the FC's recommendation to reduce expenditures without reducing the number of staff in these departments. She discussed the FC's recommendations of how to reduce overtime expenditures in these departments, including the further implementation of non-sworn positions. She noted that the City is currently in early negotiations with Police Officers' Association (POA).

Molina discussed the City's "Special Pays," which is additional pay for Safety employees for Education, Field Training, Longevity, Uniforms and many other eligible categories. Commissioners Bunten and Gledhill requested that a "Special Pay" item be placed on the Finance Commission's October agenda. Adams noted that the Safety contracts will expire in December 2019.

It was noted that personnel costs are currently 72% of the City's General Fund Budget, and that the FC recommended beginning the process of staff reductions as vacancies occur. The City Council took no action on this recommendation.

Commissioner Gledhill asked how the City's "Special Pays" and Safety personnel compare to other cities; Vice Chair Lo Grasso also expressed interest in this item. Adams noted that the City is currently in negotiations with employee groups. Commissioner Hudson asked which City staff negotiated with the teams. Adams said the Human Resources Director negotiated for the City Council.

Molina discussed the "Spending Cap" on personnel services in future budget years. The FC recommended and voted "Yes" to begin the process of Staff reductions as vacancies occur. Molina stated no action has been taken. Sterud noted that we have started the process through Succession Planning.

2. As directed by the City Council, the FC is to study the impact of California Public Employee Retirement System's CalPERS) Environmental, Social or Governance (ESG) policy on Huntington Beach's unfunded pension liability, then report back to the City Council with an estimate of what amount of the City's unfunded liability is due to CalPERS' ESG policies.

Adams noted that Councilman Posey had added the above ESG topic as an "H" item to the City Council Agenda dated September 16, 2019. Adams requested that the FC form an Ad-Hoc Subcommittee to research this topic prior to the FC meeting scheduled for October 23, 2019. Adams asked the Subcommittee to research the impact of CalPERS' ESG policy on the City's Unfunded Actuarial Liability.

Sterud confirmed that the FC was being tasked with asking for no more than three volunteers who would meet twice prior to the October FC meeting. Commissioners Hudson, Van Der Mark and Gledhill volunteered. The Subcommittee will meet and research and report their findings and recommendations to the FC. The Sub-Committee will meet with Adams, Molina and Bulosan and scheduled their first meeting for Monday, October 9, 2019.

Sterud thanked Commissioners Hudson, Gledhill and Van Der Mark for accepting the Subcommittee roles.

### **COMMISSIONER COMMENTS**

Bunten thanked staff for the presentation. He stated that down the road, he would like to continue discussions on negotiations, and what we learned from the numbers that were projected and what we actually realized.

Gledhill suggested incentivizing residents to subscribe to utility billing auto pay by taking \$5.00 off their bill.

Lo Grasso requested an overview of the City's process in making large real estate purchases.

Sterud requested the following Agenda items:

1. Dark Fiber update - process and projected revenue
2. PCTA Mediation update
3. Short Term Vacation Rentals - revenue from enforcement
4. Special Pays / Total Compensation for Safety personnel - comparison to other cities
5. Large real estate purchases – internal process

**ADJOURNMENT** – There being no further business, the meeting adjourned at 6:39 p.m.

Submitted by:

Chuck Adams, Interim Chief Financial Officer

By: Linda Wine, Administrative Assistant, Finance Department  
Thuy Vi, Administrative Assistant, Finance Department