



MINUTES FINANCE COMMISSION

Wednesday, May 22, 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; Romero; Van Der Mark; Hudson;
Gledhill

MEMBERS ABSENT: None

COUNCIL MEMBERS
PRESENT: Mike Posey, City Council Member
Kim Carr, City Council Member
Lyn Semeta, City Council Member

STAFF PRESENT: Lori Ann Farrell Harrison, Interim City Manager
Travis Hopkins, Acting Assistant City Manager
Gilbert Garcia, Chief Financial Officer
Michele Warren, Director of Human Resources
Mike Vigliotta, Chief Assistant City Attorney
Dahle Bulosan, Finance Manager – Accounting
Thuy Vi, Administrative Assistant, Finance
Linda Wine, Administrative Assistant, Finance

ORAL COMMUNICATIONS – Bob Wentzel spoke in support of the Finance Commission. Cari Swan spoke regarding the May 5, 2019 City Council Study Session. Rob Pool spoke regarding the outsourcing of the Information Services Department.

MINUTES

Motion: Moved by Romero and seconded by Bunten to approve the Finance Commission Meeting Minutes dated April 24, 2019, as presented

Ayes: Sterud; Lo Grasso; Bunten; Romero; Van Der Mark; Hudson; Gledhill

Noes: None

Approved: 7-0

DIRECTOR ITEMS

- a. Chief Assistant City Attorney Michael Vigliotta provided a brief overview of The Brown Act.
- b. Gilbert Garcia, Chief Financial Officer, presented the highlights of the FY 2019/20 Proposed Budget (originally presented by the Finance Department at the May 6, 2019 City Council Meeting). He noted that the FY 2019/20 Proposed General Fund Budget totals \$231.8 million, a 1.5% increase from the FY 2018/19 Adopted Budget.

DIRECTOR ITEMS

- c. Human Resources Department FY 2019-20 Proposed Budget presentation: Chair Sterud requested that this item be moved, since Commissioner Van Der Mark needed to leave by 6:30 pm. Sterud proposed moving forward to Discussion Item (b).

After Discussion Item (b), Michele Warren, Director of Human Resources Department (HR), gave a presentation of her Department's FY 2019/20 Proposed Budget. She highlighted the duties and responsibilities of the HR Department and presented their Budget Reduction plans for FY 2019/20. She noted that the City's Workers Compensation is outsourced to AIMS. She also noted HR's focus on training. The Commissioners thanked Warren for her presentation.

DISCUSSION ITEMS

- b. The Finance Commission discussed their recommendation that the City Council do an RFP to research outsourcing Information Services (IS) while retaining City employees. Lori Ann Farrell Harrison, Interim City Manager, discussed the City Council's May 20, 2019 Budget Study Session, the discussion regarding the role of the Finance Commission and the Council's feedback regarding recent discussions on outsourcing City departments. Harrison asked the Commission if they could table the vote on outsourcing due to the concerns the City Council expressed at the Budget Study Session. Sterud expressed his desire to pursue the vote as agendaized. Harrison noted that HR and employee bargaining units would need to be involved in these types of conversations. Harrison stated that outsourcing would not change the City's Unfunded Liability, which represents money owed for prior service. Sterud said that the savings from outsourcing would be substantial going forward, possibly \$2-\$4 million. Harrison requested documentation as to the calculation of the potential \$2M-\$4M savings. Sterud referenced a casual conversation with a friend/vendor employed by an IT firm, and additional discussions he held with other IT vendors. Commissioner Van der Mark asked why there was a concern with outsourcing. Harrison explained that at least one outstanding City IS employee, working with public safety software systems, has resigned due to the concerns related to outsourcing.

Commissioner Gledhill questioned the \$2 million dollar savings that was mentioned by Commissioner Sterud. She said that as an IT professional, she knows that it is impossible to understand the depth and breadth of the IT Department so any dollar savings is not accurate. Gledhill stated that there is also an issue about our customized systems being supportable by an outsourced company. She stated that there is no guarantee that IT staff would stay and go to an outsourced company. Gledhill stated that we are not qualified to make a decision as to whether IT should or should not be outsourced. She asked why a strategic department like IT was being considered as a recommendation for outsourcing, and no other departments. Sterud indicated that the IT and HR are the two most outsourced departments in municipalities. Commissioner Bunten disagreed, and noted that outsourcing would not change our PERS unfunded liabilities. Farrell Harrison stated that outsourcing would not change the \$400 million unfunded liability because it is a liability for past services.

The Commission expressed the need to explore options for savings going forward, and stressed that positions would not be cut. Sterud said that he wanted to proceed with the Finance Commission's vote.

Motion: Moved by Sterud and seconded by Lo Grasso to recommend that the City Council request an RFP for Outsourcing IT services. The Vote was taken by Roll Call.

Ayes: Sterud; Lo Grasso; Van Der Mark; Hudson

Noes: Bunten, Romero, Gledhill

Approved: 4-3-0

DISCUSSION ITEMS

- a. Gilbert Garcia, Chief Financial Officer, will discuss the budget balancing recommendations that the Finance Commission provided to the City Council, and the City Council's response.

Motion: Moved by Bunten, seconded by Sterud, that Discussion Item a. be tabled to the June 26th Finance Commission Meeting.

Ayes: Sterud; Lo Grasso; Romero; Hudson; Bunten

Noes: None

Approved: 5-0-2 (Van Der Mark, Gledhill – Absent)

COMMISSIONER COMMENTS

Vice Chair Lo Grasso spoke of the negative comments made by City Council members at the Council Study Session on May 20, 2019.

Sterud and Lo Grasso thanked the members of the Finance Commission for their service.

ADJOURNMENT – There being no further business, the meeting adjourned at 7:34 p.m.

Submitted by:

Former Chief Financial Officer

By: Linda Wine, Administrative Assistant, Finance Department