



MINUTES FINANCE COMMISSION

Wednesday, September 23, 2020 - 5:00 P.M.
City of Huntington Beach
Zoom Webinar

Chair Lo Grasso called the meeting to order at 5:12 p.m. and led the Pledge of Allegiance.

MEMBERS PRESENT: Lo Grasso; Gledhill; Ray; McKeon

MEMBERS ABSENT: Hudson; Van Der Mark; Owen

STAFF PRESENT: Oliver Chi, City Manager
Dahle Bulosan, Chief Financial Officer
Sunny Rief, Assistant Chief Financial Officer
Serena Bubenheim, Acting Principal Analyst
Thuy Vi, Administrative Assistant, Finance
Linda Wine, Administrative Assistant, Finance

ORAL COMMUNICATIONS – (4:27) None.

MINUTES

(4:39) **Motion: Moved by Chair Lo Grasso and seconded by McKeon to approve the Finance Commission Meeting Minutes dated August 26, 2020, as presented**

Ayes: Lo Grasso; McKeon

Noes: None

Abstain: Gledhill; Ray

Absent: Hudson; Owen; Van Der Mark

Approved: 2-2-3 (Gledhill; Ray-Abstain; Hudson; Owen; Van Der Mark; -Absent)

DISCUSSION ITEMS AND POTENTIAL RECOMMENDATIONS

(6:22) Capital Lease Options

Chair Lo Grasso stated that he would like to table the discussion of Capital Lease Options to the October 2020 meeting for Vice-Chair Hudson to be present for the discussion.

(6:40) **Motion: Moved by Chair Lo Grasso and seconded by Ray to table the Capital Lease Options discussion to the October 2020 meeting**

Ayes: Lo Grasso; Gledhill; McKeon; Ray

Noes: None

Absent: Hudson; Owen; Van Der Mark

Approved: 4-0-3 (Hudson; Owen; Van Der Mark-Absent)

(12:30) Separation Incentive Program

City Manager Oliver Chi gave a presentation on the City's Separation Incentive Program (SIP) – see attached presentation. Chi stated that the SIP was developed to incentivize employees to separate from the City, offering \$1,500 for every year of service plus six months of health care coverage. Chi noted that 104 employees have signed up for the SIP, and after October 5, 2020 participation becomes irrevocable. Chi said that interim operational plans are being implemented to maintain continuity of service during the transition. Staff will present an overview of the restructuring plan to the City Council for review in November 2020.

COMMISSIONER ITEMS

(39:11) Gledhill stated that she would like to revisit regulating short-term rentals (STRs) so that the City can collect taxes. McKeon noted that STRs were discussed at the September 21, 2020 City Council meeting. Chi stated that the City Council directed staff to prepare an ordinance allowing and regulating home hosted STRs for City Council consideration in November 2020. Chi noted that for the Sunset Beach area, STRs would have a period of time to register with the City and would not be required to be home hosted.

(49:45) **Motion: Moved by Gledhill and seconded by Lo Grasso to discuss short-term rentals at the October 2020 meeting**

Ayes: Lo Grasso; Gledhill; McKeon; Ray

Noes: None

Absent: Hudson; Owen; Van Der Mark

Approved: 4-0-3 (Hudson; Owen; Van Der Mark-Absent)

COMMISSIONER COMMENTS – None

ADJOURNMENT

(51:08) **Motion: Moved by McKeon and seconded by Lo Grasso to adjourn the meeting at 6:02 p.m.**

Ayes: Lo Grasso; Gledhill; McKeon; Ray

Noes: None

Absent: Hudson; Owen; Van Der Mark;

Approved: 4-0-3 (Hudson; Owen; Van Der Mark-Absent)

Submitted by:

Dahle Bulosan, Chief Financial Officer

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

Finance Commission

Separation Incentive Program Update

Huntington Beach Finance Commission

September 23, 2020

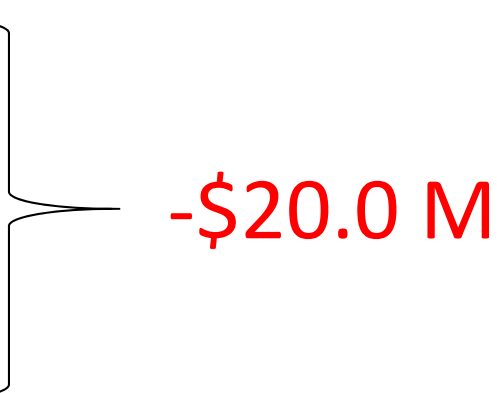


Background

Pandemic Induced Fiscal Challenge...

A \$20 M Drop In Anticipated Revenues

- COVID-19 has created a new reality of constrained revenues

– Pre COVID-19 FY 2019/20 revenue level –	\$236.9 M	
vs.		
– Updated FY 2019/20 revenue level –	\$218.5 M	
vs.		
> <u>Projected FY 2020/21 revenue level –</u>	<u>\$216.9 M</u>	

- As part of the budget response plan we developed for FY 20/21, it was identified that we needed to cut \$6.2 M in order to balance the budget

- We'll be monitoring the revenue situation closely these next few months

- Early projections indicate that our revenue position may be slightly better than initially imagined, with parking revenues and sales tax receipts trending higher
- Given the amount of stimulus and unemployment insurance dollars being deployed to bolster the economy, it's hard to accurately project how things will evolve moving forward, staff strongly believes we need to remain conservative

Future Pension Liabilities Also Need To Be Factored Into The City’s Fiscal Position

- The City’s overall financial position also includes significant pension liabilities that we need to consider



Separation Incentive Program (SIP) Overview

- **During the past several months, staff has been deploying the Separation Incentive Program within the City organization**

- SIP Overview

- > 100 individuals have expressed an interest in the program, and interested participants have until 10/5 to withdraw

- Concurrent to the SIP program deployment, Department Heads have been engaged in efforts to develop organizational restructuring plans

- > 3 Executive Team members will be leaving the City (Marie Knight, Stephanie Beverage, Behzad Zamanian), and we don't plan on refilling those positions

- > **City Manager's Office** to oversee **Human Resources** restructuring & **IT** service delivery model / restructuring

- > **Finance Department** reorganization plan

- > **Community Services + Library** will be blended into one department

- > **Public Works Department** to undergo a comprehensive restructuring initiative

- > **Fire Department** working to update Marine Safety Division

- > **Other department** are coordinating more minor internal adjustments

Separation Incentive Program Overview

Separation Incentive Program

Citywide Overview by Department

Department	Number of Employees
Public Works	30
Fire	23
Police	23
Community Development	7
Library Services	5
Community Services	4
City Manager's Office	3
Finance	3
Information Services	2
City Attorney's Office	0
City Clerk's Office	0
City Treasurer's Office	0
TOTAL	100

Separation Incentive Program
Citywide Overview by Association

Association	Number of Employees
HBMT	40
MEO	20
POA	15
HBFA	12
SCLEA	4
FMA	3
NA	3
MSMA	2
PMA	1
TOTAL	100

Separation Incentive Program
Citywide Overview by Sworn vs. Miscellaneous

Employee Breakdown	Number of Employees
Sworn	37
Miscellaneous	63
TOTAL	100

Separation Incentive Program
Cost Savings vs. Program Costs

Description	Number of Employees	<u>SIP Savings</u> Salary / Benefit Cost Savings	<u>SIP Costs</u> Payout Cost
Miscellaneous	63	\$6,480,153	\$3,032,874
Sworn	37	\$5,141,557	\$1,716,208
TOTAL	100	\$11,621,710	\$4,749,082

Restructuring Rollout Timeline / Next Steps

- **SIP Timeline**

- **October 5: SIP Revocation Deadline**

- > Employees have until October 5th to withdraw their SIP application
 - > After October 5th, SIP participation becomes irrevocable

- **Tentative Separation Dates**

- > August: 7 employees (7%)
 - > September: 12 employees (12%)
 - > October: 81 employees (81%)

- **Interim operational plans are being developed to maintain continuity of services during the transition**

Questions?