

**CITY OF NEWPORT BEACH  
FINANCE COMMITTEE  
OCTOBER 12, 2023, REGULAR MEETING MINUTES**

**I. CALL MEETING TO ORDER**

The meeting was called to order at 3:00 p.m.

**II. ROLL CALL**

PRESENT: Noah Blom, Mayor  
Joe Stapleton, Council Member  
Allen Cashion, Committee Member  
William Collopy, Committee Member  
Nancy Scarbrough, Committee Member

ABSENT: Will O'Neill, Chair (excused)  
Keith Curry, Committee Member (excused)

STAFF PRESENT: Grace K. Leung, City Manager; Jason Al-Imam, Finance Director/Treasurer; Michael Gomez, Deputy Finance Director; Shelby Burguan, Budget Manager; Jessica Nguyen, Budget Analyst; Eric Wilson, Budget Analyst; Abigail Marin, Budget Analyst; Jennifer Anderson; Purchasing & Contracts Administrator; Alan Rivera; Management Fellow; Jeff Boyles, Fire Chief; Brian McDonough, Battalion Chief; Brian O'Rourke, Assistant Chief, Lifeguards; Kristin Thompson, EMS Division Chief; Justin Carr, Assistant Chief; Raymund Reyes, Fire Administrative Manager and Brittany Cleberg, Administrative Assistant

MEMBERS OF THE PUBLIC: Jim Mosher  
Charles Klobe  
Larry Tucker

**III. PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Council Member Stapleton.

**IV. PUBLIC COMMENTS ON CONSENT CALENDAR**

Acting Chair Blom opened public comments on the consent calendar and non-agenda items.

Jim Mosher requested clarification regarding City debt service obligations, referencing the Harbor and Beaches Master Plan, Facilities Finance Plan, and the City's finance dashboard, and noted it may be helpful to the various City Committees to have further clarification of same so as not to misinterpret the data.

Mr. Mosher also commented on the minutes, requesting a grammatical correction on page one and expanded detail in the minutes document to reference the names of the Committee Members who are providing discussion comments.

Acting Chair Blom closed public comments, seeing no other who indicated they would like to speak.

**V. CONSENT CALENDAR**

**A. MINUTES OF SEPTEMBER 14, 2023**

**Recommended Action:**

Approve and file.

**MOTION:** Committee Member Scarbrough moved to approve the minutes of September 14, 2023, seconded by Committee Member Collopy, as amended. The motion carried as follows:

AYES: Cashion, Collopy, Scarbrough, Stapleton, Blom  
NOES: None  
ABSENT: Curry (excused), O'Neill (excused)  
ABSTAIN: None

**VI. CURRENT BUSINESS**

**A. OVERVIEW OF FIRE DEPARTMENT BUDGET**

**Recommended Action:**

Receive and file.

A presentation by Fire Chief Jeff Boyles and Administrative Manager Raymund Reyes provided an overview of the Fire Department Operations and Budget as detailed in the publicly noticed agenda report. Information presented included overview of the Department's organizational and asset structure, statistics for calls for emergency services, medical services, and medical transports, Fiscal Year 2023-24 approved budget enhancements including one new frontline ambulance, six new firefighter paramedic positions, conversion of part-time Recreation Coordinator to full-time, and conversion of part-time Life Safety Specialist III to full-time, overview of full-time and part-time positions and Firefighter to Firefighter-Paramedic conversions, breakdown of the Department's \$64,405,996 budget including divisional budgets and expenditures by category, contracts and services, Department overtime, and revenues.

Committee Member Collopy inquired as to why the Department contracts with MetroNet for dispatch center service. Chief Boyles responded it was a historical change dating back to the 1990's when the City broke away from the in-house combined Police and Fire dispatch center. Staff noted that it is more cost-effective to utilize the MetroNet joint powers authority.

Committee Member Scarbrough inquired as to the nature of the significant increases in calls for emergency services. Chief Boyles responded that the increases were not as much related to changes in population overall, but more as a result of the increasing numbers of residents who are "aging in place."

Acting Chair Blom noted for the record that the City has not seen a decrease in population, but rather a decrease in residency. Housing stock has not decreased. It was important to note that population data does not necessarily correlate with needs for emergency services.

Committee Member Collopy inquired if the Santa Ana Heights/Airport area station adequate to serve the number of residences in that area, particularly as related to calls related to actual fires. Chief Boyles responded the subject station was adequate and provided a summary of the station's current and projected future assets.

General discussion and comments ensued regarding the need for development agreements, as the proceeds are utilized to ensure the City has the appropriate complement of resources to provide for the community.

Committee Member Scarbrough inquired as to the breakdown of calls for resident versus non-residents. Chief Boyles responded that generally there are visitors and non-resident calls

during weekends and the summer season, but generally the majority of calls are for response into residential neighborhoods.

Committee Member Cashion inquired whether the displayed number for full-time Fire personnel reflected the total number of positions or whether there were other vacancies not included in that number. City staff confirmed the displayed number reflected the total number of budgeted positions, whether vacant or not.

Committee Member Collopy inquired as to why the displayed numbers for “Services Contract 811017” seem to fluctuate quite widely. Administrative Manager Reyes did not have an explicit answer, however, he stated he believed the fluctuations were due to the retention of nurse educator contractors utilized by the Department.

Committee and staff discussion ensued regarding minimum staffing level requirements and the related impacts on overtime costs to backfill positions and vacancies. It was noted that the State does reimburse the City in certain circumstances, including for some fuel costs and wear and tear on equipment. City staff confirmed it submits its own salary schedule to the State and is reimbursed based upon that information. It was also confirmed that City staff cannot “spike” their CalPERS pensions with overtime; pensions are based on the base salary.

Further discussion ensued regarding the relationship between full-staffing, with a minimum number of vacancies, and the impacts less than full-staffing has on the costs related to overtime due to minimum staffing level requirements. Chief Boyles stated that 35% of overtime was probably lower than industry standards for firefighters. Chief Boyles reported he is affirmatively pressing to get the Department fully staffed, and that only so many vacancies can be filled at one time due to training and supervision requirements.

Chief Boyles further elaborated that the Department would be close to fully staffed by January or February 2024. The Department has also been impacted due to the “Great Resignation” effect which began during the COVID-19 pandemic. Additionally, there are cost impacts due to resources required for new staff training “ramp up”, and he anticipates the overtime rate to remain consistent for the time being, with potential for reductions in Fiscal Year 2024-25.

Committee Member Collopy inquired as to the “right” number for overtime, relative to cost-effectiveness.

City staff confirmed all new employees hired in 2013 or after are considered “PEPRA” hires if they are not previous CalPERS members.

Committee Member Collopy expressed concern stating the amount of overtime appeared significantly large in comparison to the amounts budgeted each year. Finance Director/Treasurer Al-Imam indicated that the amount budgeted in prior years for overtime was based on anticipated savings from vacancies, which would offset budget overages incurred due to overtime. However, since 2023, the amount budgeted for overtime was increased to reflect the amount of anticipated overtime. It was noted that the implementation of PEPRA is resulting in overall decreases in costs.

Acting Chair Blom commented that Council policy and the City Manager have worked affirmatively to ensure there is appropriate recruitment and retention efforts throughout the organization while concurrently maintaining a balanced budget. He noted the City will still have to take the costs of living in California and other benefit package elements into consideration when reviewing and determining staffing needs for public safety. He reiterated the relationship between overtime costs and the challenges in filling public safety vacancies.

City Manager Leung also noted the City’s policy for accelerated hiring is helpful, but that Fire operations must plan for overtime due to the operational impacts of various factors such as minimum staffing levels, vacancies, vacations, emergencies, mutual aid, and injuries.

Acting Chair Blom stated the scope of this Committee is to generally focus on how the Departments are budgeting and how to respond to that financial budgeting. He commended the work of City staff in providing the appropriate budget adjustments in that regard. However, he did not believe it was within the scope of this Committee to get into the specifics of Fire operations and staffing.

Chief Boyles stated there were three elements contributing to the “sticker shock” of financial numbers from Fiscal Year 2021-22, including the impacts of COVID-19 illness quarantines, unprecedented back-to-back statewide fires, and the impacts of ambulance transport services during that time period.

Committee and staff discussion ensued regarding revenues, noting the City’s policy preference overall to employ conservative revenue projections. City staff confirmed that typically Fire Department revenues are not budgeted for, and then when received, the budget is amended to recognize the amount that is received. City Manager Leung confirmed staff will take a closer look at paramedic service fees as historical data is accumulated.

Acting Chair Blom opened public comment. Seeing no individuals who indicated they would like to speak, Acting Chair Blom closed public comment.

This item was received and filed. There was no further action taken.

**B. YEAR END BUDGET RESULTS AND SURPLUS ALLOCATION**

**Recommended Action:**

Review and discuss this report and provide any recommendations for consideration by the City Manager and City Council.

Budget Manager Burguan and Finance Director/Treasurer Al-Imam provided an overview of the Year End Budget Results. Information presented for the 2022-23 Fourth Quarter Financial report included actual General Fund revenues received, breakdowns for property tax, sales tax transient occupancy tax, other General Fund revenues, actual General Fund expenditures, General Fund Reserves, and Recommendations for allocations of the available surplus.

Committee Member Collopy inquired whether the City should continue to retain a sales tax consultant if in-house staff can provide the same knowledge and expertise as to sales tax information. City staff responded that their knowledge and insight is based upon the technical detail provided by the retained consultant.

Staff provided its recommendation for the allocation of the available \$11.6 million surplus, in a manner consistent with Council Policy F-5, which included an allocation of 50% of the surplus (\$5.8 million) toward the City’s OPEB liability and an allocation of 50% of the surplus (\$5.8 million) toward infrastructure or neighborhood capital improvements.

Acting Chair Blom opened public comment.

Charles Klobe inquired if the Porsche dealership is giving sales tax to Costa Mesa. City staff provided information regarding the allocation of sales tax, citing that the City of Costa Mesa receives the 1% sales tax if the contract was executed in Costa Mesa. City Manager Leung stated there was a general reduction in auto sales.

Jim Mosher stated he had no recommendations for Committee action and inquired as to the function of the City’s sales tax consultant, whether the consultant has special status to view sales tax information for specific businesses, and whether the City has access to that information separate from the consultant. City staff responded that certain sales tax information is protected by the State’s Revenue and Taxation Code, noting confidentiality provisions

related to how the information is aggregated when provided to the public. The consultant follows the same standards as City staff.

Larry Tucker inquired if City staff expected the budget surplus for next year would be in line with prior years. City Manager Leung responded that the size of the surplus is not yet known at this time.

Acting Chair Blom closed public comment.

Committee and staff discussion ensued regarding the proposal for allocation of 50% of the surplus (\$5.8 million) toward the City's OPEB liability versus toward pension liability, including the impacts of market conditions and trends.

**MOTION:** Committee Member Collopy moved to forward a recommendation to the City Council to allocate 50% of the \$11.6 million surplus (\$5.8 million) toward the City's OPEB liability and 50% of the surplus (\$5.8 million) toward infrastructure or neighborhood capital improvements, seconded by seconded by Committee Member Scarbrough. The motion carried as follows:

AYES:	Cashion, Collopy, Scarbrough, Stapleton, Blom
NOES:	None
ABSENT:	Curry (excused), O'Neill (excused)
ABSTAIN:	None

**C. BUDGET AMENDMENTS FOR QUARTER ENDING SEPTEMBER 30, 2023**

**Recommended Action:** Receive and file.

City staff provided a summary update of the information provided in the publicly noticed agenda report.

In response to an inquiry by a Committee Member, City staff noted that representatives from CalPERS would not be present during the CalPERS update scheduled for the November 9, 2023, meeting. There was general Committee consensus that a representative from CalPERS would not be required to be in attendance.

Acting Chair Blom opened public comment. Seeing none, Acting Chair Blom closed public comment.

This item was received and filed. There was no further action taken.

**D. WORK PLAN REVIEW**

**Recommended Action:** Receive and file.

A summary of items scheduled for upcoming meetings was provided as listed in the publicly noticed agenda report.

Acting Chair Blom opened public comment.

Jim Mosher expressed support for the Committee's upcoming review of the Fiscal Sustainability Plan and inquired as to whether there will be further review of the Financial Strategic Plan, as it was to be reviewed by the City every year. After dissolution of the City's Economic Development Committee, the plan has not been reviewed subsequent to the one review previously completed.

Acting Chair Blom closed public comment.

This item was received and filed. There was no further action taken.

**VII. ADJOURNMENT**

The Finance Committee meeting adjourned at 4:31 p.m.

Attest:

\_\_\_\_\_  
Will O'Neill, Chair  
Finance Committee

\_\_\_\_\_  
Date

DRAFT