



NEWPORT BEACH

City Council Staff Report

March 10, 2026
Agenda Item No. 5

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Resolution No. 2026-18 – Amending the Selection Process and Various Responsibilities of the Finance Committee

ABSTRACT:

The proposed resolution amends the structure, appointment process, qualifications and terms of the City's Finance Committee (Committee) based on recommendations from the Fiscal Transparency Ad Hoc Committee. The amendments are intended to enhance fiscal oversight by adding Committee members with relevant expertise, improve transparency by daylighting all Committee discussion items at City Council meetings, and ensure efficient use of staff time and resources.

The Committee would consist of five members, three Councilmembers appointed annually by the Mayor, and two citizen members, appointed by the Mayor and confirmed by the City Council. The resolution establishes enhanced professional qualification requirements for citizen appointees, implements two-year terms beginning July 1, 2026, allows for completion of the current budget cycle and includes transition provisions for current members.

RECOMMENDATIONS:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and
- b) Adopt Resolution No. 2026-18, *A Resolution of the City Council of the City of Newport Beach, California, Amending the Selection Process and Various Responsibilities of the Finance Committee.*

DISCUSSION:

The Committee was originally established by Resolution No. 94-110 on December 12, 1994. Since its creation, the City Council has periodically amended the Committee's structure and responsibilities to ensure continued fiscal stewardship and alignment with evolving best practices in municipal finance.

Periodic evaluation of advisory bodies ensures continued alignment with best practices and evolving governance needs.

On January 27, 2026, the City Council adopted Resolution No. 2026-05 establishing the Fiscal Transparency Ad Hoc Committee, composed of Mayor Lauren Kleiman and Councilmembers Sara Weber and Joe Stapleton. The Ad Hoc Committee was directed to evaluate ways to enhance transparency, accountability and the efficient use of City resources; broaden policy perspectives; increase public engagement in discussions regarding the City's fiscal governance and financial status; and make related recommendations to the full City Council.

The proposed amendments to the Committee are based on the input and direction provided by the Fiscal Transparency Ad Hoc Committee and are intended to address each of the directives outlined above. The discussion below explains the policy rationale for the proposed changes in relation to transparency, accountability, efficiency, policy perspective and public engagement.

Alignment with Ad Hoc Committee Directives

1. Transparency and Public Engagement

Committee meetings are subject to the Brown Act; however, public attendance at regular Committee meetings has historically been limited. In recent years, average in-person public attendance has generally consisted of approximately three members of the public or fewer, excluding staff and Committee members. While meetings are open and agendas publicly posted, discussion at the Committee level does not always generate the same level of public visibility or engagement as items agendized for full City Council consideration.

Over the past two years, the Committee has discussed a number of significant fiscal matters, including but not limited to long-range financial forecasts, quarterly budget updates, capital financing strategies, pension and other post-employment benefit (OPEB) funding strategies, internal audit updates, revenue projections, and investment policy matters. In several instances, these items were reviewed at the Committee level but were not subsequently presented to the full City Council as standalone discussion items, thereby limiting broader public visibility and recorded Council deliberation.

Under the proposed structure, the Committee will function more clearly as a technical working group, with key policy recommendations and major fiscal matters presented to the full City Council for discussion and action. This approach is intended to “daylight” significant financial topics at publicly televised Council meetings where a larger audience typically attends or participates remotely, thereby enhancing transparency and public engagement in the City's fiscal governance.

2. Accountability and Efficient Use of City Resources

The Committee currently meets approximately nine to 10 times per year. Each meeting requires substantial staff preparation, including agenda development, report drafting, financial analysis, coordination among departments, posting and noticing requirements, and attendance by executive and finance staff. Collectively, these meetings require a

significant number of staff hours annually in preparation and participation.

The proposed structure contemplates reducing the number of regular meetings to approximately five to six per year, focused on core fiscal planning milestones and technical review of major financial items. By streamlining the meeting schedule and clarifying the Committee's advisory role, the City can reduce duplicative presentations and better align staff resources with Council-level decision-making.

This modification is intended to improve the efficient use of City resources while preserving meaningful fiscal review and oversight.

3. Broadening Policy Perspectives and Enhancing Technical Expertise

Under the current structure, the enabling resolution recommends but does not require that citizen appointees possess financial credentials such as a CPA, CFA, business or finance degree, or other relevant designation. In practice, applicants for appointment have been required to submit a formal application for City Council consideration, including disclosure of their educational background, occupational history, civic experience, references and a résumé. The City Council has historically reviewed this information when making appointments.

While this process has provided transparency regarding applicants' qualifications, the existing resolution does not establish minimum qualification standards specific to finance or municipal fiscal oversight. As a result, the level and type of financial expertise represented on the Committee may vary depending on the applicant pool and the appointing Council's discretion at a given time.

The proposed resolution establishes enhanced qualification requirements for citizen appointees. Under the proposed structure, citizen members must possess demonstrated education, professional certification, or significant professional experience in finance, accounting, economics, business administration, public administration, investment management, or a closely related field.

Qualifying experience may include service in financial management, business, legal, consulting, or executive leadership roles involving financial oversight, budgeting, investments, fiscal policy, or similar responsibilities.

By codifying baseline qualification criteria within the enabling resolution, the proposed amendments are intended to formalize expectations for subject matter expertise and ensure consistent technical capacity on the Committee going forward. Establishing baseline financial qualifications is also intended to broaden policy perspectives by ensuring that fiscal discussions incorporate professional, real-world experience in budgeting, investments, and financial management, thereby enhancing the depth and diversity of policy analysis provided to the City Council. This change is designed to strengthen the Committee's ability to provide informed, experience-based fiscal analysis while preserving the City Council's discretion in evaluating and appointing qualified applicants.

Summary of Proposed Changes

The proposed resolution makes several substantive modifications to the Committee's structure and responsibilities, summarized below.

1. Committee Composition and Appointment Process

Current Structure (seven Members):

- Three Councilmembers appointed by the Mayor, subject to full Council approval.
- Four citizen appointees appointed individually by Councilmembers not serving on the Committee, subject to full Council approval. The enabling resolution recommends, but does not require, that appointees possess financial credentials, and does not establish mandatory minimum qualification standards.

Proposed Structure (five Members):

- Three Councilmembers appointed annually by the Mayor.
- Two citizen members with financial expertise, vetted by a City Council committee, appointed by the Mayor, and confirmed by the full City Council.

The proposed structure reduces the Committee from seven to five members and eliminates the practice of individual Councilmembers directly appointing a designated citizen representative. Instead, citizen members will be selected through a City Council–wide appointment process of noticing the vacancies, vetting applications, and interviewing qualified applicants, consistent with Council Policy A-2.

2. Citizen Appointee Qualifications

The proposed resolution establishes enhanced qualification requirements for citizen appointees. Under the proposed structure, citizen members must possess demonstrated education, professional certification, or significant professional experience in finance, accounting, economics, business administration, public administration, investment management, or a closely related field.

Qualifying experience may include service in financial management, business, legal, consulting, or executive leadership roles involving financial oversight, budgeting, investments, fiscal policy, or similar responsibilities.

The City Council will determine whether applicants meet the qualification requirements prior to appointment.

These changes are intended to ensure that citizen appointees possess the technical expertise necessary to provide meaningful fiscal input and analysis.

3. Term Modifications and Transition Provisions

The proposed resolution provides:

- Current citizen appointees will continue to serve through June 30, 2026.
- Effective June 30, 2026, the terms of all current citizen appointees will expire.
- Beginning July 1, 2026, new citizen appointees will serve two-year terms and may be reappointed for one additional two-year term.

This transition allows for continuity through the end of the fiscal year while implementing the new structure in a clear and orderly manner.

4. Clarification of Purpose and Responsibilities

The proposed resolution refines and modernizes the Committee's purpose statement to clarify that the Committee serves in an advisory capacity to the City Council and City Manager on matters related to:

- The City's operating budget;
- Long-range financial planning and fiscal sustainability;
- Pension and other post-employment benefit liabilities;
- Capital financing; and
- The internal audit program.

The responsibilities section has been reorganized to improve clarity and alignment with current financial oversight practices.

For reference, a tentative annual work plan and meeting calendar outlining the types of items expected to be reviewed by the Committee under the proposed structure and responsibilities, as well as items to be brought directly to the City Council, is included as Attachment B.

The proposed amendments preserve public engagement, as the Committee meetings will continue to comply with the Brown Act, including publicly posted agendas, open meetings, and opportunities for public comment. The City's budget process will remain transparent and subject to public participation.

FISCAL IMPACT:

There are no direct fiscal impacts associated with the proposed amendments to the Committee structure.

City staff estimates that approximately 485 hours annually are devoted to preparing for and attending Committee meetings, including agenda preparation, development of reports and presentations, internal review and coordination, and meeting attendance. Any modification to the Committee’s structure or meeting frequency may result in corresponding adjustments to staff time commitments; however, no additional appropriations are required as a result of this action.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENTS:

- Attachment A – Resolution No. 2026-18
- Attachment B – Tentative Finance Committee & Council Review Schedule