

**CITY OF NEWPORT BEACH  
FINANCE COMMITTEE  
MAY 30, 2019 MEETING MINUTES**

**I. CALL MEETING TO ORDER**

The meeting was called to order at 3:01 p.m. in the Crystal Cove Conference Room, Bay 2D, 100 Civic Center Drive, Newport Beach, California 92660.

**II. ROLL CALL**

**PRESENT:** Mayor Pro Tem/Chair Will O'Neill, Mayor Diane Dixon, Council Member Joy Brenner, Committee Member William Collopy, Committee Member John Reed, Committee Member Joe Stapleton, Committee Member Larry Tucker

**ABSENT:** Committee Member Joy Brenner and Committee Member William Collopy (excused absence)

**STAFF PRESENT:** City Manager Grace K. Leung, Finance Director/Treasurer Dan Matusiewicz, Finance Deputy Director Steve Montano, Budget Manager/Finance Susan Giangrande, Budget Analyst/Finance Amy Mayfield, Administrative Manager/Fire Angela Crespi, Budget and Payroll Supervisor, Shannon Espinoza, Administrative Manager/Public Works Jamie Copeland and Administrative to the Finance Director Marlene Burns

**OTHER ENTITIES:** None.

**MEMBERS OF THE PUBLIC:** Jim Mosher

**III. PUBLIC COMMENTS**

Chair O'Neill opened public comments. Noting there were no other members of the public who elected to speak, Chair O'Neill closed public comments.

**IV. CONSENT CALENDAR**

**A. MINUTES OF MAY 16, 2019**

**Recommended Action:**

Approve and file.

**MOTION:** Committee Member Tucker moved, and Committee Member Reed seconded, to approve the minutes with proposed changes. The motion carried 5 ayes – 0 noes, 2 absences (Brenner, Collopy).

**V. CURRENT BUSINESS**

**A. RECOMMENDATION OF FY 2019-20 BUDGET**

**Summary:**

Make final recommendation to the City Council on the proposed FY 2019-20 Operating Budget and or CIP.

**Recommended Action:**

Receive and file.

Chair O'Neill introduced the item and noted that the budget review and recommendation process is one of the primary functions of the Finance Committee. He reviewed the budget process and indicated that the City Charter requires the City Manager to propose a budget directly to the City Council. He indicated that the budget is reviewed by the Finance Committee. The Committee makes recommendations to the City Council, which has the final decision in adopting those recommendations. Lastly, he restated that the Finance Committee had convened a number of times to review the budget in detail.

Finance Director/Treasurer Dan Matusiewicz advised that one change in the proposed budget is a water charge to City departments. Departments were paying 100% of the commodity rate; however, the former City Manager had recommended a phase-in of the capital charge to departments that, as a result, will have an impact to the General Fund of \$204,000. He also noted that there will be a charge to the Water Division of \$20,000 but revenues will increase by \$224,000.

Budget Manager Susan Giangrande advised that there was an increase to the Great Scott Tree Care contract of \$90,000.

In response to Committee Member Stapleton's inquiry regarding an increase in Police Officers, Chair O'Neill recommended that the Finance Committee withhold making a recommendation as this is more of a policy issue that is best addressed by the City Council.

Chair O'Neill opened public comments.

Jim Mosher expressed concern regarding the proposed increase of base wages for City Council by 6%. He requested clarification regarding the figures and the methodology behind those figures including how it impacts the increase on July 1 of each year. He also noted the CPI index the City Charter refers to no longer exists.

Mr. Mosher also expressed concern regarding the ratio established between the Mayor's base wage and that of other City Council Members. He advised the ratio set by the City Charter is 1.419% and this year's budget in regards to that ratio is off by about \$500 or \$600.

Mr. Mosher expressed concern regarding the City Manager's Economic Development Program which has no salaries listed but does have expenses listed within Supplies and Materials. He noted that in a recent City Council meeting, there was a discussion of spending \$80,000 from that line item for Business Improvements Districts, but would like clarity on the remaining \$345,000.

Chair O'Neill closed public comments.

Chair O'Neill clarified City Council compensation for the last fiscal year should have reflected 4%, but inadvertently reflected 0% and this year's increase was 2%.

Budget Manager Giangrande noted that she spoke with the City Attorney and the CPI Index being used is for Los Angeles-Long Beach-Anaheim and the name has simply changed.

Finance Director/Treasurer Matusiewicz clarified that Supplies and Materials is a category code and within it is an object code called Special Departmental Expense, which is being used for "catch-all" items. City Manager Leung noted that more object codes can be added and of the \$425,000, the largest item of \$255,000 is earmarked for the Special Events Grant. She also noted there are two \$40,000 grants for the BIDs, and two \$40,000 grants identified for the two Merchant Associations.

In response to Mayor Diane Dixon's inquiry regarding the fluctuation in amounts for City Council expenses, Budget Manager Susan Giangrande clarified that each district receives \$6,000 per

year but at the time of the printing, some districts had not spent their discretionary funds. She also clarified that City Council payroll is blended into the Council Allowance.

In response to Chair O'Neill's inquiry regarding the ratio between the Mayor's base wage and that of other City Council Members, Budget Manager/Finance Giangrande advised that Human Resources would need to provide additional information; but, did note that it may be attributed to monies owed to Mayor Dixon, as she was being underpaid. Chair O'Neill requested that this item be investigated further. Mayor Dixon thanked staff for having corrected the payroll situation.

Chair O'Neill thanked Budget staff, Finance staff, and Citizen Members for their assistance in the budget review.

**MOTION:** Chair O'Neill moved, and Committee Member Stapleton seconded, to recommend the proposed budget as is to City Council without any recommendation on the CIP. The motion carried 5 ayes – 0 noes, 2 absences (Brenner, Collopy).

## **B. WORK PLAN REVIEW**

### **Summary:**

Staff will review with the committee the agenda topics scheduled for the remainder of the calendar year.

### **Recommended action:**

Receive and file.

In response to Chair O'Neill inquiry, Finance Director/Treasurer Matusiewicz advised that water rates will be presented at the June 27, 2019, Finance Committee meeting. Chair O'Neill requested that Pension Primer be removed from the agenda.

Chair O'Neill advised that the City Council approved water rate consultant is working through preliminary numbers and stressed the importance for the Finance Committee to complete a thorough review of the options available to the City. He noted the primary focus will be to scrutinize the increase to the fixed and/or commodity water rates.

Chair O'Neill noted the June 27, 2019, Finance Committee meeting will take place if Water Rates are presented and will be canceled if not.

Chair O'Neill reminded Finance Committee members their terms end on June 30, 2019, and re-nominations will take place at the first meeting in July. He suggested Committee Members interested in re-nomination contact the City Council member who initially nominated them for the position and the process is noticed publicly with the Local Appointments List, consistent with the Maddy Act (Cal. Gov. Code § 54972) .

Chair O'Neill advised that Finance Committee meetings will not take place in July and August.

Committee Member Tucker will work with Committee Member John Reed to review the Pension Primer.

Chair O'Neill advised he would work through potential conflicts in scheduling Finance Committee meetings in September, October and November.

## **VI. FINANCE COMMITTEE ANNOUNCEMENTS ON MATTERS WHICH MEMBERS WOULD LIKE PLACED ON A FUTURE AGENDA FOR DISCUSSION, ACTION OR REPORT (NON-DISCUSSION ITEM)**

None.

**VII. AJOURNMENT**

The Finance Committee adjourned at 3:26 p.m. to the next regular meeting of the Finance Committee.

Filed with these minutes are copies of all materials distributed at the meeting.

The agenda for the Regular Meeting was posted on May 24, 2019, at 1:50 p.m., in the binder and on the City Hall Electronic Board located in the entrance of the Council Chambers at 100 Civic Center Drive.

Attest:

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Will O'Neill, Chair  
Finance Committee

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Date