

**CITY OF NEWPORT BEACH
FINANCE COMMITTEE
APRIL 15, 2021 MEETING MINUTES**

I. CALL MEETING TO ORDER

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

II. ROLL CALL

PRESENT: Chair Will O'Neill, Mayor Brad Avery, Council Member Noah Blom, Committee Member William Collopy, Committee Member John Reed, Committee Member Joe Stapleton, and Committee Member Larry Tucker

ABSENT: None

STAFF PRESENT: City Manager Grace K. Leung, Finance Director/Treasurer Scott Catlett, Deputy Director/Finance Steve Montano, Administrative Specialist to the Finance Director Marlene Burns, Budget Manager Shannon Espinoza, Senior Budget Analyst Amy Lewis, Fire Administrative Manager, and Senior Accountant Theresa Schweitzer

MEMBERS OF THE PUBLIC: Jim Mosher and Nancy Scarbrough

OTHER ENTITIES: None

III. PUBLIC COMMENTS

Chair O'Neill was participating via audio-only teleconference for the first portion of the meeting and requested that Mayor Avery serve in an Acting Chair capacity until he was able to participate via video teleconference at a later point in the meeting.

Acting Chair Avery opened public comments.

Jim Mosher stated the City Council would be considering a major revised contract for residential trash collection and noted his understanding there is an internal City working group, not open to the public, which has been formed to review the contract development process. He suggested the Finance Committee schedule a public review of the proposed subject contract for the purpose of understanding the financial implications and impacts.

IV. CONSENT CALENDAR

MINUTES OF MARCH 11, 2021

Recommended Action:

Approve and file.

Acting Chair Avery called for public comments and hearing none, closed the public comments.

MOTION: Committee Member Tucker moved to approve the minutes, seconded by Committee Member Collopy, as amended to include the proposed changes by Jim Mosher. The motion carried 7 ayes – 0 noes.

V. CURRENT BUSINESS

A. AUDIT SERVICES RECOMMENDATION

Summary:

Staff will propose the selection of a new external financial reporting and disclosure auditor.

Recommended Action:

Receive and file.

Finance Director/Treasurer Scott Catlett reported the City conducted a Request for Proposals (RFP) process to select a new auditing firm pursuant to State requirements and the City Council Policy to retain the services of a new service provider every ten years. The previous firm, Clifton Larsen Allen, formerly White Nelson Diehl Evans, had recently concluded the second five-year term of their ten-year contract. As part of the RFP process, the City received ten proposals, conducted a review of the submitted proposals, narrowed the field to four providers, and ultimately interviewed two firms. As a result of the RFP process, the City selected Davis Farr, an auditing firm located in Orange County. The firm had previously provided specific financial services to the City, including preparation of the City's State Controller's Report and other financial documents.

Acting Chair Avery opened public comments.

Jim Mosher inquired if the City Council will review the proposals submitted by all auditing firms. Separately, Mr. Mosher inquired whether the new auditing firm will be required to provide a report to the Finance Committee by October 2021, as this information was provided in the last page of the agenda packet. He stated the City Charter allows an auditing firm nine months to provide the audit report and inquired if the new auditor would be required to provide the subject report in four months.

Finance Director/Treasurer Catlett deferred to City Manager Grace Leung and Deputy Director/Finance Steve Montano to provide details as to the City's typical procedures for Request for Proposals (RFP) processes. Mr. Montano reported past practice has included the listing of the top three firms in subject staff reports. City Manager Leung stated three firms meet the minimum requirements for RFP processes. Finance Director/Treasurer Catlett reported to address Mr. Mosher's inquiry, staff will list the top four firms in the report. Staff discussion ensued regarding the timeline for providing the subject audit report. Finance Director/Treasurer Catlett stated October seemed to be an early deadline and that typically the formal audit of the City's financials is conducted in December and a report will be placed before the City Council for review in January 2022.

Acting Chair Avery called for public comments and hearing none, closed the public comments.

The item was received and filed.

B. PROPOSED FISCAL YEAR 2021-22 BUDGET OVERVIEW

Summary:

Staff will provide an overview of the Proposed Fiscal Year 2021-22 Operating Budget.

Recommended Action:

Receive and file.

Finance Director/Treasurer Catlett provided a general overview report to the Finance Committee of the City's proposed Fiscal Year 2021-22 budget. A PowerPoint Presentation was displayed featuring highlights, graphs, and charts illustrating various aspects of the proposed budget content and side-by-side comparisons of multi-year budget information.

Mr. Catlett listed the four priority areas which guided the development of the proposed budget. The four priority areas were: providing high quality municipal services that residents expect, providing a safe and secure neighborhood, keeping Newport Beach looking great, and

maintaining a prosperous, fiscally sustainable, and economically viable city. Additional focus was also placed on evaluating the feasibility of restoring budget cuts made due to the COVID-19 pandemic and addressing key City Council priorities identified at the January 30, 2021, City Council Planning Session.

Mr. Catlett detailed the key messages as related to the overall proposed budget and noted a strong budget surplus is still projected for Fiscal Year 2020-21. The proposed Fiscal Year 2021-22 budget is balanced and parallel action will restore, as needed, the remaining reductions to the FY 2020-21 budget. Property tax revenue continues growth at a steady pace and sales tax and transient occupancy tax revenues remain on a strong recovery trajectory. Proposed expenditures remain relatively flat, with additional funding allocated to key City Council priorities. The City will continue with the strategy of allocating \$35 million to reducing the unfunded pension liability, with additional funding allocations likely at year-end. There will be continued funding of capital improvement projects, including neighborhood enhancement projects, with additional funding allocations likely at year-end.

A slide detailing the timeline for development of the proposed Fiscal Year 2021-22 budget was displayed. Mr. Catlett referenced the previous opportunities for public comment and review of the proposed budget that had been offered. He further noted the upcoming public meetings in which the proposed budget will be presented. These meetings include the Thursday, April 15, 2021, Finance Committee meeting, the Tuesday, May 25, 2021, Joint City Council/Finance Committee Study Session, the Thursday May 27, 2021, Finance Committee meeting, and the Tuesday, June 8, 2021, City Council meeting where a public hearing will be held for the final budget that will be presented for adoption by the City Council.

Finance Director/Treasurer Catlett provided the second quarter update of the Fiscal Year 2020-21 budget. The highlights included a positive revenue variance of \$17.2 million and \$27.5 million of projected excess reserves. At this time \$30 million remains unrestored in the current year's budget. As the preliminary third quarter projections show sustained improvement in revenues staff will be recommending restoration of all appropriate remaining budget reductions for City Council consideration. These items will be detailed later in the presentation.

Finance Director/Treasurer Catlett reviewed the Tiered Budget Balancing Framework from which budget recommendations are being developed. As a recap, approximately \$33 million in budget reductions were approved. To date, approximately \$3 million in reductions have been restored. As a result of the concerns regarding the second surge of the COVID-19 virus, the plan to restore certain funding was paused. As vaccines were rolled out and re-openings were occurring, staff was comfortable then making further recommendations for restoration of budget cuts. Staff review of the current Fiscal Year budget resulted in \$4.8 million cuts in the Tier 1 and 2 section will not require restoration. \$2 million of deferred hiring also creates additional savings as Departments have absorbed those cuts. Staff is recommending bringing back some elements which were reduced in Tier 3, including transfers to the Facilities Financial Plan and Harbor Capital Fund, funding of certain Capital Improvement Project, and completion of certain Council-directed Neighborhood Improvement projects.

Council Member Blom inquired how the recommendation not to restore the \$2,758,567 influenced the budget development process for Fiscal Year 2021-22. Finance Director/Treasurer Catlett stated the Departments had to request those restorations; however, a number of those requests were held back to the degree the reductions were not detrimental to Departmental operations.

Council Member Blom requested further clarification as to the impact of the \$2 million in hiring freezes. Finance Director/Treasurer Catlett reported this question will be addressed in detail in an upcoming slide during the presentation.

Finance Director/Treasurer Catlett detailed overall approximately \$16.9 million is recommended by staff for restoration in the current year budget inclusive of a \$8.5 million

contribution to Facilities Financial Plan, a \$4.5 million contribution to Harbor CIP, a \$1.5 million of General Fund CIP, and \$2.3 million of Neighborhood Enhancement projects. Separately, approximately \$8.6 is not recommended by staff for restoration, of which include \$4.1 million of Capital Improvement Program projects that are not canceled, however they are not ready to move forward at this time. Additionally, a thorough analysis of the City's internal insurance funds indicated fund balance growth over the past few years and staff is recommending the \$2 million contribution to insurance funds is not required at this time. Dialog with the IT Department revealed approximately \$2 million in funds was not required as they have a healthy fund balance.

Acting Chair Avery inquired whether a different approach would have been taken if the pandemic had not occurred. Finance Director/Treasurer Catlett reported an analysis of all internal service funds would have been conducted as part of next year's budget regardless of the impacts of the pandemic.

Finance Director/Treasurer Catlett summarized City budget expenditures overall and noted a five-year analysis shows a minimum growth in expenditures of 0.40%. There is a 1.58% growth in overall budget. A graphical representation illustrated the majority of City expenditures come from the General Fund (73%), followed by the Capital Improvement Program (16%), Water Fund (9%), Tideland Fund (1%), and Wastewater Fund (1%). Overall, General Fund expenditure growth is under 3%, even with program enhancements.

As related to the City's Capital Improvement Program, Finance Director/Treasurer Catlett reported that fluctuations in capital spending are routine and nearly \$75 million has been budgeted for continued capital investment. All routine General Fund transfers in support of capital spending have been restored.

Committee Member Collopy inquired regarding the absence of the 2021 "anticipated actuals" column in the Major Fund Operating Expenditures matrix listed on PowerPoint presentation Slide 14. Finance Director/Treasurer Catlett responded the matrix represents a comparison of budget amounts adopted and or proposed in each of the Fiscal Year listed. Staff's quarterly budget reports provide an evaluation of actual expenditures versus the adopted budget numbers in order to address and evaluate any fluctuations in a timely fashion during each Fiscal Year.

Finance Director/Treasurer Catlett provided a graphical representation of the City's historical revenue profile. Overall, the City remains below the pre-COVID-19 projections due to the response to the pandemic. Mr. Catlett further reported the importance of property tax revenue to the City. Additionally, the revenues from Transient Occupancy Tax are anticipated to return to normal in the upcoming fiscal year as the California economic continues to reopen.

Committee Member Collopy requested clarification regarding the source of the revenues listed in green on PowerPoint presentation Slide 18, inquiring whether these were anticipated COVID-19 Federal funds. Finance Director/Treasurer Catlett responded those funds represent interest revenue in other categories. He also affirmed the COVID-19 federal funds would be held in abeyance pending formal guidance from the appropriate federal agencies as to how those funds can be allocated at the local level. Mr. Catlett stated the COVID-19 federal funds are not included in the proposed budget at this time.

Finance Director/Treasurer Catlett reported overall the City has been successful in weathering fluctuations in the economy, particularly as related to any fluctuations in property tax revenues. As a whole, projected General Fund revenues are described as property taxes at \$122.2 million, sales tax at \$40.3, transient occupancy tax at \$19.0 million, other taxes at \$10.8 million, charges for services at \$19.0 million, and all other sources at \$22.3 million. Shifting to the General Fund expenditures, Mr. Catlett reported overall projections are salaries and benefits

at \$151.7, maintenance and operations at \$73.4 million, capital outlay at \$0.8 million, and transfers at transfers \$20.2 million.

Finance Director/Treasurer Catlett detailed General Fund expenditures by Department in a year over year comparison of adopted budgets. He highlighted a few general trends, including a jump in the Public Works expenditures due to changes in the refuse and recycling contract and expenditures out of the City Manager's Department attributed to the operating costs of the homeless shelter. Mr. Catlett drew attention to the \$2 million savings due to the freeze on hiring. At this time, staff is recommending continuing to preserve the \$2 million vacancy factor through budgetary controls on the non-personnel side and to re-evaluate the hiring freeze in the following Fiscal Year. Overall, the City is well positioned with a proposed balanced budget ensuring revenues are in line with anticipated expenditures. A graphical representation illustrated although there is a small overall increase in expenditures, the trend is flattening due to the City's strategic approach.

Finance Director/Treasurer Catlett reported all routine General Fund transfers in support of capital spending have been restored in the current Fiscal Year and are proposed for restoration in the upcoming Fiscal Year. These routine transfers include \$5 million to the General Fund Capital Improvement Program, \$8.5 million to the Facilities Financing Plan, \$4.5 million to the Harbor and Beaches Capital Plan, and \$1 million to the Facilities Maintenance Plan. In Fiscal Year 2021-22 an additional \$500,000 is proposed as a transfer to the Facilities Maintenance Plan, thereby bringing the total proposed transfer to \$1.5 million.

Committee Member Tucker inquired whether the \$8.5 million transfer to the Facilities Financing Plan includes the debt service on the COP. Finance Director/Treasurer Catlett confirmed the transfer includes the debt service payment and also includes development and park fees beyond that debt service payment, though the majority is for the debt service payment. Discussed ensued regarding development fees. Deputy Director/Finance Montano reported the Finance Committee received a report on development agreements a few months ago including a review of how much in development fees were projected to be realized. Discussion ensued regarding the Uptown Newport Development second phase and the potential for extension of one of the leases. Deputy Director/Finance Montano reported the policy regarding 3% General Fund contributions to Facilities Financing Plan will continue.

Finance Director/Treasurer Catlett reported the \$500,000 transfer to the 800 MHz Radio Fund is not recommended for restoration in the current or proposed Fiscal Year budgets due to a change in funding requirements at the County level. As a result of requirements for a larger annual contribution, they will fund the capital outlay for the radios thereby eliminating the \$500,000 transfer. A review of the Internal Service Fund charges revealed a need for additional funding in the vehicle replacement fund to replace certain components of the City's fleet. Offsetting the increase was an anticipated reduction in contributions to the insurance fund based upon positive actuarial reports and lower claims. The City typically funds the reserve for actual losses at a conservative 80% level. Although a reduction in funds toward insurance is recommended at this time, it will be evaluated each year and restored to a higher level when prudent.

Committee Member Reed requested clarification regarding the insurance fund and what items are covered. Finance Director/Treasurer Catlett responded this fund covers smaller level claims, premiums above self-insured limits, and items such as repairing or replacing items or damage due to property crimes are funded through this account. Mr. Catlett further elaborated this fund also pays for items which fall below the thresholds for the City's other insurance to be utilized, such as certain long-term medical liabilities.

Committee Member Collopy requested clarification as to the fluctuations displayed in PowerPoint presentation Slide 24 as related to funds contributed toward the City's OPEB obligations. Finance Director/Treasurer Catlett reported the City authorizes an updated actuarial report every two years and fluctuations are based on the City's responses to the

information received in that report. Contributions went up in 2020-21 based upon interest earning projects. Additionally, Mr. Catlett confirmed there will be a new actuarial report forthcoming and will be placed on the Finance Committee's agenda for consideration in March 2022.

A graphical representation of the City's historical changes in full-time staffing was displayed. Finance Director/Treasurer Catlett reported full-time staffing has remained relatively flat since 2014. Although a proposed increase of two positions is recommended in the upcoming Fiscal Year, one of those positions is replacement of contract staff with a full-time employee, resulting in a net increase, budget-wise, of only 1 position. The proposed budget recommends the addition of a full-time permit technician in the Harbor Department and a full-time Senior Civil Engineer position to replace contract staff in the Community Development Department. Additionally, 3 part-time Maintenance Aide positions are proposed to replace contract staffing in the Public Works Department in order to address concerns over performance by contract service providers. An addition of a .3 part-time Associate Engineer in Public Works is proposed to address staffing needs related to utility undergrounding projects and the continued funding for 1.43 full-time equivalent positions included in the current budget is proposed to continue in the upcoming budget for staffing needs related to the Marina Park Community Boating Program.

Finance Director/Treasurer Catlett detailed Key General Fund Program Enhancements which were presented and discussed with the City Council in January. These included a net impact of \$1.5 million related to the City's refuse and recycling contract and a \$500,000 program enhancement related to the City's commitment to the homeless shelter. Mr. Catlett detailed the homeless shelter program capital contribution of \$1.6 million which was funded from Affordable Housing Reserve and the Hoag Development Agreement. The remaining funding for this year will come from accumulated funds from the Hoag 10-year contribution of \$300,000 per year, with some additional ongoing funding required in future years.

Finance Director/Treasurer Catlett also addressed the \$200,000 in funding for the Police Department's Boardwalk Ambassador Program, the goal of which serves to provide additional presence and visibility on the boardwalk to augment the PET, HLO, and Area 1 Patrol deployments. There does continue to be complaints about the boardwalk, and it was noted the program may need to be discontinued. Additional funding for Code Enforcement contract services was proposed to ensure service levels are maintained by augmenting City staff resources.

Further enhancements include the full-time Permit Technician position in the Harbor Department to provide services to permittees, add subject-matter expertise, and free up existing staff time for record-keeping and insurance administrative tasks for boats and harbor operations. In summary, Finance Director/Treasurer Catlett reported that summary of program enhancements funded through the General Fund included \$500,000 for the homeless shelter, \$200,00 for the Boardwalk Ambassador Program, \$123,760 for increased Code Enforcement contract staffing, and approximately \$396,000 in miscellaneous personnel and non-personnel related budget changes. The Tidelands Fund program enhancements include funding of a full-time Permit Technician and the Water Fund will allocate \$40,000 toward camera and security upgrades at the Big Canyon Reservoir. Overall, the program enhancements total is approximately \$1.4 million.

Finance Director/Treasurer Catlett reported overall staff is projecting to end the current Fiscal Year with approximately \$8.6 million in surplus funds. Options for use of the surplus include additional pay down of pension liabilities and other neighborhood enhancements. Mr. Catlett stated staff is proposing the shift of City Council discussion regarding use of funds to an earlier point, such as September or October of 2021, after the current Fiscal Year books are closed. Staff is recommending the 50/50 split of surplus funds pursuant to the City Council's F-5 Policy with 50% toward unfunded pension liability and 50% toward Neighborhood Enhancement/Infrastructure projects. Additionally, staff is recommending \$1 million toward the

Permanent Supporting Housing Project, \$650,000 toward the upcoming General Plan update, and \$251,847 toward the Business Tax Waiver program.

Council Member Blom requested clarification regarding the components for the \$650,000 contribution toward the General Plan update. City Manager Leung confirmed the funds would be utilized for the comprehensive update of the entire General Plan, including analysis required for the update, outreach work and the required update to the Housing Element.

Finance Director/Treasurer Catlett provided historical detail on the Finance Committee's goal of continuing to pay down the City's unfunded pension liability to mitigate any investment losses if CalPERS lowers their discount rate. A report will be forthcoming to the City Council in September or October of this year to decide how to allocate any surplus funds.

Finance Director/Treasurer Catlett addressed an earlier question from the Committee related to programming of anticipated American Rescue Plan funds. Mr. Catlett reported the City's anticipated return will be \$9.3 million based upon a modified CDBG allocation. This formula is based upon the City's general economic and demographic profile. The Committee may notice smaller cities may receive a larger proportion of the Federal funds as a result of the formula. The City anticipates receiving half of the funds, \$4.5 million now, with the other half to be received one year later. At this time, guidance has not been released from the Federal government and the City is waiting for the Treasury Department and legislature's interpretation of that guidance prior to final programming of funds. Once the guidance and interpretations are received, staff will schedule a public report to the City Council for an informed discussion.

As related to the City's Unfunded Pension Liability, Finance Director/Treasurer Catlett stated staff is recommending maintenance of the \$35 million minimum contribution and for the City Council to consider an additional contribution toward the CalPERS investment loss mitigation from the anticipated budget surplus at the close of the current Fiscal Year. Even without the proposed additional \$5 million contribution, which could bring the City's total contribution up to \$40 million, the City projects the unfunded liability to be reduced to zero by 2036. Additional contributions now could offset potential future CalPERS investment losses.

Committee Member Collopy inquired whether the additional \$5 million contribution would bring down from \$7 million to \$6.1 million.

Committee Member Tucker recalled contemplation by the City of a program for paying down the unfunded pension liability commencing in 2017-18 with a \$35 million contribution with the additional plan of addressing potential future unfunded liabilities with additional contributions from surplus funds. He further recalled the Finance Committee acknowledging the need to evaluate contributions toward the unfunded pension liability each year as funding strategies to address fluctuations and losses in CalPERS investments may need to be revised depending on information received. It was confirmed the Finance Committee recommended the \$35 million contribution over the past two years. Mr. Tucker indicated there are always choices as to where the City's funds can be allocated and is also curious as to the forthcoming guidance from the Federal government as to allowable uses of the American Rescue Plan funds.

In conclusion, Finance Director/Treasurer Catlett reported a strong budget surplus is projected for Fiscal Year 2020-21, the proposed Fiscal Year 2021-22 budget is balanced, and actions are in place to restore the majority of the remaining reductions to the current year's budget. Property tax revenue continues to grow at a steady pace and sales and transient occupancy tax revenues are projected to remain on a strong recovery trajectory. Proposed expenditures remain relatively flat, with additional funding allocated to address key Council-directed priorities. The City will continue with its current strategy to reduce the unfunded pension liability with additional funding allocations likely at year-end. Additionally, there will be continued funding of Capital Improvement Projects with additional funding allocations likely at year-end.

Committee Tucker anticipated there would be the ability to operate with a leaner staff overall. City Manager Leung stated there were intensified needs during the pandemic and the City was able to maintain services. CalPERS continues to implement requirements related to contract versus City employees and the City continues to review and respond accordingly to mitigate any potential liabilities. She also reported that new employees who come in under PEPR allow the City to reduce its pension liability costs over time.

Committee Member Tucker inquired whether the reductions in operating costs are sustainable over time. City Manager Leung commented the review conducted by the Departments, particularly of professional services costs, in order to best utilize any opportunities to preserve resources.

Committee Member Tucker stated the infrastructure investments made not only by the City, but by private organizations and entities, serve to preserve and also increase property values, thereby increasing the available revenues available to the City for projects, services, and programs. He also recognized the City's efforts in investing in well thought out investments and projects that continue to increase the value to residents of the City.

Mayor Avery agreed with Committee Member Tucker and noted the development occurring throughout the City which is ultimately reflected in increased property values. There is also a sense of enhanced safety and good governance. The amenities provided both publicly and privately serve to enhance the quality of life and desirability of living in Newport Beach. Mayor Avery also addressed the opportunities provided for home ownership over time through the ability for short-term rental income to offset mortgage investments in real estate for those looking to buy in to the Newport Beach market. He also acknowledged the refined City budgetary process and the leadership of the City's Management Team.

Council Member Bloom expressed support for the necessary staffing required to complete the City's General Plan and Housing Element updates as the result of those efforts will also encourage investment in Newport Beach by private entities and individuals. He acknowledged the work of Finance Director/Treasurer Catlett in presenting transparent and accurate financial information to the Finance Committee.

Committee Member Stapleton also affirmed the comments made by various Committee Members as related to the significant achievements of staff and the City to reinvest in neighborhood projects and to pay down the City's pension liabilities.

Committee Member Collopy inquired as to whether converting from contract to full-time employee status automatically results in that employee entering the City under PEPR. City Manager Leung noted the process is not automatic, however, given the parameters of how CalPERS defines "new" employees under PEPR, the majority, if not all, new conversions would result in those employees coming in under the PEPR rules.

Chair O'Neill also acknowledged the significant efforts of staff and noted the City is in a much better financial position than was anticipated over the past year. He expressed continued support to continuously review staffing levels, which are normally budgeted at 100% historically.

Chair O'Neill opened public comments.

Nancy Scarbrough thanked the Finance Committee for their work and made several inquiries regarding the proposed budget. Ms. Scarbrough requested clarification as to whether the bond payments for the Peninsula Fire Station were included in the budget. She also inquired as to whether the General Plan costs listed in PowerPoint presentation Slide 36 were related to consultant costs or also included City staff costs. Last, she inquired as to how the City will address impacts on City resources such as public safety from State-requirements for increasing housing units in the City.

Jim Mosher stated the staff presentation referred several times to the “proposed” budget and inquired when the public would have an opportunity to review a published version.

Chair O'Neill confirmed the Finance Committee has not received the proposed budget document and Finance Director/Treasurer Catlett stated the document will be publicly available prior to the joint meeting of the City Council and Finance Committee scheduled in May. Finance Director/Treasurer Catlett also reported the fire station bond payments are budgeted in the Facilities Financing Plan Fund, just like the Civic Center. City Manager Leung confirmed the costs related to the General Plan update were primarily consultant costs.

Chair O'Neill noted the question related to impacts on City services from State requirements for additional housing was a good one. The City will need to continuously review this matter to address the variability of property tax revenues received from affordable housing projects. Committee Member Tucker stated that there is not an automatic increase in the City's unfunded pension liability if additional staff are required to address impacts on City services related to increased housing. Mr. Tucker also noted the majority of the unfunded pension liability came from the underperformance of the portfolio as compared to the discount rate.

Chair O'Neill confirmed that future increases in staff pension costs are nominal due to PEPPA rules, and this was confirmed by the City Manager. Ms. Leung also did confirm that conversations will need to continue, particularly as related to development impact fees as the City's residential housing requirements increase.

Chair O'Neill closed public comments.

The item was received and filed.

C. BUDGET AMENDMENTS FOR QUARTER ENDING MARCH 31, 2021

Summary:

Staff will report on the budget amendments from the prior quarter.

Recommended Action:

Receive and file.

There were no comments from the Finance Committee Members regarding this report.

Chair O'Neill called for public comments and hearing none, closed the public comments.

The item was received and filed.

D. WORK PLAN REVIEW

Summary:

Staff and Finance Committee to review the proposed work plan and adjust as necessary.

Recommended Action:

Receive and file.

Chair O'Neill confirmed the April 29, 2021, Finance Committee meeting would be canceled based upon no further requests for information from the Committee Members. The next meeting will be May 13, 2021, and Finance Director/Treasurer Catlett confirmed the draft budget should be available by that time. Thereafter, there will be the May 25, 2021, joint meeting of the City Council and Finance Committee and the Finance Committee will meet to develop recommendations to the City Council on May 27, 2021. A need for additional meetings will be determined at the May 27 meeting.

Committee Member Tucker inquired if staff has received any updates on CalPERS performance this year. Finance Director/Treasurer Catlett stated he would provide an update at the May meeting.

Committee Member Collopy requested staff provide a regular update to the Committee on CalPERS projections, at least over the next few years, as the projections factor heavily into the Committee's review of the City's budget and financial plans.

Chair O'Neill opened public comments.

Jim Mosher expressed concern regarding the description of the Finance Committee's optional June meeting in their Work Plan. He believes it gives the impression the Committee can provide direction to the auditor through individual polling creating potential for a Brown Act violation.

Chair O'Neill responded the Finance Committee will not violate the Brown Act in writing or otherwise and staff will review agenda item titles to ensure legal and regulatory compliance.

The item was received and filed.

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. ADJOURNMENT

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

The agenda for the Regular Meeting was posted on April 9, 2021, at 2:26 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:

Will O'Neill, Chair
Finance Committee

Date