



**MINUTES
REGULAR MEETING
FINANCE COMMISSION**

Wednesday, July 27, 2016
5:00 p.m.
City of Huntington Beach
Civic Center – Lower Level Room B-7
2000 Main Street
Huntington Beach, CA 92648-2702

Chair Bunten called the meeting to order at 5:03 p.m. and led the Pledge of Allegiance.

MEMBERS PRESENT: Berge; Bunten; Hart; Romero; Woodworth

MEMBERS ABSENT: Hreish; Small

STAFF PRESENT: Lori Ann Farrell Harrison; Alisa Cutchen; Linda Wine

ORAL COMMUNICATIONS – none.

MINUTES

Motion: Moved by Hart and seconded by Romero to approve the Finance Commission Minutes dated June 22, 2016 as presented.

Ayes: Berge; Bunten; Hart; Romero; Woodworth

Noes: None

Absent: Hreish; Small

Motion Passed: 5-0

PRESENTATION – City Treasurer Alisa Cutchen gave a PowerPoint presentation. She provided an overview of her department's activities and functions, and reviewed the City Treasurer's Fiscal Year 2015/16 Budget. Cutchen spoke about the City's investments in LAIF (the Local Agency Investment Fund) and noted that LAIF is mostly comprised of short term, liquid investments, per the state code. Cutchen also discussed the City's bond investments and provided the Finance Commission with an overview of the State of California Pooled Money Investment Account Market Valuation (as of June 30, 2016). Cutchen noted that City bond purchases are limited to only those allowable by state regulations and the City's Investment Policy. She said that she utilizes multiple brokers for trade/purchase recommendations and analysis, and uses online tools to compare interest rates of various bonds and investments.

DIRECTOR UPDATE – Chief Financial Officer Lori Ann Farrell Harrison provided an overview of the City Council Study Session Presentation of the proposed Fiscal Year 2016/17 Budget. She discussed the "Back to Basics" strategy of the proposed budget, which focuses on core services, such as Public Safety, Infrastructure Improvements, Quality of Life Programs and Financial Sustainability. She spoke regarding the General Fund Highlights and Overview. She talked about the fixed cost increases scheduled for CalPERS, which will impact both three-year and five-year CalPERS rates.

She said that 54% of the proposed Budget's General Fund is focused on funding for Public Safety Services, such as Police and Fire. She provided the Finance Commission with the Fitch Ratings report for June 2016, which affirms the Huntington Beach Public Financing Authority at an "AAA" Credit Rating. She discussed the timeline for the fixed rising CalPERS costs, Infrastructure Improvements and Capital Improvement Programs. She gave an overall budget recap, stressing the focus on quality of life and compliance with procedures and regulations promoting further financial sustainability. She provided the Commission with the Fiscal Year 2016/17 Proposed Budget Calendar for 2016, noting that it was presented to the City Council on July 14, 2016 and the Budget Adoption will be presented to Council at a Public Hearing on September 6, 2016.

DISCUSSION ITEMS

General discussion ensued regarding the CalPERS Employer Rate increases. Farrell Harrison noted that CalPERS did not achieve the anticipated 7.5 percent earnings rate on its portfolio holdings in FY 2015/16. She discussed the challenges of future CalPERS rate increases, and noted that the City's proposed budget is conservative as a result. She said that some staffing requirements have been fulfilled with part-time (non-benefitted) employees, or with consultants, who can be utilized when and if the workload dictates. She also noted that the City's sales tax revenue has decreased as online sales have increased, as the online sales tax revenue is channeled to the county, rather than the City and is distributed under a different formula.

COMMISSIONER COMMENTS

Commissioner Berge congratulated Farrell Harrison on the City's "AAA" Credit Rating from Fitch Rating Services.

Chair Bunten and Vice Chair Woodworth asked if the Finance Commission had received a response regarding the Salary Study Memorandum presented to the City Council (which was reviewed by the Finance Commission at the June 22, 2016 meeting). Farrell Harrison noted the City Council received the memo and no further action on the part of the Commission appears to be needed.

ITEMS DISTRIBUTED TO COMMISSION

Fitch Rating Services report affirming the City's "AAA" Credit Rating.

ADJOURNMENT

There being no further business, the meeting adjourned at 6:25 p.m.

Submitted by:

Lori Ann Farrell Harrison, Chief Financial Officer

By: Linda Wine, Administrative Assistant, Finance Department