

**CITY OF NEWPORT BEACH
CITY COUNCIL FINANCE COMMITTEE
APRIL 29, 2014 MEETING MINUTES**

1. CALL TO ORDER

The meeting was called to order at 4:02 p.m. in the Newport Coast Conference Room, Bay 2E, 100 Civic Center Drive, Newport Beach, California 92660.

2. ROLL CALL

Present: Council Member Mike Henn (Chair), Council Member Keith Curry and Council Member Tony Petros

Staff Present: City Manager Dave Kiff; Deputy City Manager/Human Resources Director Terri Cassidy, Finance Director Dan Matusiewicz, Deputy Finance Director Steve Montano, Budget Manager Susan Giangrande, Accounting Manager Rukshana Virany, Assistant City Attorney Leonie Mulvihill, Acting Municipal Operations Department Director George Murdoch, and Administrative Coordinator Tammie Frederickson

Members of the Public: Jim Mosher, Carl Cassidy, and Larry Tucker

Outside Entities: John Farnkopf and Sima Mostafaei from HF&H

3. PUBLIC COMMENTS

Mr. Jim Mosher made a comment pertaining to financial transparency related to the City's arts initiatives and the difficulty of identifying whether there was an RFP process for the selection of a park sculptures coordinator, whether a contract was let and where the funding is included in the budget. He also mentioned that obtaining employee compensation information on the City's website was not as readily accessible in comparison to the information available on the websites of other cities.

4. APPROVAL OF MINUTES

Council Member Curry moved, and Council Member Petros seconded the approval of the March 24, 2014, Finance Committee meeting minutes. The Committee voted all ayes to approve the minutes with the corrected erratum pointed out by Mr. Mosher.

5. CURRENT BUSINESS

A. Review of FY 2014-15 Proposed Budget

Finance Director Dan Matusiewicz previewed the budget presentation scheduled for the May 13, 2014, City Council Study Session. He stated the proposed budget is balanced with a surplus of \$29,000 and he outlined items totaling \$41 million in strategic savings comprised as Contingency Reserves. There was discussion on the timing for making a discretionary reduction of \$1 million beyond what is required on the pension liability.

Council Member Curry questioned how much expenditures are increasing and noted confusion that total General Fund expenditures are reported as increasing 6.7% in the Performance Plan City Manager's Transmittal letter. City Manager Kiff agreed it is confusing as written since a comparison of operating expenditures would be different than total General Fund expenditures which include CIP expenditures and rebudgets from the prior year.

Council Member Curry raised a question on sales tax allocation and how the sales tax point of sale is determined for online sales. Mr. Matusiewicz indicated that he will research the State Board of Equalization interpretation.

Council Member Curry stated that to make it easy for the public to compare year over year, the presentation should identify the General Fund budget, CIP budget and the total budget for the City, including Enterprise Fund revenue.

Council Member Petros noted in the FFP Highlights section of the presentation that the amounts for West Newport Community Center and Lower Castaways Park should be identified as "design" to make it clear for the public to understand the amounts shown are not the total project cost.

Council Member Henn commented it is helpful in the presentation to show how the results of the current year budget revenues and expenditures compare with next fiscal year's proposed budget. City Manager Kiff clarified the comparison would be the current year amended budget which includes the mid-year budget amendment.

Mr. Mosher noted his perceived discrepancies in the budget detail. He also noted his confusion in reconciling what the Council approved in the adopted budget with the amended budget.

Mr. Cassidy thanked the Committee and staff for their work and their availability in providing answers to questions raised by the public.

B. FFPP Project Planning Review

Mr. Matusiewicz stated that some of the projects are in the planning stages and it is too early to develop cost estimates. Council Member Henn concurred it is premature to reflect some of the costs included in the analysis and significant expenditures for new projects or large project enhancements should not be reflected until the point of conceptual plan approval. Council Member Curry added the scope should be narrowed to a 30-year plan.

City Manager Kiff noted the FFPP is used as a long-range planning tool for funding and will be revised based on the Committee's direction.

C. Phase I Changes to Council Policies F-2 (Reserve Policy) and B-2 (Recreation Fees and Related Equipment Replacement Reserves)

The Committee directed staff to implement the revisions proposed as phase 1 to the Reserve Policy and bring the policy revisions to the full City Council for approval. A subsequent discussion is needed for the revisions proposed as phase 2 and should be brought back at a later date.

D. Quarterly Financial Review

The Committee members had no discussion on this item. It was designated as receive and file.

Mr. Mosher commented the public might have an interest in knowing the amount of property tax coming from residential properties that is received by the City.

E. ERP Milestone Review

The Committee members had no discussion on this item. It was designated as receive and file.

F. Review and consider the Proposed Recycled Water Rates and Structure

Acting Municipal Operations Department Director George Murdoch outlined a proposal to reduce the recycled (non-potable) water rate and revise the computation to a fixed fee based on the cost structure.

Mr. Murdoch confirmed that the decrease in recycled water rates will have no impact on potable water rates and that this reduced rate provides full cost recovery of the recycled water operation.

In response to a question raised by Mr. Mosher, Mr. Murdoch explained that revenues resulting from rates that were higher in prior years were used to rebuild pump station infrastructure.

The Committee concurred with the recommendation to bring the matter to the full City Council for approval.

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

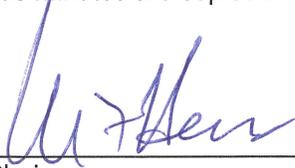
No other items were discussed.

7. **ADJOURNMENT**

The Finance Committee adjourned at 5:45 p.m.

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

Attest:



Mike Henn, Chair
Finance Committee Chair

Date