

**CITY OF NEWPORT BEACH
CITY COUNCIL FINANCE COMMITTEE
JULY 21, 2014 MEETING MINUTES**

1. CALL TO ORDER

The meeting was called to order at 4:00 p.m. in the Newport Coast Conference Room, Bay 2E, 100 Civic Center Drive, Newport Beach, California 92660.

2. ROLL CALL

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

Excused: Council Member Mike Henn

Staff Present: City Manager Dave Kiff, Finance Director Dan Matusiewicz, Deputy Finance Director Steve Montano, Accounting Manager Rukshana Virany, Accountant Cory Pearson, and Administrative Coordinator Tammie Frederickson

Members of the Public: Jim Mosher and Carl Cassidy

Outside Entities: David Witthohn and Gay Eichhoff, Cutwater Asset Management

3. PUBLIC COMMENTS

Mr. Mosher asked when the final budget would be available on the City's website; if the Finance Department has reviewed certain fiscal impact estimates; and informed the Committee that he attended a Chamber of Commerce meeting in which the Orange County CEO stated that the County of Orange only receives \$.06 out of every property tax dollar. Mr. Mosher asked where the other \$.94 goes and how much does the City of Newport Beach receive. Discussion ensued.

4. APPROVAL OF MINUTES

Council Member Petros moved, and Council Member Curry seconded the approval of the April 29, 2014, Finance Committee meeting minutes. The Committee voted all ayes to approve the minutes.

5. CURRENT BUSINESS

A. Annual Investment Policy Review (F-1)

Mr. Matusiewicz said the annual review has been conducted. They consulted the investments and at this time staff is not proposing any change to the investment policy. Council Member Curry added that the policy is reviewed every year because State Legislature makes law changes that need to be updated.

B. Annual Investment Performance Review

Mr. Matusiewicz introduced David Witthohn and Gay Eichhoff from Cutwater Asset Management. Mr. Witthohn provided a brief presentation to describe the market conditions and strategies his firm is employing, the portfolio performance, and the risk analysis undertaken (PowerPoint attached).

Mr. Petros asked how benchmarks are selected, why we use the ones we do, and if there is uniformity among other agencies. Mr. Matusiewicz said that last year he considered investing assets for a longer duration; however, decided not to invest for a longer duration due to the

All documents distributed for this meeting are available in the
administration office of the Finance Department

associated risk. Committee members agreed it is prudent to continue with the one-to-three treasury and one-to-three corporate/government benchmarks. Mr. Wittholm said most other agencies use a one-to-three year Gov-Corp benchmark.

C. Council Reserve Policy (F-2) Review

Mr. Matusiewicz said this item is continued from the two prior meetings; March 24 and April 29. Staff was given specific direction to look at reserves that were established via a revenue set-aside and which among them might be managed more efficiently through the equipment internal service fund. Staff proposed two phases for implementing changes. Phase One changes were fairly easy and were proposed to the City Council on June 10. With respect to Phase Two changes, these are more complicated requiring both legal analysis as well as some rewrites to the Municipal Code.

Mr. Henn requested some more information and informed the committee he met with Mr. Matusiewicz and Ms. Brandt, Community Development Director. Mr. Henn was in favor of sun-setting the parking revenue set-asides for Neighborhood Enhancements A, B and off-street parking. He indicated that there is the potential for the creation of some parking management districts in conjunction with BVAC recommendations.

Council Member Curry suggested Mr. Matusiewicz work with Council Member Henn and bring it back to Council. The whole point of this exercise is to simplify and potentially reduce the reserves for things we might not have reserves for. If we're going to spend the money on projects, we should identify them.

Mr. Cassidy inquired as to why the Finance Committee wouldn't be reviewing the fiscal impact analysis that's being done on the Land Use Element. Mr. Matusiewicz said that they do consult with each other on topics that would have a mutual impact. Discussion ensued.

D. CalPERS Unfunded Liability Review and Pension Primer

Mr. Matusiewicz said the Finance Committee asked staff to work on a pension primer and Mr. Montano created the draft document. Mr. Kiff said it's a work in progress and staff welcomes feedback. Staff is working to make a complex subject more reader friendly.

Council Member Curry made the following comments and asked staff to make the following clearer in the document: the document should not use technical terms in order to be reader friendly, the City's unfunded liability can swing greatly as the result of the investment returns on the City's pension assets; most of the unfunded liability is attributable to former employees; the pension plan valuation is two years in arrears and consequently does not reflect current market conditions; and that the use of per capita ratios to measure pension funding progress is not useful due to the varying nature of revenue and service attributes of cities.

Council Member Petros asked Mr. Kiff to consider presenting this information to the City Council for a receive and file, in addition to posting it on the City's webpage. Council Member Petros said he appreciates that it's a work in progress. Mr. Kiff said he would continue to work with Council Member Curry on the document.

E. ERP Milestone Review

Mr. Montano provided an update to the Committee. The Committee members had no discussion on this item. It was designated as receive and file.

F. Review of Latest Post Employment Retiree Insurance Actuarial Valuation (AKA OPEB)

Mr. Matusiewicz said the OPEB Actuary requested some additional time to review the actuarial valuation and because it was her first time reviewing it, she was provided additional time.

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 4:53 p.m.

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

The agenda for the Regular Meeting was posted on July 17, 2014, at 3:45 a.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:



Keith Curry
Finance Committee Chair

1/26/15

Date