

**CITY OF NEWPORT BEACH
FINANCE COMMITTEE
JANUARY 14, 2016 MEETING MINUTES**

I. CALL MEETING TO ORDER

The meeting was called to order at 3:00 p.m. in the Crystal Cove Conference Room, Bay 2D, 100 Civic Center Drive, Newport Beach, California 92660.

II. ROLL CALL

PRESENT: Council Member Keith Curry (Chair), Mayor Diane Dixon, Committee Member Patti Gorczyca, Committee Member William C. O'Neill, Committee Member Larry Tucker, and Committee Member John Warner (arrived at 3:55 p.m.)

ABSENT: Council Member Tony Petros (excused absence)

STAFF PRESENT: City Manager Dave Kiff, Finance Director/Treasurer Dan Matusiewicz, Deputy Finance Director Steve Montano, Assistant City Manager Carol Jacobs, Public Works Director Dave Webb, Harbor Resources Manager Chris Miller, Deputy Public Works Director/City Engineer Mark Vukojevic, Public Works Administrative Manager Jamie Hook, Accounting Manager Rukshana Virany, Utilities General Manager George Murdoch, IT Manager Rob Houston, Deputy General Services Director Mike Pisani, Administrative Specialist to the Finance Director Marlene Burns, and Management Analyst Lucie Delorme

MEMBERS OF THE PUBLIC: Jim Mosher

OUTSIDE ENTITIES: Sarah Meacham and Henry Sun of PFM Asset Management LLC
Hannah Fry of the Daily Pilot

III. PUBLIC COMMENTS

Chair Curry opened public comments.

Jim Mosher commented on the Committee's interest in budget details as they related to employee benefits and how they are calculated for the various employees. He stated there are two more agreements upcoming for review, the Firefighters and the Fire Management Association, and both can be found on the City's website where the City Council agendas are available. The Human Resources page has the specific financial detail. Secondly, on Monday the Supreme Court is hearing a case about public agency employees having to pay fees to organizations that represent them. He inquired regarding the status of employees who are unrepresented. Tonight, the Committee will review the Public Works employees and he believes the benefits are all "lumped" together. In the minutes from the last meeting, Council Member Petros commented that the Finance Committee could now make recommendations to Council for a new model on how a Fire Department could operate. If the Committee can do this, perhaps they should appoint a subcommittee to handle this matter and he does not see anything like that on the agenda.

Chair Curry closed public comments.

IV. CONSENT CALENDAR

A. MINUTES OF DECEMBER 10, 2015

Recommended Action:

Approve and file.

Chair Curry opened public comments.

Jim Mosher stated there was a reference to a husband and wife who appeared to speak during public comments and has reason to believe that the male speaker's name was spelled "Neal" rather than "Neil."

Chair Curry closed public comments.

Committee Member Gorczyca moved, and Mayor Dixon seconded, to approve the December 10, 2015, Finance Committee Minutes, as corrected. The motion carried, unanimously with Council Member Petros and Committee Member Warner absent.

V. CURRENT BUSINESS

A. BI-ANNUAL INVESTMENT PORTFOLIO REVIEW

Summary:

Staff and/or one or more investment advisors will discuss current market conditions and the performance of the City's investment portfolio.

Recommended Action:

Receive and file.

Chair Curry noted that the Committee had expressed interest in having a more frequent review of the investment portfolio. He acknowledged PFM Asset Management (PFM) staff that were in attendance and introduced Sarah Meacham who made a report. Chair Curry noted that he was no longer affiliated with the firm.

Ms. Meacham reported that the Federal Reserve recently raised its target "Fed Fund" rate which took them seven years to do. PFM indicated going forward that the Fed expects four rate increases in 2016, although PFM feels the Fed will not raise it that aggressively. Currently, the City employs a one to three-year investment strategy and taking advantage of steeper parts of the yield curve. One of the ways to measure performance of the City's portfolio is to measure total return. Market values had declined so a negative total return occurred in the fourth quarter. The City did not necessarily lose money; however, this is a matter of course when investing. There will be a few more quarters of negative returns going forward, but this is a reality with fixed income investments in a rising interest environment.

Committee Member Gorczyca inquired about a "hold to maturity" strategy. Ms. Meacham responded that it is an actively managed portfolio, and they believe this is a safer policy than "hold to maturity." They may sell before maturity because the new investment could have a higher return and the City follows a one to three year investment strategy and they endeavor to remain close to the benchmark.

Ms. Meacham explained that a shorter duration, similar to maturity, is a measure of interest rate risk exposure. They have been keeping the duration close to the benchmark duration of approximately 1.75 years, and they continue to see value in sectors other than treasuries and agencies. They have been using CD's and corporate notes which have realized increases. She referenced strategic purchases during the fourth quarter in a document before the Committee. On page 9 it shows that the portfolio is dynamic as PFM continually assesses value and relative value and investments are bought and sold in congruence with the City's policies. The return

overall for the quarter was -.23 percent because of the decline in market value due to rising interest rates. The portfolio, though, has outperformed the benchmark since inception.

Ms. Meacham noted that the total return was negative even though the City booked positive income. Some of the sectors the City owns outperformed treasuries, which is often the basis for the index. The portfolio is in compliance with the City's policy. The portfolio is very diversified; the investors utilize strategic risk management and the credit quality of all investments is very high. They are moving to a "duration neutral stance" and going forward they will continue to watch what the Federal Reserve does.

Chair Curry opened public comments.

Jim Mosher stated that the use of the term "bi-annual" in the title of this agenda item is confusing as it refers to a meeting that could be held twice per year or every two years and the proper term to use on future agendas would be "semi-annual."

Chair Curry closed public comments.

Committee Member O'Neill moved, and Committee Member Gorczyca seconded, to receive and file the report. The motion carried, unanimously with Council Member Petros and Committee Member Warner absent.

B. IMPLEMENTATION OF BUDGET PREPARATION FRAMEWORK – REVIEW OF OPERATING BUDGET, SESSION 4

Summary:

During recent Finance Committee meetings, members discussed pursuing actions for bringing greater transparency and accountability during the annual budget development process. Staff believes that following a proposed budget preparation framework consisting of budget principles, and associated strategies and tactics can be a reliable vehicle for improving the City's budget process. In furtherance of Budget Framework Tactic T.10.1, the goal of this presentation will be to familiarize members of the Finance Committee with the elements of the Fiscal Year 2015-2016 Public Works Department budget, provide opportunity for questions, and to gain clarity in the funding allocations for departmental programs.

Recommended Action:

In furtherance of Budget Framework Tactic T.10.1, review, ask questions, and provide comment relating to the Public Works Department Fiscal Year 2015-2016 operating budget.

Public Works Director Webb introduced himself and the members of his staff in attendance. A PowerPoint Presentation was displayed. He presented an overview of the Department, the three Divisions, and presented various aspects of their budget. This included review of the five-year Operating Budget. He noted that the Capital Improvement Program and the Public Works Department represented approximately 23 percent of the total City budget, but only 4 percent of the City-wide staff. The budget has two funding sources: General Fund (\$9.6 million) and Tidelands (\$1.9 million). The Operating Budget includes salaries and outside services. The Tidelands Fund (\$1.9 million) consists of contract services such as those for mooring, yacht basin, water quality programs, and property management, miscellaneous and internal service funds. On the General Fund side of the operations, 75 percent is dedicated to salaries and they also run a large Capital Improvement Program.

Public Works Director Webb discussed the Capital Improvement Program (CIP) and distributed a handout. The management of the CIP takes into account City Council and community goals and provides the tools for project planning, conflict identification, and the setting of priorities. The Department also manages multiple master plans and he described the Traffic Signal and Bicycle master plans as examples of how these plans assist in the allocation of appropriate multi-year funding for large systems.

In response to Committee Member O'Neill, Public Works Director Webb described the process for the creation of master plans, stating they are living documents developed from surveys, Council direction on funding for programs, and input from staff on how to pay for Master plan component's in the upcoming year's budget. Occasionally, master plan components must be delayed or rolled over to future years depending on the City's financial picture. Some of the matters that come into play when deciding to include calculations, analyses, judgments on value, and occasionally, grant opportunities. Some master plans, such as the Bicycle master plan, are more grant-funded and not necessarily dependent on the General Fund.

In response to Committee Member O'Neill, Public Works Director Webb confirmed that master plans are generally not formally approved by the City Council, but rather are a living, dynamic document, provided for guidance so that operations are very transparent. Occasionally, some master plans are formally presented and approved by the City Council.

In response to Committee Member Tucker, Public Works Director Webb affirmed that many of the master plans relate to the City's adopted CIP and he described the Pavement master plan.

In response to Committee Member O'Neill, Public Works Director Webb stated that although not formally required to adopt master plans by outside agencies, it is beneficial for the City to have certain master plans in place in order to avoid potential fines for incidents related to the matters addressed by the individual master plan. He gave the example of OCTA, the County Health Department and the City's Sewer Master Plan. Public Works Director Webb also confirmed the City has an Americans with Disabilities (ADA) Act Transition Plan in response to previously filed lawsuits against the City.

Mayor Dixon inquired whether it would be prudent to know what the capital requirements are for components of the master plans and whether they should each have an accompanying financial plan. City Manager Kiff expressed support to have flexibility and fluidity in the master plans and if a specific financial plan were adopted for each it would tie the Council's funding abilities in future years should circumstances change.

Chair Curry described that the master plans allow the City to be opportunistic in going for funding proactively. He described the master plan related to signalization and a recent opportunity through OCTA, which the City was able to take advantage of.

Public Works Director Webb summarized the CIP development and multi-year process, including Council's direction in allocating General Fund dollars for the annual CIP. There are big spikes when large park projects are built. The Department has 33 employees and they recently absorbed two divisions. Certain services are contracted; however, Department staff performs the "bread and butter" services. They typically do not do design services and they do not want to be "staff heavy" when projects slow down. The attachment provided gives a five-year look back in terms of percent changes and the categories covered include Operating Budget, General Fund, Tidelands, Salary, Maintenance and Operations and Capital Outlay. More specific detail was given for Maintenance and Operations, and various increases in approved Memorandums of Understanding (MOU) were described. Public Works Director Webb noted that although there are some changes in the General Fund, the bottom line does not change. The fluctuations occur due to various projects and programs starting, such as the maintenance of the signal system.

In response to an inquiry from Mayor Dixon, Public Works Director Webb stated that certain employee salaries are allocated to the Tidelands Fund. There are no partial allocations, and most other employee salaries are allocated from the General Fund portion of the budget.

In response to an inquiry from Committee Member O'Neill regarding the pension's unfunded liability, Finance Director Matusiewicz stated that the unfunded liability was becoming such a large component of overall PERS cost, it was broken out separately in 2015. He further clarified the retirement contribution amount represents the entire contribution to PERS, offset by employee contributions.

In response to Committee Member Gorczyca, Finance Director Matusiewicz confirmed that the City does not budget for each employee at top step each year, only to their anticipated step increase. They do not anticipate any vacancies. Public Works Administrative Manager Jamie Hook explained the specialty pay system for Public Works and what would qualify someone for specialty pay, including Traffic Engineering degree-specific certifications from State agencies and Public Works Inspectors testing and materials from State agencies if they have earned that. It is a fixed dollar amount.

Committee Member O'Neill expressed concerns regarding funding for seawall reconstruction around Balboa Island. Public Works Director Webb stated it was a small component in the current CIP and the Department would be coming back to request additional funds for Grand Canal and a north and south "cap" project over the summer. Seawall projects have the potential to be in the millions of dollars and the Department will try to rehabilitate, if possible, but it may be necessary to replace them.

In response to Committee Member Tucker, Finance Director Matusiewicz confirmed that a subsidy of \$10 to \$14 million dollars is transferred annually to the Tidelands Fund. The General Fund transfer to the Tidelands funds represents the net amount of Tidelands expenditures that exceed the Tidelands revenues, representing the required General Fund subsidy.

Finance Director Matusiewicz reported that on the operating side of the CIP there are approximately \$1.5 to \$3 million dollars per year of capital expenditures programmed each year on top of the Police, Fire, and Lifeguard operations charged to the fund.

Committee Member Tucker stated that the seawall reconstruction is a big ticket item, with no money currently being "stacked up" in the reserves to address it.

Chair Curry opened public comments.

Jim Mosher thanked the Public Works Department for posting today's PowerPoint Presentation in advance of the meeting. He did not have time to review; however, he did have an inquiry regarding the CIP pie chart. He understood there are two aspects, the anticipated project budget and then the reporting of the "actuals" and was trying to comprehend that from the chart. He also understood that although there is use of outside contractors, he inquired as to how or if the funds are folded back into the budget if the City decides to instead enlist the services of in-house staff.

Public Works Director Webb responded that if there are any "leftover" funds they typically are returned to the pool from which it is first allocated, such as Gas Tax, or back to the General Fund reserve to be reprogrammed by the City Council.

Committee Member Warner arrived at 3:55 p.m.

Jim Mosher inquired whether residents would like to see the master plan on the City's website and stated that the public gets confused as to whether certain services are provided by Public Works or Municipal Operations, in particular, the maintenance of the streetlights.

Public Works Director Webb stated that the streetlight plan was put together 15 years ago and is discretionary based upon how much funding is available. He stated that sometimes

Municipal Operations handled streetlight related projects; however, most work was done through the CIP.

Chair Curry closed public comments.

C. REVIEW OF FACILITIES FINANCIAL PLANNING TOOL (FFPT)

Summary:

Staff will present the timing, means of financing, and fiscal impacts associated with funding high-priority capital projects approved by the City Council.

Recommended Action:

Receive and file.

Chair Curry introduced the item noting it was not the long term financial plan, nor a wish list. This tool was developed in 2007 during discussions on City Hall, where the City would have had taken on excessive debt in terms of budget for construction. The Facilities Financial Planning Tool (FFPT) was designed as a measurement tool to determine whether the City had the financial capacity to finance and construct the capital program. It demonstrated that you could build certain projects and how much debt service could be achieved. The FFPT has won the Helen Putnam Award of Excellence from the League of California Cities and truly is a measurement tool for affordability of projects.

Finance Director Matusiewicz stated that the tool allows staff to develop a funding plan for the replacement of all facilities on a perpetual basis. Currently, the list of priority projects included Marina Park and Bonita Creek artificial turf replacement which have recently been completed. The FFPT already reflects the date of 2025 when the artificial turf needs to be replaced. He reviewed the various charts which outlined large project expenditures, cash outflows, the proposed West Newport Community Center in 2019, and the large cash hurdle in 2026 related to the Police Station. Chart No. 3 shows the accumulation of resources and demonstrates the facility reserve balance will have sufficient funds to complete these projects. The minimum balance of \$9 million also represents the maximum annual debt service reserved in case of downturn in the economy. Chart No. 2 illustrates contributions from developers, illustrating the funding risk associated with developer contributions. Currently, there is projected to be \$34 million in developer contributions.

Finance Director Matusiewicz referenced the 2017 Uptown Newport Project which represents the next significant developer contribution. Those are the funds the City is counting on for the West Newport Community Center and the General Fund contribution has been ramped up in 2017 to cover the anticipated construction costs. If there is a downturn in development contributions, the fund then becomes reliant on the General Fund. Currently, it is a self-sustainable program with a General Fund contribution averaging \$11.4 million over 15 years, and \$14 million over 30 years.

In response to Mayor Dixon, Finance Director Matusiewicz stated that these numbers do not factor in Banning Ranch, and there could be \$27 million more available to fund projects. He also stated that if Banning Ranch comes through, contributions to the General Fund could be scaled back; however, the City does not want to delay construction and staff encourages continued contributions for now.

Mayor Dixon commented there is also a misunderstanding in the community regarding the funding for facilities construction and the General Fund portion is actually only a very small segment. City Manager Kiff stated that the City will get to the point where large scale development slows down and eventually becomes replaced with "infill" projects, with less revenue coming in from developer contributions. The General Fund contributions would continue to be programmed at the same level in order to support the perpetual replacement of the large facilities.

Finance Director Matusiewicz stated that the General Fund contribution was not set by policy, but it is managed so that the City is not contributing more than 5 percent of General Fund revenues.

Mayor Dixon suggested it would be wise in years with surpluses to reduce the General Fund contributions.

Committee Member Tucker commented that the City has no control over the biggest parts of its revenue stream and it is a wise thing to put it in the CIP, tamp down expenses, and invest it wisely. Property taxes in the City are astronomical as people find community more desirable. Maintenance will become more expensive over time.

Mayor Dixon stated the process is a good discipline.

Finance Director Matusiewicz noted that the plan is not reliant on any future debt, and the timing and magnitude of projects are expressed as Council priorities for projects. If that changes, staff retools the financing plan. This current plan reflects the last known direction from the City Council.

Committee Member O'Neill stated that this document does not show the Seawall. Finance Director Matusiewicz affirmed that harbor maintenance and improvements are different than facilities. He would like to see a harbor improvement/maintenance plan with a separate financing plan.

Chair Curry stated that this is a "color of money" plan and that is why they are kept separate.

City Manager Kiff explained that excess funds must go back to the State, including surplus from the Tidelands Trust.

In response to Committee Member O'Neill, Finance Director Matusiewicz confirmed that the Tidelands Capital Fund balance is negative because of a loan from the General Fund to the Tidelands Fund for Marina Park and if there is a plan to replace seawalls, then something similar will be shown.

Committee Member O'Neill stated that Marina Park is partially funded by Tidelands Funds.

City Manager Kiff affirmed that a Harbor Capital Plan would address things, such as seawalls, and that Council is in the process of developing it. The current seawall project anticipates spot fixes and caps, not a wholesale replacement.

Committee Member O'Neill expressed support for a future document to set-aside funds for the seawall replacement.

Chair Curry stated it is the biggest issue to talk about next year.

Mayor Dixon expressed concern about what to do with surplus funds and inquired whether institutionalizing a plan to set-aside surplus funds for a harbor facilities capital plan and the seawalls, both which are projects which will come before this Committee.

Committee Member Tucker stated that to spend money on capital projects like the seawalls or to impound funds toward them is a political decision, best left to the City Council. He has no problem recommending that Council consider a program for harbor and seawalls, but hesitated at a specific funding plan.

Committee Member O'Neill asked for clarification regarding the developer fees section on Page 6 of 7.

Finance Director Matusiewicz stated that some development agreements trigger the Quimby Act and fees must be spent on the development of new parks. He also discussed that 2 percent of public benefit fee must be set aside for arts and cultural facilities.

Discussion ensued regarding Banning Ranch. City Manager Kiff stated that there is every likelihood that a development agreement will come back to the City with a whole different structure, different price point, and anticipates negotiations to start anew. The unit number has come down, but it is likely the price per unit will increase.

Chair Curry reiterated that the measurement tool is a snapshot in time and is a placeholder for the current direction of the City Council.

Chair Curry opened public comment

Jim Mosher acknowledged this was a planning tool and demonstration of feasibility but not a commitment by the City Council. He referenced that Public Works stated that the Corona Del Mar Library will be smaller than what he believes the Council is expecting. He inquired because it was difficult to follow the Library Plans and the next one is the Balboa Library. He will be telling the Library Board that the new Library will be half of the current size.

City Manager Kiff stated that the process is a “push and pull” and it is an exercise to determine how small a building the programs and assets can fit in to. Mr. Mosher is welcome to notify the Library Board and he fully expects them to push back, as it is a negotiation. If he offers a larger number, it will only grow larger. At this time, it is only guidance and there is room for negotiation before the project is finalized. It is not new guidance from the City Council.

Chair Curry closed public comments.

D. WORK PLAN OVERVIEW

Summary:

Staff will present and seek approval of the tentative Finance Committee agenda topics scheduled for the calendar year. The work plan represents the planned topics of discussion; however, is subject to change based on the availability of information and the need to schedule other topics as they arise.

Recommended Action:

Review and approve the tentative Finance Committee agenda topics.

Council Member Curry provided a brief report and work plan overview, noting that the dates and topics are subject to change.

Discussion ensued regarding whether a mid-year review would be available and what numbers would be reviewed.

Mayor Dixon requested to see the total surplus numbers as they did last year in February. She also recommended memorializing a surplus policy, not dictating percentages, but would like to see some of the surplus go to the unfunded pension obligation, OPEB and capital improvements (medians, landscape).

Discussion ensued regarding bringing a policy to Council for review.

Finance Director Matusiewicz stated that there is a March 10 budget review scheduled and there will be discussion of budget assumptions and the use of surplus funds based upon feedback received.

City Manager Kiff stated that he will present the proposed budget to the Finance Committee in April or May for their input.

Committee Member Tucker expressed concerns regarding a binding surplus policy as every year is different. Each Council may approach the surplus differently and having flexibility is important.

Discussion ensued among the Committee and staff regarding a surplus policy.

Committee Member Gorczyca requested the following discussion items for the February Finance Committee agenda: PERS valuation, pension liability projections up to 5 years, an analysis to see the difference between City versus employee contributions potential application of an Internal Revenue Code Section 115 Fund and prepaying, and an OPEB cash buyout plan.

Committee Member O'Neill suggested an item related to the fiscal impact of commitments to outside agencies, such as the Sewer Management Plan. He also wants to make sure that the appropriate funding for various master plans are put forward to avoid fines in the future. City Manager Kiff affirmed that the Regional Board does not approve master plans; however, it is beneficial to show that the City follows its own plan to show fiscal responsibility in the event of an incident.

Committee Member Tucker requested that staff republish the meeting schedule with the correct dates and times.

Chair Curry opened public comment. Noting there were no members of the public who elected to make public comments, Chair Curry closed public comment.

E. ISSUANCE OF MULTI-FAMILY HOUSING REVENUE BONDS FOR THE UPTOWN NEWPORT PROJECT BY THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO TPG/TSG VENTURE I ACQUISITION, LLC

Summary:

The California Statewide Communities Development Authority (CSCDA) is authorized to issue bonds, notes, and other evidences of indebtedness or certificates of participation in leases to public entities and private developers in order to promote economic development, including the provisions and maintenance of multi-family housing. The borrower, TPG/TSG Venture I Acquisition, LLC, (a joint venture entity formed by Shopoff Realty Investments and the Picerne Group) is seeking financing from CSCDA for the acquisition, construction and development of the multifamily rental housing projects collectively known as the Uptown Newport Village. The law requires a public hearing be held to allow members of the public and the governing board the ability to comment and approve or disapprove the issuance of bonds for the project. Any project not approved by the local jurisdiction will not be financed through CSCDA. As the Program Participant, the City of Newport Beach will not incur any liability of this CSCDA financing.

Recommended Action:

Review and recommend a City Council public hearing on the issuance of Multi-Family Housing Revenue Bonds by CSCDA to TPG/TSG Venture I, LLC for the development of the Uptown Newport I and II Apartments.

Chair Curry provided a brief report on the issuance of the revenue bonds.

In response to Committee Member Tucker, Chair Curry noted that the City authorizes the signatures on the bonds. This is not an item related to the payment of the bonds.

Finance Director Matusiewicz stated that this is a good opportunity to familiarize constituents regarding the process.

In response to Committee Member Gorczyca, Finance Director Matusiewicz stated that there is an affordability component and reported that Phase I will consist of \$91 million and Phase II will consist of \$101 million.

Committee Member Gorczyca requested a copy of the term sheet.

Chair Curry opened public comments.

Jim Mosher inquired regarding changing part of the development into a hotel and whether that impacts the issuance of the bonds.

Discussion ensued regarding the unit number and the land that will be leftover.

Chair Curry closed public comments.

Committee Member Gorczyca moved, and Committee Member O'Neill seconded, to recommend a City Council public hearing on the issuance of Multi-Family Housing Revenue Bonds by CSCDA to TPG/TSG Venture I, LLC for the development of the Uptown Newport I and II Apartments. The motion carried, unanimously with Council Member Petros absent.

F. YEAR-END CLOSING RESULTS

Summary:

Staff will present the preliminary year-end closing results for Fiscal Year 2014-2015.

Recommended Action:

Receive and file.

Chair Curry reported that he was pleased that Fiscal Year 2014-2015 ended with a \$14.2 million surplus.

Finance Director Matusiewicz reported that there were notable increases in the Transient Occupancy Tax (TOT), mandated reimbursements, and that parking revenue did better than projected. Savings were also realized from within the Departments, and that some Department Budgets remained in flux, such as the deadline to outsource the refuse system.

In response to Committee Member O'Neill, Finance Director Matusiewicz provided examples of routine transfers (annual contribution to the Facilities Financing Plan Fund, General Fund subsidy of the Tidelands Fund, and those described in Attachment B) versus non-routine transfers.

In response to Committee Member Warner, Finance Director Matusiewicz explained that when expenditures are lower than the adopted budget, the surplus becomes undesignated funds available to be reprogrammed. He further affirmed that capital encumbered projects or non-completed projects are accounted for separately. They are not accounted for in the \$14 million surplus and are accounted for separately.

In response to Mayor Dixon, Finance Director Matusiewicz stated that capital funds are kept separated.

City Manager Kiff provided further detail on surplus funds stating that where they go depends on the year the funds were returned back, unfilled positions, and sometimes the need to hold and stretch out vacancies. He confirmed that he preferred to return excess funds back to the City Council for consideration.

Discussion ensued regarding general management of surplus funds.

Finance Director Matusiewicz referenced the discretionary funds available to the City Council in the event of a major catastrophe, although use of these funds was not generally advisable under ordinary circumstances. He noted that funds with external restrictions are not included as they are not under the City's discretion.

Chair Curry stated for the record the City ended with surplus twice the size of their debt service.

Chair Curry opened public comments.

Jim Mosher inquired regarding the City's main three revenue sources and made an inquiry regarding the percentage of sales tax revenues derived from restaurants versus automobiles.

Chair Curry stated there is a rivalry; however, it is true that autos account for a higher portion of the sales tax when compared to restaurants.

Committee Member O'Neill moved, and Committee Member Gorczyca seconded, to receive and file the report. The motion carried, unanimously with Council Member Petros absent.

G. QUARTERLY ERP UPDATE

Summary:

Staff will provide the Committee with a progress report on the Enterprise Resource Plan project to receive and file.

Recommended Action:

Receive and file.

Deputy Finance Director Montano reported that payroll conversion was completed and went as smoothly as can be expected. The project is on budget and projected to last 30 months; they are two-thirds of the way through. They have expended 55 percent of the projected budget, and expect to come in under-budget. The project has four phases, the first phase was completed in July (financials). The HR/Payroll phase was completed this month and the first payroll was issued today in the new system. The next phase is the utility billing system and then they will finish with the work order and fleet facilities modules (October 2016).

In response to an inquiry from Mayor Dixon, Deputy Finance Director Montano affirmed that the entire project was funded at \$3.7 million and they have expended \$2 million to date.

Committee Member Tucker moved, and Committee Gorczyca seconded, to receive and file the report. The motion carried, unanimously with Council Member Petros absent.

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

Committee Member Gorczyca requested five to ten-year budget projections. Chair Curry suggested this discussion take place during the budget review as part of revenue projections.

Committee Members Tucker and Warner requested an item to review the mission, goals, and purpose of the Finance Committee.

Committee Member O'Neill requested a copy of any budget amendments approved between Finance Committee meetings. Finance Director Matusiewicz said it can be done; however, cautioned about the Finance Committee's role in the day-to-day operations of the City.

VII. ADJOURNMENT

The Finance Committee adjourned at 5:05 p.m. to the next regular meeting of the Finance Committee on February 11, 2016, at 4:00 p.m.

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

The agenda for the Regular Meeting was posted on December 3, 2015, at 7:25 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:



Keith Curry, Chair
Finance Committee Chair

3/10/16

Date