

**CITY OF NEWPORT BEACH
FINANCE COMMITTEE
DECEMBER 10, 2015 MEETING MINUTES**

I. CALL MEETING 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.

II. ROLL CALL

PRESENT: Council Member Keith Curry (Chair), Mayor Pro Tem Diane Dixon, Council Member Tony Petros (arrived 4:05 p.m.), Committee Member Patti Gorczyca, Committee Member William C. O'Neill, Committee Member Larry Tucker, and Committee Member John Warner

STAFF PRESENT: City Manager Dave Kiff, Finance Director/Treasurer Dan Matusiewicz, Assistant City Manager Carol Jacobs, Deputy Finance Director Steve Montano, IT Manager Rob Houston, Police Support Services Administrator Jonathan Stafford, Fire Chief Scott Poster, Assistant Fire Chief Rob Williams, Division Fire Chief Cathy Ord, Principal Planner Jim Campbell, Deputy General Services Director Mike Pisani, Administrative Manager Angela Crespi, and EMS Division Chief Kristin Thompson

MEMBERS OF THE PUBLIC: Marilyn Ellis, Neal Ellis and Jim Mosher

III. PUBLIC COMMENTS

Jim Mosher commented on the shelf space provided in the Library for the City budget but noted that the Library does not yet have a copy of the budget adopted earlier this year. Additionally, the versions available on line are missing documents and he wondered whether the City will have a published budget document this year. He commented on the Annual Consolidated Statement of Revenues and Expenditures published in the Daily Pilot and suggested Members of the Committee may want to review it. He referenced a recent Council meeting where discussion took place regarding the Civic Center budget and the need for an independent audit. He commented on the possibility of being under/over budget as well as on an organization called, "Transparent California" and their release of salary information for all California Cities. He suggested the Committee might be interested in reviewing it. He added that pension data is also available through the same organization.

IV. CONSENT CALENDAR

A. MINUTES OF NOVEMBER 12, 2015

Recommended Action:
Approve and file.

Chair Curry opened public comments.

Jim Mosher reported that there was reference in the minutes to an Officer David McGill and that he is now the Deputy Police Chief. Additionally, he noted there is reference to OTS and suggested spelling that out as the Office of Traffic Safety and noted that the minutes from the last several meetings are not yet on the City's website.

Seeing no others wishing to address the Committee, Chair Curry closed public comments.

Committee Member Warner moved, and Committee Member O'Neill seconded, to approve the November 12, 2015, Finance Committee Minutes, as corrected. The motion carried, unanimously.

V. CURRENT BUSINESS

A. UNDERGROUND UTILITY ASSESSMENT DEFERRAL PROGRAM

Summary:

At its October 13, 2015, meeting the City Council considered an Underground Utility Assessment Deferral Program and referred consideration of potential program ideas to the Finance Committee for recommendation. The general plan would be designed to help resident property owners that may not have sufficient disposable income to pay the undergrounding assessment or utility connection costs. The purpose of this staff report is to analyze potential options for recommendation to the City Council and facilitate discussion.

Recommended Action:

Provide the City Council with options and recommendations for programs focused on providing financial relief to resident property owners that may not have sufficient disposable income to pay the undergrounding assessment or utility connection costs.

Finance Director/Treasurer Dan Matusiewicz presented details of the report noting that interest has been expressed in an Assessment Deferral Program. He reported that the staff report details three options for the Committee to consider and reported that he had a conversation with a local bank that would be interested in assisting the City in the loan administration. The City would either have to guarantee the loan or front the proceeds. The third recommendation is education on what options are available in the private sector.

Committee Member Patti Gorczyca reported that in an abundance of caution, the City Attorney suggested, and she agreed, to recuse herself from this item as she owns property within Assessment District 117. However, as the item affects her property, she kept the option of providing comments as a member of the public open. She indicated that she received an opinion from the Fair Political Practices Commission that she did not have a conflict, but, she went ahead and recused herself in an abundance of caution.

Council Member Curry commented on the assessment amount and reported that the deferral criteria have not yet been established. He presented a sample scenario with various assumptions and asked how the City would get paid back.

Finance Director/Treasurer Matusiewicz reported that upon transfer or sale of the home, the note would either become due or it would be payable from escrow. He stated that if the home were to be transferred, the heir would be responsible for paying the assessment at the time of the transfer.

Discussion followed regarding the process in cases where the home went into foreclosure, ways of protecting the City's interests, the City's priority status as long as it was ahead of any other financing, additional costs for administration of the loan, the possibility of establishing terms that may address the default issue and use of similar programs in the past.

Council Member Curry questioned the financial prudence of using public money to provide private loans and expressed concerns with the amount of time allowed for the loan to be paid back. He also questioned whether there is legality in establishing a commitment like this. He added that there would be additional impetus to want to foreclose on properties and felt that the proposal will result in a lot of work for a very narrow segment of the community.

Committee Member Tucker agreed and added that he does not see the decision within the purview of the Committee. Additionally, he stated that it is a complicated arrangement, for not a lot of money but acknowledged increases in property values by undergrounding utilities.

Council Member Petros added that the City would not want to face the inevitability of foreclosing on someone's home.

Discussion followed regarding interest comparisons using the City's deferral program versus through property taxes, over a twenty-year period, the possibility of funding through reverse mortgages or grants, funding sources, appropriate uses of CDBG funds, undergrounding costs, and criteria for adjusting assessments.

Council Member Petros suggested moving this item along and direct staff to summarize the issues discussed. Additionally, that there be an acknowledgement that the Committee discussed the issue of using the public treasury as bank, and specify that there is some concern regarding the chilling effect this could have on homeowner defaults; in addition, that the summary of issues be presented to Council, for their consideration.

Council Member Curry opened public comments.

Neil Ellis asked regarding ownership of the poles and spoke in opposition to the undergrounding plan and questioned the validity of a petition that was circulated regarding the matter.

Council Member Curry reported that voters have already voted on the district and that the matter is not within the Finance Committee's purview.

Mr. Ellis opined that the owners of the pole should pay for their removal if they want them out.

Council Member Curry closed public comments.

Council Member Petros moved, and Mayor Pro Tem Dixon seconded, to direct staff to summarize the issues discussed, that there be an acknowledgement that the Committee discussed the issue of using the public treasury as bank, and specify that there is some concern regarding the chilling effect this could have on homeowner defaults; in addition, that the summary of issues be presented to Council, for their consideration.

The motion carried, unanimously.

Committee Member O'Neill moved, and Mayor Pro Tem Dixon seconded, to recommend to Council, that the City replicate the 2010 Utility Connection Grant Program using CDBG funds at 80 percent income level for connections.

The motion failed with 2 ayes (O'Neill and Dixon) and 5 noes.

B. IMPLEMENTATION OF BUDGET PREPARATION FRAMEWORK – REVIEW OF OPERATING BUDGET, SESSION 3

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 Fire 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 Fire Department Fiscal Year 2015-2016 operating budget.

Fire Chief Scott Poster distributed handouts to the Committee, provided a brief video regarding the Newport Beach Fire Department and a PowerPoint presentation of the Department's budget.

Discussion followed regarding overtime, the possibility of having pool employees, having lower-level trained employees to avoid overtime costs and using retirees to work in support positions.

Fire Chief Poster provided details of Fire Department operations, responses, revenues, tasks of the Facility Coordinator, facilities maintenance, contract management and paramedic and non-paramedic assessment units.

Requests were made to show years of service for safety personnel and show figures compared to prior years in terms of percentages and list key drivers, in future reports.

Discussion followed regarding doing a variance analysis on a City-wide basis.

Fire Chief Poster addressed budget execution, revenue optimization and budget revenue generation.

Council Member Petros commended Chief Poster for his work and for his report of the current system. He wondered regarding other opportunities and options to deliver the same service and hoped that the City would have the courage to review the type of service that the community would like to see and consider options for delivery and cutting costs.

Discussion followed regarding the possibility of studying what other municipalities and Fire Departments are doing that may work for the City, working with the Fire Authority and opportunities to share services.

Council Member Curry opened public comments.

Jim Mosher commented on contracts with the various bargaining units and reported that summary information is available on the City's website. He commented on bereavement pay and on contracts with the Police and Fire Chiefs. In response to his question, Finance Director/Treasurer Matusiewicz reported that overtime is not pensionable. He asked regarding equipment replacement and specific items within the report.

Council Member Curry closed public comments.

Council Member Curry reported the Fire Department is the second largest department in the City and the budget impacts are very significant for the overall community. The City has been working closely with the Chief in terms of streamlining and Council Member Curry added that many issues are contractually limited as well as by State law.

Discussion followed regarding considering new models of safety services, unfunded pension liabilities, and the need to get the house in order as best as possible.

Finance Director/Treasurer Matusiewicz asked whether the Committee would like to direct staff to proceed developing the budget under the current model, make a study and make adjustments upon conclusion of the study.

Council Member Petros stated that the Committee appreciates the services that the Fire Department has provided, but in the January budget cycle, the Committee will roll up its sleeves and in cooperation with the Fire Department, see if the City can do better for its citizens.

C. LIFE SAFETY SERVICES PROGRAM EVALUATION

Summary:

Staff will discuss the results of a recent review of the City's Fire Department Life Safety Service as part of the on-going effort to review operations for effectiveness, efficiency and cost. This report provides the roles and responsibilities of the Division and summarizes the results of the study.

Recommended Action:

Receive and file.

Assistant City Manager Carol Jacobs provided a report noting there were initial concerns about coordination of plan check and plan review as a customer-service driven study. She reported that the consultant interviewed people across a number of departments and noted there were a number of themes that the City can work on relative to internal issues. She stated there were financial issues and asked for input from the Committee regarding reclassifying the Fire Marshall position, making it an Assistant Fire Marshall, saving the City about \$129,000 a year or not hiring another body and letting the Building Official assume the Assistant Fire Marshall role. She addressed other options and listed actions taken and under consideration.

Council Member Curry spoke in support of letting the Building Official assume the Assistant Fire Marshall role. Additionally, he noted the need to streamline the permitting process.

Assistant City Manager Jacobs added that any fire-related issue that could not be addressed by the Assistant Fire Marshall, would be addressed by Chief Poster. She reported that the study did not include benchmarking of other agencies.

Council Member Curry opened public comment.

Jim Mosher commented on the report, emergency readiness and improving public outreach.

Chief Poster noted that the Fire Department has a Hazard Mitigation Plan and noted there was public outreach done.

Council Member Curry closed public comment.

Committee Member O'Neill moved, and Committee Member Gorczyca seconded, to receive and file the report.

The motion carried, unanimously.

D. CITY COUNCIL POLICY F-9 CITY VEHICLE/EQUIPMENT GUIDELINES

Summary:

At the City Council Meeting of October 27, 2015, the City Council reviewed and approved changes to the City Council Policy F-9 – City Vehicle/Equipment Guidelines. These changes will extend the life of the City's fleet, eliminate several types of equipment the City no longer owns and add vehicles to the Equipment Maintenance Fund that were previously not included. The revision to Policy F-9 on October 27, 2015, resulted in savings of approximately \$1,039,000 to the City's General and Enterprise Funds. The City Council requested that the Finance Committee review Policy F-9 to determine if additional savings are available. After a thorough review of the policy and the financial resources necessary to maintain the Equipment Replacement Fund, staff is not recommending any changes to the useful lives of the equipment.

Recommended Action:

Provide direction to staff on the proposed changes.

Council Member Curry provided a brief report and noted the item is ready for adoption.

Discussion followed regarding the City's use of clean fuel.

Council Member Curry explained the use of alternative fuels.

Council Member Curry opened public comments.

Jim Mosher noted that the use of alternative fuels is not mandatory.

Council Member Curry closed public comments.

Mayor Pro Tem Dixon moved, and Committee Member Gorczyca seconded, to forward the matter on to City Council.

The motion carried, unanimously.

In reply to Mayor Pro Tem Dixon's inquiry, City Manager Kiff reported that staff will be providing year-end closing results and an ERP update in January as well as an investment review.

VI. ADJOURNMENT

The Finance Committee adjourned at 5:50 p.m. to the next regular meeting of the Finance Committee on January 14, 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 8:32 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



Date