

**CITY OF NEWPORT BEACH
FINANCE COMMITTEE
OCTOBER 15, 2015 MEETING MINUTES**

I. CALL MEETING 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.

II. ROLL CALL

PRESENT: Council Member Keith Curry (Chair); Mayor Pro Tem Diane Dixon; Council Member Tony Petros; Committee Member William C. O'Neill; and Committee Member John Warner

ABSENT: Committee Member Larry Tucker

STAFF PRESENT: City Manager Dave Kiff, Finance Director Dan Matusiewicz, Deputy Finance Director Steve Montano, Assistant City Manager Carol Jacobs, Administrative Specialist to the Finance Director Marlene Burns, Accounting Manager Rukshana Virany, Purchasing Agent Anthony Nguyen; Budget Analyst Tam Ho, Recreation and Senior Services Director Laura Detweiler, Budget Manager Susan Giangrande, Senior Services Manager Celeste Jardine-Haug, IT Manager Rob Houston, HR Supervisor Sheri Anderson, and Recreation Superintendent Sean Levin

MEMBER OF THE PUBLIC: Jim Mosher

OUTSIDE ENTITIES: Marilyn Jones of Nyhart Consulting

III. PUBLIC COMMENTS

Mr. Mosher suggested that Committee Members make announcements about things they think are relevant to the Finance Committee and asking for topics to be placed on future agendas. Regarding the current Finance Committee vacancy, he also suggested the Committee seek outside representation from people who might have a different view on things.

IV. CONSENT CALENDAR

A. MINUTES OF SEPTEMBER 16, 2015

Recommended Action:

Approve and file.

Corrections to the minutes were noted as submitted.

Chair Curry opened public comments.

Jim Mosher commented on the quality of the minutes and suggested that the recording of meetings be posted on the City's website for increased transparency. Additionally, he suggested that staff return to the Committee with results of a cost analysis relative to placing the recording of the meeting on the website or having more detailed minutes. He added that it is a lot easier to post the recording than to have someone work on detailed minutes.

Chair Curry closed public comments.

Committee Member O'Neill moved, and Council Member Petros seconded, to approve the September 16, 2015, Finance Committee Minutes, as corrected. The motion carried with 5 ayes, 0 abstentions and 1 absent (Committee Member Tucker).

V. CURRENT BUSINESS

A. DISCUSS SCHEDULE FOR NEXT FINANCE COMMITTEE MEETING OF NOVEMBER 12, 2015

Summary:

Due to a scheduling conflict, the Finance Committee should discuss an alternate meeting date and/or time for the November meeting.

Recommended Action:

Finance Committee should set the date and time for the November Finance Committee Meeting.

Chair Curry reported on the matter noting that, due to a scheduling conflict, it is recommended that the Finance Committee set the date and time for the November Finance Committee meeting. He suggested holding the meeting on November 12, 2015, but starting the meeting at 3:00 p.m.

Members of the Committee concurred to meet on November 12, 2015, from 3:00 p.m. to 5:00 p.m.

B. RETIREE HEALTH LIABILITY (OPEB)

Summary:

The City obtains an actuarial valuation for its retiree health program every other year. The purpose of the valuation is to measure the City's liability for retiree health benefits and to determine the City's accounting requirements under the Government Accounting Standards Board (GASB) Statement No. 45. Marilyn Jones, Consulting Actuary, from Nyhart will be present to answer any questions regarding the June 30, 2015, valuation.

Recommended Action:

Staff welcomes the Finance Committee to discuss the June 30, 2015, Actuarial Valuation and to provide comment to staff's proposed changes to the discount rate used in measuring the related OPEB liabilities.

Finance Director Dan Matusiewicz provided details of a PowerPoint presentation addressing background, City contributions, number of participants, minimum employer contribution, and mandates.

Discussion followed regarding the Medicare component to the PERS plan, other plans, employee choices and the City's liability, assumptions, savings to the City and reduction of exposure and choices in retirement options.

Finance Director Matusiewicz presented information regarding policy decisions that need to be made relative to actuarial valuation and proposed changes to the discount rate used in measuring the related OPEB liabilities.

Discussion followed regarding the historical discount rate, differentiation of performance of the various funds, discretionary factors involving operations versus conservative plans, the City having zero liabilities in the 1990s, risks, and benefits of being more conservative now.

Discussion followed regarding being careful not to lock the City into assumptions and the desired rate of return.

Committee Member Warner moved, to set the discount rate at 6.5 percent. The motion died for lack of a second.

Discussion followed regarding Council's budget recommendation to consider a balanced approach relative to surpluses, total amount invested in OPEB, various surplus amounts, the expectation of a budget surplus this year, and allocating at least \$200,000 into the OPEB account. Committee Member O'Neill noted that modifying the discount rate was away of locking in future Councils to action that current Council policy addresses via setting aside surplus money to long-term debt paydown. Committee Member O'Neill agreed with Committee member Warner's desire to paydown the long term debt and encouraged a vote to recommend to the City Council that it continue to support the policy to take 50 percent of surplus and allocate it toward paying down long-term debt, including OPEB.

Chair Curry moved, and Council Member Petros seconded, to move forward with the actuarial valuation and express the Committee's support for the policy to take 50 percent of surplus and allocating it towards long term debt, including OPEB.

Chair Curry opened public comments.

Jim Mosher addressed the current defined contribution plan and asked whether the actuarial valuation has to do with the Legacy Plan and how much the City has to set aside for that plan.

Finance Director Matusiewicz clarified the OPEB liability is the combination of the legacy plan, the minimum contribution relative to the PERS Plan and an implied insurance premium subsidy of retired participants

Mr. Mosher assumed that Ms. Jones has prepared similar reports for other agencies and wondered if some of them have similar Legacy programs to reduce liability.

Ms. Jones commented that Newport Beach is at the forefront in terms of getting rid of the liability.

Council Member Petros noted that the City represents the example to other cities.

In further response to Mr. Mosher, Ms. Jones stated that if the City were to move the medical program from CalPERS, it could diminish the minimum contribution liability to zero.

Chair Curry closed public comments.

City Manager Dave Kiff stated it would need to be accepted by negotiations.

Chair Curry added that there is greater flexibility with healthcare but the matter would still be subject to negotiations.

The motion carried with 5 ayes, 0 abstentions and 1 absent (Committee Member Tucker).

Chair Curry noted the need to revisit this, as needed.

Brief discussion followed regarding the Cadillac Excise Tax.

C. IMPLEMENTATION OF BUDGET PREPARATION FRAMEWORK – REVIEW OF OPERATING BUDGET, SESSION 1

Summary:

During the August 13, 2015, Finance Committee meeting, 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 FY 2015-16 Recreation and Senior Services Department departmental budget, provide opportunity for questions, and to gain clarity in the funding allocations for departmental programs. Staff will schedule similar Finance Committee presentations covering the operating budgets of other departments over the next few months.

Recommended Action:

In furtherance of Budget Framework Tactic T.10.1, review, ask questions, and provide comment relating to the Recreation and Senior Services FY 2015-16 operating budget.

Finance Director Dan Matusiewicz introduced the matter and deferred to staff for a report.

Council Member Petros noted the intent is also to familiarize Council with the operation of individual departments so that, when the budget is laid out, there would be a sense of familiarity with those departments and their operations. He encouraged Members to speak with their Council representative and let them know what each has learned.

Recreation and Senior Services Director Laura Detweiler provided details of a PowerPoint presentation addressing background, her qualifications and experience in the City, total Recreation Department budget, revenues, programs and classes, program budgets and contractors and subcontractors.

Discussion followed regarding an upcoming fee study and cost recovery related to the various programs. It was noted that the City's cost recovery is better than most cities.

Discussion followed regarding showing the net difference in future reports, evaluation of programs, ever-changing program offerings, the importance of tracking participation and public input, tangible benefits to the community such as the Civic Center, appreciation of a broader base and marketing to residents.

In response to Committee Member O'Neill's inquiry regarding how costs and revenue sources from Marina Park will be allocated among various City funds, including the Tidelands Fund, Finance Director Matusiewicz reported that staff looks at whether the revenue is specifically generated from Tidelands or uplands property.

City Manager Kiff added that the Marina program is funded by the Tidelands Fund and that community centers are funded through the General Fund. He added that the budget includes transfers between the Tidelands and General Funds.

Recreation and Senior Services Director Detweiler reported that the remaining budgets are directly attributed to facilities including the Newport Coast Community Center, Marina Park and OASIS. The latter is divided into three different operations. She added that the OASIS Center does not include all expenses. She addressed transportation and offsets from other sources. She reported on staffing, the volunteer program, indicators in terms of what is being managed in the field.

Council Member Petros pointed out that the City does not have swimming pools and that the City uses other pools and making investments in property owned by others.

Recreation and Senior Services Director Detweiler noted the City has some maintenance responsibilities specific to rental/lease properties and listed some. She added that the team of facility workers are used as a taskforce that is part of the program staff who helps implement programs. Staff will continue to contract out services where there is opportunity to do so.

City Manager Kiff noted that contracting out staff is reviewed on a case-by-case basis.

In response to Committee Member Warner's inquiry, Recreation and Senior Services Director Detweiler stated that part-time work is considered anything less than 40 hours per week but that traditionally, for the City, it is 36 hours per week.

Discussion followed regarding the opportunity to have more part-time staff and less long-term obligations for the City.

Recreation and Senior Services Director Detweiler noted challenges with part-time staff in terms of training and replacement and delivering the quality of programs that residents expect. Additionally, she addressed programs and oversight as related to the various staff titles.

City Manager Kiff commented on negotiated benefits of the various labor groups for different job classifications.

In response to Committee Member O'Neill's inquiry, Recreation and Senior Services Director Detweiler noted there is a variety of Labor Groups involved with MOUs.

Mayor Pro Tem Dixon commented on increases in the total budget and asked regarding factors driving the budget.

Recreation and Senior Services Director Detweiler stated she does not see the Department growing significantly, that the Department has taken on responsibilities from other departments and that Marina Park has been a big "hit" for the Department. She commented on revenues offsetting contracted programs noting a lot of contract services have grown over the years.

Mayor Pro Tem Dixon requested a chart showing part-time, full-time and contracted programs including past data and projections going forward.

Chair Curry commented on other facilities that have been opened such as Sunset Ridge Park, Sunset View Park and turf replacement.

Mayor Pro Tem Dixon commented on allocations for parks coming out of the Facilities Financial Planning Budget.

Recreation and Senior Services Director Detweiler presented salaries versus contracted services, internal service funds, utilities, lease of facilities and training, dues and capital outlays. She addressed revenues, administration of community centers, maintenance, supply and staffing costs. Additionally, she presented details of contracted services and examples of individual program budgets, including revenues and expenses related to Marina Park. She noted that cost recovery is expected at approximately 71 percent.

Council Member Petros commented on an idea from Council Member Duffield regarding opportunities for additional revenues in terms of yacht sales and interim storage of yachts before they transfer.

City Manager Kiff noted the need to wait and see before implementing such a program.

Recreation and Senior Services Director Detweiler stated that staff expects Marina Park to be at full capacity within the first year of operation.

Discussion followed regarding core functions and associated costs and how department revenues factor into department budgets.

Recreation and Senior Services Director Detweiler reported that all City fees are very reasonable and will be included in the performance plan for the coming year.

Council Member Petros departed the meeting at 5:55 p.m.

Discussion followed regarding the suitability of the deep dive, the possibility of including recaps, analyzing core functions and generating potential cost savings.

Mayor Pro Tem Dixon stated she would like to know what citizen concerns are, from a budgetary point of view and what the City is not doing in the community.

Chair Curry opened public comments.

Jim Mosher wondered regarding Friends of OASIS and their relationship with the City, asked regarding the West-side Community Center, commented on other Department support. Additionally, he asked regarding revenue from room rental rates and the historic growth of the Department and how it compares with other neighboring cities.

Chair Curry closed public comments.

VI. ADJOURNMENT

The Finance Committee adjourned at 6:03 p.m. to the next regular meeting of the Finance Committee on November 12, 2015, at 3:00 p.m.

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

The agenda for the Regular Meeting was posted on October 9, 2015, at 4:15 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

12/10/15

Date