

**CITY OF NEWPORT BEACH
FINANCE COMMITTEE
MAY 11, 2015 MEETING MINUTES**

I. CALL MEETING TO ORDER

The meeting was called to order at 6:00 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; Committee Member Bill McCullough (arrived at 6:06 p.m.); Committee Member Larry Tucker; Committee Member John Warner; Committee Member Jack Wu

ABSENT: Council Member Tony Petros

STAFF PRESENT: City Manager, Dave Kiff; Finance Director, Dan Matusiewicz; Deputy Finance Director, Steve Montano; Administrative Specialist to the Finance Director, Marlene Burns; Public Works Director, Dave Webb; Deputy Public Works Director/City Engineer, Mark Vukojevic; Revenue Manager, Evelyn Tseng; IT Manager, Rob Houston; Deputy City Manager/HR Director, Terri Cassidy; Budget Manager, Susan Giangrande

MEMBER OF THE PUBLIC: Jim Mosher

OUTSIDE ENTITY: Megan Nicolai, Orange County Register

III. PUBLIC COMMENTS

Jim Mosher referenced his written comments and expressed concerns with Council's announcement in January regarding the Finance Committee and a subsequent different announcement a few months later. He spoke regarding the staff auditing itself and opined that City Council should have been asked to make that decision.

IV. APPROVAL OF MINUTES

A. Summary:
Approval of the February 26, 2015, Finance Committee Minutes and March 24, 2015, Joint City Council/Finance Committee Minutes.

Recommended Action:
Approve and file.

Chair Curry opened public comments.

Jim Mosher referenced his written corrections to the minutes.

Committee Member Tucker moved, and Mayor Pro Tem Dixon seconded the approval of the February 26, 2015, Finance Committee meeting minutes. The Committee voted 5 ayes and 2

absent (Council Member Petros and Committee Member McCullough) to approve the minutes, as corrected by Mr. Jim Mosher.

Chair Curry opened public comments. Seeing none, Chair Curry closed public comments.

Committee Member Tucker moved, and Committee Member Warner seconded the approval of the March 24, 2015, Joint City Council/Finance Committee meeting minutes.

The Committee voted 5 ayes, 1 abstention (Committee Member Wu) and 2 absent (Council Member Petros and Committee Member McCullough) to approve the minutes, as presented.

Committee Member McCullough arrived at this juncture (6:06 p.m.).

V. CURRENT BUSINESS

A. FISCAL SUSTAINABILITY PLAN

Summary:

Staff understands that Mayor Pro Tem Dixon wishes to augment the Fiscal Sustainability Plan to ensure that infrastructure funding is made an explicit priority. Maintaining a high-quality natural and physical environment by creating aesthetically pleasing places to live, work, recreate and visit shall remain a key goal of the City.

Recommended Action:

Staff recommends that the Finance Committee direct staff to bring the attached changes for City Council approval.

Chair Curry introduced the aforementioned item and deferred to Mayor Pro Tem Dixon for a report.

Mayor Pro Tem Dixon presented a brief background and provided details of suggested changes. She stressed the importance of balancing fiscal responsibility while investing in capital infrastructure to maintain a good quality of life.

Committee Member Tucker commented on the plan regarding increasing income and reducing expenses and suggested adding language regarding enhancing and protecting the City's tax base by investing in quality capital infrastructure improvements that are both long-lasting and fiscally responsible.

Chair Curry opened public comments.

Jim Mosher suggested that additional language begin with "the City will" and noted there may be other things that need to be "cleaned up". He pointed out items that need clarification and wondered if this should be a City policy.

Chair Curry closed public comments.

Mayor Pro Tem Dixon agreed with Mr. Mosher's and Committee Member Tucker's suggestions.

Mayor Pro Tem Dixon moved, and Committee Member Tucker seconded approval of the proposed changes to the Fiscal Sustainability Plan as presented and discussed and to forward it to City Council for their consideration. The motion carried with 6 ayes and 1 absent (Council Member Petros).

B. FACILITIES FINANCIAL PLANNING TOOL (FFPT)

Summary:

Staff has projected the timing, means of financing, and fiscal impacts associated with funding high-priority projects recently approved in concept by the City Council during the recent Proposed FY 2015-16 CIP budget presentation.

Recommended Action:

Staff recommends that the Committee directs staff to bring the Facilities Financial Plan for City Council approval.

Chair Curry provided a brief background of the item. He added that the subject plan is a tool to determine the affordability of projects.

Finance Director Dan Matusiewicz provided a brief overview of the flow of funds including General Fund and Developer contributions that go into the Financial Planning Reserve Fund. He added that in most cases, those projects are funded in cash. He addressed Council direction, identification of priority projects, General Fund contributions to the plan, the Facilities Reserve balance, debt service, and anticipated resources.

Chair Curry noted that the plan replaces all of the City's infrastructure and major facilities for the next 80 plus years.

In response to Mayor Pro Tem Dixon's inquiry, Finance Director Matusiewicz addressed contingency reserves.

Discussion followed regarding capital projects not currently on the "radar", Public Works Master Plans and planning for the addition of new facilities.

Public Works Director Dave Webb added that Council would direct staff on new facilities.

Ensuing discussion followed regarding inclusion of the Uptown Newport development, potential studies for new Police stations, the possibility of sharing facilities with the City of Costa Mesa and other neighboring cities and use of the facilities by residents and non-residents.

Chair Curry opened public comments.

Jim Mosher stated this is a good plan for facilitating financing projects currently in the plan, but the City anticipates many capital needs in the future that are not in the plan and does not demonstrate how the City will pay for them. He highlighted projects that have been removed (piers and sea walls), expected revenues and inconsistencies in terms of fund totals and details. He referenced staff recommendations and wondered what it is that the Finance Committee is being asked to approve.

Finance Director Matusiewicz addressed Council's goal to prioritize projects.

City Manager Kiff added that the plan is used to finance projects that are not on other capital master plans and commented on the need for Council approval.

He stated that the last amendment to the document was approved by Council and that Council reviews it on an annual basis.

Discussion followed regarding budgeted items, sources of funds, projects with specific Council direction, procedure for changes in funding and private contributions.

City Manager Kiff reported that the City stays in close contact with Community Development to know exactly how they are progressing with their projects and when funds are expected.

Ensuing discussion followed regarding changes in the Uptown Newport project and the process for making adjustments to the FFPT.

Committee Member Warner moved, and Mayor Pro Tem Dixon seconded to direct staff to bring the Facilities Financial Plan for City Council approval. The motion carried with 6 ayes and 1 absent (Council Member Petros).

C. FY 2015-16 BUDGET PRESENTATION

Summary:

Staff will present an overview of the City Manager's Fiscal Year 2015-16 Proposed Budget.

Recommended Action:

Staff recommends that the Committee directs staff to bring the Proposed FY 2015-16 Budget for City Council Approval.

Finance Director Matusiewicz introduced the item noting that the fundamentals of a financially-sound budget have been met and that the budget emphasizes the goals and priorities of Council. He addressed the General Fund, proposed operating budget, new capital projects, restricted revenue sources and accumulation of resources.

Discussion followed regarding showing comparisons with prior years (i.e. percentage increases) in future budget presentations.

Finance Director Matusiewicz reported that the budget is reflective of community goals, policies and priorities and emphasizes those qualities that make Newport Beach, exceptional.

Discussion followed regarding measuring or determining those items and qualities that residents demand.

Finance Director Matusiewicz addressed next steps including the timeline for Council considering and approving the budget.

It was suggested including percentages next to dollar amounts within the budget document.

Finance Director Matusiewicz addressed the City's top three revenue sources, prior years where revenues decreased, contingency reserves, current debt, CDBG program, assessed valuation growth, bonded debt, transient occupancy tax, comparisons with nearby cities, the TBID, details of guiding principles and related programs as well as total community reinvestment.

Discussion followed regarding showing a timeline relative to cash funding on big projects.

Finance Director Matusiewicz addressed expenditures by function.

Discussion followed regarding providing year-over-year comparisons, organization by department, trends, City payroll by department, providing a summary of employee benefits, employees shared between departments and clarification of "salaries and benefits".

Finance Director Matusiewicz addressed General Fund expenditures by type, maintenance and operations, capital, savings for future long-term needs, changes in staffing and salaries and benefits and full- and part-time positions.

Discussion followed regarding staffing levels in prior years.

Finance Director Matusiewicz reported on City Council decisions relative to paying down the City's unfunded pension liabilities on a faster schedule, rising pension costs, increases in salaries, employee contributions to the pension system, employee contributions to health plans, cafeteria plans, City Council benefits and bargaining units. He addressed components of unfunded liability costs and accelerated pension payments.

Brief discussion followed regarding increased employee pension contributions.

Finance Director Matusiewicz continued presenting details of the proposed budget including the City's legacy Other Post-Employment Benefits (OPEB) plan.

Discussion followed regarding CalPERS.

Finance Director Matusiewicz addressed maintenance and operations, the CIP budget, allocation of resources, balancing the needs of residents, developing an equitable repayment strategy, the possibility of creating a neighborhood enhancement fund, conforming to the new actuarial standards, and actions required by the Finance Committee, as well as next steps.

Discussion followed regarding considering how surpluses are allocated, the seawall project and the Tidelands Capital Plan.

Finance Director Matusiewicz provided details of checklist items for Council consideration, contributions to the Public Arts Fund, the Corona del Mar entryway project, other reductions, restricted revenue sources, and consideration of new initiatives by Council. He addressed increasing parking rates, reduction of mooring fees, commercial fees, residential piers, and considering practical ramifications of reduced fees.

Discussion followed regarding incremental fees going into the Harbor Fund, Council's consideration of the budget and the timeline.

Finance Director Matusiewicz thanked his staff for their help and offered to respond to questions from the Committee.

Discussion followed regarding fund balances, allocation of the Tidelands revenues, the Corona del Mar parking lot, consideration of commercial marinas by Council, benefits provided to Council in the City Charter, providing a summary of full-time, split personnel, increases in general insurance due to significant lawsuits over the past few years, going out to bid for general insurance, overtime, the IT internal service fund charges to the Fire Department, hiring processes for Police Officers and Fire Fighters, benefits for the Community Development Director, building inspection overtime, outsourcing and the possibility of hiring a consultant to do an assessment of what functions can be outsourced, increases in existing contract amounts, the General Services Department, clarification of the Urban Forester position, support services and water utilities generator maintenance.

Discussion continued regarding increases in Central Library utilities and the possibility of cutting expenditures.

City Manager Kiff reported that it would be helpful for the Committee to make specific recommendations as to which items need special consideration by Council.

Discussion followed regarding justifying every line item for every function, identifying and reducing redundancies, finding opportunities for greater efficiencies.

City Manager Kiff noted that budget discussions do not end at this time and commented on regular review of the budget going forward.

Ensuing discussion continued regarding future scrutiny of high-salaried positions, payment of loans and refinancing, interest schedule, debt service costs, adding explanations to line items in the performance plan and providing details of miscellaneous salaries.

Chair Curry opened public comments.

Jim Mosher addressed the Finance Committee's role at this time and noted that the budget was available for review on April 30th but the general public did not know it was available until a week later. He expressed concerns regarding adjustments by City staff to the budget after it has been passed. He added that a breakout of information about certain items are not available and suggested including same in future budgets.

Chair Curry closed public comments.

Mayor Pro Tem Dixon requested increased visibility on program spending and Finance Director Matusiewicz commented on the new ERP system.

Discussion followed regarding reviewing future budgets earlier in the cycle and the mid-budget review.

City Manager Kiff suggested that each Member list their inquiries and submit them to Finance Director Matusiewicz so that he may respond to the Committee.

Committee Member Wu moved and Committee Member Warner seconded to direct staff to send the Proposed FY 2015-16 Budget for City Council for consideration. The motion carried with 5 ayes, 1 abstention (Committee Member McCullough) and 1 absent (Council Member Petros).

VI. ADJOURNMENT

Chair Curry suggested changing the start time of future Finance Committee meetings to 4:00 p.m. Members of the Committee agreed and Chair Curry reported the issue will be presented to Council for their consideration.

The Finance Committee adjourned at 9:08 p.m. to the next regular meeting of the Finance Committee on June 11, 2015, 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 May 7, 2015, at 1:52 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

6/22/15

Date