

**CITY OF NEWPORT BEACH
CITY COUNCIL FINANCE COMMITTEE
MAY 13, 2013 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 Mike Henn (Chair), Mayor Keith Curry and Council Member Tony Petros

Staff present: City Manager Dave Kiff, Finance Director Dan Matusiewicz, Deputy Finance Director Steve Montano, Accounting Manager Rukshana Virany, Budget Manager Susan Giangrande and Administrative Coordinator Tammie Frederickson

Members of the public: Jim Mosher, Carl Cassidy

3. PUBLIC COMMENTS

Council Member Henn noted that written comments were received from Mr. Mosher prior to the meeting. Staff was directed to respond to Mr. Mosher regarding his comment on the distinction between Restricted and Committed funds in connection with Quimby Act and Development Agreement related fees.

In response to Mr. Mosher's inquiry regarding the omission of the Fire Department fees from this agenda, Finance Director Matusiewicz stated the Fire Department needed more time to develop the fee schedule.

4. APPROVAL OF MINUTES

Mr. Mosher suggested typographical corrections to the April 22, 2013, minutes. Mayor Curry moved, Council Member Petros seconded to approve the minutes with the typographical corrections.

5. CURRENT BUSINESS

A. Budget Review

Mr. Matusiewicz reviewed the Fiscal Year (FY) 2013-14 proposed budget overview presentation. He reported that the budget is balanced, increases investments in community serving facilities and proposes more police officers while reducing staffing levels overall. He outlined the budget process and calendar as required by the Charter. City Manager Kiff noted that special events funding is built into the budget.

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administration office of the Finance Department

Mr. Matusiewicz described revenues and noted that property taxes represent the largest share of General Fund revenue. In response to Mayor Curry's question, Mr. Kiff acknowledged that sales taxes are proposed to exceed pre-recession 2007 levels in FY 2013-14. Mr. Matusiewicz continued with a review of revenue comparisons and noted a 7% increase is projected in transient occupancy tax (TOT). Council Member Petros requested information on how many rooms comprise the 2012-13 TOT.

The presentation went on to cover the proposed General Fund expenditures. Mr. Matusiewicz indicated that Public Safety expenditures represent the largest component of the budget and the proposed budget continues prior year investments in both the Capital Improvements Program and the Facilities Financing Reserve fund. There was discussion about how to best show debt service, including the Civic Center COP debt in a way that is understandable to the average reader.

Mr. Matusiewicz commented that the City's priority based budget was built around the priorities of public safety; smarter, smaller government; and high quality physical environment. He expanded on these priorities with a description of the funding proposed for a new crime suppression unit, reinvestment in the 800 MHz communications system and IT strategic investments. Initiatives included in the budget such as continuing to outsource where it makes sense, a reduction of the workforce with the voluntary separation incentive program, and increased contributions made by employees towards their pensions has furthered the smarter, smaller government priority. The City's priority of a high quality physical environment is furthered through resources dedicated to neighborhood beautification, development of community serving facilities, a General Plan update, airport Environmental Impact Report (EIR), and a supplemental reforestation effort. A total of \$32.4 million is proposed to fund Facilities Financing projects including annual funding for the Capital Improvement Program, Marina Park, Sunset Ridge, Lifeguard HQ rehab and the Corona del Mar fire station rebuild.

Council Member Petros conveyed his belief that the City should not be the bottleneck that causes CIP project delays and suggested that more funding be directed for staff or contractors to facilitate permit issuance.

Mr. Kiff pointed out that a new reserve fund for facilities maintenance will be established to set aside money for large maintenance projects on new facilities.

Mr. Matusiewicz noted the presentation includes a slide on a proposed recommendation for support of special event sponsorships. Mr. Kiff added that the Council will review special event support at the May 28 Council meeting.

The budget overview presentation displayed detail on the FY 2013-14 General Fund budget surplus of \$2.6 million which will allow for recommendations to transfer \$1 million to the Facilities Financing Reserve and \$500,000 to the Facilities Maintenance Plan, leaving a net General Fund surplus of about \$1 million. Mr. Matusiewicz reviewed General Fund reserve funds which will be used

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strategically - to cash fund capital projects. Mayor Curry stated the chart should be revised to show how much money was originally available in reserves and reflect how the money is being allocated to specific projects. Further discussion ensued on how to present the information in the reserve fund categories in a consistent format from year to year.

Mr. Matusiewicz concluded the presentation by stating the proposed budget is balanced; does not use reserves for operating purposes; increases investment in community serving facilities and beautification projects; adds police officers while reducing overall staffing levels; and continues to address pension and OPEB costs aggressively and comprehensively, as well as outsourcing and staff reductions. Mayor Curry advised a lead-in statement be added to the presentation that indicates the FY 2012-13 budget will end with a surplus without the use of reserves for operating purposes.

Developing a Budget in Brief or "quick facts" document was proposed to show what the budget is, how much the budget is increasing and where the increases are occurring. Council Member Henn noted the document should include General Fund revenues and expenditures, CIP and a grand total. Mr. Kiff suggested adding the change in personnel count and a summary of reserves.

Mr. Mosher commented that he was unable to verify the amount received for the sale of ABLE equipment. Mr. Kiff directed Mr. Mosher to the Sale of Property shown as a budget line item. Mr. Matusiewicz explained the City did receive its share of the ABLE money and noted the offsetting bad debt expense for outstanding receivables accounts in the budget document. This amount accounts for the discrepancy shown in Other Revenues and the ABLE amount received.

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

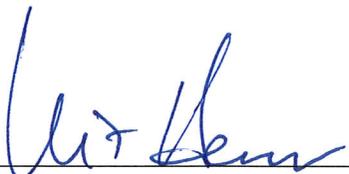
No future agenda items were discussed other than items that will be revised and brought back as directed.

7. ADJOURNMENT

The Finance Committee adjourned at 5:13 p.m.

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

Attest:



Mike Henn, Chair
Finance Committee Chair

10/15/13

Date

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