

**CITY OF NEWPORT BEACH
FINANCE COMMITTEE
MAY 4, 2016 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 Tony Petros, (Chair), Mayor Diane Dixon, Committee Member Patti Gorczyca, Committee Member William C. O'Neill, Committee Member Larry Tucker, Committee Member John Warner, and Council Member Keith Curry (arrived at 4:08 p.m.)

STAFF PRESENT: City Manager Dave Kiff, Finance Director/Treasurer Dan Matusiewicz, Deputy Finance Director Steve Montano, Administrative Specialist to the Finance Director Marlene Burns, Budget Manager Susan Giangrande, Public Works Director David Webb, IT Manager Rob Houston, Budget Analyst Tam Ho, and Budget Analyst Katherine Warnke-Carpenter

MEMBERS OF THE PUBLIC: Jim Mosher and Hannah Fry of the Daily Pilot

III. PUBLIC COMMENTS

Chair Petros opened public comments.

Mr. Jim Mosher commented on how items are placed on the agenda and mentioned procedures other committees follow regarding agenda items. Mr. Mosher suggested the Committee can hold an unscheduled vote at each meeting to discuss items to be included on following meeting agendas. Mr. Mosher also stated that at last meeting Committee Member Tucker commented that he was going to follow up on some needed answers to his questions offline. Mr. Mosher suggested for all questions regarding committee matters to be asked and answered during the meetings in order for members of the public to be kept informed of what is going on.

In reply to Mr. Mosher's comments regarding agenda items, Chair Petros stated the Committee will follow the standard best practices currently in place at other committee meetings and will also continue to follow the general recommendations currently in place to add items to the agenda.

Committee Member O'Neill provided clarification on Section 115, Benefit Trust. Mr. O'Neill stated that there have not been any specific suggestions, strategies or positions of authority held with Section 115, Benefit Trust and if a community wants to pursue the topic further, staff or outside consultant can provide the pros and cons along with strategies and examples for better understanding.

Chair Petros appreciates the clarification made by Mr. O'Neill and informed the members that the comment will be incorporated into the meeting minutes. Chair Petros also stated that Section 115, Benefit Trust is geared towards a holistic review of investment opportunities, not one particular instrument. Therefore, he questioned if there is any value in pursuing it further.

Chair Petros closed public comments.

IV. CURRENT BUSINESS

A. FISCAL YEAR 2014-2016 BUDGET DISCUSSION

Summary:

Continue review of the City Manager's Fiscal Year 2016-2017 Proposed Budget.

Recommended Action:

Staff recommends that the Committee (1) direct staff to bring the Fiscal Year 2016-2017 Proposed Budget for City Council for consideration; (2) continue to review the budget at subsequent Finance Committee meetings; or (3) both of the aforementioned options.

City Manager Dave Kiff provided a presentation and materials regarding the Fiscal Year 2016-2017 Proposed Budget.

City Manager Dave Kiff provided an overview of the proposed budget that touched on salary, cost of cafeteria allowances, and miscellaneous, and safety and employee PERS rates. The presentation addressed the City's overall projected growth, projected revenues and how funds are distributed among the City.

Discussion ensued regarding employee benefits. In response to question posed by Committee Member O'Neill regarding if every employee is entitled to COLA, City Manager Kiff responded that every employee gets a COLA unless the employee is tied to a contract. Mr. Kiff also mentioned that employees are eligible for a yearly merit increase, unless the employee has reached the last step for merit increase.

In response to a question regarding the percentage of employees not at the 8-(highest in promotional range) step level, Ms. Giangrande, stated that approximately 275 employees are below the 8-step level. City Manager Kiff also stated that employees receive merit increases yearly with the exception of any employee who has a performance issue or due to disciplinary reasons.

In response to Mayor Dixon's question regarding having a uniform base rate increase, City Manager Kiff stated that the City has to conform to the policy per the MOU.

Discussions followed regarding how merit increase is calculated.

City Manager Kiff and Budget Manager Giangrande continued with the presentation by discussing the cafeteria allowance. City Manager Kiff explained that the cafeteria allowance is medical, health and dental employee insurance bought by the City. The plan allows each employee to opt-in or opt-out based on their medical needs.

In response to questions posed regarding whether or not the City works with a healthcare provider to create programs that employees can purchase on their own, Ms. Giangrande stated that due to the Affordable Health Care Act, employees have to be in a group plan and cannot purchase the plan on their own.

City Manager Kiff continued with the presentation by discussing budget items involving the Police and Fire Department as well as Community Development.

Chair Petros opened public comments.

Mr. Mosher stated that compared to the last year's budget, the line items and line item identification numbers for this budget have changed. Mr. Mosher also stated that the proposed budget contains abbreviations that the public will not know what they stand for. In addition, Mr. Mosher stated that he noticed some discrepancies in the report regarding the proposed numbers listed for salary.

In response to Mr. Mosher's comments, Budget Manager Ms. Giangrande, stated that the discrepancies have to do with the new software used to create the proposed budget. Ms. Giangrande stated that she will make sure that staff correct any discrepancies listed on the report.

Chair Petros asked due to the discrepancies noted by Mr. Mosher, if the projections listed affects the budget amounts for 2017 targets. Ms. Giangrande stated that it will not be affected.

Committee Member Warner left the meeting at 5:28 p.m.

Chair Petros closed public comments.

B. SUBCOMMITTEE RECOMMENDATIONS

Summary:

An update will be provided regarding the Finance Subcommittee.

Committee Member Tucker reported that they are in the process of submitting a fifth draft for review. Mr. Tucker stated they met with the City Manager's office and the fifth draft was reviewed and feedback and recommendation given. Mr. Tucker advised the members the document may be ready to be discussed at the regular June Finance Committee Meeting.

Chair Petros opened public comments.

Mr. Mosher commented that it would be a good idea for the public and members of the Committee to be told which ideas were not included, to which Committee Member Tucker responded stating that no ideas were excluded, just phrases or words needed to be revised for better understanding.

Chair Petros closed public comments.

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

A. RECOMMEND THE CITY HIRE AN INDEPENDENT ACTUARY TO ADVISE, EDUCATE AND DEVELOP STRATEGIES TO MANAGE ITS PENSION AND OPEB.

Suggestions made to hold off on the discussion of this topic until the proposed budget discussion is finalized.

B. RECOMMEND THE CITY CONSULT WITH AN INDEPENDENT THIRD PARTY AGENCY (E.G., ORANGE COUNTY AUDITOR CONTROLLER'S OFFICE, CONSULTANT, GFOA, OR A REGISTERED INDEPENDENT MUNICIPAL ADVISOR) TO EITHER (1) REVIEW THE CITY'S DEBT ISSUANCE PROCEDURES AND PROVIDE RECOMMENDATIONS TO IMPROVE AND INCORPORATE BEST PRACTICES FOR DEBT ISSUANCE AND ADMINISTRATION INTO THE CITY'S POLICIES AND PROCEDURES; (2) EVALUATE THE ECONOMIC FEASIBILITY OF REDUCING AMOUNT OF OUTSTANDING CERTIFICATES OF PARTICIPATION; OR (3) BOTH.

Discussion ensued regarding the continuation of the budget review to be added to next meeting agenda.

VI. ADJOURNMENT

The Finance Committee adjourned at 5:51 p.m. to the next regular meeting of the Finance Committee on May 12, 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 April 29, 2016, at 2:53 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:



Tony Petros
Finance Committee Chair

Date 6/16/16