

# CITY OF NEWPORT BEACH

## City Council Minutes Joint Meeting with the Finance Committee May 24, 2016

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### I. ROLL CALL - 4:10 p.m.

Present: Finance Committee Member O'Neill, Finance Committee Member Tucker, Finance Committee Member Warner, Council Member Peotter, Council Member Duffield, Council Member Selich, Council Member Curry, Council Member Petros, Mayor Pro Tem Muldoon, Mayor Dixon

Absent: Finance Committee Member Gorczyca

### II. CURRENT BUSINESS

#### A. **FY 2016-17 Budget Overview, Including Checklist, CIP, and Allocation of Fund Balance from Close of FY 2015-16**

City Manager Kiff presented a PowerPoint outlining the 2016-17 Budget Overview.

In response to Mayor Dixon's questions, City Manager Kiff explained the pension costs and unfunded liability. He also reported that \$40 million of the \$280 million operating budget was allocated toward pensions.

Council Member Peotter asked about the fresh start for unfunded pension liabilities. City Manager Kiff clarified that it was a modified second fresh start and mortality estimate.

City Manager Kiff stated that employees paid \$1 million each year toward pensions. He discussed increased investments related to increased expenditures, goals met with the proposed budget, presented reforms, reductions and savings for future needs, and his interpretation of discretionary items in the budget.

Council Member Petros questioned the items City Manager Kiff determined as discretionary.

City Manager Kiff explained City operation funding and requested input on the Wastewater Fund. He discussed the work of the Finance Committee and future pension unfunded liability.

Mayor Dixon asked about increased revenues. City Manager Kiff stated the 6-year trend was 4.5%. Finance Director Matusiewicz stated the accrued liability was 7.3% each year.

In response to Council Member Peotter's questions, City Manager Kiff discussed the 3% at 50 retirement option that had not been funded. Finance Director Matusiewicz discussed PERS limited earnings which might increase the unfunded liability.

City Manager Kiff indicated the City should aggressively review and discuss the issue.

Mayor Pro Tem Muldoon asked why the performance was so poor. Finance Director Matusiewicz stated PERS invested for the long term and City Manager Kiff discussed PERS investment policy.

Council Member Petros discussed the concerning trend. He suggested focusing on the budget for the upcoming year but taking action to empower the City to approach other agencies, the State, and legislative delegation to address the issues that the PERS Board was not addressing.

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Mayor Dixon discussed the need to deal with the long term pension issues. City Manager Kiff stated there were 989 retired employees or beneficiaries, 216 greater than the current staff.

Council Member Petros stated he was honored and humbled to lead the Finance Committee and expressed gratitude for its work.

Finance Committee Member O'Neill thanked staff for its input on the budget and stated further discussion of the budget would occur in its upcoming meeting.

Council Member Petros announced the upcoming Finance Committee meeting on May 26, 2016, at 4:00 p.m., in the Newport Coast Conference Room, and encouraged the public to attend.

Finance Committee Member Tucker discussed efforts to understand the unfunded liability and deal with a long term solution.

Jim Mosher discussed the proposed airport consulting services and elimination from the budget. He questioned where the funds were allocated. He suggested allocating funds to audit noise level reporting.

City Manager Kiff summarized the budget checklist and proposed use of surplus funds.

Council Member Petros stated the budget reflected the analysis of staff on how to continue the operation and achieve the goals and objectives of the City. He reminded the public that the budget reflected the desires of the City, and stated that the budget was solid and he would support it.

In response to Council Member Selich's question, City Manager Kiff discussed the Council grant funds and suggested utilizing a competitive process.

In response to Mayor Dixon's question, City Manager Kiff stated he would review the possible expansion of the grant pool.

Mayor Dixon requested deferring funding for the Balboa Village Chalk Art Festival.

Council Member Peotter encouraged more outsourcing, especially in the Building Department, to reduce PERSable expenses. He requested more ingenuity to reduce PERSable expenses, restructure departmental contingencies so they are identified, and utilizing incentives for more efficient, effective services. He requested the Finance Committee review and come up with future fresh start programs to be reviewed and approved by Council. He proposed the business license tax be a flat fee of \$50.

Council Member Curry asked the impact of reducing the business license tax. Finance Director Matusiewicz stated it would be a \$4 million hit to the General Fund. Council Member Curry discussed subsidizing the sewer system. He stated it was necessary to pay down the unfunded liability. He stated the City should not make irresponsible choices based on politics that were not financially sound.

Council Member Duffield suggested the Council direct the Harbor Commission to study the possibility of creating a phone app for administrating the mooring fields in the Harbor. He requested Department Heads come up with options for reducing expenses, while retaining the existing services, and offering incentives to those that reduce costs. He suggested the schedule for replacing docks be extended and selling the hotel property.

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Council Member Peotter discussed the business license tax and believed his proposal was a net \$3 million cut. Finance Director Matusiewicz and City Manager Kiff stated they would evaluate the cost. Council Member Peotter emphasized the sewer fee should have previously been raised. He stated he would support the sewer fee increase, while reducing the business license tax. He believed the prior Council was irresponsible for not allocating funds for the sewer.

Mayor Pro Tem Muldoon agreed with selling the hotel property. He suggested retaining services but putting projects on hold. He discussed the need to fund the unfunded liabilities.

City Manager Kiff stated he would return with the checklist and decision matrix.

In response to Mayor Dixon's question, City Manager Kiff stated he was looking to have the budget approved on June 14, 2016. He requested Council provide him with requested items for the checklist.

Council Member Selich suggested the \$3.5 million be brought back with the budget. Mayor Dixon agreed.

Council Member Peotter indicated support for Council Member Duffield's idea to reduce each department's budget by 1% to 3%.

Council Member Selich requested an alternative to equalize the non-sewer property owners.

Mayor Pro Tem Muldoon stated he did not want \$3.5 million used for another pet project. He suggested it be used toward the sewer fund.

Mayor Dixon discussed the cost to repair a sewer line break.

**III. PUBLIC COMMENTS**

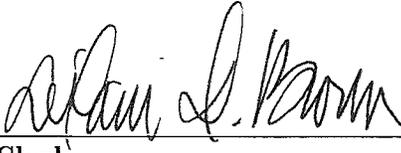
Carmen Rawson asked why the contingency was 25% and indicated that she was willing to continue to pay the full amount for her business license.

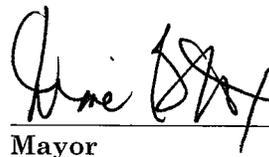
City Manager Kiff stated the contingencies varied by the Public Works projects.

**IV. ADJOURNMENT - 5:18 p.m.**

The agenda was posted on the City's website and on the City Hall Electronic Bulletin Board located in the entrance of the City Council Chambers at 100 Civic Center Drive on May 19, 2016, at 4:00 p.m.



  
City Clerk

  
Mayor