



# CITY OF NEWPORT BEACH FINANCE COMMITTEE AGENDA - Final

100 Civic Center Drive - Newport Coast Conference Room, Bay 2E

Wednesday, May 4, 2016 - 4:00 PM

**Finance Committee Members:**

**Tony Petros, Chair / Council Member**  
**Diane Dixon, Mayor**  
**Keith Curry, Council Member**  
**Patti Gorczyca, Committee Member**  
**William C. O'Neill, Committee Member**  
**Larry Tucker, Committee Member**  
**John Warner, Committee Member**

**Staff Members:**

**Dave Kiff, City Manager**  
**Dan Matusiewicz, Finance Director / Treasurer**  
**Steve Montano, Deputy Director, Finance**  
**Marlene Burns, Administrative Specialist to the Finance Director**

The Finance Committee meeting is subject to the Ralph M. Brown Act. Among other things, the Brown Act requires that the Finance Committee agenda be posted at least seventy-two (72) hours in advance of each regular meeting and that the public be allowed to comment on agenda items before the Committee and items not on the agenda but are within the subject matter jurisdiction of the Finance Committee. The Chair may limit public comments to a reasonable amount of time, generally three (3) minutes per person.

The City of Newport Beach's goal is to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, we will attempt to accommodate you in every reasonable manner. Please contact Dan Matusiewicz, Finance Director, at least forty-eight (48) hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible at (949) 644-3123 or [dmatusiewicz@newportbeachca.gov](mailto:dmatusiewicz@newportbeachca.gov).

**NOTICE REGARDING PRESENTATIONS REQUIRING USE OF CITY EQUIPMENT**

Any presentation requiring the use of the City of Newport Beach's equipment must be submitted to the Finance Department 24 hours prior to the scheduled meeting.

**I. CALL MEETING TO ORDER**

**II. ROLL CALL**

**III. PUBLIC COMMENTS**

*Public comments are invited on agenda and non-agenda items generally considered to be within the subject matter jurisdiction of the Finance Committee. Speakers must limit comments to three (3) minutes. Before speaking, we invite, but do not require, you to state your name for the record. The Finance Committee has the discretion to extend or shorten the speakers' time limit on agenda or non-agenda items, provided the time limit adjustment is applied equally to all speakers. As a courtesy, please turn cell phones off or set them in the silent mode.*

**IV. CURRENT BUSINESS**

**A. FISCAL YEAR 2016-2017 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.

**B. SUBCOMMITTEE RECOMMENDATIONS**

**Summary:**

An update will be provided regarding the Finance Subcommittee.

**Recommended Action:**

Receive and file.

**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.**
- 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.**

**VI. ADJOURNMENT**

For the administrative record:

It's my understanding that the suggestion to examine a Section 115 Trust for pensions was limited to whether or not the Committee wanted to spend more time learning about this option, its risks and its rewards. There was not assertion within the suggestion that a particular investment strategy be pursued, that the Trust itself be pursued (just studied), or whether to set-aside specific amounts of money in the Trust. If the Committee does want to pursue this further, the staff and likely an outside consultant would provide the pros and cons, various strategies and concepts, and examples of where this has been used elsewhere either to success or detriment. That information, however, has not been before the Committee either as a specific suggested strategy or as a decision to move forward with a Section 115 Benefit trust.

# FY 2016-17 PROPOSED BUDGET

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City of Newport Beach  
Finance Committee  
May 4, 2016



# Salary & Benefit Assumptions

- Medicare is 1.45% of gross Medicare earnings, paid by employer and employee.
- Compensated Absence rate is 3.5% of base pay and is used to fund cash out of accumulated leave typically at separation from employment.
- Workers' Compensation premium rates are unchanged. Rate study is being completed with new rates anticipated in FY 18.
- Part-time retirement contribution is 7.5% of gross pay, paid by both employer (3.75%) and employee (3.75%).

# Salary & Benefit Assumptions

- Other Post Employment Benefits (OPEB) budgeted based on actuarial valuation. Additional contribution of \$1 million funded in FY 16, so FY 17 change in department OPEB expense is not material, about \$80,000.
- FY 17 cost of cafeteria allowance program up 7.23% over FY 16 or \$1 million.

# FY 17 PERS Rates - Miscellaneous

Tier	Member	Normal	Unfunded Liability	Employee Contribution	Net Cost to City
1	10.420%	5.800%	19.406%	12.35% to 12.85%	22.776% to 23.276%
2	7.000%	8.220%	19.406%	12.35% to 12.85%	21.776% to 22.276%
3	6.250%	8.220%	19.406%	12.35% to 12.85%	21.026% to 21.526%

# FY 17 PERS Rates - Safety

Tier	Member	Normal	Unfunded Liability	Employee Contribution	Net Cost to City
1	9.000%	18.077%	42.210%	10.875% to 14.6%	55.687% to 58.412%
2	9.000%	18.077%	42.210%	10.875% to 14.6%	55.687% to 58.412%
3	11.250%	18.077%	42.210%	10.875% to 14.6%	56.937% to 60.662%

# FY 17 Cost of Living Adjustments

Safety BU	COLA %	FY 17 \$ Impact	
		July	Jan
PA	2.50%	\$391,775	
PMA	2.50%		\$55,953
FMA	2.75%		\$7,843
LMA	2.50%	\$23,334	
FA	2.75%		\$154,524
<b>Safety BU \$ Impact</b>		<b>\$415,109</b>	<b>\$218,320</b>

Misc BU	COLA %	FY 17 \$ Impact	
		July	Jan
CEA	2.65%		\$80,785
Prof Tech	2.65%		\$107,332
League	2.65%		\$100,861
K&M	2.65%		\$116,442
ANBOL	1.00%	\$14,490	
<b>Misc BU \$ Impact</b>		<b>\$14,490</b>	<b>\$405,420</b>

**Total FY 17 COLA Increase:**

**\$1,053,340**

*Note: PTEANB has not yet begun negotiations.*

# Cafeteria Allowances (FY 17 Annual)

Med Allow (All)	CEA Cafeteria	ProfTech Cafeteria	LMA Cafeteria	FMA Cafeteria	PA Cafeteria
\$1,500 (810)	1- \$12,000 2- \$12,000 3- \$19,500	1- \$12,000 2- \$12,000 3- \$19,500	1- \$ 7,200 2- \$14,988 3- \$18,288	1- \$12,000 2- \$12,000 3- \$17,088	1- \$12,000 2- \$12,000 3- \$18,288

FA Cafeteria	League Cafeteria	K & M Cafeteria	PMA Cafeteria	NBPTEA Allowance	Council Allowance
1- \$12,000 2- \$12,000 3- \$17,088	1- \$14,400 2- \$14,400 3- \$19,200	1- \$12,000 2- \$12,000 3- \$19,500	1- \$12,000 2- \$12,000 3- \$17,088	1- \$4.50 hr 2- \$3.75 hr	Amt to cover cost of health premium

# Maintenance & Operations

- Additional line items for specific contracts included in this budget, i.e., Animal Shelter, Meter Reading.

# DEPARTMENT REVIEW

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Fiscal Year 2016-17

# City Council

- Council Allowance Increase = 1.1%  
(based on May Consumer Price Index).
- Contract Services (811008) budget increased in FY 16 for Civic Center Audit.
- No supplemental budget requests.

# City Clerk

- Contract Services (811008) budget increased in FY 16 for records retention contract.
- General Expenses (871002) advertising of public hearings, resolutions, ordinances, etc., increased and expense based on projected advertising needs.
- General election is budgeted in FY 17.

# City Clerk

- Supplemental budget request to add three staff members to manage Public Records Act Requests and records retention issues was not approved at this time. Development of a plan is underway.

# City Manager

- No material increases or decreases to City Manager or PIO divisions other than salary and benefits. Maintenance & operations budget transferred between objects.
- Economic Development Division Special Department Expense (841046) increase of \$60,000 due to increased City contribution to the CdM Business Improvement District (BID) and to the NB Restaurant Association BID and outsourcing of bookkeeping.

# City Manager

- Supplemental budget request approved to reorganize Information Technology staffing to better meet market rates and organizational needs (\$32,987).

# Human Resources

- Funding for Human Resources Director was split in FY 16 between Human Resources and the City Manager divisions.
- Department reduced several line items including Contract Services (811008) by \$25,000 and Advisory Council (891020) by \$20,000.

# HR - Supplementals

- Approved:
  - Overtime (\$4,000)
  - City-wide training (\$60,000)
- Denied:
  - Reinstatement of Department Assistant position

# City Attorney

- No material increases or decreases to City Attorney other than salary and benefits.
- Supplemental budget granted for another 0.5 FTE part-time paralegal position to assist with Public Records Act Requests (\$32,987)

# Finance

- Parking meter contract increase (\$137,000).
- No supplemental budget requests.

# Police – Budget Changes

- Emergency Services Coordinator position transferred from Fire to Police in FY 16.

# Police – Approved Supplementals

- New in-car computers for 60 vehicles (\$360,000 from Equipment Fund).
- Replace Mobile Video System (\$500,000 from Equipment Fund).
- Motorola 800 MHz Pacsets (\$396,000 from Equipment Fund).
- Beach security program (\$73,880 transfer from Recreation).
- Cold Case Investigation contract (\$51,000).

# Police – Approved Supplementals

- Travel & Meetings (\$15,000).
- Animal Shelter supplies (\$7,000).
- Crime scene clean up (\$10,000).

# Police – Not Approved

- Enhancements to CAD/RMS systems.
- Increase to training budget.
- Perishable medical supplies.
- Forensic phone investigations. Validating need, may be funded later.

# Police – Checklist Items

- Civilian Fraud Investigator position deleted.
- Part-time Community Services Officer position increased to full-time.

# Fire – Budget Changes

- Emergency Services Coordinator position transferred to the Police Department.
- M&O for Life Safety transferred to CDD. Life Safety Personnel and Salary and Benefits costs remain in Fire with a 10% re-allocation of 1 CDD Deputy Director personnel costs for reporting purposes.

# Fire – Approved Supplementals

- Surge ambulance during summer months (\$110,500).
- Paramedic Assessment Unit at Fire Station 7 (\$69,000).
- Overtime staffing for a Basic Fire Academy/new hire training (\$133,934).
- Overtime associated with MOU changes (\$250,000).

# Fire – Approved Supplementals

- EMS Equipment and Supplies (\$99,321).
- Lifeguard Equipment (\$26,485).
- Creation of a Fire Equipment Internal Service Fund (\$107,350).
- Community Emergency Response Team budget was approved (\$38,234).

# Fire – Not Approved

- Increase in Marine Standby Hours.
- Increase in seasonal lifeguard staffing.
- Leadership training for chief officers.
- Transition from analog phones to broadband internet. Further vetting needed.
- Supplemental for request for Trauma Intervention Program membership was denied.

# Fire – Checklist Item

- Outsourcing hazardous materials program. Revenue decrease (\$27,250).

# Community Development (CDD)

- General Plan Update budgeted in CIP budget at \$800,000.
- M&O for Life Safety transferred to CDD from Fire (New Org 0105043). Life Safety Personnel and Salary and Benefits costs remain in Fire with a 10% re-allocation of 1 CDD Deputy Director personnel costs for reporting purposes.

# CDD - Supplementals

- Approved:
  - New code books (\$26,000)
- Denied:
  - Building Inspector II position
  - Part-time Management Specialist position (32 hours per week)

# Municipal Operations (MOD) – Budget Changes

- Five positions eliminated:
  - Three Limited Term Groundswokers
  - One Maintenance Worker I
  - Utilities General Manager
- Residential refuse contract increase per agreement
- Parks/Facilities Maintenance contract increase (\$680,000).
- Utilities Water object (831005) reduced by \$174,000

# Municipal Operations (MOD) – Budget Changes

- Imported water expense down \$1.7 million
- Groundwater expense up \$331,000
- Reclaimed water expense up \$42,000

# MOD Supplementals

- Denied:
  - Administrative Analyst position
  - Equipment Mechanic I position

# Public Works – Budget Changes

- Marina Park Management contract increase (\$61,200).

## Public Works – Approved Supplementals

- Reclass one Assistant City Engineer position (\$11,000).
- Reclass Public Works Finance/Administrative Manager position (\$12,000).
- Funding for an intern pool (\$17,921).

# Public Works – Not Approved

- Associate Civil Engineer 5% position.
- Public Works Inspector II position.
- Increase to contract administrative support.

# Library & Cultural Arts

- Annual library materials budget (\$625,040).
- Annual library programming budgets (\$40,500).

# Library & Cultural Arts

- Supplemental request for increasing the part-time Literacy Coordinator position to full-time was denied.
- Supplemental request to replace the outdoor book drop at Mariners will be funded through FY 16 budget savings.

# Recreation & Senior Services – Approved Supplementals for General Fund

- Decrease 2.72 FTE due to programming changes and contracting out (-\$85,595)
- Contract out Youth Flag Football programs (-\$42,173)
- Lease a new building for 16<sup>th</sup> Street Recreation Center (\$118,793)

# Recreation & Senior Services – Approved Supplementals for General Fund

- Move PT Office Asst to FT and PT Asst Rec Coordinator to FT Rec Coordinator at Oasis Senior Center (\$45,545)
- Increase compensation for Rec Supervisor classification by 6% (\$55,024)
- Fund additional nature based programming (-\$6,200)

# Recreation & Senior Services – Approved Supplementals for FiiN Fund

- Add 0.17 FTE Asst Rec Coordinator to develop programming for Fostering Interest In Nature (FiiN) City program (\$7,868)

# Internal Service Funds

Fund	FY 16	FY 17	Change
Equipment Maintenance	\$1,703,504	\$1,922,802	12.9%
Equipment Replacement	\$3,311,069	\$3,081,176	-6.9%
Parking Equipment	\$354,954	\$354,954	0.0%
Recreation Equipment	\$145,494	\$181,348	24.6%
Recreation Infrastructure	\$31,275	\$31,275	0.0%
Information Technology Operating	\$3,811,703	\$4,074,437	6.9%
Information Technology Strategic	\$994,918	\$972,252	-2.3%
Compensated Absences	\$2,351,948	\$2,457,249	4.5%
Retiree/OPEB Insurance	\$3,845,895	\$3,925,087	2.1%
Workers' Compensation	\$2,753,928	\$2,753,928	0.0%
General Liability	\$4,068,231	\$4,068,231	0.0%

# Questions & Comments

City's budget documents can be accessed at:  
[www.newportbeachca.gov/budget](http://www.newportbeachca.gov/budget)



### 2010 - 2016 History of Healthcare Premiums for Employee Only Coverage (Year Over Year Increases)

Year	Kaiser HMO	Blue Shield HMO	Blue Shield Net Value HMO	PERSChoice	PERS Select	PERSCare	PORAC	Average Increase
2010	\$454.99	\$485.29	\$420.59	\$472.83	\$441.41	\$806.89	\$484.00	
2011	\$477.95	\$567.87	\$488.62	\$516.28	\$451.48	\$819.18	\$527.00	
<b>% Increase</b>	<b>5.05%</b>	<b>17.02%</b>	<b>16.17%</b>	<b>9.19%</b>	<b>2.28%</b>	<b>1.52%</b>	<b>8.88%</b>	<b>8.59%</b>
2012	\$512.76	\$583.60	\$501.93	\$526.19	\$446.68	\$943.26	\$556.00	
<b>% Increase</b>	<b>7.28%</b>	<b>2.77%</b>	<b>2.72%</b>	<b>1.92%</b>	<b>-1.06%</b>	<b>15.15%</b>	<b>5.50%</b>	<b>4.90%</b>
2013	\$558.95	\$643.93	\$550.03	\$611.30	\$446.49	\$992.61	\$581.00	
<b>% Increase</b>	<b>9.01%</b>	<b>10.34%</b>	<b>9.58%</b>	<b>16.17%</b>	<b>-0.04%</b>	<b>5.23%</b>	<b>4.50%</b>	<b>7.83%</b>
2014	\$602.79	\$543.00	\$457.17	\$612.25	\$586.00	\$638.00	\$634.00	
<b>% Increase</b>	<b>7.84%</b>	<b>-15.67%</b>	<b>-16.88%</b>	<b>0.16%</b>	<b>31.25%</b>	<b>-35.73%</b>	<b>9.12%</b>	<b>-2.84%</b>
2015	\$579.00	\$598.00	\$561.00	\$594.00	\$585.00	\$657.00	\$675.00	
<b>% Increase</b>	<b>-3.95%</b>	<b>10.13%</b>	<b>22.71%</b>	<b>-2.98%</b>	<b>-0.17%</b>	<b>2.98%</b>	<b>6.47%</b>	<b>5.03%</b>
2016	\$605.00	\$654.00	\$666.00	\$683.00	\$625.00	\$761.00	\$699.00	
<b>% Increase</b>	<b>4.49%</b>	<b>9.36%</b>	<b>18.72%</b>	<b>14.98%</b>	<b>6.84%</b>	<b>15.83%</b>	<b>3.56%</b>	<b>10.54%</b>

<b>% Increase: 2010 vs 2016 Premium</b>	<b>32.97%</b>	<b>34.76%</b>	<b>58.35%</b>	<b>44.45%</b>	<b>41.59%</b>	<b>-5.69%</b>	<b>44.42%</b>	<b>35.84%</b>
<b>Annualized Growth Rate</b>	<b>4.86%</b>	<b>5.10%</b>	<b>7.96%</b>	<b>6.32%</b>	<b>5.97%</b>	<b>-0.97%</b>	<b>6.32%</b>	<b>5.08%</b>