

Mission Statement

The Finance Department will provide prudent financial management of publicly entrusted resources and will provide the organization with the highest quality financial, administrative, investment and analytical reports and services. We will establish and maintain a level of trust with our community, our City Council and our customer departments and will always be sensitive to the needs of our customers.

Department Overview

The Department's primary purpose is to act as the chief financial steward over all public resources and to provide a wide variety of financial, technical, and support functions generally encompassed by treasury, accounting, budget, long-term financial planning, auditing, and revenue administration. The City places a high value on transparency and full disclosure in all matters concerning the City's financial position and results of operations. To this end, Finance strives to provide superior disclosure in all documents including but not limited to the City's Budget, Quarterly Financial Reports, Comprehensive Financial Report and compliance filings. We will go beyond the minimum reporting requirements established by the professional standards organizations, including applying to professional certificate achievement programs and completing voluntary event disclosure filings. We provide accurate, reliable and timely financial information to the entire organization and members of the public. These financial reports and services are critical to the City's financial stability, and the City's ability to consistently deliver the highest quality of municipal services our residents have grown to expect and deserve. We are committed to supporting the Council's Fiscal Sustainability Plan by maintaining appropriate cash reserves, maintaining the highest possible credit rating for Newport Beach, accurately reporting and forecasting revenue and expenditure performance on a quarterly basis, and appropriately calculating fair and defensible cost recovery targets. The Finance Department will be heavily involved in the implementation of a new Integrated Enterprise Resource Planning Software System (ERP) in FY 2014-15. This project will provide the City with an integrated financial and human resource system including software, implementation services, training, and technical support to replace our current out of date system and also expand the breadth of coverage by adding a work order system to coordinate customer service efforts throughout the City. The ERP implementation is scheduled to take between 25 and 30 months and will consist of 5 major phases. The benefits that will accrue to the City as the result of this effort will be stronger decision support (better and timelier information), expanded use of web and mobile device applications to improve customer convenience and numerous workflow process improvements that will streamline and enhance workplace efficiency.

Key Department Programs

- Finance and Treasury
- Office of Management and Budget
- Revenue
- Accounting

Goals

- Manage public resources by providing prudent financial planning, reporting and control to manage and protect City assets, with the intended outcome of long term fiscal sustainability.
- Provide accurate, relevant and reliable information about the City's financial condition to City Council, departments and the public to improve accountability, maintain the public's trust and assist City Council and the City Manager in making well-informed financial decisions.
- Actively serve on the implementation team for an Enterprise Resource Planning (ERP) system to update our financial systems, improve business processes and develop an improved performance-based budget document.
- Partner with departments to plan and implement strategic business and financial direction to ensure sound financial decisions.

Total Finance Department Costs:

	2011-12 Actual	2012-13 Actual	2013-14 Estimated	2014-15 Proposed
Salaries and Benefits	\$ 4,459,229	\$ 4,517,037	\$ 4,195,675	\$ 4,321,841
Maintenance and Operations	\$ 2,514,843	\$ 1,883,760	\$ 2,834,756	\$ 2,677,696
Capital Equipment	\$ 6,563	\$ 323,520	\$ 18,557	\$ 11,500
Total	\$ 6,980,635	\$ 6,724,317	\$ 7,048,988	\$ 7,011,037

Programs

Finance and Treasury

Intended Outcome: Provide prudent financial planning and management of public resources, to ensure fiscal sustainability, and high quality, accurate and timely financial reporting and services that our community, departments and City Council can rely upon and utilize to make well-informed decisions.

Core Functions:

- Provide effective leadership to the Finance Department by providing clear, well-defined goals and expectations which encourage employees to perform their duties with high standards and ethics, always keeping in mind the customer's and the City Council priorities.
- Ensure staff has the resources and professional training necessary to achieve success in the performance of all duties.
- Recommend and maintain prudent fiscal policies to ensure financial stability and protection of City assets.
- Provide long-term financial planning and recommend financial strategies for liquidity management, capital planning, public financing and debt management.
- Provide economic analysis to support revenue and expenditure assumptions and forecasting.
- Actively serve on the ERP implementation team and provide technical staff to assist in the implementation to ensure a high quality system which focuses on business process improvements, accurate and timely reporting, and overall protection of all City resources.

Work Plan:

- Take a leadership role in the implementation of a new financial system / ERP system.
- Further refine as necessary and maintain the Facilities Financing Planning Tool (FFPT) to provide sufficient resources for the long-term Facilities Financial Planning Reserve.
- Evaluate, and make recommendations to the City Council as needed regarding the City's Reserve Policy (F-2) to make sure it remains relevant given the City's strategic objectives and financial risks.
- Assist the City Council with developing the best pension funding policy going forward
- by providing analysis on CalPERS changes regarding actuarially determined employer contribution rates, and by assessing how the impact of actuarial studies (e.g. payroll growth, mortality, wage inflation, discount rate, etc.) impact employer rates.
- Review the City's investment policy and seek policy guidance from the Finance Committee and City Council regarding the scope, objectives, and standards that govern the City's investment portfolio.
- Oversee the compilation of the Quarterly Financial Report provided to Council as part of the City Manager's Quarterly Business Report.

Total Finance & Treasury Program Costs:

	2011-12 Actual	2012-13 Actual	2013-14* Estimated	2014-15 Proposed
Salaries and Benefits	\$ 843,676	\$ 718,508	\$ 760,504	\$ 793,618
Maintenance and Operations	\$ 96,588	\$ 168,305	\$ 186,916	\$ 197,591
Capital Equipment	\$ -	\$ 130	\$ 12,557	\$ 5,000
Total	\$ 940,264	\$ 886,943	\$ 959,977	\$ 996,209

* Print services were contracted out to an offsite vendor in FY 2013-14.

Budgeted Staffing:

Positions	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Full-Time				
Administrative Support Services Coordinator	1.0	1.0	1.0	1.0
Deputy Finance Director	1.0	1.0	1.0	1.0
Finance Director/Treasurer	1.0	1.0	1.0	1.0
Fiscal Clerk	-	-	1.0	1.0
Graphics & Printing Specialist	1.0	1.0	-	-
Printing Services Supervisor	1.0	1.0	-	-
Senior Mail Processing Clerk	1.0	1.0	1.0	1.0
Total Full-Time	6.0	6.0	5.0	5.0
Part-Time				
Student Aide	-	-	-	1.0
Total Part-Time	-	-	-	1.0
Total Budgeted Staffing	6.0	6.0	5.0	6.0

Workload Indicators	2011-12 Actual	2012-13 Actual	2013-14 Estimated	2014-15 Projected
Outcome: Finance is prudent in planning, managing and protecting public resources with the long-term goal of fiscal sustainability. Finance always provides high quality, accurate and timely reports and analysis.				
Maintain Implied Credit Rating of AAA	AAA ¹	AAA	AAA	AAA
Qtrly Financial Reports Submitted	4	4	4	4
Investment Portfolio Benchmark Comparison ²				
Avg Credit Quality (Benchmark/Portfolio)	AAA/AA ³	AAA/AA	AAA/AA	AAA/AA
Duration (Benchmark/Portfolio)	1.88 /1.72 Yrs	1.91/1.96 Yrs	1.90/1.75 Yrs	1.90/1.75 Yrs
Total Return (Benchmark/Portfolio)	1.07/1.17%	0.66/0.27%	0.9/1.0%	1.0%/1.0%
Investment Portfolio Yield to Maturity at Cost	0.91%	0.76%	0.55%	0.75%
Contingency Reserve >15% of Operating Budget	15.00%	15.00%	25.00%	25.00%
Facilities Financing Plan Reviewed Annually	Yes	Yes	Yes	Yes
Bonded Debt Service <8% of General Fund Revenues	4.58%	4.77%	4.92%	4.74%
40 Hours of Continuing Education met Annually	Yes	Yes	Yes	Yes
Finance expenditures maintained under budget	Yes	Yes	Yes	Yes

¹ Moody's Investor Service, Standard & Poor's and Fitch Ratings have all assigned the City of Newport Beach an AAA credit rating, the highest possible underlying rating, one of only five agencies in California to receive an AAA rating from all three rating agencies.

² Core Investment Portfolio is currently benchmarked against the BofA ML 1-3 yr government/corporate securities benchmark.

³ Standard and Poors downgraded U.S. Sovereign Debt and related institutions in August 2010.



Office of Management and Budget

Intended Outcome: Develop and manage a cost effective means for processing budget, payroll, accounts payable, and purchasing transactions in a manner that ensures the proper allocation of City resources. Provide accurate and reliable financial reports to the City Council, the City Manager and departments so they can make informed decisions.

Core Functions:

- Development and administration of the City's operating budget including monthly monitoring to ensure budgetary control, accuracy of revenues and expenditure compliance.
- Coordinate and process the City's biweekly payroll function.
- Provide accounts payable and purchasing services to all departments and administer the Citywide purchasing card program.
- Prepare financial analysis as directed by management in a timely and accurate manner.

Work Plan:

- Provide administrative and technical support to the City Council and departments as they develop and implement a strategy-driven budgeting process that is reflective of high-level priorities.
- Be actively involved in the implementation of an ERP system for a smooth transition of our financial systems.
- Provide coordination and oversight in support of new budgeting and reporting software system.
- Provide analytical reports and analysis to management for use in employee contract negotiations.
- Provide the City Council periodic financial reports and updates to align the budget with actual revenues and expenditures and report performance measure outcomes.

Workload Indicators	2011-12 Actual	2012-13 Actual	2013-14 Estimated	2014-15 Projected
Outcome: Develop and manage cost effective processes over Budget, Payroll, A/P and Purchasing and provide accurate and timely financial reports to the City Manager, City Council and departments so they can make informed decisions.				
Total Budget Administered ¹	\$344,320,506	\$386,806,682	\$370,056,020	\$305,743,161
General Fund Budget	\$148,900,334	\$190,305,040	\$184,405,887	\$175,824,439
Total Value of Payables Processed	\$150,800,000	\$176,800,000	\$139,000,000	
Days to issue vendor payments-target < 7 days	100% ²	100%	100%	100%
Purchase Orders Issued	701 ³	741	775	780
Days to issue purchase order-target 5 days	4	3	3	2
# of Request for Proposals processed	98	116	130	140
Administrative Policies established or revised-target 4	4	1	2	4
Training seminars given to City employees-target 8	13	8	11	8
# of budget adjustments	176	139	140	145
Single audit finding-target none ⁴	0	0	0	0
# of paychecks processed	25,083	25,170	24,300	24,200

¹ Budget Administered represents the gross budget administered (including internal service charges).

² Target established in FY 11 when we transitioned to weekly vendor payments.

³ Starting this FY, Blanket Agreements and Maintenance Agreements were phased out; these transactions would be replaced with formal RFPs and Contracts. This will lower the number of PO's issued but raise the number of RFPs and Contracts.

⁴ No potential loss of grant funding.

Total Office of Management and Budget Program Costs:

	2011-12* Actual	2012-13 Actual	2013-14 Estimated	2014-15 Proposed
Salaries and Benefits	\$ 1,017,764	\$ 1,091,851	\$ 1,158,407	\$ 1,210,117
Maintenance and Operations	\$ 104,026	\$ 215,138	\$ 173,075	\$ 199,076
Capital Equipment	\$ -	\$ 1,122	\$ -	
Total	\$ 1,121,789	\$ 1,308,111	\$ 1,331,482	\$ 1,409,193

* The Parking Meter function was eliminated in FY 2011-12.

Budgeted Staffing:

Positions	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
<u>Full-Time</u>				
Budget Analyst	1.0	1.4	1.4	1.5
Budget Manager	1.0	1.0	1.0	1.0
Buyer	1.0	1.0	1.0	1.0
Fiscal Specialist	2.0	2.0	2.0	2.0
Inventory Analyst	1.0	1.0	1.0	1.0
Purchasing Agent	1.0	1.0	1.0	1.0
Senior Budget Analyst	1.0	1.0	1.0	1.0
Senior Fiscal Clerk	1.0	1.0	1.0	1.0
Total Full-Time	9.0	9.4	9.4	9.5
<u>Part-Time</u>				
Budget Intern	0.4	-	-	-
Fiscal Clerk Part-time	0.5	0.5	-	-
Student Aide	0.5	0.5	0.5	-
Total Part-Time	1.4	1.0	0.5	-
Total Budgeted Staffing	10.4	10.4	9.9	9.5

Revenue

Intended Outcome: Safeguard and maximize City revenues, manage collections timely and equitably, and provide excellent customer service.

Core Functions:

- Implement and enforce Municipal Code revenue programs.
- Work with City Council to develop new revenue programs and streamline current programs for the benefit of the Newport Beach business community and the general public.
- Monitor legislative changes impacting revenue services, with a particular focus on revenue enhancements, parking revenues, tax collection, tax programs, municipal billing, user fees, business license tax, payment transactions and revenue controls.
- Review the accuracy of subventions collected from state and local government agencies.
- Review compliance of City's revenue programs, including, but not limited to, the Transient Occupancy Tax, Sales and Use Tax ordinances and lease agreements.
- Automate services to the public, improve online bill payment functions and maintain high-quality customer service.
- Administer the City's business tax program pursuant to the Municipal Code.
- Collect revenues through online services (credit card), cashiering (cash), other departments (checks and credit cards) and perform reconciliations.
- Maintain accurate records and book keeping for all payments received, ensuring security controls to prevent theft, fraud or mishandling of public funds.
- Monitor external contracts for parking lot and meter management services, sales tax reviews, dog licensing, and other to ensure City revenues are maximized and consultants are adhering to contract terms.
- Be actively involved in the implementation of an ERP system for a smooth transition of our financial systems.

- Proactively research the availability of new technologies that have the potential for improving efficiency and service to the public.

Work Plan:

- Update fee schedule pursuant to the cost-of-services study.
- Ensure a customer-centric focus, fair and consistent enforcement, and provide for system modernization for on-street and off-street parking programs. Develop residential, commercial, and visitor parking permit programs.
- Explore and begin implementation of a new business license software application to increase cost efficiency, improve workflow and improve the quality of online access to taxpayers.
- Modernize the filing system of hard copy documents and set procedures to have documents readily available through computer access.
- Improve online bill pay, billing, business license, general customer service functionality and ensure a more user-friendly system.
- Provide timely and just adjudication decisions.
- Provide regular and timely performance, agreement, tax, and franchise audits.
- Restructure staff responsibilities to increase efficiencies while maintaining excellent customer service.
- Improve work flow procedures to expedite processing of administrative citations and payments posting, and in identifying non-licensed businesses.
- Improve receipting processes to promote a paper free environment.

Budgeted Staffing:

Positions	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
<u>Full-Time</u>				
Accountant, Senior	-	-	1.0	1.0
Fiscal Clerk	4.0	5.0	2.0	2.0
Fiscal Process Supervisor	1.0	1.0	1.0	1.0
Fiscal Specialist	2.0	2.0	2.0	2.0
License Inspector	1.0	1.0	-	-
License Supervisor	1.0	1.0	1.0	1.0
Mail Processing Clerk	1.0	1.0	-	-
Parking Lot Supervisor	1.0	1.0	-	-
Revenue Auditor	1.0	1.0	1.0	1.0
Revenue Manager	1.0	1.0	1.0	1.0
Senior Fiscal Clerk	4.0	3.0	3.0	3.0
Total Full-Time	17.0	17.0	12.0	12.0
<u>Part-Time</u>				
Fiscal Clerk Part-time	0.9	-	-	-
Fiscal Specialist Part-time	0.45	0.45	0.45	0.45
Lead Parking Lot Attendant	1.2	1.2	-	-
Parking Lot Attendant	5.9	5.9	-	-
Review Officer	0.76	0.76	0.76	0.76
Senior Fiscal Clerk Part-Time	-	0.75	0.50	0.50
Student Aide	0.39	0.39	0.39	-
Total Part-Time	9.6	9.45	2.1	1.71
Budgeted Total Staffing	26.60	26.45	14.10	13.71

Workload Indicators	2011-12 Actual	2012-13 Actual	2013-14 Estimated	2014-15 Projected
Outcome: Protect and maximize City revenue sources in a timely and conscientious manner; provide superior customer service.				
Customer issues resolved w/in 24 hours-target 100%	98%	99%	99%	99%
All City billings	278,880	278,317	278,000	278,000
Paperless billings (percentage of all City billings)	7%	9%	10%	10%
New business licenses (paper)-target 0%	17%	10%	8%	9%
New business licenses (online)-target 100%	83%	90%	92%	91%
Business license renewals (paper)-target 0% ¹	69%	68%	67%	66%
Business license renewals (online)-target 100% ¹	31%	32%	33%	34%
Parking citations processed	55,426	58,930	56,500	57,000
# completely automated customer service transactions ²	73,798	80,809	85,000	86,700
# of electronic customer service transactions ³	94,198	101,190	104,300	109,000
Administrative citations processed	2,981	2,789	2,000	2,500
Adjudications	5,131	4,026	4,100	4,100
# of payments processed w/remittance processor	85,500	82,395	80,199	80,000
Income contracts administered	55	55	48	48
Compliance reviews	66	66	65	65
Transient Occupancy Tax (TOT) audit recovery-Target \$0	\$63,970	\$5,000	\$10,000	\$10,000
Fees studied for current full cost recovery	291		287	254
Parking lots revenue-target \$2,250,000	\$2,071,238	\$2,466,989	\$2,301,851	\$2,301,851
# of film applications		73	115	94
# of filming days		107	180	143

¹ Counts and percentages are estimates.

² Requires no staff support, includes Web and phone payments and sign-ups for APP and paperless billing.

³ May require some staff support, includes Web and phone payments, sign-ups for APP and paperless billing, and Quest service requests.

Total Revenue Program Costs:

	2011-12 Actual	2012-13 Actual	2013-14* Estimated	2014-15 Proposed
Salaries and Benefits	\$ 2,006,470	\$ 2,069,805	\$ 1,605,208	\$ 1,611,858
Maintenance and Operations	\$ 2,148,015	\$ 1,388,408	\$ 2,308,587	\$ 2,137,341
Capital Equipment	\$ 288	\$ 322,199	\$ -	\$ -
Total	\$ 4,154,773	\$ 3,780,412	\$ 3,913,795	\$ 3,749,199
* Parking Lots were contracted out to an outside vendor in FY 2013-14.				

Accounting

Intended Outcome: Ensure compliance with GASB, Council, State, and Federal regulations and provide accurate, reliable, and timely financial reports to our stakeholders.

Core Functions:

- Prepare, reconcile and present the Comprehensive Annual Financial Report (CAFR) to the external auditors.
- Continue to strive for the Government Finance Officers Association "Award for Certificate of Excellence in Financial Reporting" which the City has received for the last 20 years.
- Coordinate all accounting, audit management and financial reporting.
- Monitor and implement new accounting pronouncements to ensure the City adheres to generally accepted accounting practices.
- Manage general ledger maintenance, debt administration and assessment district administration.
- Maintain the accounting and reporting for capital assets.
- Track and manage cash flows and treasury requirements.
- Safeguard the City's cash from fraudulent activity through daily monitoring of reverse positive pay.
- Continue to update and maintain the Facilities Financing Plan.
- Assist with the compilation of the Quarterly Financial Report provided to Council as part of the City Manager's Quarterly Business Report.



Work Plan:

- Monitor, interpret and implement new GASBs as needed, including the recent exposure draft on new pension disclosures.
- Monitor performance and produce quarterly financial status reports for the City Manager and Council to keep them abreast of the City's financial condition and any challenges or solutions identified to keep our General Fund balanced.
- Automate the allocation of interest income on a monthly basis.
- Continue to issue comprehensive annual financial reports (CAFR) in accordance with generally accepted accounting principles that meet the Government Finance Officers Association's program requirements for excellence in financial reporting.
- Improve on analytical review of all revenues/ expenditures by developing or acquiring modern forecasting and business analytics tools.
- Be actively involved in the implementation of an ERP system for a smooth transition of our financial systems.

Workload Indicators	2011-12 Actual	2012-13 Actual	2013-14 Estimated	2014-15 Projected
Outcome: Ensure compliance with all Federal, State and local regulations and standards while providing high-quality, accurate, and timely financial information to all stakeholders.				
Maintain Underlying AAA Credit Rating	Yes ¹	Yes	Yes	Yes
Quarterly Financial Report w/in 45 days-target 4	4	2	4	4
Track & manage cash flows and treasury requirements on a daily basis	Yes	Yes	Yes	Yes
Daily monitoring of fraudulent account activity	Yes	Yes	Yes	Yes
GFOA Award for Excellence received for CAFR	Yes	Yes	Yes	Yes
External Audit of CAFR results in a "Clean" Opinion	Yes	Yes	Yes	Yes
Days after fiscal year end CAFR available-target < 180	169	177	174	172
Update compliance with Reserve Policy annually	Yes	Yes	Yes	Yes
# of Continuing Disclosure Filings- Target ALL	17	17	3	3

¹ Moody's Investor Service, Standard & Poor's and Fitch Ratings have all assigned the City of Newport Beach an AAA credit rating, the highest possible underlying rating, one of only five agencies in California to receive an AAA rating from all three rating agencies.

² In July 2012, the City issued \$13.58 million of bonds to refund and consolidate 14 Assessment Districts into 1 Assessment District.

Budgeted Staffing:

Positions	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
<u>Full-Time</u>				
Accountant	3.0	2.0	2.0	2.0
Accounting Manager	1.0	1.0	1.0	1.0
Fiscal Specialist	1.0	1.0	1.0	1.0
Senior Accountant	-	1.0	1.0	1.0
Total Full-Time	5.0	5.0	5.0	5.0
<u>Part-Time</u>				
Fiscal Clerk Part-time	0.25	0.25	-	-
Total Part-Time	0.25	0.25	0.0	-
Total Budgeted Staffing	5.25	5.25	5.0	5.0

Total Accounting Program Costs:

	2011-12 Actual	2012-13 Actual	2013-14 Estimated	2014-15 Proposed
Salaries and Benefits	\$ 591,320	\$ 636,873	\$ 671,555	\$ 706,248
Maintenance and Operations	\$ 166,215	\$ 111,908	\$ 166,179	\$ 143,689
Capital Equipment	\$ 6,275	\$ 70	\$ 6,000	\$ 6,500
Total	\$ 763,810	\$ 748,851	\$ 843,734	\$ 856,437