

**CITY OF NEWPORT BEACH
CITY COUNCIL FINANCE COMMITTEE
MINUTES**

The Finance Committee met at 2:00 p.m. on Monday, May 9, 2011, in the Council Conference Room, 3300 Newport Blvd., Newport Beach, California 92663.

I. ROLL CALL

Present: Council Member Keith Curry (Chair), Council Member Leslie Daigle and Mayor Mike Henn

Staff present: City Manager Dave Kiff, Assistant City Manager Dana Smith, Administrative Services Director Tracy McCraner, Deputy Administrative Services Director Dan Matusiewicz, Budget Manager Susan Giangrande, Assistant City Attorney Leonie Mulvihill, Human Resources Director Terri Cassidy, Risk Manager Lauren Farley and Administrative Coordinator Tammie Frederickson

Members of the Public: Jim Mosher; Mike Reicher, Daily Pilot

II. PUBLIC COMMENTS

Mr. Mosher said it would be helpful on future agendas to explain the meaning of acronyms that are used and provide a more expansive description of agenda topics for discussion or action. He also questioned the possibility of providing an advance review of items being distributed at the meeting.

III. DISCUSSION/ACTION ITEMS

A. OCIP (Owner Controlled Insurance Program) Summary

Human Resources Director Cassidy said a staff report was prepared in response to Council Member Daigle's question regarding what the savings and advantages are by entering into the OCIP. Council Member Curry confirmed that by using an OCIP the bottom line is we have saved approximately \$1.3 million. Ms. Cassidy added because the advantages are that as the project goes forward we have more control over the claims and costs of administration, the true savings won't be apparent until the project is completed.

B. Fund Balance Policy Update

Deputy Administrative Services Director Matusiewicz explained that in response to GASB Statement No. 54, additional categories were added to fund balance classifications to enhance the usefulness of fund balance information.

**All documents distributed for this meeting are available in the
administration office of the Administrative Services Department**

Other substantial changes to the fund balance policy added more specifics to the contingency policy and changed the minimum balance of the contingency reserve to 15% of the operating budget. He said as part of year-end closing procedures and for fiscal planning efforts, this update requests the City Manager be designated the authority to designate assignments of fund balance. Another change to the policy incorporates changes to the water and sewer enterprise reserves as recommended in the 2009 Water Rate Study.

Council Member Curry confirmed that in terms of budgeting, funding or allocating to, no significant changes are being made to what is in reserves. Mayor Henn noted the changes restrict flexibility to the extent that more is being added to contingencies that can only be spent for specified reasons. Mr. Matusiewicz commented that the commitments represent Council Policy that can be changed as Council deems.

There was further discussion on the differences within the categories. Mayor Henn remarked that the rating agencies view these assignments more favorably because it reduces the whimsical nature of managing reserves. He suggested the policy should specify a reporting requirement and a materiality threshold for the fund balance assignments made by the City Manager.

Ms. McCraner said with the Finance Committee's concurrence, the changes to the Fund Balance Policy will be brought to the City Council for approval on the May 24, 2011 agenda and there was no opposition expressed.

C. Budget Overview

City Manager Kiff said the first review of the proposed FY 2011-12 budget will be presented to the City Council at the May 10, 2011 Study Session. He went over the budget presentation which will cover where we were last year, where we are at now and will move on to looking ahead.

Mr. Kiff said the current budget year is projected to end with a \$2.1 million surplus that will go in to operating reserves. He said about \$149 million in General Fund revenues and \$147 million in expenditures is projected next year. The "top 3" revenue categories are projected to get back to FY 2007-08 levels next year.

Mr. Kiff said the pension fund will increase from \$18 million to about \$25 million. Mr. Kiff explained steps taken with employee groups to reduce pension costs and noted it's important for people to know how much the City pays for pension costs. He said reducing the costs can be done by reducing our payroll as well as to have a second tier.

Mr. Kiff went over the overall debt service and internal service funds appropriations. He said \$1 million was added to the CIP as instructed by the City Council and another \$1 million will go to IT infrastructure.

Moving on to public safety, Police and Fire will make presentations at the May 10th Study Session regarding how they are achieving budget cuts that are being proposed and the other City departments will be presented at the May 24th Study Session.

IV. MATTERS WHICH A COMMITTEE MEMBER MAY WISH TO PLACE ON A FUTURE AGENDA

The next meeting will be June 13, 2011.

V. ADJOURNMENT

The Finance Committee adjourned at 3:10 p.m.

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

Attest:

Tracy M. McCraner
Administrative Services Director

Date