

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

The Finance Committee met at 2:00 p.m. on Monday, September 12, 2011, in the Council Conference Room, 3300 Newport Blvd., Newport Beach, California 92663.

I. ROLL CALL

Present: Council Member Keith Curry (Chair) and Council Member Leslie Daigle

Absent: Mayor Mike Henn (excused)

Staff present: City Manager Dave Kiff, Finance Director Tracy McCraner, Deputy Finance Director Dan Matusiewicz and Revenue Manager Evelyn Tseng

Members of the Public: Jim Mosher, Charles Barfield

II. APPROVAL OF MINUTES

The minutes for the Finance Committee meeting of August 11, 2011, were approved as submitted.

III. PUBLIC COMMENTS

Mr. Mosher thanked Finance Department staff again for expanding the Finance Committee agenda to include clear explanations on the topics to be discussed and for making the staff reports available in advance of the meeting. He noted his request made at the previous meeting and acknowledged receipt of a copy of the administrative procedures on purchasing goods and services. Mr. Mosher said he recently attended a meeting of the Arts Commission where a dilemma was raised regarding how the accounting for ticket sales on City-sponsored Arts Commission events go into the General Fund however the cost for bus transportation is deducted from the Arts Commission budget.

Finance Director McCraner explained that because the Arts Commission is solely funded by General Fund revenues, any increases to their budget would need to be approved by the City Council. She said she offered to assist the Arts Commission with preparing a staff report to the City Council to increase the Arts Commission appropriations to cover self-funded events. She commented there was reluctance on the part of the Arts Commissioners to request an increase in their budget and Ms. McCraner said she would be available to help them when they are ready to present the request for Council consideration.

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

III. DISCUSSION/ACTION ITEMS

A. Preliminary General Fund & Facilities Financing Fund Balances/Reserves

Finance Director McCraner stated all significant adjustments have been booked to the General Fund and major Facilities Financing Fund for Fiscal Year 2010-11. She noted that although she does not foresee any problems, these are unaudited numbers until audit is completed. She reported on the revenue side the \$3.1 million increase previously projected is coming in as expected in the "Top 3" categories-- property, sales and TOT taxes. She pointed out that TOT came in significantly higher than projected. Miscellaneous revenue accounts within the General Fund have been booked and significant surpluses were noted in building permit and plan check, paramedic fees and library grants. She attributed last year's colder summer weather for the impact on lower than projected revenue in parking meters and parking lots. Ms. McCraner stated the General Fund ended the year with \$5 million excess revenue over budget and with expenditure savings that also came in at \$5 million as a result of savings in salaries and contracts, total operations ended with a \$10 million increase to reserves.

Ms. McCraner emphasized the Facilities Financing Reserve was transferred out of the General Fund and into a special revenue fund for transparency purposes to clearly show the intended use of the money per Council's direction. She explained total General Fund balance decreased nearly \$20 million due to a budgeted transfer of \$31.3 million to the Facilities Financing Plan (FFP) fund. This \$31.3 million is still reserved for major facilities and available for Council approved uses. Ms. McCraner said this will be clearly displayed and footnoted in the financial statements. She concluded that the balance increase of the two funds together was 7.9% which is in keeping with the Council approved fiscal sustainability plan and is the stronghold of our 5 year financial plan to prepare for significant pension increases and facilities improvements and maintenance.

Council Member Curry added that the reason we have good reserves is because they are not used to pay for operating costs as other cities do.

Ms. McCraner further explained the transfer to the Facilities Financing Reserve in response to a question raised by Mr. Mosher.

B. Master Fee Schedule

Ms. McCraner said the proposed revisions to the master fee schedule will be going to the City Council for approval at a future meeting and she provided an update to the Committee on the status of the revisions. This is the second year of the cost allocation plan approved by Council as a six-year contract with the consultant, MGT. The departments included in the fee schedule revisions this year are Finance, Recreation and Senior Services, Municipal Operations and Library

Services. She outlined the process used to develop the fee schedule revisions which includes reviewing in detail staff time needed to perform a service, calculating overhead and removing direct costs that are charged elsewhere, to come up with the full cost of services fees.

She discussed some of the significant revisions for the Finance Department fee and noted fees that are proposed for deletion and new fees being added. Ms. McCraner said one new fee being recommended is a short term lodging permit renewal per license and Council Member cautioned on equity of fairness for how this is administered.

Recreation and Senior Services will possibly recommend increasing some subsidies on the cost allocation process for facilities maintenance and repairs but it will not have an impact on fees charged for programs. Ms. McCraner said there is one fee proposed to be decreased on the special event bundle fee.

Ms. McCraner reviewed some fee revisions for the Municipal Operations Department and noted fees proposed for deletion, addition and increase. Council Member questioned if there is any plan to limit commercial haulers and increase enforcement. City Manager Kiff commented that would be a good discussion to have with the full Council.

No revisions are proposed to the Library fee schedule.

Council Member Curry said when the report goes before Council it should be limited to just the recommended fee changes, particularly changes to subsidies, to avoid confusion.

Mr. Mosher confirmed the dog license fee will be corrected from per month to per year; he questioned whether the special event fee references the correct municipal code section; he confirmed the water installation fee is for a new house; and asked if the Library Board of Trustees reviews the fees, Ms. McCraner replied City librarian Cynthia Cowell reviewed the fee schedule.

C. Financial Projects – “In Progress”

- a. Comprehensive Annual Financial Report (CAFR)/External Audit
Deputy Finance Director Matusiewicz said with new auditors this year, the audit will consume more staff time. The CAFR will be issued in December.
- b. OPEB & PERS valuations and analysis
Mr. Matusiewicz said the valuations from CalPERS will be received in late October or early November. Ms. McCraner said staff will bring this back to the Finance Committee after the reports come from the actuaries.
- c. Municast financial forecasting tool
Multiyear trending and multiyear forecasting will enable better preparation in the quarterly financials and is a best practice to show long-term planning and forward looking.

- d. GASB Exposure Draft on Pensions and impact to the City
Council Member Curry said laying the groundwork now for the new GASB rules will give a better picture of our liability. Mr. Matusiewicz commented that it will be included in the financial statement for the first time in 2013-14. Council Member Daigle suggested being proactive by developing a contingency plan to show how we are addressing the pension liability.
- e. City Manager's Quarterly Business Report – Financial Section
This is a new report format for the Finance Department and staff is working out the process to develop the report and distill the most relevant information.
- f. Debt Policy and Capital Financing Policy updates
Mr. Matusiewicz said the debt policy and reviewing debt affordability is another best practice. He remarked that it is staff's intent to develop a formal process that will provide a means for benchmark comparisons.
- g. Performance Based Budget Update-next steps
Ms. McCraner said she has attended some GFOA training and met with other cities that have performance based budgeting. She obtained templates that can be used to help move the departments more towards programs goals and how they are tied to Council goals. She commented that one shortcoming is the current software in use that does not lend itself to easily report on program costs. She said this will be a constant iterative process with continuous retooling and improvements.

Mr. Mosher commented on the Quarterly Financial Report and suggested deleting the reporting on the entire U.S. economy.

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

Council Member Daigle requested a discussion on Council Policy F-14, Authority to Contract and reporting on professional service agreements.

V. ADJOURNMENT

The Finance Committee adjourned at 2:52 p.m.

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

Attest:

Tracy M. McCraner
Finance Director

Date

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