

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

The Finance Committee met at 2:00 p.m. on Monday, November 7, 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, Finance Director Tracy McCraner, Deputy Finance Director Dan Matusiewicz, Revenue Manager Evelyn Tseng and Administrative Coordinator Tammie Frederickson

Members of the Public: Jim Mosher, Dan Purcell

**II. APPROVAL OF MINUTES**

The minutes for the Finance Committee meeting of September 12, 2011, were approved as submitted.

**III. PUBLIC COMMENTS**

Mr. Mosher commented there is a Charter requirement that Council must review and approve any procedures having to do with the purchase of goods and equipment. He suggested a future Finance Committee and City Council agenda should include a review and approval of the administrative procedures related to Council Policy F-5, Authority to Purchase Good and Materials.

Council Member Curry directed staff to determine whether the administrative procedure will need review and approval.

**IV. DISCUSSION/ACTION ITEMS**

**A. Quarterly Financial Report (QFR)**

Finance Director McCraner previewed the financial element of the City Manager's Quarterly Business Report for the quarter ending September 30, 2011. She said the General Fund closed Fiscal Year (FY) 2011 with an increase of \$12.5 million before the planned and budgeted transfer of the Facilities Financing Plan (FFP) Reserve. She noted the function of the FFP Reserve is to set aside funds for Council's use to cash finance City facilities or use as a debt service option which

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administration office of the Administrative Services Department**

allows more transparency of Council's intended purpose. In response to a question raised by Mayor Henn, she confirmed the FFP Reserve fund classification is reported in conformance with the new reserve titles in GASB 54 and is designated as an assigned amount.

Ms. McCraner stated of the \$12.5 million General Fund increase, the City Manager has assigned approximately \$9 million for Council priorities, including assignments to a PERS rate reserve, neighborhood revitalization, and tidelands dredging. City Manager Kiff explained that when the fund amounts are further refined, the assignments will require Council approval to authorize budget amendments for these expenditures.

Ms. McCraner went on to report the first quarter of FY 2012 that ended September 30, 2011, early analysis shows the "top 3" revenue categories- property tax, sales tax and TOT- trending on budget.

Mayor Henn suggested the charts in the staff report should always include a column showing the budgeted amounts for ease of comparison.

Responding to a question from Mr. Purcell, Ms. McCraner said property tax represents approximately 50% or \$70 million of the total General Fund. She stated that percentage is projected to stay constant in coming years with a slow growth in property tax values as the economy strengthens.

#### B. Bonita Canyon Refinancing

Deputy Finance Director Matusiewicz explained the City joined with Newport Mesa Unified School District (NMUSD) to form a joint powers agreement (JPA) in 1998. The JPA issued bonds for \$45 million and the City's portion of the bond proceeds were used to build the Bonita Canyon Sports Park and development of other public improvements.

He stated due to the current favorable market conditions, refinancing the bonds is under consideration for a present value savings of around 3.5% or a per parcel savings of about \$230 per property owner. He further explained the minimum target savings level for the proposed refinancing is \$200 per single family homeowner as set by NMUSD, the lead agency. Mr. Matusiewicz said as the City's appointed members of the JPA, the City Manager and Finance Director will cast a vote in favor of supporting the refinancing, unless otherwise directed.

Mr. Mosher asked where the affected properties are located and Mr. Matusiewicz described the location as the Bonita Canyon development adjacent to the Bonita Canyon Sports Park.

In accordance with the criteria for minimum savings threshold as set, the members of the Finance Committee recommended moving forward with the refinancing.

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### C. Latest PERS Actuarial Valuation Reports

Mr. Matusiewicz provided copies of the PERS Actuarial Valuation reports as of June 30, 2010, for safety and miscellaneous employee groups. He said the combination of equities losses in 2008 and high benefit levels have resulted in a 20-year low in the funded status of the plan, both in dollars and percentage. He commented the rates are set by the difference between the accrued liability and the assets on an Actuarial Value Asset (AVA) basis. He noted the rate trend has been accelerated in the last several years and the rate on the unfunded liability is in excess of 50% of the total rate being paid.

Council Member Curry commented that methods used by PERS are obfuscating the actual situation and are not helpful in determining if progress is being made in addressing the pension situation. He added that it's unclear whether the steps taken up until now have been effective because the dates are not synched with the data presented making it difficult to understand the impact of the early retirement program and other restructuring decisions that have been made.

Mayor Henn said the discussion should minimize talk about percentages and should speak to dollar cost which is the real issue. He pointed out the information should be presented to show the total dollars of cost for the pension and how many dollars are paid by employees and how many are paid by the City. He summarized that the City gets a 16% reduction in dollar cost of pension contribution for every dollar of Safety payroll that is reduced. Council Member Curry agreed the issue is what the cost is in terms of budget.

Council Member Daigle questioned how we can address having a large unfunded pension liability when we are meeting our obligations as PERS tells us but in the end we can't protect ourselves against the PERS assumptions. Ms. McCraner commented that at our request the PERS actuary can run different scenarios such as showing the dollar value of going to a second tier.

Mayor Henn commented that to help with knowing how decisions are going to affect reality the Council would benefit by understanding what the total cost of the pension benefit is. He noted further there are two ways to look at this; there is the total pension cost prism and there is the net City cost prism. He said it is important to see those figures side by side.

Council Member Curry concluded that there is still a long way to go in reducing pension costs and broadening the sharing of those costs with employees.

Mr. Purcell said use of a more dynamic spreadsheet showing real time variables would be a helpful tool for comparing apples to apples.

#### D. Parking Permits

Ms. McCraner explained that in April 2010, Council approved an update to parking meter and lot rates to match neighboring city market rates and cost of living increases. The parking permit program was not included in that update and she noted parking permit rates have not been studied or updated since 1993. Ms. McCraner showed a comparison of neighboring city parking permit costs and recommended bringing an update of the permit rates to the City Council to reflect current market rates, in addition to adjusting the fees annually by CPI and limiting the proration of the rate to only the third quarter each year. The proposed rates include increasing the blue pole parking permit to \$150 and the overnight parking permit to \$225, and decreasing the master permit by \$100 to \$575 as an incentive for more people to buy the master permit.

Mayor Henn expressed support and suggested in addition to the senior discount that is offered, a price break be offered to veterans. Ms. McCraner agreed to add a comparable veteran discount after a survey of what other agencies offer. Mayor Henn also said the chart of permit types and rates of other cities should be revised to show similarities to Newport Beach permits for ease of comparison.

Council Member Curry said he supported the rate adjustments as proposed.

Mr. Mosher commented that an explanation of what each permit category allows people to do would be helpful to include in the staff report when it is brought before the City Council.

Ms. McCraner said she will make the revisions as suggested and bring the staff report to the full Council for consideration at the end of November before sales of the 2012 permits begins.

#### E. Discussion on Council Policy F-14, Authority to Contract for Services

Council Member Daigle said Council Policy F-14 includes a provision that for transparency all contracts be reported to the City Council on an annual basis. Ms. McCraner replied that staff is currently working with the City Clerk and all departments to compile a report that shows every contract let during the year. Council Member Daigle suggested using the City of Anaheim's reporting mechanism as a model since it is very user friendly and available on their website. She added that the online disclosure would remove the provision for reporting to Council annually on all contracts. Council Member Curry expressed agreement that the information should be accessible and user friendly.

Mr. Mosher commented that he believes revisions made to F-14 last January are contrary to the contracting policy that voters expected in the City Charter, especially giving department directors authority to award and sign contracts. He added that there is nothing in the City Charter giving the City Attorney authority to award contracts and he believes it is a conflict of interest since the City

Attorney is responsible for approving contracts to form. He noted many of the City Attorney contracts do not say what service the contract covers.

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

No future agenda items were discussed.

**V. ADJOURNMENT**

The Finance Committee adjourned at 3:22 p.m.

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

Attest:

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Tracy M. McCraner  
Finance Director

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Date

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