

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

1. CALL TO ORDER

The February 13, 2012, Finance Committee meeting was called to order at 2:12 p.m. in the Council Conference Room, 3300 Newport Blvd., Newport Beach, California 92663.

2. ROLL CALL

Present: Mayor Pro Tem Keith Curry (Chair) and Mayor Mike Henn

Absent: Council Member Leslie Daigle (excused)

Staff present: City Manager Dave Kiff, Assistant City Manager Dana Smith, Finance Director Tracy McCraner, Assistant City Attorney Leonie Mulvihill, Revenue Manager Evelyn Tseng and Administrative Coordinator Tammie Frederickson

Members of the Public: Jim Mosher, Dan Purcell

3. PUBLIC COMMENTS

Mr. Mosher commented on the City's contracting policy which he believes violates constitutional restraints, one of those being California constitution article 11 section 10 which implies contracts in California for expending public funds should have a finite scope and dollar amount set. Other restraints are found in the City Charter that limits entering into a contract where any public official or employee holds a financial interest in the contract and limits the number of people who have authority to review and approve contracts on behalf of the public.

4. APPROVAL OF MINUTES

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

5. CURRENT BUSINESS

A. Review Finance Committee Roles & Responsibilities

Finance Director McCraner provided copies for review of Resolution 2007-21 which authorizes the duties and membership of the Committee.

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

Recommendations were made to add specific responsibilities of the Committee shall include review of the structure and documentation of any proposed debt financings and a requirement to conduct pre and post audit conference meetings with the auditors.

B. Quarterly Financial Status Report as of 12/31/2011

Ms. McCraner reviewed the mid-year financial status report as of December 31, 2011. She commented the final audited balances for Fiscal Year (FY) 2010-11 ended the year within the unaudited amount previously reported. Top 3 revenues have increased in the quarter and she provided details on all revenue sources within the General Fund which combined with the Top 3 are overall coming in about 1% over the General Fund budget.

Ms. McCraner went on to discuss expenditures and midyear projections that show about \$1 million in budgetary savings by departments.

Mayor Pro Tem Curry noted reserves are at an all-time high within the year and increased by a net of \$6 million.

Mr. Mosher raised a question about how low General Fund balances get during the year and the duration of the contracts for the associations that are in negotiations; he suggested looking into including a table such as used by the City of Costa Mesa that he finds useful for the breakdown of sales tax categories; and he asked when the Library Board of Trustees' deadline is for review and comment on the budget as required in their Charter.

In response to a question raised by Council Member Henn, Ms. McCraner noted revenue projections show a slow, modest growth for FY 2012-13 over the current fiscal year. Council Member Henn cautioned that the maturation process of Pelican Hill Resort will result in TOT leveling out. He asked about the expense savings goals and City Manager Kiff noted the reductions will be strategic including possible shared services options or potential savings through contracts.

Council Member Henn reminded staff of Council Member Daigle's request to provide a list of Capital Improvement Projects (CIP) organized by district.

C. State Mandate Reimbursement Claims

Prior to recommending approval to the full City Council, the Committee reviewed a proposed contract with Maximus Consulting Group for filing of claims on behalf of the City to reimburse state-mandated costs. Fiscal years 2009-10 and 2010-11 claims are estimated at around \$500,000 and the City would net approximately \$253,000 after payment to Maximus. The claims must be filed by February 15, 2012. Filing will also be made for our mandatory reimbursement process on behalf of the City and could net \$206,000, if the State pays. The contract outlines payment to Maximus is contingent on the City receiving the actual revenue from the State.

Assistant City Attorney Mulvihill explained part of the reason for having unclaimed claims is because there was a lengthy test claim on the mandate process that took 4-5 years to resolve. Following the conclusion of the test claim process, a review of the amount of the claims and Maximus' costs was conducted to make a comparison of the amount that can potentially be expected for reimbursement if the State pays.

Mr. Purcell questioned the reason why there is the need for expediency. Ms McCraner explained staff has been working with Maximus for several months on their payment request and it has taken time to verify invoices and get cost confirmation.

Mr. Mosher commented he is bothered by the amount of money to be paid to Maximus.

The Committee concurred with staff's recommendation to bring the contract to the City Council for approval on February 14, 2012.

D. 2012 Finance Committee Calendar

Ms. McCraner thanked the Committee for agreeing to go to holding quarterly meetings and she spoke about the proposed calendar that was outlined for coordination with distribution of the quarterly finance report. She pointed out an extra meeting is scheduled for June for budget discussions. Ms. McCraner said at the Committee's request meetings can be added for any urgent issues that arise during the year.

Mr. Mosher stated he is disappointed to see a reduction in the number of meetings. He added he would like more details provided during the budget review process.

6. FINANCE COMMITTEE ANNOUNCEMENTS OR MATTERS WHICH MEMBERS WOULD LIKE PLACED ON A FUTURE AGENDA FOR DISCUSSION, ACTION OR REPORT (NON-DISCUSSION ITEM)

No future agenda items were discussed.

7. ADJOURNMENT

The Finance Committee adjourned at 2:50 p.m.

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

Attest:

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

Tracy M. McCraner
Finance Director

Date

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administration office of the Administrative Services Department