

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

**1. CALL TO ORDER**

The September 10, 2012, Finance Committee meeting was called to order at 2:02 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 Council Member Leslie Daigle

Excused: Council Member Mike Henn

Staff present: City Manager Dave Kiff, Finance Director Dan Matusiewicz, Accounting Manager Rukshana Virany, Public Works Director Dave Webb, Assistant City Engineer Mike Sinacori, Utilities General Manager George Murdoch, Water Production Supervisor Steffen Catron, and Administrative Coordinator Tammie Frederickson

Members of the public: Jim Mosher, Dan Purcell

Outside entities: Douglas Hilts, Hilts Consulting Group; Jay Cooke and Kandarp Patel, MWH Americas, Inc.

**3. PUBLIC COMMENTS**

Mr. Mosher inquired whether the public would have an opportunity to know how the Council Discretionary funds ended the fiscal year since when the City Manager reported on the funds' status at the June 12, 2012, City Council meeting, the fiscal year had not yet ended.

Mr. Mosher noted at the August 14, 2012, City Council meeting, Council Member Henn referred to the critical facilities plan. Mayor Pro Tem Curry affirmed Mr. Mosher's question whether the critical facilities plan is another reference to the Facilities Financing Plan.

**4. APPROVAL OF MINUTES**

Mr. Mosher commented that at the June 11, 2012, Finance Committee meeting Council Member Daigle was absent and Council Member Henn recused himself on Item 5B, the Assessment District Bond Update. Mayor Pro Tem Curry noted Mr. Mosher's observation and stated no action was taken on Item 5B.

Council Member Daigle abstained from voting on approval of the June 11, 2012, minutes because she was not at the meeting. Since a majority was not present to approve the minutes for the Finance Committee meeting of June 11, 2012, the minutes will be brought back for approval at the next meeting.

## 5. CURRENT BUSINESS

### A. Big Canyon Reservoir Cover Replacement

Public Works Director Dave Webb explained the cover on Big Canyon Reservoir which was expected to have a 20-year life began to have failures after 5 years. Staff is in the process of working with a consulting team on designing a replacement cover. He noted there are two primary material options under consideration and requested direction from the Committee on the preferred material option.

Assistant City Engineer Mike Sinacori introduced Kandarp Patel and Jay Cooke who are with MWH, the consulting firm that is designing the cover, and Doug Hilts with Hilts Consulting Group, who worked on the previous cover installation and is inspecting and monitoring how much time is left in the life of the cover.

Mr. Cooke reviewed the two material replacement options, CSPE (chlorosulfonated polyethylene) and RPP (reinforced polypropylene), and discussed the advantages, disadvantages, and cost and warranty differences between the two materials. CSPE, the recommended material option, is more expensive but has a longer life span. He noted there is only manufacturer in the U.S. of CSPE and only two manufacturers of RPP. One of the RPP firms is the manufacturer of the failed RPP material currently in service. Mr. Webb commented staff would request approval for a single source manufacturer of the recommended CSPE material but there would be competitive opportunities for bidding on the cover fabrication and installation.

Mayor Pro Tem Curry stated and Council Member Daigle concurred the experience with the prior cover suggests it would be a better approach to pay for a better quality material and agreed with staff's and the consultant's recommendation to use the 45-mil CSPE material. Council Member Daigle instructed staff to cite other agencies that are using the product and where there have been failures of the current cover material when this is presented to the City Council for approval.

Mr. Purcell suggested there should be a better solution for the cover that would be a more aesthetically pleasing design and he encouraged other options be explored to make it a better property for the community.

### B. Quarterly Financial Report Through Quarter Ending 6/30/2012

Finance Director Dan Matusiewicz acknowledged and thanked Accounting Manager Rukshana Virany and Accounting Division staff for their efforts in contributing to the Quarterly Financial Report (QFR) and many of the staff reports presented to the Finance Committee.

Mr. Matusiewicz reviewed the highlights of the QFR. He stated the General Fund combined with the Facilities Financing Plan reserve is expected to close at \$106 million, a \$7.8 million increase to fund balance over the previous year. City Manager Dave Kiff clarified the \$7.8 General Fund increase was attributed to

revenues that came in higher than expected, expenditures that came in lower than expected, and some one-time capital improvement projects that were deferred until the next year.

Mr. Matusiewicz went on to report assessed property values released by the Orange County Assessor's Office showed a 2.87 percent increase and Newport Beach has the second highest overall assessed valuation in Orange County. Another highlight was the AAA implied general obligation rating as well as the AA+ rating on the Civic Center Certificates of Participation (COPs) was reaffirmed by Fitch. Also reported in the QFR was the Assessment District refinancing resulted in a total of \$369,504 refunded to current property owners in the Assessment Districts.

Some of the changes noted in the General Fund Comparative Income Statement were the result of creating the Information Technology Internal Service Fund (IT ISF), increases in Community Services due to the continued high level of activity at OASIS Senior Center, and a different approach to the allocation of Tidelands Funds as a result of how the Fire Chief is attributing fire calls to the ocean beaches.

In response to a question raised by Council Member Daigle, Mr. Matusiewicz noted sales tax revenue is approximately \$1.1 million less than our pre-recession high. Transient occupancy taxes would likely be tracking similarly in the same pre-recession range if it weren't for the addition of Pelican Hill Resort in 2008.

Mr. Mosher commented it would be beneficial to the public to show how much outstanding debt the City has. Mr. Matusiewicz noted it is reported in the Comprehensive Annual Financial Report. Mayor Pro Tem Curry remarked the debt doesn't change quarter to quarter and wouldn't be meaningful to report quarterly.

#### C. Annual Investment Portfolio Performance Review

Finance Director Matusiewicz reported the investment portfolio shows the total portfolio increased quarter to quarter in the operating with a large increase shown in the fourth quarter related to the receipt of a property tax installment.

The Treasury Yield chart shows a continued decline in yield from June 2011 to June 2012 with an overall managed investment portfolio yield of .93%, which is higher than a comparable risk-free U.S. Treasury that would have earned only .33%. LAIF is earning about .36%. Mr. Matusiewicz added that in recent years, a higher balance is being held in our checking account because the bank is offering a higher offsetting compensating balance rate however staff is looking more closely at bank fees that offset that rate.

#### D. Annual Investment Policy Review & Update

Mr. Matusiewicz explained Council Policy F-1, Statement of Investment Policy, requires an annual review of the City's Investment Policy by Finance Department and affirmation by the City Council. He reviewed the proposed changes to the

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

Policy that staff is recommending which will clarify and streamline several administrative procedures contained within the current policy. One proposed recommendation delegates annual review of the Investment Policy with the Finance Committee but eliminates the requirement for the Policy to be affirmed by City Council if no substantive changes are proposed. Other proposed recommendations include allowing our investment advisors to use their own professional discretion in selecting broker/dealers consistent with the selection process described by the SEC and allows selected transaction placement based on quality based factors rather than pricing alone. Mayor Pro Tem Curry questioned the meaning of quality based factors and suggested revising the explanation of this proposed revision.

Council Member Daigle stated any changes to a Council Policy should go to the full Council for approval. Additionally, in reference to the proposed revision to how investment performance is measured gross of fees, Council Member Daigle questioned if fees are disclosed. City Manager Kiff suggested working out a way to make the fees as public as possible.

Mr. Mosher stated his concurrence with Council Member Daigle's comments and noted Section K contains some grammatical errors.

Mr. Matusiewicz concluded staff will make the suggested revisions as discussed and bring the policy to the City Council to affirm. The record will reflect that Mayor Pro Tem Curry abstained on this item.

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

Council Member Daigle inquired if it is standard practice to conduct an audit on a public project like the Civic Center. City Manager Kiff stated he would follow up with Public Works and determine what standard practice is.

**7. ADJOURNMENT**

The Finance Committee adjourned at 2:55 p.m.

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

Attest:

  
\_\_\_\_\_  
Keith Curry, Mayor Pro Tem  
Finance Committee Chair

2/28/13  
\_\_\_\_\_  
Date