

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

1. CALL TO ORDER

The May 7, 2012, Finance Committee meeting was called to order at 2:00 p.m. in the Council Conference Room, 3300 Newport Blvd., Newport Beach, California 92663.

2. ROLL CALL

Present: Mayor Pro Tem Keith Curry (Chair), Council Member Leslie Daigle (arrived at 2:18) and Council Member Mike Henn

Staff present: City Manager Dave Kiff, Assistant City Manager Dana Smith, Finance Director Tracy McCraner, Deputy Finance Director Dan Matusiewicz, Accounting Manager Rukshana Virany, Budget Manager Susan Giangrande, Revenue Manager Evelyn Tseng and Administrative Coordinator Tammie Frederickson

Members of the Public: Jim Mosher, Paul Pender of Fieldman Rolapp

3. PUBLIC COMMENTS

Mr. Mosher pointed out the City of Costa Mesa includes in their Comprehensive Annual Financial Report a depiction of where sales tax revenues come from and provide a list of all warrants written from City funds at every Costa Mesa Council meeting. He suggested Newport Beach should provide the same level of transparency.

4. APPROVAL OF MINUTES

The minutes for the Finance Committee meeting of February 13, 2012, were approved with one correction made to roll call changing Mayor Mike Henn to Council Member Mike Henn.

5. CURRENT BUSINESS

A. Assessment District Refunding

Deputy Finance Director Matusiewicz stated favorable market conditions should produce substantial savings for the residents and accomplish administrative efficiencies for the City on the refinancing of twelve of fourteen assessment districts. The refinancing should produce net present value (NPV) savings of \$466,000 or PV saving of 4.32% over the outstanding debt. Mayor Pro Tem Curry confirmed several assessment districts will be consolidated into one reassessment district and the savings will translate to a reduced assessment on the residents'

property tax bills. In response to a question raised by Council Member Henn, Mr. Matusiewicz explained administrative savings will be accomplished by having fewer arbitrage calculations and continuing disclosure reports, and less staff time required for analysis.

Council Member Henn stated for disclosure purposes he is a resident in Assessment District 100 and questioned why 100 was not included in the refinancing. Mr. Matusiewicz explained based on the bond call premium the calculations resulted in negative savings and it may be considered at a future time. Ms. McCraner added all outstanding debt is reviewed throughout the year to determine if there is any benefit to paying off or refinancing.

Mr. Mosher commented that if this item will go to the City Council, the meaning of the word arbitrage should be described in the context for the benefit of the public.

The members of the Finance Committee supported staff proceeding to the full Council with the recommendation for refinancing.

B. Quarterly Financial Status Report as of 3/31/2012

Finance Director McCraner reviewed the third quarter financial status report as of March 31, 2012. She explained revisions made in the third quarter property tax estimates are due to 1) a decline in the penalties, interest and redemptions category as a result of more prompt payment by taxpayers on secured property taxes, and 2) delays in receiving supplemental tax revenues caused by new software challenges in the Orange County assessor's office. She noted both factors represent a significant swing in property tax projections for FY 2012-13.

Ms. McCraner pointed out sales tax projections have exceeded expectations with a 7% increase on a year over year basis. Additionally transient occupancy tax (TOT), restaurants and new auto sales continue to come in strong. All revenue categories are projected to come in \$1.4 million over projections.

Ms. McCraner reported on departmental expenditures which reflect operational savings of approximately \$3 million over original budget. She explained the difference shown in the original budget and the amended budget is not an operational increase but is the result of budget amendments made during the year to include contributions and encumbrances carried over for contracts from the previous year.

She concluded the fiscal year is projected to end in total with an increase of \$4.4 million in unassigned fund balance and proposed City Manager assignments amount to \$7.4 million which will be funded by the operating surplus, unused assignments from the previous year and closed encumbrances for items not needed this year. City Manager assignments, which are subject to City Council approval, are focused on facilities and increasing the General Fund appropriations for Capital Improvement Projects (CIP), the IT strategic plan, and increasing transfers to the Facilities Financing Plan.

C. Proposed FY 2012-13 Budget

City Manager Kiff reviewed the presentation of the budget overview to be presented to the City Council at the May 8, 2012, Study Session. He commented the proposed budget starts to reprioritize and add more funding to the infrastructure.

Ms. McCraner went on to review revenue projections. In response to Council Member Daigle's question, Ms. McCraner said the total governmental fund is \$185 million, excluding the enterprise and internal service funds. The top 3 revenue sources and the projection assumptions were discussed. She noted all property and other taxes make up 78% of the General Fund.

All funds on the expenditure side are \$250 million, with \$152.3 million budgeted in the General Fund. Ms. McCraner displayed a chart with a breakdown by functional fund type. She noted 53.3% was spent on salaries and benefit in 2009 and it is now down to 48%. In 2009, 13.5% was allocated to CIP and the allocation now is up to 20%.

Ms. McCraner stated in response to a question raised by Council Member Henn the proposed budget does not reflect the expected outcome of the current public safety negotiations.

Further discussion on the budget presentation included suggested revisions to the chart on pensions to present a clear and consistent message. Mayor Pro Tem Curry commented the message should convey how since 2008 employee contributions to pensions have gone from zero to \$6.7 million.

Ms. McCraner finished the presentation with the conclusion that the FY 2012-13 budget stayed flat and service levels will remain the same, and the budget is balanced without using any reserves for operating purposes. Council Member Henn said the message should be clear that efforts are continuing towards the previously identified goal to achieve \$15 million in savings over two years.

D. Central Parking System (CPS) Contract Amendment

Ms. McCraner explained staff has worked with CPS to develop a mutually beneficial amendment to the agreement for parking meter services. She explained the complicated payment structure in the original agreement will be amended to simplify the payment structure and provide a guaranteed payment to CPS. The amended contract will also eliminate finance costs incurred by the City for the purchase of equipment and infrastructure.

Ms. McCraner commented that CPS has met all of the identified goals to increase parking meter revenue, provide excellent customer service, improve technology and infrastructure, and improve parking enforcement.

She outlined the payment to CPS in the proposed amendment will be \$700,000 annually and to incentivize CPS a bonus will be paid if parking meter revenues

exceed \$3.4 million. Parking meter and citation revenue increased in the first year of operation with the CPS.

Mayor Pro Tem Curry commented it is an interesting statistic that since CPS upgraded the parking meters, 43% of customers pay by credit card which was previously not an option in the city. Ms. McCraner said in response to Council Member Daigle's question about pay by cell phone, the option is being looked into and they continue to look at improved ways to provide parking.

Mr. Mosher commented that it sounds like the new formula is giving CPS a raise. He asked whether any increase in parking meter rates would go to CPS and Ms. McCraner explained the existing contract has a clause that CPS would have to negotiate for an additional share if rates were raised. Ms. McCraner also noted the City will pay outright for the purchase of the leased parking meters and other related equipment.

With Finance Committee's concurrence, Ms. McCraner will present the contract amendment for approval by City Council at the meeting of May 22, 2012.

E. Update: GASB Proposed Change to Pension Reporting & Disclosure

Ms. McCraner related an update provided by CalPERS Chief Actuary Alan Milligan on delaying the implementation until 2015 of the GASB pronouncement on pension reporting and disclosure. The primary reason is because CalPERS cannot be up and running by 2014, the original effective date, since an additional 2,200 valuations will have to be completed. GASB is still recommending everyone early implement but Ms. McCraner said in order to early implement, the valuation will be needed from CalPERS. She stated there will no change in the basic concept but just the implementation period has changed.

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 3:43 p.m.

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

Attest:



Keith Curry, Mayor Pro Tem
Finance Committee Chair

6/12/12

Date

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