

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

1. CALL TO ORDER

The March 25, 2013, Finance Committee meeting was called to order at 4:00 p.m. in the Council Conference Room, 3300 Newport Blvd., Newport Beach, California 92663.

2. ROLL CALL

Present: Council Member Mike Henn (Chair), Mayor Pro Tem Keith Curry and Council Member Tony Petros

Staff present: City Manager Dave Kiff, Finance Director Dan Matusiewicz, Deputy Finance Director Steve Montano, Public Works Director Dave Webb, Deputy Public Works Director Pat Thomas, Municipal Operations Director Mark Harmon, Deputy Municipal Operations Director Mike Pisani and Administrative Coordinator Tammie Frederickson

Members of the public: Jim Mosher

Outside entities: Tom DeMars and Robert Porr, Fieldman Rolapp and Associates; Laith Ezzet, HF&H Consultants, LLC

3. PUBLIC COMMENTS

In response to a question raised by Mr. Mosher, Council Member Henn confirmed the Fire Department fee schedule will be reviewed by the Committee at a future meeting. Mr. Mosher inquired whether the auditor recommendation for improvement on receivables older than one year has been completed and Finance Director Matusiewicz was directed to review that with Mr. Mosher offline. Council Member Henn noted the other written comments received from Mr. Mosher prior to the meeting and expressed appreciation for those comments provided in advance.

4. APPROVAL OF MINUTES

Council Member Henn confirmed the Finance Committee Work Plan will be revised and brought back to a future meeting as written in the minutes of February 28, 2013. Council Member Henn directed the minutes of February 28, 2013, item 5E be revised to reflect a consensus was reached to use the existing PERS reserve to fund the \$765,000 upfront cost of not deferring the phase-in of increased contribution rates. Additionally, the minutes of June 11, 2012, and February 28, 2013, should be amended as suggested by Mr. Mosher in his written comments.

With Council Member Petros abstaining from approval of the June 11, 2012, minutes, a motion was made by Mayor Curry, seconded by Council Member

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Petros to approve the minutes of June 11, 2012, and February 28, 2013, as amended.

5. **CURRENT BUSINESS**

A. Reserve Level Funding Status

In regards to questions raised and submitted in advance of the meeting by Mr. Mosher, Council Member Henn suggested Mr. Mosher review with staff offline.

Mr. Matusiewicz stated Council Policy F-2 sets the governance of the City's reserve policies. As previously recommended by the Finance Committee, this item is the annual review of the status of the reserves and sets an action plan regarding the funding. Key reserves of a discretionary nature in terms of management and how the funding target is set were reviewed and recommendations were discussed. Mr. Matusiewicz noted the reserve amounts and targeted funding levels were met in the General Fund Contingency Reserve and Facilities Financing Plan Reserve. Staff recommends Council appropriate an additional \$3 million to the IT ISF fund in FY 14 from the overfunded Equipment Replacement Fund; transfer \$750,000 from the overfunded General Liability Reserve to the Workers' Compensation Reserve and \$1 million to the Compensated Absence Reserve; and continue to pay the full actuarially required contribution (ARC) payment for the CalPERS funding obligation and accelerate the funded status by directing the actuary to amortize the liability on a fixed declining amortization schedule. These recommendations result in shifting the reserve amounts and do not affect the amount in total reserves.

The IT ISF sets aside funding for strategic information technology planning to invest in a new enterprise resource plan (ERP) software, CAD RMS, permit system software and other IT projects. City Manager Kiff confirmed the selection of the IT ISF for additional funding will accelerate the investment in support of the scope of the IT strategic plan that was originally approved as part of the budget.

Council Member Henn stated reserves should be maintained at policy targets and a consensus was reached by the Committee to recommend transferring any additional overfunding remaining in the Equipment Replacement Fund to the Facilities Financing Plan. Mr. Henn noted with the transfer to the Compensated Absence Reserve of \$1 million, overfunding in the reserve will help absorb any anticipated charges that are a result of the voluntary separation incentive program (VSIP).

B. Council Policy B-1, Park Fee Policy Revisions

Mr. Matusiewicz confirmed the proposed revisions to Policy B-1 will ensure park fees associated with three new parks will be placed in the Facilities Financing Plan fund and restricted for park development.

Council Member Henn directed staff to review Mr. Mosher's comments and make revisions as appropriate to the Policy in terms of minor typos and

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clarifications in accordance with compliance to the provisions to the Quimby Act.

Council Member Petros commented by increasing the acreage of our parks, it could trigger revisiting park fees and result in changes to the park in lieu policy.

Mayor Curry moved, Council Member Petros seconded to recommend the proposed revisions to Council Policy B-1 be submitted to the City Council for final approval.

C. Facilities Finance Plan Update

Council Member Henn stated the Facilities Financing Plan is an analytical and planning tool that is used to guide decisions on the ability to execute the entire plan over time. Mayor Curry added it must be consistent with not taking on a debt level that is deemed to be excessive or make us unable to fund other programs in the City.

Mayor Curry recommended using Scenario C as outlined in the staff report. It measures the debt load that is proposed and shows an aggressive strategy that is affordable within our budget.

The Committee went on to discuss further refinements to the Plan. Council Member Henn confirmed whether \$135 million for the Civic Center is a reasonable amount; recognized the impact of work that may occur in the west side strategic facilities planning will need to be included in the Plan; would like Banning Ranch development fees added when that is known; instructed park in lieu fees for the Uptown Newport Phase I project which is located in the airport area be included and a tune up done on the timing for the project to reflect best conservative estimate; amend the Scenario to not reflect \$20 million debt issuance in 2014 and show a larger issuance using 30-year amortization when the Police Station is constructed.

Council Member Henn proposed a revised FFP be redistributed in light of the refinements discussed and brought back to a future meeting before going to the full Council for consumption. Council Member Petros requested the revenue side be included as a supporting schedule.

D. Draft Debt Management Policy and Proposed Changes to Facilities Replacement Plan Policy F-28

Deputy Director Montano noted the draft policy was revised per previous Finance Committee direction. The policy incorporates best practices recommended by Government Finance Officers Association and was reviewed by financial advisors from Fieldman Rolapp. Three major priorities for the development of the policy were to provide guidelines for the City to manage its debt program in line with its resources, signal to the rating agencies the City is well managed and able to meet its financial obligations, and furtherance of the Fiscal Sustainability Plan through long term financial planning. Proposed changes

to the Council Policy F-28, Facilities Replacement Plan provides additional General Fund contribution of a 3% floor and allows any amount over that.

Mayor Curry addressed the rating agency language and stated the City should seek to maintain the highest level of bond rating consistent with its operating and capital needs.

Council Member Henn noted when this is brought to Council for approval, be explicit about the selection of 8% debt ratio and level. He directed and discussed further revisions to language in the Policy that were provided in writing.

Staff will revise the draft policy as discussed and bring it back to a future meeting for consideration.

E. Review of the Request for Proposal (RFP) Outline for the Residential Solid Waste Program

Municipal Operations Director Harmon identified the RFP structure and noted contractors will be asked to make a proposal on two options that will include manual service provided as it is today and an automated option. Recycling in the automated option will be voluntary to the customers. The number and sizes of trash cans will be determined by the customer and the amount of trash is not limited in either option. Core services will include pick-up of bulk items. Any enhanced service being offered should be highlighted in the RFP. It was suggested to change the RFP to reflect three columns with one being the current operation and two columns showing the two options contractors will make proposals on.

Mr. Mosher questioned what the difference is in the cost for the purchase of a diesel truck versus a CNG and how much is saved using a CNG truck. He asked how the voluntary recycling program will work.

Mr. Harmon will incorporate feedback received from the Finance Committee into the RFP and staff report before bringing it to the City Council for approval.

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

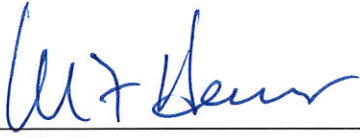
No future agenda items were discussed other than items that will be revised and brought back as directed.

7. ADJOURNMENT

The Finance Committee adjourned at 6:20 p.m.

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

Attest:



Mike Henn, Chair
Finance Committee Chair

5-13-13

Date

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administration office of the Finance Department