

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

The Finance Committee met at 10:00 a.m. on Friday, July 10, 2009, in the Council Chambers, 3300 Newport Blvd., Newport Beach, CA 92663.

1. ROLL CALL

Present: Mayor Pro Tem Keith Curry (Chair), and Council Members Mike Henn and Leslie Daigle

Staff present: City Manager Homer Bludau, Assistant City Manager Dave Kiff, Administrative Services Director Dennis Danner, Deputy Administrative Services Director Dick Kurth, and Administrative Assistant Cathy Malkemus

Outside consultants: Craig Rapp and Brooke Myhre with ICMA; and Phil Batchelor

2. APPROVAL OF MINUTES

The minutes for the Finance Committee meeting of April 24, 2009, were approved as submitted.

3. PUBLIC COMMENTS

There were no public comments at this time.

4. DISCUSSION/ACTION ITEMS

A. Review of Draft Benchmark Report and Discussion on Future Steps in Process

Mr. Rapp referred to the draft document prepared by ICMA titled "Performance Measurement and Benchmarking Project". He stated that he is seeking input from the Finance Committee members before preparing the final report for presentation to the full City Council. Mr. Rapp provided an overview of the process and stated that City staff has been trained on how to measure performance, identify benchmarks and align those with priorities. The ultimate goal is to apply that learning to continuous improvement and performance excellence. Mr. Rapp noted that the results in the document are preliminary and that City staff is continuing to refine the data and measures presented. He emphasized that although there are benefits already being realized from the project, it will take time for the City to become fully proficient at utilizing the data that is being collected, maintained and reviewed.

Mayor Pro Tem Curry confirmed that staff will be able to collect comparative, trend data internally and track performance for the 30 measures listed in the report. He also confirmed that most of the measures will be comparable to other cities, although some work is still needed to normalize the data to provide useful comparisons. Mr. Batchelor stated that the key to all of the data collection is to use it to improve performance. He stated that the information can also be used to set priorities and determine where resources should be allocated. As the next step in the process, Mr. Batchelor suggested that the new City Manager conduct an internal assessment of the organization.

Mayor Pro Tem Curry agreed that the City needs to move towards performance-based budgeting. He stated that the information will assist with allocating resources and evaluating efficiency.

Council Member Daigle complimented the benefits already realized from the project and agreed that the next step should be for the new City Manager to perform an internal assessment.

Council Member Henn stated that a decision needs to be made on the nine service measures that don't have benchmarks, and that it is a good time to provide the City Council an opportunity to provide input on the next steps in the process. Mayor Pro Tem Curry agreed that the report should be finalized, and that an action plan for going forward should be established. He suggested that customer satisfaction surveys be included as an integral part of the process. Council Member Henn suggested that the measures be incorporated into the Resource Allocation Plan (RAP) that is produced each year.

City Manager Bludau agreed that the focus should be on completing the report. He noted that the City chose to measure what was important to the City and not necessarily what was easy to benchmark. Council Member Henn added that the internal comparisons will be at least as important as the external comparisons.

Mr. Rapp confirmed that ICMA would be providing a list of recommendations as a part of the final report and that a recommendation on what should be done with the measures that don't have benchmarks would be included. A brief discussion followed regarding the recommendations included in the draft report. It was agreed that the final report and recommendations would be presented at the September 8, 2009, City Council meeting.

Council Member Henn concluded the conversation by emphasizing that the City is already a very high performance city and that this process will make it even better.

B. New Council Policy for Facilities Replacement Program & Review of Existing Investment Policy

Administrative Services Director Danner reported that staff reviews the Council Policy Manual annually and recommends changes for adoption by the City Council. He stated that he is seeking input from the Finance Committee on two of the policies that will be submitted to the City Council. In regard to Council Policy F-1, Statement of Investment Policy, he confirmed that the City's five investment advisors have been given the opportunity to review and comment on the policy.

A discussion followed regarding the proposed Facilities Replacement Program policy. Council Member Henn supported adding the policy and suggested that it be made a bit more general. Mayor Pro Tem Curry agreed that the policy would be a valuable policy to refer to in the future.

Administrative Services Director Danner confirmed that the investment advisors are required to adhere to the City's Investment Policy. Various aspects of the policy were discussed including the investments in the Local Agency Investment Fund (LAIF). Specific changes to the policy were suggested and staff confirmed that these changes would be incorporated into the document that would be presented to the City Council.

C. Discussion of Harbor Fee Process

Assistant City Manager Kiff referred to his memorandum and stated that it outlines the approach that staff is currently taking in regard to harbor and tidelands charges. He noted the attendance of Revenue Manager Glen Everroad and Income Contract Administrator Evelyn Tseng at the meeting, and summarized the information contained in his memorandum. He noted that he is also working on a spreadsheet that he'd like to present to the Finance Committee at a future meeting, and that he is seeking input from the Committee on how the charges should be adjusted and on what basis, and how and what harbor and tidelands services should be funded.

Council Member Daigle stated that she wants clarification as to what are considered harbor costs, and that she's interested in maximizing harbor improvements from the revenues received. Assistant City Manager Kiff added that it would be a good idea to look at harbor related costs and ocean beaches related costs separately.

Council Member Henn expressed his desire to move the process forward. He stated that the City's accounting staff and auditors can decide how the tidelands accounting is done and make adjustments, where appropriate. Administrative Services Director Danner confirmed that tidelands expenditures and revenues are

identified as a part of the budget process each year, and included in the Resource Allocation Plan (RAP). The need to conduct a new cost of services study was discussed. It was agreed that the public and private benefits issue should be more carefully analyzed. Council Member Henn also felt that the appraisal should be redone.

Mayor Pro Tem Curry agreed with the suggestions made. He stated that it's important to be methodical in developing a good process that's defensible to the public and provides common sense recommendations.

Council Member Henn noted that the process will most likely result in an increase in fees to the residents. He suggested that a mechanism be put into place that will ensure that fee increases will be used for harbor maintenance and improvements.

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

The next meeting was scheduled for September 9, 2009, at 10:00 a.m. Assistant City Manager Kiff confirmed that he would be ready to present the information discussed at that meeting.

6. ADJOURNMENT

The Finance Committee adjourned at 11:40 a.m.

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

Attest:

Dennis C. Danner
Administrative Services Director

Date