

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

The Finance Committee met at 3:30 p.m. on Wednesday, June 2, 2010, in the Council Conference Room, 3300 Newport Blvd., Newport Beach, California 92663.

1. ROLL CALL

Present: Mayor Keith Curry, Mayor Pro Tem Mike Henn and Council Member Leslie Daigle

Staff present: City Manager Dave Kiff, Administrative Services Director Tracy McCraner, Interim Deputy Administrative Services Director Dan Matusiewicz, and Administrative Coordinator Tammie Frederickson

2. APPROVAL OF MINUTES

The minutes for the Finance Committee meeting of May 10, 2010, were approved as submitted.

3. PUBLIC COMMENTS

There were no public comments at this time.

4. DISCUSSION/ACTION ITEMS

A. MONTHLY FINANCE COMMITTEE UPDATE

1. Fiscal Sustainability Planning

a. FY 2011 Budget Checklist update

Administrative Services Director McCraner presented the draft budget checklist and reviewed the items currently on the list. She noted a correction being made to the proposed budget for a position in the Utilities Department that was erroneously omitted due to some miscommunication about moving an ERIP position from Code Enforcement to Utilities. She added that it doesn't change the overall decrease in positions from FY09 to FY10. Ms. McCraner pointed out in keeping with full cost recovery an assistant city manager position is now budgeted in the General Fund rather than the previous tradition of budgeting half the position in Utilities and half in the General Fund.

The checklist also includes some accounting cleanup with budgeting professional/technical consultants as expenditures and increasing the revenue estimates for better financial accounting. Also included in the checklist are the CIP rebudget items. Mayor Curry requested a notation be added on status of the CIP projects.

Council Member Daigle commented that the checklist should include all new positions which will allow the opportunity for the City Council to do a straw vote on the proposed positions. City Manager Kiff suggested an alternative would be having a separate action for straw vote approval of a position list that includes changes from last year with position counts and reclassifications.

City Manager Kiff confirmed that the checklist does not include any Council Member special requests. In response to a question raised by Mayor Curry, Mr. Kiff said the proposed special events list will include all the groups that have typically received cash and the amount budgeted. He explained that this year the list will focus on just the amounts the City gives in cash; fee waivers in terms of personnel costs will be absorbed by the City during the establishment and implementation of a new procedure.

b. FY 2011 Financial Reserves Balances

Ms. McCraner discussed the movement of the financing plan reserves to a separate fund because of the bond issue in the essence of full disclosure. She pointed out the absolute maximum cash outflow that would be needed for OASIS is \$10 Million.

Mayor Pro Tem Henn said the issue of the appropriations reserve problem should be solved with budget cuts not a change in the numbers. Mr. Kiff stated the way to have an operationally balanced budget is having operational expenses covered by operational revenues and capital expenses funded through a different mechanism. Mr. Henn interjected the budget reflection of a reduction in operational reserves is merely a placeholder for the fact that we're going to identify additional operating expense reductions. Mr. Kiff commented there will be some operational savings in the Police and Fire Departments; he added that some of the proposed organizational changes will be brought to the Associations in meet and confer.

Mayor Curry said as part of the FY10-11 budget, \$2.5 Million of additional savings should be identified so the budget is balanced upon adoption without drawing down operational reserves. Mayor Curry noted that instead of \$8.7 Million of identified cuts, the City should identify \$11.2 Million of budget reductions. Mayor Pro Tem Henn commented there is still a lot of risk in the budget and there isn't much flexibility for cushion vs. risk.

c. Appropriations Limit Calculation

Ms. McCraner said the Gann Limit which limits the amount municipalities can appropriate every year in tax dollars will be brought to the City Council as required by the State Constitution. She noted the formula used the inflation adjustment, which was -2.5 percent, and the population adjustment provided to us by the State to calculate a limit of \$140 Million. Ms. McCraner explained the \$140 Million represents all tax revenue sources derived by the City. Deputy Administrative Services Director Matusiewicz commented the City can subsidize up to \$140 Million of our operations with tax dollars and we are currently subsidizing \$111 Million.

2. Civic Center Financing Team Update

- a. Asset Appraisal RFP update
- b. Hawkins, Delafield & Wood
- c. Fieldman and Straddling contracts update
- d. Bond Financing Schedule

Mr. Matusiewicz provided updates on items A-D as one discussion topic. He said the asset appraisal RFP should be finalized and out within a few days. The contracts for disclosure counsel, bond counsel and financial advisors will be brought to Council for approval at the July 27th meeting. He pointed out a revision to the financing schedule was made to correct a previous error. Early November is still the target for pricing the bonds.

Mayor Curry said it is important to make sure bond counsel are given the appropriate certification as to the appropriateness of the pricing and be sure we don't have any exposure to the Federal government with outstanding debts.

3. Audit and Financial Reporting Team Update

- a. FY 2011 Audit interim work began 5/24/2010

Mr. Matusiewicz said the auditors spent a week at city hall last week beginning the audit interim work. He noted some concern expressed about the American Reinvestment and Recovery Act (ARRA) grants and. Ms. McCraner said the City received some ARRA funding for public works projects and the concern is about documenting compliance with the guidelines. Mr. Matusiewicz said the auditors are looking closely at IT controlled environments, timecards and purchasing.

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

No matters were discussed at this time.

VI. ADJOURNMENT

The Finance Committee adjourned at 4:20 p.m.

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

Attest:

Tracy M. McCraner
Administrative Services Director

Date