

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

The Finance Committee met at 2:00 p.m. on Thursday, February 10, 2011, in the Council Conference Room, 3300 Newport Blvd., Newport Beach, California 92663.

**I. ROLL CALL**

Present: Mayor Mike Henn (Chair), Council Member Keith Curry and Council Member Leslie Daigle

Staff present: City Manager Dave Kiff, Assistant City Manager Dana Smith, Administrative Services Director Tracy McCraner, Deputy Administrative Services Director Dan Matusiewicz, Revenue Manager Evelyn Tseng and Administrative Coordinator Tammie Frederickson

**II. APPROVAL OF MINUTES**

With Council Member Daigle abstaining, the minutes for the Finance Committee meeting of January 10, 2011, were approved as submitted.

**III. PUBLIC COMMENTS**

There were no public comments at this time.

**IV. DISCUSSION/ACTION ITEMS**

A. Budget Update

1. Quarterly Financial Review (QFR)

Administrative Services Director McCraner reviewed highlights presented in the Quarterly Financial Review for the period ended December 30, 2010. Fiscal Year 10 audited results ended with \$82 million in total fund balance which included \$27.5 designated for the Facilities Financing Plan (FFP) and an increase of \$4 million in unappropriated operations reserve.

Mayor Henn asked that the FFP be updated to reflect Civic Center financing and be included as part of the agenda item that will be brought to the City Council February 22<sup>nd</sup> meeting.

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

City Manager Kiff said the updated FFP will include the staff proposed Civic Center projects and it will be further refined with decisions that Council will make on other facilities.

Ms. McCraner went on to review sales and TOT taxes which are coming in strong and Mr. Kiff added that building revenue is also continuing to trend upwards.

Ms. McCraner noted that continued prudent spending practices by departments should produce a surplus on the expenditures side that can be put towards infrastructure and information technology. Assistant City Manager Smith commented on the opportunity to align the organization with the vision laid out in the fiscal sustainability plan of a smaller, more cost-contained government organization.

In response to a question by Council Member Curry, Ms. McCraner said she would provide information on what percentage the impact of merit increases is on personnel costs.

Mayor Henn stated that he has received a lot of favorable comments on the business plan update and he plans to use it as an informational tool for outreach to the Homeowners Associations in his district. Ms. McCraner encouraged input on future topics Committee Members would like to see included in future quarterly reports.

## 2. Reserves Update

Deputy Administrative Services Director Matusiewicz discussed a handout that summarized funding status of key reserves and long term liabilities. He noted in FY 2010 performance objectives were achieved in each category as set by the Council reserves policy. He highlighted significant activity in the equipment replacement fund, pointed out favorable trends in the general liability fund and noted the low figures in compensated absences are due to paying out balances for the large number of retirees. Mr. Matusiewicz commented on the PERS funding status in the actuarial value of assets and the market value basis.

Mr. Kiff raised a question about prepaying the PERS contribution at a discount and there was discussion about the pros and cons. Mr. Matusiewicz said it is a policy decision that Mr. Kiff indicated might be beneficial to revisit as June gets closer.

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Council Member Curry commented on the upfront benefit of prepaying in a favorable economy. Ms. McCraner suggested including a discussion on prepayment of PERS on a future Finance Committee agenda.

3. Assessor's Office Update

Mr. Matusiewicz provided a spreadsheet showing assessed valuation broken out by land base year. He noted almost 50 percent of the properties are Prop 13 protected values. He said the Assessor will increase property values by .75% for properties with land base years through 2002; properties with land base years 2003 through 2010 are subject to unfavorable market value reassessments. He added that commercial properties, representing 14% of the city's base, are subject to reassessment due to vacant leases. He noted the Assessor predicted growth in Orange County would be +/- 1%.

4. Process/Calendar

Ms. McCraner handed out the budget calendar for Fiscal Year 2011-12. She stated that meetings with all of the departments are in progress and a 3-year forecast is in development that includes more reserves for IT replacement and more CIP money to maintain the infrastructure. Continued restructuring efforts amongst all departments will result in budget reductions of \$15 million, almost 10% of the General Fund budget, through FY 2013.

Ms. McCraner confirmed a Performance Plan will be used that will tie performance measures to Council goals. Ms. Smith said changing the culture and setting performance standards will start this year and a Performance Based Budget will follow when the City begins using a financial system that supports performance measurements.

B. Fee Schedule Update

Ms. McCraner said the February 22<sup>nd</sup> City Council Study Session agenda will include proposed updates to the fee schedule. The updates will include the addition of seven new Police fees for services, removal of the ambulance fee subsidy and the cost allocation plan which includes CPI increases of 1.2 %. She added that approval of the fee updates will be on the March 8<sup>th</sup> City Council agenda.

C. Audit RFP Status

Mr. Matusiewicz said the Audit RFP will go out to six regional and national firms. He commented that Mayer Hoffman McCann has been the City's auditor for ten years and he noted they are one of the six firms who will receive the RFP. Mr. Matusiewicz said it is anticipated that the Audit recommendation will come back to the Finance Committee in April.

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

The next meeting will be March 7, 2011.

**VI. ADJOURNMENT**

The Finance Committee adjourned at 3:29 p.m.

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

Attest:

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Tracy M. McCraner  
Administrative Services Director

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Date