CITY OF NEWPORT BEACH
CITY COUNCIL FINANCE COMMITTEE
MARCH 24, 2014 MEETING MINUTES

1. CALL TO ORDER

The meeting was called to order at 4:00 p.m. in the Newport Coast Conference Room, Bay 2E, 100 Civic Center Drive, Newport Beach, California 92660.

2. ROLL CALL

Present:	Council Member Mike Henn (Chair), Council Member Keith Curry, and Council Member Tony Petros
Staff Present:	City Manager Dave Kiff; Finance Director Dan Matusiewicz; Deputy Finance Director Steve Montano; Accounting Manager Rukshana Virany; IT Manager Rob Houston, Human Resources Supervisor Sheri Anderson and Administrative Coordinator Tammie Frederickson
Members of the Public:	Jim Mosher and Carl Cassidy
Outside Entities:	Nitin Patel of White Nelson Diehl Evans

3. PUBLIC COMMENTS

Mr. Jim Mosher observed the Finance Director serves on the Board for Newport Beach & Company and questioned whether they are a separate financial entity apart from the City. He also suggested that reports produced by the Finance Department on revenue from sales tax received from hotels and restaurants could provide more transparency with a breakdown of the categories to show free standing restaurants, restaurants in hotels, and other non-restaurant activity in hotels.

Council Member Henn suggested the Finance Director meet with Mr. Mosher to provide clarification on his question regarding the separate functions of the City's Finance Department and the Finance Department of Newport Beach & Company.

4. APPROVAL OF MINUTES

Mayor Curry moved, Council Member Petros seconded to approve the minutes of the November 18, 2013, Finance Committee meeting. The Committee voted all ayes to approve the minutes. Council Member Henn instructed there be less detail in future meeting minutes and to prepare the minutes as a summary of action items.

5. CURRENT BUSINESS

A. Review of June 30, 2013 Audit Results

Finance Director Dan Matusiewicz introduced Nitin Patel of White Nelson Diehl Evans. Mr. Patel reviewed the scope of services of the audit and the audit opinion letters that expressed the financial reports were fairly presented in accordance with accounting principles; no significant deficiencies or material weaknesses were noted and there were no management letter comments for improvement.

Mr. Mosher commented the audit letter is just a form letter and similar audit opinion letters from auditors can be found in other agency's Comprehensive Annual Financial Reports. He commented the auditor could have taken his fee without ever having stepped foot in City Hall. He questioned if the taxpayers are getting value for their money if the auditors can't find even a typo.

Mr. Mosher said he finds it disturbing for the Committee to focus on this form letter and nobody is concerned about the content of this important report.

Mr. Henn stated he considers the report to be important; he has read the report and has no further questions concerning it. The auditors spent approximately 500 hours reviewing the financial statements and it is their purpose to express an opinion on the financial statements taken as a whole fairly represents the results of operations and statements of conditions of the City. It is not their purpose to find typos.

B. 2014 Finance Committee Workplan Overview

Mr. Matusiewicz proposed quarterly meetings of the Finance Committee in 2014 due to heavy staff immersion in the ERP implementation process.

Council Member Curry noted the workplan should include health care OPEB review at the July meeting in conjunction with the CalPERS white paper discussion.

Mr. Mosher remarked the workplan seems rather thin with long intervals between meetings that may result in a financial review getting overlooked by this Committee on issues that may arise. He reminded the Committee of the Brown Act provision that restricts a quorum of a committee from discussing any items within the committee's jurisdiction outside of the public forum.

Council Member Henn expressed support for a less expansive Finance Committee workplan so that the Finance Department can focus on the work involved with the ERP implementation.

C. Enterprise Resource Planning (ERP) Update

The Committee previewed the staff report for this item which is on the March 25, 2014, City Council agenda for consideration of an agreement for an ERP system and implementation services with Tyler Technologies Inc.

Deputy Finance Director Steve Montano presented an overview of the ERP selection process, described the benefits to staff and the community, and outlined the implementation schedule.

Council Member Henn commented that the staff report showed that the evaluation process covered all the major points substantively.

Mr. Mosher suggested that there should be frequent feedback provided to the Committee on how the implementation is going.

Mr. Cassidy applauded the Committee for the guidance shown to staff, he thanked the management for the thoughtful process, and affirmed the commitment shown by staff to plan the implementation.

The Committee expressed unanimous support for recommending approval to the full Council and directed staff to review project milestones with the Committee during the implementation.

D. Discretionary Reserve Level Discussion

Mr. Matusiewicz framed the purpose of the discussion as a means to develop an understanding of how discretionary reserves are defined, how much is too much, and a consistent method for defining the reserves every year. In defining the discretionary reserves, he reviewed the General Fund categories for Committed fund balance, Assigned fund balance, and Unassigned fund balance, and identified certain reserves within those categories.

A series of adjustments were proposed to the current reserve structure. The Committee expressed support for recommendations by Mr. Matusiewicz to classify the Contingency Reserve in the Committed category instead of the Unassigned category; collapse the PERS Rate Reserve

into the Contingency Reserve; consolidate the reserves into fewer categories; and increase contingency reserve from 15% to 25% of operating budget.

The Committee instructed staff to bring back a recommendation to the July Finance Committee meeting that identifies which of the several smaller reserves can be either eliminated or consolidated with others. The Committee also instructed staff to evaluate whether discretionary reserves are established at the appropriate levels. Per staff recommendation, the Committee directed staff to include a reallocation in the proposed Fiscal Year 2014-15 budget of the overfunded amount in the Equipment Replacement discretionary reserve to address underfunding in the General Liability, Workers' Comp and Compensated Absences reserves.

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

No other items were discussed.

7. ADJOURNMENT

The Finance Committee adjourned at 6:17 p.m.

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

Attest:

Mike Henn, Chair
Finance Committee Chair

Date

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