

**MINUTES OF THE SPECIAL STUDY SESSION OF THE COSTA MESA CITY
COUNCIL**

February 10, 2015

CALL TO ORDER

The meeting was called to order by the Mayor at 5:01 p.m. in the Council Chambers at Costa Mesa City Hall, 77 Fair Drive, Costa Mesa, California. Location changed from Conference Room 1A to the Council Chambers.

ROLL CALL (00:00:28)

Present: Mayor Mensinger, Mayor Pro Tem Righeimer, Council Member Monahan, and Council Member Genis

Absent: Council Member Foley (Arrived at 5:30 p.m.)

Officials Present: Chief Executive Officer Thomas R. Hatch, City Attorney Thomas Duarte, Assistant CEO Rick Francis, Economic and Development Services Director Gary Armstrong, Public Services Director Ernesto Munoz, Interim Finance Director Stephen Dunivent, and City Clerk Brenda Green.

PUBLIC COMMENTS (00:00:48)

Flo Martin, Costa Mesa, spoke on debt management; and paying on the unfunded debt liability. (00:01:12)

Mary Spadoni, Costa Mesa, spoke on the funding of the community app "Nixle" for the Police Department; and paying on the unfunded debt liability. (00:03:15)

Tamar Goldmann, Costa Mesa, spoke in support of paying on the unfunded debt liability; and supports incentives for Police Officers. (00:05:12)

ITEMS FOR DISCUSSION

CEO Hatch provided an overview and staff report on financial and budget polices to be presented by Interim Finance Director Stephen Dunivent; spoke on five areas: general, revenue management, general expenditure management, minimum general fund balance, reserve and cash requirements, and debt management. Discussion on the interest savings on the Fire Side Fund. (00:06:36)

1. FINANCIAL AND BUDGET POLICIES

Interim Finance Director Stephen Dunivent provided an overview of the Financial and Budget Policies; and presented a Power Point Presentation. (00:10:05)

Mayor Pro Tem Righeimer spoke on cumulative savings of paying off pensions early; prepayments; Fire Side Fund; and concerns with fund payments on interest. (00:18:02)

Council Member Monahan spoke on 7.5% fixed interest rate. (00:20:40)

Council Member Genis requested clarification on fees and charges; and full cost recovery. (00:21:07)

CEO Hatch stated that the City Council sets the fees and charges. (00:22:14)

Discussion ensued on budget transfers between departments and their limits; and Council approval needed to transfer money between funds; and accountability for grants. (00:24:42)

Ernesto Munoz, Public Services Director, spoke on reimbursable type grants. (00:26:50)

Council Member Genis discussed net operating surplus. (00:27:24)

Mr. Dunivent discussed changes in fund balance reported in the CAFR; and reviewed the budget variance. (00:28:04)

Council Member Foley arrived 5:30 p.m.

Mayor Mensinger requested a 5 year review of the past self-insurance reserves. (00:30:46)

CEO Hatch advised that the policies will be brought to a future City Council meeting for formal adoption. (00:31:40)

Council Member Genis requested clarification of various terms in the policy. (00:32:08)

Mayor Pro Tem Righeimer spoke on operating carryover; surplus and paying off pension debt; and Fire and Police contributions to pay unfunded liability. (00:32:34)

Council Member Monahan spoke on concerns of priorities of the policy. (00:33:56)

Council Member Foley advised that the Financial Advisory Committee had a lengthy discussion on the prioritization; unfunded pension liability was not the focus; and paying down debt not related to pensions. (00:36:31)

ACTION:

City Council provided Staff feedback regarding the Financial & Budget Policies.

2. FISCAL YEAR 2014-15 MID-YEAR BUDGET REPORT

CEO Hatch provided an overview and staff report on the mid-year report; including the fiscal year status; summary of revenues and expenditures by division; and allocation of the contingency account. (00:39:36)

Interim Finance Director Stephen Dunivent provided an overview of the Fiscal Year 2014-15 mid-year budget report; review of the CAFR; and a new budget variance of \$6 million. (00:40:53)

Council Member Monahan spoke on carryovers and requested a copy. (00:45:56)

Mr. Dunivent spoke on the \$2 million in the reserves; and \$4 million for Capital Facilities. (00:48:03)

Discussion ensued on the shift of unassigned fund balance. (00:50:06)

CEO Hatch spoke on the allocation of capital facility funds allocated by approval only for specific projects. (00:51:06)

Council Member Monahan requested from the Public Services Department a 7-year capital improvement program; and a current budget projections to be included with staff report. (00:51:41)

Discussion ensued on capital facilities and the vote of the Council. (00:53:00)

Council Member Genis spoke on the general fund reserve; adopted budget ending balance; and the CAFR. (00:54:06)

Discussion ensued with Council Member Monahan and Ernesto Munoz spoke on the gas tax funds and grants; and the Narcotics Forfeiture Fund. (01:06:53)

Council Member Foley requested clarification of certain allocation in the General Fund Contingency Account. (01:10:21)

Discussion ensued on parking citations; and red light cameras. (01:18:03)

Council Member Foley spoke on locating businesses operating without an active business license. (01:23:30)

Mr. Dunivent spoke on the City's partnership with the Franchise Tax Board and comparing their files and records to those of the City's. (01:24:05)

Council Member Monahan requested putting all the questions and answers in written form and include with the staff report. (01:27:47)

Council Member Genis spoke on non-departmental expenditures; allocation of budget variance; and building the general fund reserves. (01:28:04)

Mr. Dunivent discussed timing issues; budget transfer of general fund money to capital projects fund; and the allocation of contingency account budgeted in non-departmental section of budget. (01:29:06)

Council Member Genis discussed budget variance; and allocation. (01:30:40)

Discussion ensued on reserves; and rebuilding the General Fund. (01:32:11)

COUNCIL MEMBERS' REPORTS, COMMENTS, AND SUGGESTIONS

Council Member Genis discussed the upcoming SCAG conference in May 2015. (01:33:20)

The Mayor adjourned the meeting at 6:35 p.m.



Stephen M. Mensinger, Mayor

ATTEST:



Brenda Green, City Clerk