



**CITY OF NEWPORT BEACH
NEWPORT BEACH PUBLIC FACILITIES CORPORATION
ANNUAL MEETING**

**AUGUST 14, 2018
3:30 P.M.**

**CITY COUNCIL CHAMBERS
100 CIVIC CENTER DRIVE, NEWPORT BEACH, CA 92660**

Corporation Members

**Brad Avery
Diane Dixon
Duffy Duffield
Jeff Herdman
Kevin Muldoon
Will O'Neill
Scott Peotter**

Staff Members

**Dave Kiff, President
Leilani Brown, Secretary
Dan Matusiewicz, Chief Financial Officer**

The Newport Beach Public Facilities Corporation meeting is subject to the Ralph M. Brown Act. Among other things, the Brown Act requires that the Newport Beach Public Facilities Corporation's agenda be posted at least seventy-two (72) hours in advance of each meeting and that the public be allowed to comment on agenda items before the Newport Beach Public Facilities Corporation and items not on the agenda but are within the subject matter jurisdiction of the Newport Beach Public Facilities Corporation. The Newport Beach Public Facilities Corporation may limit public comments to a reasonable amount of time, generally three (3) minutes per person.

The Newport Beach Public Facilities Corporation's goal is to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, we will attempt to accommodate you in every reasonable manner. Please contact Leilani Brown, Corporation Secretary, prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible (949-644-3005 or cityclerk@newportbeachca.gov).

NOTICE REGARDING PRESENTATIONS REQUIRING USE OF CITY EQUIPMENT

Any presentation requiring the use of the City of Newport Beach's equipment must be submitted to the City Clerk 24 hours prior to the scheduled meeting.

A. ROLL CALL

B. PUBLIC COMMENTS

Public comments are invited on agenda and non-agenda items. Speakers must limit comments to three (3) minutes. Before speaking, please state your name for the record. The Newport Beach Public Facilities Corporation has the discretion to extend or shorten the time limit on agenda or non-agenda items. As a courtesy, please turn cell phones off or set them in the silent mode.

C. ELECTION OF OFFICERS

- Mayor Duffy Duffield to serve as the Chairperson of the Corporation
- Mayor Pro Tem Will O'Neill to serve as the Vice Chairperson of the Corporation
- Council Members to serve as the Corporation Board of Directors

D. APPROVAL OF MINUTES

1. **Minutes of the August 8, 2017 Newport Beach Public Facilities Corporation Meeting**
Waive reading of subject minutes, approve as written, and order filed.

E. CURRENT BUSINESS

2. Review of Annual Financial Statements

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and
- b) Receive and file the financial report.

F. ADJOURNMENT

Testimony given before the Public Facilities Corporation is recorded.
The timing light will turn yellow when the speaker has one minute left.
The timing light will turn red when the speaker has 10 seconds left.

PLEASE TURN CELL PHONES OFF OR SET IN SILENT MODE.

CITY OF NEWPORT BEACH

Newport Beach Public Facilities Corporation Annual Meeting August 8, 2017

A. ROLL CALL - 5:14 p.m.

Present: Director Jeff Herdman, Director Will O'Neill, Director Scott Peotter, Vice Chairman Kevin Muldoon, Chairwoman Diane Dixon

Absent: Director Brad Avery, Director Duffy Duffield

B. PUBLIC COMMENTS ON AGENDA AND NON-AGENDA ITEMS

Jim Mosher discussed the Directors' service, unfunded liability, and the Civic Center lease.

C. ELECTION OF OFFICERS

Motion by Director Peotter, seconded by Director O'Neill, to elect Mayor Kevin Muldoon as Chairperson of the Corporation, Mayor Pro Tem Duffy Duffield as the Vice Chairperson of the Corporation, and the Council Members as the Corporation's Board of Directors for the 2017-2018 fiscal year.

The motion carried by the following roll call vote:

Ayes: Director Herdman, Director Peotter, Director O'Neill, Vice Chairman Muldoon, Chairwoman Dixon

Absent: Director Avery, Director Duffield

D. APPROVAL OF MINUTES

1. Minutes of the August 9, 2016 Public Facilities Corporation Meeting

Motion by Director Dixon, seconded by Director Peotter, to waive reading of subject minutes, approve as written, and order filed.

The motion carried by the following roll call vote:

Ayes: Director Dixon, Director Peotter, Chairman Muldoon

Abstain: Director Herdman, Director O'Neill

Absent: Director Avery, Vice Chairman Duffield

E. CURRENT BUSINESS

2. Review of Annual Financial Statements

Deputy Chief Financial Officer Montano discussed the purpose of the Corporation and reported on the 2010 Certificates of Participation (COP) and the Corporation's transactions.

In response to Director questions, Deputy Chief Financial Officer Montano confirmed that the 2010 COP debt service total does not include any offset from the Federal subsidy and that the reference on the City's website to this and the long term liability can be amended to be clearer. He reported that the current principal balance is \$107.4 million and the remaining net interest net of the Federal subsidy is expected to be \$68.7 million over the next 23 years.

Motion by Director Dixon, seconded by Director O'Neill, to receive and file the Annual Financial Statements.

The motion carried by the following roll call vote:

Ayes: Director Herdman, Director Dixon, Director Peotter, Director O'Neill, Chairman Muldoon
Absent: Director Avery, Vice Chairman Duffield

F. ADJOURNMENT - 5:22 p.m.

The agenda for the Newport Beach Public Facilities Corporation was posted on the City's website and on the City Hall Electronic Bulletin Board located in the entrance of the City Council Chambers at 100 Civic Center Drive on August 3, 2017, at 5:00 p.m.

Chair

Secretary



== CITY OF ==

NEWPORT BEACH

Newport Beach Public Facilities Corporation Staff Report

August 14, 2018
NBPFC Agenda Item No. 2

TO: HONORABLE CHAIR AND BOARD OF DIRECTORS OF THE
NEWPORT BEACH PUBLIC FACILITIES CORPORATION

FROM: Dan Matusiewicz, Finance Director - 949-644-3123,
dmatusiewicz@newportbeachca.gov

PREPARED BY: Steve Montano, Deputy Finance Director,
smontano@newportbeachca.gov

PHONE: 949-644-3240

TITLE: Review of Annual Financial Statement

ABSTRACT:

The Bylaws of the Newport Beach Public Facilities Corporation call for an annual meeting of the Board of Directors. The Bylaws also specify that the Chief Financial Officer shall maintain adequate financial records concerning the receipts and disbursements of the Corporation and the Board of Directors are entitled to inspect the associated financial records upon request. The attached financial statements represent the financial position and financial activities of the corporation for the year ended June 30, 2018.

RECOMMENDATION:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and
- b) Receive and file the financial report.

FUNDING REQUIREMENTS:

There are no funding requirements associated with this action.

DISCUSSION:

The Newport Beach Public Facilities Corporation ("Corporation") was created on March 9, 1992, by the City of Newport Beach ("City") under the authority of California law. The purpose of the Corporation is to assist the City in the financing of public improvements, including a public library and most recently the new Civic Center project. This type of non-profit corporation is required by the Federal IRS code in order to issue a public financing instrument called a Certificate of Participation ("COP"). A COP is a typical California public financing instrument for public facilities or equipment. It is a type of lease purchase that requires a third party, the Corporation, for the lease transaction. The Corporation assigns all of the rights, obligations and financial transactions to others, such as the Trustee for the COP.

The Corporation is governed by a Board of Directors that is comprised of the seven City Council Members of the City. Normally, the Mayor serves as Chairperson of the Board, with the Mayor Pro-Tem serving as Vice-Chairperson. The City Manager serves the Corporation as President, the City Clerk serves as Secretary, and the City Treasurer serves as Chief Financial Officer.

In 1992, the City issued \$7.5 million of COPs to finance the construction of the Central Library and subsequent refinanced this obligation in 1998. In 2010, the City issued approximately \$126.7 million of new COPs. Of this financing, \$122.8 million was used for the Civic Center project and \$3.9 million was used to refinance the remaining balance of the Central Library COPs. The Corporation's financial data and transactions are included in the debt service fund in the City's financial statements. The City's debt service fund is used solely to account for the activities of the Corporation and contains no other City debt financing activities. Even though the Corporation is a separate legal entity, it is considered a component unit of the City and is included in the audit of the Comprehensive Annual Financial Report.

The main sources of revenues of the Corporation are lease payments from the City and Federal Build America Bond (BAB) Interest Subsidy payments; both of which are pledged for the sole use of paying interest and principal on the COPs. The Corporation has assigned its rights to receive and collect these payments to a trustee who makes the semi-annual debt service payments to the bond holders. Therefore, the lease and BAB subsidy payments are received directly by the Trustee. The debt is an obligation of the City, not the Corporation. The City owns the financed properties.

During the year, the trustee received lease payments from the City totaling \$8.2 million and Federal Build America Bond (BAB) Interest Subsidy of \$2.4 million. Together with investment earnings, there were sufficient resources necessary to satisfy the annual debt service requirement of \$10.6 million. The table below illustrates the remaining debt service payment and principal balance on the COPs:

Year Ending June 30	2010 COP Debt Service			Balance
	Principal	Interest	Total	
2019	3,310,000	7,204,077	10,514,077	\$ 104,100,000
2020	3,405,000	7,052,048	10,457,048	100,695,000
2021	3,065,000	6,895,351	9,960,351	97,630,000
2022	3,165,000	6,733,265	9,898,265	94,465,000
2023	3,275,000	6,556,869	9,831,869	91,190,000
2024-2027	14,425,000	24,021,825	38,446,825	76,765,000
2028-2031	17,240,000	19,577,283	36,817,283	59,525,000
2032-2035	20,620,000	14,194,432	34,814,432	38,905,000
2036-2039	24,740,000	7,709,184	32,449,184	14,165,000
2040-2041	14,165,000	1,026,996	15,191,996	-
	<u>\$107,410,000</u>	<u>\$100,971,330</u>	<u>\$208,381,330</u>	

The outstanding principal of the obligation was \$107.4 million as of June 30, 2018. The remaining interest of \$100.9 million does not yet reflect the remaining BAB subsidy of \$32.1 million so the remaining interest net of the BAB subsidy totals \$67.9 million.

ENVIRONMENTAL REVIEW:

Staff recommends the Board of Directors of the Public Facilities Corporation find this action is not subject to the California Environmental Quality Act ("CEQA") pursuant to Sections 15060(c)(2)

(the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the Board of Directors considers the item).

ATTACHMENT:

Attachment A – Financial Statements

Attachment A

Financial Statements

NEWPORT BEACH PUBLIC FACILITIES CORPORATION
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash with fiscal agent	\$ 8,138,751	\$ 8,069,571
 Total Assets	 <u>\$ 8,138,751</u>	 <u>\$ 8,069,571</u>
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ -	\$ -
 Total Liabilities	 <u>-</u>	 <u>-</u>
Fund balances:		
Nonspendable	-	-
Restricted for:		
Debt Service	8,138,751	8,069,571
Committed	-	-
Assigned	-	-
Unassigned	-	-
 Total fund balance	 <u>8,138,751</u>	 <u>8,069,571</u>
 Total liabilities and fund balance	 <u>\$ 8,138,751</u>	 <u>\$ 8,069,571</u>

NEWPORT BEACH PUBLIC FACILITIES CORPORATION
Comparative Statement of Revenues,
Expenditures and Changes in Fund Balances
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Lease revenues	\$ 8,210,403	\$ 8,228,725
Investment income	20,755	3,849
Federal interest subsidy	<u>2,367,873</u>	<u>2,360,267</u>
Total revenues	<u>10,599,031</u>	<u>10,592,841</u>
 Expenditures:		
Debt service:		
Principal	3,185,000	3,060,000
Interest and fiscal charges	<u>7,344,851</u>	<u>7,468,025</u>
Total expenditures	<u>10,529,851</u>	<u>10,528,025</u>
 Excess (deficiency) of revenues over expenditures	 <u>69,180</u>	 <u>64,816</u>
 Fund balance, beginning	 <u>8,069,571</u>	 <u>8,004,755</u>
Fund balance, ending	<u><u>\$ 8,138,751</u></u>	<u><u>\$ 8,069,571</u></u>