



**CITY OF NEWPORT BEACH  
FINANCE COMMITTEE  
STAFF REPORT**

Agenda Item No. 5A  
January 17, 2019

**TO:** HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

**FROM:** Lauren Wooding Whitlinger, Real Property Administrator  
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**SUBJECT: COUNCIL POLICY F-7, INCOME PROPERTY, REVIEW**

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**SUMMARY:**

The Finance Committee is charged with a variety of tasks including, but not limited to, reviewing and monitoring events and issues that may affect the financial status of the City and making recommendations to the City Council regarding amendments to financial and budgetary policies. A subcommittee of the Finance Committee was appointed to review and recommend changes if deemed necessary to certain financial policies, including Council Policy F-7, Income Property.

Financial Planning Programs Subcommittee member Larry Tucker discussed the Policy with staff to help inform the nature and extent of the proposed changes.

**RECOMMENDED ACTION:**

Review the draft changes to Council Policy F-7, Income Property, and recommend further changes as needed for submission to the City Council for final approval.

**DISCUSSION:**

Most of the changes are minor in nature and seek to clarify the scope of the City's mix of properties, and types of agreements that it may enter into. Other changes made by staff and members of the subcommittee are proposed to align policy with current and industry best practices.

The following is an overview of the major changes to the policy proposed by the subcommittee:

**Section E, Item 7**, adds parameters requiring entities contracting with the City, where less than open or appraised value is received, or an open bid process not conducted, to have self-governance and operational capacity written into its bylaws, consistent with that of a comparable professional organization or state or federally recognized nonprofit.

**Section K, Items 1- 6**, adds language outlining the scope and nature of financial analysis that shall be prepared and provided to City Council, prior to offering any property in the City's portfolio for sale, assuming the property is not restricted by state, federal, local or other factor limiting the City's ability to divest the asset. The scope of analysis to be considered includes the (i) current fair market value of the property, (ii) whether the property is an important component of the City's portfolio and strategic, long-term goals, (iii) whether changes to the lease term, rent structure, or utility of the property could positively impact cash flows associated with the property, (iv) whether proceeds from sale of the property would outweigh the income stream over the term of the lease, and (v) the financial benefit of the proposed use of such sale proceeds.

The proposed financial policy revisions and proposals are prudent tools for the governance of the City's financial resources. With the Committee's comments and approval, Finance staff will bring Committee recommendations to the City Council for consideration and approval.

Prepared and Submitted by:

/s/ Lauren Wooding Whitlinger

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Lauren Wooding Whitlinger  
Real Property Administrator

Attachment:

A. Council Policy F-7, Income Property (Redline Version)