



CITY OF NEWPORT BEACH FINANCE COMMITTEE AGENDA

NEWPORT COAST CONFERENCE ROOM, BAY 2E
100 CIVIC CENTER DRIVE, NEWPORT BEACH, CA
MAY 11, 2015 6:00 PM

Finance Committee Members:

Keith Curry, Chair / Council Member
Diane Dixon, Mayor Pro Tem
Tony Petros, Council Member
Bill McCullough, Committee Member
Larry Tucker, Committee Member
John Warner, Committee Member
Jack Wu, Committee Member

Staff Members:

Dave Kiff, City Manager
Dan Matusiewicz, Finance Director / Treasurer
Steve Montano, Deputy Director, Finance
Marlene Burns, Administrative Specialist to the
Finance Director

I. CALL MEETING TO ORDER

II. ROLL CALL

III. PUBLIC COMMENTS

Public comments are invited on agenda and non-agenda items generally considered to be within the subject matter jurisdiction of the Finance Committee. Speakers must limit comments to three (3) minutes. Before speaking, we invite, but do not require, you to state your name for the record. The Finance Committee has the discretion to extend or shorten the speakers' time limit on agenda or non-agenda items, provided the time limit adjustment is applied equally to all speakers. As a courtesy, please turn cell phones off or set them in the silent mode.

IV. APPROVAL OF MINUTES

Approval of Minutes

Summary:

Approval of the February 26, 2015, Finance Committee Minutes and March 24, 2015, Joint City Council/Finance Committee Minutes.

Recommended Action:

Approve and file.

V. CURRENT BUSINESS

A. FISCAL SUSTAINABILITY PLAN

Summary:

Staff understands that Mayor Pro Tem Dixon wishes to augment the Fiscal Sustainability Plan to ensure that infrastructure funding is made an explicit priority. Maintaining a high-quality natural and physical environment by creating aesthetically pleasing places to live, work, recreate and visit shall remain a key goal of the City.

Recommended Action:

Staff recommends that the Finance Committee direct staff to bring the attached changes for City Council approval.

B. FACILITIES FINANCIAL PLANNING TOOL (FFPT)

Summary:

Staff has projected the timing, means of financing, and fiscal impacts associated with funding high-priority projects recently approved in concept by the City Council during the recent Proposed FY 2015-16 CIP budget presentation.

Recommended Action:

Staff recommends that the Committee directs staff to bring the Facilities Financial Plan for City Council

approval.

C. FY 2015-16 BUDGET PRESENTATION

Summary:

Staff will present an overview of the City Manager's Fiscal Year 2015-16 Proposed Budget.

Recommended Action:

Staff recommends that the Committee directs staff to bring the Proposed FY 2015-16 Budget for City Council Approval.

VI. ADJOURNMENT

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

It is the intention of the City of Newport Beach 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, the City of Newport Beach will attempt to accommodate you in every reasonable manner. If requested, this agenda will be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Please contact the City Clerk's Office at least forty-eight (48) hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible at (949) 644-3005 or cityclerk@newportbeachca.gov.



NEWPORT BEACH

ITEM TITLE: Approval of Minutes

ITEM SUMMARY: Summary:
Approval of the February 26, 2015, Finance Committee Minutes and March 24, 2015, Joint City Council/Finance Committee Minutes.

RECOMMENDED ACTION: Recommended Action:
Approve and file.

ATTACHMENTS:

Description

[February 26, 2015, Finance Committee Minutes](#)

[March 24, 2015, Joint City Council/Finance Committee Minutes](#)

**CITY OF NEWPORT BEACH
CITY COUNCIL FINANCE COMMITTEE
FEBRUARY 26, 2015 MEETING MINUTES**

I. CALL MEETING TO ORDER

The meeting was called to order at 6:00 p.m. in the City Council Chamber, 100 Civic Center Drive, Newport Beach, California 92660.

II. ROLL CALL

PRESENT: Council Member Keith Curry (Chair); Mayor Pro Tem Diane Dixon; Council Member Tony Petros; Committee Member Larry Tucker; Committee Member John Warner; and Committee Member Jack Wu

ABSENT: Committee Member Bill McCullough

STAFF PRESENT: Finance Director, Dan Matusiewicz; Deputy Finance Director, Steve Montano; Budget Manager, Susan Giangrande; Revenue Manager, Evelyn Tseng; IT Manager Rob Houston; and Administrative Specialist to the Finance Director Marlene Burns

MEMBERS OF THE PUBLIC: Jim Mosher and Carl Cassidy

OUTSIDE ENTITIES: Auditor Nitin Patel of White Nelson Diehl Evans LLP

III. PUBLIC COMMENTS

Jim Mosher suggested, and Carl Cassidy agreed, that the three new public members of the committee may have been illegally appointed as the City did not publicly advertise the opportunity to serve to the community as a whole. He referenced the Brown Act as it relates to the Finance Committee.

IV. APPROVAL OF MINUTES

Approval of the November 17, 2014, Finance Committee meeting minutes.

Chair Curry opened public comments.

Chair Curry closed public comments.

The minutes of the Finance Committee meeting of November 17, 2014, were received and filed by consensus with Committee Member McCullough, absent.

V. CURRENT BUSINESS

- A. Fiscal Year 2013-14 Audit Results: In connection with the City's financial statement audit and the Single Audit for federally assisted grant programs, the auditors have certain obligations to communicate the audit results with both City Council and management.

Finance Director Dan Matusiewicz clarified terms and indicated that the objective of the audit was to understand internal control structures, report significant control deficiencies. Mr.

Matusiewicz reported that there were no reportable conditions or management letter comments this year. With respect to a compliance audit of Federal grants (done through a single audit), he reported that he failed to disclose an unusual occurrence in this year's audit regarding and adjustment that resulted in a restatement of fund balance. He provided elaboration.

Auditor Nitin Patel with White Nelson Diehl Evans LLP, presented a brief Power Point presentation regarding the audit results including the scope of services, the auditor's opinion, results of the single audit and communications with those in charge of governance. He reported new standards for this year will include a requirement for the City to record its pension liabilities on a Government Wide Statement of Net Position.

In reply to Chair Curry's question, Mr. Patel reported that this is a clean audit. He added there were no other issues that the Finance Committee should be aware of, related to the audit.

In response to Committee Member Warner's question, Finance Director Matusiewicz reported the cost of the audit was approximately \$40,000.

Chair Curry asked whether anyone had the need to ask questions of the auditor in the absence of staff and there was no response.

Chair Curry opened public comments.

Jim Mosher spoke regarding the importance of discussing the substance of the report rather than the audit letter, the single audit, the City's commitment to rotating auditors and noted corrections to the staff report.

Carl Cassidy suggested the Finance Committee ask regarding the kind of analysis done, and findings in terms of contingent liabilities and legal costs. He suggested that the committee look at capitalization of cost that is or is not being charged to projects that are being developed as the development of reserves for legal settlement costs.

Chair Curry stated that legal costs are speculative and that the City is insured. In terms of capitalizing staff time, he reported that the audit must be done in accordance with the Government Accounting Standards Board, which has detailed rules about how things must be portrayed.

Finance Director Matusiewicz reported that staff records General Liabilities on a concurrent basis, each fiscal year.

Chair Curry closed public comments.

Mayor Pro Tem Dixon moved, and Chair Curry seconded to receive and file the Fiscal Year 2013-14 Audit Results. The Committee voted 6 ayes and 0 noes to receive and file the Fiscal Year 2013-14 Audit Results with Committee Member McCullough, absent.

- B. ERP Update: ERP (Enterprise Resource Planning) software is a business management software system that integrates all of the City's core functional requirements for financials, human capital management, citizen services, and revenues. The ERP implementation is scheduled to take between 25 and 30 months and will consist of four major phases. The City is currently in Phase 1 (Financials) and began the implementation of Phase 2 (HR/Payroll) in January 2015. The software provider of the City's ERP is Tyler Technologies Inc. and this project is titled "eSAIL," short for ERP System Administration and Implementation Lineup.

Deputy Finance Director Steve Montano provided a brief Power Point presentation regarding an update on the City's ERP implementation including major benefits of the system, phases, and work cycle within each phase, modules, validation, and training.

In reply to Committee Member Tucker, Deputy Finance Director Montano reported that managers oversee the system implementation to make sure that existing internal controls are in place in the new system. The same processes that are currently in place will continue and a regular review of the system will take place.

Finance Director Matusiewicz added that the City invested in a business process analysis and that a review of the system will be an ongoing process. He added that the City has outside assistance in implementing best practices.

Committee Member Tucker asked if there will be an opportunity to lower the head count and Deputy Finance Director Montano reported there will be a number of efficiencies but it is difficult to determine how these will play out. He commented on the number of accounts in the City's Chart of Accounts.

Council Member Petros inquired whether the City will eventually move to a programmatic budget and Deputy Finance Director Montano responded that it will have such capability. Council Member Petros expressed interest in discussing the budget in discrete processes and programs so that the public can better understand it and it will be more accessible to the public. He would like to see measurable efficiencies to the public and a measurable reduction in overall costs.

In response to Mayor Pro Tem Dixon's questions, Deputy Finance Director Montano provided information regarding the total project budget and reported that it is tracking within budget. He addressed savings that could be applied toward other areas of the project budget if necessary.

Mayor Pro Tem Dixon commented on how the new system would better facilitate the invoicing process from the City's vendors. Budget Manager Susan Giangrande stated that a small percentage of vendors provide electronic invoicing and addressed outreach to vendors to help them know that the City is changing to electronic invoicing. The vendor portal for them to access the City's data will open in June.

Deputy Finance Director Montano addressed the features of the software that will allow public access.

Mayor Pro Tem Dixon stressed the importance the public accessing the City's public financial information in a way that is easy to understand.

In reply to Committee Member Wu's questions, Deputy Finance Director Montano reported that the system is turn-key, that this vendor has a big and growing presence in California, and addressed maintenance and upgrade costs as well as the annual maintenance fee. He added that it is expected that IT costs will decrease as there will be less support in customization needed in order to make the system work. There will be a parallel in the operation of both the legacy and new finance systems for a short time to ensure validity.

Committee Warner asked regarding requiring electronic invoicing and Budget Manager Susan Giangrande stated that is still a ways off.

Chair Curry commented on the merits of program and performance budgeting.

Chair Curry opened public comments.

Jim Mosher spoke in support of increased visibility of the budget and transparency.

Carl Cassidy commented on other cities using the system and commended staff and the City for implementing it.

Chair Curry closed public comments.

Committee Member Wu moved, and Committee Member Tucker seconded to receive and file the report. The Committee voted 6 ayes and 0 noes to receive and file the report with Committee Member McCullough, absent.

- C. Finance Committee 2015 Work Plan: Staff will present and seek approval of the tentative Finance Committee agenda topics scheduled for the year. The work plan represents the planned topics of discussion; however, is subject to change based on the availability of information and the need to schedule other topics as they arise.

Chair Curry announced a joint Finance Committee and City Council meeting on March 10, 2015, with a study session beginning at 3:30 p.m.

Finance Director Matusiewicz reported there will be a significant time commitment on the part of Finance staff in preparation of the ERP going live. He noted that the Finance Committee 2015 Work Plan is an aggressive plan and provided details of same. He recommended going dark in July and August so that staff can focus on the ERP launch and stated that no meeting will be held in October.

In response to Committee Member Tucker's question, Finance Director Matusiewicz reported that the work plan comports with the Finance Committee's duties. Although the Finance Committee is to meet monthly, this is a unique year with implementation of the ERP.

Chair Curry added that the committee has also met "on call" as issues have arisen, over the past several years. He noted that members have an opportunity to hear the information as it is presented, ask questions, and provide comments to Council.

Council Member Petros suggested returning to a typical meeting room, after March and April, where it will be more intimate and informal.

Mayor Pro Tem Dixon agreed with Council Member Petros's comments.

Chair Curry opened public comments.

Jim Mosher commented on the swearing in of the new committee members. He reported there is a requirement in the resolution for the Finance Committee to make a written recommendation to Council, as a whole, regarding the budget. He commented on the Finance Committee's role and spoke regarding increasing the public's awareness of the City's financial situation.

Carl Cassidy commented positively about meeting in a more collegiate setting, asked that a memorandum be generated containing an investment review and moving important items forward.

Chair Curry closed public comments.

Committee Member Warner moved, and Committee Member Wu seconded to receive and file the report. The Committee voted 6 ayes and 0 noes to receive and file the report with Committee Member McCullough, absent.

VI. ADJOURNMENT

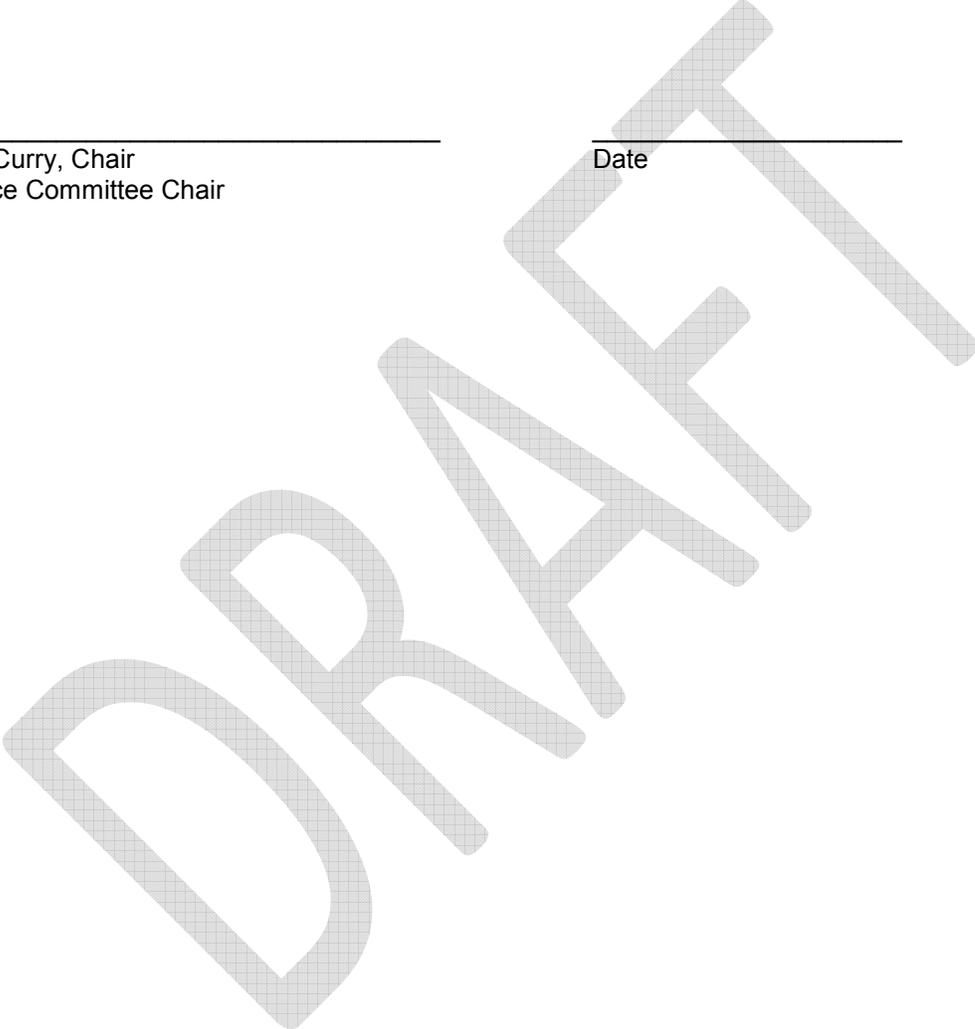
The Finance Committee adjourned at 7:13 p.m.

The agenda for the Regular Meeting was posted on February 23, 2015, at 2:54 p.m., in the binder and on the City Hall Electronic Board located in the entrance of the Council Chambers at 100 Civic Center Drive.

Attest:

Keith Curry, Chair
Finance Committee Chair

Date



CITY OF NEWPORT BEACH

City Council Minutes Special Meeting/Joint Meeting of the City Council and Finance Committee March 24, 2015

I. ROLL CALL - 3:30 p.m.

Present: Finance Committee Member Dixon, Finance Committee Member Tucker, Finance Committee Member Warner, Finance Committee Chair Curry
Present: Council Member Peotter, Council Member Curry, Council Member Duffield, Council Member Muldoon, Mayor Pro Tem Dixon, Mayor Selich
Absent: Council Member/Finance Committee Member Petros (excused), Finance Committee Member McCullough (excused), Finance Committee Member Wu (excused)

II. CURRENT BUSINESS

1. "Early Look" at the Capital Improvement Program (CIP) (Part 2) [100-2015]

Public Works Director Webb provided a PowerPoint presentation, addressing the background and funding.

In reply to Mayor Selich's questions, Public Works Director Webb explained the proposed funding amount for Neighborhood Enhancement District A, noting that nothing has been programmed into the budget yet. He addressed suggestions to possibly reduce funding or defer project costs, and recommendations for the Balboa Island Seawall Rehabilitation and the Corona del Mar Fire Station and Branch Library Replacement. Fire Chief Poster reported conducting research on the fire station location placement and indicated that other sites were considered, but they would directly impact the Fire Department's response times in the area. He commented on the long-range solution for the service hole in Newport Coast and believed that there is not another Fire Station included in the Facilities Financing Plan (FFP).

Public Works Director Webb discussed suggestions to possibly reduce funding or defer project costs, and recommendations for the Lido Fire Station Replacement. City Manager Kiff noted that the proposed move for the Lido Fire Station will be near its current location. Chief Poster addressed the usage and demand for the Lido Fire Station, and noted that it is the busiest fire station in the City.

Public Works Director Webb further discussed suggestions to possibly reduce funding or defer project costs, and recommendations for the Superior Avenue and Pacific Coast Highway Pedestrian/Cyclist Over-Crossings. Finance Committee Member Tucker asked whether staff would still consider a bridge over Superior Avenue if there were a parking lot at Sunset Ridge Park. Public Works Director Webb indicated that it would play into a long-term route and increases safety in the area.

Public Works Director Webb addressed the Balboa Village Citizens Advisory Panel Improvements and the Big Canyon Water Quality Improvements and Habitat Restoration Project, reporting that there is approximately \$3 million programmed in this year's budget for the Big Canyon project, but there is a shortfall of approximately \$10 million. He added that there are a lot of habitat issues that need to be dealt with. He noted that the boundaries shown in the presentation represent the Big Canyon Watershed.

Council Member Curry reported that he lives within the watershed, but not near the project area. City Attorney Harp advised that he does not have a conflict of interest.

Public Works Director Webb explained that the City received a grant from the Orange County Transportation Authority (OCTA) to address roadway runoff, as well as a settlement that must be used in the area, and an estimate from the Irvine Ranch Conservancy (IRC) to do additional habitat restoration. He provided details regarding the \$1.4 million received in the settlement. City Manager Kiff noted that the \$10 million represents the end product, including all restoration and potential trail improvements. He stated that details will be presented to Council in the future. He also added that the habitat restoration is always optional and suggested that it be prioritized only when funding becomes available. He emphasized that the water quality portion of the project is mandated and that the \$3 million covers most of the water quality component.

In response to Mayor Pro Tem Dixon's question, Public Works Director Webb confirmed that grant funding has been received for the water quality portion of the project and clarified that the remaining funds would be used to conduct downstream habitat restoration. He noted that the City could have other organizations do the habitat restoration part of the project.

Council Member Duffield requested and received confirmation from Public Works Director Webb that this area is in a 100-year flood plain and noted that natural habitat will grow back, but there are currently a lot of invasive plants that need to be removed.

Public Works Director Webb addressed the Corona del Mar Entryway Improvements Project and confirmed that the project would impact parking on MacArthur Boulevard. He noted that the project would remove eight parking spaces on Pacific Coast Highway, but will replace them elsewhere.

Regarding the Semeniuk Slough Dredging project, Public Works Director Webb addressed the dredging technique and possible locations to move the dredged material.

Regarding the West Coast Highway Landscape Rehabilitation Project, Deputy Public Works Director Vukojevic provided a status update on the design plans, noting that the project may be ready to go out to bid this summer.

Public Works Director Webb addressed the West Newport Community Center. Recreation and Senior Services Director Detweiler addressed programming and amenities for the new center. Recreation and Senior Services Director Detweiler also discussed challenges relative to permanently eliminating existing tennis courts and converting them to pickleball courts and discussed staff's considerations. She confirmed that staff is looking into installing some on the west side of the City. Finance Committee Member Warner noted that the Big Canyon Country Club has courts that can be used for both tennis and pickleball.

In response to Finance Committee Member Warner's questions, Recreation and Senior Services Director Detweiler discussed the gymnasium near the West Newport Community Center. Finance Committee Member Warner suggested building two gymnasiums rather than a swimming pool.

Discussion ensued regarding possibilities for the existing West Newport Community Center and options for reducing the scope of the project. Recreation and Senior Services Director Detweiler noted that pools are very important to the community.

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Discussion continued regarding the lease agreement with the private school, options to sell, the sale proceeds going towards construction costs, whether there is an estimate of what the property is worth, and trying to get a better utilization of the Utilities Yard in order to keep surface parking.

In response to Council Member Duffield's question, City Manager Kiff stated that, if everything is removed from the Utilities Yard site, except for the water treatment and reservoir, housing could be developed and leased at that location. However, staff would need to determine if there are any deed restrictions on the property.

Finance Committee Member Warner asked regarding an estimate of the additional overhead to operate the facility. City Manager Kiff reported that the City currently is in a net profit position in terms of the lease to the private school. Recreation and Senior Services Director Detweiler added that many of the City facilities have a 40-50% cost recovery.

Finance Committee Member Tucker believed that it would be a good idea to design the facility so that it can be added to later and can be easily expanded.

Council Member Curry noted that West Newport needs good facilities and stated that it needs to be done correctly, usable, and something that the City can be proud of.

Council Member Peotter asked regarding only allowing Newport Beach residents use of the community center. Recreation and Senior Services Director Detweiler indicated that doing so would be a Council decision, but that no other City facility has that restriction. She noted that the City normally charges a higher non-resident rate for City programs. Mayor Selich noted that the City of San Marino tried to have resident-only parks, but the attempt backfired.

City Manager Kiff suggested that the City of Costa Mesa might be interested in contributing to the funding of the proposed community site if they could use it. Mayor Pro Tem Dixon concurred that a mutual benefit agreement with Costa Mesa might be possible. Public Works Director Webb reported on the project's next steps and noted that it still needs to be submitted to the Coastal Commission for approval.

Regarding the Balboa Boulevard Landscape Improvements Project, Mayor Pro Tem Dixon pointed out the importance of this project, but supports deferring it for two or three years.

Public Works Director Webb addressed the Balboa Village Fine Arts Center and expressed concerns that the whole City is not in support of the project.

Council Member Muldoon asked regarding the fair market value of the property and City Manager Kiff stated that staff has not been instructed to conduct an appraisal. Discussion followed regarding the price paid for the property and its zoning.

Mayor Pro Tem Dixon stated that she supports a continued community use of the property, but also a free market in helping to make the decision about selling the property. She expressed support for putting the property on the market, but to creatively analyze its sale by assigning points if a buyer proposes community-supported uses.

In response to Council Member Duffield's questions, Public Works Director Webb reported that the property is approximately 6,000 square feet and backs up to a small alley with a hotel on the other side of the alley.

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Public Works Director Webb addressed the Corona del Mar Traffic By-Pass Project, consolidation of City Corporate Yards, and development of a future dog park.

Regarding a future dog park, discussion ensued regarding the cost, the reason for the high cost, other potential locations, and parking. Mayor Selich believed that \$1.6 million for a dog park is a misnomer since the project involves other amenities. He added that the cost just for the dog park should be calculated.

Regarding the Lower Castaways Park Project, Council Member Muldoon asked whether the concept includes a paved parking lot and stated that he would like to see something that conforms more to the natural parking environment, such as gravel or dirt. Council Member Duffield commented on the property being a Marine Protected Area (MPA), but suggested allowing small crafts to be launched and retrieved under the bridge. He suggested looking at inexpensive ways to improve the property so it can be used sooner than later.

Public Works Director Webb addressed the Newport Pier Building Rehabilitation and commented on a preliminary Request for Proposal (RFP). Mayor Pro Tem Dixon noted that the Pier needs rehabilitation, the highest priority is to keep the area clean, and added that she would like to see something there that would produce revenue for the City.

In response to Council Member Peotter's questions, Public Works Director Webb commented on the possibility of having a tenant build a shell, do tenant improvements, and having a revenue-sharing lease rather than a fixed lease. Additionally, he provided an estimate for repairing the Pier.

Mayor Selich reported that a Coastal Development Permit (CDP) would be needed to demolish the building and suggested going before the Coastal Commission with a plan that includes both the demolishing of the existing building and the building of the new one.

Brief discussion followed regarding proposals received so far and ensuring that the pilings and structure are stable.

Public Works Director Webb addressed Newport Boulevard Landscaping. Mayor Pro Tem Dixon suggested pushing the project several more years.

City Manager Kiff presented a list of projects that will be moved forward but for which grants will be sought, projects that will be done as soon as funds become available, and projects for which staff recommends no further pursuit.

In response to Mayor Pro Tem Dixon's question, City Manager Kiff noted that, with the elimination of the Fine Arts Center, the City may pursue some projects in the FFP earlier. He believed that the biggest benefit would be, if the property is sold, the money could be used towards one of the projects that has yet to be funded.

Mike Johnson expressed concerns regarding accidents and injuries occurring at the intersection of Superior Avenue and Coast Highway, and commented regarding prioritizing parking for Sunset Ridge Park.

Ralph Rodheim stated that one pool at the West Newport Community Center is not adequate and that pools in the City are used early in the morning and late at night. Regarding Balboa Village, he stated that Council has an opportunity to take the lead and suggested that Council

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consider parking, a shuttle system, and the fate of the Balboa Theater. He suggested keeping some of the money in Balboa Village. Additionally, he recommended that the City consider installing a plaque or some sort of recognition for all the residents who supported the Balboa Theater.

Bernie Svalstad, Corona del Mar BID, provided a background regarding the Corona del Mar Entryway Project. He asked that the City come up with \$400,000 for the project, and believed it was unfair to ask the Corona del Mar BID to contribute 50%. He urged the City to complete the project this year.

W. R. Dildine believed that the Balboa Village area is going downhill, even though businesses are trying to improve the area. He expressed support for the City selling the Theater.

Kennie Jo Rizzo addressed the need for better parking in the West Newport area and commented positively on the plans for a new Community Center. She suggested building two pools and getting help with fundraising from people and organizations that would use the pools. She pointed out that this community is built around water. She expressed hope that the City will consider selling the Theater property.

Jim Mosher believed that it would have been more helpful to provide a report about how the budget approval process works. He commented on the role of the Finance Committee and the requirement for them to provide a written recommendation relative to the budget. Additionally, he stated that he was unable to find the Gas Tax Fund in the document and wondered about the "Proposed Amount" column. He discussed the Semeniuk Slough and suggested collecting data to inform residents regarding decisions about Public Works projects.

Gina Lesley discussed the Newport Shores Swim Team and expressed the need for a City pool. She addressed the Semeniuk Slough, noting that it was promised more than 10 years ago, that Hoag Hospital had provided \$400,000 for the project, and that the U.S. Army Corps of Engineers already did their part on the project. She indicated that she is upset that the City may not do it. Additionally, she addressed the West Newport Landscaping Project and pointed out that the area is an entry to the City.

Council Member Curry commented on the need to give direction. City Manager Kiff noted that the matter will be presented to Council during a regular evening session.

Council Member Peotter reported that the next Finance Committee meeting is scheduled for April 16, 2015, and suggested having them meet on April 2, 2015 to review the FFP only and develop recommendations to present to Council at the April 14, 2015, City Council meeting.

III. PUBLIC COMMENTS ON NON-AGENDA ITEMS - None

IV. ADJOURNMENT – 5:20 p.m.

**City of Newport Beach
Special Meeting/Joint Meeting of the
City Council and Finance Committee
March 24, 2015**

The agenda for the Adjourned Special Meeting (Joint Meeting with the Finance Committee) 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 March 19, 2015, at 4:00 p.m.

Recording Secretary

Mayor

City Clerk



NEWPORT BEACH

ITEM TITLE: FISCAL SUSTAINABILITY PLAN

ITEM SUMMARY: Summary:
Staff understands that Mayor Pro Tem Dixon wishes to augment the Fiscal Sustainability Plan to ensure that infrastructure funding is made an explicit priority. Maintaining a high-quality natural and physical environment by creating aesthetically pleasing places to live, work, recreate and visit shall remain a key goal of the City.

RECOMMENDED ACTION: Recommended Action:
Staff recommends that the Finance Committee direct staff to bring the attached changes for City Council approval.

ATTACHMENTS:

Description

[Fiscal Sustainability Plan - Staff Report](#)

[Fiscal Sustainability Plan](#)

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

Agenda Item No. 5A
May 11, 2015

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

FROM: FINANCE DEPARTMENT
Dan Matusiewicz, Finance Director
(949) 644-3123 or DanM@NewportBeachCA.gov

SUBJECT: Fiscal Sustainability Plan

DISCUSSION:

The City of Newport Beach has remained a fiscally responsible municipality since its inception in 1906, carefully balancing its budget year-to-year despite changes in the regional and national economy. The Great Recession that began in December 2007 and ended in June 2009 impacted the City's General Fund operations in a significant manner, causing reductions in sales tax and hotel bed tax revenue, among other sources of revenue.

On January 12, 2010, the City Council adopted fifteen (15) elements of a Fiscal Sustainability Plan and directed that the Plan be the policy of the City Council going forward into 2010 and beyond. The Plan has not been significantly changed since it was adopted over five years ago. While the City and the region have returned to a period of economic growth, the City is cognizant of its responsibility to continuously improve the organization and its services to maximize efficiency and cost-effectiveness.

RECOMMENDATIONS:

Staff understands that Mayor Pro Tem Dixon wishes to augment the Fiscal Sustainability Plan to ensure that infrastructure funding is made an explicit priority. Maintaining a high-quality natural and physical environment by creating aesthetically pleasing places to live, work, recreate and visit shall remain a key goal of the City. Staff recommends that the Finance Committee direct staff to bring the attached changes for City Council approval.

Submitted and Prepared by:

/s/ Steve Montano

Steve Montano
Deputy Finance Director

Attachment: Fiscal Sustainability Plan



NEWPORT BEACH

ITEM TITLE: FACILITIES FINANCIAL PLANNING TOOL (FFPT)

ITEM SUMMARY: Summary:
Staff has projected the timing, means of financing, and fiscal impacts associated with funding high-priority projects recently approved in concept by the City Council during the recent Proposed FY 2015-16 CIP budget presentation.

RECOMMENDED ACTION: Recommended Action:
Staff recommends that the Committee directs staff to bring the Facilities Financial Plan for City Council approval.

ATTACHMENTS:

Description

[Facilities Financial Planning Tool - Staff Report](#)

[FFP-Capital Planning Tool 2015](#)



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

Agenda Item No. 5B
May 11, 2015

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Dan Matusiewicz, Finance Director
(949) 644-3123, danm@newportbeachca.gov

SUBJECT: Facilities Financial Planning Tool (FFPT)

DISCUSSION:

City Council Policy F-28, Facilities Financing Plan (FFP), requires that staff prepare an update to the long-term facilities replacement plan annually. Each year, as part of the budget process, staff shall prepare an update of the Facilities Financial Planning Tool for review, modification, and approval by the City Council.

Staff has projected the timing, means of financing, and fiscal impacts associated with funding high-priority projects recently approved in concept by the City Council during the recent FY 2015-16 CIP budget presentation.

Staff recommends that the Committee directs staff to bring the attached Facilities Financial Plan for City Council approval.

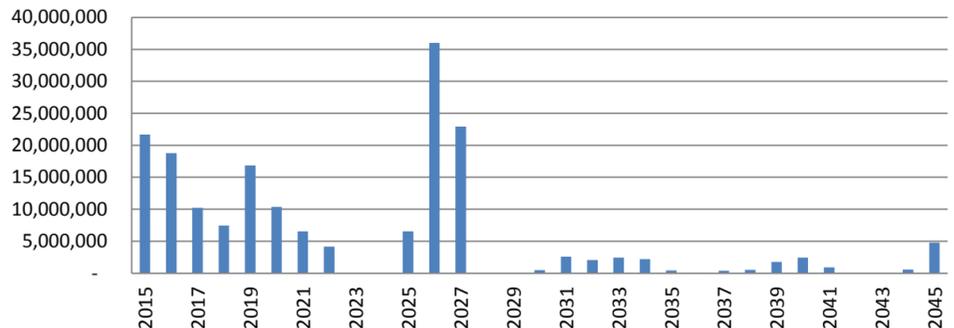
Prepared and submitted by:

/s/Dan Matusiewicz

Dan Matusiewicz
Finance Director

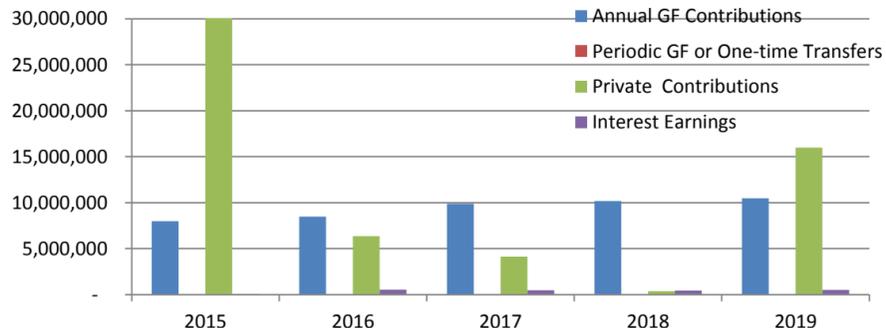
Attachment: FFP Tool

Project Expenditures



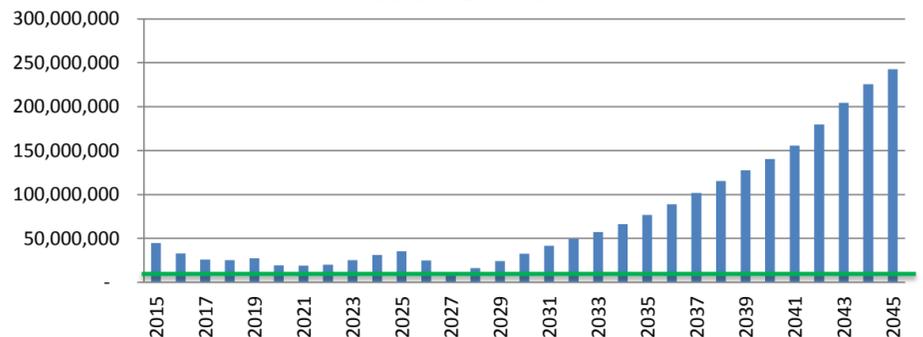
1

Cash Contributions



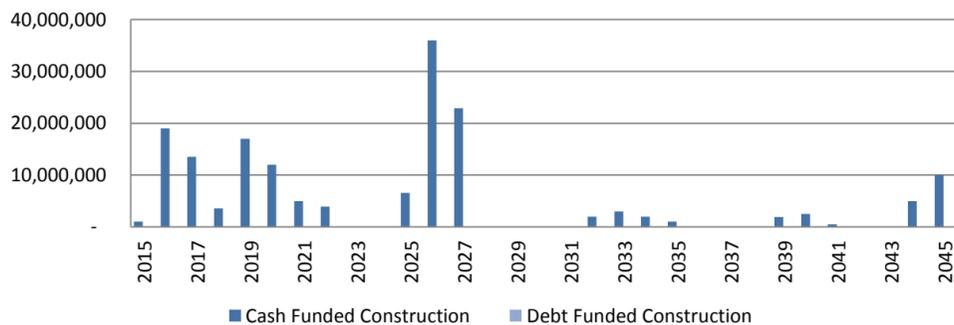
2

FFP Reserve Balance



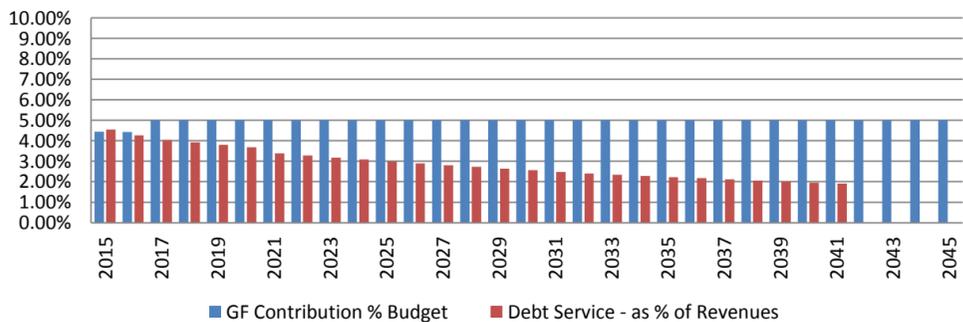
3

Project Funding



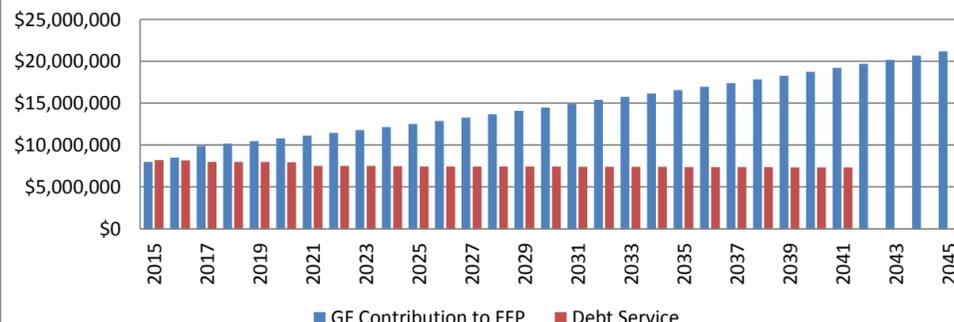
4

GF Contribution to FFP as a Percent of GF Revenue



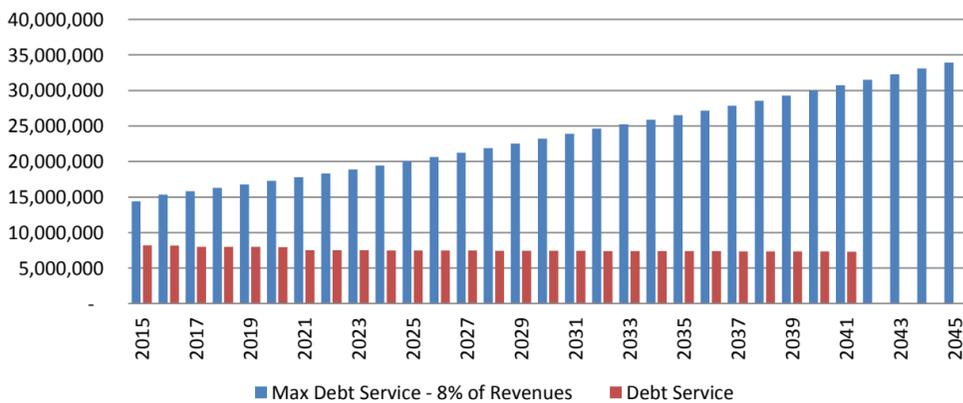
5

GF Contribution to FFP Compared to Debt Service



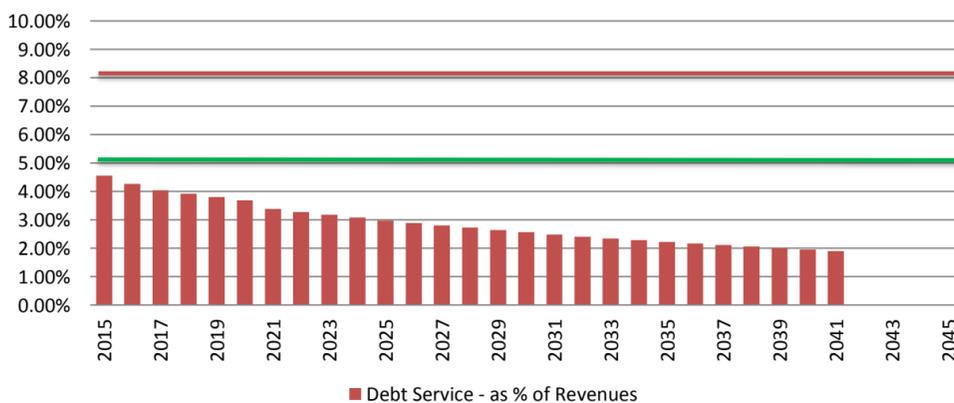
6

Debt Service Capacity



7

Debt Service as % of GF Revenues



8

Priority Projects

	Est. Project Cost	Start Date (Design)	Start Date (Construction)
Marina Park	39,500,000	2011	2014
Bonita Creek - Artificial Turf	2,000,000	2014	2015
FS 2 - Lido	6,750,000	2015	2016
FS 5 - CDM & Library	6,757,500	2015	2016
FS 6 - Mariners (apparatus bay only)	1,200,000	2015	2016
Sunset View Park w/Ped Bridges & Dog Park	10,450,000	2016	2018
West Newport Comm Ctr (incl pool)	25,000,000	2015	2018
Utilities/Corporate Yard Merge- Phase I	4,000,000	2018	2020
FS 1 - Peninsula & Library	6,757,500	2017	2020
FS 3 - Santa Barbara	4,387,500	2022	2025
Police Station at Corporate Yard	48,000,000	2022	2025

Total 154,802,500

Scenario Highlights

2016	2018
Marina Park Completion	Sunset View Park w/Ped Bridges & Dog Park
Bonita Creek - Artificial Turf	West Newport Comm Ctr (incl pool)
FS 2 - Lido	
FS 5 - CDM & Library	
FS 6 - Mariners (apparatus bay only)	
2020	2025
Utilities/Corporate Yard Merge- Phase I	FS 3 - Santa Barbara
FS 1 - Peninsula & Library	Police Station at Corporate Yard
FS 3 - Santa Barbara	

Key Metric

Debt Svc as % of Revenues
Minimum FFP Reserve Balance (000's)

Council Debt Mgmt Policy (F-6)

	Target	Max
Debt Svc as % of Revenues	NA	< 8.0%
Minimum FFP Reserve Balance (000's)	\$ 8,194	NA

Key Statistics

GF Contribution to FFP (000's)
Debt Service (000's)
GF Contributions to FFP as % Rev
Debt Svc as % of Revenues
FFP Balance (000's)
Project Balance (000's)

	15 Year		
	Min	Max	Avg
GF Contribution to FFP (000's)	8,000	14,080	11,382
Debt Service (000's)	7,443	8,194	7,706
GF Contributions to FFP as % Rev	4.43%	5.0%	4.9%
Debt Svc as % of Revenues	2.64%	4.6%	3.4%
FFP Balance (000's)	\$ 9,128	\$ 44,654	\$ 25,335
Project Balance (000's)	\$ 0	\$ 3,917	\$ 484

Key Statistics

GF Contribution to FFP (000's)
Debt Service (000's)
GF Contributions to FFP as % Rev
Debt Svc as % of Revenues
FFP Reserve Balance (000's)
Project Balance (000's)

	30 Year		
	Min	Max	Avg
GF Contribution to FFP (000's)	8,000	20,691	14,437
Debt Service (000's)	-	8,194	6,804
GF Contributions to FFP as % Rev	4.43%	5.0%	5.0%
Debt Svc as % of Revenues	0.00%	4.6%	2.6%
FFP Reserve Balance (000's)	\$ 9,128	\$ 225,583	\$ 68,093
Project Balance (000's)	\$ 0	\$ 4,543	\$ 652

Debt Service Description	Year	Project Proceeds	COI	Total Issue	Interest Rate	Term	Maturity
2010 Civic Center COPS	2011	123,000,000	1,289,442	124,289,442	4.4%	30	2041
Traunch 2	0	-	-	-	5.0%	30	30
Traunch 3	0	-	-	-	5.0%	30	30

Remaining Debt Capacity (Dbt. Svc < or = 8% of GF Rev):

\$ 95,394,437

FFP PROJECT PLANNING

ProjNo	Function	Project	YR Built	Current Sq Ft	Repl Sq Ft	Est \$ /Sq Ft	Current Age:	Useful Life	Years to Start	Cost Est. Date	Project Estimate	FY	FY	FV	Private Contributions	Net Proposed Cost
							2016					Design Start Year	Const Start Year	Cost Est @ 2.5% Growth		
1	Gen Gov	Civic Center	2013	100,000	100,000	675	3	60	57	Jun-13	67,500,000	2070	2073	-	-	-
4	Gen Gov	Council Chambers	2013	29,000	29,000	675	3	60	57	Jun-13	19,575,000	2070	2073	-	-	-
41	Gen Gov	Civic Center Parking Structure	2013	450	450	16,000	3	60	57	Jun-13	7,200,000	2070	2073	-	-	-
2	Police	Police Station at Corporate Yard	1973	48,000	60,000	800	43	50	9	N/A	48,000,000	2022	2025	59,945,423	-	59,945,423
39	Municipal Operations	Utilities/Corporate Yard Merge- Phase I		138,185			**	50	4	May-12	4,000,000	2018	2020	4,415,252	-	4,415,252
40	Municipal Operations	Big Canyon Aux. Yard	2015	9,000	9,000	550	1	50	51	May-12	1,400,000	2062	2065	-	-	-
	Fire	FS 1 - Land Purchase					**				1,500,000	2017	2017	1,500,000	-	1,500,000
3	Fire	FS 1 - Peninsula & Library	1962	3,423	8,500	795	54	50	4	Mar-14	6,757,500	2017	2020	7,459,016	-	7,459,016
5	Fire	FS 2 - Lido	1952	9,953	10,000	675	64	50	0	Mar-14	6,750,000	2015	2016	6,750,000	-	6,750,000
6	Fire	FS 3 - Santa Barbara	1971	13,605	6,500	675	45	50	9	Mar-14	4,387,500	2022	2025	5,479,386	-	5,479,386
7	Fire	FS 4 - Balboa Island	1994	4,597	4,400	675	22	50	28	Mar-14	2,970,000	2041	2044	5,929,590	-	5,929,590
8	Fire	FS 5 - CDM & Library	1950	2,495	8,500	795	66	50	0	Mar-14	6,757,500	2015	2016	6,757,500	-	6,757,500
9	Fire	FS 6 - Mariners (apparatus bay only)	1957	2,926	1,500	675	59	50	0	Mar-14	1,200,000	2015	2016	1,200,000	-	1,200,000
10	Fire	FS 7 - SAH	2007	11,027	6,500	675	9	50	41	Mar-14	4,387,500	2054	2057	12,075,236	-	12,075,236
11	Fire	FS 8 - Npt. Coast	1995	11,027	11,027	675	21	50	29	Mar-14	7,443,225	2042	2045	15,231,871	-	15,231,871
12	Fire	Lifeguard HQ Replacement		6,167	7,725	675	**	25	48	Mar-14	5,214,375	2061	2064	17,058,773	-	17,058,773
13	Fire	Newport Jr. Guard Building ⁽¹⁾	0	-	-	-	**	50	5	Mar-14	-	2018	2021	-	-	-
15	Library	Library-Balboa (See FS 1 Above)	1962	5,566	2,500	550	54	50	46	Jan-12	-	2059	2062	-	-	-
16	Library	Library-CDM (See FS 5 Above)	1958	4,323	2,500	550	58	50	46	Jan-12	-	2059	2062	-	-	-
17	Library	Library-Mariners	2006	15,305	15,305	550	10	50	40	Jan-12	6,845,355	2053	2056	18,380,215	-	18,380,215
18	Library	Library-Central	1997	50,930	65,000	550	19	50	36	Jan-12	35,750,000	2049	2052	86,963,138	-	86,963,138
19	Rec Facility	Marina Park Girl Scout House(Las Arenas Park)	1956	4,200	4,000	550	60	50	0	Jan-12	2,200,000	2011	2016	-	-	-
20	Rec Facility	Marina Park	2015		22,000	550	1	50	-2	Jan-12	39,500,000	2011	2014	37,500,000	-	37,500,000
21	Rec Facility	Newport Coast Ctr	2007	16,865	16,865	550	9	50	41	Jan-12	9,275,750	2054	2057	25,528,630	-	25,528,630
22	Rec Facility	Newport Theater Arts Center	1973	8,042	12,000	550	43	50	14	Jan-12	6,600,000	2027	2030	9,325,627	4,662,814	4,662,814
23	Rec Facility	OASIS Sr. Ctr	2010	36,467	43,232	550	6	60	44	Jan-12	23,777,600	2057	2060	70,472,243	-	70,472,243
24	Rec Facility	Sunset Ridge ⁽²⁾	2014	**	NA		2	∞	-2	Jan-12	7,688,000	2014	2014	8,500,000	-	8,500,000
25	Rec Facility	Sunset View Park w/Ped Bridges & Dog Park	0	**	NA		**	∞	2	Mar-14	10,450,000	2016	2018	10,979,031	5,000,000	5,979,031
26	Rec Facility	West Newport Comm Ctr (incl pool)	2017	11,980	25,000	550	-1	50	2	Jan-12	25,000,000	2015	2018	26,265,625	-	26,265,625
27	Rec Facility	Pedestrian Bridge at Superior/PCH	2017				-1		2	Mar-14		2015	2018			
29	Rec Facility	Bonita Creek - Artificial Turf	2015	160,000	NA	12	1	15	-1	Jan-12	2,000,000	2014	2015	1,951,220	-	1,951,220
31	Rec Facility	Lower Castaways - Phase II(3)	2019	**	NA		-3	∞	-2016	Mar-14						
33	Rec Facility	Community Youth Center (CYC) - Grant Howald	1988	5,146	5,146	550	28	50	16	Jan-12	2,830,300	2029	2032	4,201,596	-	4,201,596
34	Rec Facility	Caroll Beek Center	1980	1,555	1,555	550	36	50	17	Jan-12	855,250	2030	2033	1,301,364	-	1,301,364
35	Rec Facility	Bonita Creek Community Ctr.	1988	2,876	2,876	550	28	50	22	Jan-12	1,581,800	2035	2038	2,723,182	-	2,723,182
36	Rec Facility	Cliff Drive Community Room	1960	750	750	550	56	50	20	Jan-12	412,500	2033	2036	675,929	-	675,929
37	Rec Facility	Girls & Boys Club (East Bluff Park)	1965	11,800	11,800	550	51	50	4	Jan-12	6,490,000	2017	2020	7,163,746	7,163,746	-
38	Rec Facility	Lawn Bowling Facility (San Joaquin Hills Park)	1974	2,750	2,750	550	42	50	23	Mar-14	1,512,500	2036	2039	2,668,974	-	2,668,974
43	Rec Facility	Balboa Fine Arts Center ⁽⁴⁾ (Remove)			6,500	650	**	50	-1	Oct-15		2015	2015			
42	Neighborhood Enhancement	BVAC Master Plan Projects ⁽⁷⁾							-1			2015	2015			
44	Rec Facility	Newport Pier Phase I ⁽⁵⁾			NA		**	50	1	Feb-15		2017	2017			
45	Rec Facility	Newport Pier Phase II ⁽⁶⁾			NA		**	50	1	Feb-15		2018	2017			
46																

382,119,854 462,710,764 445,884,205

- (1) Newport Jr Guard Building to be funded by community donations
- (2) Sunset Ridge - (Construction is \$5.2 m)
- (3) Lower Castaways current concept design cost: ~\$5.5m
- (4) Balboa Fine ARTS Center Cost estimate as of 3/2015: \$5.8 m
- (5) Newport Pier Phase I: Funded by Tidelands
- (6) Newport Pier Phase II: Expected tenant improvement
- (7) Funded By Balboa Village Parking Management District

Sources and Uses Proforma			1	2	3	4	5	6	7	8	9	10	11	12	13		
			2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027		
AFFORDABILITY ASSUMPTIONS																	
General Fund Revenues			180,000,000	191,750,000	197,502,500	203,427,575	209,530,402	215,816,314	222,290,804	228,959,528	235,828,314	242,903,163	250,190,258	257,695,966	265,426,845		
Growth Assumption			3.20%	6.53%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%		
GF Annual Contribution %			● 4.44%	● 4.43%	● 5.00%	● 5.00%	● 5.00%	● 5.00%	● 5.00%	● 5.00%	● 5.00%	● 5.00%	● 5.00%	● 5.00%	● 5.00%		
Debt Service as % of GF Revenues			● 4.55%	● 4.26%	● 4.05%	● 3.93%	● 3.81%	● 3.69%	● 3.38%	● 3.28%	● 3.18%	● 3.08%	● 2.98%	● 2.89%	● 2.81%		
FFP SOURCES																	
Beginning FFP Balance			11,606,070	44,654,402	32,881,816	25,875,860	25,313,468	27,302,594	19,213,134	18,815,429	19,879,170	25,219,244	31,048,458	35,459,588	24,963,185		
Sources																	
Annual GF Contributions			8,000,000	8,500,000	9,875,125	10,171,379	10,476,520	10,790,816	11,114,540	11,447,976	11,791,416	12,145,158	12,509,513	12,884,798	13,271,342		
Periodic GF or One-time Transfers																	
Private Contributions			34,166,741	6,352,989	4,126,912	364,723	15,996,218	551,701	634,378	651,018	666,939	683,846	5,301,238	19,378,269	737,370		
Interest Earnings			87,046	558,180	493,227	452,828	506,269	546,052	384,263	376,309	397,583	504,385	620,969	709,192	499,264		
Total Sources:			42,253,787	15,411,169	14,495,264	10,988,930	26,979,007	11,888,569	12,133,181	12,475,303	12,855,938	13,333,389	18,431,720	32,972,259	14,507,976		
Uses																	
Debt Service			(8,194,455)	(8,172,755)	(7,990,221)	(7,990,321)	(7,978,881)	(7,967,030)	(7,519,886)	(7,511,985)	(7,504,864)	(7,493,175)	(7,459,589)	(7,457,662)	(7,457,661)		
Other Fiscal Charges			(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)		
Less: Cash Proj Funding			(1,000,000)	(19,000,000)	(13,500,000)	(3,550,000)	(17,000,000)	(12,000,000)	(5,000,000)	(3,888,578)	-	-	(6,550,000)	(36,000,000)	(22,874,809)		
Total Uses:			(9,205,455)	(27,183,755)	(21,501,221)	(11,551,321)	(24,989,881)	(19,978,030)	(12,530,886)	(11,411,562)	(7,515,864)	(7,504,175)	(14,020,589)	(43,468,662)	(30,343,470)		
Projected FFP Balance			● 44,654,402	● 32,881,816	● 25,875,860	● 25,313,468	● 27,302,594	● 19,213,134	● 18,815,429	● 19,879,170	● 25,219,244	● 31,048,458	● 35,459,588	● 24,963,185	● 9,127,690		
PROJECT SOURCES																	
Beginning Balance			21,091,028	400,265	645,396	3,917,406	15,316	178,658	1,798,263	267,416	0	0	0	7,519	23,874		
CASH FUNDING FROM FFP			1,000,000	19,000,000	13,500,000	3,550,000	17,000,000	12,000,000	5,000,000	3,888,578	-	-	6,550,000	36,000,000	22,874,809		
PRIVATE CONTRIBUTIONS			-	-	-	-	-	-	-	-	-	-	-	-	-		
DEBT FUNDING			-	-	-	-	-	-	-	-	-	-	-	-	-		
2010 Civic Center COPs			-	-	-	-	-	-	-	-	-	-	-	-	-		
TOTAL DEBT FUNDING			-	-	-	-	-	-	-	-	-	-	-	-	-		
Interest on Debt Proceeds			-	-	-	-	-	-	-	-	-	-	-	-	-		
TOTAL PROJECT RESOURCES			● 22,091,028	● 19,400,265	● 14,145,396	● 7,467,406	● 17,015,316	● 12,178,658	● 6,798,263	● 4,155,993	● 0	● 0	● 6,550,000	● 36,007,519	● 22,898,683		
PROJECT USES			Const Start	Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Fire	FS 1 - Peninsula & Library	2020	-	-	-	-	-	-	(745,902)	(4,102,459)	(2,610,655)	-	-	-	-	-	-
Fire	FS 2 - Lido	2016	(250,000)	(675,000)	(3,712,500)	(2,112,500)	-	-	-	-	-	-	-	-	-	-	-
Fire	FS 3 - Santa Barbara	2025	-	-	-	-	-	-	-	-	-	-	-	(547,939)	(3,013,662)	(1,917,785)	
Fire	FS 4 - Balboa Island	2044	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	FS 5 - CDM & Library	2016	-	(675,750)	(3,716,625)	(2,365,125)	-	-	-	-	-	-	-	-	-	-	-
Fire	FS 6 - Mariners (apparatus bay only)	2016	-	(660,000)	(540,000)	-	-	-	-	-	-	-	-	-	-	-	-
Fire	FS 7 - SAH	2057	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	FS 8 - Npt. Coast	2045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	Lifeguard HQ Remodel	2064	(260,055)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	Newport Jr. Guard Building	2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	Library-Mariners	2056	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	Library-Central	2052	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MOD	Utilities/Corporate Yard Merge	2020	-	-	-	-	-	-	(441,525)	(2,428,388)	(1,545,338)	-	-	-	-	-	-
MOD	Big Canyon Aux. Yard	2065	(1,400,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Police	Police Station @ Current Cite.	2025	-	-	-	-	-	-	-	-	-	-	-	-	(5,994,542)	(32,969,982)	(20,980,898)
Rec Facility	Marina Park Girl Scout House(Las Arenas Parl	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Marina Park	2014	(15,590,000)	(15,670,948)	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Newport Coast Ctr	2057	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Newport Thearter Arts Center	2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	OASIS Sr. Ctr	2060	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Sunset Ridge	2014	(3,475,946)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Sunset View Park	2018	-	-	-	(597,903)	(2,690,564)	-	-	-	-	-	-	-	-	-	-
Rec Facility	West Newport Comm Ctr (incl pool)	2018	(250,000)	-	-	(2,376,563)	(14,446,094)	(9,192,969)	-	-	-	-	-	-	-	-	-
Rec Facility	Pedestrian Bridge at Superior/PCH	2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Parking Structure at Superior/PCH	2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Bonita Creek - Artificial Turf	2015	(195,122)	(1,073,171)	(682,927)	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Lower Castaways	0	(300,000)	-	-	-	-	300,000	-	-	-	-	-	-	-	-	-
Rec Facility	Eastbluff Park Extension	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Community Youth Center (CYC) - Grant Howal	2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Caroll Beek Center	2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Bonita Creek Community Ctr.	2038	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Cliff Drive Community Room	2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Girls & Boys Club (East Bluff Park)	2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Lawn Bowling Facility (San Joaquin Hills Park)	2039	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Balboa Fine Arts Center	2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Newport Pier - Phase I (Demo)	2017	-	-	(1,575,938)	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Newport Pier - Phase II (Structure)	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rec Facility	Dog Park 2 (2 acres) ⁽²⁾	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PROJECT EXPENDITURES			(21,690,763)	(18,754,869)	(10,227,990)	(7,452,091)	(16,836,658)	(10,380,395)	(6,530,847)	(4,155,994)	-	-	(6,542,481)	(35,983,645)	(22,898,683)		
ENDING BALANCE OF PROJECT RESOURCES			● -	● 400,265	● 645,396	● 3,917,406	● 15,316	● 178,658	● 1,798,263	● 267,416	● 0	● 0	● 0	● 7,519	● 23,874	● 0	

DEBT SERVICE

								Avg	0	0	0	0	1	1	2	3	4	5	6	7	8	9	
								Debt	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
								Service															
								(Net)															
Debt Service Description	Year	Project Proceeds	COI	Total Issue	Interest Rate	Term	Maturity																
2010 Civic Center COPS	2011	123,000,000	1,289,442	124,289,442	4.4%	30	2041	(7,614,280)	-	(682,755)	(8,165,374)	(6,740,633)	(9,389,091)	(8,194,455)	(8,172,755)	(7,990,221)	(7,990,321)	(7,978,881)	(7,967,030)	(7,519,886)	(7,511,985)	(7,504,864)	
Traunch 2	0		-	-	5.0%	30	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traunch 3	0	-	-	-	5.0%	30	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traunch 4	0	-	-	-	5.0%	30	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traunch 5	0	-	-	-	5.0%	30	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traunch 6	0	-	-	-	5.0%	30	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traunch 7	0	-	-	-	5.0%	30	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traunch 8	0	-	-	-	5.0%	30	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traunch 9	0	-	-	-	5.0%	30	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traunch 10	0	-	-	-	5.0%	30	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traunch 11	0	-	-	-	5.0%	30	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT								(7,614,280)	-	(682,755)	(8,165,374)	(6,740,633)	(9,389,091)	(8,194,455)	(8,172,755)	(7,990,221)	(7,990,321)	(7,978,881)	(7,967,030)	(7,519,886)	(7,511,985)	(7,504,864)	

DEVELOPMENT AGREEMENTS AND PRIVATE CONTRIBUTIONS

					General			TOTAL	Non FFP			
Agreement	REF	Developer	Description	Trigger	Public Benefit	Park Benefit	Public Arts & Culture	FFP BENEFIT	Traffic Circulation	Total	CHECK CELLS	
Hoag OASIS Pledge		Hoag	May 12, 2009 Pledge Letter	Payment Schedule	500,000	-	-	500,000	-	500,000	500,000	OK
Hoag OASIS Pledge		Hoag	May 12, 2009 Pledge Letter	Payment Schedule	500,000	-	-	500,000	-	500,000	500,000	OK
Hoag OASIS Pledge		Hoag	May 12, 2009 Pledge Letter	Payment Schedule	1,500,000	-	-	1,500,000	-	1,500,000	1,500,000	OK
					2,500,000	-	-	2,500,000	-	2,500,000		
Friends of Oasis Pledge		Friends of Oasis	Oasis Construction	Restricted for Oasis Only	2,000,000	-	-	2,000,000	-	2,000,000	2,000,000	OK
North Newport Center	4.1	TIC	In Lieu Park Fees	Paid within 5 Days of Award of OASIS Contract	-	5,600,000		5,600,000		5,600,000	5,600,000	OK
North Newport Center	4.1	TIC	In Lieu Park Fees 430 \$\$26,046.51	Milestone Pmts	-	5,600,000		5,600,000		5,600,000	5,600,000	OK
North Newport Center T2	4.1		94 Units x \$26,046.51	Milestone Pmts		2,448,372		2,448,372		2,448,372	2,448,372	OK
North Newport Center	4.2	TIC		1 Issuance of First Building Permit	13,545,000	-		13,545,000		13,545,000	13,545,000	OK
North Newport Center	4.2	TIC	Public Benefit Fee - 430 Units @ \$31,500	Issuance of remaining 430 Residential Building Permits	13,545,000	-	(270,900)	13,274,100		13,274,100	13,274,100	OK
North Newport Center T2	Amended Agrmt		Public Benefit Fee - 94 Units @ \$63,000	Issuance of 431 st permit - 524 th permit	5,922,000		(118,440)	5,803,560		5,803,560	5,803,560	OK
North Newport Center	4.4	TIC	Street Widening and Traffic Signals	Within 30 Days of Reimbursement Request	-			-	2,500,000	2,500,000	-	OK
North Newport Center	Amended Agrmt		Bayside Drive Walkway Connection	Within 90 Days of written notice after award of contract	200,000			200,000		200,000	200,000	OK
					33,212,000	13,648,372	(389,340)	46,471,032	2,500,000	48,971,032		
The Dart Development (24 units)(PA2012-146)					-	600,875		600,875		600,875	600,875	OK
Newport Bay Marina (27 units) (PA2001-210)					-	186,147		186,147		186,147	186,147	OK
Via Lido Mixed Use(2 units) (PA2010-081)					-	104,500		104,500		104,500	104,500	OK
2218 Channel Rd.Abell John & Helou Carol					-	26,125		26,125		26,125	26,125	OK
Plaza CDM (6 Units) (PA2010-061)					-	104,500		104,500		104,500	104,500	OK
214 Narcissus (1 Units) (PA2011-192)					-			-		-	-	OK
604 Acacia Ave (PA2012-005)					-	26,125		26,125		26,125	26,125	OK
610 Larkspur LLC (NP2013-003)					-	26,125		26,125		26,125	26,125	OK
416 Orchid Ave.					-	26,125		26,125		26,125	26,125	OK
Cohen Galina - 309 Goldenrod					-	26,125		26,125		26,125	26,125	OK
819 W. Balboa NP2012-010						26,125		26,125		26,125	26,125	OK
Friend of the Oasis					35,000			35,000		35,000	35,000	OK
					35,000	1,152,772	-	1,187,772	-	1,187,772		
Hoag DA # 5	8.2	Hoag	Semeniuk Slough Study	\$200K Fee Eliminated with with DA amendment in 2008	-	-	-	-	-	-	-	OK
Hoag DA # 5	8.2	Hoag	Reimb City related to Superior Ave Medians	Completion of Project Expenditures	-	-	-	-	1,500,000	1,500,000	-	OK
Hoag DA # 5	8.2	Hoag	Public Benefit (Park or Pub Safety)	Paid June 2009 Xfred to Facilities Reserve	1,500,000	-	-	1,500,000	-	1,500,000	1,500,000	OK
Hoag DA # 5	8.4	Hoag	Sunset View Park, Shrub & Groundcover	Pending Improvements	-	150,000	-	150,000	-	150,000	150,000	OK
					1,500,000	150,000	-	1,650,000	1,500,000	3,150,000		
Santa Barbara Condos												
Santa Barbara Condos	Section 3.3 of MOA	New Home Co.	Unrestricted Public Benefit	Concurrent with Certificate of Occupancy	1,645,566	-	(32,911)	1,612,655	-	1,612,655	1,612,655	OK
Santa Barbara Condos	Section 3.3 of MOA	New Home Co.	Unrestricted Public Benefit	Concurrent with Certificate of Occupancy	3,354,434	-	(67,089)	3,287,345	-	3,287,345	3,287,345	OK
Santa Barbara Condos (NP2005-014)	Section 3.2 of MOA	New Home Co.	79 Units x \$26,046.51	Fee due at building permit issue		2,061,834	-	2,061,834	-	2,061,834	2,061,834	OK
					5,000,000	2,061,834	(100,000)	6,961,834	-	6,961,834		
Banning Ranch	Section 3.1	Lennar =>	1375 x 30,909 - Coastal Commission Status?	Each Building Permit	42,499,875	-	-	42,499,875	-	42,499,875	-	UNKNOWN
Newport Uptown			\$32,500/Unit - 1,244 Units			-	-	-	-	-		
			Phase I - 680 Units a) 460 b)	PRIOR TO EACH BUILDING PERMIT	22,100,000		(442,000)	21,658,000	966,665	22,624,665	17,185,584	UNKNOWN
			Phase II - 544 Units	PRIOR TO EACH BUILDING PERMIT	17,680,000		(353,600)	17,326,400	631,456	17,957,856	18,659,200	UNKNOWN
			In Lieu Park Fees - Phase I	PRIOR TO EACH BUILDING PERMIT-Less Park Credits	-	10,143,361		10,143,361		10,143,361	3,200,000	UNKNOWN
			In Lieu Park Fees - Phase II	PRIOR TO EACH BUILDING PERMIT-Less Park Credits	-	10,550,389		10,550,389		10,550,389	4,600,000	UNKNOWN
					39,780,000	20,693,750	(795,600)	59,678,150	1,598,121	61,276,271		
NB Country Club	3.1		54,819 x 10.00 Golf Club Clubhouse	Issuance of First Building Permits	562,196	-	(11,244)	550,952	-	550,952	550,952	OK
Dunes Settlement	Section C(e)		Restaurant on Parcel B2	Issuance of Building Permit	50,000	-	(1,000)	49,000	-	49,000	49,000	OK
Dunes Settlement	Section C(f)		Family Inn	Issuance of Building Permit	100,000	-	(2,000)	98,000	-	98,000	98,000	OK
Dunes Settlement	Section C(g)		Family Inn	Prior to Occupancy	410,402	-	(8,208)	402,194	-	402,194	402,194	OK
					560,402	-	(11,208)	549,194	-	549,194		
Golf Reality Fund (GRF)	3.1		Tennis Club Reconstruction 3,725 x \$10.00	Issuance of Building Permit	37,250		(745)	36,505	-	36,505	36,505	OK
Golf Reality Fund (GRF)	3.1		Single Family Homes \$5 x \$93,000	Single Family Homes	465,000		(9,300)	455,700	-	455,700	455,700	OK
					502,250	-	(10,045)	492,205	-	492,205		
Land Re Use Decisions												
Monrovia Property Sale	Actual							5,639,096			5,639,096	OK
Lido House Hotel Lease	Lease		Ground Lease	> of Base Rent or Percent Rents				-	-	-	Annual	Annual
Police Facility	Concord		Estimated Annual Financial Benefit	Not Used	1,706,000			1,706,000	-	1,706,000	-	UNKNOWN
West Newport Gym - Lease	Lease		Ground Lease		289,055			289,055	-	289,055	5,957,684	Annual
					1,995,055	-	-	1,995,055	-	1,995,055		
					130,146,778	37,706,728	(1,317,437)	166,536,069	5,598,121	172,134,190		162,765,917



NEWPORT BEACH

ITEM TITLE: FY 2015-16 BUDGET PRESENTATION

ITEM SUMMARY: Summary:
Staff will present an overview of the City Manager's Fiscal Year 2015-16 Proposed Budget.

RECOMMENDED ACTION: Recommended Action:
Staff recommends that the Committee directs staff to bring the Proposed FY 2015-16 Budget for City Council Approval.

ATTACHMENTS:

Description

[Budget Presentation - Staff Report](#)



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

Agenda Item No. 5C
May 11, 2015

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Dan Matusiewicz, Finance Director
(949) 644-3123, danm@newportbeachca.gov

SUBJECT: FY 2015-16 Budget Presentation

SUMMARY:

The City Manager's Fiscal Year 2015-16 Proposed Budget will be reviewed with a PowerPoint presentation.

RECOMMENDED ACTION:

Staff recommends that the Committee directs staff to bring the FY 2015-16 Proposed Budget for City Council Approval.

DISCUSSION:

Staff is pleased to present an overview of the City Manager's Fiscal Year 2015-16 Proposed Budget. Budget highlights include:

- Budget is balanced
- Revenues remain strong
- No use of reserves for operations
- Sound debt position
- Sustained progress toward pension obligations
- Continued focus on enhancing the community's quality of life and safety

Copies of the budget documents were distributed to the City Council and the Finance Committee on April 30, 2015. The City Council will review the budget during their Study Session on May 12, 2015, and the budget will be adopted at their regular meeting on May 26, 2015.

Prepared and Submitted by:

/s/ Dan Matusiewicz

Dan Matusiewicz
Finance Director

Item No. C1
FY 2015-16 BUDGET PRESENTATION
Staff Presentation
May 11, 2015

FY 2015-16 PROPOSED BUDGET

City of Newport Beach
Finance Committee
May 11, 2015



FY 2015-16 Highlights

- Budget is balanced
- Revenues remain strong
- No use of reserves for operations
- Sustained progress toward pension obligations
- Continued focus on enhancing the community's quality of life and safety

Revenues & Expenditures

Summary of the FY 2015-16 Proposed Budget General Fund (Millions)

Revenue	
Estimated Operating Revenue	\$191.74
Total Revenues	\$191.74
Expenditures	
Proposed Operating Expenditures	\$178.23
Proposed New CIP Appropriations	\$5.26
Total Expenditures	\$183.49
Plus Transfers In	\$7.76
Less Transfers Out	-\$12.38
Less Set Asides	-\$3.41
Net Surplus	\$0.23

Summary of the FY 2015-16 Proposed Budget All Funds (Millions)

Revenue	
Revenue - All Funds	\$ 278.2
Total Revenues	\$ 278.2
Operating Budget	\$ 257.4
New Capital Improvement Projects (CIPs)	\$ 25.0
New Appropriations	\$ 282.4
Planned use of fund balance	-4.2
(Capital Improvements)	

Budget Principles

Budget emphasizes:

- Providing a Municipal Government that Residents Demand
- Providing a Safe and Secure Neighborhood
- Keeping Newport Beach Looking Great
- Maintaining a Prosperous, Fiscally Sustainable, and Economically Viable City

Charter Requirements

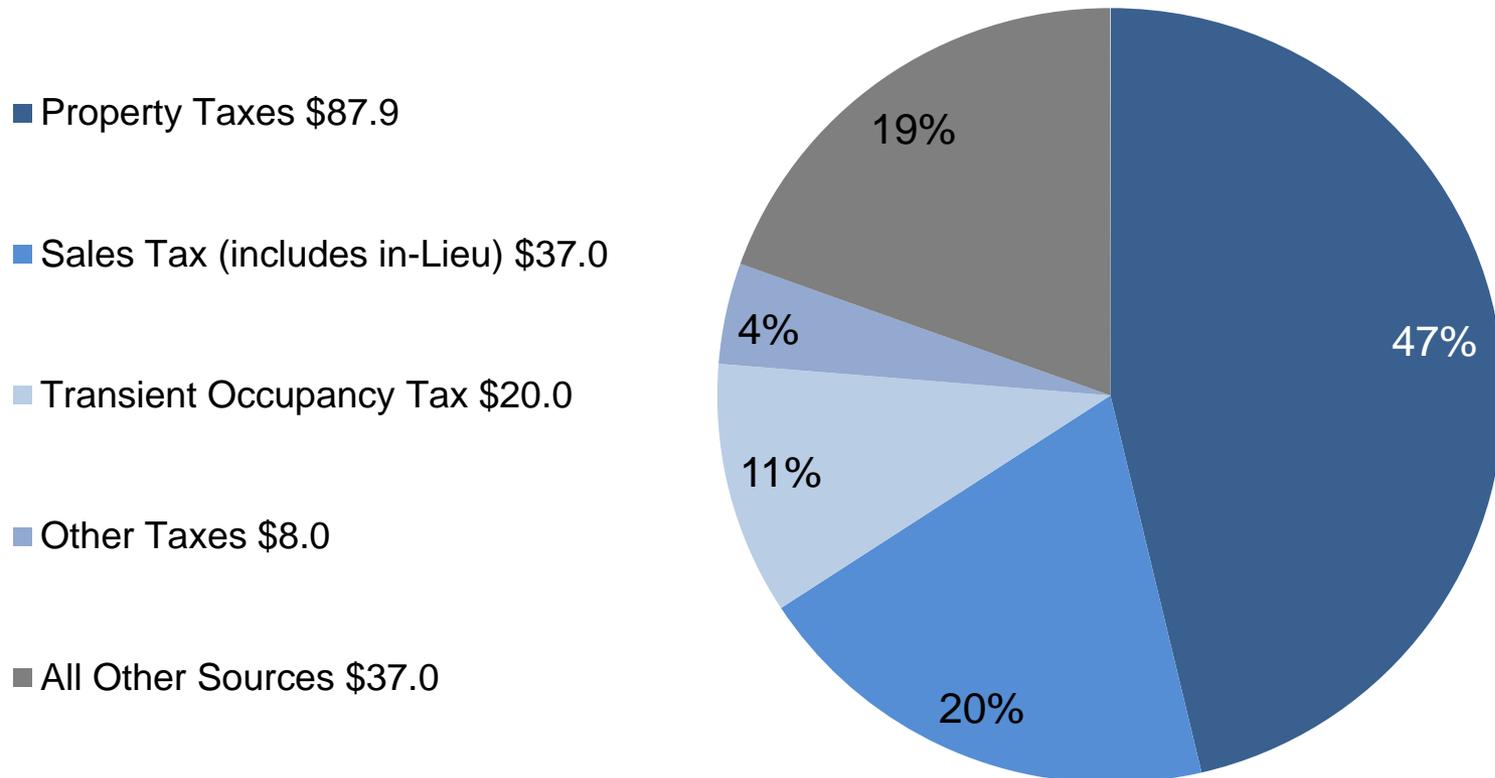
- Requires Budget submittal to Council at least 35 days prior to July 1
- Requires public notice and public hearing
- Council shall adopt budget on or before June 30



REVENUES

Fiscal Year 2015-16

FY 2015-16 General Fund Revenue Chart (millions)

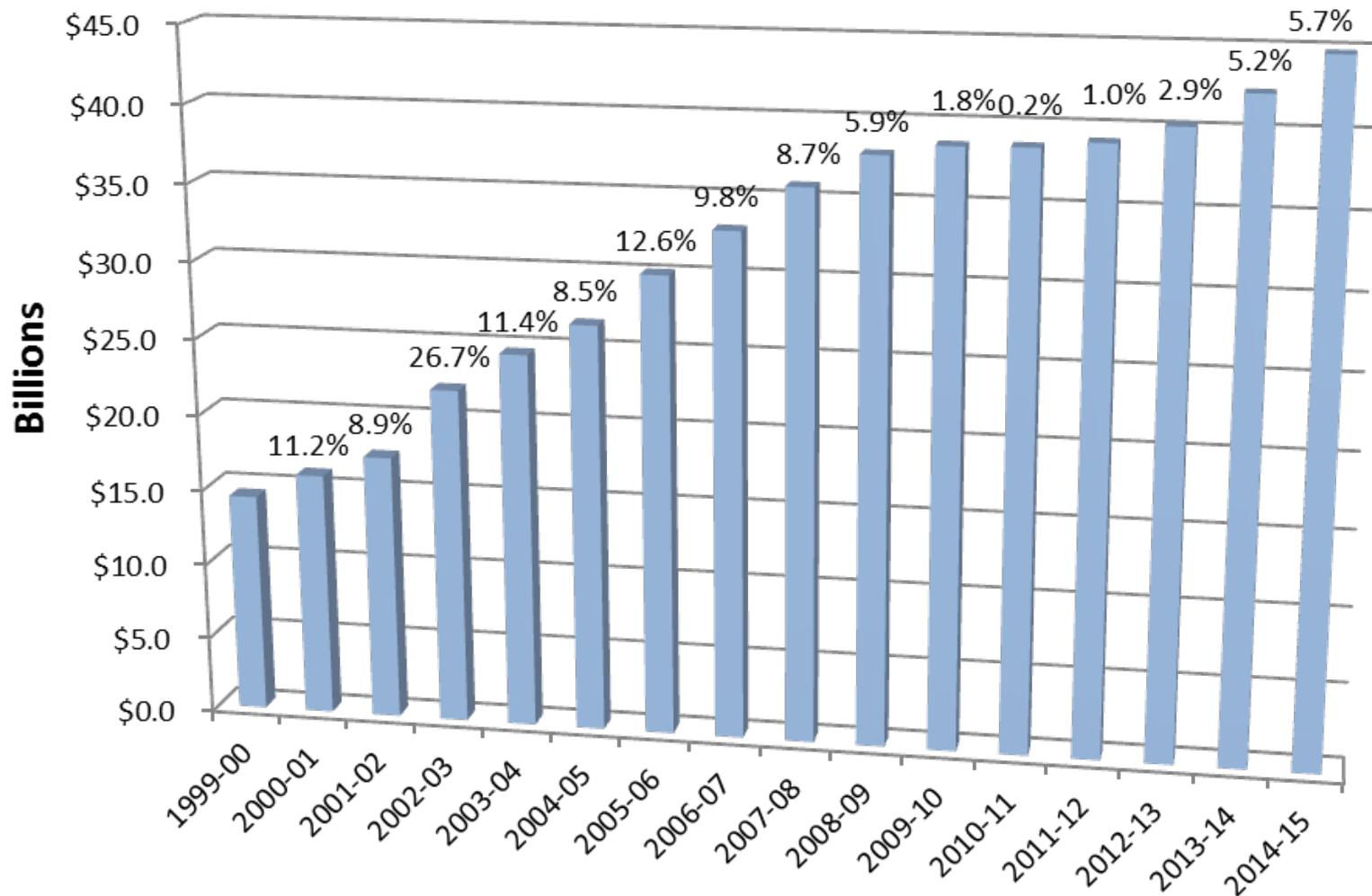


FY 2015-16 General Fund Revenue Assumptions (Millions)

Revenue Source	2014-15 Adopted Revenue	2014-15 Revised Revenue	2015-16 Proposed Revenue	%Incr/(Decr) Over PY Revised
Property Taxes	\$82.6	\$84.0	\$87.9	4.65%
Sales Tax	\$31.7	\$32.7	\$37.0	12.98%
Transient Occupancy Tax	\$18.3	\$19.4	\$20.6	6.39%
All Other Revenue	\$41.7	\$44.8	\$46.3	3.31%
Total General Fund Revenue	\$174.3	\$180.9	\$191.7	6.01%

Note: Net of a one-time \$2.7 million receipt expected in 2015-16, the budget assumes Sales Taxes are expected to grow 4.73% during 2015-16.

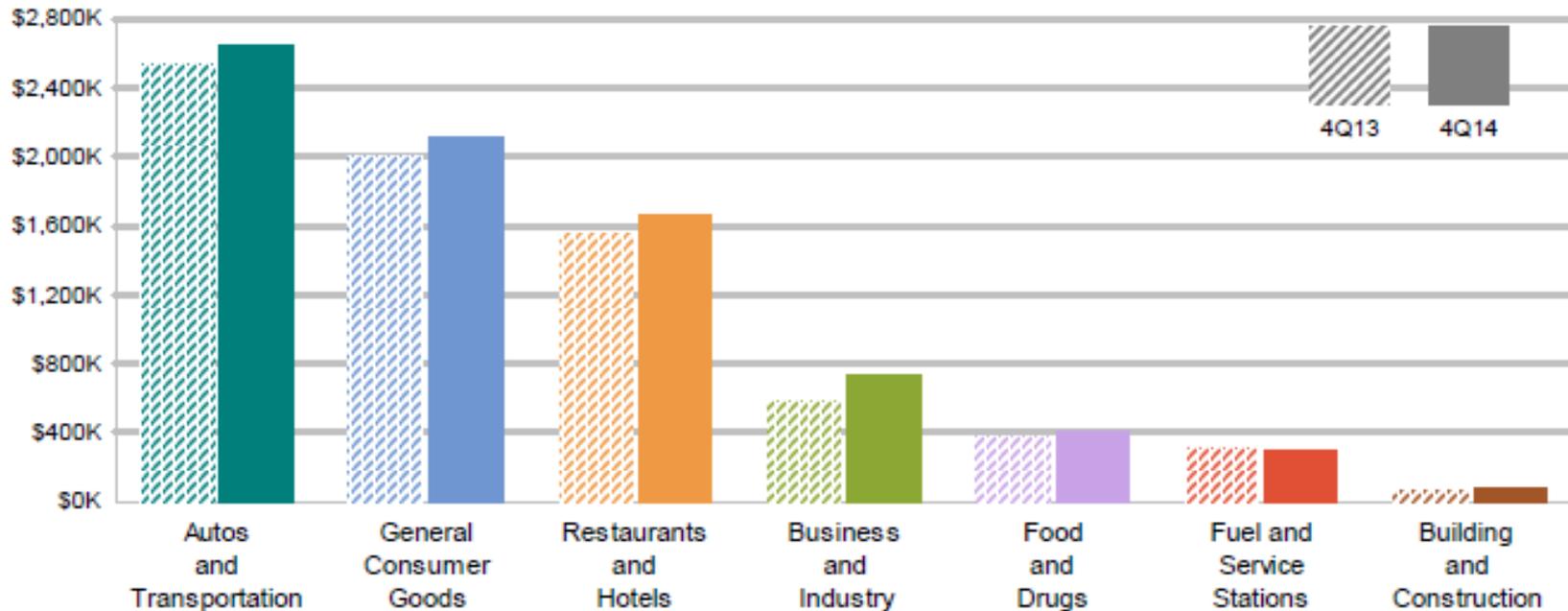
Assessed Valuation



Sales Tax

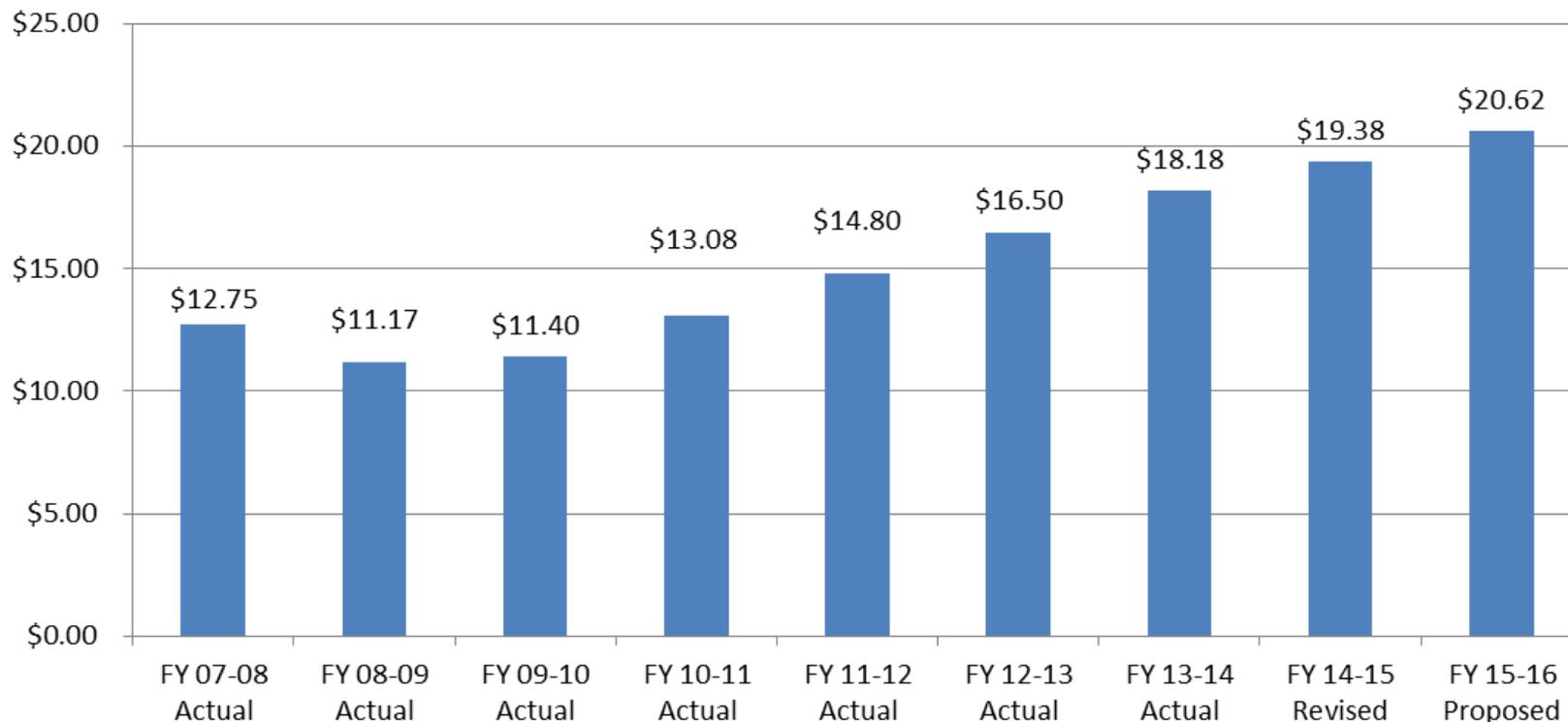
Major Sales Tax Industry Groups	Year-Over-Year Change
Autos and Transportation	4.3%
General Consumer Goods	5.6%
Restaurants and Hotels	7.7%
Business and Industry	24.1%
Food and Drugs	6.7%
Fuel and Service Stations	-2.6%
Building and Construction	21.7%

4Q13 Compared To 4Q14



Transient Occupancy Tax

Transient Occupancy Tax Receipts FY 07-08 to FY 15-16



Hoteliers can command higher room rates due to higher demand for Newport Beach as a travel and tourist destination.



GUIDING PRINCIPLES

Fiscal Year 2015-16

Principle #1: Provide the Municipal Government that Our Residents Demand

- CDD – Online permitting & electronic plan review
- Finance, IT & HR – continued implementation of new Enterprise Resource Planning (ERP) system
- New Parks & Community Centers



Services that are better, faster and less expensive

Principle #2: Provide Safe and Secure Neighborhoods

Police Department:

- 3 new Police Officers,
- 1 new Police Sergeant and
- 1 new Civilian Investigator

Fire Department:

- Implementation of Automatic Vehicle Location program
- Increased staffing of part-time seasonal lifeguards

Community Development:

- Implementation of special code enforcement programs relating to property maintenance



Code Enforcement 949.644.3215

Our Goal

The mission of the Code Enforcement Division is to work in partnership with the residents and businesses to promote and maintain a safe and desirable living and working environment.

Principle #3: Keep Newport Beach Looking Great

Maintain a high-quality natural and physical environment by creating aesthetically pleasing places in which to live, work, recreate, and visit



Capital Improvements Projects (CIPs)	
Newly Proposed Projects	\$25 million
Re-budgeted Projects	\$42 million
Encumbered Funds (Estimated)	\$33 million
Total Community Reinvestment (Estimated)	\$100 million

Principle #4: Maintain a Prosperous, Fiscally Sustainable, and Economically Viable City

- Responsible and Affordable Debt Levels
- Strong Financial Profile
- Strong Fiscal Management and Discipline
 - ✓ Cash funding of big projects – Marina Park, CdM, & Mariners Fire Stations, Bonita Creek Imprvmts.
 - ✓ \$22 Million to address Pension Shortfall
 - ✓ Manageable OPEB Liability – Retiree Insurance
 - ✓ \$44 Million Contingency Reserve



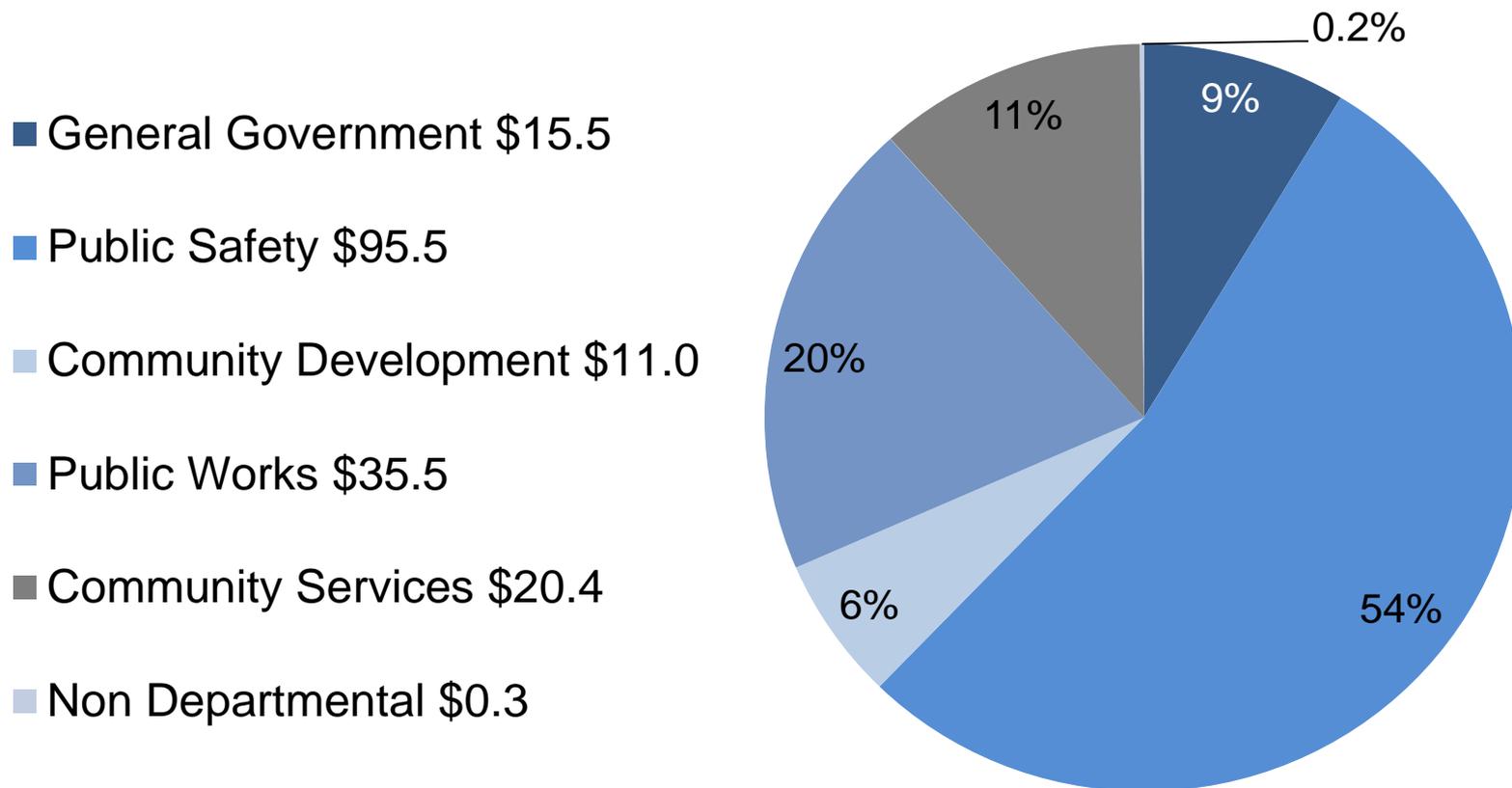
AAA Exceptionally Strong Fitch	Aaa Exceptional Moody's	AAA Exceptionally Strong Standard & Poor's
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EXPENDITURES

Fiscal Year 2015-16

FY 2015-16 Budgeted Expenditures by Function (Millions)



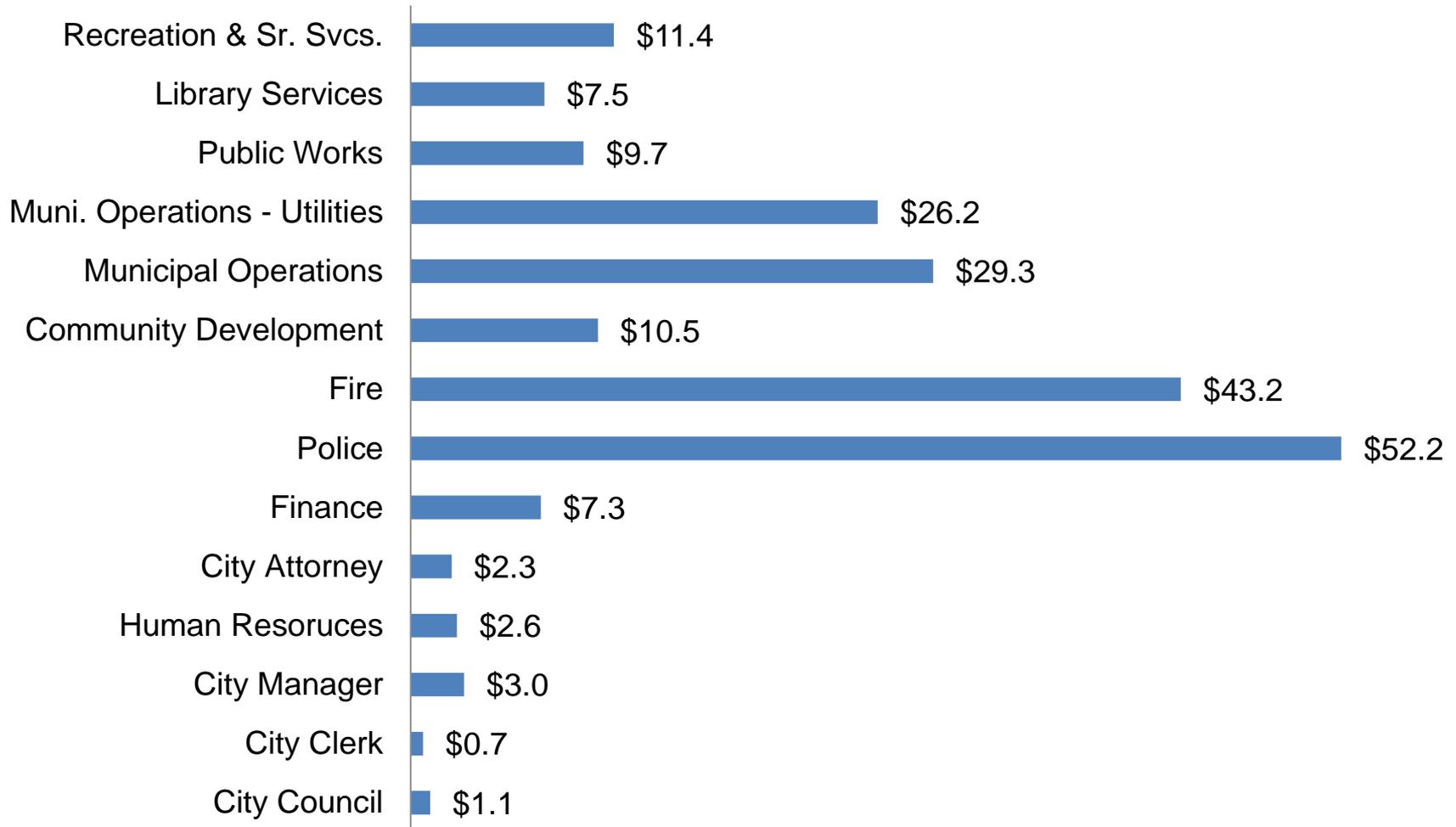
General Fund Expenditure Summary by Function (Millions)

Function and Activities	2014-15 Adopted Expenditures	2014-15 Revised Expenditures	2015-16 Proposed Expenditures	% of Total Operating Budget	% Incr/(Decr) Over PY Revised
GENERAL GOVERNMENT	\$15.4	\$15.9	\$15.5	8.7%	-2.62%
PUBLIC SAFETY	\$86.5	\$95.2	\$95.5	53.6%	0.32%
COMMUNITY DEVELOPMENT	\$10.7	\$11.1	\$11.0	6.2%	-0.90%
PUBLIC WORKS	\$32.9	\$34.4	\$35.5	19.9%	3.24%
COMMUNITY SERVICES	\$19.0	\$19.9	\$20.4	11.4%	2.28%
General Fund Non Dept Exp	\$0.3	\$0.3	\$0.3	0.2%	-0.34%
General Fund Anticipated Savings		(\$1.0)	\$0.0	0.0%	-100.00%
Total General Fund Operating Budget	\$164.7	\$175.9	\$178.2	100.0%	1.34%
General Fund CIPs	\$5.2	\$17.6	\$5.3		-70.21%
Total General Fund Budget	\$175.9	\$193.5	\$183.5		-5.18%

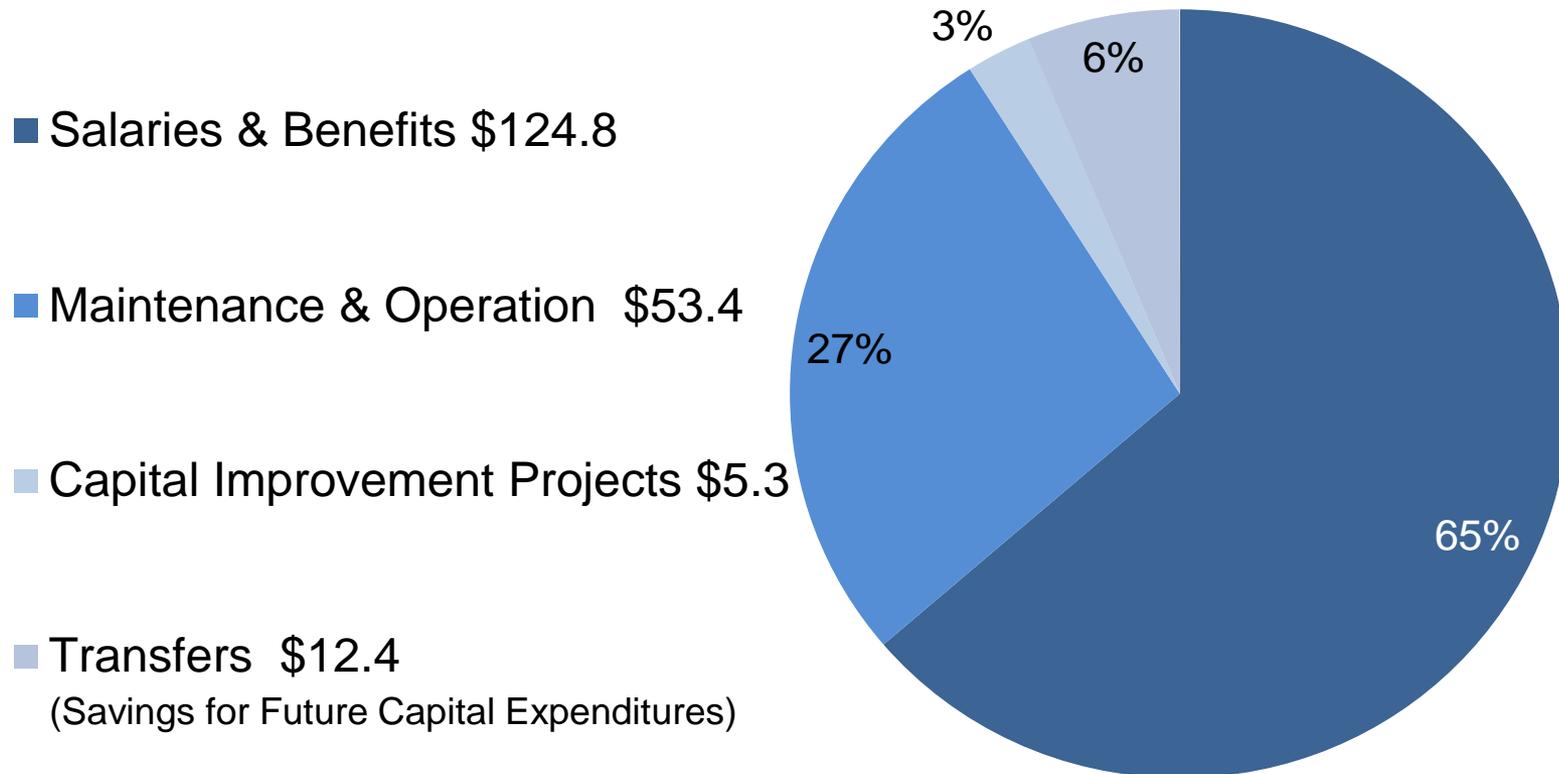


Budgeted Expenditures by Department

All Funds (Millions)



General Fund Expenditures by Type (Millions)



Savings for Future Needs(Millions)

This budget also includes nearly **\$30 million** of forced savings that fund long-term liabilities and capital replacement plans.

Prefunding/Capital Savings	14-15	15-16	Change
Facilities Financial Plan - <i>Transfers</i>	\$8.0	\$8.5	\$0.5
Facilities Maintenance Plan - <i>Transfers</i>	0.4	1.5	1.1
Vehicle Replacement Plans – <i>Department Cost</i>	3.3	3.3	-
Emergency Communication System - <i>Transfers</i>	1.0	1.0	-
Other Equipment (Safety, IT, Parking & Rec)	1.3	1.6	0.3
Workers Compensation – <i>Department Cost</i>	2.8	2.8	-
General Liability – <i>Department Cost</i>	3.1	4.1	1.0
Compensated Absences – <i>Department Cost</i>	2.3	2.5	.2
Retiree Insurance (OPEB) – <i>Department Cost</i>	3.4	2.8	-0.6
Total	\$25.6	\$28.1	\$2.5

Changes in Full-time Staffing

FY 16 Full-time Position Changes

(1)	Deputy Human Resources Director
1	Civilian Investigator
1	Police Sergeant
3	Police Officer
1	Recreation Manager
1	Recreation Supervisor
1	Office Assistant
1	Facilities Maintenance Worker II
(2)	Refuse Worker
(1)	Utilities Specialist
<u>(1)</u>	Inventory Assistant
4	Net Change in Positions as printed
<u>(1)</u>	Librarian II
<u>3</u>	Net Change in Positions with Checklist

Downsizing efforts continue offset by additional Police and Marina Park staffing

Salaries & Benefits

Most significant changes

- Unfunded Pension Liability payment increased \$9 Million or 68% (\$7.7 million included in 2014-15 amended budget)
- Salaries increased 2% or \$1.2 Million
(includes 3 net new employees)
- Employee Contributions to PERS increased \$826 Thousand to \$8.3 Million per year.

Typical Employee (non-safety)

- Earns **\$75,500** in wages
- City pays **\$19,800** towards purchase of health insurance
- City pays **\$12,341** or **16.73%** towards pension
- Employee pays **\$9,239** or **12.35%** towards pension

Already Accelerated PERS Payment Schedule Significantly

	FY 2015 Adopted	Fresh Start	FY 2015 Amended*	FY 2016 Estimated **	Year Over Year Increase	Increase Over 2015 Original Budget
Normal Cost	14,627,830	-	14,627,830	14,909,807	281,977	281,977
Amortized Cost of Unfunded Liability*	12,783,847	7,600,000	20,383,847	21,527,121	1,143,274	8,743,274
Total Annual PERS Cost	27,411,677	7,600,000	35,011,677	36,436,928	1,425,251	9,025,251
Employee Contributions	7,429,842	-	7,429,842	8,256,418	826,576	826,576
Net Employer Cost	19,981,835	7,600,000	27,581,835	28,180,510	598,675	8,198,675
Total Annual PERS Cost	27,411,677	7,600,000	35,011,677	36,436,928	1,425,251	9,025,251

*FY 2015 Amended includes Fresh Start amount of \$6.6M plus \$1M previously authorized.

Saves \$129 million over 30 Years
Saves \$47million in today's dollars

Other Post Employment Benefits (OPEB – Retiree Insurance)

Legacy Retiree Insurance Benefit:

- Provided Life Time Annuity of \$400 - \$425 Monthly Benefit
- Closed to new participants - January 1, 2006

Current Plan:

- Defined Contribution limited to employer contribution to Health Reimbursement Account (HRA) during active employment
(similar to 401k)
- Statutory obligation to make minimum employer contribution to retiree health plan, currently \$122/Month

Unfunded Obligation:

\$25 Million, \$2.8 million per year, 13 years remaining

New Actuarial Standard (ASOP 6) will increase OPEB liability ~\$10 million and increase required contribution \$1 million per year – **Not currently budgeted**

Maintenance & Operations

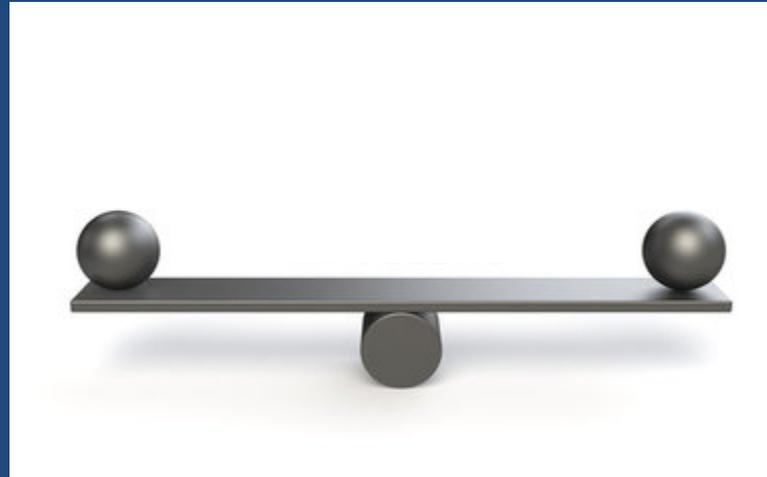
Most significant changes

- Litigation costs - \$5 million (mostly one-time)
- City beautification & maintenance efforts - \$1.2 (mostly one-time)
(Contracts for Medians, Parks, Trees, Beaches & Storm Drains)
- Imported Water and Groundwater expense - \$1.1 million
- General Liability - Internal Charges \$1 million
- Information Technology - Internal Charges - \$800K
- Marina Park Operations (not including payroll) - \$400K

Capital Improvement Program

Capital Improvements Projects (CIPs)	
Newly Proposed Projects	\$25 million
Re-budgeted Projects (Estimated)	\$42 million
Encumbered Funds (Estimated)	\$33 million
Total Community Reinvestment (Estimated)	\$100 million





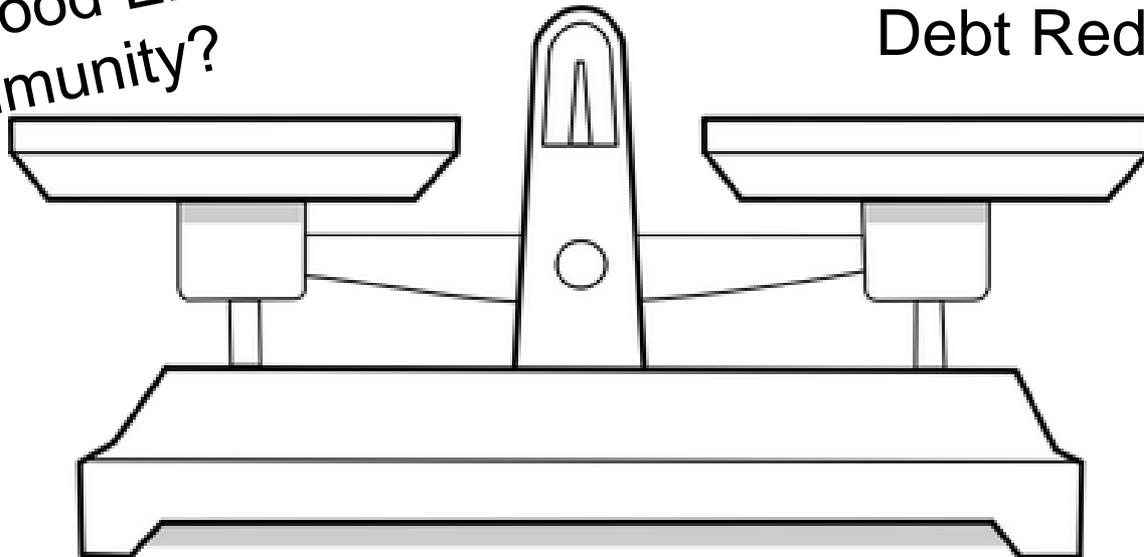
A BALANCED APPROACH

Fiscal Year 2015-16

How much debt to we pay down relative to current amenities and services?

West Newport Community Center?
Neighborhood Enhancements?
Safe Community?

Debt Reduction Efforts



Recommendation: Balanced Approach to Surpluses

50% Community Benefit – Today

- New Neighborhood Enhancement Fund (NEF)

A funding mechanism for:
Quality of Life Projects

Save today for community
prioritized enhancements

50% Long-term Stewardship

- Retiree Insurance (OPEB)
Liability

A change in actuarial standards
will soon impact how OPEB
liabilities are measured.

Liability will increase \$10 million
Increasing expected contribution
by \$1 million per year

Checklist Items – Administrative

CHANGES TO THE PROPOSED BUDGET AS PRINTED - OPERATING EXPENDITURES Administrative

	Budget Increase (Decrease)	Approved
Prior Year Surplus Recommendation		
2014-15 Unassigned, Unrestricted Fund Balance	\$ 1,982,412	
General Fund Transfer Out - Neighborhood Enhancement Fund	\$ (991,206)	_____
General Fund Transfer Out - Retiree Insurance Fund for OPEB Liability	\$ (991,206)	_____
Balance	<u>\$ -</u>	<u>\$ -</u>

Checklist Items – Revenue Estimates

CHANGES TO THE PROPOSED BUDGET AS PRINTED - REVENUE

Department/Account Number/Description	Budget	
	Increase (Decrease)	Approved
425-5898 Public Arts & Culture - Visit Newport Beach Public Benefit Fee	\$ 150,000	_____
TOTAL CHANGES TO THE PROPOSED REVENUE BUDGET	\$ 150,000	\$ -
TOTAL CHANGES TO THE PROPOSED REVENUE BUDGET BY FUND		
Public Arts Fund	\$ 150,000	_____
Total Changes to the Proposed Revenue Budget	\$ 150,000	\$ -

Checklist Items – Personnel

CHANGES TO THE PROPOSED BUDGET AS PRINTED - OPERATING EXPENDITURES

Personnel

	Budget Increase (Decrease)	Approved
City Manager/Economic Development		
Reclassify one Public Information Specialist to Administrative Analyst	\$ 8,130	_____
Fire		
Reclassify one Department Assistant to Senior Fiscal Clerk	\$ 3,974	_____
Library & Cultural Arts		
Eliminate one Librarian II and reallocate funds to Part-time Library Assistant positions (Adds 1.96 Part-time FTE)	\$ (32,294)	_____
Municipal Operations		
Reallocate Refuse Superintendent classification to Senior Management Analyst (eliminate Refuse)	\$ -	_____
TOTAL CHANGES TO THE PROPOSED OPERATING EXPENDITURE BUDGET	<u>\$ (20,190)</u>	<u>\$ -</u>

Checklist Items – CIP Additions

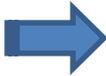
CHANGES TO THE PROPOSED BUDGET AS PRINTED - CIP EXPENDITURES

Department/Account Number/Description		Approved
Capital Improvement Project		
7013-C2002065	CdM Entry Way	\$ 400,000
7261-C2002060	Old Newport/W Coast Hwy Modification	\$ (500,000)
7284-C2002060	Old Newport/W Coast Hwy Modification	\$ (500,000)
TOTAL CHANGES TO THE PROPOSED CIP EXPENDITURE BUDGET		<u>\$ (600,000)</u>
TOTAL CHANGES TO THE PROPOSED CIP EXPENDITURE BUDGET BY FUND		
	General Fund	\$ 400,000
	Transportation & Circulation Fund	\$ (500,000)
	Measure M Fund	\$ (500,000)
	Total Changes to the Proposed CIP Exp Budget	<u>\$ (600,000)</u>

How to Balance Proposals – Some Ideas...



More Police Officers on Peninsula



Increase Parking Rates?



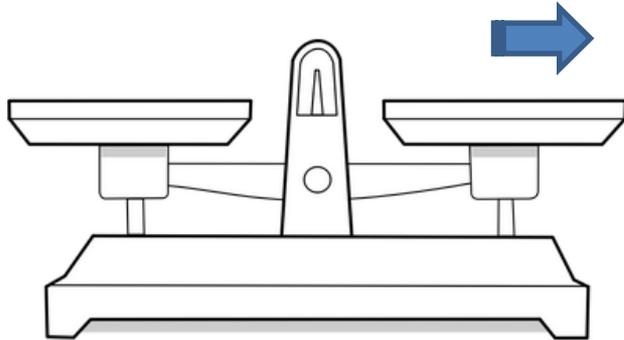
CdM Entryway Project



Add paid parking in CdM along PCH?



Lower Mooring Fees



Reduce CIP?

Harbor Improvements?

Additional Policing on the Peninsula

Objective: Better manage unruly evening crowds on the Peninsula

Proposal: Add 1 Sergeant, 3 Police Officers with vehicles and equipment

Approximate Cost: \$800,000

Funding Proposal (Included in Proposed Budget):

- Raise parking rates to defray some costs to visitors
- Residents with annual passes less impacted
- 98% of parking spaces would increase 0-25 cents/hour
- 65 business area parking spaces would incur 50/hour premium after 2 hours

Unfunded CdM Entryway Project

Objective:

Fund CdM Entryway Project

Funding Proposal (For Discussion-Not included in proposed budget):

Add paid parking on PCH between Avocado and Poppy

Additional Benefits:

Generate adequate parking turnover in commercial area

Consistent with CdM Parking Management Plan recommendation #9

Creates ongoing funding source for neighborhood enhancements, further parking strategies and BID recommendations

Timed parking already enforced so residential spillover should be minimal

Strategy 9
Long Term
If needed, implement pricing to ensure parking availability.

- More convenient and accessible for residents and visitors
- Generate adequate turnover

- *Meter location:* Highway 1 (Avocado Avenue to Poppy Avenue), all public lots/garages.
- *Meter type:* Include credit cards, pay-by-phone, and wireless technology.
- *Target occupancy rates:* 85% (on-street) and 90% (off-street)
- *Hours:* To be determined.
- *Pricing:* As low as needed to achieve target rates.
- *Parking revenue:* Net revenue reserved for local improvements.

Proposed Mooring Rent Reduction

Incremental Rents previously pledged to repay \$15 million General Fund advance

Project	Advance
Lower Bay Dredging	\$5,443,1445
Rhine Channel Dredging	4,202,784
Linda Isle Dredging	30,730
Marina Park Marina	<u>6,132,190</u>
Total	\$15,809,559

Proposed Mooring Rent Reduction may cost \$750,000/Year leaving very little to fund projects after repaying advance

Projects at Risk	Harbor Fund
Grand Canal Dredging	\$500,000
Harbor Piers & Gangway Maint.	\$551,600
Lower Castaways	\$200,000
Harbor Dredging Permit	\$75,000



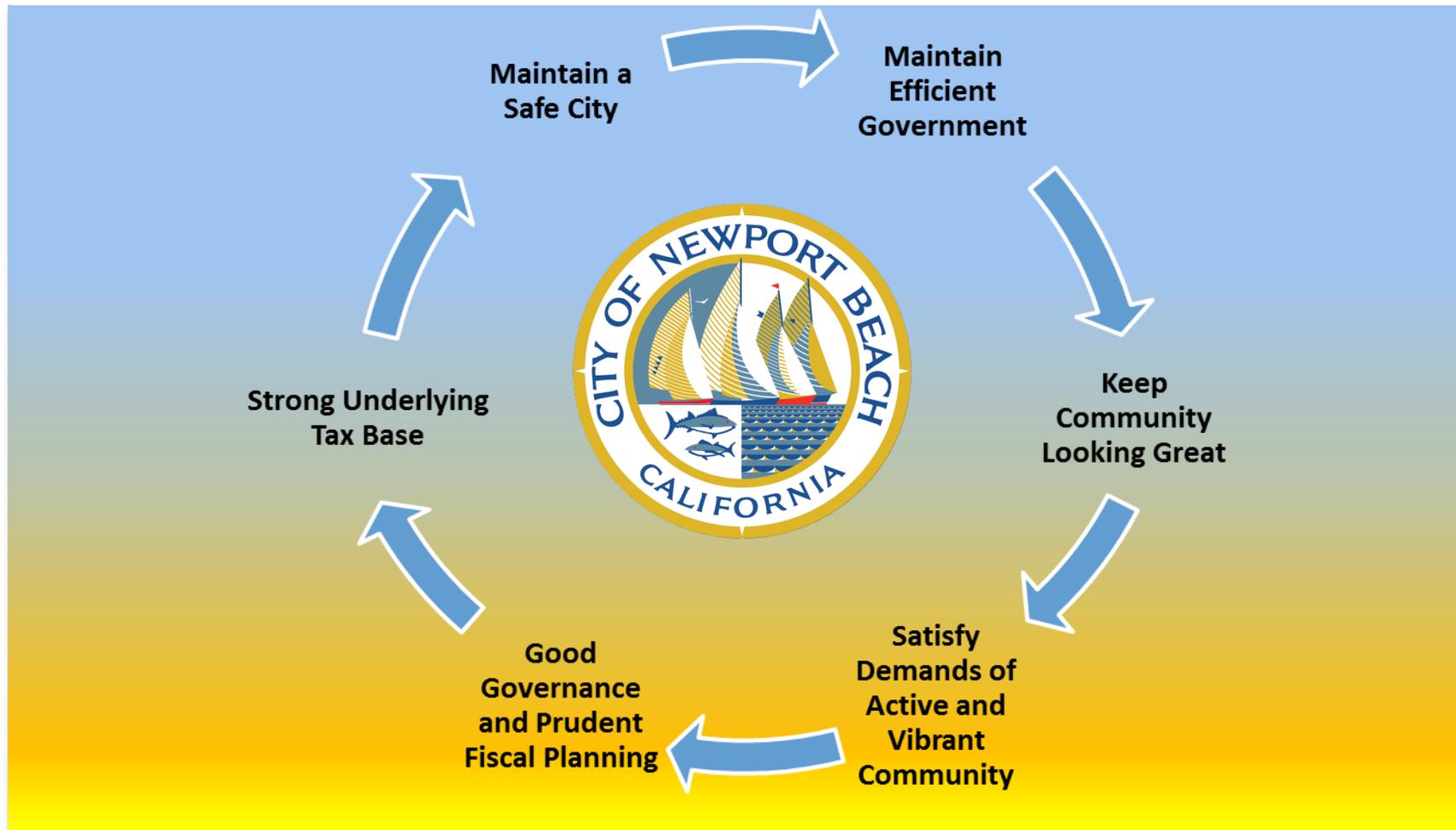
CONCLUSION

Fiscal Year 2015-16

FY 2015-16 Budget Highlights

- Balanced Budget
- Additional public safety staffing
- New CIP Investment = \$25 million
- Continued Effort to reduce unfunded Pension Obligation
- Conservative debt level = 4.3% of General Fund Revenues
- Continued high quality Credit Rating AAA

A Virtuous Cycle



What's next?

- 5/12/15 Council Study Session Budget Council Meeting set the date for the public hearing on budget appropriation.
- 5/26/15 Public hearing and adoption of FY 2015-16 GANN Appropriations limit.
- 7/1/15 Fiscal Year 2015-16 begins.

Questions & Comments

City's budget documents can be accessed at:
www.newportbeachca.gov/budget

