



CITY OF NEWPORT BEACH FINANCE COMMITTEE AGENDA - Final

100 Civic Center Drive - Crystal Cove Conference Room, Bay 2D

Thursday, June 16, 2016 - 4:00 PM

Finance Committee Members:

Tony Petros, Chair / Council Member
Diane Dixon, Mayor
Keith Curry, Council Member
Patti Gorczyca, Committee Member
William C. O'Neill, Committee Member
Larry Tucker, Committee Member
John Warner, 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

The Finance Committee meeting is subject to the Ralph M. Brown Act. Among other things, the Brown Act requires that the Finance Committee 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 Committee and items not on the agenda but are within the subject matter jurisdiction of the Finance Committee. The Chair may limit public comments to a reasonable amount of time, generally three (3) minutes per person.

The City of Newport Beach'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 Dan Matusiewicz, Finance Director, 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) 644-3123 or dmatusiewicz@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 Finance Department 24 hours prior to the scheduled meeting.

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. CURRENT BUSINESS

A. QUARTERLY ERP UPDATE

Summary:

Staff will provide the Committee with a progress report on the Enterprise Resource Plan project.

Recommended Action:

Receive and file.

[STAFF REPORT](#)

B. DEBT ISSUANCE BEST PRACTICES

Summary:

During the April 28, 2016, Finance Committee meeting Committee Member O'Neill asked the Committee to consider the merits of hiring a third party consultant to assist staff implement best practices in debt issuance.

Recommended Action:

- a) Consider whether to consult with an independent third party agency (e.g., Orange County Auditor Controller's Office, Consultant, GFOA, a registered independent municipal advisor, or other) to either
 - (1) review the City's debt issuance procedures and provide recommendations to improve and incorporate best practices for debt issuance and administration into the City's policies and procedures;
 - (2) evaluate the economic feasibility of reducing the amount of outstanding Certificates of Participation; and/or
 - (3) both;
- b) Consider the scope, desired deliverables and contractual arrangement of proposed services (hourly vs. fixed fee and not to exceed dollar value); and
- c) Make appropriate recommendation(s) to the City Manager.

[STAFF REPORT](#)

[ATTACHMENTS A-H](#)

C. PENSION AND OPEB ADVISORY SERVICES**Summary:**

During the April 28, 2016, Finance Committee meeting Committee Member Gorczyca proposed bringing on an independent actuary to assist the Council, the Committee, and staff to analyze various pension and OPEB funding and cost containment strategies. Such strategies may include a Section 115 Benefit Trust, PERS pre-payment options, improvements to the City's OPEB program, and various incentives to reduce the pension liability. Staff recommends that the Committee discuss the merits of engaging an independent actuary or other financial professional to provide Pension and OPEB advisory services and provide staff direction as to an initial scope of services.

Recommended Action:

- a) Consider the merits of hiring an independent actuary or other financial professional to provide various pension and OPEB advisory services;
- b) Consider the scope, desired deliverables and contractual arrangement of proposed services (hourly vs. fixed fee and not to exceed dollar value); and
- c) Make appropriate recommendation(s) to the City Manager.

[STAFF REPORT](#)[ATTACHMENT A - Sample Pension & OPEB Consulting Services and Projects](#)[ATTACHMENT B - GFOA Best Practice - Core Elements of Funding Policy](#)**D. FINANCE SUBCOMMITTEE RECOMMENDATIONS****Summary:**

During the April 28, 2016, Finance Committee meeting Subcommittee Members presented written recommendations as to general business practices of the City. The Committee, as a whole, provided general comments on the content and quality of the report. The Committee will discuss of each idea specifically and determine actions items associated with each recommendation.

Recommended Action:

Make recommendation(s) to the City Manager as to the next steps related to the Subcommittee Report.

[STAFF REPORT](#)[ATTACHMENT A - Finance Subcommittee Recommendations](#)

E. ANNUAL FEE SCHEDULE UPDATE

Summary:

In partnership with the City's cost allocation plan consultant, staff reviewed and updated the city-wide cost allocation plan and direct user fee calculations for Recreation and Senior Services (RSS), Library, Finance, and Municipal Operations Department (MOD), as well as analyzed the separation of mileage costs from Fire Emergency Medical Services (EMS) fees and the establishment of flat fees for certain Community Development Department (CDD) services. The purpose of this meeting is to review staff's recommendation to revise the Master Fee Schedule according to CPI and to review the specific changes recommended for departmental related fees.

Recommended Action:

Staff welcomes input and recommendations on the proposed fee schedule. Based on the input and comments from Finance Committee, Finance staff will bring the proposed recommendations to the City Council for formal action.

[STAFF REPORT](#)

[Attachments A-D](#)

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



CITY OF NEWPORT BEACH FINANCE COMMITTEE STAFF REPORT

Agenda Item No. 4A
June 16, 2016

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

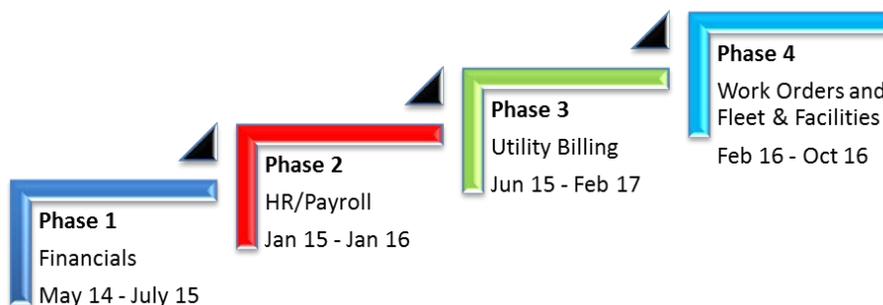
FROM: Finance Department
Steve Montano, Deputy Finance Director
(949) 644-3240, smontano@newportbeachca.gov

SUBJECT: QUARTERLY ERP UPDATE

SUMMARY:

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. Implementation of the Enterprise Resource Planning (ERP) software implementation project continues. The software provider of the City's ERP or business management software system that integrates all of the City's core functional requirements for financials, human capital management, citizen services, and revenues is Tyler Technologies Inc. The Tyler system known as "Munis" will replace the current FinancePlus system.

The ERP implementation consists of 4 major overlapping phases. The graphic below depicts the current project phase start and planned go live dates (MMM-YY). We have completed Phases 1 and 2 and are currently working on Phases 3 and 4.



To follow is an update of recent and planned activities pertaining to each project phase.

Financials – Phase 1

The financials portion of the project (including such modules as General Ledger, Purchasing, Budget, Projects and Grants and Accounts Payable) became operational on July 8, 2015. Since this time, staff has grown accustomed to the new functionality and is still fine-tuning the system. A new software release (new version of the entire suite of modules) will be installed on July 9, 2016. Staff is currently testing the new version of the software prior to its placement in the production environment.

HR/Payroll – Phase 2

The Human Resources and Payroll module became operational on December 26, 2015. An important functionality of the module known as the Employee Self Service (ESS) allows employees to access and update their own personal information through a secure online web portal. ESS allows employees to: view payroll information such as paycheck history and W-4 election details, view current benefits, request time off, enter timecards to record time worked and/or absences and see flex, vacation and sick leave balances up to date online. The module also allows for a paperless payroll process, streamlines timesheet entry and ensures all local, state and federal requirements are met with Munis Payroll. Standard payroll functions include, but are not limited to, payroll and expense reimbursement processing; reconciliation of employee insurance reports to monthly premium statements; manual or automatic check reconciliation and support of electronic timesheet entry.

Utility Billing – Phase 3

Phase 3 consists of implementing new General Billing, Accounts Receivable, and Utility Billing software. These modules will improve how we create invoices and bills for miscellaneous charges, and maintain accounts for our water and wastewater customers. The General Billing module became operational on April 28, 2016. Staff has been participating in Tyler led business processing consulting sessions to configure the utility billing software in conformance with the City's business needs and industry best business practices. Work on the conversion of data from the old utility billing system to the new is underway. The utility billing portion of this phase is scheduled to be completed in February of 2017.

Work Orders and Fleet Management – Phase 4

The modules in Phase 4 will provide work order solutions for preventive maintenance schedules, maintenance department inspections, departmental service requests, and citizen service requests. As a result of their integration with the Financial, Human Resources and Revenue suites, the modules will eliminate duplicate entry of labor time, journal entries and billings. Information will be up-to-date and data input errors or missing information will be reduced. Testing of the new work order system occurred in recent weeks. Software configuration work and training will soon follow with an expected completion date of October 2016.

RECOMMENDED ACTION:

Receive and file.

/s/ Steve Montano

Steve Montano
Deputy Director, Finance



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

Agenda Item No. 4B
June 16, 2016

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

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

SUBJECT: DEBT ISSUANCE BEST PRACTICES

SUMMARY:

During the April 28, 2016, Finance Committee meeting Committee Member O'Neill asked the Committee to consider the merits of hiring a third party consultant to assist staff implement best practices in debt issuance. Staff has included Attachments A and B for Committee reference when considering the scope of any recommended advisory services. Committee Member O'Neill requested the inclusion of the Attachments C through H listed below for the Committee's reference in discussing the merits of proposed services.

RECOMMENDED ACTION:

- a) Consider whether to consult with an independent third party agency (e.g., Orange County Auditor Controller's Office, Consultant, GFOA, a registered independent municipal advisor, or other) to either (1) evaluate the economic feasibility of reducing the amount of outstanding Certificates of Participation; (2) review the City's debt issuance procedures and provide recommendations to improve and incorporate best practices for debt issuance and administration into the City's policies and procedures; and/or (3) both;
- b) Consider the scope, desired deliverables and contractual arrangement of proposed services (hourly vs. fixed fee and not to exceed dollar value); and
- c) Make appropriate recommendation(s) to the City Manager.

Prepared by:

Submitted by:

/s/ Steve Montano

Steve Montano
Deputy Director, Finance

/s/ Dan Matusiewicz

Dan Matusiewicz
Finance Director

Attachments:

- A. GFOA Debt Policy Best Practice
- B. GFOA Debt Issuance Checklist
- C. Article XI of the City Charter
- D. Council Policy F-6, Debt Management
- E. Council Policy F-28, Facilities Financial Planning Program
- F. Analysis of Early Redemption of City's 2010B Build America Bonds
- G. City of Newport Beach Certificates of Participation Issuance and Closing Memorandum/Pricing Recap
- H. Professional Services Agreement with Fieldman, Rolapp & Associates, Inc. for Feasibility Analysis for Redemption of City's Outstanding Series 2010B Certificates of Participation

ATTACHMENT A
GFOA Debt Policy Best Practice



GFOA Best Practice

Debt Management Policy

Background. Debt management policies are written guidelines, allowances, and restrictions that guide the debt issuance practices of state or local governments, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations. A debt management policy should improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and therefore is likely to meet its debt obligations in a timely manner. Debt management policies should be written with attention to the issuer's specific needs and available financing options and are typically implemented through more specific operating procedures. Finally, debt management policies should be approved by the issuer's governing body to provide credibility, transparency and to ensure that there is a common understanding among elected officials and staff regarding the issuer's approach to debt financing.

Recommendation. GFOA recommends that state and local governments adopt comprehensive written debt management policies. These policies should reflect local, state, and federal laws and regulations. To assist with the development of these policies GFOA recommends that a government's Debt Management Policy (Policy) should be reviewed periodically (and updated if necessary) and should address at least the following:

1. **Debt Limits.** The Policy should consider setting specific limits or acceptable ranges for each type of debt. Limits generally are set for legal, public policy, and financial reasons.
 - a. *Legal restrictions* may be determined by:
 - State constitution or law,
 - Local charter, by-laws, resolution or ordinance, or covenant, and
 - Bond referenda approved by voters.
 - b. *Public Policies* will address the internal standards and considerations within a government and can include:
 - Purposes for which debt proceeds may be used or prohibited,
 - Types of debt that may be issued or prohibited,
 - Relationship to and integration with the Capital Improvement Program, and
 - Policy goals related to economic development, including use of tax increment financing and public-private partnerships.

- c. *Financial restrictions or planning considerations* generally reflect public policy or other financial resources constraints, such as reduced use of a particular type of debt due to changing financial conditions. Appropriate debt limits can have a positive impact on bond ratings, particularly if the government demonstrates adherence to such policies over time. Financial limits often are expressed as ratios customarily used by credit analysts. Different financial limits are used for different types of debt. Examples include:
- *Direct Debt*, including general obligation bonds, are subject to legal requirements and may be able to be measured or limited by the following ratios:
 - Debt per capita,
 - Debt to personal income,
 - Debt to taxable property value, and
 - Debt service payments as a percentage of general fund revenues or expenditures.
 - *Revenue Debt* levels often are limited by debt service coverage ratios (e.g., annual net pledged revenues to annual debt service), additional bond provisions contained in bond covenants, and potential credit rating impacts.
 - *Conduit Debt* limitations may reflect the right of the issuing government to approve the borrower's creditworthiness, including a minimum credit rating, and the purpose of the borrowing issue. Such limitations reflect sound public policy, particularly if there is a contingent impact on the general revenues of the government or marketability of the government's own direct debt.
 - *Short-Term Debt Issuance* should describe the specific purposes and circumstances under which it can be used, as well as limitations in term or size of borrowing.
 - *Variable Rate Debt* should include information about when using non-fixed rate debt is acceptable to the entity either due to the term of the project, market conditions, or debt portfolio structuring purposes.
2. **Debt Structuring Practices.** The Policy should include specific guidelines regarding the debt structuring practices for each type of bond, including:
- Maximum term (often stated in absolute terms or based on the useful life of the asset(s)),
 - Average maturity,
 - Debt service pattern such as equal payments or equal principal amortization,
 - Use of optional redemption features that reflect market conditions and/or needs of the government,
 - Use of variable or fixed-rate debt, credit enhancements, derivatives, short-term debt, and limitations as to when, and to what extent, each can be used, and

- Other structuring practices should be considered, such as capitalizing interest during the construction of the project and deferral of principal, and/or other internal credit support, including general obligation pledges.
3. Debt Issuance Practices. The Policy should provide guidance regarding the issuance process, which may differ for each type of debt. These practices include:
- Selection and use of professional service providers, including an independent financial advisor, to assist with determining the method of sale and the selection of other financing team members,
 - Criteria for determining the sale method (competitive, negotiated, private placement) and investment of proceeds,
 - Use of comparative bond pricing services or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results,
 - Criteria for issuance of advance refunding and current refunding bonds, and
 - Use of credit ratings, minimum bond ratings, determination of the number of ratings, and selection of rating services.
4. Debt Management Practices. The Policy should provide guidance for ongoing administrative activities including:
- Investment of bond proceeds,
 - Primary and secondary market disclosure practices, including annual certifications as required,
 - Arbitrage rebate monitoring and filing,
 - Federal and state law compliance practices, and
 - Ongoing market and investor relations efforts.
5. Use of Derivatives. The Debt Management Policy should clearly state whether or not the entity can or should use derivatives. If the policy allows for the use of derivatives, a separate and comprehensive derivatives policy should be developed (see GFOA's Advisory, Developing a Derivatives Policy and Derivatives Checklist).

References.

GFOA Advisory, Using Variable Rate Debt Instruments, 2010.

GFOA Advisory, Use of Debt-Related Derivatives Products and the Development of a Derivatives policy, 2010.

GFOA Derivatives Checklist, 2010.

GFOA Best Practice, Selecting Bond Counsel, 2008.

GFOA Best Practice, Selecting Financial Advisors, 2008.

GFOA Best Practice, Selecting Underwriters for a Negotiated Bond Sale, 2008.

GFOA/NABL Post Issuance Compliance Checklist, 2003.

Benchmarking and Measuring Debt Capacity, Rowan Miranda and Ron Picur, GFOA, 2000.

A Guide for Preparing a Debt Policy, Patricia Tigue, GFOA, 1998.

Approved by the GFOA's Executive Board, October, 2012.

ATTACHMENT B
GFOA Debt Issuance Checklist

Small Government/New Issuer - Debt Issuance Checklist: Considerations When Issuing Bonds

- 1) Has the issuer retained a municipal advisor (the issuer should determine if they wish to use a municipal advisor that is or is not associated with a municipal broker/dealer firm) and bond counsel to, among other tasks, assist the issuer in determining the most appropriate method of sale: competitive, negotiated, bank qualified, bank loan or private placement? Is the issuer aware of new SEC regulations over municipal advisors, and the changes regarding if and when an underwriter may provide advice to the issuer? Has the issuer discussed the possibilities of using disclosure counsel in addition to bond counsel? (BP – [Selecting and Managing the Engagement of Municipal Advisors](#); BP – [Selecting and Managing the Method of Sale of State and Local Government Bonds](#), BP – [Selecting Bond Counsel](#), [GFOA Municipal Advisor Issue Brief](#))
- 2) Is the type of debt being considered the most appropriate form for the type of project being financed? For example, if the capital improvement is for a revenue-generating project or system, the use of revenue bonds may be a better financing option than using a portion of the government's limited general obligation bonding capacity. (BP – [Debt Management Policy](#))
- 3) Does the maturity structure and estimated debt service match the anticipated flow of revenues available for debt service in a manner that will not raise credit concerns and will unduly contribute to a favorable market reception? (BP – [Debt Management Policy](#))
- 4) For a competitive sale, do the terms and conditions of sale as described in the Notice of Sale allow potential bidders sufficient flexibility to structure the most favorable bid possible? (BP – [Selecting and Managing the Method of Sale of State and Local Government Bonds](#))
- 5) For a negotiated sale, does the underwriter request for proposals (RFP) request sufficient information to enable the issuer to select the most qualified firm at the best price? Does the RFP process provide a transparent and objective evaluation/ranking of respondents, free of undue political influence? Additionally, does the RFP require the underwriter to provide information on the cost of borrowing for the duration of the bonds, not just the cost of issuance, as well as having the underwriter provide at sale pricing comparables and a post-pricing book showing market conditions at the time of the sale and other sales in the market at the time of the sale? (BP – [Selecting and Managing the Method of Sale of State and Local Government Bonds](#), [Selecting and Managing the Engagement of Underwriters for Negotiated Bond Sales](#))
- 6) Depending on method of sale and applicable state laws, has the issuer, with assistance from its municipal advisor and/or bond counsel, developed a preliminary official statement, official statement or other disclosure documents, and are they being properly distributed?" (BP – [Selecting and Managing the Method of Sale of State and Local Government Bonds](#), BP – [Selecting and Managing the Engagement of Municipal Advisors](#), BP - [Selecting Bond Counsel](#))
- 7) Does the preliminary official statement and/or other disclosure documents meet or exceed industry standards? (BP – [Maintaining an Investor Relations Program](#), [Using Your Web Site for Disclosure](#), [Understanding Your Continuing Disclosure Responsibilities](#))

- 8) Has legal counsel been consulted to ensure that all tax and legal requirements been satisfied, including any public notices as directed by state or federal laws?
- 9) Has the municipal advisor and/or bond counsel been consulted to ensure that the appropriate level of investor outreach has been conducted? (BP – [Maintaining an Investor Relations Program](#))
- 10) Have credit ratings been sought for the issue? Has the municipal advisor and/or bond counsel been consulted as to how many different ratings should or need to be obtained for this type of bond issue? Has the municipal advisor and/or bond counsel been consulted about using bond insurance or other credit enhancements for the issue especially if the rating is, or is expected to be A or lower? (BP – [Debt Management Policy](#))
- 11) Have post issuance compliance policies and procedures been adopted, to ensure compliance and understanding of what is required by the issuer on an ongoing basis? (Post Issuance Compliance Checklist, BP - [Debt Management Policy](#), BP - [Understanding Your Continuing Disclosure Responsibilities](#), BP – [Investment of Bond Proceeds](#))
- 12) Do the appropriate issuer officials and representatives have an understanding of all the fees that the issuer must pay in conjunction with the bond transaction? Have the municipal advisor and/or other professionals been consulted about these various fees and if they are necessary and appropriate for a financing of this nature, size and complexity? (BP – [Expenses Charged by Underwriters in Negotiated Sales](#), BP – [Cost of Issuance Incurred in a Publicly Offered Debt Transaction](#)).

Resources

- GFOA Best Practice, [Cost of Issuance in a Publicly Offered Debt Transaction \(2013\)](#)
- GFOA Best Practice, [Debt Management Policy \(2012\)](#)
- GFOA Best Practice, [Expenses Charged by Underwriters in Negotiated Sales \(2012\)](#)
- GFOA Best Practice, [Maintaining an Investor Relations Program \(2010\)](#)
- GFOA Best Practice, [Pricing Bonds in a Negotiated Sale \(2010\)](#)
- GFOA Best Practice, [Understanding Your Continuing Disclosure Responsibilities \(2010\)](#)
- GFOA Best Practice, [Using Your Web Site for Disclosure \(2010\)](#)
- GFOA Best Practice, [Selecting and Managing the Engagement of Municipal Advisors \(2014\)](#)
- GFOA Best Practice, [Selecting Bond Counsel \(2008\)](#)
- GFOA Best Practice, [Selecting and Managing the Engagement of Underwriters for Negotiated Bond Sales \(2014\)](#)
- GFOA Best Practice, [Investment of Bond Proceeds \(2013\)](#)
- GFOA Best Practice, [Selecting and Managing the Method of Sale of State and Local Government Bonds \(2014\)](#)
- GFOA/NABL, Post Issuance Compliance Checklist
- [GFOA Issue Brief: SEC Municipal Advisor Rule](#)
- CDIAAC Debt Issuance Primer, http://www.treasurer.ca.gov/cdiac/publications/alphabetical.asp#debt_primer

ATTACHMENT C
Article XI of the City Charter

City of Newport Beach Charter

Article XI Fiscal Administration

Section 1100 Fiscal Year.

The fiscal year of the City government shall begin on the first day of July of each year and end on the thirtieth day of June of the following year.

Section 1101 Annual Budget. Preparation by the City Manager.

At such date as the City Manager shall determine, each department head shall furnish to the City Manager estimates of revenue and expenditures for his or her department for the ensuing fiscal year, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed budget, the City Manager shall review the estimates, hold conferences thereon with the respective department heads, and may revise the estimates as he or she may deem advisable. (As amended effective December 20, 2010, and January 9, 2013)

Section 1102 Budget. Submission to City Council.

At least thirty-five days prior to the beginning of each fiscal year, the City Manager shall submit to the City Council the proposed budget as prepared by him. After reviewing same and making such revisions as it may deem advisable, the City Council shall determine the time for the holding of a public hearing thereon and shall cause to be published a notice thereof not less than ten days prior to said hearing, by at least one insertion in the official newspaper. Copies of the proposed budget shall be available for inspection by the public in the office of the City Clerk at least ten days prior to said hearing.

Section 1103 Budget. Public Hearing.

At the time so advertised or at any time to which such public hearing shall from time to time be adjourned, the City Council shall hold a public hearing on the proposed budget, at which interested persons desiring to be heard shall be given such opportunity.

Section 1104 Budget. Adoption.

After the conclusion of the public hearing the City Council shall make any revisions of the proposed budget that it may deem advisable and on or before June 30, it shall adopt the budget. A copy thereof, certified by the City Clerk, shall be filed with the person retained by the City Council to perform auditing functions for the Council and a further copy shall be placed, and shall remain on file, in the office of the City Clerk where it shall be

available for public inspection. The budget so certified shall be reproduced and copies made available for the use of the public and of departments, offices and agencies of the City.

Section 1105 Budget. Appropriations.

From the effective date of the budget, the several amounts stated therein as proposed expenditures shall be and become appropriated to the several departments, offices and agencies for the respective objects and purposes therein named. All appropriations shall lapse at the end of the fiscal year to the extent that they shall not have been expended or lawfully encumbered.

At any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative votes of at least four members so as to authorize the transfer of unused balances appropriated for one purpose to another purpose or to appropriate available funds not included in the budget or to cancel any appropriation not expended or encumbered.

Section 1106 Centralized Purchasing.

Under the control and direction of the City Manager there shall be established a centralized purchasing system for all City departments and agencies, except as otherwise in this Charter provided.

Section 1107 Reserved.

(As amended effective April 28, 1966, and December 20, 2010)

Section 1108 Tax Procedure.

The procedure for the assessment, levy and collection of taxes upon property, taxable for municipal purposes, may be prescribed by ordinance of the City Council.

Section 1109 Bonded Debt Limit.

The City shall not incur an indebtedness evidenced by general obligation bonds which shall in the aggregate exceed the sum of fifteen percent of the total assessed valuation, for purposes of City taxation, of all the real and personal property within the City.

No bonded indebtedness which shall constitute a general obligation of the City may be created unless authorized by the affirmative votes of two-thirds of the electors voting on such proposition at any election at which the question is submitted to the electors and unless in full compliance with the provisions of the State Constitution and of this Charter.

Section 1110 Contracts on Public Works.

Every project for the construction or improvement of public buildings, works, streets, drains, sewers, utilities, parks or playgrounds, and every purchase of supplies or materials for any such project, when the total expenditures required for the project exceed One Hundred and Twenty Thousand Dollars (\$120,000.00), or such lesser amount as may be established by ordinance, shall be let by the City Council by contract to the lowest responsible bidder after notice by publication in the official newspaper by one or more insertions, the first of which shall be at least ten (10) days before the time for opening bids. This formal bid dollar amount shall be adjusted annually pursuant to an index specified by City Council resolution. Projects for the maintenance or repair of such facilities are excepted from the requirements of this paragraph if the City Council determines that such work can be performed more economically by a City department than by contracting for the doing of such work.

All bids shall be accompanied by either a certified or cashier's check, or a bidder's bond executed by a corporate surety authorized to engage in such business in California, made payable to the City. Such security shall be in an amount not less than that specified in the notice inviting bids or in the specifications referred to therein, or if no amount be so specified then in an amount not less than ten percent (10%) of the aggregate amount of the bid. If the successful bidder neglects or refuses to enter into the contract, within the time specified in the notice inviting bids or in the specifications referred to therein, the amount of his or her bidder's security shall be declared forfeited to the City and shall be collected and paid into its general fund, and all bonds so forfeited shall be prosecuted and the amount thereof collected and paid into such fund.

The City Council may reject any and all bids presented and may readvertise in its discretion.

The City Council, without advertising for bids, or after rejecting bids, or if no bids are received, may declare and determine that, in its opinion, based on estimates approved by the City Manager, the work in question may be performed better or more economically by the City with its own employees or the supplies or materials may be purchased more economically on the open market, and after the adoption of a Resolution to this effect by at least five (5) affirmative votes of the Council may proceed to have said work done or said supplies or materials purchased in the manner stated, without further observance of the provisions of this Section. Such contracts likewise may be let without advertising for bids, if such work or supplies or materials shall be deemed by the City Council to be of urgent necessity for the preservation of life, health or property, and shall be authorized by Resolution passed by at least five (5) affirmative votes of the Council and containing a declaration of the facts constituting such urgency.

The City Council shall have the power to establish standards, procedures, rules or regulations in order to implement the provisions of this section. (As amended effective April 28, 1966, June 6, 1974, November 4, 1986, and December 20, 2010)

Section 1111 Purchasing Supplies.

The City Council may prescribe by ordinance rules and regulations for the purchasing of supplies, materials and equipment. When making purchases for the City, merchants maintaining an established place of business within the City shall be given the preference, quality and prices being equal.

Section 1112 Cash Basis Fund.

The City Council may maintain a revolving fund, to be known as the "Cash Basis Fund," for the purpose of placing the payment of the running expenses of the City on a cash basis. A balance may be built up in this fund from any available sources in an amount which the City Council deems sufficient with which to meet all lawful demands against the City for the first five months, or other necessary period, of the succeeding fiscal year prior to the receipt of ad valorem tax revenues. Transfers may be made by the City Council from such fund to any other fund or funds of such sum or sums as may be required for the purpose of placing such funds, as nearly as possible, on a cash basis. All money so transferred from the Cash Basis Fund shall be returned thereto before the end of the fiscal year.

Section 1113 Capital Improvement Fund.

A fund for capital improvement generally is hereby created, to be known as the "Capital Improvement Fund." The City Council may create by ordinance a special fund or funds for a special capital improvement purpose. The City Council may transfer to any such fund any unencumbered surplus funds remaining on hand in the City at any time.

Once created, such fund shall remain inviolate for the purpose for which it was created; if for capital improvement generally, then for any such purposes, and if for a special capital improvement, then for such purpose only, unless the use of such fund for some other capital improvement purpose is authorized by the affirmative votes of a majority of the electors voting on such proposition at a general or special election at which such proposition is submitted.

If the purpose for which any special capital improvement fund has been created has been accomplished, the City Council may transfer any unexpended or unencumbered surplus remaining in such fund to the fund for

capital improvement generally, established by this Charter. (As amended effective April 28, 1966, and December 20, 2010)

Section 1114 Claims and Demands.

Except as otherwise provided by the provisions of State law applicable to chartered cities, all claims and demands against the City shall be filed as prescribed by ordinance. Class claims and representative claims are prohibited and may not be pursued against the City, including, but not limited to, a claim for the refund of taxes and/or fees. (As amended effective January 20, 1959, April 28, 1966, and January 9, 2013)

Section 1115 Reserved.

(As amended effective January 20, 1959, and January 9, 2013)

Section 1116 Independent Audit.

The City Council shall employ at the beginning of each fiscal year, a qualified certified public accountant who shall, at such time or times as may be specified by the City Council, and at such other times as he or she shall determine, examine the books, records, inventories and reports of all officers and employees who receive, handle or disburse public funds and of all such other officers, employees or departments as the City Council may direct. Within 270 days after the end of the fiscal year, a final audit and report shall be submitted by such accountant to the City Council, one copy thereof to be distributed to each member, one to the City Manager, Director of Finance, and City Attorney, respectively, and sufficient additional copies of the audit shall be placed on file in the office of the City Clerk where they shall be available for inspection by the general public, available on the City's website or electronic equivalent, and a summary of the financial statement as of the close of the fiscal year shall be published in a newspaper of general circulation within the City. (As amended effective January 20, 1959, April 28, 1966, and January 9, 2013)

ATTACHMENT D
Council Policy F-6, Debt Management

DEBT MANAGEMENT POLICY

A. PURPOSE

The purpose of this policy is to establish guidelines and parameters for the effective governance, management and administration of City debt.

B. BACKGROUND

The City is committed to fiscal sustainability by employing long-term financial planning efforts, maintaining appropriate reserves levels and employing prudent practices in governance, management, budget administration and financial reporting.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. A disciplined thoughtful approach to debt management includes policies that provide guidelines for the City to manage its debt program in-line with those resources. Therefore, the objective of this policy is to provide written guidelines and restrictions concerning the amount and type of debt issued by the City and the ongoing management of the debt portfolio.

This debt management policy is intended to improve the quality of decisions, provide justification for the structure of debt issuance, identify policy goals and demonstrate a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner.

C. CONDITIONS AND PURPOSES OF DEBT ISSUANCE

1. Acceptable Conditions for the Use of Debt

The City believes that prudent amounts of debt can be an equitable and cost-effective means of financing major infrastructure and capital project needs of the City. Debt will be considered to finance such projects if:

- a) It meets the City's goal of distributing the payments for the asset over its useful life so that benefits more closely match costs for both current and future residents.
- b) It is the most cost-effective funding means available to the City, taking into account cash flow needs and other funding alternatives.

- c) It is fiscally prudent and meets the guidelines of this Policy. Any consideration of debt financing shall consider financial alternatives, including pay-as-you-go funding, proceeds derived from development or redevelopment of existing land and capital assets owned by the City, and use of existing or future cash reserves, or combinations thereof.

2. Acceptable Uses of Debt

The City will consider financing for the acquisition, substantial refurbishment, replacement or expansion of physical assets, including land improvements. The primary purpose of debt is to finance one of the following:

- a) Acquisition and or improvement of land, right-of-way or long-term easements.
- b) Acquisition of a capital asset with a useful life of 3 or more years.
- c) Construction or reconstruction of a facility.
- d) Refunding, refinancing, or restructuring debt, subject to refunding objectives and parameters discussed in Section E.
- e) Although not the primary purpose of the financing effort, project reimbursables that include project planning design, engineering and other preconstruction efforts; project-associated furniture fixtures and equipment; capitalized interest, original issuer's discount, underwriter's discount and other costs of issuance.
- f) Interim or cash flow financing, such as anticipation notes.
- g) Refinancing or advance funding of City pension obligations, but only to the extent significant financial benefit is achieved and limited by Section E.

3. Prohibited Uses of Debt

Prohibited uses of debt include the following:

- a) Financing of operating costs except for anticipation notes with a term of less than one year.
- b) Debt issuance used to address budgetary deficits.
- c) Debt issued for periods exceeding the useful life of the asset or projects to be financed.

D. USE OF ALTERNATIVE DEBT INSTRUMENTS

The City recognizes that there are numerous types of financing structures and funding sources available, each with specific benefits, risks, and costs. All potential funding sources are reviewed by management within the context of the Debt Policy and the overall portfolio to ensure that any financial product or structure is consistent with the City's objectives. Regardless of what financing structure(s) is utilized, due-diligence review must be performed for each transaction, including the quantification of potential risks and benefits, and analysis of the impact on City creditworthiness and debt affordability and capacity.

1. Variable Rate Debt

Variable rate debt affords the City the potential to achieve a lower cost debt depending on market conditions. However, the City will seek to limit the use of variable-rate debt due to the potential risks of such instruments.

a) Purpose

The City shall consider the use of variable rate debt for the purposes of:

- i. Reducing the costs of debt issues.
- ii. Increasing flexibility for accelerating principal repayment and amortization.
- iii. Enhancing the management of assets and liabilities (matching short-term "priced debt" with the City's short-term investments).
- iv. Diversifying interest rate exposure.

b) Considerations and Limitations on Variable-Rate Debt

The City may consider the use of all alternative structures and modes of variable rate debt to the extent permissible under State law and will make determinations among different types of modes of variable-rate debt based on cost, benefit, and risk factors. The Finance Director shall consider the following factors in considering whether to utilize variable rate debt:

- i. Any variable rate debt should not exceed 20% of total City General Fund supported debt.
- ii. Any variable rate debt should be fully hedged by expected future Facility Financing Plan reserves or unrestricted General Fund reserve levels.

- iii. Whether interest cost and market conditions (including the shape of the yield curves and relative value considerations) are unfavorable for issuing fixed rate debt.
- iv. The likelihood of projected debt service savings when comparing the cost of fixed rate bonds.
- v. Costs, implementation and administration are quantified and considered.
- vi. Cost and availability of liquidity facilities (lines of credit necessary for variable rate debt obligations and commercial paper in the event that the bonds are not successfully remarketed) are quantified and considered.
- vii. Ability to convert debt to another mode (daily, monthly, fixed) or redeem at par at any time is permitted.
- viii. The findings of a thorough risk management assessment.

c) Risk Management

Any issuance of variable rate debt shall require a rigorous risk assessment, including, but not limited to factors discussed in this section. Variable rate debt subjects the City to additional financial risks (relative to fixed rate bonds), including interest rate risk, tax risk, and certain risks related to providing liquidity for certain types of variable rate debt.

The City will properly manage the risks as follows:

- i. ***Interest Rate Risk and Tax Risk*** - The risk that market interest rates increase on variable-rate debt because of market conditions, changes in taxation of municipal bond interest, or reductions in tax rates. ***Mitigation*** - Limit total variable rate exposure per the defined limits and match the variable rate liabilities with short term assets.
- ii. ***Liquidity/Remarketing Risk*** - The risk that holders of variable rate bonds exercise their "put" option, tender their bonds, and the bonds cannot be remarketed requiring the bond liquidity facility provider to repurchase the bonds. This will result in the City paying a higher rate of interest to the facility provider and the potential rapid amortization of the repurchased bonds. ***Mitigation*** - Limit total direct variable-rate exposure. Seek liquidity facilities which allow for longer (5-10 years) amortization of any draws on the facility. Secure credit support

facilities that result in bond ratings of the highest short-term ratings and long-term ratings not less than AA. If the City's bonds are downgraded below these levels as a result of the facility provider's ratings, a replacement provider shall be sought.

- iii. **Liquidity/Rollover Risk** - The risk that arises due to the shorter term of most liquidity provider agreements (1-5 years) relative to the longer-term amortization schedule of the City's variable-rate bonds. In particular, (1) the City may incur higher renewal fees when renewal agreements are negotiated and (2) the liquidity bank market constricts such that it is difficult to secure third party liquidity at any interest rate. **Mitigation** - Negotiate longer terms on provider contracts to minimize the number of rollovers

2. Derivatives

The use of certain derivative products to hedge variable rate debt, such as interest rate swaps, may be considered to the extent the City has such debt outstanding or under consideration. The City will exercise extreme caution in the use of derivative instruments for hedging purposes, and will consider their utilization only when sufficient understanding of the products and sufficient expertise for their appropriate use has been developed. A comprehensive derivative policy will be adopted by the City prior to any utilization of such instruments.

E. REFUNDING GUIDELINES

The Finance Director shall monitor at least annually all outstanding City debt obligations for potential refinancing opportunities. The City will consider refinancing of outstanding debt to achieve annual savings. Absent a compelling economic reason or financial benefit to the City, any refinancing should not result in any increase to the weighted average life of the refinanced debt.

The City will generally seek to achieve debt service savings which, on a net present value basis, are at least 3% of the debt being refinanced. The net present value assessment shall factor in all costs, including issuance, escrow, and foregone interest earnings of any contributed funds on hand. Any potential refinancing shall additionally consider whether an alternative refinancing opportunity with higher savings is reasonably expected in the future.

Any potential refinancing executed more than 90 days in advance of the outstanding debt optional call date shall require a higher savings threshold. Consideration of this method of refinancing shall place greater emphasis on determining whether an alternative refinancing opportunity with higher savings is reasonably expected in the future.

F. MARKET COMMUNICATION, ADMINISTRATION, AND REPORTING

1. **Rating Agency Relations and Annual or Ongoing Surveillance** - The Finance Director shall be responsible for maintaining the City's relationships with Standard & Poor's Ratings Services, Fitch Ratings and Moody's Investor's Service. The City is committed to maintaining its existing rating levels. In addition to general communication, the Finance Director shall:
 - a) Ensure the rating agencies are provided updated financial information of the City as it becomes publically available.
 - b) Communicate with credit analysts at each agency at least once each year, or as may be requested by the agencies.
 - c) Prior to each proposed new debt issuance, schedule meetings or conference calls with agency analysts and provide a thorough update on the City's financial position, including the impacts of the proposed debt issuance.
2. **Council and Finance Committee Communication** - The Finance Director should report feedback from rating agencies, when and if available, regarding the City's financial strengths and weaknesses and recommendations for addressing any weaknesses as they pertain to maintaining the City's existing credit ratings.
3. **Continuing Disclosure Compliance** - The City shall remain in compliance with Security and Exchange Commission Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefit of its bondholders within 270 days of the close of the fiscal year, or as required in any such agreement for any debt issue. The City shall maintain a log or file evidencing that all continuing disclosure filings have been made promptly.
4. **Debt Issue Record-Keeping** - A copy of all debt-related records shall be retained at the City's offices. At minimum, these records shall include all official statements, bond legal documents/transcripts, resolutions, trustee statements, leases, and title reports for each City financing (to the extent available).
5. **Arbitrage Rebate** - The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code Arbitrage Rebate Requirements. The Finance Director shall ensure that all bond proceeds

and investments are tracked in a manner which facilitates accurate calculation; and, if a rebate payment is due, such payment is made in a timely manner.

G. CREDIT RATINGS

The City will consider published ratings agency guidelines regarding best financial practices and guidelines for structuring its capital funding and debt strategies to maintain the highest possible credit ratings consistent with its current operating and capital needs.

H. LEGAL DEBT LIMIT

Newport Beach Charter section 1109 indicates that the City shall not incur an indebtedness evidenced by general obligation bonds which shall in the aggregate exceed the sum of fifteen percent (15%) of the total assessed valuation, for purposes of City taxation, of all the real and personal property within the City. While this limit defines the absolute maximum legal debt limit for the City, it is not an effective indicator of the City's affordable debt capacity.

I. AFFORDABILITY

Prior to the issuance of debt to finance a project, the City will carefully consider the overall long-term affordability of the proposed debt issuance. The City shall not assume more debt without conducting an objective analysis of the City's ability to assume and support additional debt service payments. The City will consider its long-term revenue and expenditure trends, the impact on operational flexibility and the overall debt burden on the tax payers. The evaluation process shall include a review of generally accepted measures of affordability and will strive to achieve and or maintain debt levels consistent with its current operating and capital needs. The Finance Director shall review benchmarking results of other California cities of comparable size with the City's Finance Committee prior to any significant project financing.

- 1. General Fund-Supported Debt** - General Fund Supported Debt generally include Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs) which are lease obligations that are secured by an installment sale or by a lease-back arrangement between the City and another public entity. The general operating revenues of the City are pledged to pay the lease payments, which are, in turn, used to pay debt service on the bonds or Certificates of Participation.

These obligations do not constitute indebtedness under the state constitutional debt limitation and, therefore, are not subject to voter approval.

Payments to be made under valid leases are payable only in the year in which use and occupancy of the leased property is available, and lease payments may not be accelerated. Lease financing requires the fair market rental value of the leased property to be equal to or greater than the required debt service or lease payment schedule. The lessee (City) is obligated to place in its Annual Budget the rental payments that are due and payable during each fiscal year the lessee has use of the leased property.

The City should strive to maintain its net General Fund-backed debt service at or less than 8% of available annually budgeted revenue. This ratio is defined as the City's annual debt service requirements on Certificates of Participation and Lease Revenue Bonds compared to total General Fund Revenues net of interfund transfers. This ratio, which pertains to only general fund backed debt, is often referred to as "lease burden."

2. **Revenue Bonds** - Long-term obligations payable solely from specific pledged sources, in general, are not subject to a debt limitation. Examples of such long-term obligations include those which achieve the financing or refinancing of projects provided by the issuance of debt instruments that are payable from restricted revenues or user fees (Enterprise Revenues) and revenues generated from a project.

In determining the affordability of proposed revenue bonds, the City will perform an analysis comparing projected annual net revenues (exclusive of depreciation which is a non-cash related expense) to estimated annual debt service. The City should strive to maintain a coverage ratio of 125% using historical and/or projected net revenues to cover annual debt service for bonds. The City may require a rate increase to cover both operations and debt service costs, and create debt service reserve funds to maintain the required coverage ratios.

3. **Special Districts Financing** - The City's Special Districts primarily consist of Community Facilities Districts (CFDs) and 1913/1915 Act Assessment Districts (Assessment Districts). The City will consider requests for Special District

formation and debt issuance when such requests address a public need or provide a public benefit. Each application will be considered on a case by case basis, and the Finance Department may not recommend a financing if it is determined that the financing could be detrimental to the debt position or the best interests of the City.

4. **Conduit Debt** - Conduit financing provides for the issuance of securities by a government agency to finance a project of a third party, such as a non-profit organization or other private entity. The City may sponsor conduit financings for those activities that have a general public purpose and are consistent with the City's overall service and policy objectives. Unless a compelling public policy rationale exists, such conduit financings will not in any way pledge the City's faith and credit.

J. STRUCTURE OF DEBT

1. **Term of Debt** - Debt will be structured with the goal of distributing the payments for the asset over its useful life so that benefits more closely match costs for both current and future residents. Borrowings by the City should be of a duration that does not exceed the useful life of the improvement that it finances. The standard term of long-term borrowing is typically 15-30 years.
2. **Rapidity of Debt Payment** - Accelerated repayment schedules reduce debt burden faster and reduce total borrowing costs. The Finance Department will amortize debt through the most financially advantageous debt structure and to the extent possible, match the City's projected cash flow to the anticipated debt service payments. "Backloading" of debt service will be considered only when one or more of the following occur:
 - a) Natural disasters or extraordinary or unanticipated external factors make payments on the debt in early years prohibitive.
 - b) The benefits derived from the debt issuance can clearly be demonstrated to be greater in the future than in the present.
 - c) Such structuring is beneficial to the City's aggregate overall debt payment schedule or achieves measurable interest savings.
 - d) Such structuring will allow debt service to more closely match project revenues during the early years of the project's operation.

3. **Level Payment** - To the extent practical, bonds will be amortized on a level repayment basis, and revenue bonds will be amortized on a level repayment basis considering the forecasted available pledged revenues to achieve the lowest rates possible. Bond repayments should not increase on an annual basis in excess of 2% without a dedicated and supporting revenue funding stream.
4. **Serial Bonds, Term Bonds, and Capital Appreciation Bonds** - For each issuance, the City will select serial bonds or term bonds, or both. On the occasions where circumstances warrant, Capital Appreciation Bonds (CABs) may be used. The decision to use term, serial, or CAB bonds is driven based on market conditions.
5. **Reserve Funds** - The City shall strive to maintain fund balance in the Facilities Replacement Plan Reserve at a level equal to or greater than the maximum annual debt service of existing obligations.

Adopted - May 14, 2013

ATTACHMENT E

Council Policy F-28, Facilities Financial Planning Program

FACILITIES FINANCIAL PLANNING PROGRAM

PURPOSE

To establish the policy for the administration of the City of Newport Beach's ("City") Facilities Financial Planning Program ("Program").

DISCUSSION

In addition to the annual Capital Improvement Program ("CIP"), the City has established a long term plan for replacement of aging General Fund supported facilities. The primary focus of the Program is the replacement or major renovation of existing physical infrastructure. The addition of new facilities is also a goal of the Program. The emphasis is on structures and adjacent grounds, rather than transportation, environmental, or other projects funded either in whole or in part by the General Fund.

OBJECTIVES

- A. To insure that a long-term program addressing large, non-recurring projects for replacement of facilities is addressed as part of the budget process each year.
- B. To insure that development fees, proceeds derived from redevelopment or redeployment of existing land and capital assets owned by the City, and other non-recurring revenues are dedicated to the replacement of infrastructure facilities, rather than ongoing operating expenses.
- C. To provide a consistent, level funding plan that will minimize the peaks' and valleys' in General Fund support levels for elements of the Program.
- D. To insure that projects are properly prioritized and scheduled, taking into consideration the relative age, condition, and functional viability of current facilities; pairing of projects where prudent; and cost implications of immediate projects for the overall long-term Program.
- E. Budgeting the cost of facilities while those facilities are in use is consistent with good government management practices. However, creating a legacy of

excessive fixed costs for debt service is not. Therefore one of the objectives of this Program is to insure that future generations will not be required to carry a disproportionate fiscal burden for previously completed projects.

SOURCES AND USES OF FUNDS

Funding for the Program comes from development fees, proceeds derived from redevelopment or redeployment of existing land and capital assets owned by the City, contributions from individuals and organizations within the community, annual budget allocations from the General Fund, net proceeds of Certificates of Participation or other financing instruments, and investment earnings on temporarily idle funds.

Program funds are used for actual site acquisition, design, construction, and directly related costs; as well as debt service expenses.

POLICY AND PROCEDURE

- A. 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.
- B. Unless otherwise specified in individual development agreements, other governing documents, or as otherwise specifically directed by the City Council, all development fees received by the City will be dedicated to the Facilities Financial Planning Reserve fund.
- C. Prudent assumptions regarding revenue and expenditure growth, inflation, and all relevant factors will be included in each year's update of the Facilities Financial Planning Tool.
- D. General Fund contributions to the Program shall not be less than three percent (3%) of the total General Fund Revenue Budget. If there is a shortfall in General Fund revenue due to a decline in economic activity and it is necessary to reduce expenditures, General Fund contributions to the Facilities Financial Planning Program can be temporarily modified to maintain contributions under the three percent (3%) threshold.

- E. The financing duration for any borrowed funds shall not exceed thirty (30) years or the projected life of the new facility, whichever is less.
- F. The Facilities Financial Planning Tool may be amended by City Council action in the event of a natural disaster or financial crisis.

Adopted - August 11, 2009

Amended - May 14, 2013

Amended - June 9, 2015

ATTACHMENT F

Analysis of Early Redemption of City's 2010B Build America Bonds

MEMORANDUM

To: City of Newport Beach
From: Robert Porr, Senior Vice President, and Paul Pender, Vice President
Fieldman, Rolapp & Associates (Independent Financial Advisor)
Re: **Analysis of Early Redemption of City's 2010B Build America Bonds**
Date: March 24, 2015

Background

The City issued \$123.3 million of Certificates of Participation (2010A and 2010B) to finance the Civic Center in November of 2010 ("Civic Center bonds"). This included \$16.7 million of traditional municipal bonds and \$106.575 million of Build America Bonds. As a whole, the 30-year financing had a cost to the City of a 4.45% effective interest rate, with annual payments of \$7.6 million.

The tax-exempt portion of the bonds will be fully paid off in July, 2017. The Build America Bonds will be paid off in installments between 2018 and 2040, similar to a home mortgage. The Build America Bonds were utilized in lieu of traditional municipal bonds because they offered significant savings to the City. Under market conditions at the time, had the City utilized traditional bonds, it was estimated such bonds would have cost the City an additional \$719,000 per year in annual payments (\$21.6 million over 30 years).

The City's Build America Bonds may be redeemed early, subject to an additional "Make-Whole" premium. This premium is to account for changes in market conditions since the bonds were issued. Investors in such bonds require this provision to make a long-term investment, without taking the risk they might have their investment redeemed in a lower-investment environment. From the City's viewpoint, the redemption provisions offer the City flexibility, but not the likelihood of any financial or economic benefit.

Answers to FAQ

Is there likely to be an economic benefit to redeem Civic Center bonds early with City cash reserves in a low interest rate environment?

Interest rates are currently very low by historic standards. Based on current market interest rates (3/13/2015), early redemption of the bonds requires a Make-whole premium of price \$45.3 million in addition to the \$106.5 million of bonds outstanding. It would therefore cost the City \$151.8 million to redeem all \$106 million of bonds outstanding, or a cost of \$1.43 for each \$1.00 of bonds redeemed. This would eliminate the approximately \$7.6 million per year in annual payments on the bonds (total of \$188 million over next 25 years). However, it would cost the City the \$151.8 redemption cost plus \$4.6 million annually in lost investment earnings over the next 25 years, for a total cost of \$266 million over 25 years.¹

In today's dollars, this would have a net cost to the City of \$21.6 million.²

¹ Forgone earnings are based on the City's historic / assumed future long-term investment rate of return of 3.00%.

² Figure is based on the redemption cost of outstanding bonds as compared to the opportunity cost of forgone investment earnings and the elimination of future debt service costs. Comparison is discounted to today's dollars at City's assumed long-run cash earning rate of 3.00%.

Is there likely to be an economic benefit to early redeem Civic Center bonds with City cash reserves in a high interest rate environment?

There is not likely to be an economic benefit to the City under most market conditions, including a significantly higher interest rate environment. An increase in US Treasury rates does result in a lower Make-Whole premium to redeem the Civic Center bonds. However, under such circumstances, the cost of any redemption to the City would increase significantly as well. The City's cost would increase due to the higher forgone investment earnings in the higher interest rate environment.

For example, if interest rates increase by 3.00% versus the current market, the Make-Whole premium is approximately \$7 million, resulting in a total redemption cost of \$113.5 million or about \$1.06 for each \$1.00 of bonds redeemed. However, the City would forego the earnings on the \$113.5 million over 25 years at the significantly higher level of interest rates. The foregone earnings of an estimated \$171.4 million still result in a net cost to the City under this scenario of \$18.5 million in today's dollars.³

Hypothetically an interest rate environment could exist where long-term interest rates were high but the City did not anticipate such high rates to translate into its current or future cash reserve earnings. Such a scenario is highly unlikely, however, based on interest rate history and the basis of the City's expected investment earnings in the future.

Is it feasible to assume a tender offer to purchase bonds back would produce an economic benefit?

It can reasonably be assumed that the current owners of the bonds will not sell their bonds at less than the current market price. Because interest rates have declined significantly since the bonds were issued, the bonds will currently be valued at a high premium.

The concept of the "make whole" premium is to provide a mechanism to redeem bonds at an estimate of the market price. How investors view their bonds' market price may differ from the Make-Whole redemption price, but the two values are likely to be similar under any set of market conditions. Therefore, a tender offer to purchase the bonds would likely have a similar economic impact to the City as the cash redemption at the Make-Whole price.

Further, to successfully complete a tender offer to redeem a large amount of bonds, the City may have to offer a premium over investors' perceived market price. Additional broker-dealer and other execution fees would also apply.

Why didn't the City issue traditional COPs with the 10-year call provisions standard to most tax-exempt municipal bonds?

³ Figure is based on comparing the future debt service costs, versus the cash redemption and forgone investment earnings. Comparison is discounted to today's dollars at City's an assumed long-run cash earnings rate of 6.00% under the "high rate" scenario.

Based on market conditions at the time of the Civic Center financing, had the City utilized traditional bonds, it was estimated such bonds would have cost the City an additional \$719,000 per year in annual payments (\$21.6 million over 30 years). The Build America Bonds were therefore utilized to provide the City a significant financial benefit.

Many, if not all major public agencies in California made the same determination in early November, 2010, including the Cities of Pasadena and Los Angeles, the County of Los Angeles, The University of California, and Los Angeles County MTA. In total, nearly \$2.2 billion of Build America Bonds were issued between these agencies.

Why did the City agree to the make-whole call provision?

Make-whole provisions are standard in taxable bonds. The vast majority of the fixed-income market, including US Treasury bonds and corporate bonds, is either non-callable or subject to make-whole provisions. The provisions do allow the bond issuer the flexibility for early redemptions, but are not considered an “economic call feature.”

At the time of the Civic Center bond sale, a 10-year optional redemption at par call feature was not feasible for Build America Bonds, given market conditions. The other comparable Build America Bond issues in California all had make-whole provisions substantially similar to the City’s bonds. These included more than \$2 billion of bonds for public agencies issued in early November, 2010, including the Cities of Pasadena and Los Angeles, the County of Los Angeles, The University of California, and Los Angeles County MTA.

Even had a 10-year optional call feature been available at the time, the City would have had to pay significantly higher interest rates on the Build America Bonds to obtain it.

Is there likely to be economic benefit to refund the Civic Center bonds with new, tax-exempt bonds in a different interest rate environment?

Under current market conditions, it is estimated the City could accomplish a tax-exempt financing at an interest rate of approximately 3.30% for a 25-year term. Refinancing the make-whole price of \$151.8 million, plus issuance expenses, would result in average annual debt service of \$9.1 million per year, or \$230 million over 25 years.

In today’s dollars, this would have a net cost to the City of \$27 million.⁴

It is theoretically possible that a combination of higher US Treasury rates and lower tax-exempt municipal bond rates could make redeeming the Civic Center bonds economic. However, the scenarios under which this would occur are unlikely based on history and finance theory.

For example, for “breakeven” economic redemption under current market conditions, the City’s 25-year borrowing cost would need to decrease to 1.65%, while holding US Treasury rates constant. Or,

⁴ Figure is based on avoiding the current bond costs, as compared to the new bond debt service costs. Comparison is discounted to today’s dollars at City’s expected borrowing cost of 3.30%.

MEMORANDUM

as another example, US Treasury rates would need to increase 3.00% while the City's borrowing cost only increased 0.85%. Neither scenario is likely to occur.

ATTACHMENT G

**City of Newport Beach Certificates of Participation Issuance and Closing
Memorandum/Pricing Recap**

Issuance & Closing Memorandum / Pricing Recap



CITY OF NEWPORT BEACH Certificates of Participation

\$20,085,000

*2010A (Tax Exempt)
(Civic Center Project/
Central Library Refunding)*

\$106,575,000

*2010B (Federally Taxable Direct
Pay Build America Bonds)
(Civic Center Project)*



December 7, 2010



**STONE &
YOUNGBERG**

4350 La Jolla Village Drive, Suite 140 • San Diego, California 92122 • (858) 795-8700



ISSUANCE & CLOSING MEMORANDUM / PRICING RECAP

TO: Tracy McCraner & Dan Matusiewicz – City of Newport Beach
Paul Pender, Robert Porr & Tom DeMars – Fieldman, Rolapp & Associates

FROM: Bill Huck – Stone & Youngberg LLC
Ken Holman – Stone & Youngberg LLC

CC: Carla Campodonico – Stone & Youngberg LLC
Peggy Hickey – Stone & Youngberg LLC

DATE: December 7, 2010

RE: **\$126,660,000**
CITY OF NEWPORT BEACH
Certificates of Participation
\$20,085,000 2010A Civic Center Project/Central Library Refunding (Tax Exempt)
\$106,575,000 2010B Civic Center Project (Federally Taxable Direct Pay Build America Bonds)

The purpose of this booklet is to memorialize the pricing and closing of the aforementioned issue and offer general commentary about the market, both prior to and after the pricing & closing, which occurred on November 30, 2010.

On Wednesday, November 17, 2010, Stone & Youngberg priced the City of Newport Beach Certificates of Participation, Series 2010A and 2010B (the “Certificates”). The bond purchase agreement was signed the same day. This document provides a summary of the pricing and underwriting data which was used to complete the closing documents circulated by Bond Counsel, Stradling Yocca Carlson & Rauth.

Please refer any future inquiries or needs to Bill Huck or Ken Holman at (858) 795-8701 or -8703.

Tab A: Final Numbers:

- Sources & Uses of Funds
- Pricing
- Summary Statistics
- Payment Breakdown
- Net Payment Breakdown
- Summary of Refunding Results
- Savings
- Summary of Certificates Refunded
- Escrow Sufficiency
- Costs of Issuance
- Form 8038 Statistics
- Proof of Arbitrage Yield

Tab B: Pricing Information

- S&P, Moody's & Fitch Rating Reports
- Comparable Market Interest Rate Scales
- Settlement Memorandum (Previously Sent to Finance Team)
- Comparison Between All Tax-Exempt vs. Actual BAB Hybrid Pricing
- Fixed Income Market Update (November 17, 2010)

Tab C: Miscellaneous Information

- Interested Parties List

I. Marketing, Distribution & Pricing

Background:

On February 26, 2010, Stone & Youngberg was engaged by the City of Newport Beach to assist its finance team with developing a financing plan for the City's Civic Center Project ("Project"). Many face to face/conference call meetings, preliminary analysis and two earlier financing efforts related to the Project and potential other projects have been periodically discussed and worked on with the City and its finance team since April of 2005. The Project consists of the design, construction and development of various public buildings and spaces on two raw parcels of land inland of the Newport Beach Central Library (which will also be expanded as a part of the Project), as outlined on page 7 of the final official statement. In addition to assisting to procure proceeds to complete the Project, the financing also refunded (to achieve annual payment savings) the outstanding Series 1998 Certificates of Participation ("COPs") that were dated August 12, 1998. An amount of \$3,990,000 of the 1998 COPs (callable on a current basis on interest payment dates only, the next one being 12/1/10 at 100%) remained outstanding via two term bonds maturing on June 6, 2016 and 2019 with associated rates of 5.05% and 5.15%, respectively.

The City had already begun grading the Project site with funds it had on-hand and planned to reimburse itself from proceeds raised via the financing according to the reimbursement resolution previously authorized by the City Council earlier in 2010. Vertical construction of the Project was expected to commence in January 2011 with completion anticipated in late 2012.

After the finance team contemplated the benefits/costs/pros/cons of a variety of financing mechanisms, issuers and structure, Certificates of Participation were chosen with the issuer to be the City itself vs. another related affiliate –the City's good/positive name of which the finance team decided was important to keep in the title of the financing to assist with marketing efforts. Three of the fundamental financing objectives to help achieve financing efficiencies included:

- 1) Utilize a lease-leaseback structure and pledge other City property assets ("Leased Premises") to forgo the need to fund capitalized interest during the construction risk period (and in 2012 or 2013, provide the legal ability to have the completed Project (the land of which is included within the asset list) replace (automatically and w/out an appraisal) all other Leased Premises in the lease –thus releasing the liens from all other City projects except the Civic Center/Library site itself;

- 2) Through the demonstration of a strong general fund City credit, strive for the highest possible rating from all 3-rating agencies and propose the use of no reserve fund;
- 3) If deemed appropriate and achieves annual savings vs. traditional tax-exempt COPs, utilize taxable Build America Bonds within the financing where economical.

The Leased Premises are described on Page 5 of the official statement and consist of nine separate City properties including the Newport Coast Community Center, OASIS Senior Center, Central Library, Mariners Library, Fire Stations 3, 4 & 7, Police Station and the Civic Center Site. The estimated aggregate value is \$128.9 million via an appraisal completed by William R. Hansen and Gary L. Vogt. (The appraisal was dated September 20, 2010 from the office of William R. Hansen, 3334 E. Coast Highway, Suite 295, Corona Del Mar, CA 92625-2328, (949) 675-7600) A total of 18 City properties were evaluated to provide the capability to add/subtract the value of various properties in an effort to approximately match the appraised value total to the COP par value while keeping the pledged assets to a minimum.

City representatives and members of its finance team presented to Standard & Poor's, Moody's and Fitch in the San Francisco headquarters of Stone & Youngberg on October 1, 2010 –very efficiently and all in one day. By October 19, 2010, ratings of AA+/Aa2/AA+ with stable outlooks were assigned to the COPs by the three aforementioned rating agencies, respectively. The City was assigned the highest possible issuer credit rating of AAA/Aaa/AAA from all three rating agencies, one of only 4 other cities to receive the highest ratings from all three agencies (namely, Beverly Hills, Santa Monica, Manhattan Beach & San Jose). The rating reports are included within Tab B.

Timing Constraints:

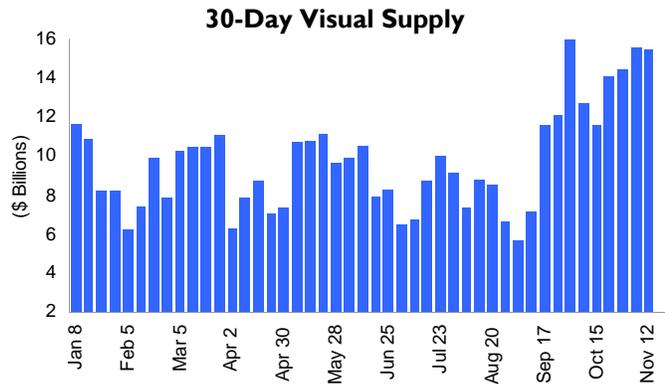
Given the general election that occurred on Tuesday, November 7, there was some sensitivity to delaying any Council consideration of the COP issuance until after the election results were finalized. Therefore, the earliest the Council could consider the various legal documents and preliminary official statement was on the following Tuesday, October 9, 2010. In order to meet the timing to refund the outstanding 1998 COPs and avoid the anticipated last minute market rush of Build America Bond issuance before the possible expiration of December 31, 2010 (coined 'BABalanche' by the industry), pricing had to occur a week later on November 17 and closing was constrained to a date on or before November 30.

Market Conditions:

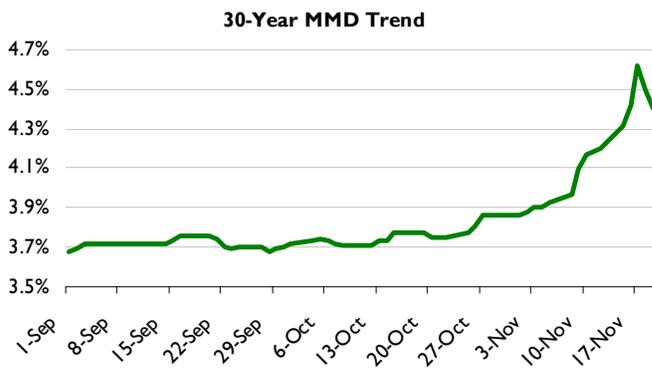
As early as February 26, 2010, the City and its finance team discussed the potential BAB oversupply (and thus potential tougher pricing conditions) in the market before BABs were set to expire on December 31, 2010. For over two months, the City and its finance team also monitored rates, watched and deliberated on whether or not changing the pricing date of November 17, 2010 was an option as several very large State issuances (highlighted below) hit the pricing calendar. Given the timing constraints highlighted above, the City and its finance team were not in an optional pricing situation. While interest rates remained at near historical lows up to, during and after the pricing, there were a number of market challenges in the week prior to, during and after the pricing. As it turned out, the following elements were present:

1. Very volatile Treasury market with up to 20 basis point swings from one day to the next;
2. Heavy primary market supply (especially related to \$10,000,000,000 State of California RANs and \$2,000,000,000 State of California Various Purpose General Obligation Bonds BABs) which effectively caused an 'investors market', as investors could almost name their price or walk away and shop for another tranche of bonds that met their portfolio criteria;
3. Unexpected secondary market supply coming from bond funds facing redemption and therefore needing to engage in fire sale selling.

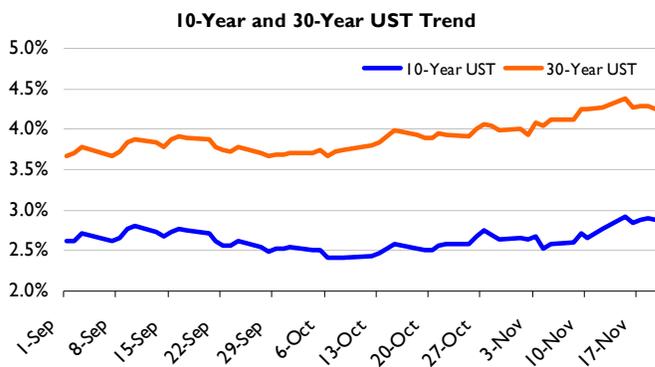
Municipal Market Supply: With the State of California out of the market for more than six months pending completion of its FY 2010-11 budget and with many traditional tax-exempt issuers seeking to take advantage of the BAB program before it expired, the tax-exempt market had been edging toward record low historic interest rate levels in September and October 2010. Demand far outweighed supply; even non-rated bond issues were finding homes at rates below 6%. However, as expected and discussed with the City, this supply-demand dynamic began to change in late October as the typical year-end issuance began to appear. New issue volume increased dramatically, evidenced by 30-day visual supply increasing from about \$7 billion in mid-September to close to \$15.5 billion in mid-November. (See adjacent visual supply data chart) In addition,



the State passed its budget in October and was waiting until after the November 2 election to bring to market its RANs and BABs. Largely due to this supply, the municipal market began weakening across the curve for both high grade and non-rated bonds. At the same time, inflows into municipal mutual funds had begun to taper off. The market conditions indicated that the buy-side was hesitant to lock-in investments. Nearly every deal that priced required some re-pricing to higher levels. The adjacent chart shows the 'AAA' 30-year MMD from September 1 to November 19.



Treasury Market: Similar to municipals, the Treasury market touched rates not seen in decades in September and October, with the 10-year closing below 2.50% and the 30-year below 3.85% in mid-October. Also like municipals, however, this all began to change at the end of October. The week of pricing of the Bonds started with an unexpected end of the day sell-off on Monday, November 15, that pushed Treasury yields sharply higher. For example, the 10 year UST was off -1½ points in price and the yield jumped almost +20 basis points to 2.96%.



The causes are varied, including increasingly widespread beliefs that the U.S. economy was finally gaining traction as evidenced by the pick-up, +1.2%, in October retail sales. In addition, a report from Moody's warned that a permanent extension of the Bush tax cuts, now under consideration in the Congressional lame duck session, would render the level of US debt unsustainable and would have negative implications for the US sovereign debt rating. Added to this

was a lot of foreign consternation over the Fed's QE2 program. This "perfect storm" led to a volatile Treasury market as evidenced in the chart above and further demonstrated with the charts to follow.

Secondary Market Pressure: Finally, adding insult to injury, in the week of pricing, Moody's downgraded all 2005 and 2006 Tobacco Securities as junk bonds. Funds were forced to sell all types of bonds at "fire sale" prices to raise cash to meet bond redemptions. Municipal bonds gapped to higher yields during the the first half of the week with an especially large jump in the intermediate and long portions of the yield curve amid illiquidity and secondary selling pressure.

Pricing:

Series 2010A (Tax-Exempt):

On the preliminary pricing call of November 16, Stone & Youngberg's underwriter proposed a scale with serial maturities from 2011 thru 2019. The serials had yields ranging from 0.65% in 2011 to 3.44%. The interest rates on the term bonds were 2% in 2011, 3% in 2012-2014 and 4% in 2015-2019. The True Interest Cost (TIC) of that scale was 2.32% with a total Project Fund deposit of \$17,688,243.56 and a Refunding Escrow deposit of \$4,091,512.50.

Series 2010B (Taxable BABs):

On the preliminary pricing call of November 16, Stone & Youngberg's underwriter proposed a scale with serial maturities from 2018 thru 2025 and two term bonds maturing in 2030 and 2040. The serials had yields ranging from 4.34% in 2018 (+150 to the 10-yr treasury) to 6.19% in 2025 (+335 to the 10-yr treasury). The coupons on the term bonds were +265 and +280 to the 30-yr treasury, at 6.91% and 7.06%, respectively, for the 2030 and 2040 maturities. The TIC of that scale was 4.44% with a total Project Fund deposit of \$105,390,000. The Project Fund combined deposit for 2010A and 2010B totaled \$123,000,000.

When the order period opened on November 17, the order flow for Series 2010A was extremely positive w/all maturities either oversubscribed or left with light balances. (Tabular summary below)

Maturity	Amount	Total Priority Retail (\$000's)	Total Priority Non-Retail (\$000's)	Total Priority (\$000's)	Total Member Retail (\$000's)	Total Member Non-Retail (\$000's)	Total Member (\$000's)	Total (\$000's)	Balance (\$000's)
07/01/2011	1,755	0	0	0	2,255	1,755	4,010	4,010	-2,255
07/01/2012	2,715	0	0	0	8,670	5,430	14,100	14,100	-11,385
07/01/2013	2,800	0	0	0	6,200	2,800	9,000	9,000	-6,200
07/01/2014	2,885	0	0	0	1,995	55	2,050	2,050	835
07/01/2015	2,970	0	0	0	4,475	350	4,825	4,825	-1,855
07/01/2016	3,090	0	0	0	2,020	0	2,020	2,020	1,070
07/01/2017	3,210	0	0	0	1,725	0	1,725	1,725	1,485
07/01/2018	410	0	0	0	590	410	1,000	1,000	-590
07/01/2019	425	0	0	0	520	425	945	945	-520
TOTAL:	20,260	0	0	0	28,450	11,225	39,675	39,675	3,390

Due to the conditions and factors stated above, the order flow on November 17 for Series 2010B was sluggish with only 3 standing orders from the syndicate (consisting of Stone & Youngberg as lead manager and BofA Merrill Lynch, EJ De La Rosa and Raymond James as co-managers) in the maturities of 2021, 2030 and 2040.

Maturity	Amount	Total Priority Retail (\$000's)	Total Priority Non-Retail (\$000's)	Total Priority (\$000's)	Total Member Retail (\$000's)	Total Member Non-Retail (\$000's)	Total Member (\$000's)	Total (\$000's)	Balance (\$000's)
07/01/2018	2,900	0	2,800	2,800	100	0	100	2,900	
07/01/2019	2,980	0	2,980	2,980	0	0	0	2,980	
07/01/2020	3,065	0	3,065	3,065	0	0	0	3,065	
07/01/2021	3,165	50	3,015	3,065	1,100	250	1,350	4,415	-1,250
07/01/2022	3,275	0	3,275	3,275	0	0	0	3,275	
07/01/2023	3,390	95	4,745	4,840	50	0	50	4,890	-1,500
07/01/2030	17,800	2,100	18,925	21,025	185	10,000	10,185	31,210	-13,410
07/01/2040	70,000	0	73,250	73,250	0	15,000	15,000	88,250	-18,250
TOTAL:	106,575	2,245	112,055	114,300	1,435	25,250	26,685	140,985	

After consulting with all three co-managers, Stone & Youngberg's underwriter suggested that if possible, the syndicate should work to put the deal away the same day, as the market tone was not positive and did not look to be getting any better on the following day, Thursday, which was the scheduled final allocation of the BABs.

The tax-exempt Series 2010A was underwritten that morning with just a slight 5 basis point increase to the 2012 yield (from 0.95% to 1.0%). No other changes were made from the preliminary pricing.

The taxable Series 2010B was more of a challenge. After quite a few inquiries and conversations with various institutional funds, by 10:30am, Stone & Youngberg's underwriter was able to procure some positive interest via two relatively aggressive bids (given the market tone) for the two term BABs if the 2030 term could be sized to total any amount over \$15,000,000 and the 2040 term could reach a minimum of \$70,000,000. The bids were firm at a spread to 30-yr Treasury of 10 basis points greater than the preliminary pricing for the two terms –from +265 to +275 for the 2030 term and from +280 to +290 for the 2040 term.

Because the market was rapidly moving away, the BAB bid offers above came with a fill or kill order deadline of 11:55am. This unfortunately did not leave a significant amount of time to evaluate the options or look for additional buyers while keeping the existing orders on-hand. To meet the minimum order amounts, the serials of 2024 and 2025 were rolled into the 2030 term. The 2040 term sinking fund was extended from 2031-2040 to 2024-2040. Fearing a continuing market degradation and keeping in mind the financing timing constraints previously mentioned, the City accepted the revised structure and pricing deadline and while the underwriting syndicate did not have orders for all the BAB serials of 2018-2023, they were underwritten with an increased spread to 10-yr Treasury of 10 basis points beyond that of the preliminary pricing.

The revised BAB serial yields ranged from 4.451% in 2018 (+160 to the 10-year Treasury) to 7.168% (+300 to the 10-year) in 2023. The term BAB yields of 2030 and 2040 were 7.018% (+275 to the 30-yr) and 7.168% (+290 to the 30-ry). The TIC of the resultant scale was 4.55%, an increase of just over 10 basis points from the preliminary pricing.

The treasury rates were grabbed and set at 11:55am, PST, November 17, 2010 and revealed in the above Bloomberg screen shot for record keeping purposes.

GRAB				Muni		FIT	
Find Security	1) Markets	2) Workflow	3) Setup	4) Strategy	T/ACT		
FIT > Treasuries					11:55		
BILLS				10 YR NOTES			
21) 12/16/10	0.130 / 0.125	0.127	+0.005	36) 3 ¹ / ₂ 520	106-10+ / 106-11 ¹ / ₄	2.736	- 02
22) 02/17/11	0.140 / 0.135	0.137	+0.005	37) 2 ⁵ / ₈ 820	98-12+ / 98-13 ¹ / ₄	2.812	- 02 ³ / ₄
23) 05/19/11	0.185 / 0.180	0.183	--	38) 2 ⁵ / ₈ N20	98-01 / 98-01+	2.851	- 02+
24) 11/17/11	0.260 / 0.255	0.259	-0.003	30 YR BONDS			
2 YR NOTES				39) 4 ³ / ₈ 540	101-29+ / 101-30+	4.258	- 01
25) 0 ³ / ₈ 812	99-27 / 99-27 ³ / ₄	0.459	+ 01 ¹ / ₈	40) 3 ⁷ / ₈ 840	93-12 / 93-13	4.268	- 01+
26) 0 ³ / ₈ 912	99-26 ³ / ₈ / 99-26 ³ / ₈	0.470	+ 01 ¹ / ₈	41) 4 ¹ / ₄ N40	99-21+ / 99-22+	4.268	- 01+
27) 0 ³ / ₈ 012	99-25 ³ / ₈ / 99-25+	0.480	+ 01 ¹ / ₈	Curve Trades			
3 YR NOTES				42) 2YR vs 5YR	95.980 / -96.548	-0.135	
28) 0 ³ / ₄ 913	100-04 ³ / ₄ / 100-05	0.694	+ 03 ¹ / ₄	43) 2YR vs 10YR	236.721 / -237.307	+2.919	
29) 0 ³ / ₄ 013	99-11 ³ / ₄ / 99-12	0.718	+ 03 ¹ / ₄	44) 5YR vs 10YR	140.576 / -140.924	+3.053	
30) 0 ³ / ₄ N13	99-08+ / 99-08 ³ / ₄	0.746	+ 03+	Other Markets			
5 YR NOTES				45) US Long(CBT)	11:45 d	127-09	- 0-14
31) 1 ¹ / ₄ 815	99-10 ¹ / ₄ / 99-10+	1.396	+ 02 ¹ / ₄	46) 10Y Fut(CBT)	11:45 d	124-31+	- 0-02
32) 1 ¹ / ₄ 915	99-06 ¹ / ₄ / 99-06 ¹ / ₄	1.418	+ 03 ¹ / ₄	47) 5Yr Fut(CBT)	11:44 d	120-12	+ 0-03+
33) 1 ¹ / ₄ 015	99-02 ¹ / ₄ / 99-02+	1.444	+ 03 ¹ / ₄	48) DowJones	11:55	11021.609	- 1.891
7 YR NOTES				49) S&P 500 Ind	11:54	1180.510	+ 2.170
34) 1 ⁷ / ₈ 917	98-19 / 98-19 ³ / ₄	2.092	- 02	50) Nymex wti crd	11:44 d	80.500	- 1.840
35) 1 ⁷ / ₈ 017	98-14+ / 98-15	2.113	- 02	51) Gold	11:55	1334.860	- 4.840
T/ACT							
Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000							
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2010 Bloomberg Finance L.P. SN 103608 6566-574-3 17-Nov-10 11:55:04							

Pricing Comparables On Pricing Day:

The only other true comparable with the City of Newport Beach COP credit was the City of Pasadena's Lease Revenue Bond (Rose Bowl Project) pricing on the same day with a rating of AA+/AA+. The City of Pasadena's bonds were structured with \$25,200,000 tax-exempt serials from 2020 to 2026 and \$106,660,000 taxable term BABs in 2034 and 2043). For the tax-exempt series, there were no common maturities between Pasadena and Newport Beach. The 2019 maturity of Newport Beach and 2020 of Pasadena both had 4% coupons, with yields of 3.44% and 4%, respectively. With respect to the BABs, the term maturing in 2034 priced at 6.998% (+275 to the 30-yr treasury) and the term maturing in 2043 priced at 7.148% (+290 to the 30-yr treasury). Newport Beach's 2040 term maturity also priced at +290.

Riverside County Transportation Commission BABs (Aa1/AA+/AA) also priced on Wednesday, November 17. A par amount of \$112,370,000 was structured as a single term maturing in 2039 with a yield of 6.807 (+250 to the 30-yr Treasury), however, that issue price was quickly cut by 60 basis points (7.407% yield and 24 basis points higher than Newport Beach) and those bonds were still being offered by the end of that day. (i.e., those BABs show significant trading and price changes after pricing)

10-Yr & 30-Yr Treasury Trends After Preliminary Pricing & Closing (Thru Friday, 12/7/10):

The two graphs and insets below both demonstrate three aspects:

1. Spanning from December 1977, the 10 & 30-Yr Treasuries remain at near historical lows;
2. While both the 10 & 30-Yr Treasury remain at near historical lows, both also increased by ~40-50 basis points since early October 2010 leading up to the City's pricing (see inset);
3. Compared to the yields on November 16/17th, both the 10 & 30-Yr Treasury have not dipped below those levels and have continued to trend slightly higher through December 7, 2010 (see inset).



(1) Source: Federal Reserve & Bloomberg. As of 12/7/2010.

City of Newport Beach
 2010A & 2010B Certificates of Participation
 (Civic Center Project/Central Library Refunding)



(1) Source: Federal Reserve & Bloomberg. As of 12/7/2010.

CUSIP Numbers

2010 Certificates of Participation
Base CUSIP Number: 651779

2010A

Maturing 7/1

<u>Maturity</u>	<u>CUSIP</u>
2011	BH2
2012	BJ8
2013	BK5
2014	BL3
2015	BM1
2016	BN9
2017	BP4
2018	BQ2
2019	BR0

2010B

Maturing 7/1

2018	CA6
2019	CB4
2020	BS8
2021	BT6
2022	BU3
2023	BV1
2030	BY5
2040	BZ2

Tab A

Final Numbers

SOURCES AND USES OF FUNDS

CITY OF NEWPORT BEACH
Certificates of Participation
Civic Center Project/Central Library Refunding
2010A (Tax Exempt)
2010B (Federally Taxable Direct Pay Build America Bonds)

Final November 17, 2010

Dated Date 11/30/2010
 Delivery Date 11/30/2010

Sources:	2010A (Tax-Exempt)	2010B (Taxable BABs)	Total
<hr/>			
Bond Proceeds:			
Par Amount	20,085,000.00	106,575,000.00	126,660,000.00
Premium	<u>1,155,299.55</u>		<u>1,155,299.55</u>
	21,240,299.55	106,575,000.00	127,815,299.55
<hr/>			
Other Sources of Funds:			
1998 COP Reserve Fund	565,655.00		565,655.00
	<hr/>		
	21,805,954.55	106,575,000.00	128,380,954.55
<hr/>			
Uses:	2010A (Tax-Exempt)	2010B (Taxable BABs)	Total
<hr/>			
Project Fund Deposits:			
Project Fund	17,509,969.90	105,490,030.10	123,000,000.00
Refunding Escrow Deposits:			
Cash Deposit	4,091,512.50		4,091,512.50
Delivery Date Expenses:			
Cost of Issuance	94,004.65	498,807.40	592,812.05
Underwriter's Discount	<u>110,467.50</u>	<u>586,162.50</u>	<u>696,630.00</u>
	204,472.15	1,084,969.90	1,289,442.05
	<hr/>		
	21,805,954.55	106,575,000.00	128,380,954.55
<hr/>			

BOND PRICING

CITY OF NEWPORT BEACH
 Certificates of Participation
 Civic Center Project/Central Library Refunding
 2010A (Tax Exempt)

2010B (Federally Taxable Direct Pay Build America Bonds)

Final November 17, 2010

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)
Tax-Exempt Serial Bonds:						
	07/01/2011	1,740,000	2.000%	0.650%	100.788	13,711.20
	07/01/2012	2,690,000	3.000%	0.950%	103.219	86,591.10
	07/01/2013	2,775,000	3.000%	1.270%	104.386	121,711.50
	07/01/2014	2,860,000	3.000%	1.670%	104.609	131,817.40
	07/01/2015	2,940,000	4.000%	2.000%	108.721	256,397.40
	07/01/2016	3,060,000	4.000%	2.350%	108.588	262,792.80
	07/01/2017	3,185,000	4.000%	2.740%	107.543	240,244.55
	07/01/2018	410,000	4.000%	3.110%	105.971	24,481.10
	07/01/2019	425,000	4.000%	3.440%	104.130	17,552.50
		<u>20,085,000</u>				<u>1,155,299.55</u>
Taxable BAB Serials (MW Call):						
	07/01/2018	2,900,000	4.451%	4.451%	100.000	
	07/01/2019	2,980,000	4.751%	4.751%	100.000	
	07/01/2020	3,065,000	5.051%	5.051%	100.000	
	07/01/2021	3,165,000	5.351%	5.351%	100.000	
	07/01/2022	3,275,000	5.601%	5.601%	100.000	
	07/01/2023	3,390,000	5.851%	5.851%	100.000	
		<u>18,775,000</u>				
Taxable BAB Term Bond Maturing 2030 (MW Call):						
	07/01/2024	2,620,000	7.018%	7.018%	100.000	
	07/01/2025	2,580,000	7.018%	7.018%	100.000	
	07/01/2026	2,555,000	7.018%	7.018%	100.000	
	07/01/2027	2,530,000	7.018%	7.018%	100.000	
	07/01/2028	2,510,000	7.018%	7.018%	100.000	
	07/01/2029	2,505,000	7.018%	7.018%	100.000	
	07/01/2030	2,500,000	7.018%	7.018%	100.000	
		<u>17,800,000</u>				
Taxable BAB Term Bond Maturing 2040 (MW Call):						
	07/01/2024	890,000	7.168%	7.168%	100.000	
	07/01/2025	1,095,000	7.168%	7.168%	100.000	
	07/01/2026	1,295,000	7.168%	7.168%	100.000	
	07/01/2027	1,495,000	7.168%	7.168%	100.000	
	07/01/2028	1,700,000	7.168%	7.168%	100.000	
	07/01/2029	1,900,000	7.168%	7.168%	100.000	
	07/01/2030	2,100,000	7.168%	7.168%	100.000	
	07/01/2031	4,810,000	7.168%	7.168%	100.000	
	07/01/2032	5,035,000	7.168%	7.168%	100.000	
	07/01/2033	5,265,000	7.168%	7.168%	100.000	
	07/01/2034	5,510,000	7.168%	7.168%	100.000	
	07/01/2035	5,770,000	7.168%	7.168%	100.000	
	07/01/2036	6,035,000	7.168%	7.168%	100.000	
	07/01/2037	6,320,000	7.168%	7.168%	100.000	
	07/01/2038	6,615,000	7.168%	7.168%	100.000	
	07/01/2039	6,920,000	7.168%	7.168%	100.000	
	07/01/2040	7,245,000	7.168%	7.168%	100.000	
		<u>70,000,000</u>				
		126,660,000				1,155,299.55

Dated Date	11/30/2010	
Delivery Date	11/30/2010	
First Coupon	01/01/2011	
Par Amount	126,660,000.00	
Premium	1,155,299.55	
Production	127,815,299.55	100.912127%
Underwriter's Discount	(696,630.00)	(0.550000)
Purchase Price	127,118,669.55	100.362127%
Accrued Interest		
Net Proceeds	127,118,669.55	

Notes:
 Note: 2010A maturities of 18 & 19 work to complete 1998 COP refunding
 BAB efficiency switch was in 2018, but cannot be utilized for refunding component

BOND SUMMARY STATISTICS

CITY OF NEWPORT BEACH
Certificates of Participation
Civic Center Project/Central Library Refunding
2010A (Tax Exempt)
2010B (Federally Taxable Direct Pay Build America Bonds)

Final November 17, 2010

Dated Date	11/30/2010
Delivery Date	11/30/2010
Last Maturity	07/01/2040
Arbitrage Yield	2.185672%
True Interest Cost (TIC)	4.437243%
Net Interest Cost (NIC)	6.844853%
All-In TIC	4.477720%
Average Coupon	6.865133%
Average Life (years)	17.857
Duration of Issue (years)	14.322
Par Amount	126,660,000.00
Bond Proceeds	127,815,299.55
Total Interest	155,269,177.59
Net Interest	154,810,508.04
Total Debt Service	281,929,177.59
Maximum Annual Debt Service	10,590,016.76
Average Annual Debt Service	9,529,105.62

Bond Component	Par Value	Price	Average Coupon	Average Life
Tax-Exempt Serial Bonds	20,085,000.00	105.752	3.707%	4.034
Taxable BAB Serials (MW Call)	18,775,000.00	100.000	5.282%	10.178
Taxable BAB Term Bond Maturing 2030 (MW Call)	17,800,000.00	100.000	7.018%	16.555
Taxable BAB Term Bond Maturing 2040 (MW Call)	70,000,000.00	100.000	7.168%	24.213
	126,660,000.00			17.857

	TIC	All-In TIC	Arbitrage Yield
Par Value	126,660,000.00	126,660,000.00	20,085,000.00
+ Accrued Interest			
+ Premium (Discount)	1,155,299.55	1,155,299.55	1,155,299.55
- Underwriter's Discount	(696,630.00)	(696,630.00)	
- Cost of Issuance Expense		(592,812.05)	
- Other Amounts			
Target Value	127,118,669.55	126,525,857.50	21,240,299.55
Target Date	11/30/2010	11/30/2010	11/30/2010
Yield	4.437243%	4.477720%	2.185672%

BOND DEBT SERVICE BREAKDOWN

CITY OF NEWPORT BEACH
Certificates of Participation
Civic Center Project/Central Library Refunding
2010A (Tax Exempt)
2010B (Federally Taxable Direct Pay Build America Bonds)

Final November 17, 2010

Period Ending	2010A (Tax-Exempt)	2010B (Taxable BABs)	Total
07/01/2011	2,141,691.25	4,245,447.04	6,387,138.29
07/01/2012	3,340,550.00	7,243,416.76	10,583,966.76
07/01/2013	3,344,850.00	7,243,416.76	10,588,266.76
07/01/2014	3,346,600.00	7,243,416.76	10,590,016.76
07/01/2015	3,340,800.00	7,243,416.76	10,584,216.76
07/01/2016	3,343,200.00	7,243,416.76	10,586,616.76
07/01/2017	3,345,800.00	7,243,416.76	10,589,216.76
07/01/2018	443,400.00	10,143,416.76	10,586,816.76
07/01/2019	442,000.00	10,094,337.76	10,536,337.76
07/01/2020		10,037,757.96	10,037,757.96
07/01/2021		9,982,944.80	9,982,944.80
07/01/2022		9,923,585.66	9,923,585.66
07/01/2023		9,855,152.90	9,855,152.90
07/01/2024		9,776,804.00	9,776,804.00
07/01/2025		9,694,137.20	9,694,137.20
07/01/2026		9,609,583.20	9,609,583.20
07/01/2027		9,512,447.70	9,512,447.70
07/01/2028		9,412,730.70	9,412,730.70
07/01/2029		9,309,722.90	9,309,722.90
07/01/2030		9,192,730.00	9,192,730.00
07/01/2031		9,076,752.00	9,076,752.00
07/01/2032		8,956,971.20	8,956,971.20
07/01/2033		8,826,062.40	8,826,062.40
07/01/2034		8,693,667.20	8,693,667.20
07/01/2035		8,558,710.40	8,558,710.40
07/01/2036		8,410,116.80	8,410,116.80
07/01/2037		8,262,528.00	8,262,528.00
07/01/2038		8,104,510.40	8,104,510.40
07/01/2039		7,935,347.20	7,935,347.20
07/01/2040		7,764,321.60	7,764,321.60
	23,088,891.25	258,840,286.34	281,929,177.59

BOND DEBT SERVICE BREAKDOWN

CITY OF NEWPORT BEACH
 Certificates of Participation
 Civic Center Project/Central Library Refunding
 2010A (Tax Exempt)
 2010B (Federally Taxable Direct Pay Build America Bonds)

Final November 17, 2010

Period Ending	2010A (Tax-Exempt)	2010B (Taxable BABs)	Total	Annual Total
01/01/2011	59,016.25	623,738.66	682,754.91	
07/01/2011	2,082,675.00	3,621,708.38	5,704,383.38	6,387,138.29
01/01/2012	325,275.00	3,621,708.38	3,946,983.38	
07/01/2012	3,015,275.00	3,621,708.38	6,636,983.38	10,583,966.76
01/01/2013	284,925.00	3,621,708.38	3,906,633.38	
07/01/2013	3,059,925.00	3,621,708.38	6,681,633.38	10,588,266.76
01/01/2014	243,300.00	3,621,708.38	3,865,008.38	
07/01/2014	3,103,300.00	3,621,708.38	6,725,008.38	10,590,016.76
01/01/2015	200,400.00	3,621,708.38	3,822,108.38	
07/01/2015	3,140,400.00	3,621,708.38	6,762,108.38	10,584,216.76
01/01/2016	141,600.00	3,621,708.38	3,763,308.38	
07/01/2016	3,201,600.00	3,621,708.38	6,823,308.38	10,586,616.76
01/01/2017	80,400.00	3,621,708.38	3,702,108.38	
07/01/2017	3,265,400.00	3,621,708.38	6,887,108.38	10,589,216.76
01/01/2018	16,700.00	3,621,708.38	3,638,408.38	
07/01/2018	426,700.00	6,521,708.38	6,948,408.38	10,586,816.76
01/01/2019	8,500.00	3,557,168.88	3,565,668.88	
07/01/2019	433,500.00	6,537,168.88	6,970,668.88	10,536,337.76
01/01/2020		3,486,378.98	3,486,378.98	
07/01/2020		6,551,378.98	6,551,378.98	10,037,757.96
01/01/2021		3,408,972.40	3,408,972.40	
07/01/2021		6,573,972.40	6,573,972.40	9,982,944.80
01/01/2022		3,324,292.83	3,324,292.83	
07/01/2022		6,599,292.83	6,599,292.83	9,923,585.66
01/01/2023		3,232,576.45	3,232,576.45	
07/01/2023		6,622,576.45	6,622,576.45	9,855,152.90
01/01/2024		3,133,402.00	3,133,402.00	
07/01/2024		6,643,402.00	6,643,402.00	9,776,804.00
01/01/2025		3,009,568.60	3,009,568.60	
07/01/2025		6,684,568.60	6,684,568.60	9,694,137.20
01/01/2026		2,879,791.60	2,879,791.60	
07/01/2026		6,729,791.60	6,729,791.60	9,609,583.20
01/01/2027		2,743,723.85	2,743,723.85	
07/01/2027		6,768,723.85	6,768,723.85	9,512,447.70
01/01/2028		2,601,365.35	2,601,365.35	
07/01/2028		6,811,365.35	6,811,365.35	9,412,730.70
01/01/2029		2,452,361.45	2,452,361.45	
07/01/2029		6,857,361.45	6,857,361.45	9,309,722.90
01/01/2030		2,296,365.00	2,296,365.00	
07/01/2030		6,896,365.00	6,896,365.00	9,192,730.00
01/01/2031		2,133,376.00	2,133,376.00	
07/01/2031		6,943,376.00	6,943,376.00	9,076,752.00
01/01/2032		1,960,985.60	1,960,985.60	
07/01/2032		6,995,985.60	6,995,985.60	8,956,971.20
01/01/2033		1,780,531.20	1,780,531.20	
07/01/2033		7,045,531.20	7,045,531.20	8,826,062.40
01/01/2034		1,591,833.60	1,591,833.60	
07/01/2034		7,101,833.60	7,101,833.60	8,693,667.20
01/01/2035		1,394,355.20	1,394,355.20	
07/01/2035		7,164,355.20	7,164,355.20	8,558,710.40
01/01/2036		1,187,558.40	1,187,558.40	
07/01/2036		7,222,558.40	7,222,558.40	8,410,116.80
01/01/2037		971,264.00	971,264.00	
07/01/2037		7,291,264.00	7,291,264.00	8,262,528.00
01/01/2038		744,755.20	744,755.20	
07/01/2038		7,359,755.20	7,359,755.20	8,104,510.40
01/01/2039		507,673.60	507,673.60	
07/01/2039		7,427,673.60	7,427,673.60	7,935,347.20
01/01/2040		259,660.80	259,660.80	
07/01/2040		7,504,660.80	7,504,660.80	7,764,321.60
	23,088,891.25	258,840,286.34	281,929,177.59	281,929,177.59

NET DEBT SERVICE BREAKDOWN

CITY OF NEWPORT BEACH
Certificates of Participation
Civic Center Project/Central Library Refunding
2010A (Tax Exempt)
2010B (Federally Taxable Direct Pay Build America Bonds)

Final November 17, 2010

Period Ending	2010A (Tax-Exempt)	2010B (Taxable BABs)	Total
07/01/2011	2,141,691.25	2,759,540.58	4,901,231.83
07/01/2012	3,340,550.00	4,708,220.90	8,048,770.90
07/01/2013	3,344,850.00	4,708,220.90	8,053,070.90
07/01/2014	3,346,600.00	4,708,220.90	8,054,820.90
07/01/2015	3,340,800.00	4,708,220.90	8,049,020.90
07/01/2016	3,343,200.00	4,708,220.90	8,051,420.90
07/01/2017	3,345,800.00	4,708,220.90	8,054,020.90
07/01/2018	443,400.00	7,608,220.90	8,051,620.90
07/01/2019	442,000.00	7,604,319.54	8,046,319.54
07/01/2020		7,597,292.68	7,597,292.68
07/01/2021		7,596,664.12	7,596,664.12
07/01/2022		7,596,580.68	7,596,580.68
07/01/2023		7,592,349.38	7,592,349.38
07/01/2024		7,583,422.60	7,583,422.60
07/01/2025		7,587,439.18	7,587,439.18
07/01/2026		7,593,729.08	7,593,729.08
07/01/2027		7,591,841.00	7,591,841.00
07/01/2028		7,591,774.96	7,591,774.96
07/01/2029		7,593,069.88	7,593,069.88
07/01/2030		7,585,274.50	7,585,274.50
07/01/2031		7,583,388.80	7,583,388.80
07/01/2032		7,584,281.28	7,584,281.28
07/01/2033		7,579,690.56	7,579,690.56
07/01/2034		7,579,383.68	7,579,383.68
07/01/2035		7,582,661.76	7,582,661.76
07/01/2036		7,578,825.92	7,578,825.92
07/01/2037		7,582,643.20	7,582,643.20
07/01/2038		7,583,181.76	7,583,181.76
07/01/2039		7,579,975.68	7,579,975.68
07/01/2040		7,582,559.04	7,582,559.04
	23,088,891.25	205,547,436.16	228,636,327.41

NET DEBT SERVICE BREAKDOWN

CITY OF NEWPORT BEACH
 Certificates of Participation
 Civic Center Project/Central Library Refunding
 2010A (Tax Exempt)
 2010B (Federally Taxable Direct Pay Build America Bonds)

Final November 17, 2010

Period Ending	2010A (Tax-Exempt)	2010B (Taxable BABs)	Total	Annual Total
01/01/2011	59,016.25	405,430.13	464,446.38	
07/01/2011	2,082,675.00	2,354,110.45	4,436,785.45	4,901,231.83
01/01/2012	325,275.00	2,354,110.45	2,679,385.45	
07/01/2012	3,015,275.00	2,354,110.45	5,369,385.45	8,048,770.90
01/01/2013	284,925.00	2,354,110.45	2,639,035.45	
07/01/2013	3,059,925.00	2,354,110.45	5,414,035.45	8,053,070.90
01/01/2014	243,300.00	2,354,110.45	2,597,410.45	
07/01/2014	3,103,300.00	2,354,110.45	5,457,410.45	8,054,820.90
01/01/2015	200,400.00	2,354,110.45	2,554,510.45	
07/01/2015	3,140,400.00	2,354,110.45	5,494,510.45	8,049,020.90
01/01/2016	141,600.00	2,354,110.45	2,495,710.45	
07/01/2016	3,201,600.00	2,354,110.45	5,555,710.45	8,051,420.90
01/01/2017	80,400.00	2,354,110.45	2,434,510.45	
07/01/2017	3,265,400.00	2,354,110.45	5,619,510.45	8,054,020.90
01/01/2018	16,700.00	2,354,110.45	2,370,810.45	
07/01/2018	426,700.00	5,254,110.45	5,680,810.45	8,051,620.90
01/01/2019	8,500.00	2,312,159.77	2,320,659.77	
07/01/2019	433,500.00	5,292,159.77	5,725,659.77	8,046,319.54
01/01/2020		2,266,146.34	2,266,146.34	
07/01/2020		5,331,146.34	5,331,146.34	7,597,292.68
01/01/2021		2,215,832.06	2,215,832.06	
07/01/2021		5,380,832.06	5,380,832.06	7,596,664.12
01/01/2022		2,160,790.34	2,160,790.34	
07/01/2022		5,435,790.34	5,435,790.34	7,596,580.68
01/01/2023		2,101,174.69	2,101,174.69	
07/01/2023		5,491,174.69	5,491,174.69	7,592,349.38
01/01/2024		2,036,711.30	2,036,711.30	
07/01/2024		5,546,711.30	5,546,711.30	7,583,422.60
01/01/2025		1,956,219.59	1,956,219.59	
07/01/2025		5,631,219.59	5,631,219.59	7,587,439.18
01/01/2026		1,871,864.54	1,871,864.54	
07/01/2026		5,721,864.54	5,721,864.54	7,593,729.08
01/01/2027		1,783,420.50	1,783,420.50	
07/01/2027		5,808,420.50	5,808,420.50	7,591,841.00
01/01/2028		1,690,887.48	1,690,887.48	
07/01/2028		5,900,887.48	5,900,887.48	7,591,774.96
01/01/2029		1,594,034.94	1,594,034.94	
07/01/2029		5,999,034.94	5,999,034.94	7,593,069.88
01/01/2030		1,492,637.25	1,492,637.25	
07/01/2030		6,092,637.25	6,092,637.25	7,585,274.50
01/01/2031		1,386,694.40	1,386,694.40	
07/01/2031		6,196,694.40	6,196,694.40	7,583,388.80
01/01/2032		1,274,640.64	1,274,640.64	
07/01/2032		6,309,640.64	6,309,640.64	7,584,281.28
01/01/2033		1,157,345.28	1,157,345.28	
07/01/2033		6,422,345.28	6,422,345.28	7,579,690.56
01/01/2034		1,034,691.84	1,034,691.84	
07/01/2034		6,544,691.84	6,544,691.84	7,579,383.68
01/01/2035		906,330.88	906,330.88	
07/01/2035		6,676,330.88	6,676,330.88	7,582,661.76
01/01/2036		771,912.96	771,912.96	
07/01/2036		6,806,912.96	6,806,912.96	7,578,825.92
01/01/2037		631,321.60	631,321.60	
07/01/2037		6,951,321.60	6,951,321.60	7,582,643.20
01/01/2038		484,090.88	484,090.88	
07/01/2038		7,099,090.88	7,099,090.88	7,583,181.76
01/01/2039		329,987.84	329,987.84	
07/01/2039		7,249,987.84	7,249,987.84	7,579,975.68
01/01/2040		168,779.52	168,779.52	
07/01/2040		7,413,779.52	7,413,779.52	7,582,559.04
	23,088,891.25	205,547,436.16	228,636,327.41	228,636,327.41

NET DEBT SERVICE

CITY OF NEWPORT BEACH
 Certificates of Participation
 Civic Center Project/Central Library Refunding
 2010A (Tax Exempt)
 2010B (Federally Taxable Direct Pay Build America Bonds)

Final November 17, 2010

Period Ending	Principal	Interest	Total Debt Service	Subsidy	Net Debt Service
07/01/2011	1,740,000	4,647,138.29	6,387,138.29	(1,485,906.46)	4,901,231.83
07/01/2012	2,690,000	7,893,966.76	10,583,966.76	(2,535,195.86)	8,048,770.90
07/01/2013	2,775,000	7,813,266.76	10,588,266.76	(2,535,195.86)	8,053,070.90
07/01/2014	2,860,000	7,730,016.76	10,590,016.76	(2,535,195.86)	8,054,820.90
07/01/2015	2,940,000	7,644,216.76	10,584,216.76	(2,535,195.86)	8,049,020.90
07/01/2016	3,060,000	7,526,616.76	10,586,616.76	(2,535,195.86)	8,051,420.90
07/01/2017	3,185,000	7,404,216.76	10,589,216.76	(2,535,195.86)	8,054,020.90
07/01/2018	3,310,000	7,276,816.76	10,586,816.76	(2,535,195.86)	8,051,620.90
07/01/2019	3,405,000	7,131,337.76	10,536,337.76	(2,490,018.22)	8,046,319.54
07/01/2020	3,065,000	6,972,757.96	10,037,757.96	(2,440,465.28)	7,597,292.68
07/01/2021	3,165,000	6,817,944.80	9,982,944.80	(2,386,280.68)	7,596,664.12
07/01/2022	3,275,000	6,648,585.66	9,923,585.66	(2,327,004.98)	7,596,580.68
07/01/2023	3,390,000	6,465,152.90	9,855,152.90	(2,262,803.52)	7,592,349.38
07/01/2024	3,510,000	6,266,804.00	9,776,804.00	(2,193,381.40)	7,583,422.60
07/01/2025	3,675,000	6,019,137.20	9,694,137.20	(2,106,698.02)	7,587,439.18
07/01/2026	3,850,000	5,759,583.20	9,609,583.20	(2,015,854.12)	7,593,729.08
07/01/2027	4,025,000	5,487,447.70	9,512,447.70	(1,920,606.70)	7,591,841.00
07/01/2028	4,210,000	5,202,730.70	9,412,730.70	(1,820,955.74)	7,591,774.96
07/01/2029	4,405,000	4,904,722.90	9,309,722.90	(1,716,653.02)	7,593,069.88
07/01/2030	4,600,000	4,592,730.00	9,192,730.00	(1,607,455.50)	7,585,274.50
07/01/2031	4,810,000	4,266,752.00	9,076,752.00	(1,493,363.20)	7,583,388.80
07/01/2032	5,035,000	3,921,971.20	8,956,971.20	(1,372,689.92)	7,584,281.28
07/01/2033	5,265,000	3,561,062.40	8,826,062.40	(1,246,371.84)	7,579,690.56
07/01/2034	5,510,000	3,183,667.20	8,693,667.20	(1,114,283.52)	7,579,383.68
07/01/2035	5,770,000	2,788,710.40	8,558,710.40	(976,048.64)	7,582,661.76
07/01/2036	6,035,000	2,375,116.80	8,410,116.80	(831,290.88)	7,578,825.92
07/01/2037	6,320,000	1,942,528.00	8,262,528.00	(679,884.80)	7,582,643.20
07/01/2038	6,615,000	1,489,510.40	8,104,510.40	(521,328.64)	7,583,181.76
07/01/2039	6,920,000	1,015,347.20	7,935,347.20	(355,371.52)	7,579,975.68
07/01/2040	7,245,000	519,321.60	7,764,321.60	(181,762.56)	7,582,559.04
	126,660,000	155,269,177.59	281,929,177.59	(53,292,850.18)	228,636,327.41

NET DEBT SERVICE

CITY OF NEWPORT BEACH
 Certificates of Participation
 Civic Center Project/Central Library Refunding
 2010A (Tax Exempt)
 2010B (Federally Taxable Direct Pay Build America Bonds)

Final November 17, 2010

Period Ending	Principal	Interest	Total Debt Service	Subsidy	Net Debt Service	Annual Net D/S
01/01/2011		682,754.91	682,754.91	(218,308.53)	464,446.38	
07/01/2011	1,740,000	3,964,383.38	5,704,383.38	(1,267,597.93)	4,436,785.45	4,901,231.83
01/01/2012		3,946,983.38	3,946,983.38	(1,267,597.93)	2,679,385.45	
07/01/2012	2,690,000	3,946,983.38	6,636,983.38	(1,267,597.93)	5,369,385.45	8,048,770.90
01/01/2013		3,906,633.38	3,906,633.38	(1,267,597.93)	2,639,035.45	
07/01/2013	2,775,000	3,906,633.38	6,681,633.38	(1,267,597.93)	5,414,035.45	8,053,070.90
01/01/2014		3,865,008.38	3,865,008.38	(1,267,597.93)	2,597,410.45	
07/01/2014	2,860,000	3,865,008.38	6,725,008.38	(1,267,597.93)	5,457,410.45	8,054,820.90
01/01/2015		3,822,108.38	3,822,108.38	(1,267,597.93)	2,554,510.45	
07/01/2015	2,940,000	3,822,108.38	6,762,108.38	(1,267,597.93)	5,494,510.45	8,049,020.90
01/01/2016		3,763,308.38	3,763,308.38	(1,267,597.93)	2,495,710.45	
07/01/2016	3,060,000	3,763,308.38	6,823,308.38	(1,267,597.93)	5,555,710.45	8,051,420.90
01/01/2017		3,702,108.38	3,702,108.38	(1,267,597.93)	2,434,510.45	
07/01/2017	3,185,000	3,702,108.38	6,887,108.38	(1,267,597.93)	5,619,510.45	8,054,020.90
01/01/2018		3,638,408.38	3,638,408.38	(1,267,597.93)	2,370,810.45	
07/01/2018	3,310,000	3,638,408.38	6,948,408.38	(1,267,597.93)	5,680,810.45	8,051,620.90
01/01/2019		3,565,668.88	3,565,668.88	(1,245,009.11)	2,320,659.77	
07/01/2019	3,405,000	3,565,668.88	6,970,668.88	(1,245,009.11)	5,725,659.77	8,046,319.54
01/01/2020		3,486,378.98	3,486,378.98	(1,220,232.64)	2,266,146.34	
07/01/2020	3,065,000	3,486,378.98	6,551,378.98	(1,220,232.64)	5,331,146.34	7,597,292.68
01/01/2021		3,408,972.40	3,408,972.40	(1,193,140.34)	2,215,832.06	
07/01/2021	3,165,000	3,408,972.40	6,573,972.40	(1,193,140.34)	5,380,832.06	7,596,664.12
01/01/2022		3,324,292.83	3,324,292.83	(1,163,502.49)	2,160,790.34	
07/01/2022	3,275,000	3,324,292.83	6,599,292.83	(1,163,502.49)	5,435,790.34	7,596,580.68
01/01/2023		3,232,576.45	3,232,576.45	(1,131,401.76)	2,101,174.69	
07/01/2023	3,390,000	3,232,576.45	6,622,576.45	(1,131,401.76)	5,491,174.69	7,592,349.38
01/01/2024		3,133,402.00	3,133,402.00	(1,096,690.70)	2,036,711.30	
07/01/2024	3,510,000	3,133,402.00	6,643,402.00	(1,096,690.70)	5,546,711.30	7,583,422.60
01/01/2025		3,009,568.60	3,009,568.60	(1,053,349.01)	1,956,219.59	
07/01/2025	3,675,000	3,009,568.60	6,684,568.60	(1,053,349.01)	5,631,219.59	7,587,439.18
01/01/2026		2,879,791.60	2,879,791.60	(1,007,927.06)	1,871,864.54	
07/01/2026	3,850,000	2,879,791.60	6,729,791.60	(1,007,927.06)	5,721,864.54	7,593,729.08
01/01/2027		2,743,723.85	2,743,723.85	(960,303.35)	1,783,420.50	
07/01/2027	4,025,000	2,743,723.85	6,768,723.85	(960,303.35)	5,808,420.50	7,591,841.00
01/01/2028		2,601,365.35	2,601,365.35	(910,477.87)	1,690,887.48	
07/01/2028	4,210,000	2,601,365.35	6,811,365.35	(910,477.87)	5,900,887.48	7,591,774.96
01/01/2029		2,452,361.45	2,452,361.45	(858,326.51)	1,594,034.94	
07/01/2029	4,405,000	2,452,361.45	6,857,361.45	(858,326.51)	5,999,034.94	7,593,069.88
01/01/2030		2,296,365.00	2,296,365.00	(803,727.75)	1,492,637.25	
07/01/2030	4,600,000	2,296,365.00	6,896,365.00	(803,727.75)	6,092,637.25	7,585,274.50
01/01/2031		2,133,376.00	2,133,376.00	(746,681.60)	1,386,694.40	
07/01/2031	4,810,000	2,133,376.00	6,943,376.00	(746,681.60)	6,196,694.40	7,583,388.80
01/01/2032		1,960,985.60	1,960,985.60	(686,344.96)	1,274,640.64	
07/01/2032	5,035,000	1,960,985.60	6,995,985.60	(686,344.96)	6,309,640.64	7,584,281.28
01/01/2033		1,780,531.20	1,780,531.20	(623,185.92)	1,157,345.28	
07/01/2033	5,265,000	1,780,531.20	7,045,531.20	(623,185.92)	6,422,345.28	7,579,690.56
01/01/2034		1,591,833.60	1,591,833.60	(557,141.76)	1,034,691.84	
07/01/2034	5,510,000	1,591,833.60	7,101,833.60	(557,141.76)	6,544,691.84	7,579,383.68
01/01/2035		1,394,355.20	1,394,355.20	(488,024.32)	906,330.88	
07/01/2035	5,770,000	1,394,355.20	7,164,355.20	(488,024.32)	6,676,330.88	7,582,661.76
01/01/2036		1,187,558.40	1,187,558.40	(415,645.44)	771,912.96	
07/01/2036	6,035,000	1,187,558.40	7,222,558.40	(415,645.44)	6,806,912.96	7,578,825.92
01/01/2037		971,264.00	971,264.00	(339,942.40)	631,321.60	
07/01/2037	6,320,000	971,264.00	7,291,264.00	(339,942.40)	6,951,321.60	7,582,643.20
01/01/2038		744,755.20	744,755.20	(260,664.32)	484,090.88	
07/01/2038	6,615,000	744,755.20	7,359,755.20	(260,664.32)	7,099,090.88	7,583,181.76
01/01/2039		507,673.60	507,673.60	(177,685.76)	329,987.84	
07/01/2039	6,920,000	507,673.60	7,427,673.60	(177,685.76)	7,249,987.84	7,579,975.68
01/01/2040		259,660.80	259,660.80	(90,881.28)	168,779.52	
07/01/2040	7,245,000	259,660.80	7,504,660.80	(90,881.28)	7,413,779.52	7,582,559.04
	126,660,000	155,269,177.59	281,929,177.59	(53,292,850.18)	228,636,327.41	228,636,327.41

SUMMARY OF REFUNDING RESULTS

CITY OF NEWPORT BEACH
2010A (Tax-Exempt)

Dated Date	11/30/2010
Delivery Date	11/30/2010
Arbitrage yield	2.185672%
Escrow yield	
Bond Par Amount	3,380,000.00
True Interest Cost	2.690155%
Net Interest Cost	2.792120%
Average Coupon	3.805286%
Average Life	4.753
Par amount of refunded bonds	3,990,000.00
Average coupon of refunded bonds	5.109842%
Average life of refunded bonds	4.829
PV of prior debt to 11/30/2010 @ 2.185672%	4,615,176.30
Net PV Savings	429,499.10
Percentage savings of refunded bonds	10.764388%
Percentage savings of refunding bonds	12.707074%

SAVINGS

CITY OF NEWPORT BEACH
2010A (Tax-Exempt)

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 11/30/2010 @ 2.1856716%
07/01/2011	563,025.00	443,809.44	119,215.56	119,702.43
07/01/2012	564,845.00	439,900.00	124,945.00	122,097.27
07/01/2013	565,655.00	445,000.00	120,655.00	115,369.48
07/01/2014	565,455.00	444,650.00	120,805.00	112,977.07
07/01/2015	564,245.00	444,000.00	120,245.00	109,986.39
07/01/2016	562,025.00	444,400.00	117,625.00	105,260.25
07/01/2017	563,795.00	444,200.00	119,595.00	104,668.55
07/01/2018	563,817.50	443,400.00	120,417.50	103,072.56
07/01/2019	562,552.50	442,000.00	120,552.50	100,921.30
	5,075,415.00	3,991,359.44	1,084,055.56	994,055.30

Savings Summary

PV of savings from cash flow	994,055.30
Less: Prior funds on hand	(565,655.00)
Plus: Refunding funds on hand	1,098.80
Net PV Savings	429,499.10

SUMMARY OF BONDS REFUNDED

**CITY OF NEWPORT BEACH
2010A (Tax-Exempt)**

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Central Library Building Project:					
Term Bond 2016	06/01/2016	5.050%	2,460,000.00	12/01/2010	100.000
Term Bond 2019	06/01/2019	5.150%	1,530,000.00	12/01/2010	100.000
			3,990,000.00		

ESCROW SUFFICIENCY

CITY OF NEWPORT BEACH
2010A (Tax-Exempt Refunding Component)

Current Refunding

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
11/30/2010		4,091,512.50	4,091,512.50	4,091,512.50
12/01/2010	4,091,512.50		(4,091,512.50)	
	4,091,512.50	4,091,512.50	0.00	

NET DEBT SERVICE

CITY OF NEWPORT BEACH
2010A (Tax-Exempt)

Period Ending	Principal	Interest	Total Debt Service	Net Debt Service
07/01/2011	1,740,000	401,691.25	2,141,691.25	2,141,691.25
07/01/2012	2,690,000	650,550.00	3,340,550.00	3,340,550.00
07/01/2013	2,775,000	569,850.00	3,344,850.00	3,344,850.00
07/01/2014	2,860,000	486,600.00	3,346,600.00	3,346,600.00
07/01/2015	2,940,000	400,800.00	3,340,800.00	3,340,800.00
07/01/2016	3,060,000	283,200.00	3,343,200.00	3,343,200.00
07/01/2017	3,185,000	160,800.00	3,345,800.00	3,345,800.00
07/01/2018	410,000	33,400.00	443,400.00	443,400.00
07/01/2019	425,000	17,000.00	442,000.00	442,000.00
	20,085,000	3,003,891.25	23,088,891.25	23,088,891.25

NET DEBT SERVICE

**CITY OF NEWPORT BEACH
2010A (Tax-Exempt)**

Period Ending	Principal	Interest	Total Debt Service	Net Debt Service	Annual Net D/S
01/01/2011		59,016.25	59,016.25	59,016.25	
07/01/2011	1,740,000	342,675.00	2,082,675.00	2,082,675.00	2,141,691.25
01/01/2012		325,275.00	325,275.00	325,275.00	
07/01/2012	2,690,000	325,275.00	3,015,275.00	3,015,275.00	3,340,550.00
01/01/2013		284,925.00	284,925.00	284,925.00	
07/01/2013	2,775,000	284,925.00	3,059,925.00	3,059,925.00	3,344,850.00
01/01/2014		243,300.00	243,300.00	243,300.00	
07/01/2014	2,860,000	243,300.00	3,103,300.00	3,103,300.00	3,346,600.00
01/01/2015		200,400.00	200,400.00	200,400.00	
07/01/2015	2,940,000	200,400.00	3,140,400.00	3,140,400.00	3,340,800.00
01/01/2016		141,600.00	141,600.00	141,600.00	
07/01/2016	3,060,000	141,600.00	3,201,600.00	3,201,600.00	3,343,200.00
01/01/2017		80,400.00	80,400.00	80,400.00	
07/01/2017	3,185,000	80,400.00	3,265,400.00	3,265,400.00	3,345,800.00
01/01/2018		16,700.00	16,700.00	16,700.00	
07/01/2018	410,000	16,700.00	426,700.00	426,700.00	443,400.00
01/01/2019		8,500.00	8,500.00	8,500.00	
07/01/2019	425,000	8,500.00	433,500.00	433,500.00	442,000.00
	20,085,000	3,003,891.25	23,088,891.25	23,088,891.25	23,088,891.25

COST OF ISSUANCE

CITY OF NEWPORT BEACH
2010A (Tax-Exempt)

Cost of Issuance	\$/1000	Amount
Special Counsel (Stradling Yocca Carlson	0.13619	2,735.28
Disclosure Counsel (Hawkins Delafield &	0.08238	1,654.51
Financial Advisor (Fieldman, Rolapp & As	0.13818	2,775.30
Rating Agency (S&P)	0.05447	1,094.11
Rating Agency (Fitch)	0.07307	1,467.71
Rating Agency (Moody's)	0.07972	1,601.14
Printer (Imagemaster)	0.00465	93.40
Appraisal Services (William Hansen/ Gary	0.08105	1,627.82
CLTA Title Insurance (principal) (Fideli	0.08304	1,667.85
Rental Interruption Insurance (24 mo) (T	0.01993	400.28
Trustee (BNY Mellon)	0.00531	106.74
Contingency	0.02964	595.41
Special Counsel (Stradling Yocca Carlson	0.67307	13,518.57
Disclosure Counsel (Hawkins Delafield &	0.40712	8,177.09
Financial Advisor (Fieldman, Rolapp & As	0.68292	13,716.41
Rating Agency (S&P)	0.26923	5,407.43
Rating Agency (Fitch)	0.36116	7,253.87
Rating Agency (Moody's)	0.39399	7,913.31
Printer (Imagemaster)	0.02298	461.61
Appraisal Services (William Hansen/ Gary	0.40056	8,045.20
CLTA Title Insurance (principal) (Fideli	0.41041	8,243.03
Rental Interruption Insurance (24 mo) (T	0.09850	1,978.33
Trustee (BNY Mellon)	0.02627	527.55
Contingency	0.14651	2,942.70
	4.68034	94,004.65

Notes:

On the 2010A TE COI breakout, duplicate line items show b/c the series contains two background components; the background components relate to the 1998 COP refunding and the TE new money components.

FORM 8038 STATISTICS

CITY OF NEWPORT BEACH
2010A (Tax-Exempt)

Dated Date 11/30/2010
Delivery Date 11/30/2010

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Tax-Exempt Serial Bonds:						
	07/01/2011	1,740,000.00	2.000%	100.788	1,753,711.20	1,740,000.00
	07/01/2012	2,690,000.00	3.000%	103.219	2,776,591.10	2,690,000.00
	07/01/2013	2,775,000.00	3.000%	104.386	2,896,711.50	2,775,000.00
	07/01/2014	2,860,000.00	3.000%	104.609	2,991,817.40	2,860,000.00
	07/01/2015	2,940,000.00	4.000%	108.721	3,196,397.40	2,940,000.00
	07/01/2016	3,060,000.00	4.000%	108.588	3,322,792.80	3,060,000.00
	07/01/2017	3,185,000.00	4.000%	107.543	3,425,244.55	3,185,000.00
	07/01/2018	410,000.00	4.000%	105.971	434,481.10	410,000.00
	07/01/2019	425,000.00	4.000%	104.130	442,552.50	425,000.00
		20,085,000.00			21,240,299.55	20,085,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	07/01/2019	4.000%	442,552.50	425,000.00		
Entire Issue			21,240,299.55	20,085,000.00	4.0737	2.1857%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	204,472.15
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00
Proceeds used to currently refund prior issues	4,091,512.50
Proceeds used to advance refund prior issues	0.00
Remaining weighted average maturity of the bonds to be currently refunded	4.8286
Remaining weighted average maturity of the bonds to be advance refunded	0.0000

FORM 8038 STATISTICS

CITY OF NEWPORT BEACH
2010A (Tax-Exempt)

Refunded Bonds

Bond Component	Date	Principal	Coupon	Price	Issue Price
Central Library Building Project:					
TERM2016	06/01/2011	360,000.00	5.050%	100.000	360,000.00
TERM2016	06/01/2012	380,000.00	5.050%	100.000	380,000.00
TERM2016	06/01/2013	400,000.00	5.050%	100.000	400,000.00
TERM2016	06/01/2014	420,000.00	5.050%	100.000	420,000.00
TERM2016	06/01/2015	440,000.00	5.050%	100.000	440,000.00
TERM2016	06/01/2016	460,000.00	5.050%	100.000	460,000.00
TERM2019	06/01/2017	485,000.00	5.150%	100.000	485,000.00
TERM2019	06/01/2018	510,000.00	5.150%	100.000	510,000.00
TERM2019	06/01/2019	535,000.00	5.150%	100.000	535,000.00
		3,990,000.00			3,990,000.00

	Last Call Date	Issue Date	Remaining Weighted Average Maturity
Central Library Building Project	12/01/2010	08/12/1998	4.8286
All Refunded Issues	12/01/2010		4.8286

PROOF OF ARBITRAGE YIELD

CITY OF NEWPORT BEACH
2010A (Tax-Exempt)

Date	Debt Service	PV Factor	Present Value to 11/30/2010 @ 2.1856716%
01/01/2011	59,016.25	0.998129855	58,905.88
07/01/2011	2,082,675.00	0.987339851	2,056,308.02
01/01/2012	325,275.00	0.976666490	317,685.19
07/01/2012	3,015,275.00	0.966108510	2,913,082.84
01/01/2013	284,925.00	0.955664665	272,292.75
07/01/2013	3,059,925.00	0.945333719	2,892,650.28
01/01/2014	243,300.00	0.935114454	227,513.35
07/01/2014	3,103,300.00	0.925005661	2,870,570.07
01/01/2015	200,400.00	0.915006146	183,367.23
07/01/2015	3,140,400.00	0.905114728	2,842,422.29
01/01/2016	141,600.00	0.895330239	126,778.76
07/01/2016	3,201,600.00	0.885651522	2,835,501.91
01/01/2017	80,400.00	0.876077434	70,436.63
07/01/2017	3,265,400.00	0.866606844	2,829,817.99
01/01/2018	16,700.00	0.857238633	14,315.89
07/01/2018	426,700.00	0.847971695	361,829.52
01/01/2019	8,500.00	0.838804934	7,129.84
07/01/2019	433,500.00	0.829737268	359,691.11
	23,088,891.25		21,240,299.55

Proceeds Summary

Delivery date	11/30/2010
Par Value	20,085,000.00
Premium (Discount)	1,155,299.55
Target for yield calculation	21,240,299.55

Note: Column labeled 'Expenses' = Annual Federal Subsidy on BABs.

NET DEBT SERVICE

**CITY OF NEWPORT BEACH
2010B (Taxable BABs)**

Period Ending	Principal	Interest	Total Debt Service	Subsidy	Net Debt Service
07/01/2011		4,245,447.04	4,245,447.04	(1,485,906.46)	2,759,540.58
07/01/2012		7,243,416.76	7,243,416.76	(2,535,195.86)	4,708,220.90
07/01/2013		7,243,416.76	7,243,416.76	(2,535,195.86)	4,708,220.90
07/01/2014		7,243,416.76	7,243,416.76	(2,535,195.86)	4,708,220.90
07/01/2015		7,243,416.76	7,243,416.76	(2,535,195.86)	4,708,220.90
07/01/2016		7,243,416.76	7,243,416.76	(2,535,195.86)	4,708,220.90
07/01/2017		7,243,416.76	7,243,416.76	(2,535,195.86)	4,708,220.90
07/01/2018	2,900,000	7,243,416.76	10,143,416.76	(2,535,195.86)	7,608,220.90
07/01/2019	2,980,000	7,114,337.76	10,094,337.76	(2,490,018.22)	7,604,319.54
07/01/2020	3,065,000	6,972,757.96	10,037,757.96	(2,440,465.28)	7,597,292.68
07/01/2021	3,165,000	6,817,944.80	9,982,944.80	(2,386,280.68)	7,596,664.12
07/01/2022	3,275,000	6,648,585.66	9,923,585.66	(2,327,004.98)	7,596,580.68
07/01/2023	3,390,000	6,465,152.90	9,855,152.90	(2,262,803.52)	7,592,349.38
07/01/2024	3,510,000	6,266,804.00	9,776,804.00	(2,193,381.40)	7,583,422.60
07/01/2025	3,675,000	6,019,137.20	9,694,137.20	(2,106,698.02)	7,587,439.18
07/01/2026	3,850,000	5,759,583.20	9,609,583.20	(2,015,854.12)	7,593,729.08
07/01/2027	4,025,000	5,487,447.70	9,512,447.70	(1,920,606.70)	7,591,841.00
07/01/2028	4,210,000	5,202,730.70	9,412,730.70	(1,820,955.74)	7,591,774.96
07/01/2029	4,405,000	4,904,722.90	9,309,722.90	(1,716,653.02)	7,593,069.88
07/01/2030	4,600,000	4,592,730.00	9,192,730.00	(1,607,455.50)	7,585,274.50
07/01/2031	4,810,000	4,266,752.00	9,076,752.00	(1,493,363.20)	7,583,388.80
07/01/2032	5,035,000	3,921,971.20	8,956,971.20	(1,372,689.92)	7,584,281.28
07/01/2033	5,265,000	3,561,062.40	8,826,062.40	(1,246,371.84)	7,579,690.56
07/01/2034	5,510,000	3,183,667.20	8,693,667.20	(1,114,283.52)	7,579,383.68
07/01/2035	5,770,000	2,788,710.40	8,558,710.40	(976,048.64)	7,582,661.76
07/01/2036	6,035,000	2,375,116.80	8,410,116.80	(831,290.88)	7,578,825.92
07/01/2037	6,320,000	1,942,528.00	8,262,528.00	(679,884.80)	7,582,643.20
07/01/2038	6,615,000	1,489,510.40	8,104,510.40	(521,328.64)	7,583,181.76
07/01/2039	6,920,000	1,015,347.20	7,935,347.20	(355,371.52)	7,579,975.68
07/01/2040	7,245,000	519,321.60	7,764,321.60	(181,762.56)	7,582,559.04
	106,575,000	152,265,286.34	258,840,286.34	(53,292,850.18)	205,547,436.16

NET DEBT SERVICE

CITY OF NEWPORT BEACH
2010B (Taxable BABs)

Period Ending	Principal	Interest	Total Debt Service	Subsidy	Net Debt Service	Annual Net D/S
01/01/2011		623,738.66	623,738.66	(218,308.53)	405,430.13	
07/01/2011		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	2,759,540.58
01/01/2012		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	
07/01/2012		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	4,708,220.90
01/01/2013		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	
07/01/2013		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	4,708,220.90
01/01/2014		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	
07/01/2014		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	4,708,220.90
01/01/2015		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	
07/01/2015		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	4,708,220.90
01/01/2016		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	
07/01/2016		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	4,708,220.90
01/01/2017		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	
07/01/2017		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	4,708,220.90
01/01/2018		3,621,708.38	3,621,708.38	(1,267,597.93)	2,354,110.45	
07/01/2018	2,900,000	3,621,708.38	6,521,708.38	(1,267,597.93)	5,254,110.45	7,608,220.90
01/01/2019		3,557,168.88	3,557,168.88	(1,245,009.11)	2,312,159.77	
07/01/2019	2,980,000	3,557,168.88	6,537,168.88	(1,245,009.11)	5,292,159.77	7,604,319.54
01/01/2020		3,486,378.98	3,486,378.98	(1,220,232.64)	2,266,146.34	
07/01/2020	3,065,000	3,486,378.98	6,551,378.98	(1,220,232.64)	5,331,146.34	7,597,292.68
01/01/2021		3,408,972.40	3,408,972.40	(1,193,140.34)	2,215,832.06	
07/01/2021	3,165,000	3,408,972.40	6,573,972.40	(1,193,140.34)	5,380,832.06	7,596,664.12
01/01/2022		3,324,292.83	3,324,292.83	(1,163,502.49)	2,160,790.34	
07/01/2022	3,275,000	3,324,292.83	6,599,292.83	(1,163,502.49)	5,435,790.34	7,596,580.68
01/01/2023		3,232,576.45	3,232,576.45	(1,131,401.76)	2,101,174.69	
07/01/2023	3,390,000	3,232,576.45	6,622,576.45	(1,131,401.76)	5,491,174.69	7,592,349.38
01/01/2024		3,133,402.00	3,133,402.00	(1,096,690.70)	2,036,711.30	
07/01/2024	3,510,000	3,133,402.00	6,643,402.00	(1,096,690.70)	5,546,711.30	7,583,422.60
01/01/2025		3,009,568.60	3,009,568.60	(1,053,349.01)	1,956,219.59	
07/01/2025	3,675,000	3,009,568.60	6,684,568.60	(1,053,349.01)	5,631,219.59	7,587,439.18
01/01/2026		2,879,791.60	2,879,791.60	(1,007,927.06)	1,871,864.54	
07/01/2026	3,850,000	2,879,791.60	6,729,791.60	(1,007,927.06)	5,721,864.54	7,593,729.08
01/01/2027		2,743,723.85	2,743,723.85	(960,303.35)	1,783,420.50	
07/01/2027	4,025,000	2,743,723.85	6,768,723.85	(960,303.35)	5,808,420.50	7,591,841.00
01/01/2028		2,601,365.35	2,601,365.35	(910,477.87)	1,690,887.48	
07/01/2028	4,210,000	2,601,365.35	6,811,365.35	(910,477.87)	5,900,887.48	7,591,774.96
01/01/2029		2,452,361.45	2,452,361.45	(858,326.51)	1,594,034.94	
07/01/2029	4,405,000	2,452,361.45	6,857,361.45	(858,326.51)	5,999,034.94	7,593,069.88
01/01/2030		2,296,365.00	2,296,365.00	(803,727.75)	1,492,637.25	
07/01/2030	4,600,000	2,296,365.00	6,896,365.00	(803,727.75)	6,092,637.25	7,585,274.50
01/01/2031		2,133,376.00	2,133,376.00	(746,681.60)	1,386,694.40	
07/01/2031	4,810,000	2,133,376.00	6,943,376.00	(746,681.60)	6,196,694.40	7,583,388.80
01/01/2032		1,960,985.60	1,960,985.60	(686,344.96)	1,274,640.64	
07/01/2032	5,035,000	1,960,985.60	6,995,985.60	(686,344.96)	6,309,640.64	7,584,281.28
01/01/2033		1,780,531.20	1,780,531.20	(623,185.92)	1,157,345.28	
07/01/2033	5,265,000	1,780,531.20	7,045,531.20	(623,185.92)	6,422,345.28	7,579,690.56
01/01/2034		1,591,833.60	1,591,833.60	(557,141.76)	1,034,691.84	
07/01/2034	5,510,000	1,591,833.60	7,101,833.60	(557,141.76)	6,544,691.84	7,579,383.68
01/01/2035		1,394,355.20	1,394,355.20	(488,024.32)	906,330.88	
07/01/2035	5,770,000	1,394,355.20	7,164,355.20	(488,024.32)	6,676,330.88	7,582,661.76
01/01/2036		1,187,558.40	1,187,558.40	(415,645.44)	771,912.96	
07/01/2036	6,035,000	1,187,558.40	7,222,558.40	(415,645.44)	6,806,912.96	7,578,825.92
01/01/2037		971,264.00	971,264.00	(339,942.40)	631,321.60	
07/01/2037	6,320,000	971,264.00	7,291,264.00	(339,942.40)	6,951,321.60	7,582,643.20
01/01/2038		744,755.20	744,755.20	(260,664.32)	484,090.88	
07/01/2038	6,615,000	744,755.20	7,359,755.20	(260,664.32)	7,099,090.88	7,583,181.76
01/01/2039		507,673.60	507,673.60	(177,685.76)	329,987.84	
07/01/2039	6,920,000	507,673.60	7,427,673.60	(177,685.76)	7,249,987.84	7,579,975.68
01/01/2040		259,660.80	259,660.80	(90,881.28)	168,779.52	
07/01/2040	7,245,000	259,660.80	7,504,660.80	(90,881.28)	7,413,779.52	7,582,559.04
	106,575,000	152,265,286.34	258,840,286.34	(53,292,850.18)	205,547,436.16	205,547,436.16

COST OF ISSUANCE

**CITY OF NEWPORT BEACH
2010B (Taxable BABs)**

Cost of Issuance	\$/1000	Amount
Special Counsel (Stradling Yocca Carlson	0.80925	86,246.15
Disclosure Counsel (Hawkins Delafield &	0.48950	52,168.40
Financial Advisor (Fieldman, Rolapp & As	0.82110	87,508.29
Rating Agency (S&P)	0.32370	34,498.46
Rating Agency (Fitch)	0.43423	46,278.42
Rating Agency (Moody's)	0.47371	50,485.55
Printer (Imagemaster)	0.02763	2,944.99
Appraisal Services (William Hansen/ Gary	0.48160	51,326.98
CLTA Title Insurance (principal) (Fideli	0.49345	52,589.12
Rental Interruption Insurance (24 mo) (T	0.11843	12,621.39
Trustee (BNY Mellon)	0.03158	3,365.71
Contingency	0.17616	18,773.94
	4.68034	498,807.40

Notes:

On the 2010A TE COI breakout, duplicate line items show b/c the series contains two background components; the background components relate to the 1998 COP refunding and the TE new money components.

FORM 8038 STATISTICS

CITY OF NEWPORT BEACH
2010B (Taxable BABs)

Dated Date 11/30/2010
Delivery Date 11/30/2010

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Taxable BAB Serials (MW Call):						
	07/01/2018	2,900,000.00	4.451%	100.000	2,900,000.00	2,900,000.00
	07/01/2019	2,980,000.00	4.751%	100.000	2,980,000.00	2,980,000.00
	07/01/2020	3,065,000.00	5.051%	100.000	3,065,000.00	3,065,000.00
	07/01/2021	3,165,000.00	5.351%	100.000	3,165,000.00	3,165,000.00
	07/01/2022	3,275,000.00	5.601%	100.000	3,275,000.00	3,275,000.00
	07/01/2023	3,390,000.00	5.851%	100.000	3,390,000.00	3,390,000.00
Taxable BAB Term Bond Maturing 2030 (MW Call):						
	07/01/2024	2,620,000.00	7.018%	100.000	2,620,000.00	2,620,000.00
	07/01/2025	2,580,000.00	7.018%	100.000	2,580,000.00	2,580,000.00
	07/01/2026	2,555,000.00	7.018%	100.000	2,555,000.00	2,555,000.00
	07/01/2027	2,530,000.00	7.018%	100.000	2,530,000.00	2,530,000.00
	07/01/2028	2,510,000.00	7.018%	100.000	2,510,000.00	2,510,000.00
	07/01/2029	2,505,000.00	7.018%	100.000	2,505,000.00	2,505,000.00
	07/01/2030	2,500,000.00	7.018%	100.000	2,500,000.00	2,500,000.00
Taxable BAB Term Bond Maturing 2040 (MW Call):						
	07/01/2024	890,000.00	7.168%	100.000	890,000.00	890,000.00
	07/01/2025	1,095,000.00	7.168%	100.000	1,095,000.00	1,095,000.00
	07/01/2026	1,295,000.00	7.168%	100.000	1,295,000.00	1,295,000.00
	07/01/2027	1,495,000.00	7.168%	100.000	1,495,000.00	1,495,000.00
	07/01/2028	1,700,000.00	7.168%	100.000	1,700,000.00	1,700,000.00
	07/01/2029	1,900,000.00	7.168%	100.000	1,900,000.00	1,900,000.00
	07/01/2030	2,100,000.00	7.168%	100.000	2,100,000.00	2,100,000.00
	07/01/2031	4,810,000.00	7.168%	100.000	4,810,000.00	4,810,000.00
	07/01/2032	5,035,000.00	7.168%	100.000	5,035,000.00	5,035,000.00
	07/01/2033	5,265,000.00	7.168%	100.000	5,265,000.00	5,265,000.00
	07/01/2034	5,510,000.00	7.168%	100.000	5,510,000.00	5,510,000.00
	07/01/2035	5,770,000.00	7.168%	100.000	5,770,000.00	5,770,000.00
	07/01/2036	6,035,000.00	7.168%	100.000	6,035,000.00	6,035,000.00
	07/01/2037	6,320,000.00	7.168%	100.000	6,320,000.00	6,320,000.00
	07/01/2038	6,615,000.00	7.168%	100.000	6,615,000.00	6,615,000.00
	07/01/2039	6,920,000.00	7.168%	100.000	6,920,000.00	6,920,000.00
	07/01/2040	7,245,000.00	7.168%	100.000	7,245,000.00	7,245,000.00
		106,575,000.00			106,575,000.00	106,575,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	07/01/2040	7.168%	7,245,000.00	7,245,000.00		
Entire Issue			106,575,000.00	106,575,000.00	20.4614	4.5088%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	1,084,969.90
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00

PROOF OF ARBITRAGE YIELD

CITY OF NEWPORT BEACH
2010B (Taxable BABs)

Date	Debt Service	Expenses	Total	PV Factor	Present Value to 11/30/2010 @ 4.5087605%
01/01/2011	623,738.66	(218,308.53)	405,430.13	0.996167934	403,876.50
07/01/2011	3,621,708.38	(1,267,597.93)	2,354,110.45	0.974205635	2,293,387.66
01/01/2012	3,621,708.38	(1,267,597.93)	2,354,110.45	0.952727533	2,242,825.84
07/01/2012	3,621,708.38	(1,267,597.93)	2,354,110.45	0.931722954	2,193,378.74
01/01/2013	3,621,708.38	(1,267,597.93)	2,354,110.45	0.911181459	2,145,021.80
07/01/2013	3,621,708.38	(1,267,597.93)	2,354,110.45	0.891092838	2,097,730.96
01/01/2014	3,621,708.38	(1,267,597.93)	2,354,110.45	0.871447107	2,051,482.74
07/01/2014	3,621,708.38	(1,267,597.93)	2,354,110.45	0.852234500	2,006,254.14
01/01/2015	3,621,708.38	(1,267,597.93)	2,354,110.45	0.833445470	1,962,022.69
07/01/2015	3,621,708.38	(1,267,597.93)	2,354,110.45	0.815070677	1,918,766.40
01/01/2016	3,621,708.38	(1,267,597.93)	2,354,110.45	0.797100990	1,876,463.77
07/01/2016	3,621,708.38	(1,267,597.93)	2,354,110.45	0.779527476	1,835,093.78
01/01/2017	3,621,708.38	(1,267,597.93)	2,354,110.45	0.762341402	1,794,635.86
07/01/2017	3,621,708.38	(1,267,597.93)	2,354,110.45	0.745534225	1,755,069.91
01/01/2018	3,621,708.38	(1,267,597.93)	2,354,110.45	0.729097593	1,716,376.26
07/01/2018	6,521,708.38	(1,267,597.93)	5,254,110.45	0.713023336	3,746,303.36
01/01/2019	3,557,168.88	(1,245,009.11)	2,312,159.77	0.697303464	1,612,277.02
07/01/2019	6,537,168.88	(1,245,009.11)	5,292,159.77	0.681930165	3,608,883.38
01/01/2020	3,486,378.98	(1,220,232.64)	2,266,146.34	0.666895797	1,511,283.47
07/01/2020	6,551,378.98	(1,220,232.64)	5,331,146.34	0.652192890	3,476,935.74
01/01/2021	3,408,972.40	(1,193,140.34)	2,215,832.06	0.637814134	1,413,289.01
07/01/2021	6,573,972.40	(1,193,140.34)	5,380,832.06	0.623752383	3,356,306.82
01/01/2022	3,324,292.83	(1,163,502.49)	2,160,790.34	0.610000649	1,318,083.51
07/01/2022	6,599,292.83	(1,163,502.49)	5,435,790.34	0.596552096	3,242,732.12
01/01/2023	3,232,576.45	(1,131,401.76)	2,101,174.69	0.583400040	1,225,825.40
07/01/2023	6,622,576.45	(1,131,401.76)	5,491,174.69	0.570537945	3,132,923.53
01/01/2024	3,133,402.00	(1,096,690.70)	2,036,711.30	0.557959418	1,136,402.25
07/01/2024	6,643,402.00	(1,096,690.70)	5,546,711.30	0.545658207	3,026,608.54
01/01/2025	3,009,568.60	(1,053,349.01)	1,956,219.59	0.533628199	1,043,893.94
07/01/2025	6,684,568.60	(1,053,349.01)	5,631,219.59	0.521863413	2,938,727.47
01/01/2026	2,879,791.60	(1,007,927.06)	1,871,864.54	0.510358003	955,321.05
07/01/2026	6,729,791.60	(1,007,927.06)	5,721,864.54	0.499106250	2,855,818.35
01/01/2027	2,743,723.85	(960,303.35)	1,783,420.50	0.488102562	870,492.11
07/01/2027	6,768,723.85	(960,303.35)	5,808,420.50	0.477341470	2,772,599.98
01/01/2028	2,601,365.35	(910,477.87)	1,690,887.48	0.466817625	789,336.08
07/01/2028	6,811,365.35	(910,477.87)	5,900,887.48	0.456525798	2,693,907.37
01/01/2029	2,452,361.45	(858,326.51)	1,594,034.94	0.446460872	711,674.23
07/01/2029	6,857,361.45	(858,326.51)	5,999,034.94	0.436617845	2,619,285.71
01/01/2030	2,296,365.00	(803,727.75)	1,492,637.25	0.426991826	637,343.90
07/01/2030	6,896,365.00	(803,727.75)	6,092,637.25	0.417578029	2,544,151.46
01/01/2031	2,133,376.00	(746,681.60)	1,386,694.40	0.408371776	566,286.86
07/01/2031	6,943,376.00	(746,681.60)	6,196,694.40	0.399368492	2,474,764.50
01/01/2032	1,960,985.60	(686,344.96)	1,274,640.64	0.390563701	497,828.37
07/01/2032	6,995,985.60	(686,344.96)	6,309,640.64	0.381953027	2,409,986.34
01/01/2033	1,780,531.20	(623,185.92)	1,157,345.28	0.373532191	432,305.72
07/01/2033	7,045,531.20	(623,185.92)	6,422,345.28	0.365297007	2,346,063.51
01/01/2034	1,591,833.60	(557,141.76)	1,034,691.84	0.357243383	369,636.81
07/01/2034	7,101,833.60	(557,141.76)	6,544,691.84	0.349367315	2,286,501.42
01/01/2035	1,394,355.20	(488,024.32)	906,330.88	0.341664889	309,661.44
07/01/2035	7,164,355.20	(488,024.32)	6,676,330.88	0.334132277	2,230,777.64
01/01/2036	1,187,558.40	(415,645.44)	771,912.96	0.326765735	252,234.71
07/01/2036	7,222,558.40	(415,645.44)	6,806,912.96	0.319561601	2,175,228.01
01/01/2037	971,264.00	(339,942.40)	631,321.60	0.312516296	197,298.29
07/01/2037	7,291,264.00	(339,942.40)	6,951,321.60	0.305626316	2,124,506.81
01/01/2038	744,755.20	(260,664.32)	484,090.88	0.298888239	144,689.07
07/01/2038	7,359,755.20	(260,664.32)	7,099,090.88	0.292298714	2,075,055.14
01/01/2039	507,673.60	(177,685.76)	329,987.84	0.285854467	94,328.50
07/01/2039	7,427,673.60	(177,685.76)	7,249,987.84	0.279552296	2,026,750.74
01/01/2040	259,660.80	(90,881.28)	168,779.52	0.273389066	46,142.48
07/01/2040	7,504,660.80	(90,881.28)	7,413,779.52	0.267361717	1,982,160.82
	258,840,286.34	(53,292,850.18)	205,547,436.16		106,575,000.00

Proceeds Summary

Delivery date	11/30/2010
Par Value	106,575,000.00
Target for yield calculation	106,575,000.00

Note: Column labeled 'Expenses' = Annual Federal Subsidy on BABs.

Tab B

Pricing Information

- S&P, Moody's & Fitch Rating Reports
- Comparable Market Interest Rate Scales
- Settlement Memorandum (Previously Sent to Finance Team For Closing)
- Comparison Between All Tax-Exempt vs. Actual BAB Hybrid Pricing
- Fixed Income Market Update (November 17, 2010)

Newport Beach, California; Appropriations; General Obligation

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Table Of Contents

Rationale

Financial Management Assessment: 'Good'

Pension Obligation and Other Post Employment Benefits (OPEB)

Outlook

Related Criteria And Research

Newport Beach, California; Appropriations; General Obligation

Credit Profile		
US\$94.13 mil certs of part (BABs) ser B due 07/01/2040		
<i>Long Term Rating</i>	AA+/Stable	New
US\$28.67 mil certs of part ser A due 07/01/2040		
<i>Long Term Rating</i>	AA+/Stable	New
ICR		
<i>Long Term Rating</i>	AAA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' issuer credit rating (ICR) to the City of Newport Beach, Calif. In addition, Standard & Poor's assigned its 'AA+' long-term rating to the city's series 2010A certificates of participation (COPs) and 2010B COPs. We understand that the series 2010B will be issued as federally taxable direct-pay Build America Bonds (BABs). The outlook on all ratings is stable.

The ICR reflects our opinion of the city's:

- Diverse economy located in Orange County;
- Extremely strong wealth levels with a market value per capita of \$446,254;
- Track record of very strong general fund balances; and
- Good financial management practices and policies.

The COP ratings reflect our view of the city's:

- General creditworthiness;
- Covenant to budget and appropriate lease payments; and
- Appropriation risk associated with appropriation-backed obligations.

The COPs represent an interest in the city's base rental payments, which the city covenants to budget and appropriate. Payments on the COPs come from base rental payments made by the city, as lessee, to the Newport Beach Public Facilities Financing Corp., as lessor, for the use of the city's community center, senior center, two libraries, four fire stations, police station, and corporation yard. The leased assets are consistent with our seismic risk assessment during the life of the bonds. Under the lease agreement, the city covenants to annually budget and appropriate lease payments for the use of the leased properties. Base rental payments are subject to abatement for damage or destruction, which we believe is partially mitigated by the city's covenant to maintain business interruption insurance sufficient to cover rent for 24 months.

We understand that the city intends to designate the series 2010B bonds as BABs and elect to receive a direct federal subsidy equal to 35% of interest on the BABs. We also understand that the city will appropriate for 100% of the interest on the BABs.

We understand that there will not be a debt service reserve requirement for these bonds.

Management reports that it will use COP proceeds to refund roughly \$4 million of the city's 1998 central library COPs and to fund a new civic center complex.

The City of Newport Beach is located 45 miles southwest of Los Angeles and 15 miles south of Long Beach in Orange County (AA-/Stable). The city's population in 2010 was roughly 86,738 and has grown steadily at an annualized rate of roughly 2% since 2000. The largest employment sectors in the city include professional services, health care, lodging/tourism, and government. Some of the city's largest employers include Hoag Memorial Hospital (4,001 employees), Conexant systems (1,650), Pacific Life Insurance Co. (1,513), and the city (940). As of August 2010, Newport Beach's unemployment rate (not seasonally adjusted) stood at 6.1%, lower than the state's rate of 12.4%. Income levels are very strong in our opinion, with median household effective buying income (EBI) at 190% and per capita EBI at 282% of the national average. Market value per capita, an indicator of wealth, is in our view extremely strong at \$446,254. Based on data provided by the city, median all owner-occupied housing value stood at slightly over \$1 million in fiscal 2009.

In our opinion, the city's assessed valuation (AV) has shown good growth, increasing by a 5% average annual rate over the past five years to \$38.7 billion in fiscal 2011. Management does not expect AV to decline, because of the city's maturity and high home values. The tax base is diverse, in our view, with the top 10 taxpayers making up 7.5% of fiscal 2011 AV and the largest taxpayer at approximately 4.8%.

The city's general fund revenue sources are property taxes (47% of fiscal 2009 revenues), sales taxes (17%), transient occupancy tax (7.5%), and other taxes and revenues. The city has maintained what we consider to be very strong fund balances, and has been building reserves since fiscal 2001, reaching a peak unreserved fund balance of roughly 62% of operating expenditures in 2010 (unaudited). In fiscal 2009, the city's total revenues declined by roughly 5.4%, its sales tax by nearly 18%, its transient and occupancy tax (TOT) tax by 12%, and investment earnings by nearly 54%, reflecting the weaker economy. Still, the city ended fiscal 2009 with an operating surplus of roughly \$551,825 (net of transfers, including \$20.3 million to its tidelands fund, which is ongoing) and an unreserved fund balance at what we consider a still very strong level of 57.8% of operating expenditures. Management's unaudited fiscal 2010 results reflect an operating surplus of about \$2.5 million and what we consider a very strong unreserved fund balance of roughly 62% of operating expenditures. For fiscal 2010, management estimates that sales tax revenues declined by 6.6% and TOT taxes grew 2.1% because of the completion of a new hotel. To offset the fiscal 2010 revenue decline, management implemented \$5 million in cost reductions, including an early retirement incentive program (generating savings of \$3 million annually), midyear reductions, contracting-out of services, and requiring employees to pick up additional shares of their pension costs. The city's fiscal 2011 budget shows an operating deficit of roughly \$1.5 million. This reflects the city's conservative budgeting of revenues and public safety expenses. Management expects at least a balanced budget for fiscal 2011 and that reserves will remain flat or grow slightly. Management has identified roughly \$8.2 million in additional savings for fiscal 2011, and has already implemented roughly \$6 million in cost reductions.

We consider the city's financial practices to be "good" under our Financial Management Assessment (FMA) methodology. An FMA of "good" indicates our view that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials.

Including this debt issuance, overall debt levels are what we consider high on a per capita basis at \$8,131 and low as

a percentage of market value at 1.8%. Roughly 82% of the city's debt is overlapping debt from school districts, the county, and water districts. Carrying charges are low, representing roughly 2% of government expenditures. City management does not plan on issuing new debt in the near term.

Financial Management Assessment: 'Good'

We consider the city's financial practices to be "good" under our FMA methodology. An FMA of "good" indicates our view that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Highlights include multiyear financial forecasting, monthly finance committee meetings with quarterly updates to the budget, the maintenance of a rolling 30-year master capital improvement plan with funding sources identified, and the maintenance of a formal investment management policy that is reviewed annually and that requires the submission of quarterly investment reports to city council. The city also has a formal reserve policy of maintaining a contingency reserve of at least 12% of annual general fund operating expenditures and an operating reserve funded by operating surpluses with no set target. The city does not have a comprehensive debt management policy, but has a policy that debt service and capital contributions cannot exceed 5% of budget each year.

Pension Obligation and Other Post Employment Benefits (OPEB)

The city has a policy of 100% funding its annual required contribution to its public employees retirement fund (PERS) and has a pension rate stabilization fund of roughly \$5 million to meet its policy. As of June 2008, the city's PERS unfunded accrued actuarial liability (UAAL) was roughly \$93 million. Historically, the city has made the entire pension contribution of city safety employees on their behalf. Recently, management mandated that all of its safety employees contribute 3.5% of their base pay to offset the city's 9% contribution. Miscellaneous employees have contributed 3.4% to their pension costs since 2008. Due to the 24% investment loss experienced in fiscal 2009, PERS will implement a three-year phase in which it will increase the city's pension costs. To offset the expected additional contributions, management aims to have the remainder of its employees pick up additional shares of their pension costs and introduce a second tier of contribution rates for new miscellaneous employees. Management projects PERS costs to rise by roughly \$2.9 million in fiscal 2013 and \$5.9 million in fiscal 2014 if no adjustments are made. The city's total OPEB UAAL, consistent with Government Accounting Standards Board Statement 45, was roughly \$43.8 million based on a 2009 estimated valuation. Management prefunds a portion of the liability associated with a previous plan over a 20-year amortization. The remaining portion of the OPEB liability is paid on a pay-as-you-go basis. The implied subsidy UAAL was roughly 50% as of June 2009.

Outlook

The stable outlook reflects our view that the city will maintain very strong fund balances and consistent financial operations in the event of revenue challenges and rising pension costs. Our assessment of the city's very strong tax base, wealthy income levels, and good financial management practices further support our view of the stability of the credit.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007
- USPF Criteria: Financial Management Assessment, June 27, 2006

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New Issue: MOODY'S ASSIGNS Aaa ISSUER RATING TO CITY OF NEWPORT BEACH; Aa2 RATING ASSIGNED TO THE CITY'S COPS

Global Credit Research - 21 Oct 2010

APPROXIMATELY \$122 MILLION IN DEBT AFFECTED INCLUDING CURRENT ISSUE

Newport Beach (City of) CA
Municipality
CA

Moody's Rating

ISSUE **RATING**

2010A Civic Center Project/Central Library Refunding COPS Aa2

Sale Amount \$25,200,000
Expected Sale Date 11/16/10
Rating Description Certificates of Participation

2010B Civic Center Project/Central Library Refunding COPS Aa2

Sale Amount \$94,100,000
Expected Sale Date 11/16/10
Rating Description Certificates of Participation

Opinion

NEW YORK, Oct 21, 2010 -- Moody's Investors Service has assigned an Aaa Issuer Rating to the City of Newport Beach. We have also assigned an Aa2 rating to the city's 2010A and 2010B Certificates of Participation (COPs). The two notch rating distinction between the current COP rating and the city's Issuer Rating represents Moody's standard notching for essential purpose, fixed asset leases relative to a California issuer's general obligation or Issuer Rating. Broadly speaking the two notches reflect the risk of abatement (and the related lack of seismic insurance coverage) and the narrower, general fund security pledge for leases compared to the unlimited property tax pledge securing general obligation bonds.

RATINGS RATIONALE

The rating assignments are determined by the city's exceptionally strong socioeconomic profile, which includes very high wealth levels, an economy that has weathered the recession well compared to other cities, and sound prospects for continued economic stability. The city's healthy fiscal position features notably ample reserves and a standard debt profile. The lease provisions are mostly typical with the exception of not having a reserve for the COPs. However, this is only a minor weakness in light of the city's overall credit strengths and was also factored into the rating. The Issuer Rating signals our expectation that despite the pressured statewide economy, the city will continue to perform significantly better than other California and national cities with respect to its local economy and fiscal operations.

The COPs will be issued by the Newport Beach Public Facilities Financing Corporation, which will make debt service payments derived from lease payments received from the city. The city has covenanted to budget and appropriate lease payments for use and occupancy of the leased assets, which include several fire stations, a police station, and central library.

EXCEPTIONALLY STRONG COASTAL SOUTHERN CALIFORNIA ECONOMY

Newport Beach is a full service city of 87,000 people in Orange County located 45 miles south of the city of Los Angeles. The community is bounded to the west by coastline, which is a major draw for tourists and a significant contributor to the local economy. The city is approximately 90% built out and residential but has grown in recent years by annexing adjacent unincorporated areas.

A major strength of the city's credit profile is the substantial wealth of the community and local economy. City residents earn per capita incomes that are almost three times greater than the national median and are second only to the City of Beverly Hills among Moody's-rated Aaa California cities. The median home price in the city is \$1.3 million, which is also among the highest in the nation. The Newport Beach economy has been impacted by the economic recession as indicated by an increase in unemployment. However, the level of joblessness is still just 6% and, though well above the ten-year average of 3.1%, it is still only half of the statewide mark. One factor helping to curb unemployment is the city's location, which provides residents with access to the diverse job centers of both greater Orange County and Los Angeles.

The city's local economy maintains a sound level of diversity among its taxpayers and employment base. The city's principal employers represent a wide range of industries including healthcare, professional services, technology and hospitality. The top ten taxpayers combine to contribute just 7.5% of the total \$38.7 billion assessed valuation. This level of valuation results in an impressive assessed valuation per capita of \$446,000. The assessed valuation continued to grow in both 2010 and 2011, albeit by very modest rates, at a time when many other tax bases around the state were diminished as a result of the recession.

The rise in unemployment and slowdown in assessed valuation clearly indicate that the city has not been immune to the effects of the recession. However, the rating incorporates our expectation that the city's economy and socioeconomic profile will continue to withstand the recession significantly more resiliently than other cities within the state and around the nation.

VERY HEALTHY FISCAL POSITION HIGHLIGHTED BY AMPLE RESERVES

The city has consistently maintained a very healthy fiscal position that has resulted in the accumulation of a considerable level of reserves and a strong cash position. The city's general fund balance has averaged 47.5% of total general fund revenues over the last six years including a very healthy 55.2% in 2010. These figures are consistent with the Aaa rating level within the state and well above the national median for the rating level. Including other unrestricted funds outside of the city's general fund, the total available reserves rise to 96% for fiscal 2010. The city's general fund cash position has also been consistently stout while averaging 46% since fiscal 2005. The city's fiscal 2010 general fund balance was preserved by mid-year budget cuts that reduced an \$8 million budget gap. These reductions allowed the city to refrain from using reserves to address the budget and maintain structural balance.

For fiscal 2011, the city anticipates balanced operations that will enable the maintenance of a healthy reserve position. The city plans to transfer \$31 million from the general fund to the facilities financing special revenue fund. Despite the transfer, the monies will remain available for use in the general fund on an unrestricted basis, which will keep the total available fund balance at an unusually high level. As it has for more than a decade, the city will also transfer approximately \$20 million to its Tidelands fund in recognition of the costs associated with providing primarily public safety service to the beaches and marina. This subsidy has been level and consistent and is not expected to change in the foreseeable future.

The city's finances have remained robust through the economic downturn, in part, because the city has a below average reliance upon sales tax revenues, which have been particularly volatile during the recession. Sales tax revenues only comprise 14% of the city's total revenue base versus the 20% to 25% level more common in California cities. The city's sales tax base also benefitted from not having a single auto dealership close as opposed to other communities, which lost meaningful portions of sales tax revenues following a dealership loss. Though sales tax revenue did decline in both 2009 and 2010, the level of deterioration given the limited exposure to the revenue stream was not enough to significantly disrupt the city's fiscal operations. Here again the city benefits from the wealth of its citizenry who, despite the recession, retain well-above average purchasing power to help support sales tax revenue. So far for fiscal 2011, sales tax revenues are on pace to improve from the previous year with auto dealers, retail, and restaurants recognizing the biggest gains.

Property tax revenues are typically half of the city's revenues and have continued to grow slowly over the last two years reflecting the general weakness in the housing market. The city is a well-established community that did not undergo rapid growth resulting from high volumes of new housing starts as was the case in other portions of the state. As a result, the city is also not undergoing as severe a home price correction and property tax revenues have remained stable.

Moody's anticipates that the city will continue to effectively manage operations to retain its overall fiscal strength despite ongoing economic uncertainty that could pressure revenues and require swift expenditure adjustments.

SOUND DEBT POSITION WITH NO FIRM ADDITIONAL DEBT PLANS

The current issue will be the city's only general fund debt obligation and will result in manageable annual lease payments of approximately 5% of total general fund revenues. Following the sale, the city will have direct and overall debt levels 0.3% and 1.8% respectively, which is typical for a Moody's-rated city. The new money proceeds from the sale will be used to finance construction of the city's new civic center including city hall, civic center park, parking structure, and library expansion. The city will also refund its 1998 Library COPs and receive level annual debt service savings with no extension of the maturity schedule. The leased assets have a combined appraised value of \$140 million as established by a third-party appraisal firm. Once construction is complete, the city expects to substitute the new civic center as the leased asset. The city will also budget debt service for the Build America Bonds portion of the debt on a gross basis inclusive of expected subsidies. The city has no additional borrowing plans.

MOSTLY STANDARD LEGAL STRUCTURE AND COVENANTS BUT NO RESERVE FUND FOR COPs

The legal provisions of the sale are largely standard with the exception of there being no reserve for the COPs. This weakness is sufficiently offset by the city's available reserves and move to transfer general fund resources to the facility financing fund to support the debt (though these funds are not solely restricted for the COPs). Other elements of the legal provisions are more typical and include two-years of rental interruption insurance, title, liability, property and casualty insurance. The lease purchase agreement also allows the city to substitute leased assets in the event that it loses use and occupancy of all or a portion of one of the current leased assets.

WHAT COULD CHANGE THE RATING -UP

N/A

WHAT COULD CHANGE THE RATING- DOWN

The rating could become pressured if the city's fiscal position materially deteriorates while the city's socioeconomic profile becomes significantly weaker.

KEY STATISTICS

Fiscal 2011 assessed valuation: \$38.7 billion

Assessed valuation per capita: \$446,000

Fiscal 2010 general fund balance (unaudited actual): 55.2%

Direct debt burden: 0.3%

Overall debt burden: 1.8%

The principal methodology used in rating Newport Beach Public Facilities Financing Corporation, CA was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations rating methodology published in October 2004. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found on Moody's website.

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Tax Supported
New Issue

Newport Beach, California

Ratings

Certificates of Participation, Series 2010A (Tax Exempt; Civic Center Project/Central Library Refunding)	AA+
Certificates of Participation, Series 2010B (Federally Taxable Direct-Pay Build America Bonds; Civic Center Project)	AA+
Implied General Obligation Rating	AAA

Rating Outlook

Stable

Analysts

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New Issue Details

Sale Information: \$28,670,000 Certificates of Participation, Series 2010A (Tax Exempt; Civic Center Project/Central Library Refunding), and \$94,130,000 Certificates of Participation, Series 2010B (Federally Taxable Direct-Pay Build America Bonds; Civic Center Project), to sell on or about Nov. 18 via negotiation.

Security: A standard lease-leaseback arrangement between the city and the Newport Beach Public Facilities Financing Corporation.

Purpose: To fund a new civic center and refund existing certificates.

Final Maturity: July 1, 2040.

Related Research**Applicable Criteria**

For information on Build America Bonds, visit www.fitchratings.com/BABs.

Applicable Criteria

- *Tax-Supported Rating Criteria, Aug. 16, 2010*
- *U.S. Local Government Tax-Supported Rating Criteria, Oct. 8, 2010*

Rating Rationale

- The 'AA+' certificates of participation (COP) rating reflects a solid legal structure with essential leased assets and the city of Newport Beach's very strong financial operations, demonstrated by high fund balances, years of surplus operations, a productive relationship with labor, plans to mitigate likely increases to pension labor costs, and prudent management practices.
- Economic characteristics are very strong, reflective of the area's low unemployment, very high wealth levels, stable housing market, and resilient tax base.
- The debt profile is strong overall, reflecting low debt levels, progress toward pre-funding the city's other post-employment benefits (OPEB) liability, a pension rate stabilization fund, and manageable capital needs; however, debt amortization is slow due to a level debt service structure.

Key Rating Drivers

- The city's financial performance has been very strong and is expected to remain so in spite of a large, planned general fund balance transfer to a new capital projects fund.
- Economic performance has been impressive, and Fitch Ratings believes it will likely remain so through the economic downturn.

Credit Summary

Newport Beach serves a population of about 87,000 along the Orange County coast. The economy benefits from the city's maturity, base of very wealthy residents, and strong shopping, festival, and tourism draw. The city's stable tax base is supported by home values that are among the highest in the U.S., despite recent price declines, and assessed valuation (AV) growth has remained positive through the recession, although recent growth has been subdued. Unemployment is low, and income levels are extremely high.

Considerations for Taxable/Build America Bonds Investors

This sector credit profile is provided as background for investors new to the municipal market.

Local Government Appropriation-Backed Bonds

The unlimited taxing power of most local government general obligation pledges is the broadest security a U.S. local government can provide to the repayment of its long-term borrowing and, therefore, is the best indicator of its overall credit quality. Some debt repayment requires annual legislative appropriation, and this lesser long-term commitment to repayment is reflected in a lower rating than that of the general obligation rating, usually by one to two notches.

The average local government general obligation rating is 'AA', with approximately 85% rated at or above 'AA-' and 1% rated 'BBB+' or below. The relatively high ratings reflect local governments' inherent strengths: the authority to levy property taxes, nonpayment of which can result in property foreclosures; additional taxing power that can include sales, utility, and income taxes; and essentiality of and lack of competition for services provided by local governments. Those with low investment-grade or below-investment-grade ratings generally have a combination of a limited or highly volatile economic base, high levels of long-term liabilities, including debt and post-employment benefits, and/or unusually limited financial flexibility. For additional information on these ratings, see "U.S. Local Government Tax-Supported Rating Criteria," dated Oct. 8, 2010, available on Fitch's Web site at www.fitchratings.com.

Rating History — COPs

Rating	Action	Outlook/ Watch	Date
AA+	Assigned	Stable	10/19/10

Rating History — Implied GO

Rating	Action	Outlook/ Watch	Date
AAA	Assigned	Stable	10/19/10

The city's financial profile is strong. The last three audited fiscal years and estimated actual results for fiscal 2010 all produced surplus general fund operations, resulting in the maintenance of high general fund balance levels. Financial management practices are impressive, and management has taken steps to deal with both its OPEB liability and pension costs that are likely to increase.

Debt

Proceeds from this issuance will predominantly fund the construction of a new civic center, which will include a city hall building, a 450-space parking structure, a library expansion, and a park. A small portion of proceeds will refund outstanding COPs. The COPs are secured by a standard lease-leaseback arrangement between the city and the Newport Beach Public Financing Corporation for use of various essential assets, subject to abatement. Upon completion, the city may substitute the civic center for the current leased assets. The city covenants to budget and appropriate lease payments, and insurance provisions are standard, including 24-month rental interruption insurance. However, there is no debt service reserve fund.

Debt Statistics

(\$000)

This Issue	122,800
Outstanding Debt	6,806
Refunding Portion	(3,990)
Total Direct Debt	125,616
Overlapping Debt	586,966
Total Overall Debt	712,582

Debt Ratios

Direct Debt per Capita (\$) ^a	1,448
As % of Assessed Value ^b	0.3
Overall Debt per Capita (\$) ^a	8,215
As % of Assessed Value ^b	1.8

^aPopulation: 86,738 (2007 estimate).

^bAssessed value: \$38,707,165,000 (fiscal 2011). Note: Numbers may not add due to rounding.

The city's debt profile is strong. Although net debt per capita is high at about \$8,200, net debt as a percentage of assessed value is a low 1.8%, reflective of the strength of the property tax base. Capital needs are limited, but amortization is slow, with just 11% and 25% of debt maturing within five and 10 years, respectively, due to a level debt service structure. The city's OPEB plan is partially pre-funded, and costs are manageable. Management is exploring ways to deal with likely rising pension costs, including two-tiered systems, and has already had some success in negotiating increased employee contributions. The city prudently established a pension rate stabilization fund with a balance of \$5 million. Pension costs are estimated to rise by approximately \$10 million–\$12 million annually over the next five to seven years without further action by management.

Management sensibly developed a 30-year general lifecycle replacement plan for its capital facilities. Its financing sources include capital reserves, developer fees, and general fund contributions of up to 5% of general fund expenditures.

Finances

The city's financial position is notably strong. Financial operations have produced surpluses in each of the past four fiscal years, some of them sizable, resulting in large and growing fund balances. Fiscal 2010 operations are estimated to have produced a \$2.5 million general fund surplus, raising the total and unreserved general fund balances to \$82 million (56.2% of expenditures and transfers out) and \$76.6 million (52.4%), respectively. The city could also transfer up to \$38.5 million to its general fund from workers compensation and vehicle replacement funds, if necessary, raising the city's total unreserved financial cushion to yet higher levels.

General Fund Financial Summary

(\$000, Audited Fiscal Years Ended June 30)

	2007	2008	2009	2010 ^a
Property Taxes	63,003	67,389	70,127	72,000
Sales Tax	21,088	21,855	17,926	16,742
Sales Tax in Lieu	7,348	8,018	7,503	4,540
Transient Occupancy Tax	12,059	12,752	11,171	11,401
Other Taxes	8,309	8,289	8,487	7,976
Intergovernmental	3,812	3,083	2,597	2,690
Licenses and Permits	3,109	4,994	4,396	2,607
Charges for Services	14,369	14,935	14,374	16,028
Fines and Forfeitures	3,706	3,958	3,711	3,840
Investment Income	3,176	3,655	1,697	1,415
Net Change in Value of Investments	(546)	508	1,097	—
Property Income	6,471	6,604	6,553	6,080
Donations	1,324	1,202	261	145
Other	1,967	1,459	235	1,608
Total Revenue	149,195	158,702	150,134	147,072
General Government	13,624	14,426	15,478	15,027
Public Safety	50,425	53,650	57,286	56,051
Public Works	24,403	25,454	26,221	25,553
Community Development	7,223	7,770	8,302	8,070
Community Services	11,749	12,639	13,282	13,091
Capital Outlay	10,369	10,456	5,910	6,811
Debt Service	2,000	1,643	1,571	—
Total Expenditures	119,793	126,037	128,050	124,603
Operating Income/(Deficit)	29,402	32,664	22,084	22,469
Transfers In	1,027	5,521	690	1,519
Transfers Out	(20,103)	(29,040)	(22,222)	(21,513)
Proceeds from Long-Term Debt	5,000	—	—	—
Net Income/(Deficit)	15,326	9,146	552	2,476
Total Fund Balance	69,913	79,059	79,611	82,087
As % of Expenditures and Transfers Out	50.0	51.0	53.0	56.2
Unreserved Fund Balance	62,426	72,252	73,704	76,593
As % of Expenditures and Transfers Out	44.6	46.6	49.0	52.4

^aFiscal 2010 results are estimated.

Financial operations have benefited so far from stable and growing property tax revenues (49% of fiscal 2010 estimated revenues). However, sales tax revenues (12%) have been hit significantly by the economic downturn, falling 18% in fiscal 2009, with an estimated 7% decline in fiscal 2010. Management has prudently implemented expenditure reductions to mitigate falling sales tax revenues. Fiscal 2011 budgeted reductions amount to \$18 million, of which \$8.6 million is in operational reductions. These include early retirement incentive plan savings, increased employee contributions to pension plans, contracting out jobs, and salary freezes. The city is budgeting for a modest operational deficit in fiscal 2011; however, the city historically has outperformed its budgets. A transfer out of \$31.5 million for a new capital reserve fund in fiscal 2011 will lower the total general fund balance to still strong levels, or approximately 24.4% of expenditures. There are no plans to use the transferred cash, and it could be transferred back to the general fund, if necessary.

Financial management policies are impressive. They include a contingency reserve equal to 12% of the general fund operating budget, operational reserves, a stabilization reserve funded by operating surpluses, and a 15-step fiscal sustainability plan adopted by the City Council this year. Although the operational reserve is designed

to be used in times of financial hardship, the council has decided not to use it in this economic downturn.

Economy

The city's economy is very strong. Compared with the prior year, the city's unemployment rose by a small 0.1% to 6.1% in August 2010 and is less than one-half the state and regional averages. The largest local employers include Hoag Memorial Hospital (4,001 employees) and Conexant (1,650), a semiconductor manufacturing firm. Other major local employers include Pacific Life, US Bank, and PIMCO. The city's income profile is extremely strong, with per capita income levels about three times higher than those of the region, state, and nation. Population growth has been very low for years and is expected to remain so given that most of the area is built-out. However, limited opportunities for new development exist in infill development and a small amount of vacant space that could be developed.

AV benefits from a very strong housing market. Home prices are among the highest in the country, although median home prices fell from about \$1.8 million in 2007 to \$1.3 million in 2009. Despite price declines, AV rose 1.8% in fiscal 2010 and 0.2% in fiscal 2011. The property tax base is somewhat concentrated in the top payer, The Irvine Company, which makes up 4.8% of AV and is a major regional real estate investment company with multiple holdings within the city. AV stability is supported by a mature housing stock, ongoing infill development, and enhancements to existing homes.

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CITY OF NEWPORT BEACH

Certificates of Participation

\$20,085,000 2010A (Tax Exempt) Civic Center Project/Central Library Refunding

\$106,575,000 2010B (Federally Taxable Direct Pay Build America Bonds) Civic Center Project

SETTLEMENT MEMORANDUM

November 23, 2010

Underwriter:	Stone & Youngberg
Certificates Dated:	November 30, 2010
Date of Delivery:	November 30, 2010

Sources of Funds:	2010A	2010B	Total
Par	\$20,085,000.00	\$106,575,000.00	\$126,660,000.00
Premium	1,155,299.55		1,155,299.55
1998 COP Reserve	565,655.00		565,655.00
Less Underwriter's Discount	(110,467.50)	(586,162.50)	(696,630.00)
Total	\$21,695,487.05	\$105,988,837.50	\$127,684,324.55

Uses of Funds:	2010A	2010B	Total
Project Proceeds	\$17,509,969.90	\$105,490,030.10	\$123,000,000.00
Costs of Issuance	94,004.65	498,807.40	592,812.05
Escrow Deposit ⁽¹⁾	4,091,512.50		4,091,512.50
Total	\$21,695,487.05	\$105,988,837.50	\$127,684,324.55

Wire Total:			
Total Uses	\$21,695,487.05	\$105,988,837.50	\$127,684,324.55
(Less 1998 COP Reserve)	(565,655.00)		(565,655.00)
Total Wire	\$21,129,832.05	\$105,988,837.50	\$127,118,669.55

Due At Closing:	\$127,118,669.55
Wire Instructions:	
The Bank of New York Mellon	
ABA #021 000 018	
Credit: GLA 111-565	
Further Credit: Acct #183242 Newport Beach 2010 COPS	
Attention: Greg Chenail (213) 630-6229	

Allocation of Proceeds Recap:			
Project Proceeds	\$17,509,969.90	\$105,490,030.10	\$123,000,000.00
Costs of Issuance	94,004.65	498,807.40	592,812.05
Escrow Fund ⁽¹⁾	3,525,857.50	-	3,525,857.50
Total Wire	\$21,129,832.05	\$105,988,837.50	\$127,118,669.55

(1) Delivered to The Bank of New York Mellon Trust Company, N.A., who will forward to US Bank - Escrow Agent for 1998 COPs. (Replaces City deposit that already defeased 1998 COPs)

Prepared By:



**City of Newport Beach
Certificates of Participation
Civic Center Project/Central Library Refunding
2010A (Tax Exempt)**

Par Value	\$31,500,000	\$28,000,000	\$875,805,000	\$48,140,000	\$102,900,000
Issuer	City of Newport Beach	Pasadena PFA	Department of Airports of City of LA	University of California Regents	Los Angeles County
Issue	2010A Certificates of Participation	Annual Lease Payments (COP)	Lease Revenue Bonds	Lease Revenue Bonds	Lease Revenue Bonds
State	CA	CA	CA	CA	CA
Callable	8/1/2020 @ 100	8/1/2020 @ 100	5/15/2020 @ 100	Non-Callable	Non-Callable
Und. Rtg.	AA2/AA+/AA+	--/AA+/AA+	Aa3/AA/AA	Aa2/AA/--	A1/A+/A+
Insurance	None	None	None	None	None
Lead Mngr.	Stone & Youngberg	BMO/S&Y	JP Morgan	Barclays/S&Y	BofA Merrill Lynch
	FINAL	FINAL	FINAL	FINAL	FINAL
Sale Date	Wednesday, November 17, 2010	Thursday, November 18, 2010	Wednesday, November 10, 2010	Tuesday, November 9, 2010	Tuesday, November 9, 2010
Maturity	COUPON YIELD	COUPON YIELD	COUPON YIELD	COUPON YIELD	COUPON YIELD
2011	2.000 0.650			2.000 0.400	
2012	3.000 0.950		3.000 0.900	3.000 0.640	
2013	3.000 1.270		3.000 1.150	4.000 0.950	
2014	3.000 1.670		4.000 1.450	4.000 1.280	2.00 / 4.00 / 5.00 1.800
2015	4.000 2.000		3.00 / 5.00 1.750	4.000 1.590	3.00 / 5.00 2.140
2016	4.000 2.350		3.00 / 5.00 2.100	4.00 / 5.00 1.940	2.00 / 4.00 / 5.00 2.520
2017	4.000 2.740		3.00 / 5.00 2.450	4.00 / 5.00 2.280	5.000 2.910
2018	4.000 3.110		3.00 / 5.00 2.780	5.000 2.510	3.25 / 4.00 / 5.00 3.180
2019	4.000 3.440		3.00 / 5.00 3.070	5.00 / 4.00 2.800	3.50 / 5.00 3.450
2020			3.00 / 5.00 3.310	3.00 / 5.00 / 4.00 3.010	
2021			3.00 / 5.00 3.550		
2022		4.500 4.017	5.000 3.780		
2023		4.500 4.160	5.000 3.960		
2024		4.500 4.303	5.000 4.140		
2025		4.750 4.476	4.125 / 5.000 4.250		
2026		4.750 4.578	5.250 4.370		
2027		5.000 4.734	5.250 4.460		
2028			5.250 4.540		
2029			5.250 4.620		
2030			4.50 / 5.50 / 5.00 4.70 / 4.55 / 4.70		
2031		5.000 4.975			
2032					
2033			5.250 4.800		
2034					
2035			4.75 / 5.00 4.980		
2036					
2037					
2038					
2039					
2040			5.000 5.050		
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					

City of Newport Beach
 Certificates of Participation
 Civic Center Project
 2010 B (Federally Taxable Direct Pay Build America Bonds)

Par Value	\$106,575,000	\$106,660,000	\$469,730,000	\$19,645,000								
Issuer	City of Newport Beach BAB	Pasadena PFA BABS	Santa Clara VTA BABS	San Bernardino County RDA TAXABLE								
Issue	2010B Certificates of Participation	Lease Revenue Bonds	Sales Tax Revenue Bonds	Tax Allocation Bonds								
State	CA	CA	CA	CA								
Callable	Make Whole +40 bps	Make Whole	Make Whole +35 bps	9/1/2020 @ 100								
Und. Rtg.	AA2/AA+/AA+	--/AA+/AA+	Aa2/AA+/-	--/BBB/--								
Insurance	None	None	None	None								
Lead Mngr.	Stone & Youngberg	BMO/S&Y	Barclays/S&Y	Wedbush Securities								
	FINAL	FINAL	FINAL	FINAL								
Sale Date	Wednesday, November 17, 2010	Thursday, November 18, 2010	Wednesday, November 10, 2010	Wednesday, November 10, 2010								
	COUPON	YIELD	SPREAD TO UST	COUPON	YIELD	SPREAD TO UST	COUPON	YIELD	SPREAD TO UST	COUPON	YIELD	SPREAD TO UST
Maturity												
2011												
2012												
2013												
2014												
2015												
2016												
2017												
2018	4.451	4.451	+160 (10 yr)									
2019	4.751	4.751	+190 (10 yr)									
2020	5.051	5.051	+220 (10 yr)									
2021	5.351	5.351	+250 (10 yr)				4.649	4.649	+195 (10 yr)	7.135	7.135	+450 (10 yr)
2022	5.601	5.601	+275 (10 yr)				4.899	4.899	+220 (10 yr)			
2023	5.851	5.851	+300 (10 yr)				5.099	5.099	+240 (10 yr)			
2024												
2025												
2026												
2027												
2028												
2029												
2030	7.018	7.018	+275 (30 yr)							8.450	8.680	+435 (30 yr)
2031												
2032							5.876	5.876	+160 (30 yr)			
2033												
2034				6.998	6.998	+275 (30 yr)						
2035										8.375	8.780	+445 (30 yr)
2036												
2037												
2038												
2039												
2040	7.168	7.168	+290 (30 yr)							8.400	8.880	+455 (30 yr)
2041												
2042												
2043				7.148	7.148	+290 (30 yr)						
2044												
2045												
2046												
2047												
2048												
2049												
2050												
10-Yr. Treas.		2.851			2.900			2.699			2.635	
30-Yr. Treas.		4.268			4.248			4.276			4.330	

Note that the 10-year and 30-year Treasury rates could vary slightly on similar dates due to treasury-rate set timing on the same day.

City of Newport Beach
 Certificates of Participation
 Civic Center Project
 2010 B (Federally Taxable Direct Pay Build America Bonds)

Par Value	\$709,175,000	\$9,175,000	\$18,170,000	\$28,005,000								
Issuer	University of California Regents BABS	University of California Regents TAXABLE	LA Municipal Improvement Corp- RZEDB	San Joaquin Regional Rail Commission RZEDB								
Issue	Medical Center Pooled Revenue Bonds	Medical Center Pooled Revenue Bonds	Lease Revenue Bonds	COPS								
State	CA	CA	CA	CA								
Callable	Make Whole	Make Whole	N/C	N/C								
Und. Rtg.	Aa2/AA-/--	Aa2/AA-/--	A1/A+/A+	A2/--/--								
Insurance	None	None	None	None								
Lead Mngr.	Barclays/S&Y	Barclays/S&Y	Siebert Brandford	BofA Merrill								
	FINAL			FINAL			FINAL			FINAL		
Sale Date	Tuesday, November 9, 2010			Tuesday, November 9, 2010			Tuesday, November 9, 2010			Thursday, November 4, 2010		
	COUPON	YIELD	SPREAD TO UST	COUPON	YIELD	SPREAD TO UST	COUPON	YIELD	SPREAD TO UST	COUPON	YIELD	SPREAD TO UST
Maturity												
2011							1.647	1.647	+120 (1 yr)			
2012							2.447	2.447	+200 (2 yr)			
2013							3.185	3.185	+255 (3 yr)			
2014							3.761	3.761	+250 (5 yr)			
2015				2.875	2.875	+162.5 (5yr)	4.161	4.161	+290 (5 yr)			
2016							4.647	4.647	+275 (7 yr)			
2017							5.097	5.097	+320 (7 yr)			
2018							5.565	5.565	+290 (10 yr)			
2019												
2020				4.800	4.800	+220 (10 yr)						
2021	5.035	5.035	+245 (10 yr)									
2022	5.235	5.235	+265 (10 yr)				6.465	6.465	+380 (10 yr)			
2023	5.435	5.435	+285 (10 yr)									
2024	5.635	5.635	+305 (10 yr)									
2025	5.785	5.785	+320 (10 yr)	5.750	5.750	+315 (10 yr)						
2026												
2027												
2028												
2029							7.642	7.642	+340 (30 yr)			
2030										7.643	7.643	+360 (30 yr)
2031	6.398	6.398	+225 (30 yr)									
2032												
2033												
2034												
2035												
2036												
2037												
2038												
2039												
2040							7.842	7.842	+360 (30 yr)	7.540	7.793	+375 (30 yr)
2041												
2042												
2043												
2044												
2045												
2046												
2047												
2048												
2049												
2050	6.548	6.548	+240 (30 yr)									
10-Yr. Treas.		2.585			2.600			2.665			2.530	
30-Yr. Treas.		4.148			4.242			4.242			4.043	

Note that the 10-year and 30-year Treasury rates could vary slightly on similar dates due to treasury-rate set timing on the same day.

City of Newport Beach
 Certificates of Participation
 Civic Center Project
 2010 B (Federally Taxable Direct Pay Build America Bonds)

Par Value	\$7,390,000	\$59,065,000	\$13,130,000	\$20,700,000								
Issuer	Oakland Redevelopment Agency RZEDB	Los Angeles Airport BABS	Contra Costa Public Finance Authority BABS	Contra Costa Public Finance Authority RZEDB								
Issue	Revenue Bonds	Revenue Bonds	Lease Revenue Bonds	Lease Revenue Bonds								
State	CA	CA	CA	CA								
Callable	9/1/2020 @ 100	Make Whole +45 bps	6/1/2020 @ 100	Make Whole +25 bps								
Und. Rtg.	--/A/--	A1/AA-/AA-	A1/AA/--	A1/AA/--								
Insurance	None	None	None	None								
Lead Mngr.	De La Rosa	Goldman Sachs	Wedbush Securities	Wedbush Securities								
	FINAL			FINAL			FINAL			FINAL		
Sale Date	Tuesday, November 2, 2010			Thursday, October 28, 2010			Thursday, October 28, 2010			Thursday, October 28, 2010		
	COUPON	YIELD	SPREAD TO UST	COUPON	YIELD	SPREAD TO UST	COUPON	YIELD	SPREAD TO UST	COUPON	YIELD	SPREAD TO UST
Maturity												
2011												
2012												
2013												
2014												
2015												
2016												
2017												
2018												
2019												
2020												
2021							5.750	6.120	+350 (10 yr)			
2022							5.900	6.162	+355 (10 yr)			
2023							6.000	6.262	+365 (10 yr)			
2024							6.100	6.362	+375 (10 yr)			
2025							6.250	6.462	+385 (10 yr)			
2026							6.500	6.572	+395 (10 yr)			
2027												
2028												
2029												
2030	7.200	7.492	+356 (30 yr)				6.800	7.111	+305 (30 yr)			
2031												
2032												
2033												
2034												
2035										6.900	7.201	+315 (30 yr)
2036												
2037												
2038												
2039												
2040	7.400	7.656	+372 (30 yr)	7.053	7.053	+300 (30 yr)				7.000	7.301	+325 (30 yr)
2041												
2042												
2043												
2044												
2045												
2046												
2047												
2048												
2049												
2050												
10-Yr. Treas.		2.630			2.622			2.622			2.690	
30-Yr. Treas.		3.936			4.053			4.061			4.051	

Note that the 10-year and 30-year Treasury rates could vary slightly on similar dates due to treasury-rate set timing on the same day.



CITY OF NEWPORT BEACH
Comparison Between All Tax-Exempt vs. Actual BAB Hybrid Pricing of 11/17/10
 10/17/2010

Executive Overview:

	All Tax-Exempt	Hybrid Final Pricing of 11/17/10	Difference (Favor of Hybrid)
Par:	\$127,135,000	\$126,660,000	\$475,000
True Interest Cost:	5.23%	4.44%	0.79%
Avg. Annual Net Payment:	\$8,341,191	\$7,621,211	\$719,980
Total Scheduled Net Payment:	\$250,235,735	\$228,636,327	\$21,599,408
NPV of Payment Difference (@4.4%):			\$11,684,127

Scale Comparison of 11/17/10:

Year	Tax-Exempt				TE Equiv. Yield				TE Yield	
	mmd	coupon	yield	spread	TEEY MW call	taxable	spread MW call	ust	rate	yield MW call
2011	0.37	2.00	0.65	0.28	0.98	2011	1.25	10/11	0.3	1.51
2012	0.60	3.00	1.00	0.40	1.30	2012	1.50	2yr	0.5	2.00
2013	0.85	3.00	1.27	0.42	1.58	2013	1.65	3yr	0.8	2.43
2014	1.20	3.00	1.67	0.47	1.86	2014	1.40	5yr	1.5	2.86
2015	1.48	4.00	2.00	0.52	2.09	2015	1.75	5yr	1.5	3.21
2016	1.79	4.00	2.35	0.56	2.34	2016	1.50	7yr	2.1	3.60
2017	2.14	4.00	2.74	0.60	2.67	2017	2.00	7yr	2.1	4.10
2018	2.46	4.00	3.11	0.65	2.89	2018	1.60	10yr	2.8	4.451
2019	2.76	4.00	3.44	0.68	3.09	2019	1.90	10yr	2.8	4.751
2020	3.01	5.00	3.75	0.74	3.28	2020	2.20	10yr	2.8	5.051
2021	3.20	5.00	4.20	1.00	3.48	2021	2.50	10yr	2.8	5.351
2022	3.34	5.00	4.46	1.12	3.64	2022	2.75	10yr	2.8	5.601
2023	3.47	5.00	4.59	1.12	3.80	2023	3.00	10yr	2.8	5.851
2024	3.59	5.00	4.70	1.11						
2025	3.69	5.00	4.80	1.11						
2026	3.79	5.00	4.89	1.10						
2027	3.89	5.00	4.98	1.09						
2028	3.99	5.00	5.07	1.08						
2029	4.07	5.00	5.15	1.08						
2030	4.15	5.00	5.20	1.05	4.56	2030	2.75	30yr	4.3	7.018
2035	4.56	5.25	5.55	0.99						
2040	4.62	5.50	5.62	1.00	4.66	2040	2.90	30yr	4.3	7.168

highlights scale utilized for 2010 COP Pricing of 11/17/10

Annual Payment Summary:

	All Tax-Exempt Payment	Hybrid (Net Payment)	Difference
2011	\$5,320,585	\$4,901,232	\$419,353
2012	8,765,025	8,048,771	716,254
2013	8,765,775	8,053,071	712,704
2014	8,769,275	8,054,821	714,454
2015	8,765,375	8,049,021	716,354
2016	8,767,175	8,051,421	715,754
2017	8,764,575	8,054,021	710,554
2018	8,767,575	8,051,621	715,954
2019	8,765,775	8,046,320	719,455
2020	8,324,175	7,597,293	726,882
2021	8,321,675	7,596,664	725,011
2022	8,322,175	7,596,581	725,594
2023	8,325,175	7,592,349	732,826
2024	8,325,175	7,583,423	741,752
2025	8,321,925	7,587,439	734,486
2026	8,320,175	7,593,729	726,446
2027	8,324,425	7,591,841	732,584
2028	8,323,925	7,591,775	732,150
2029	8,323,425	7,593,070	730,355
2030	8,322,425	7,585,275	737,151
2031	8,320,425	7,583,389	737,036
2032	8,322,575	7,584,281	738,294
2033	8,324,875	7,579,691	745,184
2034	8,321,500	7,579,384	742,116
2035	8,321,900	7,582,662	739,238
2036	8,324,975	7,578,826	746,149
2037	8,324,625	7,582,643	741,982
2038	8,325,025	7,583,182	741,843
2039	8,320,075	7,579,976	740,099
2040	8,323,950	7,582,559	741,391
	<u>\$250,235,735</u>	<u>\$228,636,327</u>	<u>\$21,599,408</u>

Prepared By:

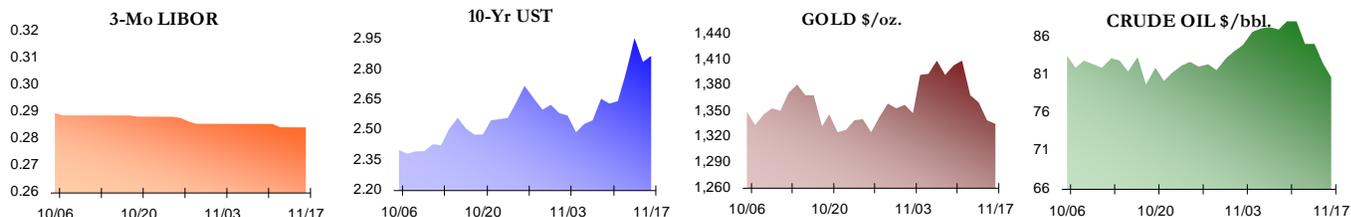




FIXED INCOME MARKET UPDATE

WEDNESDAY, NOVEMBER 17, 2010

Treasuries Pare Gains to End Mixed on the Day: After rallying this morning on inflation data, the Treasury market ended mixed on the day as the market remains uncertain about the Fed's QE2 program. On the one hand, injecting \$600+ billion in liquidity into the financial system suggests a new round of inflation is the inevitable result and that rates will rise. On the other hand, the fact that the Fed will be buying such a large volume of Treasuries increases overall demand and this will drive yields lower.



TREASURIES AND AGENCIES

- Economic releases today showed inflation remains tame and the housing market weak.
- The Consumer Price Index (CPI), a key measure of inflation, increased 1.2% over the past 12 months ending in October. The rate was well below the Federal Reserve's target of about 2% per year. On a month-over-month basis CPI rose 0.2% in October.
- Excluding food and energy prices, core CPI was flat on the month. October was the third straight month that core CPI did not change. On an annual basis, core CPI rose 0.6%, the smallest annual price increase since the government started recording the data in 1957.
- The CPI data raised bets the Fed will continue to support the economy, and that interest rates will remain low for the foreseeable future.
- A separate report released today showed that housing starts fell 11.7% to an annual rate of 519,000 units in October, the lowest level in 18 months. Economists expected the data to show almost 600,000 starts in the month. In the past two years housing starts have fluctuated between the high-400,000s and the high-600,000s, a sharp decline from the 2 million peak reached during the housing boom.
- Building permits for October were also released this morning. Permits rose an anemic 0.5% to an annual rate of 550,000 from an equally depressed level of 547,000 in September.
- At the market close: UST 10-yr down to yield 2.87%. UST 2-yr up to yield 0.48%. Euro at \$1.3518 vs. USD; USD at 83.285 vs. the Yen. Gold down to \$1,335.40/ounce. Oil down to \$80.44/barrel.

MUNICIPAL BONDS

Stone & Youngberg's New Issue Calendar This Week	Pricing Date	Underlying Rating(s)	Amount
CA IEDB Variable Rate Demand Rev Bonds (St. Margaret's Episcopal)	11/17		\$25,000,000
Fontana PFA 2010 Lease Revenue Bonds (Taxable RZEDBs) (CA)	11/17	/A/	5,420,000

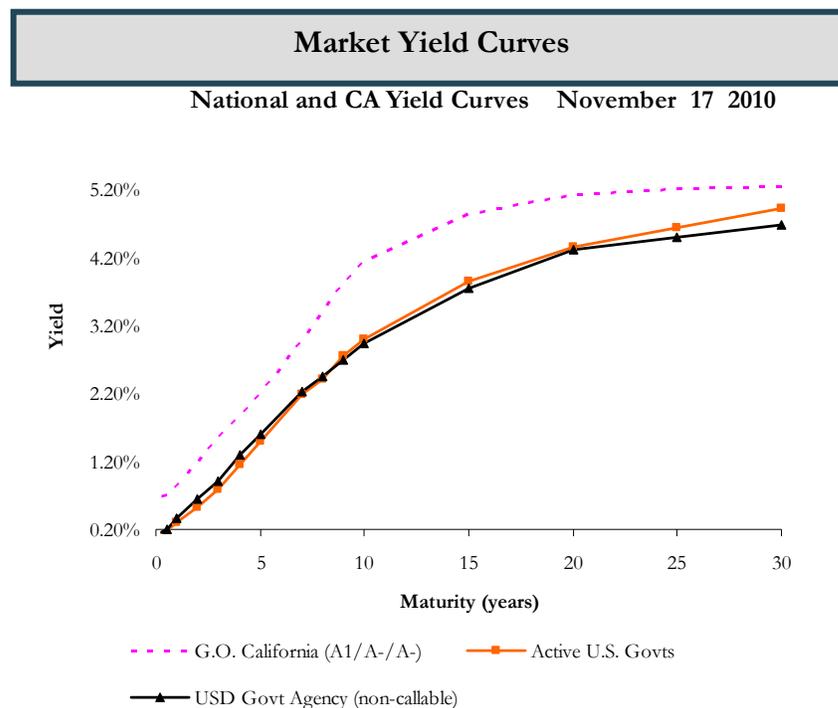
Member FINRA/SIPC • The information contained herein is based on sources that Stone & Youngberg LLC ("S&Y") believes to be reliable, but it is neither all-inclusive nor guaranteed by S&Y, and it may be incomplete or condensed. The information and opinions herein, if any, are subject to change without notice, and S&Y does not undertake to advise the reader of changes in opinion or information. • Some of the securities S&Y follows are unrated or below investment-grade municipal bonds, or are high-yield corporate bonds, that typically involve a higher degree of risk and more volatility than rated or investment-grade municipal bonds, or investment-grade corporate bonds. Therefore, certain debt securities discussed in this update may be unsuitable for some investors, depending on their specific investment objectives, financial situations, and needs. This update is for informational purposes, and under no circumstances is it to be construed as a recommendation, an offer, or the solicitation of an offer to buy or sell any particular debt security in any amount or at all. • S&Y may make a market in or trade for its proprietary account the securities discussed in this update. Also, S&Y may have been a manager or co-manager of a public offering of municipal bonds or other debt securities within the last three years for issuers named herein. S&Y or its directors and employees individually, or their family members, may have either long or short positions in the securities mentioned, and may purchase or sell these securities from time to time in the open market or otherwise for their own accounts or the accounts of others. • This update is for public distribution. Additional information may be available on request. • Copyright ©2010 Stone & Youngberg LLC. All rights reserved.



Newport Beach COPs (Civic Center Project/Central Library Refunding)	11/17	Aa2/AA+/AA+	\$122,800,000
Pasadena PFA Lease Revenue Bonds (Rose Bowl Renovation Project)	11/17	/AA+/AA+	163,000,000
Yavapai County VRDRB (Skanon Investments – Drake Cement Plant) (AZ)	11/17	MIG1//	40,000,000
State of California 2010/11 Revenue Anticipation Notes	11/18	MIG1/SP-1/F2	10,000,000,000
NYC Transitional Finance Authority Building Aid Revenue Bonds	11/18	Aa3/AA-/AA-	\$350,000,000
State of California Various Purpose General Obligation Bonds BABs	11/19	A1/A-/A-	2,000,000,000

Preliminary Official Statements are available at www.syllc.com/Resources/POS-Library-New-Issues

- The State of California postponed the completion of its \$10 billion short-term Revenue Anticipation Note offering until tomorrow, and pushed back the final pricing date of its \$2 billion taxable general obligation bond (BAB) offering to Friday. Treasurer Bill Lockyer cited the need to amend offering documents to inform investors about a lawsuit filed yesterday against the state which attempts to block the planned sale of state office buildings. If the suit is successful and the state is unable to go through with the sales, the amended Preliminary Official Statement notes the state's 2010/11 revenues would be reduced by \$1.2 billion. No date has been set for a hearing on the case. The rating agencies have reconfirmed their ratings on the planned offerings.
- The sell-off persisted today in the municipal bond market, though the losses were pared from yesterday's levels and there appears to be increased interest from retail accounts at these levels, which should provide some support to the market.
- In a report put out yesterday by Fitch titled *U.S. State and Local Government Bond Credit Quality: More Sparks than Fire*, the rating agency notes that despite the economic downturn and increased financial stress for state and local governments, munis remain a 'strong' asset class and that 'defaults will continue to be isolated situations'. In making the case Fitch points to several features of munis and municipalities including the relatively low debt service costs (generally below 10% of municipal spending), the legal requirement for most municipalities to balance their budgets (restraining deficit spending), and the fact that debt service costs are generally spaced out over time and level rather than being concentrated in bullet maturities.





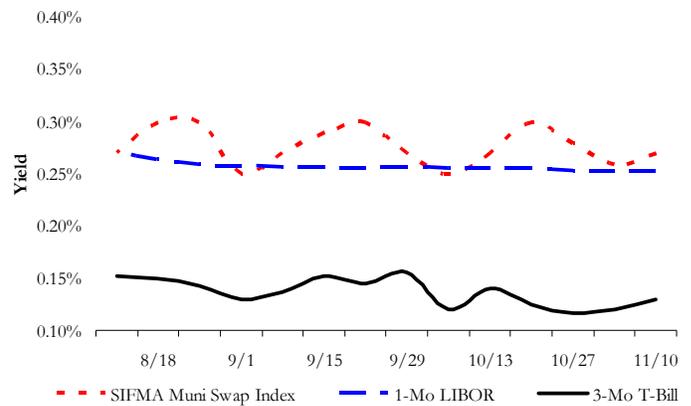
CORPORATE BONDS

- Corporate bond issuance cooled this week and spreads have started to widen from the extremely tight levels they've been in over the past couple of weeks.
- Investors have been increasingly concerned about Ireland's fiscal problems, and whether it signals a wider debt contagion in Europe. Irish Finance Minister Brian Lenihan said potential aid talks for the government's banks will start tomorrow.

Current Yields*

U.S. Treasury		LIBOR		SIFMA Municipal Swap Index	
3 MO	0.14%	1 Wk	0.25%	11/10	0.27%
6 MO	0.19%	1 Mo	0.25%	11/3	0.26%
2 YR	0.48%	3 Mo	0.28%	10/27	0.28%
5 YR	1.46%	6 Mo	0.44%	10/20	0.30%
10 YR	2.87%	12 Mo	0.76%		
30 YR	4.28%				

Short-Term Rate Trends



This Week's Economic Indicators*

Release Date	EDT	Indicator	Period	Survey	Actual	Prior	Revised
11/15	8:30	Advance Retail Sales	OCT	0.7%	1.2%	0.6%	0.7%
11/15	8:30	Retail Sales Less Autos	OCT	0.4%	0.4%	0.4%	0.5%
11/15	8:30	Retail Sales Ex Auto & Gas	OCT	0.2%	0.4%	0.4%	--
11/15	8:30	Empire Manufacturing	NOV	14.00	-11.14	15.73	--
11/15	10:00	Business Inventories	SEP	0.8%	0.9%	0.6%	0.9%
11/16	8:30	Producer Price Index (MoM)	OCT	0.8%	0.4%	0.4%	--
11/16	8:30	PPI Ex Food & Energy (MoM)	OCT	0.1%	-0.6%	0.1%	--
11/16	8:30	Producer Price Index (YoY)	OCT	4.6%	4.3%	4.0%	--
11/16	8:30	PPI Ex Food & Energy (YoY)	OCT	2.1%	1.5%	1.6%	--
11/16	9:00	Total Net TIC Flows	SEP	--	\$81.7B	\$38.9B	\$11.2B
11/16	9:00	Net Long-term TIC Flows	SEP	\$62.5B	\$81.0B	\$128.7B	--
11/16	9:15	Industrial Production	OCT	0.3%	0.0%	-0.2%	--
11/16	9:15	Capacity Utilization	OCT	74.9%	74.8%	74.7%	74.8%
11/16	10:00	NAHB Housing Market Index	NOV	17	16	16	15
11/16	5:00	ABC Consumer Confidence	NOV 14	--	-47	-46	--
11/17	7:00	MBA Mortgage Applications	NOV 12	--	-14.4%	5.8%	--
11/17	8:30	Consumer Price Index (MoM)	OCT	0.3%	0.2%	0.1%	--



11/17	8:30	CPI Ex Food & Energy (MoM)	OCT	0.1%	0.0%	0.0%	--
11/17	8:30	Consumer Price Index (YoY)	OCT	1.3%	1.2%	1.1%	--
11/17	8:30	CPI Ex Food & Energy (YoY)	OCT	0.7%	0.6%	0.8%	--
11/17	8:30	CPI Core Index SA	OCT	--	221.765	221.781	--
11/17	8:30	Consumer Price Index NSA	OCT	218.854	218.711	218.439	--
11/17	8:30	Housing Starts	OCT	598K	519K	610K	588K
11/17	8:30	Building Permits	OCT	568K	550K	539K	547K
11/17	8:30	Housing Starts MOM%	OCT	-2.0%	-11.7%	0.3%	-4.2%
11/17	8:30	Building Permits MOM%	OCT	3.9%	0.5%	-5.6%	-4.2%
11/18	8:30	Initial Jobless Claims	NOV 13	442K		435K	
11/18	8:30	Continuing Claims	NOV 6	4290K		4301K	
11/18	10:00	Mortgage Delinquencies	3Q	--		9.85%	
11/18	10:00	MBA Mortgage Foreclosures	3Q	--		4.57%	
11/18	10:00	Leading Indicators	OCT	0.5%		0.3%	
11/18	10:00	Philadelphia Fed.	NOV	5.0		1.0	
11/18	4:00	RPX Composite 28dy YoY	SEP	--		-2.68%	
11/18	4:00	RPX Composite 28dy Index	SEP 30	--		195.01	

*Bloomberg data as of 1:00pm PDT today

Questions? The Fixed Income Market Update is posted each weekday afternoon to Stone & Youngberg's web site, syllc.com. Also on the site is our daily in-house inventory of available securities and our weekly new issue calendar. For further information on Stone & Youngberg's fixed income product and/or to purchase securities, please call 800-447-8663, or send an email to info@syllc.com. Daily electronic delivery of the Market Update also is available; request a free subscription at muniresearch@syllc.com.

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TAB C

Miscellaneous

- Interested Parties List

CITY OF NEWPORT BEACH
2010 Certificates of Participation

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2010 Certificates of Participation

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Main ☎: 949-660-7300
Fax: 949-474-8773

☎: 949-660-7316
e-mail: tdemars@fieldman.com

Robert Porr, Senior Vice President

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Paul Pender, Assistant Vice President

☎: 949-660-7319
e-mail: ppender@fieldman.com

Renee Christensen, Associate

☎: 949-660-7305
e-mail: rchristensen@fieldman.com

CITY OF NEWPORT BEACH
2010 Certificates of Participation

INTERESTED PARTIES LIST

Senior Managing Underwriter

Stone & Youngberg LLC

4350 La Jolla Village Drive, Suite 140
San Diego, CA 92122

Bill Huck, Managing Director

☎: 858-795-8701
Fax: 858-452-6131
e-mail: bhuck@syllc.com

Ken Holman, Vice President

☎: 858-795-8703
Fax: 858-452-6131
e-mail: kholman@syllc.com

Ben Gubatina, Analyst

☎: 858-795-8702
Fax: 858-452-6131
e-mail: bgubatina@syllc.com

Senior Managing Underwriter's Counsel

Jones Hall

650 California Street, 18th Floor
San Francisco, CA 94108

Chris Lynch

☎: 415-391-5780 x 267
Fax: 415 391-5784
e-mail: clynch@joneshall.com

Co-Manager

De La Rosa & Co.

456 Montgomery Street, 19th Floor
San Francisco, CA 94104

Eric Scriven, Senior Vice President

☎: 415-495-8863
Fax: 415-495-8864
☎: 415-217-33936
email: escriven@ejdelarosa.com

Bank of America Merrill Lynch

101 California Street, Suite 1225
Mail Code: CA5-332-12-00
San Francisco, CA 94111

Grace Barvin, Director

☎: 415-676-3211
Fax: 415-984-4051
☎: 415-676-3211
e-mail: grace.barvin@baml.com

John Houlberg, Vice President

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CITY OF NEWPORT BEACH
2010 Certificates of Participation

INTERESTED PARTIES LIST

Co-Manager (Continued)

Raymond James

1 Embarcadero Center, Suite 650
San Francisco, CA 94111

Cheryl Hines, Managing Director

☎: 415-616-8939

Fax: 415-616-8936

e-mail: cheryl.hines@raymondjames.com

Trustee

The Bank of New York Mellon Trust Company, N.A.

700 S. Flower St., Ste. 500
Los Angeles, CA 90017

Greg Chenail, Vice President

☎: 213-630-6229

Fax: 213-630-6480

e-mail: greg.chenail@bnymellon.com

Trustee's Counsel

The Bank of New York Mellon Trust Company, N.A.

700 S. Flower St., Ste. 500
Los Angeles, CA 90017

Rhea L. Murphy, Esq. Senior Counsel

☎: 213-630-6476

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e-mail: rhea.murphy@bnymellon.com

Rating Agencies

Fitch Ratings

650 California Street, 4th Floor
San Francisco, CA 94104

Scott Monroe, Associate Director

☎: 415-732-5618

e-mail: scott.monroe@fitchratings.com

Amy Doppelt, Managing Director

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Fax: 415-732-5610

Email: amy.doppelt@fitchratings.com

CITY OF NEWPORT BEACH
2010 Certificates of Participation

INTERESTED PARTIES LIST

Standard & Poor's

One Market Street, Steuart Tower, Floor 15
San Francisco, CA 94105

☎: 415-371-5000

Bea Chiem, Analyst

☎: 415-371-5070

email: bea_chiem@standardandpoors.com

Paul Dyson, Director

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Fax: 415-371-5090

email: paul_dyson@sandp.com

Moody's Investors Service

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San Francisco, CA 94111

Michael Wertz, Analyst

☎: 415-274-1722

email: michael.wertz@moodys.com

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dmatusie@newportbeachca.gov;
tpower@newportbeachca.gov;
krown@newportbeachca.gov;
lmulvihill@newportbeachca.gov;
sbadum@newportbeachca.gov;
dmcewen@sycr.com;
bforbath@sycr.com;
abecker@hawkins.com;
dquan@hawkins.com;
jmnally@hawkins.com;
tdemars@fieldman.com;
rporr@fieldman.com;
ppender@fieldman.com;
rchristensen@fieldman.com;
bhuck@syllc.com;
kholman@syllc.com;
bgubatina@syllc.com;
clynch@joneshall.com;

escriven@ejdelarosa.com;
grace.barvin@baml.com
john.houllberg@baml.com
Cheryl.hines@raymondjames.com

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scott.monroe@fitchratings.com;
amy.doppelt@fitchratings.com;
bea_chiem@standardandpoors.com;
paul_dyson@sandp.com;
michael.wertz@moodys.com;

ATTACHMENT H

**Professional Services Agreement with Fieldman, Rolapp & Associates, Inc. for
Feasibility Analysis for Redemption of City's Outstanding Series 2010B
Certificates of Participation**

C-60077

**PROFESSIONAL SERVICES AGREEMENT
WITH FIELDMAN, ROLAPP & ASSOCIATES, INC. FOR
FEASIBILITY ANALYSIS FOR REDEMPTION OF
CITY'S OUTSTANDING SERIES 2010B CERTIFICATES OF PARTICIPATION**

THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement") is made and entered into as of this 25th day of February, 2015 ("Effective Date"), by and between the CITY OF NEWPORT BEACH, a California municipal corporation and charter city ("City"), and FIELDMAN, ROLAPP & ASSOCIATES, INC., a California corporation ("Consultant"), whose address is 19900 MacArthur Boulevard, Suite 1100, Irvine, California 92612, and is made with reference to the following:

RECITALS

- A. City is a municipal corporation duly organized and validly existing under the laws of the State of California with the power to carry on its business as it is now being conducted under the statutes of the State of California and the Charter of City.
- B. City desires to engage Consultant to provide financial advisory services and analysis for redemption of City's outstanding Series 2010B Certificates of Participation ("Project").
- C. Consultant possesses the skill, experience, ability, background, certification and knowledge to provide the professional services described in this Agreement.
- D. City has solicited and received a proposal from Consultant, has reviewed the previous experience and evaluated the expertise of Consultant, and desires to retain Consultant to render professional services under the terms and conditions set forth in this Agreement.

NOW, THEREFORE, it is mutually agreed by and between the undersigned parties as follows:

1. TERM

The term of this Agreement shall commence on the Effective Date, and shall terminate on December 31, 2015, unless terminated earlier as set forth herein.

2. SERVICES TO BE PERFORMED

Consultant shall diligently perform all the services described in the Scope of Services and Schedule of Billing Rates attached hereto as Exhibit A and incorporated herein by reference ("Services" or "Work"). City may elect to delete certain Services within the Scope of Services at its sole discretion.

3. TIME OF PERFORMANCE

3.1 Time is of the essence in the performance of Services under this Agreement and Consultant shall perform the Services in accordance with the schedule included in Exhibit A. In the absence of a specific schedule, the Services shall be performed to completion in a diligent and timely manner. The failure by Consultant to strictly adhere to the schedule set forth in Exhibit A, if any, or perform the Services in a diligent and timely manner may result in termination of this Agreement by City.

3.2 Notwithstanding the foregoing, Consultant shall not be responsible for delays due to causes beyond Consultant's reasonable control. However, in the case of any such delay in the Services to be provided for the Project, each party hereby agrees to provide notice within two (2) calendar days of the occurrence causing the delay to the other party so that all delays can be addressed.

3.3 Consultant shall submit all requests for extensions of time for performance in writing to the Project Administrator as defined herein not later than ten (10) calendar days after the start of the condition that purportedly causes a delay. The Project Administrator shall review all such requests and may grant reasonable time extensions for unforeseeable delays that are beyond Consultant's control.

3.4 For all time periods not specifically set forth herein, Consultant shall respond in the most expedient and appropriate manner under the circumstances, by hand-delivery or mail.

4. COMPENSATION TO CONSULTANT

4.1 City shall pay Consultant for the Services on a time and expense not-to-exceed basis in accordance with the provisions of this Section and Exhibit A. Consultant's compensation for all Work performed in accordance with this Agreement, including all reimbursable items and subconsultant fees, shall not exceed **Three Thousand Dollars and 00/100 (\$3,000.00)**, without prior written authorization from City. No billing rate changes shall be made during the term of this Agreement without the prior written approval of City.

4.2 Consultant shall submit monthly invoices to City describing the Work performed the preceding month. Consultant's bills shall include the name of the person who performed the Work, a brief description of the Services performed and/or the specific task in the Scope of Services to which it relates, the date the Services were performed, the number of hours spent on all Work billed on an hourly basis, and a description of any reimbursable expenditures. City shall pay Consultant no later than thirty (30) calendar days after approval of the monthly invoice by City staff.

4.3 City shall reimburse Consultant only for those costs or expenses specifically identified in Exhibit A to this Agreement or specifically approved in writing in advance by City.

4.4 Consultant shall not receive any compensation for Extra Work performed without the prior written authorization of City. As used herein, "Extra Work" means any Work that is determined by City to be necessary for the proper completion of the Project, but which is not included within the Scope of Services and which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Compensation for any authorized Extra Work shall be paid in accordance with Exhibit A.

5. PROJECT MANAGER

5.1 Consultant shall designate a Project Manager, who shall coordinate all phases of the Project. This Project Manager shall be available to City at all reasonable times during the Agreement term. Consultant has designated Paul D. Pender to be its Project Manager. Consultant shall not remove or reassign the Project Manager or any personnel listed in Exhibit A or assign any new or replacement personnel to the Project without the prior written consent of City. City's approval shall not be unreasonably withheld with respect to the removal or assignment of non-key personnel.

5.2 Consultant, at the sole discretion of City, shall remove from the Project any of its personnel assigned to the performance of Services upon written request of City. Consultant warrants that it will continuously furnish the necessary personnel to complete the Project on a timely basis as contemplated by this Agreement.

5.3 If Consultant is performing inspection services for City, the Project Manager and any other assigned staff shall be equipped with a cellular phone to communicate with City staff. The Project Manager's cellular phone number shall be provided to City.

6. ADMINISTRATION

This Agreement will be administered by the Finance Department. City's Finance Director/Treasurer or designee shall be the Project Administrator and shall have the authority to act for City under this Agreement. The Project Administrator shall represent City in all matters pertaining to the Services to be rendered pursuant to this Agreement.

7. CITY'S RESPONSIBILITIES

To assist Consultant in the execution of its responsibilities under this Agreement, City agrees to provide access to and upon request of Consultant, one copy of all existing relevant information on file at City. City will provide all such materials in a timely manner so as not to cause delays in Consultant's Work schedule.

8. STANDARD OF CARE

8.1 All of the Services shall be performed by Consultant or under Consultant's supervision. Consultant represents that it possesses the professional and technical personnel required to perform the Services required by this Agreement, and that it will perform all Services in a manner commensurate with the highest professional standards. For purposes of this Agreement, the phrase "highest professional

standards" shall mean those standards of practice recognized by one (1) or more first-class firms performing similar work under similar circumstances.

8.2 All Services shall be performed by qualified and experienced personnel who are not employed by City. By delivery of completed Work, Consultant certifies that the Work conforms to the requirements of this Agreement, all applicable federal, state and local laws, and the highest professional standard.

8.3 Consultant represents and warrants to City that it has, shall obtain, and shall keep in full force and effect during the term hereof, at its sole cost and expense, all licenses, permits, qualifications, insurance and approvals of whatsoever nature that is legally required of Consultant to practice its profession. Consultant shall maintain a City of Newport Beach business license during the term of this Agreement.

8.4 Consultant shall not be responsible for delay, nor shall Consultant be responsible for damages or be in default or deemed to be in default by reason of strikes, lockouts, accidents, acts of God, or the failure of City to furnish timely information or to approve or disapprove Consultant's Work promptly, or delay or faulty performance by City, contractors, or governmental agencies.

9. HOLD HARMLESS

9.1 To the fullest extent permitted by law, Consultant shall indemnify, defend and hold harmless City, its City Council, boards and commissions, officers, agents, volunteers and employees (collectively, the "Indemnified Parties") from and against any and all claims (including, without limitation, claims for bodily injury, death or damage to property), demands, obligations, damages, actions, causes of action, suits, losses, judgments, fines, penalties, liabilities, costs and expenses (including, without limitation, attorneys' fees, disbursements and court costs) of every kind and nature whatsoever (individually, a Claim; collectively, "Claims"), which may arise from or in any manner relate (directly or indirectly) to any breach of the terms and conditions of this Agreement, any Work performed or Services provided under this Agreement including, without limitation, defects in workmanship or materials or Consultant's presence or activities conducted on the Project (including the negligent, reckless, and/or willful acts, errors and/or omissions of Consultant, its principals, officers, agents, employees, vendors, suppliers, consultants, subcontractors, anyone employed directly or indirectly by any of them or for whose acts they may be liable, or any or all of them).

9.2 Notwithstanding the foregoing, nothing herein shall be construed to require Consultant to indemnify the Indemnified Parties from any Claim arising from the sole negligence or willful misconduct of the Indemnified Parties. Nothing in this indemnity shall be construed as authorizing any award of attorneys' fees in any action on or to enforce the terms of this Agreement. This indemnity shall apply to all claims and liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by Consultant.

10. INDEPENDENT CONTRACTOR

It is understood that City retains Consultant on an independent contractor basis and Consultant is not an agent or employee of City. The manner and means of conducting the Work are under the control of Consultant, except to the extent they are limited by statute, rule or regulation and the expressed terms of this Agreement. No civil service status or other right of employment shall accrue to Consultant or its employees. Nothing in this Agreement shall be deemed to constitute approval for Consultant or any of Consultant's employees or agents, to be the agents or employees of City. Consultant shall have the responsibility for and control over the means of performing the Work, provided that Consultant is in compliance with the terms of this Agreement. Anything in this Agreement that may appear to give City the right to direct Consultant as to the details of the performance of the Work or to exercise a measure of control over Consultant shall mean only that Consultant shall follow the desires of City with respect to the results of the Services.

11. COOPERATION

Consultant agrees to work closely and cooperate fully with City's designated Project Administrator and any other agencies that may have jurisdiction or interest in the Work to be performed. City agrees to cooperate with the Consultant on the Project.

12. CITY POLICY

Consultant shall discuss and review all matters relating to policy and Project direction with City's Project Administrator in advance of all critical decision points in order to ensure the Project proceeds in a manner consistent with City goals and policies.

13. PROGRESS

Consultant is responsible for keeping the Project Administrator informed on a regular basis regarding the status and progress of the Project, activities performed and planned, and any meetings that have been scheduled or are desired.

14. INSURANCE

Without limiting Consultant's indemnification of City, and prior to commencement of Work, Consultant shall obtain, provide and maintain at its own expense during the term of this Agreement or for other periods as specified in this Agreement, policies of insurance of the type, amounts, terms and conditions described in the Insurance Requirements attached hereto as Exhibit B, and incorporated herein by reference.

15. PROHIBITION AGAINST ASSIGNMENTS AND TRANSFERS

Except as specifically authorized under this Agreement, the Services to be provided under this Agreement shall not be assigned, transferred contracted or subcontracted out without the prior written approval of City. Any of the following shall

be construed as an assignment: The sale, assignment, transfer or other disposition of any of the issued and outstanding capital stock of Consultant, or of the interest of any general partner or joint venturer or syndicate member or cotenant if Consultant is a partnership or joint-venture or syndicate or co-tenancy, which shall result in changing the control of Consultant. Control means fifty percent (50%) or more of the voting power or twenty-five percent (25%) or more of the assets of the corporation, partnership or joint-venture.

16. SUBCONTRACTING

The subcontractors authorized by City, if any, to perform Work on this Project are identified in Exhibit A. Consultant shall be fully responsible to City for all acts and omissions of any subcontractor. Nothing in this Agreement shall create any contractual relationship between City and any subcontractor nor shall it create any obligation on the part of City to pay or to see to the payment of any monies due to any such subcontractor other than as otherwise required by law. City is an intended beneficiary of any Work performed by the subcontractor for purposes of establishing a duty of care between the subcontractor and City. Except as specifically authorized herein, the Services to be provided under this Agreement shall not be otherwise assigned, transferred, contracted or subcontracted out without the prior written approval of City.

17. OWNERSHIP OF DOCUMENTS

17.1 Each and every report, draft, map, record, plan, document and other writing produced, including but not limited to, websites, blogs, social media accounts and applications (hereinafter "Documents"), prepared or caused to be prepared by Consultant, its officers, employees, agents and subcontractors, in the course of implementing this Agreement, shall become the exclusive property of City, and City shall have the sole right to use such materials in its discretion without further compensation to Consultant or any other party. Additionally, all material posted in cyberspace by Consultant, its officers, employees, agents and subcontractors, in the course of implementing this Agreement, shall become the exclusive property of City, and City shall have the sole right to use such materials in its discretion without further compensation to Consultant or any other party. Consultant shall, at Consultant's expense, provide such Documents, including all logins and password information to City upon prior written request.

17.2 Documents, including drawings and specifications, prepared by Consultant pursuant to this Agreement are not intended or represented to be suitable for reuse by City or others on any other project. Any use of completed Documents for other projects and any use of incomplete Documents without specific written authorization from Consultant will be at City's sole risk and without liability to Consultant. Further, any and all liability arising out of changes made to Consultant's deliverables under this Agreement by City or persons other than Consultant is waived against Consultant, and City assumes full responsibility for such changes unless City has given Consultant prior notice and has received from Consultant written consent for such changes.

17.3 All written documents shall be transmitted to City in formats compatible with Microsoft Office and/or viewable with Adobe Acrobat.

18. CONFIDENTIALITY

All Documents, including drafts, preliminary drawings or plans, notes and communications that result from the Services in this Agreement, shall be kept confidential unless City expressly authorizes in writing the release of information.

19. INTELLECTUAL PROPERTY INDEMNITY

Consultant shall defend and indemnify City, its agents, officers, representatives and employees against any and all liability, including costs, for infringement or alleged infringement of any United States' letters patent, trademark, or copyright, including costs, contained in Consultant's Documents provided under this Agreement.

20. RECORDS

Consultant shall keep records and invoices in connection with the Services to be performed under this Agreement. Consultant shall maintain complete and accurate records with respect to the costs incurred under this Agreement and any Services, expenditures and disbursements charged to City, for a minimum period of three (3) years, or for any longer period required by law, from the date of final payment to Consultant under this Agreement. All such records and invoices shall be clearly identifiable. Consultant shall allow a representative of City to examine, audit and make transcripts or copies of such records and invoices during regular business hours. Consultant shall allow inspection of all Work, data, Documents, proceedings and activities related to the Agreement for a period of three (3) years from the date of final payment to Consultant under this Agreement.

21. WITHHOLDINGS

City may withhold payment to Consultant of any disputed sums until satisfaction of the dispute with respect to such payment. Such withholding shall not be deemed to constitute a failure to pay according to the terms of this Agreement. Consultant shall not discontinue Work as a result of such withholding. Consultant shall have an immediate right to appeal to the City Manager or designee with respect to such disputed sums. Consultant shall be entitled to receive interest on any withheld sums at the rate of return that City earned on its investments during the time period, from the date of withholding of any amounts found to have been improperly withheld.

22. ERRORS AND OMISSIONS

In the event of errors or omissions that are due to the negligence or professional inexperience of Consultant which result in expense to City greater than what would have resulted if there were not errors or omissions in the Work accomplished by Consultant, the additional design, construction and/or restoration expense shall be

borne by Consultant. Nothing in this Section is intended to limit City's rights under the law or any other sections of this Agreement.

23. CITY'S RIGHT TO EMPLOY OTHER CONSULTANTS

City reserves the right to employ other Consultants in connection with the Project.

24. CONFLICTS OF INTEREST

24.1 Consultant or its employees may be subject to the provisions of the California Political Reform Act of 1974 (the "Act"), which (1) requires such persons to disclose any financial interest that may foreseeably be materially affected by the Work performed under this Agreement, and (2) prohibits such persons from making, or participating in making, decisions that will foreseeably financially affect such interest.

24.2 If subject to the Act, Consultant shall conform to all requirements of the Act. Failure to do so constitutes a material breach and is grounds for immediate termination of this Agreement by City. Consultant shall indemnify and hold harmless City for any and all claims for damages resulting from Consultant's violation of this Section.

25. NOTICES

25.1 All notices, demands, requests or approvals, including any change in mailing address, to be given under the terms of this Agreement shall be given in writing, and conclusively shall be deemed served when delivered personally, or on the third business day after the deposit thereof in the United States mail, postage prepaid, first-class mail, addressed as hereinafter provided.

25.2 All notices, demands, requests or approvals from Consultant to City shall be addressed to City at:

Attn: Dan Matusiewicz, Finance Director/Treasurer
Finance Department
City of Newport Beach
100 Civic Center Drive
PO Box 1768
Newport Beach, CA 92658

25.3 All notices, demands, requests or approvals from City to Consultant shall be addressed to Consultant at:

Attn: Paul D. Pender
Fieldman, Rolapp & Associates, Inc.
19900 MacArthur Boulevard, Suite 1100
Irvine, CA 92612

26. CLAIMS

Unless a shorter time is specified elsewhere in this Agreement, before making its final request for payment under this Agreement, Consultant shall submit to City, in writing, all claims for compensation under or arising out of this Agreement. Consultant's acceptance of the final payment shall constitute a waiver of all claims for compensation under or arising out of this Agreement except those previously made in writing and identified by Consultant in writing as unsettled at the time of its final request for payment. Consultant and City expressly agree that in addition to any claims filing requirements set forth in the Agreement, Consultant shall be required to file any claim Consultant may have against City in strict conformance with the Government Claims Act (Government Code sections 900 *et seq.*).

27. TERMINATION

27.1 In the event that either party fails or refuses to perform any of the provisions of this Agreement at the time and in the manner required, that party shall be deemed in default in the performance of this Agreement. If such default is not cured within a period of two (2) calendar days, or if more than two (2) calendar days are reasonably required to cure the default and the defaulting party fails to give adequate assurance of due performance within two (2) calendar days after receipt of written notice of default, specifying the nature of such default and the steps necessary to cure such default, and thereafter diligently take steps to cure the default, the non-defaulting party may terminate the Agreement forthwith by giving to the defaulting party written notice thereof.

27.2 Notwithstanding the above provisions, City shall have the right, at its sole and absolute discretion and without cause, of terminating this Agreement at any time by giving no less than seven (7) calendar days' prior written notice to Consultant. In the event of termination under this Section, City shall pay Consultant for Services satisfactorily performed and costs incurred up to the effective date of termination for which Consultant has not been previously paid. On the effective date of termination, Consultant shall deliver to City all reports, Documents and other information developed or accumulated in the performance of this Agreement, whether in draft or final form.

28. STANDARD PROVISIONS

28.1 Recitals. City and Consultant acknowledge that the above Recitals are true and correct and are hereby incorporated by reference into this Agreement.

28.2 Compliance with all Laws. Consultant shall, at its own cost and expense, comply with all statutes, ordinances, regulations and requirements of all governmental entities, including federal, state, county or municipal, whether now in force or hereinafter enacted. In addition, all Work prepared by Consultant shall conform to applicable City, county, state and federal laws, rules, regulations and permit requirements and be subject to approval of the Project Administrator and City.

28.3 Waiver. A waiver by either party of any breach, of any term, covenant or condition contained herein shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition contained herein, whether of the same or a different character.

28.4 Integrated Contract. This Agreement represents the full and complete understanding of every kind or nature whatsoever between the parties hereto, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. No verbal agreement or implied covenant shall be held to vary the provisions herein.

28.5 Conflicts or Inconsistencies. In the event there are any conflicts or inconsistencies between this Agreement and the Scope of Services or any other attachments attached hereto, the terms of this Agreement shall govern.

28.6 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of the Agreement or any other rule of construction which might otherwise apply.

28.7 Amendments. This Agreement may be modified or amended only by a written document executed by both Consultant and City and approved as to form by the City Attorney.

28.8 Severability. If any term or portion of this Agreement is held to be invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall continue in full force and effect.

28.9 Controlling Law and Venue. The laws of the State of California shall govern this Agreement and all matters relating to it and any action brought relating to this Agreement shall be adjudicated in a court of competent jurisdiction in the County of Orange, State of California.

28.10 Equal Opportunity Employment. Consultant represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because of race, religion, color, national origin, handicap, ancestry, sex, age or any other impermissible basis under law.

28.11 No Attorneys' Fees. In the event of any dispute or legal action arising under this Agreement, the prevailing party shall not be entitled to attorneys' fees.

28.12 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute one (1) and the same instrument.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the dates written below.

**APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE**

Date: 2/19/15

By: [Signature] (For)
Aaron C. Harp CAM 02/19/15
City Attorney

**CITY OF NEWPORT BEACH,
a California municipal corporation**

Date: 2-23-15

By: [Signature]
Dan Matusiewicz
Finance Director/Treasurer

ATTEST:
Date: 4/7/15

By: [Signature] FOR
Leilani I. Brown
City Clerk



**CONSULTANT: Fieldman, Rolapp &
Associates, Inc., a California corporation**

Date: _____

By: [Signature]
Thomas M. DeMars
Chief Executive Officer/Chairman

Date: 2/28/15

By: [Signature]
Paul D. Pender
Vice President

[END OF SIGNATURES]

Attachments: Exhibit A – Scope of Services and Schedule of Billing Rates
Exhibit B – Insurance Requirements

EXHIBIT A
SCOPE OF SERVICES AND
SCHEDULE OF BILLING RATES

February 9, 2015

Mr. Dan Matusiewicz
Finance Director
City of Newport Beach

Re: Analysis of Redemption Scenarios on City's Outstanding 2010B COPs

Dear Mr. Matusiewicz,

Pursuant to your request, Fieldman, Rolapp & Associates is submitting this Engagement Letter Agreement (the "Agreement") to the City of Newport Beach (the "City") to provide financial advisory services to the City to analyze scenarios under which its Certificates of Participation, Series 2010B are redeemed subject to the Optional Redemption provisions. This Agreement shall cover certain analyses and work products discussed in the Scope of Services below.

SCOPE OF SERVICES

We agree to provide the following financial advisory services to accomplish the City's analytic needs:

- Creation of customized make-whole call model and related calculations / scenarios
- Analysis / structuring alternatives related to any pre-payment including cash / tax-exempt bonds
- Creation of summary presentations / materials for meetings as necessary
- Attend meetings at the City (if requested)
- Creation of materials, either in a narrative memorandum or limited FAQ page, answering the following questions:
 - Is there likely to be economic benefit to refund the Civic Center bonds with new bonds at a low interest environment?
 - Is there likely to be an economic benefit to refund the Civic Center in a high interest rate environment?
 - Is there likely to be an economic benefit to early redeem Civic Center bonds with City cash reserves in a low interest rate environment?
 - Is there likely to be an economic benefit to early redeem Civic Center bonds with City cash reserves in a high interest rate environment?
 - Is it feasible to assume a tender offer to purchase bonds back would produce an economic benefit?
 - Why didn't the City issue traditional COPs with standard call provisions?
 - Why did the City agree to the make-whole call provision?

TERM OF ENGAGEMENT

This Agreement shall remain in full force and effect until the Scope of Services has been completed to the City's satisfaction, or December 31, 2015, whichever occurs sooner.

FINANCIAL ADVISORY FEES and EXPENSES

Fees for services identified in the Scope of Services shall not exceed **\$3,000** for the term of the engagement. In addition, the City shall provide reimbursement for direct, verifiable expenses incurred such as conference calls, mileage, meals, and other miscellaneous items. In no event will such expenses exceed \$200 in total.

PAYMENT

Invoices for fees and expenses shall be provided to the City on a monthly basis, based on a detailed invoice of services provided by Fieldman, Rolapp & Associates.

REGULATORY DISCLOSURES

Fieldman, Rolapp & Associates, Inc. is an SEC-registered Municipal Advisor providing financial advice with a fiduciary duty to public agencies. Compensation contingent on the completion of a financial transaction or project is customary for municipal financial advisors. In such instances where our compensation is contingent upon the completion of a financial transaction, a potential conflict of interest may arise, given the potential incentive to provide advice recommending the completion of a transaction which is not optimal for the public agency. However, regardless of compensation structure, we undertake a fiduciary duty in advising public agencies. Given the proposed compensation structure for this engagement, no such potential conflict exists.

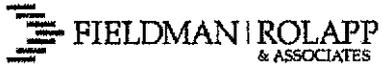
At the explicit direction of the City, our analysis under the scope of services may be limited to certain scenarios or directed to utilize certain assumptions. In such instances, a complete review of all feasible and suitable financial alternatives may not be undertaken or provided as part of our engagement. We otherwise operate under a fiduciary duty to consider all feasible and suitable alternatives to accomplish a given objective.

Sincerely,

FIELDMAN, ROLAPP & ASSOCIATES

Paul D. Pender
Vice President

ACCEPTANCE



By: _____

City of Newport Beach

Title: _____

Date: _____

EXHIBIT B

INSURANCE REQUIREMENTS – PROFESSIONAL SERVICES

1. Provision of Insurance. Without limiting Consultant's indemnification of City, and prior to commencement of Work, Consultant shall obtain, provide and maintain at its own expense during the term of this Agreement, policies of insurance of the type and amounts described below and in a form satisfactory to City. Consultant agrees to provide insurance in accordance with requirements set forth here. If Consultant uses existing coverage to comply and that coverage does not meet these requirements, Consultant agrees to amend, supplement or endorse the existing coverage.
2. Acceptable Insurers. All insurance policies shall be issued by an insurance company currently authorized by the Insurance Commissioner to transact business of insurance in the State of California, with an assigned policyholders' Rating of A- (or higher) and Financial Size Category Class VII (or larger) in accordance with the latest edition of Best's Key Rating Guide, unless otherwise approved by the City's Risk Manager.
3. Coverage Requirements.
 - A. Workers' Compensation Insurance. Consultant shall maintain Workers' Compensation Insurance, statutory limits, and Employer's Liability Insurance with limits of at least one million dollars (\$1,000,000) each accident for bodily injury by accident and each employee for bodily injury by disease in accordance with the laws of the State of California, Section 3700 of the Labor Code.

Consultant shall submit to City, along with the certificate of insurance, a Waiver of Subrogation endorsement in favor of City, its officers, agents, employees and volunteers.
 - B. General Liability Insurance. Consultant shall maintain commercial general liability insurance, and if necessary umbrella liability insurance, with coverage at least as broad as provided by Insurance Services Office form CG 00 01, in an amount not less than one million dollars (\$1,000,000) per occurrence, two million dollars (\$2,000,000) general aggregate. The policy shall cover liability arising from premises, operations, personal and advertising injury, and liability assumed under an insured contract (including the tort liability of another assumed in a business contract).
 - C. Automobile Liability Insurance. Consultant shall maintain automobile insurance at least as broad as Insurance Services Office form CA 00 01 covering bodily injury and property damage for all activities of Consultant arising out of or in connection with Work to be performed under this Agreement, including coverage for any owned, hired, non-owned or rented vehicles, in an amount not less than one million dollars (\$1,000,000) combined single limit each accident.

4. Other Insurance Requirements. The policies are to contain, or be endorsed to contain, the following provisions:
- A. Waiver of Subrogation. All insurance coverage maintained or procured pursuant to this Agreement shall be endorsed to waive subrogation against City, its elected or appointed officers, agents, officials, employees and volunteers or shall specifically allow Consultant or others providing insurance evidence in compliance with these requirements to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against City, and shall require similar written express waivers from each of its subconsultants.
 - B. Additional Insured Status. All liability policies including general liability, excess liability, pollution liability, and automobile liability, if required, but not including professional liability, shall provide or be endorsed to provide that City and its officers, officials, employees, and agents shall be included as insureds under such policies.
 - C. Primary and Non Contributory. All liability coverage shall apply on a primary basis and shall not require contribution from any insurance or self-insurance maintained by City.
 - D. Notice of Cancellation. All policies shall provide City with thirty (30) calendar days' notice of cancellation (except for nonpayment for which ten (10) calendar days' notice is required) or nonrenewal of coverage for each required coverage.
5. Additional Agreements Between the Parties. The parties hereby agree to the following:
- A. Evidence of Insurance. Consultant shall provide certificates of insurance to City as evidence of the insurance coverage required herein, along with a waiver of subrogation endorsement for workers' compensation and other endorsements as specified herein for each coverage. Insurance certificates and endorsement must be approved by City's Risk Manager prior to commencement of performance. Current certification of insurance shall be kept on file with City at all times during the term of this Agreement. City reserves the right to require complete, certified copies of all required insurance policies, at any time.
 - B. City's Right to Revise Requirements. City reserves the right at any time during the term of the Agreement to change the amounts and types of insurance required by giving Consultant sixty (60) calendar days advance written notice of such change. If such change results in substantial additional cost to Consultant, City and Consultant may renegotiate Consultant's compensation.
 - C. Enforcement of Agreement Provisions. Consultant acknowledges and agrees that any actual or alleged failure on the part of City to inform

Consultant of non-compliance with any requirement imposes no additional obligations on City nor does it waive any rights hereunder.

- D. Requirements not Limiting. Requirements of specific coverage features or limits contained in this Section are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue and is not intended by any party or insured to be all inclusive, or to the exclusion of other coverage, or a waiver of any type. If the Consultant maintains higher limits than the minimums shown above, the City requires and shall be entitled to coverage for higher limits maintained by the Consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.
- E. Self-insured Retentions. Any self-insured retentions must be declared to and approved by City. City reserves the right to require that self-insured retentions be eliminated, lowered, or replaced by a deductible. Self-insurance will not be considered to comply with these requirements unless approved by City.
- F. City Remedies for Non-Compliance. If Consultant or any subconsultant fails to provide and maintain insurance as required herein, then City shall have the right but not the obligation, to purchase such insurance, to terminate this Agreement, or to suspend Consultant's right to proceed until proper evidence of insurance is provided. Any amounts paid by City shall, at City's sole option, be deducted from amounts payable to Consultant or reimbursed by Consultant upon demand.
- G. Timely Notice of Claims. Contractor shall give City prompt and timely notice of claims made or suits instituted that arise out of or result from Contractor's performance under this Contract, and that involve or may involve coverage under any of the required liability policies. City assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve City.
- H. Consultant's Insurance. Consultant shall also procure and maintain, at its own cost and expense, any additional kinds of insurance, which in its own judgment may be necessary for its proper protection and prosecution of the Work.

**CERTIFICATE OF INSURANCE
CHECKLIST**

City of Newport Beach

This checklist is comprised of requirements as outlined by the City of Newport Beach. *

Date Received: 4/3/15 Dept./Contact Received From: Anthony
Date Completed: 4/6/15 Sent to: Anthony By: Chris/Alicia
Company/Person required to have certificate: Fieldman, Rolapp & Associates, Inc.
Type of contract: All Other

I. GENERAL LIABILITY

EFFECTIVE/EXPIRATION DATE: 4/1/15 to 4/1/16

- A. INSURANCE COMPANY: Hanover Insurance Company
- B. AM BEST RATING (A- : VII or greater): A; XV
- C. ADMITTED Company (Must be California Admitted):
Is Company admitted in California? Yes No
- D. LIMITS (Must be \$1M or greater): What is limit provided? 1,000,000/2,000,000
- E. ADDITIONAL INSURED ENDORSEMENT – please attach Yes No
- F. PRODUCTS AND COMPLETED OPERATIONS (Must include): Is it included? (completed Operations status does not apply to Waste Haulers or Recreation) Yes No
- G. ADDITIONAL INSURED FOR PRODUCTS AND COMPLETED OPERATIONS ENDORSEMENT (completed Operations status does not apply to Waste Haulers) Yes No
- H. ADDITIONAL INSURED WORDING TO INCLUDE (The City its officers, officials, employees and volunteers): Is it included? Yes No
- I. PRIMARY & NON-CONTRIBUTORY WORDING (Must be included): Is it included? Yes No
- J. CAUTION! (Confirm that loss or liability of the named insured is not limited solely by their negligence) Does endorsement include "solely by negligence" wording? Yes No
- K. ELECTED SCMAF COVERAGE (RECREATION ONLY): N/A Yes No
- L. NOTICE OF CANCELLATION: N/A Yes No

II. AUTOMOBILE LIABILITY

EFFECTIVE/EXPIRATION DATE: 4/1/15 to 4/1/16

- A. INSURANCE COMPANY: Hanover Insurance Company
- B. AM BEST RATING (A- : VII or greater) A; XV
- C. ADMITTED COMPANY (Must be California Admitted):
Is Company admitted in California? Yes No
- D. LIMITS - If Employees (Must be \$1M min. BI & PD and \$500,000 UM, \$2M min for Waste Haulers): What is limits provided? 1,000,000
- E. LIMITS Waiver of Auto Insurance / Proof of coverage (if individual) (What is limits provided?) N/A
- F. PRIMARY & NON-CONTRIBUTORY WORDING (For Waste Haulers only): N/A Yes No
- G. HIRED AND NON-OWNED AUTO ONLY: N/A Yes No
- H. NOTICE OF CANCELLATION: N/A Yes No

III. WORKERS' COMPENSATION

EFFECTIVE/EXPIRATION DATE: 10/01/14 to 10/01/15

- A. INSURANCE COMPANY: ACE American Insurance Co
- B. AM BEST RATING (A- : VII or greater): A++; XV
- C. ADMITTED Company (Must be California Admitted): Yes No
- D. WORKERS' COMPENSATION LIMIT: Statutory Yes No
- E. EMPLOYERS' LIABILITY LIMIT (Must be \$1M or greater) 1,000,000
- F. WAIVER OF SUBROGATION (To include): Is it included? Yes No
- G. SIGNED WORKERS' COMPENSATION EXEMPTION FORM: N/A Yes No
- H. NOTICE OF CANCELLATION: N/A Yes No

ADDITIONAL COVERAGE'S THAT MAYBE REQUIRED

IV. PROFESSIONAL LIABILITY

N/A Yes No

V POLLUTION LIABILITY

N/A Yes No

V BUILDERS RISK

N/A Yes No

**HAVE ALL ABOVE REQUIREMENTS BEEN MET?
IF NO, WHICH ITEMS NEED TO BE COMPLETED?**

Yes No

Approved:



Agent of Alliant Insurance Services
Broker of record for the City of Newport Beach

4/6/15
Date

RISK MANAGEMENT APPROVAL REQUIRED (Non-admitted carrier rated less than _____;

Self Insured Retention or Deductible greater than \$ _____) N/A Yes No

Reason for Risk Management approval/exception/waiver:

Approved:

Risk Management

Date

* Subject to the terms of the contract.



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

Agenda Item No. 4C
June 16, 2016

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

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

SUBJECT: PENSION AND OPEB ADVISORY SERVICES

SUMMARY:

During the April 28, 2016, Finance Committee meeting Committee Member Gorczyca proposed bringing on an independent actuary to provide various pension and OPEB advisory services. Such strategies may include a Section 115 Benefit Trust, PERS pre-payment options, improvements to the City's OPEB program, and various incentives to reduce the pension or OPEB liabilities. Staff recommends that the Committee discuss the merits of engaging an independent actuary or other financial professional to provide Pension and OPEB advisory services and provide staff direction as to an initial scope of services.

RECOMMENDED ACTION:

- a) Consider the merits of hiring an independent actuary or other financial professional to provide various pension and OPEB advisory services;
- b) Consider the scope, desired deliverables and contractual arrangement of proposed services (hourly vs. fixed fee and not to exceed dollar value); and
- c) Make appropriate recommendation(s) to the City Manager.

Prepared by:

Submitted by:

/s/ Steve Montano

Steve Montano
Deputy Director, Finance

/s/ Dan Matusiewicz

Dan Matusiewicz
Finance Director

Attachments:

- A. Sample Pension & OPEB Consulting Services and Projects
- B. GFOA Best Practice – Core Elements of Funding Policy

ATTACHMENT A

Sample Pension & OPEB Consulting Services and Projects

Sample Actuarial Services

PENSION PROJECTS

- Pension Obligation Bond (POB) issues including cash flow analysis, stochastic modeling of likelihood of POB success or failure, and actuarial certifications for POB unfunded actuarial liabilities
- Analysis of CalPERS rate stabilization, including use of Section 115 Trust, for various initial and ongoing budgeted contribution levels
- Impact of one-time additional CalPERS contributions and/or shorter amortization periods on funded status and contribution volatility
- Adjustment of CalPERS GASB 68 reports for Section 115 Trust assets
- Benefit improvement analysis including cost allocations for property tax issues
- Impact of lower future "PEPRA" and "Classic" formulas, including multiple tiers
- Asset-liability analysis including modeling stochastic confidence ranges for various funding criteria such as asset returns, contribution rates, and plan funded status
- Projections of CalPERS contribution rates and related stochastic modeling
- Cost impact studies of actuarial assumption changes
- Plan review and design issues
- Review of CalPERS calculations
- Analysis of 2nd Tier and PEPRA formulas
- Analyze impact of CalPERS changes in methodology and assumptions on employer contribution rates

OPEB PROJECTS

- Second tier design or alternative plan design analysis and cost impact projections
- Open and closed group projections, including Annual OPEB Cost (AOC) cost and cash flow/benefit payout projections
- Analysis of defined benefit and defined contribution retiree healthcare plan designs
- PEMHCA Minimum benefits for retirees
- Prefunding analysis, cost projections and development of funding policy
- Illustrate the financial statement impact of the new GASB Statements 74 and 75 accounting standards
- Determine the impact of Implied Subsidy now required for PEMHCA (CalPERS) benefits

ATTACHMENT B

GFOA Best Practice – Core Elements of Funding Policy



GFOA Best Practice

Core Elements of a Funding Policy

Background. The Government Finance Officers Association (GFOA) has recommended that every state and local government that offers defined benefit pensions formally adopt a funding policy that provides reasonable assurance that the cost of those benefits will be funded in an equitable and sustainable manner.¹ To provide the desired degree of assurance, a pension funding policy would need to incorporate the following principles and objectives:

1. Every government employer that offers defined benefit pensions should obtain no less than biennially an actuarially determined contribution (ADC) to serve as the basis for its contributions;
2. The ADC should be calculated in a manner that fully funds the long-term costs of promised benefits, while balancing the goals of 1) keeping contributions relatively stable and 2) equitably allocating the costs over the employees' period of active service;
3. Every government employer that offers defined benefit pensions should make a commitment to fund the full amount of the ADC each period. (For some government employers, a reasonable transition period will be necessary before this objective can be accomplished);
4. Every government employer that offers defined benefit pensions should demonstrate accountability and transparency by communicating all of the information necessary for assessing the government's progress toward meeting its pension funding objectives.

These principles and objectives necessarily will affect decisions related to the treatment of three core elements of a comprehensive pension funding policy:

- *Actuarial cost method* - the technique used to allocate the total present value of future benefits over an employee's working career (normal cost/service cost).
- *Asset smoothing method* - the technique used to recognize gains or losses in pension assets over some period of time so as to reduce the effects of market volatility and stabilize contributions.
- *Amortization policy* - The length of time and the structure selected for increasing or decreasing contributions to systematically eliminate any unfunded actuarial accrued liability or surplus.

Recommendation. To ensure consistency with the principles and objectives described above, the GFOA recommends that a pension funding policy treat each of its core elements as follows:

Actuarial cost method. The actuarial cost method selected for funding purposes should conform to actuarial standards of practice and allocate normal costs over a period beginning no earlier than the date of employment and should not exceed the last assumed retirement age. Moreover, the selected actuarial cost method should be designed to fully fund the long-term costs of promised benefits, consistent with the objective of keeping contributions relatively stable and equitably allocating the costs over the employees' period of active service.² While not the only method that would satisfy this criterion, the entry age method—level percentage of pay normal cost—is especially well suited to achieving this purpose.

Asset smoothing. The method used for asset smoothing should:

- Be unbiased relative to market. Thus, for example:
 - The same smoothing period should be used for both gains and losses, and
 - Market corridors (a range beyond which deviations are not smoothed), if used, should be symmetrical³, and
- Provide for smoothing to occur over fixed periods (the use of rolling periods normally should be avoided), ideally of five years or less, but never longer than ten years.
 - Provide for a market corridor if smoothing is to occur over a period longer than five years.

Amortization. Amortization of the unfunded actuarial accrued liability⁴ should:

- Use fixed (closed) periods that
 - Are selected so as to balance the twin goals of demographic matching (equitable allocation of cost among generations) and volatility management (funding at a level percentage of payroll) and
 - Never exceed 25 years, but ideally fall in the 15-20 year range;
- Use a layered approach for the various components to be amortized (that is, an approach that separately tracks the different components to be amortized); and emerge as a level percentage of member compensation or as a level dollar amount.

Additional considerations for plans closed to new entrants. When a plan is closed to new participants, the aggregate actuarial cost method – level percentage of pay normal cost – is especially well suited for funding.

For closed plans with no remaining active members:

- Special attention needs to be given to the mix of investments (given the shorter time horizon); and
- In comparison to open plans:
 - Asset smoothing periods should be shorter (typically no longer than three years);
 - Corridors, if used, should be narrower; and

- Amortization periods should be shorter (typically no longer than 10 years for gains and losses).

For closed plans that still have active members:

- The continued use of level percent of member compensation amortization remains appropriate, but not for a long period (i.e., as the number of active members decreases); and
- In comparison to open plans:
 - Asset smoothing periods should be shorter;
 - For asset smoothing periods that exceed five years, a corridor (not to exceed 20 percent) should be used; and
 - Amortization periods should be shorter.

References.

California Actuarial Advisory Panel, *Actuarial Funding Policies and Practices for Public Pension and OPEB Plans*, February 2013

NOTES:

¹ "Funding Defined Benefit Pensions" (2013) (CORBA).

² Employers using some other actuarial cost method should carefully monitor demographic changes and trends in the covered workforce inasmuch as such changes could result in increased employer contributions as a percentage of payroll.

³ Generally, the appropriate corridor will depend upon the length of the smoothing period, with longer smoothing periods requiring narrower corridors.

⁴ Special considerations may apply to the amortization of a surplus (e.g., use of a longer amortization period).

Approved by the GFOA's Executive Board, March, 2013.



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

Agenda Item No. 4D
June 16, 2016

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

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

SUBJECT: FINANCE SUBCOMMITTEE RECOMMENDATIONS

SUMMARY:

During the April 28, 2016, Finance Committee meeting Subcommittee Members presented written recommendations as to general business practices of the City. The Committee, as a whole, provided general comments on the content and quality of the report. The Committee will discuss each idea specifically and determine action items associated with each recommendation.

RECOMMENDED ACTION:

Make recommendation(s) to the City Manager as to the next steps related to the Subcommittee Report.

Prepared by:

Submitted by:

/s/ Steve Montano
Steve Montano
Deputy Director, Finance

/s/ Dan Matusiewicz
Dan Matusiewicz
Finance Director

Attachment:

- A. Finance Subcommittee Recommendations

ATTACHMENT A

Finance Subcommittee Recommendations

Finance Subcommittee Recommendations

Ref.	Recommendations
A. MAXIMIZE REVENUES	
A.1	The Subcommittee recommends that fees or rents charged related to development or use of City property or assets overseen by the City also be updated on a fixed schedule to remain current (the Subcommittee recommends every three years). The Subcommittee recommends that amounts charged by enterprise funds should also be updated on a fixed schedule to remain current (the Subcommittee recommends at least every five years).
A.2	The Subcommittee recommends that the City undertake a review of policies in the General Plan to ensure that property owners who propose conversions to residential uses contribute an appropriate amount towards infrastructure costs and maintenance. Those contributions could be implemented through development agreements detailing the benefits to the public and to the property owner seeking a land use change.
A.3	In statistical areas of the City where more than one development project is under consideration, but they all cannot be implemented without one or more of them being required to go through a Charter Section 423 vote of the public, all other things being equal, the Subcommittee recommends that if the Council chooses to prioritize the projects, the generation of maximum financial benefit to the City should be a factor in deciding which project would have priority.
B. MINIMIZE COSTS	
B.1	Assist the Council in finding potential strategies to reduce the financial burden of employee benefits to the long term financial health of the City.
B.2	The Subcommittee recommends that when an analysis indicates that there is little-to-no cost savings in outsourcing, the City consider doing so anyway since outsourcing would reduce the risk of a later determination that the assumptions used in the original analysis were incorrect (should be evaluated in the context of risk of failing to perform critical public health and safety functions, quality of service, and prevailing wages).
B.3	The City should thoroughly analyze the number of public safety employees to see if management and administration can be streamlined, or functions can be combined internally or with other nearby agencies.
B.4	The Subcommittee recommends that department management justify sworn personnel being used to perform any functions other than those that require sworn personnel.
B.5	The Subcommittee recommends that the City retain an outside consultant to review the City's staffing practices to ensure that only the number of employees on staff are necessary to properly perform the work expected of staff.
B.6	The City might consider engaging an outside internal auditor to conduct a review of the appropriateness of expenditures that are routinely made by departments.
C. BUDGET PROCESS	
C.1	The Subcommittee believes it would be prudent for the Council to consider prioritizing expenditures it chooses to make in the Capital Improvement Program on the basis of potential exposure to the City for failing to make such expenditures in a timely fashion.
C.2	To the extent the City has a master plan for a particular infrastructure type of item, the Subcommittee recommends that the master plan be adhered to if the failure to do so could result in liability to the City for failing to follow its own plan.
C.3	Funding decisions that would restrict the ability of staff to implement a master plan should be identified to the Council so that funding may be provided or staff may be directed to modify the master plan to be consistent with the funding priorities of the Council.
C.4	Relocate administrative staff from other facilities to City Hall in order to repurpose old facilities for community use and obviate the cost of building new or larger facilities for community use.
C.5	The Subcommittee recommends that expenditures be based upon the adopted Annual Budget.
C.6	Unbudgeted expenditures that require amendment to the Annual Budget ought to be avoided to the extent practicable. Therefore, the Subcommittee recommends that Budget Amendments be infrequently used especially in the second half of a fiscal year when the Annual Budget deliberations are or will shortly be underway.
C.7	The Subcommittee recommends that enterprise funds be operated on a stand-alone basis with the City being charged the same rates by enterprise funds as unrelated customers, and likewise the City should charge the same amounts to an enterprise fund as are charged to unrelated customers for goods and services provided by the City. The goal should be to ensure that rates charged customers are sufficient to cover costs, including sufficient reserves to cover expected replacements and upgrades that will occur over time.

D. PENSION REFORM

- D.1 Accordingly, the Subcommittee would urge the Council to seek a leadership position in the advocacy of comprehensive pension reform in California. . The Subcommittee recommends that the Committee stand ready to assist the Council in this endeavor as the Council may see fit.



CITY OF NEWPORT BEACH FINANCE COMMITTEE STAFF REPORT

Agenda Item No. 4E
June 16, 2016

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Steve Montano, Deputy Finance Director
(949) 644-3240, smontano@newportbeachca.gov

SUBJECT: ANNUAL FEE SCHEDULE UPDATE

SUMMARY:

Local governmental operations are primarily funded from taxes, user fees, fines and grants. "User fee services" are those services that are performed or provided by a government agency on behalf of a private citizen or group. In order to establish fees on the basis of full cost recovery, it is necessary to determine the cost of services. In partnership with the City's cost allocation plan consultant, staff reviewed and updated the City-wide cost allocation plan and direct user fee calculations for Recreation and Senior Services (RSS), Library, Finance, and Municipal Operations Department (MOD), as well as analyzed the separation of mileage costs from Fire Emergency Medical Services (EMS) fees and the establishment of flat fees for certain Community Development Department (CDD) services.

The recommended modifications are based on a methodology that factors in both direct and indirect costs pursuant to Newport Beach Municipal Code Section 3.36, Council Policy F-4 (Revenue Measures) and Item 12 of the Fiscal Sustainability Plan (FSP). As a general rule, the City may not recover from service users more than the cost incurred by the City to provide the service. If the fees are approved by the City Council, as currently recommended, staff projects an overall revenue increase of approximately \$237,000, not including the CDD changes to flat rates.

RECOMMENDED ACTION:

Staff welcomes input and recommendations on the proposed fee schedule. Based on the input and comments from Finance Committee, Finance staff will bring the proposed recommendations to the City Council for formal action.

DISCUSSION:

Background

The City Council has adopted prudent fiscal policies concerning its investments, reserves, budget administration, competitive contracting, facility replacement planning, and revenue initiatives. The City Charter, Municipal Code and FSP serve as the foundation for the City's financial planning and management. The Schedule of Rents, Fines, and Fees (SRFF) is a list of fees and charges that includes, but is not limited to, cost-of-services fees, fines and penalties, rents and other charges that are imposed by the City or may be mandated by the State of California.

Local governmental operations are primarily funded from taxes, user fees, fines and grants. "User fee services" are those services that are performed or provided by a government agency on behalf of a private citizen or group. The starting assumption underlying most fee recommendations is that services benefiting specific individuals – as opposed to the community as a whole – should be paid for by the individual(s) receiving the benefit. However, there are a number of factors that influence cost recovery levels, including elasticity of demand, economic incentives (or disincentives) and the extent to which a particular service benefits the community at large as well as specific individuals or groups.

The majority of the fees discussed here are related to cost-of-services. The goal of cost-of-services fees is to recover the appropriate cost of providing those services, as mandated by Municipal Code Section 3.36, Council Policy F-4 (Revenue Measures) and Item 12 of the FSP. As a general rule, the City may not recover from service users more than the cost incurred by the City to provide the service. Municipal Code Section 3.36 mandates the percentage of costs to be recovered from direct user fees. In order to establish fees on the basis of full cost recovery, it is necessary to determine the cost of services.

In 2010, the City entered into an agreement with MGT for a phased six-year comprehensive review and update of the City-wide cost allocation plan and direct user fee calculations, by department. MGT uses well-established cost accounting methodologies to calculate our municipal fees on a full cost recovery basis and to this end, contracts with a significant number of municipalities in California. This year, MGT studied the following departments:

- RSS
- Library
- Finance
- MOD

Pursuant to the City's cost recovery policies, staff was tasked with accurately reporting the true cost of providing user fee-related services, and analyzing whether current fees needed to be updated as a result of MGT's findings.

MGT reviewed each studied department's fee schedule and performed the following tasks for all fee categories:

- Calculated the fully burdened (overhead) cost to provide user services (see Attachment B for an explanation of how indirect or overhead costs are applied to the calculation of fees for service);
- Applied fully burdened labor rates to time requirement estimates; and
- Reviewed and cross checked results to ensure data validity.

Indirect overhead costs are costs that are not directly accountable to the expenses incurred for a user fee service, but are necessary and contribute to the total cost of that service delivery, i.e., managerial administration, utilities, insurance, legal, information technology, payroll, and finance, which are all valid components of the analysis of what it costs the City to provide municipal services.

Each studied department then reviewed MGT's findings for accuracy and reasonableness, and based upon this review, made its fee and subsidy recommendations pursuant to Municipal Code Section 3.36.

Below is a summary of the fee changes:

Department	Increasing	Decreasing	Deleted	No Change	New Fees	Totals
RSS	7	1	23	262	0	293
Library	2	1	3	10	0	16
Finance	14	9	1	39	0	63
MOD	21	14	3	48	2	88
All Departments	1	3	3	14	1	22
Police	2	0	0	0	0	2
Fire - EMS	1	3	0	2	0	6
TOTAL	48	31	33	375	3	490
PCT of TOTAL	10%	6%	7%	76%	1%	100%

For purposes of brevity, not all fee changes are described in detail here; however, the entire fee schedule for each studied department can be found on Attachment A and staff will answer questions during the Finance Committee meeting of June 16, 2016.

The update recommended by staff will include a 1.97 percent increase in other non-studied department related fees based upon the change in the Consumer Price Index (CPI) - All Urban Consumers for the Los Angeles-Riverside-Orange County from April 2015 (the date of the last CPI update) to April 2016.

Municipal Code Section 3.36 states that “the cost recovery percentage appropriate for each user service shall be one hundred (100) percent with the exception of the user services listed in Exhibit “A” and those services for which the fee is limited by statute.” Since the Code already allows for limitation by statute, staff recommends removing any service listed under Exhibit “A” of Municipal Code Section 3.36 that is based on statute. This includes Parking Reviews under Revenue and several other services listed under Police as shown in Attachment C.

During this time, staff also took the opportunity to see what other updates should be done for non-scheduled departments/areas. One such area was to review how the recent bundling of Fire EMS services was working in an effort to see if it would be beneficial to separate out mileage for billing purposes. Also, with the encouragement of

City Council to consider ways to make Building and Planning fees more certain and specific, staff has developed concepts for flat fees reflecting general plan check categories versus fees based on hourly work.

Recreation and Senior Services

RSS works to enhance our community’s quality of life by providing safe and well-maintained facilities and parks. They respond to community needs through quality educational, recreational, cultural and social programs for people of all ages. The department was last studied in 2011.

Recreation

Because MGT found that current Preschool Camps and Programs fees are not quite recovering the percentage of cost of service as required by Municipal Code Section 3.36, staff proposes a 1.9% increase in Preschool Camps and Programs fees. Staff recommends all other Recreation fees to remain the same at this time.

Senior Services

Staff recommends no fee changes within Senior Services.

Municipal Code Section 3.36

Staff recommends revising Municipal Code Section 3.36 to set percentage recovery as a range, from a Council approved minimum amount up to 100%, in order to give the RSS Director and City Manager flexibility to adjust RSS fees as needed, based on demand. Facility Use charges are being removed since facility rentals are not limited to cost of service. Facility Rentals are recommended to remain the same with annual CPI increases beginning with the next study. The remaining services are being adjusted to keep the fee at or near the current cost. Changes to Municipal Code Section 3.36 are detailed in Attachment C.

Special Event Hourly Rates

Special events hosted within the City of Newport Beach frequently require the use and time of City staff. Staff acknowledges the benefit to the community provided through special events and therefore established reduced hourly rates for some Police, Fire, and Public Works staff, approved by Council in 2011. Staff recommends establishing and then annually updating the special event hourly rates for all City staff by using the budgeted hourly rates approved by Council each June (without benefits or overhead) at time and a half and putting these rates into effect July 1 of each year. The current Special Event Hourly Rate schedule (Attachment D) would be updated with the staff members who are most frequently used for special events, but the methodology would be in place for all City staff.

Library

The mission of the Newport Beach Public Library is “to be the cultural, educational and informational heart of Newport Beach.” There are four Branch locations throughout the City with an array of services, programs, and events offered to the public. The last fee study completed for the Library was in 2011.

Library Services

Staff recommends no change to the Library Services, such as, Materials Use and Inter Library Loan that will remain at \$1 and \$5 respectively. Municipal Code 3.36 will be updated to reflect these as amounts rather than percentages.

Passport Services

Passport Services are now handled by, and now indicated under, the Library rather than City Clerk. Staff recommends, rather than charging the full cost of \$28 for passport photos, updating Municipal Code 3.36 to keep the fee at the current rate of \$10 for passport photos. \$10 is also comparable to the passport photos rates in the surrounding area.

Meeting Rooms

Staff recommends one cancellation charge for all Library programs and facilities rather than the two fees that are currently on the Schedule. This proposed fee is increasing from \$31 to \$59 to reflect the full cost of service. The fee has not increased since 2011 when it increased by one dollar.

The Refundable Cleaning Deposit is being reduced to reflect the pass through cost of an unscheduled cleaning service. Staff recommends the removal of the setup and cleanup fee for the use of the kitchen. There is not an additional cost for the cleaning company to clean the kitchen unless it is unscheduled. If additional cleaning is required after a rental, the cost will be collected from the Refundable Cleaning Deposit. The Setup and Cleanup Fee is increasing from \$75 to \$114, to reflect the current staff cost. This fee has not changed for over 10 years. Staff recommends removing the Energy Surcharge, as it has historically not been charged and staff does not foresee the need to charge it in the future.

The Board of Library Trustees unanimously recommended these changes on May 16, 2016, in accordance with Council Policy I-7.

Finance

Permits

The Revenue Division of the Finance Department is responsible for overall revenue administration, including development, recovery, and analysis. Many of the services provided by Revenue are meant to implement and enforce Municipal Code revenue programs. Revenue was last studied in 2011.

Some of the more notable changes occurred in Dog Licensing, Vehicles for Hire, and Short Term Lodging Permit fees. Staff proposes an increase in the Dog License fees for both sterilized and unaltered dogs from \$12 and \$24 to \$20 and \$40, respectively. Changes in the establishment of the dog licensing fee consist of including pass through costs of our contractor, Pet Data, as well as including Animal Control time instead of just Revenue. A vehicle or mode of transportation that is used for the purpose of transporting passengers over the streets of the City is required to get a certificate from the City. The Vehicles For Hire process has recently been revamped and this study was able to capture those changes resulting in the base fee for the certificate going up \$745, but the per vehicle charge, the drivers permit, and renewal fees going down by \$304, \$578, and \$137 respectively. The initial Short Term Lodging Permit fee as studied has decreased by \$60 due to several steps and positions being eliminated.

Parking Fines

California Vehicle Code (CVC) Section 40203.5 (a) allows a governing body of the jurisdiction where the notice of parking violation is issued to establish a schedule of parking fines for parking violations and late payment penalties. In 1993, the State of California adopted Assembly Bill 408 which decriminalized parking citations and required the City to assume process, collection and adjudication responsibilities for parking violations. City Council approved Resolution No. 93-53 establishing fines for Municipal Code violations related to parking and authorizing CPI increases, rounded to the nearest dollar, every two years in July. The following year, Resolution 94-29 was approved to impose administrative fees for processing delinquent parking violations.

In order to update the parking fine schedule to include all violations, provide flexibility to add fines to the Schedule into the future, establish annual CPI increases, and consolidate these changes and the late fees into one resolution, staff recommends incorporating the Parking Fines listed in Attachment A under Finance into the SRFF and rescinding Resolution 93-53 and 94-29. The new resolution will include a late fee penalty to encourage prompt payment of parking fines imposed. Late penalties will be assessed on delinquent parking violations in accordance with CVC Section 40203.5 (a) and Section 40207 (a).

Municipal Operations Department

MOD provides clean, safe, and responsive utility and infrastructure maintenance services to the community. They were last studied in 2011.

Water Related Fees

Staff recommends increasing the recovery percentage on the Construction Water Meter Establishment Charge, which has a full cost of \$206, from 30 percent to 50 percent keeping the fee approximately the same at \$103. The current process requires a deposit for the full cost of the water meter and this subsidized fee for City staff to deliver the meter to the construction site and lock the meter to a fire hydrant. This has been found to save the City money in broken and stolen meters. Staff recommends updating Municipal Code Section 14.12.010 to remove the language regarding adding 25 percent overhead into the fees. The fees as studied include overhead and no additional amount should be added in.

Miscellaneous

Trench plates are rarely if ever rented out; therefore, a cost of service fee, Trench Plate Delivery, was established rather than charging monthly rental fees. This covers the staff time to load, deliver, setup, takedown, and re-inventory the trench plates.

Administration

Staff also studied the cost of services associated with the Fats, Oils and Grease (FOG) Annual Permit. This is a State mandated program to ensure grease producing businesses are not dumping their grease into sewer systems by requiring cities to implement a FOG Control Program, conduct annual inspections, and review collection logs annually. The cost of providing this service is \$283; however, staff recommends not charging a fee for this service, in order to encourage businesses to establish grease disposal programs and comply with State law, without adding to the cost of doing business. With approximately 370 permits processed each year, the total cost to the City for this program is estimated at \$104,710.

All Departments

The first section in SRFF titled "All Departments" lists services that cross over multiple departments. During this study, staff also looked into what updates were appropriate for this section. There are recommended deletions for services we no longer provide as well as updates in the fees to charge for Public Records Acts requests. Materials costs are updated to reflect the current cost to the City for providing the service.

Fire – EMS Mileage

On September 22, 2015, the City Council adopted Resolution 2015-76 amending the City's fee schedule including Paramedic Service User Fees for the City's EMS. As part of the new fee structure, staff recommended incorporating all incidental costs associated with providing the services including transportation mileage, oxygen, expendable materials, etc. into one blended fee. The blended fees allow for more straightforward fees and a streamlined billing process. The new fees were effective November 12, 2015.

Based on a recommendation from the City's EMS billing company, Wittman Enterprises LLC, staff proposes separating mileage charges from the blended rates. Moving back to a structure with separate mileage charges is necessary in order to maximize reimbursement rates from Medicare, Medi-Cal, and other insurance payers that cap treatment and transport fees, but allow for separate mileage charges. Medicare patients alone represent 56 percent of our annual transports.

Mileage related costs were pulled out of the prior fee calculation and resulted in a cost of \$11.56 per mile. This also resulted in a decrease to the Advanced Life Support (ALS), Basic Life Support (BLS) and Transport fees in the amounts of \$29, \$23, and \$8, respectively. Based on revised revenue projections prepared by Wittman Enterprises LLC, the potential revenue increase of the proposed fee modification would be approximately \$180,000. Medicare and Medi-Cal patients would not see a change in their bill while other insured and private pay patients would see an increase of up to approximately \$13 for ALS and \$19 for BLS, based on an average transport of 4.33 miles.

Community Development

The Building and Planning divisions of Community Development were studied last year, and Council adopted the updated fees on September 8, 2015. At that time, there was discussion related to flat fees versus fees assessed by hourly rates. With the encouragement by City Council to consider ways to make Building and Planning fees more certain and specific, staff has developed concepts for flat fees reflecting general plan check categories versus fees based on hourly work. Building plan check and permit fees are often valuation based to allow for variability within the fee category for projects of all shapes and

sizes. The adopted fee study looked at broad categories of activities and compared the annual cost of time spent on that activity with the annual revenue. As a result of that analysis, a factor was applied to all fees within that service category.

Planning fees are often established as deposit accounts where an hourly rate is used to draw down from those accounts as staff works on the project. The Deposit Account hourly rate is a blended rate consisting of Planning staff time ranging from Planning Technician up to Planning Manager.

Working with MGT, staff evaluated current practices, reviewed project history and time accounting, and evaluated where it might be prudent to develop flat fees rather than valuation or hourly basis. Staff and MGT findings are included in this study for review and discussion. Where applicable, flat fees have been established for certain services where the average cost is subject to minimum fluctuation.

Depending on the number of and complexity of projects, revenues may go up or down. Due to the uncertainty of the impact of the changes, no revenue adjustments have been applied for these changes. Following is a list of the proposed changes to CDD fees. As you will note, not all of the fees are recommended to be converted to a flat fee.

Building

- Plan Review and Permit and Inspection fees would be converted to flat fees for all residential projects and commercial tenant improvements (TI).
- Commercial projects (other than TI) would remain valuation based.
- Preliminary Plan Review, Plan Check Hourly Rate, and Additional Plan Review and Rechecks In Excess of 2 Rechecks would be combined into one Plan Check Hourly Rate.
- Municipal Code Section 3.36 would be revised to increase the fee by \$1 for Permit Issuance (Counter Only) Electrical, Plumbing to \$33, to match the Mechanical Permit Issuance (Counter Only) Fee.

Planning

- All Deposit Accounts would be converted to flat fees, except:
 - Coastal Residential Development Permit – Delete. The City does not currently issue this type of permit.
 - Development Agreement Adoption – Maintain as an hourly based fee due to variability in the scope of development agreements.
 - Off Site Parking Agreement – Delete. A separate fee is not required since the agreement is part of the Use Permit.
 - Telecom Permits – Delete. This permit has been replaced by other permit types.
- Residential Zoning Plan Check fees – Delete as a separate fee. This service is proposed to be incorporated into the appropriate Building Plan Review fee.
- Commercial Zoning Plan Checks – Revise. Commercial tenant improvements would be incorporated into the appropriate Building Plan Review fee. New commercial/non-residential buildings would be billed on an hourly basis at the hourly rate of \$150.

Conclusion

If the fees are approved by the City Council, as currently recommended, staff projects an overall revenue increase of approximately \$237,000, not including the CDD changes to flat rates.

Based on the input and comments from the Finance Committee, Finance staff will bring the proposed recommendations to the City Council for formal action.

Prepared and Submitted by:

/s/ Theresa Schweitzer

Theresa Schweitzer
Senior Accountant

Attachments:

- A. Studied Department Changes
- B. Application of Indirect Costs to the Calculation of Fees for Services
- C. Municipal Code 3.36 Changes
- D. Current Special Event Hourly Rates

ATTACHMENT A
Studied Department Changes

Attachment A: FY16 Studied Department Changes																		
SERVICE NAME	TYPE	Volume	2014 plus 2015 adj		2016 adjustments					Total Annual	Increase/Decrease	Increase	Decrease	No Change	New Fee	Deleted	Notes	
			Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental	% Increase									Revenue
ALL DEPARTMENTS											\$1.96	(\$2.52)	1	3	14	1	3	
General Information Public Record Requests	Statute		Materials + 100% FBHR		Materials + Direct Sal/Ben									X				
Regular Photo Copies	Statute		Materials + Inc every 5 min	\$ 3.00	\$ 5.00	\$ 2.00	66.67%	\$ -	\$ -	X								
8.5" x 11" Black and White Copy	Pass Thru			\$ 0.08	\$ 0.03	\$ (0.05)	-62.50%	\$ -	\$ -				X					
8.5" x 11" Color Copy	Pass Thru			\$ 0.16	\$ 0.10	\$ (0.06)	-37.50%	\$ -	\$ -				X					
Scanned Copy	Pass Thru	N/A		\$ 0.02		N/A		\$ -						X				
Print Shop Copies-Delete No Longer Have Print Shop	COS-Fee		Materials plus \$10		see notes												X	
Records on Computer DVD/CD	Statute		Materials + 100% FBHR		Materials + Direct Sal/Ben									X				
DVD/CD	Pass Thru	DVD 4	DVD \$1.12 CD \$0.80	\$ 0.49		DVD (\$0.63) CD (\$0.31)		\$1.96	(\$2.52)				X					
Outside Copy Services	Pass Thru		100% Contractor Cost		100% Contractor Cost	\$ -								X				
8.5" x 11" Copies from Microfiche Delete, Obsolete	COS-Fee		Materials + 100% FBHR		Materials + 100% FBHR												X	
11" x 17" Copies of Drawings from Microfiche Delete, Obsolete	COS-Fee		Materials + 100% FBHR		Materials + 100% FBHR												X	
Collection Costs	Pass Thru		100% 3rd Party Costs		100% 3rd Party Costs	\$ -								X				
Return Check Fee First Returned Check Within One Year Period	Statute		\$25.00		\$25.00	\$ -								X				
Return Check Fee Second And Subsequent Returned Checks Within One Year Period	Statute		\$35.00		\$35.00	\$ -								X				
Notary Fee	Statute		\$ 10.00		\$ 10.00	\$ -								X				
Atlas Books	Pass Thru		100% Contractor Cost		100% Contractor Cost	\$ -								X				
"E" Size Maps	Pass Thru		100% Contractor Cost		100% Contractor Cost	\$ -								X				
"B" Size Color Maps	Pass Thru		100% Contractor Cost		100% Contractor Cost	\$ -								X				
"D" Size Atlas Sheets Maps	Pass Thru		100% Contractor Cost		100% Contractor Cost	\$ -								X				
"B" Size Atlas Map Book Sheets	Pass Thru		100% Contractor Cost		100% Contractor Cost	\$ -								X				
Penalty and Interest	Penalty		10% 1st Pen/10% 2nd/10% Int		10% 1st Pen/10% 2nd/10% Int	\$ -								X				
DOJ Fee for Fingerprint Processing With DOJ	Pass Thru		100% DOJ Charge		100% DOJ Charge	\$ -								X				
FINANCE											\$184,496.60	\$38,074.00	14	9	39	0	1	
Revenue																		
Business License Initial Application	COS-Fee	280	\$ 46.00		\$ 56.00	\$ 10.00	21.74%	\$ 15,680.00	\$ 2,800.00	X								
Business License - duplicate	COS-Fee	64	\$ 10.00		\$ 10.00	\$ -	0.00%	\$ 640.00	\$ -					X				
Business License - change in information	COS-Fee	184	\$ 20.00		\$ 22.00	\$ 2.00	10.00%	\$ 4,048.00	\$ 368.00	X								
Dog License	COS-Fee	478	\$ 24.00		\$ 40.00	\$ 16.00	66.67%	\$ 19,120.00	\$ 7,648.00	X								
Dog License-Sterilized	COS-Fee	4802	\$ 12.00		\$ 20.00	\$ 8.00	66.67%	\$ 96,040.00	\$ 38,416.00	X							50% Recovery per Food and Agricultural Code 30804.5; Full Cost \$40.34	
Dog License Tag Replacement	COS-Fee	69	\$ 4.00		\$ 6.00	\$ 2.00	50.00%	\$ 414.00	\$ 138.00	X								
Dog License Late Charge	Pass Thru	N/A	\$ 2.50		\$ 2.50	\$ -	0.00% *							X				
Second Hand Dealer Relocate to PD	COS-Fee	0	\$ 85.00		\$ 91.00	\$ 6.00	7.06%											
Second Hand Dealer Relocate to PD Vehicles For Hire Certificate (Plus Fee For Each Vehicle Shown Below)	COS-Fee	1	\$ 1,053.00		\$ 1,798.00	\$ 745.00	70.75%	\$ 1,798.00	\$ 745.00	X								
Vehicles For Hire Fee For Each Vehicle	COS-Fee	1	\$ 486.00		\$ 182.00	\$ (304.00)	-62.55%	\$ 182.00	\$ (304.00)				X					
Vehicles For Hire Annual Per Vehicle Fee	COS-Fee	1	\$ 468.00		\$ 182.00	\$ (286.00)	-61.11%	\$ 182.00	\$ (286.00)				X					
Vehicles For Hire Annual Vehicle Fee For Each Additional Vehicle Delete, Same as Above	COS-Fee	0	\$ 468.00		\$ 468.00	\$ -	0.00%										X	

1 **Attachment A: FY16 Studied Department Changes**

	2014 plus 2015 adj			2016 adjustments													Notes
	Rounded down to nearest dollar			Fee @ Policy Level		Adjustment From Previous Year			Revenue		Increase	Decrease	No Change	New Fee	Deleted		
	SERVICE NAME	TYPE	Volume	Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental	% Increase	Total Annual	Increase/ Decrease					
158	12.48.040(C) MC WHITE ZONE (3 MINUTE LOADING)	Fine	N/A	\$ 75.00		\$ 79.00		\$ 4.00		5.33% *	*		X				
159	12.48.040(D) MC OVERTIME GREEN ZONE PAID AREA	Fine	N/A	\$ 42.00		\$ 79.00		\$ 37.00		88.10% *	*		X				
160	12.48.050(A) MC OVERTIME GREEN ZONE	Fine	N/A	\$ 59.00		\$ 62.00		\$ 3.00		5.08% *	*		X				
161	12.48.050(B) MC 5 MINUTE ZONE (GREEN)	Fine	N/A	\$ 59.00		\$ 62.00		\$ 3.00		5.08% *	*		X				
162	12.48.070(A) MC RESTRICTED USE: LOADING ZONE	Fine	N/A	\$ 42.00		\$ 62.00		\$ 20.00		47.62% *	*		X				
163	12.48.070(B) MC RESTRICT USE: LDG ZONE-PSNGRS	Fine	N/A	\$ 42.00		\$ 62.00		\$ 20.00		47.62% *	*		X				
164	12.48.080 MC EXCESS 3 MIN PASS LOADING ZONE	Fine	N/A	\$ 42.00		\$ 62.00		\$ 20.00		47.62% *	*		X				
165	12.48.090 MC PARKING IN ALLEY	Fine	N/A	\$ 75.00		\$ 79.00		\$ 4.00		5.33% *	*		X				
166	12.48.100(G) MC PARKED IN BUS ZONE	Fine	N/A	\$ 42.00		\$ 44.00		\$ 2.00		4.76% *	*		X				
167	12.52.020 MC WRONG WAY ONE WAY STREET	Fine	N/A	\$ 42.00		\$ 44.00		\$ 2.00		4.76% *	*		X				
168	12.64.030(A) MC RESTRICTED USE: PUBLIC PROP	Fine	N/A	\$ 42.00		\$ 44.00		\$ 2.00		4.76% *	*		X				
169	12.64.030(B) MC RESTRICTED USE: VACANT LOT	Fine	N/A	\$ 42.00		\$ 44.00		\$ 2.00		4.76% *	*		X				
170	12.68.050 A MC RESIDENT PREFERENTIAL PKG ZONE	Fine	N/A	\$ 42.00		\$ 44.00		\$ 2.00		4.76% *	*		X				
171	17.16.020 MC BOAT LAUNCHING/HAULING	Fine	N/A	\$ 42.00		\$ 44.00		\$ 2.00		4.76% *	*		X				
172	17.16.021 MC NO BOAT/TRLR STORAGE ON BEACH	Fine	N/A	\$ 42.00		\$ 44.00		\$ 2.00		4.76% *	*		X				
173	17.25.030 MC BOAT ON BEACH	Fine	N/A	\$ 42.00		\$ 44.00		\$ 2.00		4.76% *	*		X				
174	17.28.010 MC PIERS: 20 MINUTE TIME LIMIT	Fine	N/A	\$ 42.00		\$ 44.00		\$ 2.00		4.76% *	*		X				
175	17.28.040 MC BLOCKING PUBLIC PIER	Fine	N/A	\$ 42.00		\$ 44.00		\$ 2.00		4.76% *	*		X				
176	17.32.030 MC BOAT ON BEACH	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
177	4000 (A)(1) CVC EXPIRED REGISTRATION	Fine	N/A	\$ 95.00		\$ 100.00		\$ 5.00		5.26% *	*		X				
178	4152.5 CVC FOREIGN VEHICLE REGISTRATION	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
179	4457 CVC STOLEN/LOST/DAMAGED CARDS/PLTS	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
180	4461 (C) CVC MISUSING A DISABLED PLAC/PLATE	Fine	N/A	\$ 276.00		\$ 293.00		\$ 17.00		6.16% *	*		X				
181	4461 (D) CVC MISUSING A DISABLED PLAC/PLATE	Fine	N/A	\$ 276.00		\$ 293.00		\$ 17.00		6.16% *	*		X				
182	4462 (A) CVC PRESENT VALID REG ON DEMAND	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
183	4462 (B) CVC FAUDULENT USE/DISPLAY OF TABS	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
184	4464 CVC ALTERED LICENSE PLATES	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
185	5200 CVC TWO LICENSE PLATES REQUIRED	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
186	5201 CVC POSITIONING OF PLATES	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
187	5202 CVC LICENSE PLATE NOT ATTACHED	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
188	5203 CVC LICENSE PLATES SURRENDERED	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
189	5204 (A) CVC REG TABS EXPIRED/ABSENT	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
190	21113 (A) CVC PARKING ON PUBLIC GROUNDS	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
191	21211 (B) CVC PARKING IN BIKE LANE	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
192	22400 (A) CVC PROHIB PARK/STOP: PUBLIC HIWAY	Fine	N/A	\$ 72.00		\$ 76.00		\$ 4.00		5.56% *	*		X				
193	22401 CVC PARKED WITH HIGH BEAMS	Fine	N/A	\$ 52.00		\$ 54.00		\$ 2.00		3.85% *	*		X				
194	22500 (A) CVC PARKING WITHIN INTERSECTION	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				
195	22500 (B) CVC PARKED IN CROSSWALK	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X				

1 **Attachment A: FY16 Studied Department Changes**

			2014 plus 2015 adj		2016 adjustments												Notes	
			Rounded down to nearest dollar	Incremental - (if applicable)	Fee @ Policy Level	Incremental - (if applicable)	Adjustment From Previous Year	Revenue										
	SERVICE NAME	TYPE	Volume	Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental	% Increase	Total Annual	Increase/ Decrease	Increase	Decrease	No Change	New Fee	Deleted	
196	22500 (C) CVC PROHIB PARK/STOP; SAFETY ZONE	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
197	22500 (D) CVC PKD W/IN 15FT OF FIRE STATION	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
198	22500 (E) CVC BLOCKING DRIVEWAY	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
199	22500 (F) CVC PARKING ON SIDEWALK	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
200	22500 (G) CVC PROHIB PRK/STOP; OBSTRUCT TRAF	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
201	22500 (H) CVC DOUBLE PARKED	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
202	22500 (I) CVC PARKED IN BUS ZONE	Fine	N/A	\$ 412.00		\$ 437.00		\$ 25.00		6.07% *	*		X					
203	22500 (K) CVC PARKED ON BRIDGE	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
204	22500 (L) CVC ON/IN FRONT OF HC ACCESS RAMP	Fine	N/A	\$ 412.00		\$ 437.00		\$ 25.00		6.07% *	*		X					
205	22500.1 CVC PARKING FIRE LANE	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
206	22502 (A) CVC WRONG WY 2WY/18IN FROM RT CURB	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
207	22502 (E) CVC WRONG WY 1WY/18IN FROM LT CURB	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
208	22505 (B) CVC PKG ON STATE HIGHWAY-PROHIB	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
209	22507.8 (A) CVC DISABLED PARKING	Fine	N/A	\$ 451.00		\$ 480.00		\$ 29.00		6.43% *	*		X					
210	22507.8 (B) CVC BLOCKING DISABLED SPACE	Fine	N/A	\$ 451.00		\$ 480.00		\$ 29.00		6.43% *	*		X					
211	22507.8 (C) CVC DISABLED CROSSHATCH VIOLATION	Fine	N/A	\$ 451.00		\$ 480.00		\$ 29.00		6.43% *	*		X					
212	22511.5 CVC HANDICAPPED ACCESS	Fine	N/A	\$ 451.00		\$ 480.00		\$ 29.00		6.43% *	*		X					
213	22514 CVC PARKING WITHIN 15FT OF HYDRANT	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
214	22515 CVC UNATTENDED VEHICLE	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
215	22516 CVC LOCKED VEHICLE	Fine	N/A	\$ 72.00		\$ 76.00		\$ 4.00		5.56% *	*		X					
216	22520 CVC NO STOPPING ON FREEWAY	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
217	22522 CVC 3FT FROM HC ACCESS RAMP (RED)	Fine	N/A	\$ 451.00		\$ 480.00		\$ 29.00		6.43% *	*		X					
218	22523 (A) CVC ABANDONED VEHICLE	Fine	N/A	\$ 174.00		\$ 184.00		\$ 10.00		5.75% *	*		X					
219	22651.5A CVC EXCESSIVE ALARM	Fine	N/A	\$ 66.00		\$ 70.00		\$ 4.00		6.06% *	*		X					
220	24003 CVC UNLAWFUL LAMPS	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
221	26708 (A) CVC MATERIAL ON WINDSHIELD/WNDWS	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
222	26709 (A) CVC REAR VIEW MIRROR	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
223	26710 CVC WINDSHIELD-DEFECTIVE	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
224	27155 CVC FUEL TANK CAP REQUIRED	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
225	27465 (B) CVC TIRE TREAD DEPTH	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
226	27600 CVC FENDERS/MUDGUARDS	Fine	N/A	\$ 55.00		\$ 58.00		\$ 3.00		5.45% *	*		X					
227	11.04.070 (F) MC PARKED IN PARK	Fine	N/A	\$ 42.00		\$ 44.00		\$ 2.00		4.76% *	*		X					
228	COMMUNITY DEVELOPMENT - BUILDING										\$6,826,722.00	\$0.00	0	0	0	0	0	
229	Plan Reviews																	
230	One - Family Structure (101)	COS-Fee	163	87% of Building Permit Fee		\$ 3,368.00	N/A		*		\$548,984.00	*						
231	Two - Family Structure (103)	COS-Fee	23	87% of Building Permit Fee		\$ 3,617.00	N/A		*		\$83,191.00	*						
232	Patios/Decks/Trellis (329)	COS-Fee	64	87% of Building Permit Fee		\$ 282.00	N/A		*		\$18,048.00	*						
233	Residential Additions (434)	COS-Fee	296	87% of Building Permit Fee		\$ 1,441.00	N/A		*		\$426,536.00	*						

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1 **Attachment A: FY16 Studied Department Changes**

	SERVICE NAME	TYPE	Volume	2014 plus 2015 adj		2016 adjustments					Increase	Decrease	No Change	New Fee	Deleted	Notes	
				Total or Base Fee	Incremental - (if applicable)	Fee @ Policy Level	Adjustment From Previous Year	Revenue	Total or Base Fee	Incremental - (if applicable)							Total or Base Fee
500	Swim Lessons Resident Private	COS-Fee		\$ 85.00		\$ 85.00	\$ -			0.00%	\$ -	\$ -				X	
501	Swim Lessons Nonresident Private	COS-Fee		\$ 95.00		\$ 95.00	\$ -			0.00%	\$ -	\$ -				X	
502	Recreation Swim 17 yrs old & under Drop In	COS-Fee		\$ 2.00		\$ 2.00	\$ -			0.00%	\$ -	\$ -				X	
503	Recreation Swim Adult Drop In	COS-Fee		\$ 3.00		\$ 3.00	\$ -			0.00%	\$ -	\$ -				X	
504	Lap Swim Resident Annual Pass	COS-Fee		\$ 160.00		\$ 160.00	\$ -			0.00%	\$ -	\$ -				X	
505	Lap Swim Nonresident Annual Pass	COS-Fee		\$ 190.00		\$ 190.00	\$ -			0.00%	\$ -	\$ -				X	
506	Lap Swim Senior Resident Annual Pass	COS-Fee		\$ 110.00		\$ 110.00	\$ -			0.00%	\$ -	\$ -				X	
507	Lap Swim Senior Nonresident Annual Pass	COS-Fee		\$ 140.00		\$ 140.00	\$ -			0.00%	\$ -	\$ -				X	
508	Lap Swim Resident 20 Punch Pass	COS-Fee		\$ 50.00		\$ 50.00	\$ -			0.00%	\$ -	\$ -				X	
509	Lap Swim Nonresident 20 Punch Pass	COS-Fee		\$ 60.00		\$ 60.00	\$ -			0.00%	\$ -	\$ -				X	
510	Lap Swim Senior Resident 20 Punch Pass	COS-Fee		\$ 35.00		\$ 35.00	\$ -			0.00%	\$ -	\$ -				X	
511	Lap Swim Senior Nonresident 20 Punch Pass	COS-Fee		\$ 45.00		\$ 45.00	\$ -			0.00%	\$ -	\$ -				X	
512	Lap Swim 5 Punch Pass	COS-Fee		\$ 15.00		\$ 15.00	\$ -			0.00%	\$ -	\$ -				X	
513	Lap Swim Senior 5 Punch Pass	COS-Fee		\$ 10.00		\$ 10.00	\$ -			0.00%	\$ -	\$ -				X	
514	Parent & Me Swim Resident	COS-Fee		\$ 30.00		\$ 30.00	\$ -			0.00%	\$ -	\$ -				X	
515	Parent & Me Swim Nonresident	COS-Fee		\$ 35.00		\$ 35.00	\$ -			0.00%	\$ -	\$ -				X	
516	MBAC Pool Use Fees																
517	Shared Use Rate Non-Profit - Resident / per hour	Rental		\$ 46.00		\$ 46.00	\$ -			0.00%	\$ -	\$ -				X	
518	Shared Use Rate Non-profit , Non-resident/per hour	Rental		\$ 85.00		\$ 85.00	\$ -			0.00%	\$ -	\$ -				X	
519	Exclusive Use Rate Non-Profit - Resident / per hour	Rental		\$ 75.00		\$ 75.00	\$ -			0.00%	\$ -	\$ -				X	
520	Exclusive Use Rate Non-profit , Non-resident/per hour	Rental		\$ 95.00		\$ 95.00	\$ -			0.00%	\$ -	\$ -				X	
521	Shared Use Rate Private , Resident per/hour	Rental		\$ 90.00		\$ 90.00	\$ -			0.00%	\$ -	\$ -				X	
522	Shared Use Rate Private, Non-resident per hour	Rental		\$ 110.00		\$ 110.00	\$ -			0.00%	\$ -	\$ -				X	
523	Exclusive Use Rate Private , Resident per/hour	Rental		\$ 165.00		\$ 165.00	\$ -			0.00%	\$ -	\$ -				X	
524	Exclusive Use Rate Private, Non-resident per hour	Rental		\$ 190.00		\$ 190.00	\$ -			0.00%	\$ -	\$ -				X	
525	Shared Use Rate Commercial, resident per hour	Rental		\$ 215.00		\$ 215.00	\$ -			0.00%	\$ -	\$ -				X	
526	Shared Use Rate Commercial, non-resident per hour	Rental		\$ 250.00		\$ 250.00	\$ -			0.00%	\$ -	\$ -				X	
527	Exclusive Use Rate Commercial, resident per hour	Rental		\$ 305.00		\$ 305.00	\$ -			0.00%	\$ -	\$ -				X	
528	Exclusive Use Rate Commercial, non-resident per hour	Rental		\$ 330.00		\$ 330.00	\$ -			0.00%	\$ -	\$ -				X	
529	Energy Surcharge All groups	Pass Thru		see notes		see notes	\$ -			* *	\$ -	\$ -				X	This is a pass through cost
530	Additional Lifeguard Staff Per staff person per hour	COS-Fee		\$ 30.00		\$ 30.00	\$ -			0.00%	\$ -	\$ -				X	
531	School Dist Maintenance Fee Pass through cost	Pass Thru		see notes		see notes	\$ -			* *	\$ -	\$ -				X	This is a pass through cost
532	Security Deposit on MBAC Rentals	Deposit		\$ 250.00		\$ 250.00	\$ -			0.00%	\$ -	\$ -				X	
533	Splash Bash	COS-Fee		\$ 5.00		\$ 5.00	\$ -			0.00%	\$ -	\$ -				X	
534	Youth Sports, After School/Camp Programs										* \$ 518,169.00	\$ 4,403.00					up to 100% Recovery per M.C. 3.36.030 Exhibit A; Collective Full Cost \$1,720,571, Recovery at 30%
535	Youth Sports-Football Resident	COS-Fee		\$ 75.00		see notes	N/A			* *	*	*				X	R.S.S. Director negotiates contractor fee
536	Youth Sports-Football Nonresident Delete, Contracted out	-		\$ 80.00		\$ 80.00	\$ -			0.00%	\$ -	\$ -					X
537	Youth Sports-Basketball Resident Delete, Don't do anymore	-		\$ 75.00		\$ 75.00	\$ -			0.00%	\$ -	\$ -					X

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538		Youth Sports-Basketball Nonresident Delete, Don't do anymore	-		80.00		80.00						0.00%						X
539		Youth Sports-Track and Field Resident	COS-Fee		10.00		10.00						0.00%						X
540		Youth Sports-Track and Field Nonresident	COS-Fee		13.00		13.00						0.00%						X
541		Youth Sports- Track and Field Late/Day of Registration Fee	COS-Fee		5.00		5.00						0.00%						X
542		After School Programs Resident	COS-Fee		355.00		355.00						0.00%						X
543		After School Programs Nonresident	COS-Fee		365.00		365.00						0.00%						X
544		After School Program Late pickup charge - per minute	COS-Fee		1.00		1.00						0.00%						X
545		Day Camp Fee-Resident	COS-Fee		145.00		145.00						0.00%						X
546		Day Camp Fee Nonresident Delete, No longer charging nonresident fee	COS-Fee		155.00		155.00						0.00%						X
547		Day Camp/Pint Sized Campers Cancellation 6 days or less notice	COS-Fee		50.00		50.00						0.00%						X
548		Day Camp/Pint Sized Campers Cancellation 7+ days notice	COS-Fee		25.00		25.00						0.00%						X
549		Day Camp Fee- Hardship Fee	COS-Fee		108.00		108.00						0.00%						X
550		Day Camp Additional rash guard	COS-Fee		15.00		15.00						0.00%						X
551		Day Camp Additional T-shirt	COS-Fee		10.00		10.00						0.00%						X
552		Pint Size Campers Resident	COS-Fee		125.00		127.00		2.00				1.60%						X
553		Pint Size Campers Nonresident	COS-Fee		135.00		147.00		12.00				8.89%						X
554		Preschool 101 Resident Per session T/TH	COS-Fee		295.00		300.00		5.00				1.69%						X
555		Preschool 101 Resident Per session M/W/F	COS-Fee		435.00		443.00		8.00				1.84%						X
556		Preschool 101 Nonresident Per session T/TH	COS-Fee		305.00		310.00		5.00				1.64%						X
557		Preschool 101 Nonresident Per session M/W/F	COS-Fee		445.00		453.00		8.00				1.80%						X
558		Teen Leadership Program - Summer-Resident	COS-Fee		115.00		115.00						0.00%						X
559		Teen Leadership Program - Summer, Nonresident Delete, No longer charging nonresident fee	COS-Fee		125.00		125.00						0.00%						X
560		Teen Leadership Program - Annual Pass, Resident	COS-Fee		195.00		195.00						0.00%						X
561		Teen Leadership Program - Annual Pass, Nonresident Delete, No longer charging nonresident fee	COS-Fee		205.00		205.00						0.00%						X
562		Registration and Contract Classes											0.00%	3,009,415.00					up to 100% Recovery per M.C. 3.36.030 Exhibit A; Full Cost \$4,405,428, Recovery at 68%
563		Classes Nonresident Additional Charge - Classes Per Person Fee Less Than \$75.00	COS-Fee		see notes		see notes						* *						X
564		Classes Nonresident Additional Charge - Classes Per Person Fee \$75.00 Or More	COS-Fee		5.00		5.00						0.00%						X
565		Classes Nonresident Additional Charge - Camps Per Person, for fees \$124 and below	COS-Fee		10.00		10.00						0.00%						X
566		Classes Nonresident Additional Charge - Camps Per Person, for fees \$125 and above	COS-Fee		10.00		10.00						0.00%						X
567		Classes Contract Camp Refund Fee After camp has started	COS-Fee		20.00		20.00						0.00%						X
568		Classes Contract Camp Refund Fee After camp has started	COS-Fee		see notes		see notes						* *						X
569		Special Events																	
570		Surf Contest-Amateur-Resident	COS-Fee		30.00		30.00						0.00%						X
571		Surf Contest-Amateur Nonresident Delete, No longer charging nonresident fee	COS-Fee		35.00		35.00						0.00%						X
572		Special Event Permits																	
573		Level 1 Permit Resident	COS-Fee	120	452.00		452.00						0.00%	54,240.00					X
574		Level 1 Permit Nonresident	COS-Fee	4	891.00		891.00						0.00%	3,564.00					X
575		Level 1 Permit Resident Late Fee-Charge Submitted less than 20 calendar days from event date	COS-Fee		570.00		570.00						0.00%						X

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3					2014 plus 2015 adj		2016 adjustments													
4					Rounded down to nearest dollar	Fee @ Policy Level	Adjustment From Previous Year			Revenue										
5		SERVICE NAME	TYPE	Volume	Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental	% Increase	Total Annual	Increase/ Decrease	Increase	Decrease	No Change	New Fee	Deleted	Notes	
613		Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 144.00		\$ 144.00	\$ -		0.00%	\$ -	\$ -							X	
614		Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 290.00		\$ 290.00	\$ -		0.00%	\$ -	\$ -							X	
615		Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 45.00		\$ 45.00	\$ -		0.00%	\$ -	\$ -							X	
616		Non-Profit Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 85.00		\$ 85.00	\$ -		0.00%	\$ -	\$ -							X	
617		Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 72.00		\$ 72.00	\$ -		0.00%	\$ -	\$ -							X	
618		Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 143.00		\$ 143.00	\$ -		0.00%	\$ -	\$ -							X	
619		Delete, Redundant-Youth Sports-Commission-Member-Organizations	Rental		\$ 20.00		\$ 20.00	\$ -		0.00%	\$ -	\$ -							X	
620		Resident Non-profit Youth Service Organization Rate	Rental		\$ 20.00		\$ 20.00	\$ -		0.00%	\$ -	\$ -							X	
621		Civic Center Community Room																		
622		Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 310.00		\$ 310.00	\$ -		0.00%	\$ -	\$ -							X	
623		Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 562.00		\$ 562.00	\$ -		0.00%	\$ -	\$ -							X	
624		Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 120.00		\$ 120.00	\$ -		0.00%	\$ -	\$ -							X	
625		Non-Profit Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 180.00		\$ 180.00	\$ -		0.00%	\$ -	\$ -							X	
626		Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 175.00		\$ 175.00	\$ -		0.00%	\$ -	\$ -							X	
627		Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 280.00		\$ 280.00	\$ -		0.00%	\$ -	\$ -							X	
628		Delete, Redundant-Youth Sports-Commission-Member-Organizations	Rental		\$ 75.00		\$ 75.00	\$ -		0.00%	\$ -	\$ -							X	
629		Resident Non-profit Youth Service Organization Rate	Rental		\$ 75.00		\$ 75.00	\$ -		0.00%	\$ -	\$ -							X	
630		Civic Center Lawn																		
631		Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 230.00		\$ 230.00	\$ -		0.00%	\$ -	\$ -							X	
632		Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 430.00		\$ 430.00	\$ -		0.00%	\$ -	\$ -							X	
633		Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 66.00		\$ 66.00	\$ -		0.00%	\$ -	\$ -							X	
634		Non-Profit Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 102.00		\$ 102.00	\$ -		0.00%	\$ -	\$ -							X	
635		Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 75.00		\$ 75.00	\$ -		0.00%	\$ -	\$ -							X	
636		Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 120.00		\$ 120.00	\$ -		0.00%	\$ -	\$ -							X	
637		Delete, Redundant-Youth Sports-Commission-Member-Organizations	Rental		\$ 50.00		\$ 50.00	\$ -		0.00%	\$ -	\$ -							X	
638		Resident Non-profit Youth Service Organization Rate	Rental		\$ 50.00		\$ 50.00	\$ -		0.00%	\$ -	\$ -							X	
639		Council Chamber Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 234.00		\$ 234.00	\$ -		0.00%	\$ -	\$ -							X	
640		Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 462.00		\$ 462.00	\$ -		0.00%	\$ -	\$ -							X	
641		Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 46.00		\$ 46.00	\$ -		0.00%	\$ -	\$ -							X	
642		Non-Profit Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 85.00		\$ 85.00	\$ -		0.00%	\$ -	\$ -							X	
643		Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 72.00		\$ 72.00	\$ -		0.00%	\$ -	\$ -							X	
644		Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 143.00		\$ 143.00	\$ -		0.00%	\$ -	\$ -							X	
645		Delete, Redundant-Youth Sports-Commission-Member-Organizations	Rental		\$ 26.00		\$ 26.00	\$ -		0.00%	\$ -	\$ -							X	
646		Resident Non-profit Youth Service Organization Rate	Rental		\$ 26.00		\$ 26.00	\$ -		0.00%	\$ -	\$ -							X	
647		Newport Theater Art Center	Rental		\$ 390.00		\$ 390.00	\$ -		0.00%	\$ -	\$ -							X	
648		Marina Park																		
649		Large Event Center																		
650		Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 351.00		\$ 351.00	\$ -		0.00%	\$ -	\$ -							X	

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4					Rounded down to nearest dollar	Fee @ Policy Level	Adjustment From Previous Year			Revenue										
5		SERVICE NAME	TYPE	Volume	Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental	% Increase	Total Annual	Increase/ Decrease	Increase	Decrease	No Change	New Fee	Deleted	Notes	
651		Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 645.00		\$ 645.00	\$ -		0.00%	\$ -	\$ -							X	
652		Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 128.00		\$ 128.00	\$ -		0.00%	\$ -	\$ -							X	
653		Non-Profit Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 287.00		\$ 287.00	\$ -		0.00%	\$ -	\$ -							X	
654		Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 225.00		\$ 225.00	\$ -		0.00%	\$ -	\$ -							X	
655		Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 383.00		\$ 383.00	\$ -		0.00%	\$ -	\$ -							X	
656		Delete, Redundant Youth Sports Commission Member Organizations	Rental		\$ 75.00		\$ 75.00	\$ -		0.00%	\$ -	\$ -							X	
657		Resident Non-profit Youth Service Organization Rate	Rental		\$ 75.00		\$ 75.00	\$ -		0.00%	\$ -	\$ -							X	
658		Large Room																		
659		Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 135.00		\$ 135.00	\$ -		0.00%	\$ -	\$ -							X	
660		Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 238.00		\$ 238.00	\$ -		0.00%	\$ -	\$ -							X	
661		Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 48.00		\$ 48.00	\$ -		0.00%	\$ -	\$ -							X	
662		Non-Profit Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 106.00		\$ 106.00	\$ -		0.00%	\$ -	\$ -							X	
663		Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 83.00		\$ 83.00	\$ -		0.00%	\$ -	\$ -							X	
664		Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 143.00		\$ 143.00	\$ -		0.00%	\$ -	\$ -							X	
665		Delete, Redundant Youth Sports Commission Member Organizations	Rental		\$ 25.00		\$ 25.00	\$ -		0.00%	\$ -	\$ -							X	
666		Resident Non-profit Youth Service Organization Rate	Rental		\$ 25.00		\$ 25.00	\$ -		0.00%	\$ -	\$ -							X	
667		Medium Room																		
668		Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 102.00		\$ 102.00	\$ -		0.00%	\$ -	\$ -							X	
669		Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 193.00		\$ 193.00	\$ -		0.00%	\$ -	\$ -							X	
670		Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 37.00		\$ 37.00	\$ -		0.00%	\$ -	\$ -							X	
671		Non-Profit Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 85.00		\$ 85.00	\$ -		0.00%	\$ -	\$ -							X	
672		Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 65.00		\$ 65.00	\$ -		0.00%	\$ -	\$ -							X	
673		Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 111.00		\$ 111.00	\$ -		0.00%	\$ -	\$ -							X	
674		Delete, Redundant Youth Sports Commission Member Organizations	Rental		\$ 20.00		\$ 20.00	\$ -		0.00%	\$ -	\$ -							X	
675		Resident Non-profit Youth Service Organization Rate	Rental		\$ 20.00		\$ 20.00	\$ -		0.00%	\$ -	\$ -							X	
676		Small Room																		
677		Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 80.00		\$ 80.00	\$ -		0.00%	\$ -	\$ -							X	
678		Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 146.00		\$ 146.00	\$ -		0.00%	\$ -	\$ -							X	
679		Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 30.00		\$ 30.00	\$ -		0.00%	\$ -	\$ -							X	
680		Non-Profit Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 67.00		\$ 67.00	\$ -		0.00%	\$ -	\$ -							X	
681		Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 50.00		\$ 50.00	\$ -		0.00%	\$ -	\$ -							X	
682		Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 88.00		\$ 88.00	\$ -		0.00%	\$ -	\$ -							X	
683		Delete, Redundant Youth Sports Commission Member Organizations	Rental		\$ 14.00		\$ 14.00	\$ -		0.00%	\$ -	\$ -							X	
684		Resident Non-profit Youth Service Organization Rate	Rental		\$ 14.00		\$ 14.00	\$ -		0.00%	\$ -	\$ -							X	
685		Lawn																		
686		Commercial Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 230.00		\$ 230.00	\$ -		0.00%	\$ -	\$ -							X	
687		Non-Profit Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 66.00		\$ 66.00	\$ -		0.00%	\$ -	\$ -							X	
688		Private Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 75.00		\$ 75.00	\$ -		0.00%	\$ -	\$ -							X	

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T			
1	Attachment A: FY16 Studied Department Changes																					
2																						
3					2014 plus 2015 adj		2016 adjustments															
4					Rounded down to nearest dollar		Fee @ Policy Level	Adjustment From Previous Year			Revenue											
5					SERVICE NAME	TYPE	Volume	Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental - (if applicable)	Total or Base Fee	Incremental	% Increase	Total Annual	Increase/ Decrease	Increase	Decrease	No Change	New Fee	Deleted	Notes
689					Resident Non-profit Youth Service Organization Rate	Rental	\$ 50.00	\$ 50.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
690					NCCC and CYC Facility Use		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -										
691					Newport Coast Community Center																	
692					Large Classroom Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 270.00	\$ 270.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
693					Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 519.00	\$ 519.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
694					Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 66.00	\$ 66.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
695					Non-Profit Non-Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 132.00	\$ 132.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
696					Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 126.00	\$ 126.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
697					Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 246.00	\$ 246.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
698					Resident Non-profit Youth Service Organization Rate	Rental	\$ 48.00	\$ 48.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
699					Small Classroom Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 160.00	\$ 160.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
700					Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 318.00	\$ 318.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
701					Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 50.00	\$ 50.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
702					Non-Profit Non-Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 94.00	\$ 94.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
703					Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 79.00	\$ 79.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
704					Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 158.00	\$ 158.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
705					Resident Non-profit Youth Service Organization Rate	Rental	\$ 24.00	\$ 24.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
706					Gymnasium Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 352.00	\$ 352.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
707					Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 676.00	\$ 676.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
708					Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 79.00	\$ 79.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
709					Non-Profit Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 136.00	\$ 136.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
710					Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 108.00	\$ 108.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
711					Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 195.00	\$ 195.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
712					Resident Non-profit Youth Service Organization Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 43.00	\$ 43.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
713					Community Youth Center																	
714					Small Classroom Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 160.00	\$ 160.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
715					Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 318.00	\$ 318.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
716					Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 50.00	\$ 50.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
717					Non-Profit Non-Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 94.00	\$ 94.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
718					Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 79.00	\$ 79.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
719					Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 158.00	\$ 158.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
720					Resident Non-profit Youth Service Organization Rate	Rental	\$ 24.00	\$ 24.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
721					Lincoln Gymnasium Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 319.00	\$ 319.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
722					Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 611.00	\$ 611.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
723					Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 72.00	\$ 72.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
724					Non-Profit Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 124.00	\$ 124.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
725					Private Residential Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 98.00	\$ 98.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X
726					Private Nonresidential Rate, Fee Per Hour 2 Hour Minimum	Rental	\$ 176.00	\$ 176.00	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -							X

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
1	Attachment A: FY16 Studied Department Changes																		
2																			
3																			
4																			
5																			
727		Delete, Redundant Youth Sports Commission Member Organizations	Rental		\$ 33.00	\$ 33.00	\$ -			0.00%	\$ -	\$ -							X
728		Resident Non-profit Youth Service Organization Rate	Rental		\$ 33.00	\$ 33.00	\$ -			0.00%	\$ -	\$ -					X		
729		Multi-Purpose-Facilities OASIS Senior Center																	
730		OASIS Event Center Room Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 360.00	\$ 360.00	\$ -			0.00%	\$ -	\$ -						X	
731		Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 645.00	\$ 645.00	\$ -			0.00%	\$ -	\$ -						X	
732		Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 135.00	\$ 135.00	\$ -			0.00%	\$ -	\$ -						X	
733		Non-Profit Non-Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 205.00	\$ 205.00	\$ -			0.00%	\$ -	\$ -						X	
734		Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 200.00	\$ 200.00	\$ -			0.00%	\$ -	\$ -						X	
735		Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 330.00	\$ 330.00	\$ -			0.00%	\$ -	\$ -						X	
736		Delete, Redundant Youth Sports Commission Member Organizations	Rental		\$ 75.00	\$ 75.00	\$ -			0.00%	\$ -	\$ -							X
737		Resident Non-profit Youth Service Organization Rate	Rental		\$ 75.00	\$ 75.00	\$ -			0.00%	\$ -	\$ -							X
738		OASIS Large Classroom Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 270.00	\$ 270.00	\$ -			0.00%	\$ -	\$ -							X
739		Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 519.00	\$ 519.00	\$ -			0.00%	\$ -	\$ -							X
740		Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 66.00	\$ 66.00	\$ -			0.00%	\$ -	\$ -							X
741		Non-Profit Non-Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 132.00	\$ 132.00	\$ -			0.00%	\$ -	\$ -							X
742		Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 126.00	\$ 126.00	\$ -			0.00%	\$ -	\$ -							X
743		Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 246.00	\$ 246.00	\$ -			0.00%	\$ -	\$ -							X
744		OASIS Small Classroom Commercial Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 160.00	\$ 160.00	\$ -			0.00%	\$ -	\$ -							X
745		Commercial Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 318.00	\$ 318.00	\$ -			0.00%	\$ -	\$ -							X
746		Non-Profit Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 50.00	\$ 50.00	\$ -			0.00%	\$ -	\$ -							X
747		Non-Profit Non-Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 94.00	\$ 94.00	\$ -			0.00%	\$ -	\$ -							X
748		Private Resident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 79.00	\$ 79.00	\$ -			0.00%	\$ -	\$ -							X
749		Private Nonresident Rate, Fee Per Hour 2 Hour Minimum	Rental		\$ 158.00	\$ 158.00	\$ -			0.00%	\$ -	\$ -							X
750		Special Ball Field Services																	
751		Field Maintenance Fee Per Player Per Season	Rental		\$ 10.00	\$ 10.00	\$ -			0.00%	\$ -	\$ -							X
752		Lights Additional Charge When Provided, Fee Per Hour Per Field	Rental		\$ 30.00	\$ 30.00	\$ -			0.00%	\$ -	\$ -							X
753		Field Preparation Additional Charge When Provided, Fee Per Field	Rental		\$ 45.00	\$ 45.00	\$ -			0.00%	\$ -	\$ -							X
754		Ball Fields																	
755		Bonita Creek Sports Complex, Buffalo Hills Park, East bluff Park, Grant Howald Park, Lincoln Athletic field, Mariners Parks, Peninsula Park, San Miguel Park, Bonita Canyon Sports Park, Arroyo Park, Bob Henry Park, Coastal Peak Park, Irvine Terrace and Sunset Ridge Park																	
756		Commercial Resident Rate (Lights & Field Prep. Extra) Fee Per Hour 2 Hour Min.	Rental		\$ 145.00	\$ 145.00	\$ -			0.00%	\$ -	\$ -							X
757		Commercial Nonresident Rate (Lights & Field Prep. Extra) Fee Per Hr. 2 Hr. Min.	Rental		\$ 287.00	\$ 287.00	\$ -			0.00%	\$ -	\$ -							X
758		Non-Profit Resident Rate (Lights & Field Prep. Extra) Fee Per Hour 2 Hour Min.	Rental		\$ 65.00	\$ 65.00	\$ -			0.00%	\$ -	\$ -							X
759		Non-Profit Nonresident Rate (Lights & Field Prep. Extra) Fee Per Hour 2 Hour Min.	Rental		\$ 104.00	\$ 104.00	\$ -			0.00%	\$ -	\$ -							X
760		Private Resident Rate (Lights & Field Prep. Extra) Fee Per Hour 2 Hour Minimum	Rental		\$ 85.00	\$ 85.00	\$ -			0.00%	\$ -	\$ -							X
761		Private Nonresident Rate (Lights & Field Prep. Extra) Fee Per Hour 2 Hour Min.	Rental		\$ 143.00	\$ 143.00	\$ -			0.00%	\$ -	\$ -							X
762		Youth Sports Commission Member Organizations Open Rate, Fee Per Hour	Rental		\$ 1.00	\$ 1.00	\$ -			0.00%	\$ -	\$ -							X

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
1	Attachment A: FY16 Studied Department Changes																		
2																			
3																			
4																			
5																			
763		Resident Non-profit Youth Service Organizations Youth Sports Commission Club Rate, Fee Per Hour	Rental	\$	15.00	\$	15.00	\$	-	0.00%	\$	-	\$	-					X
764		Public Areas																	
765		Picnic/Park Areas Commercial Resident Rate (Max. Table Reservation 50%) Fee Per Hr. 2 Hr. Min.	Rental	\$	200.00	\$	200.00	\$	-	0.00%	\$	-	\$	-					X
766		Resident Non-profit Youth Service Organization Rate Commercial Nonres. Rate (Max. Table Reservation 50%)	Rental	\$	15.00	\$	15.00	\$	-	0.00%	\$	-	\$	-					X
767		Fee Per Hr. 2 Hr. Min.	Rental	\$	401.00	\$	401.00	\$	-	0.00%	\$	-	\$	-					X
768		Non-Profit Resident Rate (Max. Table Reservation 50%) Fee Per Hr. 2 Hr. Min.	Rental	\$	36.00	\$	36.00	\$	-	0.00%	\$	-	\$	-					X
769		Non-Profit Nonresident Rate (Max. Table Reservation 50%) Fee Per Hr. 2 Hr. Min.	Rental	\$	72.00	\$	72.00	\$	-	0.00%	\$	-	\$	-					X
770		Private Resident Rate (Max. Table Reservation 50%) Fee Per Hr. 2 Hr. Min.	Rental	\$	42.00	\$	42.00	\$	-	0.00%	\$	-	\$	-					X
771		Private Nonresident Rate (Max. Table Reservation 50%) Fee Per Hr. 2 Hr. Min.	Rental	\$	83.00	\$	83.00	\$	-	0.00%	\$	-	\$	-					X
772		Peninsula Park Gazebo Commercial Resident Rate (Electricity \$13 Extra) Fee Per Hour 2 Hour Minimum	Rental	\$	200.00	\$	200.00	\$	-	0.00%	\$	-	\$	-					X
773		Commercial Nonresident Rate (Electricity \$13 Extra) Fee Per Hour 2 Hour Minimum	Rental	\$	400.00	\$	400.00	\$	-	0.00%	\$	-	\$	-					X
774		Non-Profit Resident Rate (Electricity \$13 Extra) Fee Per Hour 2 Hour Minimum	Rental	\$	36.00	\$	36.00	\$	-	0.00%	\$	-	\$	-					X
775		Non-Profit Nonresident Rate (Electricity \$13 Extra) Fee Per Hour 2 Hour Min.	Rental	\$	72.00	\$	72.00	\$	-	0.00%	\$	-	\$	-					X
776		Private Resident Rate (Electricity \$13 Extra), Fee Per Hour 2 Hour Minimum	Rental	\$	45.00	\$	45.00	\$	-	0.00%	\$	-	\$	-					X
777		Private Nonresident Rate (Electricity \$13 Extra), Fee Per Hour 2 Hour Minimum	Rental	\$	90.00	\$	90.00	\$	-	0.00%	\$	-	\$	-					X
778		Resident Non-profit Youth Service Organization Rate	Rental	\$	15.00	\$	15.00	\$	-	0.00%	\$	-	\$	-					X
779																			
780																			
781																			
782																			

ATTACHMENT B

Application of Indirect Costs to the Calculation of Fees for Services

Attachment B: Application of Indirect Costs to the Calculation of Fees for Services

The purpose of this exhibit is to provide a detailed explanation of the methodology used by the City of Newport Beach to incorporate indirect overhead costs in the development of the municipal fee schedule. The nature of indirect overhead costs will also be described. A Municipal Operations Department (MOD) Water Service Installation Fee example will be used to facilitate the explanation.

The Water Service Installation Fee is assessed to recover administrative costs incurred by MOD and Revenue in the process of installing a new water meter and associated items. The fee includes the MOD Utilities Crew Chief's time to interact with the customer, drive to the location, conduct field work, resolve any issues, and update the database, and the Revenue Senior Fiscal Clerk's time to interact with the customer, process the application, create tapping orders, and set up the account. The following steps demonstrate how the Water Service Installation Fee is derived.



Step 1: Calculate Hourly Staffing Rates and Burdened Factors

The first step is to determine the hourly rates of staff providing the services associated with water installation. Table 1 below provides the hourly salary and benefit rates plus the hourly burdened factors for the staff that are responsible for performing this task within MOD and Revenue. Indirect overhead costs or “burdened factors” are costs that are not directly accountable to the expenses incurred for a user fee service, but are necessary and contribute to the total cost of that service delivery, i.e. - managerial administration, utilities, insurance, legal, information technology, payroll, and finance, which are all valid components to the analysis of what it costs the City to provide municipal services.

Table 1- Hourly Rates for Salary, Benefit and Overhead Factors

	Salary and Benefits Hourly Rate		Burdened Factors Hourly Rate		Total Burdened Rate
Utilities Crew Chief	\$61.93	+	\$58.55	=	\$120.48
Senior Fiscal Clerk	\$52.52	+	\$58.25	=	\$110.77

The City's cost allocation plan consultant uses the Federal Office of Management and Budget (OMB) Circular A-87 as a guideline to determine the allowable burdened, or indirect, cost elements. OMB A-87 is a document that state and local governments use to identify allowable indirect costs when applying for reimbursement of cost from state or federal programs. Although the calculation of user fee services is not specific to applying for reimbursement from any state or federal program, the underlying methodology of identifying costs is much the same. The relevant sections of OMB A-87 that specify how direct and indirect costs shall be applied to the calculation of the Water Service Installation Fee follows below.

Composition of Cost

Direct Costs

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.
2. Application. Typical direct costs include:
 - a) Compensation of employees for the time devoted and identified specifically to the performance of the operation.
 - b) Cost of materials acquired, consumed, or expended specifically for the purpose of fulfilling the mission of the operation.
 - c) Equipment and other approved capital expenditures.¹
 - d) Travel expenses incurred specifically to carry out the operation.

Using the personnel identified in Table 1, the direct costs to perform a water service installation are found on line 1.1 (total salary and benefits on an hourly basis) in Table 1a below.

Table 1a

Fully Burdened Hourly Rates		Utilites Crew Chief		Senior Fiscal Clerk
Annual Salary & Benefits:		\$128,814		\$109,241
1. Calculate hourly salary & benefits				
1.1 Divide annual cost by 2,080 hrs		\$61.93		\$52.52
Total Salary and Benefits		\$61.93		\$52.52
2. Indirect Overhead			<u>Revenue</u>	
	<u>MOD</u>			
2.1 Compensated Absences (vacation, sick leave)	13.4%	\$8.30	13.4%	\$7.04
2.2 General Administration (supervision, support services)	2.2%	\$1.33	13.00%	\$6.83
2.3 Operating Expense (training, supplies, insurance)	38.7%	\$23.97	24.4%	\$12.83
2.4 Citywide Overhead (Finance, City Manager, Fleet Maint)	40.3%	\$24.96	60.1%	\$31.56
Total Indirect Overhead		\$58.55	110.9%	\$58.25
Total Burdened Rate:		\$120.48		\$110.77

¹ Includes maintenance and/or depreciation expense only, not equipment purchases, which are capitalized over a number of years.

Indirect Costs

1. General. Indirect costs are those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted. The term "indirect costs," as used herein, applies to costs of this type originating from staff within MOD and Revenue, their operating expenditures and administration support, as well as those incurred by administrative departments in supplying goods, services, and facilities.

The cost of service analysis includes four types of indirect overhead categories or "cost pools" consisting of compensated absences, general administration, operating expenses, and citywide overhead.

- a) Compensated Absences – The compensated absences cost pool is used to account for employees' time off with pay for vacations and sick days. The City is obligated to pay for these days off and is required by the matching principle to record the expense when the employees are working, since the benefits are a part of the employees' compensation. It is estimated that 280 out of 2,080 total available hours per year per full-time equivalent (FTE) are taken as compensated absences. This translates into a 13.4% burden factor applied to the hourly salary and benefit rate as indicated on line 2.2 in Table 1a above.
- b) General Administration – The general administration cost pool includes the cost of staff time spent on such activities as budget planning and staffing allocations; public counter and telephone time, meetings, and training and education. The wages of management staff and the workers engaged in administration and support activities are considered an indirect labor cost. It is calculated that 2.2% of MOD and 13% of Revenue's overall workload is spent on this general administrative function as indicated on line 2.2 in Table 1a above.
- c) Operating Expenditures – The operating expenditure cost pool consists largely of Internal Service Fund (ISF) charges to the divisions on a cost reimbursement basis. The City's internal service funds are used to allocate the cost of providing general liability insurance and workers' compensation; maintaining and replacing the City's rolling stock fleet; and the cost of maintaining and replacing the City's computers, printers, copiers, and telecommunication services. This cost pool also includes other general operating expenses such as publications, supplies, and training. The operating expenditure burden factor of 38.7% for MOD and 24.4% for Revenue as indicated on line 2.3 in Table 1a above is calculated by comparing the total cost of (allowable indirect) operating expenditures to the total (allowable direct) labor pool.
- d) Citywide Overhead - The Cost Allocation Plan (CAP) distributes the costs of City departments that serve a central service function supporting MOD and Revenue operations. These "Central Service Departments/Divisions" include: City Council, City Clerk, City Manager, Finance & Treasury Financial Planning, and Financial Reporting, as well as Human Resources Risk Management.

The citywide overhead burden factor of 40.3% for MOD and 60.1% of Revenue is calculated by comparing the total cost of MOD and Revenue's share of citywide overhead to the total (allowable direct) labor pool (see line 2.4 in Table 1a above).

Step 2: Calculate Time Spent on the Service

The second step is to calculate the time spent on the service. The task and time in minutes estimated to complete the task is captured in Table 2 below.

Table 2: Task Description & Time Estimates in minutes

	Customer interaction, scheduling, issue resolution, drive time, field work, update database	Customer interaction, process application, create tapping orders, setup account
Utilities Crew Chief	240.00	
Senior Fiscal Clerk		25.00

Step 3: Calculate the Cost to Provide the Service

The third and final step is to calculate the cost to provide the service by converting the total minutes to hours per unit (or staff person). The product of the hourly rate calculation times the time spent yields the cost of providing the service (see Table 3 below).

Table 3 – Fee is Product of Times and Rates

	<u>Total Minutes</u>	→	<u>Total Hours per Unit</u>	X	<u>Fully Burdened Hourly Rates</u>	=	<u>Total Cost to Provide the Service</u>
Utilities Crew Chief	240.00		4.00		\$120.48		\$481.92
Senior Fiscal Clerk	25.00		0.42		\$110.77		\$46.15
							\$528.07
					Proposed Fee		\$528.00

Summary

The purpose of a CAP is to accurately, fairly, and reasonably distribute the City’s central administrative costs to the operating departments in the City. The development of a CAP follows a series of general guidelines and principles, which originate from federal guidelines established in OMB Circular A-87. These principles ensure that allocated costs are necessary and reasonable to the operation of the government. A cost analysis study is almost entirely reliant upon the data provided by the City. Since all study components are interrelated, bad data at any step in the process will cause the ultimate results to be flawed. To avoid accuracy problems and other quality flaws, the study included a series of quality control measures including reasonableness tests and validation; balance and cross checks; and internal City review. Finally it should be noted that private businesses typically add a layer of profit margin to their cost analysis, public agencies are not allowed to do so.

ATTACHMENT C
Municipal Code 3.36 Changes

Chapter 3.36 COST RECOVERY FOR USER SERVICES

Sections:

- [3.36.010](#) Findings.
- [3.36.020](#) Definitions.
- [3.36.030](#) Cost Recovery Percentages.
- [3.36.040](#) Late Fees and Charges.
- [3.36.050](#) Severability.

3.36.010 Findings.

The City Council of the City of Newport Beach finds as follows:

- A. The City funds certain municipal services such as fire, police and residential trash collection using primarily property, sales and other tax revenues. These municipal services are typically performed without request by the user, benefit the public generally, and are traditionally funded by tax revenue.
- B. The City performs other services and offers certain programs which are funded in whole or in part by the person or entity requesting the service or participating in the program. These services and programs are typically initiated by an application submitted by the person requesting the service or program participation, primarily benefit the person requesting the service or participation, and are traditionally funded in whole or in part from fees charged to the person who initiates the services.
- C. The City Council has retained consultants to conduct cost allocation plan and cost of services studies. Cost allocation studies determine the general City and departmental overhead rates to be used in calculating the cost of City services. Cost of services studies determine the costs of providing certain City services by, among other things, identifying the City employees performing the service and the amount of time spent in performing the service. The City Council has thoroughly reviewed and considered the studies prior to adopting the ordinance codified in this chapter. In order to ensure that fees charged for services are an accurate reflection of actual costs, the City Council finds that cost studies should be conducted at least every five years.
- D. The Finance Committee of the City Council has conducted public meetings to discuss the cost allocation plan and cost of services studies, the factors relevant to the appropriate cost recovery percentage for the services studied, and to receive public input on the issues. The Finance Committee has submitted recommendations to the City Council regarding the appropriate cost recovery percentage and those recommendations have been reviewed and considered by the City Council prior to adopting the ordinance codified in this chapter.
- E. The City Council has fully complied with provisions of State and local law in establishing the cost recovery percentages specified in this chapter, including, Section [66000](#) et seq. of the Government Code, and Articles XIII C and XIII B of the State Constitution. (Ord. 2008-14 § 1 (Exh. 1) (part), 2008; Ord. 97-8 § 1 (part), 1997)

3.36.020 Definitions.

For purposes of this chapter, the following definitions shall apply:

“Actual cost” means the estimated cost to the City of providing a user service to a user as initially determined by analysis of the cost factors in the studies and as modified from time to time in accordance with changes in cost factors.

“Cost factors” means the various factors identified in the studies relevant to the calculation of the actual cost to the City of providing user services to a user.

“Cost recovery percentage” means the percentage of the actual cost to the City of providing a user service that the City Council determines should be recovered from the user.

“Cost studies” means the Cost of Services and Cost Allocation Studies conducted by the City’s consultant(s).

“Fee resolution” means the resolution adopted by the City Council pursuant to this chapter which establishes the fees and charges for user services.

“User” means the person or entity who requests, by filing an application or otherwise, City performance of, or user’s participation in, a user service.

“User services” means the services or programs identified in the cost studies and which are funded, in whole or in part, by fees or charges imposed on the user of the service. (Ord. 2008-14 § 1 (Exh. 1) (part), 2008: Ord. 97-8 § 1 (part), 1997)

3.36.030 Cost Recovery Percentages.

A. The municipal functions the City Council has determined to be user services and for which the City Council has initially determined the actual costs and the appropriate cost recovery percentage are described in the fee resolution. The cost recovery percentage appropriate for each user service shall be one hundred (100) percent with the exception of the user services listed in Exhibit “A” and those services for which the fee is limited by statute. The City Council may include in the fee resolution a schedule to phase in specific fee increases over a period not to exceed four years.

B. The City Council shall establish, pursuant to the fee resolution, the actual fee or charge for each user service described in the fee resolution. The fee or charge shall be based upon the actual cost of providing the user service, multiplied by the relevant cost recovery percentage.

C. The City Council may, without amending this chapter, modify (increase or decrease) the fee resolution to amend the amount of any fee or charge for, and the actual cost of providing, any user service upon a determination that there has been an increase or decrease in one or more of the cost factors relevant to the calculation of the actual cost of providing that service.

D. The City Council may modify the municipal functions determined to be user services in the fee resolution and the cost recovery percentage for any service only by amending this chapter.

Attachment C – Municipal Code 3.36 Changes

E. Fees for service established in the fee resolution may be waived by the City Council. The City Manager may waive fees imposed on nonprofit organizations for nonprofit sponsored events in an amount not to exceed one thousand dollars (\$1,000.00) per year.

Exhibit A

The City's cost of providing the following services shall be recovered through direct fees charged for services. Exhibit "A" limits cost recovery fees to the percentages or dollar amounts indicated below.

Service	Percentage of Cost or Amount to Be Recovered from Direct Fees
Community Development	
Building	
Appeals Board Hearing	50%
Harbor Construction	50%
Permit Issuance (Counter Only) Electrical, Plumbing	\$332
Preliminary Plan Review	First Two Hours Free, Full Cost Thereafter
Planning	
Appeals to City Council	50%
Appeals to Planning Commission	50%
Reasonable Accommodation	0%
Recreation and Senior Services	
Adult Sports _____	Up to 100%
Adult Sports	62%
Adult Drop-In Sports	15%
Facility Use Fees Admin Processing Fee	50% \$5
Badge Replacement	45% \$5
After School/Camp Programs	
Camps	40% <u>Up to 100%</u>
After-School/Teen Program	20% <u>Up to 100%</u>

Service	Percentage of Cost or Amount to Be Recovered from Direct Fees
Pre-School Program	40% <u>Up to 100%</u>
Aquatics	20% <u>Up to 100%</u>
Contract Classes	60% <u>Up to 100%</u>
Class Refunds	
\$74 or less	29% <u>\$10</u>
\$75 or more	59% <u>\$20</u>
Youth Sports	25% <u>Up to 100%</u>
Special Events—Levels 1, 2, and 3	<u>Up to 100%</u>
Resident <u>Appeal to City Council</u>	<u>Up to 45% 51%</u>
Nonresident <u>Natural Resources Programs</u>	<u>Up to 85% 100%</u>
Appeal to City Council	25% <u>51%</u>
Senior Services	
Oasis Transportation	5% <u>\$1-\$3 each way</u>
Contract Classes	50% <u>Up to 100%</u>
Oasis Facility Use Fees	45%
Fitness Center	50% <u>Up to 100%</u>
Marine Environment Services—Marine Preserve Tours	15%
Library Services	
Meeting Room Facility Use Fees <u>Passport Photo</u>	1% <u>\$10</u>
Use Fees—Materials	20% <u>\$1</u>
Inter-Library Loan	10% <u>\$5</u>
Fire and Marine	
Emergency Medical Services	
Advanced Life Support—Nontransport	\$400
Basic Life Support—Nontransport	\$300

Service	Percentage of Cost or Amount to Be Recovered from Direct Fees
State-Mandated Inspections	
Day Care Facilities	25%
Marine	
Junior Guards	82.1%
Police	
Initial Concealed Weapons Permit	Maximum Permitted by Law
Concealed Weapon Permit Renewal	Maximum Permitted by Law
Bike Licenses	17%
Subpoena Duces Tecum	Maximum Permitted by Law
Vehicle Repossession	Maximum Permitted by Law
Domestic Violence Reports	0%
Secondhand/Pawn Dealer Tag Check	0%
Registrant—Sex	0%
Registrant—Narcotics	0%
Impound Fee	Maximum Permitted by Contract
Public Works	
Engineering	
Encroachment Permit without Other Department/Division Review	88%
Encroachment Permit with Other Department/Division Review	57%
Harbor Resources	
Appeal of Lease/Permit under Section 17.60.080	\$100

Service	Percentage of Cost or Amount to Be Recovered from Direct Fees
Finance	
Parking Reviews	0%
Parking Hearings	0%
Admin. Cite Hearings	0%
Municipal Operations	
Construction Water Meter Establishment	30% 50%
FOG Annual Permit	0%
City Council, Board, Commission, Committee or Any Individual Member Thereof when Acting within the Scope of Their Official Duties	
Review from a Lower Body or Official	\$0

(Ord. 2015-29 § 1, 2015; Ord. 2015-9 § 1, 2015; Ord. 2013-18 §§ 1, 2, 2013; Ord. 2013-1 § 1, 2013; Ord. 2011-28 § 1, 2011; Ord. 2011-10 § 1, 2011; Ord. 2009-32 § 1 (Exh. A), 2010; Ord. 2009-21 § 1 (Att. 1), 2009; Ord. 2008-14 § 1 (Exh. 1) (part), 2008; Ord. 2004-4 § 3, 2004; Ord. 2002-26 Exh. A, 2002; Ord. 2000-24 § 1, 2000; Ord. 98-18 § 1, 1998; Ord. 97-8 §§ 1 (part), 2, 1997)

3.36.040 Late Fees and Charges.

Notwithstanding any other provision of this Code, the City Council shall establish, in the fee resolution, late fees and interest to be paid by any user of user services who fails to make payments when required by this Code or any resolution, policy, or program adopted by the City Council. To the maximum extent practical, the late fees and interest shall be uniform for all user fees. (Ord. 2008-14 § 1 (Exh. 1) (part), 2008; Ord. 97-8 § 1 (part), 1997)

3.36.050 Severability.

If any section, subsection, sentence, clause or phrase of this chapter is for any reason held to be invalid or unconstitutional, such decision shall not affect the validity or constitutionality of the remaining portions of this chapter. The City Council declares that it would have passed the ordinance codified in this chapter and each section, subsection, clause or phrase hereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses and phrases be declared unconstitutional. (Ord. 2008-14 § 1 (Exh. 1) (part), 2008; Ord. 97-8 § 2, 1997)

ATTACHMENT D
Current Special Event Hourly Rates

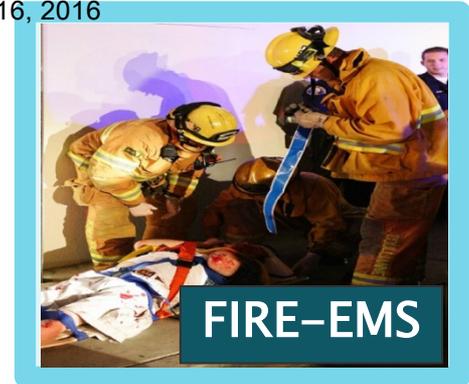
Attachment D - Current Special Events Hourly Rates

Department	Division	Position Title	Hourly Rate
Community Development	Code Enforcement	Enforcement Officer	\$ 55.08
Fire		Firefighter	\$ 41.54
		Paramedic	\$ 50.86
		Fire Engineer	\$ 46.67
		Fire Captain	\$ 54.80
		Battalion Chief	\$ 72.66
	Lifeguards	Lifeguard Officer	\$ 47.79
	Lifeguard I/II/III	\$ 34.04	
	Lifeguard Captain	\$ 63.44	
Municipal Operations		Supervisor	\$ 70.65
		Crew Chief	\$ 61.06
		Specialist Position	\$ 54.69
		Equipment Operator	\$ 52.15
		Maintenance Worker	\$ 47.27
		Groundswoker	\$ 48.18
Police		Police Officer	\$ 74.72
		Police Sergeant	\$ 83.06
		Police Lieutenant	\$ 97.58
		Parking Control - CSO	\$ 43.97
		Police Dispatcher	\$ 50.85
		Explorers	\$ 10.00
		Police Cadet	\$ 12.68
		Animal Control Officer	\$ 49.71
		Police Mechanic I	\$ 41.52
		Police Mechanic II	\$ 48.11
		Senior Police Mechanic	\$ 53.04
	Reserve Officer	\$ 43.32	
Public Works		Sr Civil Engineer	\$ 87.39
		Associate Enigeer 5%	\$ 75.62
		Jr Engineer	\$ 65.19
		No Parking Signs	\$ 1.45
Recreation & Senior Senior Services		Facilities Maintenance Worker	\$ 91.38
		Park Patrol Officer	\$ 66.10

Update To Fees & Other Charges



Item No. 4E1
Annual Fee Schedule Update
Staff Presentation
June 16, 2016



Finance Committee Presentation
June 16, 2016

Schedule of Rents, Fines, and Fees (SRFF)

- Charges for Services (COS, Pass Thru)
- Use of Money and Property (Rentals)
- Fines and Penalties

	B	C	D	E
1		Attachment A: FY16 Studied Department Changes		
2				
3				
4				
5		SERVICE NAME	TYPE	Volume
310		Emergency Medical Services		
311		Advanced Life Support	COS-Fee	2793
312		Basic Life Support	COS-Fee	2579
313		Emergency Ambulance Transportation	COS-Fee	5372
314		Advanced Life Support Non-Transport	COS-Fee	N/A
315		Basic Life Support Non-Transport	COS-Fee	N/A
316		Emergency Ambulance Transportation Mileage Charge per mile	COS-Fee	21394

Presentation Overview

- I. Summary of Proposed Changes
 - II. Background (authority, Council policy, fee administration)
 - III. Fee for Service Methodology
 - IV. Proposed Fees and Charges by Department
- 

Summary of Changes

Studied Department	Increasing	Decreasing	Deleted	No Change	New	Totals
RSS	7	1	23	262	0	293
Library	2	1	3	10	0	16
Finance	14	9	1	39	0	63
MOD	21	14	3	48	2	88
All Departments	1	3	3	14	1	22
Police	2	0	0	0	0	2
Fire – EMS	1	3	0	2	0	6
TOTAL	48	31	33	375	3	490
PCT of TOTAL	10%	6%	7%	76%	1%	100%

Authority for Cost of Service Fees

- ▶ Authority – NBMC § 3.36.030 mandates 100% cost recovery (except for subsidies identified in the code)
- ▶ Council Policy Directive – Fiscal Sustainability Plan:

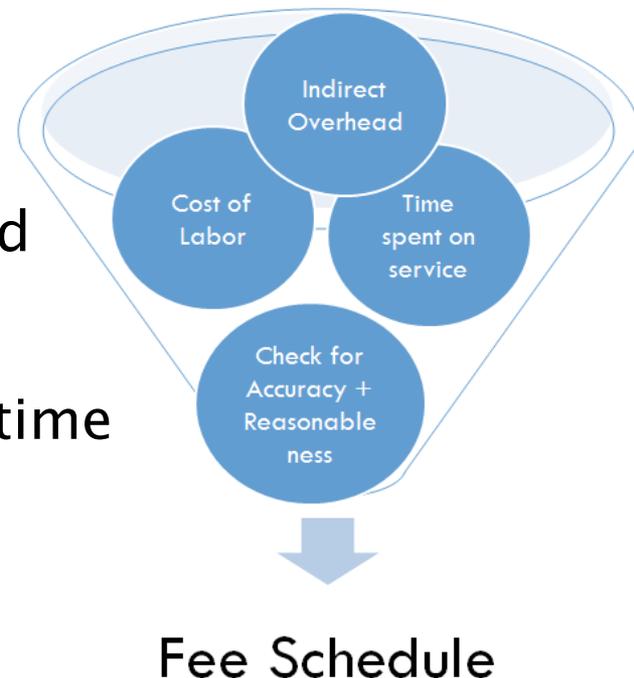
Establish appropriate cost-recovery targets and adjust fee structure to ensure that the fees continue to meet cost recovery targets.

- ▶ Council Policy Directive – F-4 Revenue Measures:

The City will establish appropriate cost-recovery targets for its fee structure and will annually adjust its fee structure to ensure that the fees continue to meet cost recovery targets.

Fee for Service Methodology

- ▶ MGT of America performs cost of service analysis for developing user fees.
- ▶ MGT Scope of Work:
 1. Calculate the fully burdened (labor and overhead) cost of providing user fee services;
 2. Applied fully burdened labor rates to time requirement estimates and annual workload figures;
 3. Calculate the cost of providing the service; and
 4. Review and cross check results to ensure data validity.



Fee Calculation Example

(MOD – Water Service Installation Fee Example)

Step 1: Calculate Hourly Staffing Rates and Burdened Factors

	<u>Salary and Benefits Hourly Rate</u>		<u>Burdened Factors Hourly Rate</u>		<u>Total Burdened Rate</u>
Utilities Crew Chief	\$61.93	+	\$58.55	=	\$120.48
Senior Fiscal Clerk	\$52.52	+	\$58.25	=	\$110.77

Fee Calculation Example

(MOD – Water Service Installation Fee Example)

Step 2: Calculate Time Spent on the Service

	Customer interaction, scheduling, issue resolution, drive time, field work, update database	Customer interaction, process application, create tapping orders, setup account
Utilities Crew Chief	240 minutes	
Senior Fiscal Clerk		25 minutes

Fee Calculation Example

(MOD – Water Service Installation Fee Example)

Step 3: Calculate the Cost to Provide the Service

	<u>Total Minutes</u>		<u>Total Hours per Unit</u>		<u>Fully Burdened Hourly Rates</u>		<u>Total Cost to Provide the Service</u>
Utilities Crew Chief	240.00	➔	4.00	X	\$120.48	=	\$481.92
Senior Fiscal Clerk	25.00		0.42		\$110.77		\$46.15
							\$528.07
					Proposed Fee		\$528.00

Step 4: Review for Accuracy and Reasonableness

Recreation and Senior Services (RSS)



RSS

Studied Department	Increasing	Decreasing	Deleted	No Change	New	Totals
RSS	7	1	23	262	0	293
PCT of TOTAL	2%	0%	8%	90%	0%	100%

Areas Under Review:

- Administration
- Natural Resources
- Adult Sports
- Aquatics
- Youth Sports
- After School/Camp Programs
- Contract Classes
- Special Events
- Senior Services

Fees Last Updated:
2011

Sample Services:

Special event permits, tidepool exploration, swim lessons, adult and youth sports programs, Oasis transportation van service and fitness center use



Library

Library

Studied Department	Increasing	Decreasing	Deleted	No Change	New	Totals
Library	2	1	3	10	0	16
PCT of TOTAL	13%	6%	19%	62%	0%	100%

Areas Under Review:

- Library Services
- Cancellation Charge
- Setup and Cleanup Fees
- Passport Services

Fees Last Updated:
2011

Sample Services:

Materials use, inter library loans, setup and cleanup fees for meeting room rentals, passport processing and photos

A woman with dark hair, wearing a black blazer, is seated at a modern office reception desk. The desk is white with a light wood base. A computer monitor is on a stand in front of her. To her left, there are brochures in a clear display stand. In the foreground, a sign is visible with the text "NEW FEES FOR 2016 PARKING PERMITS". The background shows a bright office space with large windows and other workstations.

Finance

NEW FEES FOR 2016 PARKING PERMITS

Permit Type	Annual Fee	Quarterly Fee
Residential	\$100	\$25
Commercial	\$200	\$50
Industrial	\$300	\$75
Government	\$150	\$37.50
Special Use	\$100	\$25

Finance

Studied Department	Increasing	Decreasing	Deleted	No Change	New Fees	Totals
Finance	14	9	1	39	0	63
moved to Police	2	0	0	0	0	2
TOTAL	16	9	1	39	0	65
PCT of TOTAL	25%	14%	1%	60%	0%	100%

Areas Under Review:

- Revenue
- Parking Fines

Fees Last Updated:
2011

Sample Services:

Dog licensing and permit review and issuance for vehicles for hire, live entertainment, short term lodging, preferential parking



MOD

MOD

Studied Department	Increasing	Decreasing	Deleted	No Change	New	Totals
MOD	21	14	3	48	2	88
PCT of TOTAL	24%	16%	3%	55%	2%	100%

Areas Under Review:

- Water Related Fees
- Sewer Related Fees
- Miscellaneous
- Administration

Fees Last Updated:
2011

Sample Services:

Water service installation and establishment, delinquent water restoration, construction water meter establishment, hydrant flow test



Fire Department Emergency Medical Services (EMS)

Fire Department – EMS

Studied Department	Increasing	Decreasing	Deleted	No Change	New	Totals
Fire – EMS	1	3	0	2	0	6
PCT of TOTAL	17%	50%	0%	33%	0%	100%

Area Under Review:
EMS

Fees Last Updated:
2015

Sample Services:
Emergency medical service transportation for both advanced and basic life support, including staff time, equipment, and materials, separating out mileage

© PERMIT CENTER
Building/Fire Permits
Zoning & Property Information
Right Of Way Permits
Use Permits

Community Development
Department (CDD)



CDD

Areas Under Review:

- Building
- Planning

Fees Last Updated:

2015

Sample Services:

Plan reviews, permits and inspections, and various development related services

- ▶ Objective: Create flat fees where possible
 - Residential
 - Commercial tenant improvements

Conclusion and Questions



Update To Fees & Other Charges
Finance Committee
June 16, 2016