



CITY OF NEWPORT BEACH FINANCE COMMITTEE AGENDA - Final

Community Room - 100 Civic Center Drive, Newport Beach, CA 92660

Thursday, October 10, 2024 - 3:00 PM

Finance Committee Members:

**Joe Stapleton, Mayor Pro Tem / Chair
Will O' Neill, Mayor
Noah Blom, Council Member
Allen Cashion, Committee Member
William Collopy, Committee Member
Keith Curry, Committee Member
Nancy Scarbrough, Committee Member**

Staff Members:

**Grace K. Leung, City Manager
Jason Al-Imam, Finance Director/Treasurer
Shelby Burguan, Deputy Finance Director
Marlene Burns, Buyer**

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 Director/Treasurer 24 hours prior to the scheduled Finance Committee meeting.

NOTICE REGARDING PUBLIC PARTICIPATION

Questions and comments may also be submitted in writing for the Finance Committee's consideration by sending them to Jason Al-Imam, Finance Director/Treasurer, at jalimam@newportbeachca.gov. To give the Finance Committee adequate time to review your questions and comments, please submit your written comments by no later than 5 p.m. the day prior to the Finance Committee meeting. All correspondence will be made part of the record.

NOTICE TO THE PUBLIC

The Finance Committee meeting is subject to the Ralph M. Brown Act. Among other things, the Brown Act requires that their agenda be posted at least twenty-four (24) hours in advance of each special 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.

It is the intention of the City of Newport Beach to comply with the Americans with Disabilities Act ("ADA") in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, the City of Newport Beach will attempt to accommodate you in every reasonable manner. If requested, this agenda will be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Please contact the City Clerk's Office at least forty-eight (48) hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible at (949) 644-3127 or jalimam@newportbeachca.gov.

I. **CALL MEETING TO ORDER**

II. **ROLL CALL**

III. **PLEDGE OF ALLEGIANCE**

IV. **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.

V. **CONSENT CALENDAR**

A. **MINUTES OF SEPTEMBER 12, 2024**

Recommended Action:

Approve and file.

[DRAFT MINUTES OF SEPTEMBER 12, 2024](#)

VI. **CURRENT BUSINESS**

A. **OVERVIEW OF PUBLIC WORKS DEPARTMENT BUDGET**

Summary:

Staff will provide the Committee with a presentation covering the budget for the Public Works Department.

Recommended Action:

Receive and file.

[STAFF PRESENTATION](#)

B. **YEAR END BUDGET RESULTS AND SURPLUS ALLOCATION**

Summary:

Staff will provide a presentation regarding the year-end budget results for Fiscal Year 2023-24 and recommendations for allocation of any year-end budget surplus.

Recommended Action:

Review and discuss this report and provide any recommendations for consideration by the City Manager and City Council.

[STAFF REPORT](#)

[STAFF PRESENTATION](#)

C. BUDGET AMENDMENTS FOR QUARTER ENDING SEPTEMBER 30, 2024

Summary:

Staff will report on the budget amendments from the prior quarter.

Recommended Action:

Receive and file.

[STAFF REPORT](#)

[ATTACHMENT A](#)

D. WORK PLAN REVIEW

Summary:

Staff and Finance Committee to review the proposed work plan and identify matters that members would like placed on a future Agenda for discussion, action, or report.

Recommended Action:

Receive and file.

[WORK PLAN](#)

VII. ADJOURNMENT

I. CALL MEETING TO ORDER

The meeting was called to order at 3:00 p.m. by Mayor Pro Tem/Chair Stapleton.

II. ROLL CALL

PRESENT: Joe Stapleton, Mayor Pro Tem/Chair
Will O'Neill, Mayor
Noah Blom, Councilmember
Allen Cashion, Committee Member
Keith Curry, Committee Member
Nancy Scarbrough, Committee Member

ABSENT: William Collopy, Committee Member (excused)

STAFF PRESENT: Grace K. Leung, City Manager
Jason Al-Imam, Finance Director/Treasurer
Shelby Burguan, Deputy Finance Director
Brittany Cleberg, Assistant Management Analyst
Abigail Marin, Budget Analyst
Anthony Alannouf, Budget Analyst

MEMBERS OF THE PUBLIC: Charles Klobe
Jim Mosher
Mile Patricola

III. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Committee Member Keith Curry.

IV. PUBLIC COMMENTS

A. ADDITIONAL MATERIALS RECEIVED

Mayor Pro Tem/Chair Stapleton opened public comments.

Jim Mosher, Newport Beach resident, spoke about the retention bonuses recently approved by the City Council and inquired whether the Police Chief was eligible for the bonus. He also commented on the ordinance requiring brick-and-mortar businesses to accept cash. In addition, Mr. Mosher pointed out that the final budget was approved in June. However, he could not locate the adopted budget on the city's website.

Finance Director/Treasurer Jason Al-Imam noted that within a few days the adopted budget would be posted online.

Seeing no others, Mayor Pro Tem/Chair Stapleton closed public comments.

V. CONSENT CALENDAR

A. MINUTES OF MAY 30, 2024

Recommended Action: Approve and file.

Mayor Pro Tem/Chair Stapleton requested the motion incorporate the amendments submitted by Jim Mosher.

MOTION: Committee Member Keith Curry moved to approve the minutes of May 30, 2024, as amended and incorporating Mr. Mosher's changes, seconded by Councilmember Noah Blom. The motion carried as follows:

AYES: Cashion, Scarbrough, Blom, Stapleton, O'Neill, Curry
NOES: None
ABSENT: Collopy (excused)
ABSTAIN: None

VII. CURRENT BUSINESS

A. ANNUAL REVIEW OF INVESTMENT POLICY

Recommended Action: Review and discuss this report and recommend that the City Council formally approve the proposed changes by adopting a resolution. These changes are in furtherance of the City's investment objectives.

Finance Director/Treasurer Al-Imam explained there was one minor change proposed in the Investment Policy that is listed in the Glossary section due to a change in the Government Code. An investment's term will be measured from the settlement date to final maturity rather than from the trade date to final maturity.

Mayor Pro Tem/Chair Stapleton inquired about the change made in April. Finance Director/Treasurer Al-Imam explained the exact same change was touched on a year ago, and additional changes were made in April to remove LA County as an authorized investment vehicle. However, the changes that were made a year ago to the glossary section of the policy were overwritten when the updates were made to the policy in April.

Mayor Pro Tem/Chair Stapleton opened public comments.

Mr. Jim Mosher, Newport Beach resident, commented about the changes he submitted, and he was unclear if the change being proposed to the glossary was part of the formal policy.

Finance Director/Treasurer Al-Imam responded that the change is part of the Investment Policy. He explained that, when it is taken before City Council for consideration, the Council approves a resolution, which incorporates the Investment Policy as an exhibit to the resolution and includes the glossary.

Committee Member Cashion asked about achieving a certain benchmark rate of return and if that is a stated number or does it fluctuate. Finance Director/Treasurer Al-Imam explained they use two benchmarks; the 1-5 Year index and a 1-3 Year index, which are tracked because they have different weighted average maturities and over time either index may better align with the weighted average maturity of the City's pooled investments.

Genny Lynkiewicz, CFA, Senior Portfolio Manager for Chandler Asset Management added that the performance page in the investment report shows the rate of return for the benchmark indexes and the City's investment portfolio over the past ten years.

Seeing no others, Mayor Pro Tem/Chair Stapleton closed public comments.

MOTION: Councilmember Noah Blom moved to approve the recommendation that City Council formally approve the proposed changes by adopting a resolution, seconded by Committee Member Nancy Scarbrough. The motion carried as follows:

AYES: Cashion, Scarbrough, Blom, Stapleton, O'Neill, Curry
NOES: None
ABSENT: Collopy (excused)
ABSTAIN: None

B. ANNUAL REVIEW OF INVESTMENT PERFORMANCE

Recommended Action: Receive and file.

Genny Lynkiewicz, CFA, Senior Portfolio Manager for Chandler presented the City's fiscal year-end (FYE) investment report and reported that recent economic data suggests positive but slower growth this year fueled by consumer spending. While the consumer has been resilient, declining savings rates, growing credit card debt, higher delinquencies, and a moderating labor market pose potential headwinds to future economic growth. Inflationary trends are subsiding, but core levels remain above the Federal Reserve's target. The labor market is showing signs of cooling. For example, the U.S. economy added 142,000 jobs in August, below expectations of 165,000. In July, the Consumer Price Index (CPI) rose 0.2% month-over-month and 2.9% year-over-year, down from 3.0% in June and lower than expected. The Core CPI, which excludes volatile food and energy components, was up 0.2% month-over-month and 3.2% year-over-year in July, down from 3.3% in June. The Personal Consumption Expenditures (PCE) Index rose 0.2% from the previous month and 2.5% year-over-year in July. Second quarter GDP increased at an annualized rate of 3.0%, revised up from the advanced estimate of 2.8%. The update reflects an upward revision to consumer spending. It was explained that bond yields have a direct impact on the City's investment portfolio and investment returns. Ms. Lynkiewicz continued by discussing the City's investment performance over the past year and went through the investment portfolio presentation and noted that a statement of compliance is also included in the report, which shows the City is in compliance with the Investment Policy and the Government Code.

Committee Member Keith Curry inquired what the plans are for the T-bills as they roll off. Ms. Lynkiewicz answered they are directed by City staff as to what is most prudent from a liquidity standpoint, and that there has been some desire for diversification in longer termed investments. They must constantly revisit the City's cashflow needs to see if there are any assets that can be invested longer term or if it will be needed for current and upcoming projects.

Finance Director/Treasurer Al-Imam added that, when the T-bills were purchased during the lower rate environment a few years ago, the portfolio became overextended with longer-term investments. Since 2022, staff has worked to ensure that the portfolio is structured to provide sufficient liquidity.

Mayor Pro Tem/Chair Stapleton inquired about credit risks and safety and if there was any way to push duration more long term on investments now while the rates are high if they suspect the rates will be lower in the future. Finance Director/Treasurer Al-Imam answered that Ms. Lynkiewicz reaches out regularly if she sees an opportunity for an investment that makes sense to yield it more long-term.

Mayor Pro Tem/Chair Stapleton commented it is a great aggregator tool to put it all together but suggested it might make sense to see what the City's returns would look like to pull out what the City was managing on their own and not include the hundred million liquidity portion of the portfolio with the portion that is actively invested.

Councilmember Blom inquired what the largest source of revenue is. Finance Director/Treasurer Al-Imam replied that property tax is the largest source of revenue. The City receives property tax installments periodically throughout the year with a majority of its property tax revenue received in April, November and December. Therefore, the City's investment portfolio generally has negative cashflows from May through November until the City's receives the property tax installment payments in November and December.

Mayor Pro Tem/Chair Stapleton opened the item to public comments.

Seeing none, Mayor Pro Tem/Chair Stapleton closed public comments and received and filed the report.

C. BUDGET AMENDMENTS FOR QUARTER ENDING JUNE 30, 2024

Recommended Action: Receive and file.

Finance Director/Treasurer Al-Imam stated the budget amendments are routine in nature.

Committee Member Scarbrough inquired about the real property general fund and what were Ruby's Balboa Pier Concession and the high school. Deputy Finance Director Shelby Burguan stated it was the outsourcing of the auditorium and that the amount related to Ruby's was associated with refuse collection.

Mayor Pro Tem/Chair Stapleton opened public comments.

Seeing none, Mayor Pro Tem/Chair Stapleton closed public comments and received and filed the report.

D. DEPARTMENTAL OVERVIEWS

Recommended Action: Based on an examination of the departments that have been reviewed over the past five years, it is recommended that the Utilities Department be reviewed at the Finance Committee meeting in January 2025.

Finance Director/Treasurer Al-Imam stated in October they will be presenting on the Public Works Department. Approximately seventy-five percent of all funds are expended on public works, fire, police, and utilities. Over the last five years all departments have been reviewed. However, the Utilities Department has not been reviewed since 2021. Therefore, staff recommends that the Utilities Department be reviewed by the Finance Committee in January.

The Committee agreed with staff's recommendation.

Mayor Pro Tem/Chair Stapleton opened public comments.

Mr. Mosher commented that there were two slices of the pie that were too small to be labeled and mentioned the City Attorney's Department had never been reviewed or discussed and their impact on the City's finances is probably considerable. He indicated that a review might be useful.

Seeing no others, Mayor Pro Tem/Chair Stapleton closed public comments.

E. WORK PLAN REVIEW

Recommended Action: Receive and file.

A deep dive into the Public Works Department will take place at the next regularly scheduled meeting.

There was a question about the size of the surplus for Fiscal Year 2023-2024. Finance Director/Treasurer Al-Imam stated that the year-end results for Fiscal Year 2023-2024 are currently under review and that staff is hoping to have that information available at the next regularly scheduled meeting.

Committee Member Scarbrough inquired about the pension liability and recent investment returns for CalPERS. Finance Director/Treasurer Al-Imam indicated that CalPERS reported a preliminary investment return of just over 9% for Fiscal Year 2023-2024. Although CalPERS actuarial valuation reports are a year behind, City staff can model the impact of the 9% return which is expected to result in a \$40 million reduction to the pension liability.

VII. ADJOURNMENT

The Finance Committee meeting adjourned at meeting at 3:38 p.m.

Attest:

Joe Stapleton, Mayor Pro Tem/Chair
Finance Committee

Date

DRAFT

ATTACHMENT A

OVERVIEW OF PUBLIC WORKS DEPARTMENT BUDGET



PUBLIC WORKS DEPARTMENT FY 2024-25 OPERATIONS AND BUDGET OVERVIEW

Finance Committee
October 10, 2024



Public Works Corporate Yard
592 Superior Avenue, Newport Beach, CA 92663
949-644-3055



PUBLIC WORKS DIRECTOR
David Webb
644-3330

Public Works Department

100 Civic Center Drive, Newport Beach, CA 92660
949-644-3311 pwinfo@newportbeachca.gov
www.newportbeachca.gov/publicworks



Deputy Public Works Director
Municipal Operations
Michael Sledd
644-3059



Administrative Manager
Chris Miller
644-3043



Deputy Public Works Director/City Engineer
Jim Houlihan
644-3319



Finance and Administrative Manager
Theresa Schweitzer
644-3335

Streets and Beaches

Superintendent
John Salazar
718-3460

Beaches
Public Works Supervisor
Michael Auger
718-3463

Public Works Crew Chief
Jimmy Villa
718-3467

Beaches
Equipment Operator II
Michael McGill
Allen Berger

Maintenance Worker II
Mark Foley
Edward Gutierrez

Sweeping, Docks & Piers

Equipment Operator I
Sam Arechiga

Maintenance Worker I
Felipe Cardenas

Equipment Operator II
Michael Martinez
Kip Ramsey

Maintenance Worker I
Yair Sanchez

P/T Maintenance Aide
Laura Jones
Erick Santibanez
Steve Montana
Jose Leyva
Jaakoon Swain

Streets
Public Works Supervisor
Ron Hahn
718-3481

Public Works Crew Chief
Ernest Saldana III
718-3478

Concrete
Concrete Finisher
Humberto Saldivar

Equipment Operator II
David Guzman

Equipment Operator II
Ray Gonzalez

Maintenance Worker II
Alejandro Zamora

Maintenance Worker I
Pete Collin
Alejandro Hernandez

Asphalt
Equipment Operator II
Ramey Torres

Equipment Operator II
Anthony Wilson

Equipment Operator I
Armando Miranda

Maintenance Worker II
Francisco Ortiz

Facilities
Facilities Maint. Supervisor
Luke Mason
644-3057

Crew Chief
William Leutbecher
718-3489

Elec. Instr. Specialist
Thang Bui

Facilities Maint. Technician
Erio Foley
Daniel Bella
Joey Potts

Maintenance Worker I
Martin Aouna-Gonzalez

Signs & Markings
Equipment Operator I
Ryan Gosselin

Maintenance Worker II
Erio Vos

Equipment
Equip. Maint. Supervisor
Daniel Nissen
718-3465

Sr. Equip. Mechanic
Andy Martinez

Equip. Mechanic II
Daniel Bendoraitis

Dustin Damato

John Partridge

Equip. Mechanic I
Ed Derhovanessian

Daniel Napier

Maintenance Worker I
Luis Campos

Buyer (Financial)
Marlene Burns/Jacqueline Nguyen

Landscaping

Superintendent
Kevin Pekar
644-3059

Parks
Park Maint. Supervisor
Gregory Haynes
644-3084

Park Maint. Crew Chiefs
John Gemme
644-3054
Richard Trevino
644-3176
Daniel Tovar
644-3178

Elec. Instr. Specialist
Harold Link

Maintenance Worker I
Michael Vasquez

Maintenance Worker I
Bryan Marquez-Reynoso

P/T Maintenance Aide
David Rosa

Dominio Strange

Trees
Park Maint. Supervisor
City Arborist
John Nelson
644-3197

Park Maint. Crew Chief
Brian George
644-3053

Refuse Manager

Charles Springer
718-3466

Assistant City Engineer

Michael Sinacori
644-3342

Senior Civil Engineer
Ben Davis
644-3317

Associate Engineer
Alfred Cadlanon
644-3314

Associate Civil Engineer P/T
Anna Badenegro
644-3034
Patricia Carpenter
644-3488

Technical Aide - P/T
Ivan Garcia
644-3485

Principal Civil Engineer
Andy Tran
644-3315

Associate Civil Engineer
Daniel Jordan
644-3344

Associate Civil Engineer
Tyler Parra
644-3347

Technical Aide-P/T
Vacant

Transportation Manager/City Traffic Engineer

Brad Sommers
644-3326

Traffic Operations
Principal Civil Engineer
Kevin Riley
644-3329

Senior Civil Engineer
Erio Loke
644-3358

Junior Civil Engineer
Jordan Toledo
644-3345

Contract Engineer
644-3338

Associate Civil Engineer
Sooheela Ghoshouk
644-3346

Technical Aides P/T
Kyle Do

Jared Bonifay
644-3348

Associate Civil Engineer
Bryan Loo
644-3324

Development Review
Senior Civil Engineer
David Keely
644-3349

Associate Civil Engineer
Rodr Almendralo
644-3334

Associate Civil Engineer
Jake Marshall
644-3323

Permit Technician II
Lisa Walters
644-3044

Permit Technician II
Jessica Sanchez
949-644-3041

Technical Aide P/T
Vacant

Assistant City Engineer

Robert Stein
644-3322

Water Quality
Senior Engineer
John Kappeler
644-3218

Water Conservation Coordinator
Shane Burek
644-3214

Technical Aide P/T
Vacant
644-3341

Assistant City Engineer

Tom Sandefur
644-3321

Senior Civil Engineer
Peter Tauscher
644-3316

Associate Civil Engineer
Ellie Peterson
644-3014

Associate Civil Engineer
Kyle Aube

Associate Civil Engineer P/T
Vacant
644-3327

Technical Aide-P/T
Nicholas Carlsen
644-3486

Inspections

Supervisor
Robert Silva
270-8131

Senior PW Inspector
Tom Legault
270-8134

Matt Bullman
270-8133

Public Works Inspector II
Julio Velasco
270-8135

Kiel Wilcox
270-8132

Matt Aman
718-1850

Management Analyst, Sr.
Trevor Smoue
644-3325

Records Specialist
Tracy Suzuki
644-3343

Management Assistant
Omar Khalil
644-3013

Department Assistant
Elissa Tovar
644-3432

Intern - P/T
Leah Seo
644-3438

Intern - P/T
Shan Ali
718-3403

Management Analyst, Sr.
Lucre Delorme
644-3394

Administrative Asst.
Marie Lindeman
644-3061
Assistant to the PW Deputy Director

Administrative Asst.
Karen Gallagher
644-3330
Assistant to the PW Director

Office Assistant
Blana Boulanger
644-3331

Mission Statement

Protecting and providing quality public improvements and services
Rev. 09/2024



PUBLIC WORKS DEPARTMENT
97 FULL TIME EMPLOYEES & 12.5 PART TIME (FTE)
(FTE – FULL TIME EQUIVALENT)

PUBLIC WORKS DEPARTMENT OVERVIEW



Engineering Services

Capital Projects
Project/Permit
Inspection
Right-of-Way Permits
Transportation
Water Quality and
Environmental Services



Municipal Operations

Beaches
Facilities
Fleet & Equipment
Parks
Refuse
Streets
Trees



Administration

Budget
Contracts
Customer Service
Payment Processing
Procurement
Records Management



Public Works Role

Infrastructure Planning, Design, Construction, Management, Operation and Maintenance

- Develop and Maintain City Infrastructure Master Plans
- Identify Needs and Complete Assigned Tasks/Projects
- Design, Inspect, Construct, Operate, Maintain and Repair City Infrastructure with In-House or Consultant/Contractor Staff
- Public Right-of-Way Management, Permitting, Constriction
- Develop and Oversee Assigned Budgets & Funding
- Select and Manage Consultants & Contractors



Public Works Role

Infrastructure Planning, Design, Construction, Management, Operation and Maintenance

- Manage Construction
- Control Costs and Pay Invoices
- Administer Contracts & Grants
- Manage, Service and Maintain City Beaches, Facilities, Fleet & Equipment, Parks, Streets & Trees
- Safeguard, Control & Regulate Permitted Use of City Right-of-Way
- Coordinate/Manage Outside Agency & Utility Work



INFRASTRUCTURE STATISTICS

- City Buildings & Structures = 106 (936,157 sq. ft.)
- Fire Stations = 8
- City Parks = 67 (667 acres)
- Public Marinas = 2
- Libraries = 4
- Public Trees = 36,380
- Vehicle & Equipment Units = 373
- Aquatic Center (NAC) = 1
- Traffic Signals = 123 (City owned)
- Streets = 398 miles
- Public Sidewalks = 500 miles
- Alleys = 33 miles
- Painted Curbs = 234,405 lin. ft.
- Parking Lots = 33
- Storm Drain Lines = 95 miles
- Storm Drain Catch Basins = 3,281
- Tide Valves = 89



INFRASTRUCTURE STATISTICS

- Lower & Upper Harbor = 2.5 Sq. Miles
- Approximate # of Boats = 4,700
- Ocean Piers = 2
- Public Piers in Harbor = 15
- Public Seawalls & Bulkheads = 15,322 ft.
- Water Lines = 302 Miles
- Fire Hydrants = 2,648 (City Maintained)
- Ocean Beaches = 9.3 Miles
- Harbor Beaches = 21.6 Miles (City Maintained = 3 Miles)
- Sewer Lines = 203 miles
- Sewer Lift Stations = 21
- City Streetlights = 6,020
- City Owned Bridges = 16



PUBLIC WORKS PERSONNEL

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Full-Time	93	92	92	94	96	97

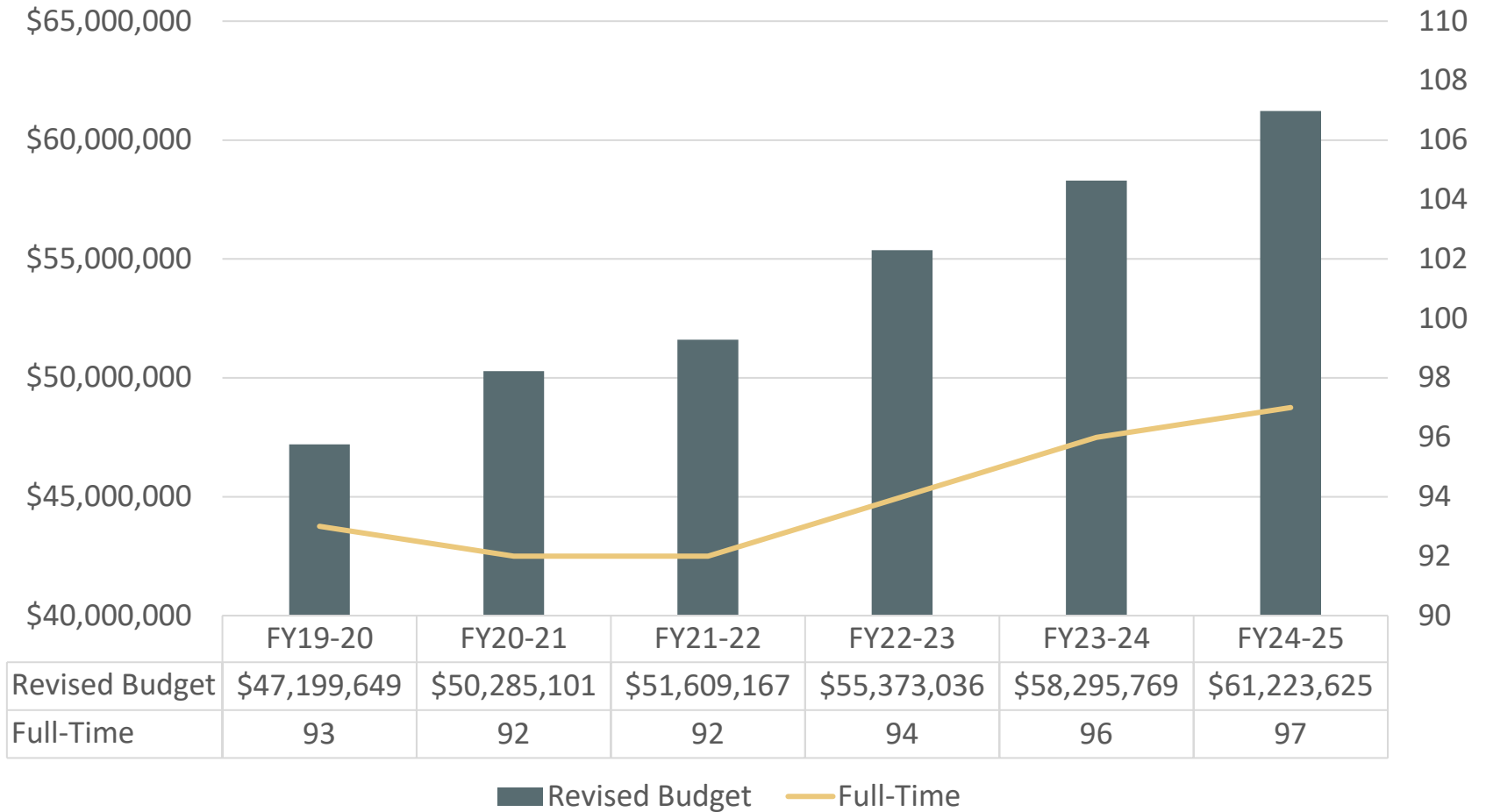
- FY25 +1 Engineering Technician (Traffic)
- FY24 +1 Equipment Mechanic; +1 Office Assistant (from PT)
- FY23 +1 Civil Engineer – Associate; +1 Inspector (replaced contract inspector)
- FY21 -1 Auto Parts Buyer (to Finance)

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Part-Time (FTE)	6.35	7.55	11.43	14.05	13.3	12.5

- FY25 +0.7 Maintenance Aide; -1.5 Code Enforcement Officer I (to CDD)
- FY24 -0.75 Office Assistant (to FT)
- FY23 +0.6 Civil Engineer – Associate; +2.02 Maintenance Aide
- FY22 +0.3 Civil Engineer – Associate; -0.45 Intern; +4.03 Maintenance Aide
- FY21 +1.5 Code Enforcement Trainees; -0.3 Civil Engineer - Associate



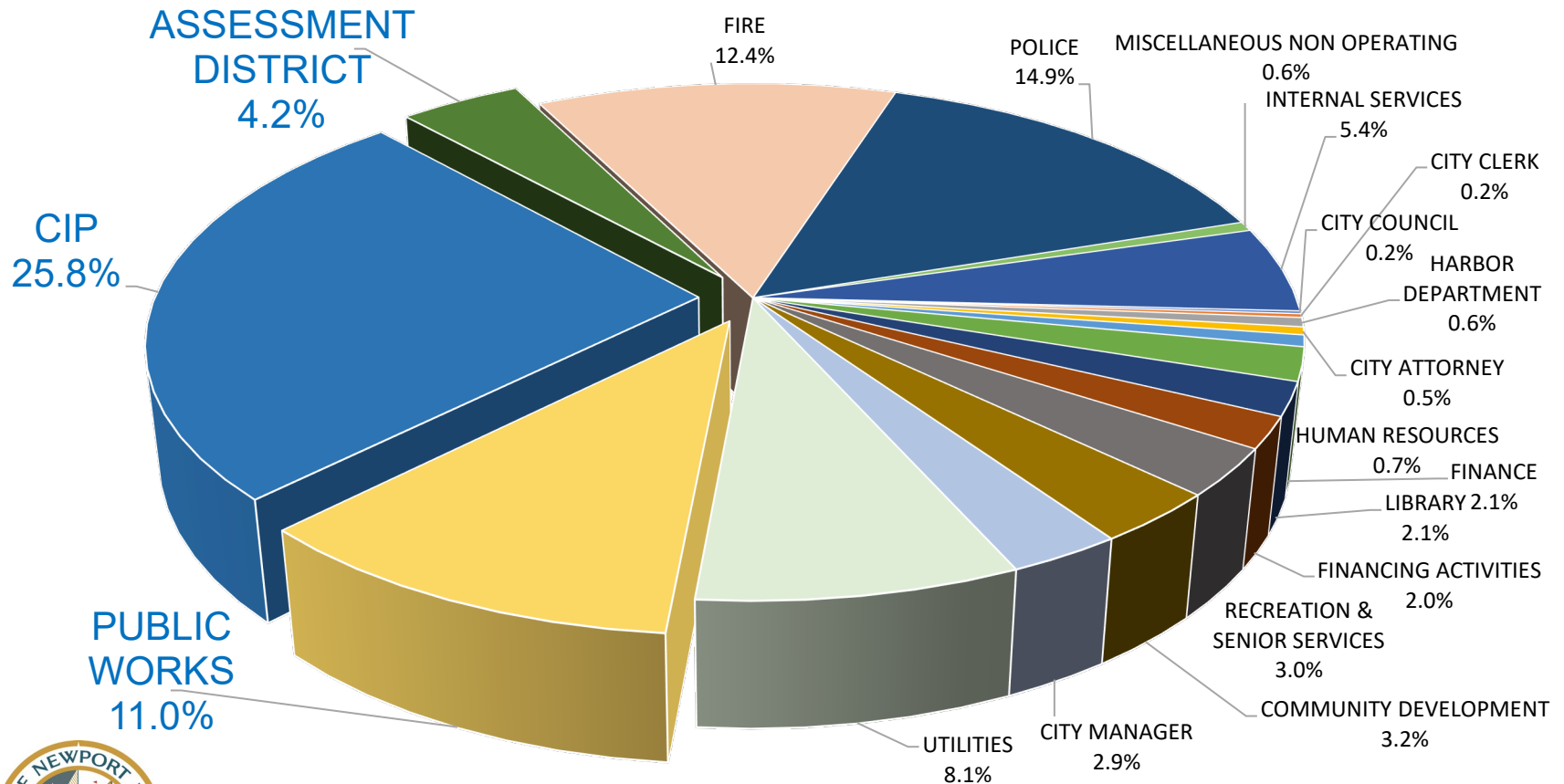
PUBLIC WORKS REVISED OPERATING BUDGET & STAFFING



FY 2024-25 BUDGET OVERVIEW – ALL FUNDS*

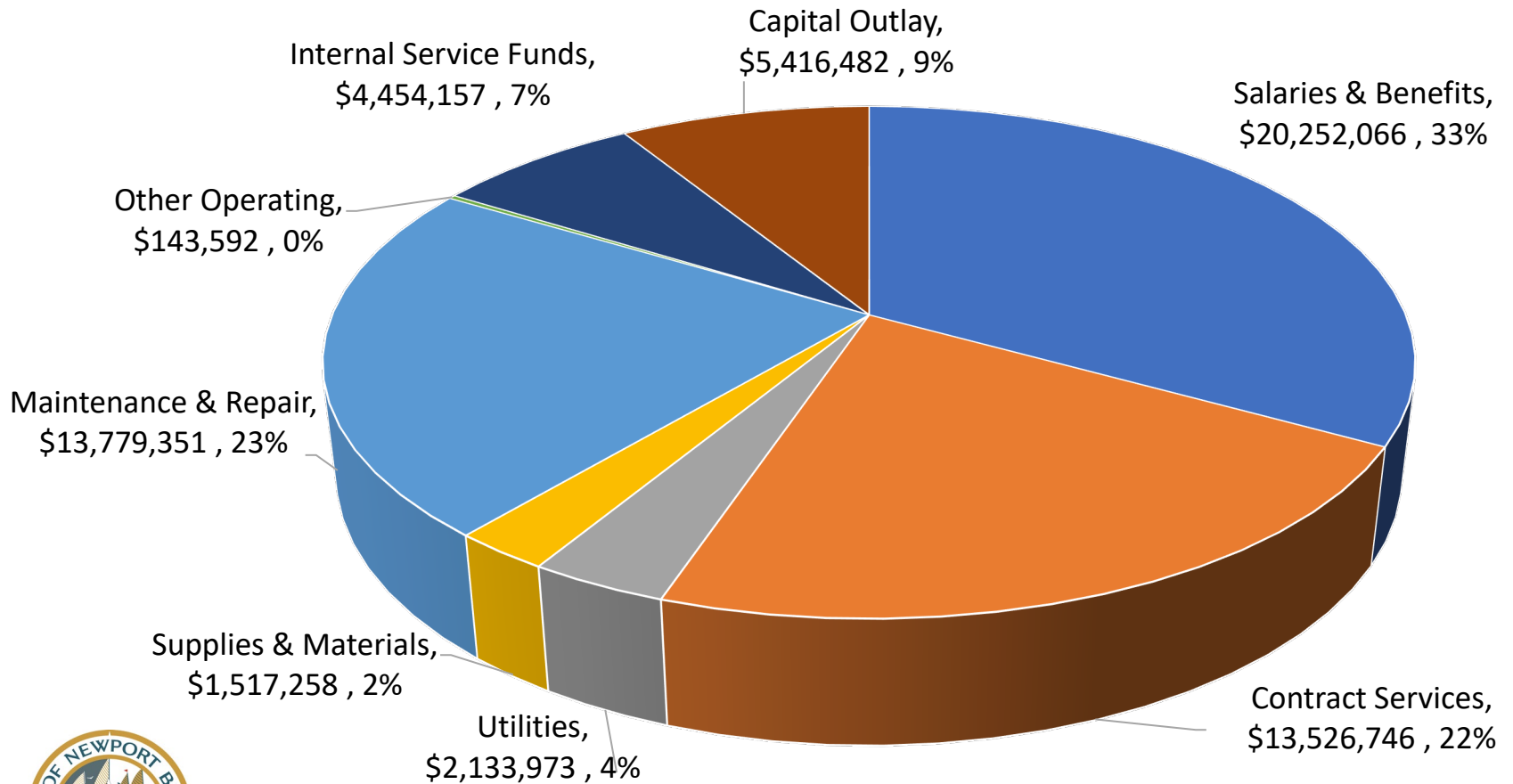
\$554,881,278

Public Works Manages 41% of City's Budget: \$228,173,771



* Does not include Interfund Transfers

FY 2024-25 BUDGET OVERVIEW – PUBLIC WORKS OPERATING BUDGET \$61,223,625



CONTRACTED SERVICES (81* SERIES) – 22% OF OPERATING BUDGET

- Architecture Services
- Asphalt & Concrete Repair Services
- Civil Engineering
- Dock & Pier Maintenance
- Facilities Maintenance
- Geotechnical Services
- Harbor Maintenance
- Inspection Services
- Janitorial Services
- Marine Engineering Services
- Median, Park & Roadside Landscape Maintenance
- Sidewalk Grinding
- Steam Cleaning
- Street Striping and Sign Installation
- Surveying Services
- Temporary Labor Services
- Traffic & Transportation Engineering
- Traffic Control Engineering
- Traffic Signal Maintenance
- Tree Maintenance
- Uniform Services
- Vehicle Outfitting
- Weed Abatement



MAINTENANCE & REPAIR (85* SERIES) – 23% OF OPERATING BUDGET

- Commercial Refuse Collection
- Fire System
- Fuel
- General Building Repair
- HVAC
- Landscape Repair
- Materials (Crown, Furguson, Ganahl, Grainger, Home Depot, etc.)
- Painting
- Plumbing
- **Residential Refuse Collection**
- Roof Repair
- Sign Repair
- Traffic Signals
- Turf Renovation
- Vehicle Repair – outside labor



FY 2024-25 BUDGET OVERVIEW

ENGINEERING SERVICES DIVISION

-
- Assessment District Management & Coordination
 - Capital Improvement Program (CIP)
 - Infrastructure Master Plans
 - Public Works Construction Management & Inspections
 - Right-of-Way Plan Check and Development Permits
 - Traffic Management & Operations
 - Transportation Planning
 - Tidelands Constructing & Permitting Management
 - Water Quality & Environmental Programs

Section (FTE)	Salaries & Benefits	Maintenance & Operations	Capital Outlay	Total
Engineering (20.75)	\$4,776,856	\$1,020,666	\$2,500	\$5,800,023
Tidelands Management	-	\$601,801	\$5,000	\$606,801
Transportation & Development (14)	\$2,916,018	\$1,411,266	\$4,000	\$4,331,284
Water Quality (3)	\$798,378	\$550,594	-	\$1,348,971
Total	\$8,491,252	\$3,584,327	\$11,500	\$12,087,079

37.75 Budgeted FTE

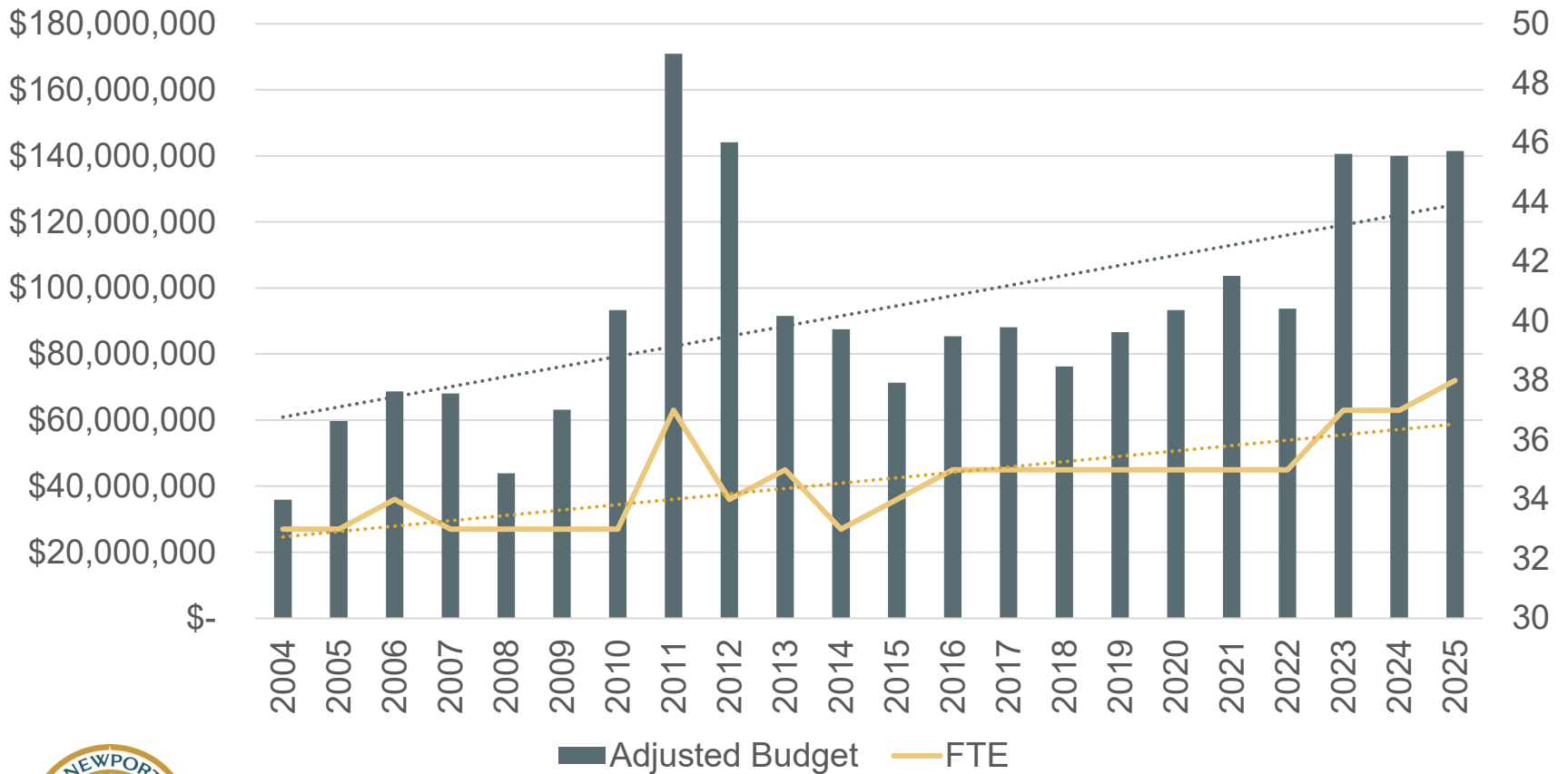
ENGINEERING SERVICES DIVISION

SIGNIFICANT TASKS AND ACCOMPLISHMENTS

- Manages 65+ Capital Improvement Projects Annually
- Completed a total of 31 CIP Projects ~\$46M in FY24
 - 79% started within 60 days of planned base schedule
- Managed an additional 19 projects valued at \$81M in progress
- Completed 5 CIP Projects, ~ \$7.4M to date in FY25
- Processed 75 Encroachment Agreements, 592 Encroachment Permits, and 1,937 Street Closure Permits issued
- Provide monitoring and compliance of Water Quality Enhancements, which have improved the Ocean, Harbor and Back Bay ecosystems
- Managed the Maintenance & Operation of 123 City Traffic Signals
- Provided traffic signal and operational support for major City events



CIP REVISED BUDGET STAFFING - ENGINEERING



FY 2024-25 BUDGET OVERVIEW

MUNICIPAL OPERATIONS DIVISION

- Beach & Bay Maintenance
- City Facilities Maintenance
- Citywide Refuse Collection Services & Regulatory Compliance
- Fleet/Equipment Maintenance & Management
- Parks, Trees & Landscape Maintenance
- Street, Sidewalk & Sign Maintenance

Section (FTE)	Salaries & Benefits	Maintenance & Operations	Capital Outlay	Total
Equipment Maintenance - ISF (8.5)	\$1,434,626	\$1,249,132	\$55,500	\$2,739,258
Equipment Replacement - ISF	-	-	\$4,792,820	\$4,792,820
Facilities Maintenance (7.5)	\$1,209,688	\$3,608,893	-	\$4,818,581
Parks (8.8)	\$1,474,894	\$8,822,017	\$542,063	\$10,838,974
Refuse (1)	\$258,615	\$11,602,369	-	\$11,860,984
Streets & Beaches (31.95)	\$4,410,656	\$3,678,695	\$8,000	\$8,097,351
Trees (2)	\$354,959	\$2,467,604	-	\$2,822,563
Total	\$9,143,438	\$31,428,710	\$5,398,383	\$45,970,531

60.75 Budgeted FTE (includes Deputy PW Director not assigned to Section above)

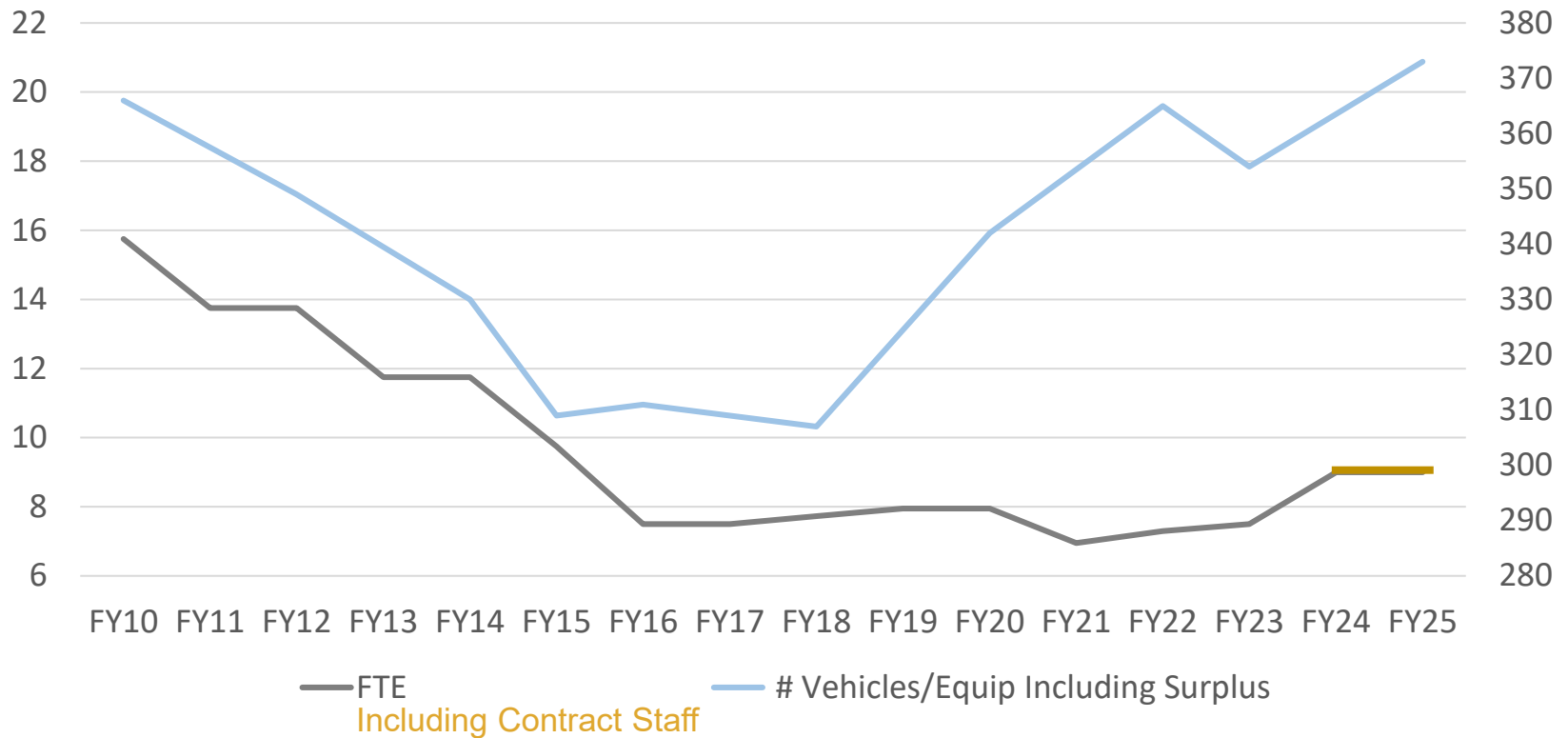
MUNICIPAL OPERATIONS DIVISION

SIGNIFICANT TASKS AND ACCOMPLISHMENTS

Maintained critical community assets, facilities, and equipment:

- 1,684 Tons of Debris & Refuse Removed from Ocean Beaches
- 16,069 Sq. Ft. of Public Sidewalk Repaired
- 289,759 Lin. Ft. of Street Striping Repaired
- 64,378 Lin. Ft. of Curb Painted
- 930 Vehicle and Equipment Service Orders Completed
- 373 Vehicles/Equipment Maintained
- 26 Units Replaced
- 8,864 Facility Site Inspections
- 1,426 Facilities Service Requests Completed
- 26,333 Tons of Total Residential Refuse Collected
- 3,413 Tons of Residential Recyclables Collected
- 3,942 Tons of Residential Organics Collected
- 22,442 Trees Trimmed
- 358 Trees Planted
- 30,897 Plants Planted

EQUIPMENT MAINTENANCE – STAFFING / UNITS



FACILITY MAINTENANCE

- 7.5 FTE
- 65 Buildings & Structures Maintained (488,000 square feet)
- Recent Additions
 - Animal Shelter
 - Fire Station #2 Restroom
 - Junior Lifeguard Building
 - Restroom Autolocking
- Future Additions
 - Lecture Hall
 - Newport Bay Trash Wheel



FY 2024-25 BUDGET OVERVIEW

ADMINISTRATION AND FINANCE DIVISION

- Bidding, Contracts, Grants & Legal Administration
- Budget Development and Administration
- CIP Financial Management
- Customer Service & Communications
- Implement City Council/Management Directives & Policies
- Public Information
- Records Management
- Strategic & Financial Planning
- Volunteer Cleanups

	Salaries & Benefits	Maintenance & Operations	Capital Outlay	Total
PW Administration	\$2,617,376	\$542,041	\$6,600	\$3,166,017
Total	\$2,617,376	\$542,041	\$6,600	\$3,166,017



11 Budgeted FTE (Includes PW Director)

ADMINISTRATION AND FINANCE DIVISION

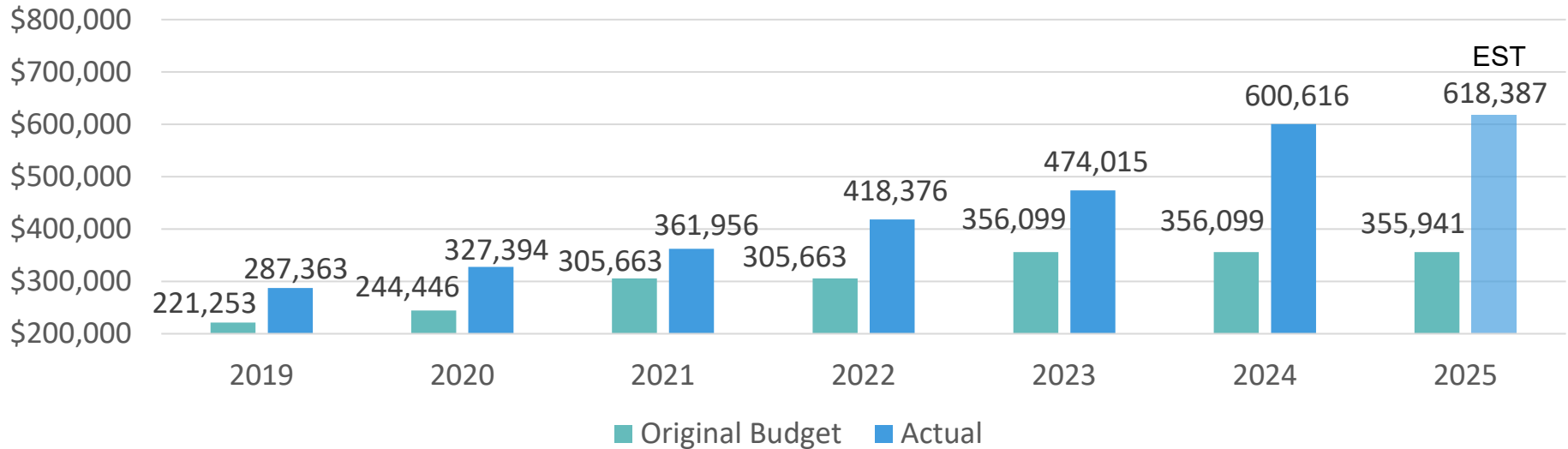
SIGNIFICANT TASKS AND ACCOMPLISHMENTS

Administers Roughly 41% of the City's Total All Funds Budget including \$53.7M Operating, \$7.5M ISF, \$143.4M CIP and \$23.5M Assessment District Funds

- 218 Active Contracts
- 54 PlanetBids Procurements (35 Bid, 17 Proposals, 2 Qualifications) (50% of all PlanetBids Procurements for the City)
- 214 Purchase Requisitions (+74 Equipment Maintenance)
- 6,763 Invoices
- 245 Record Requests
- 99 City Council Items (32% of all City Council Items)



PUBLIC WORKS DEPARTMENT - OVERTIME



FY24 Sections Overtime Budget

- Engineering and Inspections (\$138,896)
- Streets and Beaches (\$81,678)
- Equipment Maintenance (\$9,175)
- Traffic (\$9,127)
- Facility Maintenance (\$6,619)

FY25 EST based on prior two FYs first 3 pay periods



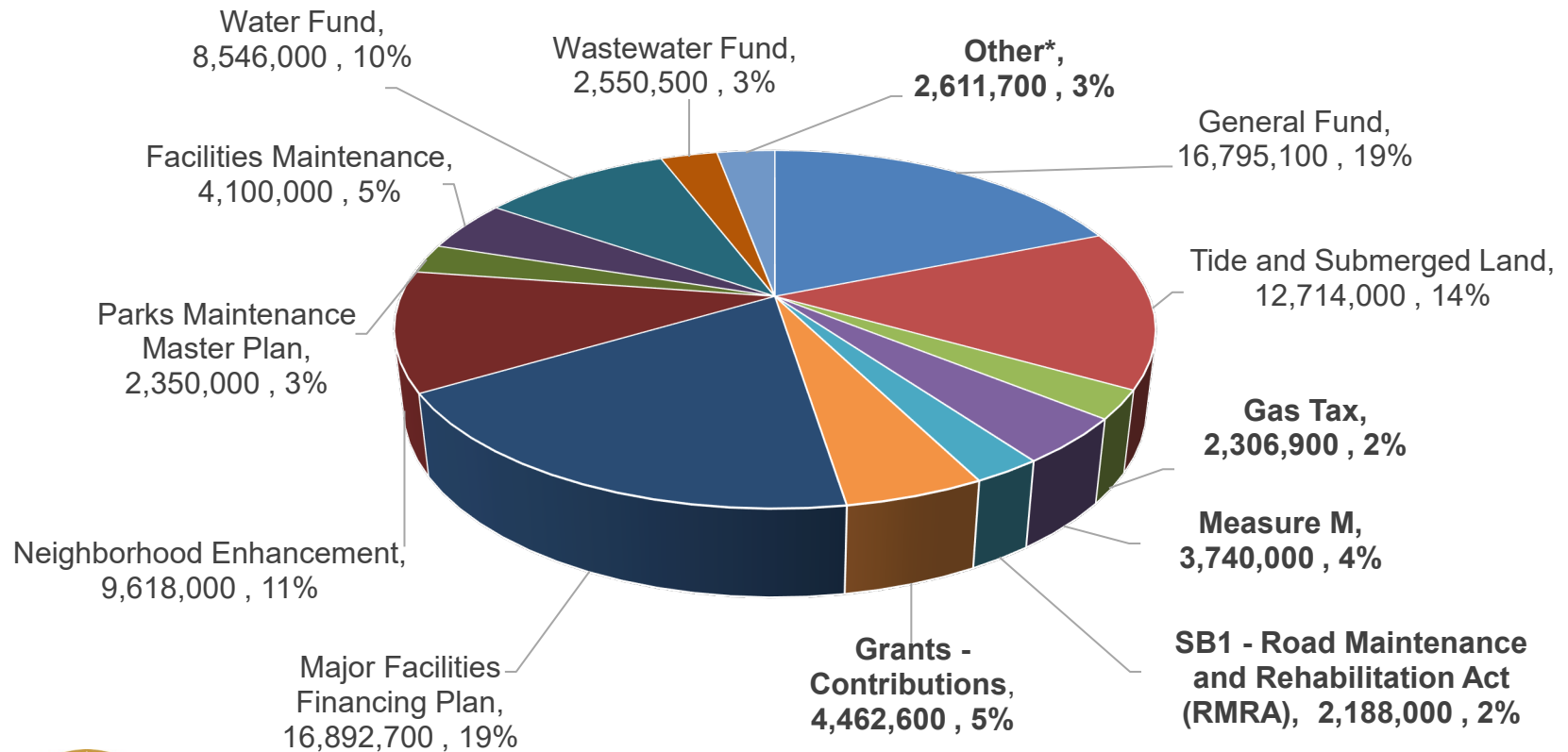
FY 2024-25 BUDGET OVERVIEW – REVENUE

Account Type	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Budgeted
DONATIONS & CONTRIBU	\$22,093	-	\$13,018	\$12,948	\$10,208	\$34,266	\$20,000
FINES & PENALTIES	\$8,178	\$10,361	\$22,720	\$69,442	\$34,624	\$28,129	\$32,700
INTERGOVTAL REVENUES	\$704,482	\$428,199	\$60,824	\$429,204	\$310,325	\$299,201	\$311,725
LICENSES PERMITS	\$346,764	\$276,396	\$240,967	\$463,397	\$454,087	\$250,129	\$372,500
MISC REVENUES	\$66,262	\$43,778	\$73,034	\$44,552	\$106,288	\$43,176	\$34,000
PROPERTY INCOME	\$589,770	\$581,510	\$591,562	\$594,941	\$604,513	\$780,322	\$623,800
SERVICE FEES & CHARG	\$1,953,593	\$1,982,696	\$2,227,165	\$3,515,508	\$3,566,773	\$3,668,184	\$3,376,485
Grand Total	\$3,691,142	\$3,322,940	\$3,229,290	\$5,129,992	\$5,086,818	\$5,103,407	\$4,771,210

- Recycling Service Fees \$2.4M
- Permit and Inspection Fees - \$1.1M
- Transfer Station Rental Fees - \$504,900
- Tidelands - \$179,300



CAPITAL IMPROVEMENT PROGRAM – BY FUND



*Other: Air Quality Management District(AQMD), Building Excise Tax, Environmental Liability, Grants – Measure M & Oceanfront Encroachment

FY 2024-25 APPROVED BUDGET ENHANCEMENTS

- +1 FT Engineering Technician (Traffic)
 - Backup support for operation and maintenance of traffic signals
 - Low-level engineering reviews
 - Reduced overtime
- Reclass 1 Senior Civil Engineer to Principal Engineer
 - Employee retention
- +\$50k for Streets and Beaches Contract Services
 - Asphalt Repair
 - Striping
 - Fencing
- +\$40k for Contract Maintenance of New City Facilities
 - Junior Lifeguard Building
 - Animal Shelter



FY 2024-25 PERFORMANCE METRICS

Performance Measure	Actual FY 23-24	Projected FY 24-25	Target
Percentage of CIP projects completed within 60 days of the Master Schedule	56%	80%	80%
Percentage of CIP projects completed within 10% contingency	79%	80%	80%
Percentage of street closure permits issued within 24 hours	90%	80%	80%
Percentage of PW related Quest (work order) tickets completed within 48 hours	N/A	80%	80%
Percentage of refuse collected that is diverted (recycled or composted)	44%	45%	50%
Percentage of fleet preventative maintenance completed on schedule	75%	80%	80%

FUTURE BUDGET RELATED CONSIDERATIONS

- Citywide Facilities Maintenance
 - New Buildings, Emerging Technology, Higher Demand
- Fleet Electrification Mandates
- Transportation Management
 - Current and Expanding Trolley Program
 - Administrative Staff, Mechanics
- Infrastructure and Operation Impacts from New Housing Development
- Refuse/Sustainability Mandates
- Homeless Response
 - Beaches, Parks, Public Areas
- Corresponding Growth in Administration Functions

FUTURE BUDGET RELATED CONSIDERATIONS *(CONTINUED)*

- Insurance requirements increasing
 - Increases costs to City
 - Smaller businesses unable to compete
- Contract Language, Bonding Requirements, Risk Management
- State and Federal Oversight/Regulations (ex. Prevailing Wage)
- Material Cost and Availability
- Staff Retention and Recruitment





DISCUSSION / QUESTIONS

Your **Public Works Department**

*Protecting and Providing Quality
Public Improvements and Services*



CITY OF NEWPORT BEACH FINANCE COMMITTEE STAFF REPORT

Agenda Item No. 6B
October 10, 2024

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Jason Al-Imam, Finance Director / Treasurer
949-644-3123, jalimam@newportbeachca.gov

SUBJECT: YEAR-END BUDGET RESULTS AND SURPLUS ALLOCATION

SUMMARY:

The Finance Department prepares quarterly financial reports to review the status of revenues and expenditures for the City's General Fund and to monitor budgetary trends in other City funds. This report contains information on revenues, expenditures, and estimated fund balance for the fourth quarter of Fiscal Year 2023-24, which provides an analysis of the City's financial activity from July 2023 through June 2024. In May 2024, an unrestricted General Fund operating surplus of \$8.9 million was projected for Fiscal Year 2023-24 based on revenues and expenditures through the third quarter. Based on information available at the end of the fourth quarter, an unrestricted General Fund operating surplus of \$10.8 million is projected for FY 2023-24, which is \$1.9 million higher than previously projected. Council Policy F-5 requires 50% be used to address long-term obligations and 50% be used to address infrastructure or neighborhood capital improvement. However, since the City pre-funded surplus funds at the beginning of the fiscal year towards paying down the pension liability, it is recommended that the entire unrestricted surplus be allocated towards infrastructure or neighborhood capital improvements.

RECOMMENDED ACTION:

Review and discuss this report and provide any recommendations for consideration by the City Manager and City Council.

DISCUSSION:

Economic Overview

The unemployment rate in California has steadily increased; in August 2024, unemployment reached 5.3%, marking a 0.5 percentage-point increase year-over-year, and a 0.1 percentage-point increase from the previous month. Additionally, home sales

have been down since 2022 amid higher mortgage rates, which has resulted in a lower inventory. The median price of a single-family residence in Newport Beach was \$3,845,000 in 2023, which is the highest in Orange County. California's sales tax receipts have also continued to decline from prior quarters due to a shift in consumer spending from taxable goods to nontaxable items. Sales from autos and transportation (the city's largest source of sales tax revenue) are lower due to higher interest rates and tighter credit conditions. Luxury vehicle sales in particular are significantly lower, which is due, in part, to the temporary closure of a luxury automobile dealership while it is currently undergoing a construction renovation project. Although the City is experiencing a decline in sales tax revenue, the economic outlook for Newport Beach remains bright, which is primarily due to consistent and vigorous demand for real estate in Newport Beach that drives assessed property values higher despite a slowdown in home sales. For example, the City has never seen a decline in assessed values over the last twenty years – even during the Great Recession, which is a significant contributor to the City's fiscal stability.

General Fund Revenues

Overall General Fund revenue growth has outpaced projections that were incorporated into the adopted Fiscal Year 2023-24 budget, as well as projections provided at the end of the third quarter. The following table summarizes the changes to projected General Fund revenues versus the amounts previously projected for the third quarter. Details follow highlighting the reasons for the material variances.

FY 2023-24 Unaudited General Fund Revenues

FY 2020-21 Unaudited General Fund and Revenues					
	A	B	C = B-A	D = C/A	
	PY Actual	Q3 Projected	Unaudited	Variance from	%
Revenues by Category		Actual	Actual	Q3 Projection	Variance
Property Taxes	138,358,730	143,556,945	146,136,871	2,579,926	1.8%
Sales Tax	46,552,459	43,030,586	43,444,542	413,956	1.0%
Transient Occupancy Tax*	30,201,648	31,300,000	31,736,960	436,960	1.4%
Other Taxes	10,079,710	9,932,047	10,252,075	320,028	3.2%
Service Fees & Charges	25,187,124	23,876,096	24,751,378	875,282	3.7%
Parking Revenue	7,420,314	7,670,705	8,432,034	761,329	9.9%
Licenses and Permits	5,676,619	5,439,452	5,567,848	128,396	2.4%
Property Income	7,530,393	9,526,183	9,713,641	187,458	2.0%
Fines & Penalties	3,838,752	3,813,111	4,145,354	332,243	8.7%
Intergovernmental	4,379,680	4,611,356	5,340,956	729,600	15.8%
Investment Earnings	1,690,399	2,700,000	4,853,052	2,153,052	79.7%
Misc Revenues	3,394,938	856,000	1,249,669	393,669	46.0%
Operating Transfers In	18,428,263	19,020,967	19,333,407	312,440	1.6%
Total Revenues	302,739,030	305,333,448	314,957,787	9,624,340	3.2%

*Gross TOT revenues amount to approximately \$38.7 million. Visit Newport Beach (VNB) receives 18% (or approximately \$6.9 million) of TOT on a gross basis, which brings projected TOT revenues to \$31.7 million, net of amounts remitted to VNB.

Property Tax - Property taxes are the City's single largest General Fund revenue and represent approximately 50% of all General Fund revenues. These revenues are primarily dependent on the assessed valuation established in January of 2023. Therefore, there is typically very little variance seen from the original budget as the year progresses. The strong growth in this category is a result of the CPI factor reaching the maximum 2.0% allowed, as well as property sales and price appreciation. The City's total assessed valuation for Fiscal Year 2023-24 is now projected to grow from \$71.2 billion to \$75.9 billion. Unaudited actuals in this category exceeded prior quarter estimates by \$2.6 million, or 1.8%, which is primarily due to higher than anticipated revenues from Supplemental Taxes, Property Tax Transfers, RDA Residual Taxes, and Prior Year Penalties and Interest.

Sales Tax - The second largest funding source for the General Fund is sales tax revenue, making up approximately 15% of General Fund revenues. The City's sales tax base is largely generated from four industry groups — autos and transportation; general consumer goods; restaurants/hotels and the State & County Pools. In May 2024, it was reported in the Third Quarter Budget Update that sales tax revenue was projected at \$43.0 million, which anticipated a 7.6% decrease in revenue over the prior fiscal year. However, sales tax revenue ended the fiscal year at \$43.4 million reflecting a 6.7% decrease in revenue over the prior fiscal year. Therefore, sales tax revenue came in \$0.4 million better than projected, which is largely due to better-than-expected sales from business and industry and general consumer goods, which was partially offset by weaker than expected sales from autos and transportation. Consistent with results across the State of California, sales from all industry groups were down during the fiscal year, except for sales from restaurants and hotels, which were up 6.1% during the fiscal year.

Transient Occupancy Tax – The third largest funding source for the General Fund is TOT, making up more than 10% of General Fund revenues. Approximately three-fourths of TOT revenue is derived from hotels, with the balance coming from short-term lodging. While TOT receipts from short-term lodging more than doubled over the four-year period from Fiscal Year 2018-19 through Fiscal Year 2022-23, short-term lodging revenue came in 5.4% lower over the prior year, as was noted in the third quarter report. However, TOT revenue from hotels is 8.7% higher, due to robust demand and due to the opening of the Pendry in September 2023. TOT revenue in total from both hotels and short-term lodging came in \$0.3 million, or 1% higher than previously reported in the third quarter update.

All Other Revenue – This category includes all other revenue sources other than the top three (property tax, sales tax and TOT). All other revenue is made up of other taxes, service fees and charges, parking revenue, licenses and permits, property income, fines and penalties, intergovernmental revenues, investment earnings, and miscellaneous revenues. Material changes in projected amounts were made to service fees and charges, parking revenue, fines and penalties, intergovernmental revenues, investment earnings, and miscellaneous revenues.

- Service Fees and Charges consists of plan check fees, recreation classes, emergency medical services fees and numerous other cost-of-service fees. Services fees and charges came in \$0.9 million higher than the third quarter estimates, which is primarily due to higher than anticipated recycling fees, water quality inspection fees, and paramedic inspection fees.
- Parking Revenue is derived from General Fund related metered parking fees that are assessed throughout the various parking zones of the City. Parking revenue outperformed third quarter projections by \$761,000, primarily due to the reopening of certain parking lots that were closed for a portion of the prior fiscal year.
- Intergovernmental Revenues consists of federal, state, and local grant revenues, which includes, but is not limited to, the City's portion of the ½ cent sales tax revenue paid to the County for public safety, state mandate reimbursements, reimbursement for strike teams sent to assist with fires, and revenue sharing with the County of Orange under the Waste Disposal Agreement (WDA). Intergovernmental revenues exceeded previous projections due to a payment from the County of Orange for the WDA that related to FY 2022-23 but was not received until FY 2023-24, which resulted in two years of revenue in FY 2023-24. Additionally, revenue from the County of Orange associated with the Covid-19 FEMA claim was received, which was not anticipated in prior reports.
- Investment Earnings are projected to exceed previous projections by approximately \$2 million due to elevated interest rates.
- Miscellaneous Revenues include restricted revenue, damage to City property, bad debt, donations and contributions, non-operating revenues such as proceeds from the sale of materials and equipment, and other miscellaneous revenues. This category exceeded third quarter estimates by \$393,000 due largely to lower-than-expected bad debt, which is a contra revenue account used to write off revenues that the City no longer expects to receive. \$528,000 was budgeted for bad debt, but only \$130,000 was written off, increasing this revenue category by \$398,000.
- Operating Transfers In includes the transfer from the Tidelands Fund for the reimbursement of tidelands related expenditures. Based on a year-end review of tideland related expenditures, it was found that tidelands related expenditures were higher than originally anticipated, resulting in an increase in the transfer to the General Fund from the Tidelands Fund in the amount of approximately \$0.3 million.

General Fund Expenditures

The FY 2023-24 General Fund expenditure budget totals \$310 million. Spending trends in FY 2023-24 are generally consistent with prior years and do not indicate any cause for concern. Total expenditure savings of \$9.6 million are projected at this time due largely to savings from vacancies as well as savings in contract services. The unaudited actuals include the encumbrances carried forward into FY 2024-25, which draw from the FY 2023-24 budget.

The following table summarizes the expenditure savings by budget category. Details highlighting the reasons for the material variances follow.

FY 2023-24 Projected General Fund Expenditures

Expenditures by Category	A Revised Budget	Q3 Projected Actual	B Unaudited Actual	C = A-B Savings (Overage)	D = C/A % Variance
Salary & Benefits	178,989,633	172,249,929	171,022,200	7,967,433	4.5%
Contract Services	34,053,292	32,580,855	31,062,587	2,990,704	8.8%
Grant Operating	1,471,683	1,655,027	1,320,500	151,183	10.3%
Utilities	4,365,888	4,256,444	4,334,154	31,734	0.7%
Supplies & Materials	4,958,209	4,762,312	5,130,895	(172,685)	-3.5%
Maintenance & Repair	15,202,186	15,485,792	17,026,446	(1,824,260)	-12.0%
Travel & Training	864,271	832,058	796,379	67,891	7.9%
General Expenses	3,958,972	3,957,685	3,986,791	(27,820)	-0.7%
Internal Svc Charge	29,422,570	29,422,570	29,422,570	-	0.0%
Capital Expenditures	2,279,300	2,054,300	1,847,288	432,012	19.0%
Operating Transfers Out	34,489,271	34,496,983	34,489,271	-	0.0%
Total Expenditures	310,055,275	301,753,956	300,439,082	9,616,193	3.1%

Significant expenditure budget variances are as follows:

- The revised salary and benefits budget totals \$179 million. Salary and benefit expenses for the fiscal year totaled \$171 million, or a savings of \$8 million. These savings are from vacancies as well as health benefits.
- The contract services budget shows a savings of \$6.4 million, however a large portion of the savings in this category were encumbered contracts that were carried into FY 2025-26. These encumbrances have been incorporated into this table showing the true savings of \$2.9 million.
- The supplies and materials category includes an overage in the public works department parks division. Notable expenses in the over budget account include irrigation materials, concrete tables and benches, waste containers and drinking fountains. These overages are offset by other budget savings within the Public Works department budget and therefore no budget adjustment is requested.
- The maintenance and repair category exceeded prior quarter projections and the revised budget due primarily to increased maintenance needs at various city facilities as well as fire stations. These overages are offset by other budget savings within the Public Works and Fire department budgets and therefore no budget adjustment is requested.
- The general expenses category is slightly over prior quarter estimates due primarily to larger than budgeted investment advisory services. This overage is offset by other budget savings and therefore no budget adjustment is requested.
- The capital expenditures category shows a budget savings of \$1.1 million, however the majority of the savings in this category are associated with projects that will be

carried forward into FY 2024-25. These encumbrances have been incorporated into this table showing the true savings of \$400,000.

General Fund Sources, Uses, and Projected Surplus

The City continues to be in excellent financial health. Conservative budgeting and sound financial policies have resulted in a trend of General Fund operating surpluses and strong reserve levels for several years. The City is well positioned to continue delivering high levels of services to the community while targeting surplus resources to key priorities each year.

The following table illustrates the prior year sources and uses of funds, current year activity and the projected year-end results.

FY 2023-24 Projected General Fund Sources, Uses, and Budget Surplus

Category	A Q3 Projection	B Unaudited Actual	C=B-A Variance	D=C/A % Variance
Beginning Fund Balance Reserves	15,254,999	15,254,999	-	0.0%
Operating Resources:				
Operating Revenues	286,312,480	295,624,380	9,311,900	3.3%
Prior Year Resources Carried Forward	5,465,426	5,465,426	-	0.0%
Transfers In from Other Funds	19,020,967	19,333,407	312,440	1.6%
Repayment of Advances	1,250,000	1,250,000	-	0.0%
Total Operating Resources	312,048,873	321,673,213	9,624,340	3.1%
Operating Uses:				
Operating Expenditures	267,256,973	259,181,278	(8,075,695)	-3.0%
Transfers Out	34,496,983	34,489,271	(7,712)	0.0%
Resources Carried to Next Fiscal Year	-	6,786,845	6,786,845	-
Addition to 25% Contingency Reserve	-	3,400,304	3,400,304	-
Total Operating Uses	301,753,956	303,857,698	2,103,742	0.7%
Net Operating Surplus	10,294,917	17,815,515	7,520,598	73.1%
Non-Operating Resources & Uses				
Transfers Out	(24,270,393)	(24,911,074)	(640,681)	3%
Transfers In	7,592,835	7,592,834	(1)	0%
Total Non-Operating Resources & Uses	(16,677,558)	(17,318,240)	(640,682)	3.8%
Net Change in Fund Balance	(6,382,641)	497,276	6,879,917	-107.8%
Ending Fund Balance Reserves	8,872,358	15,752,275	6,879,917	77.5%

A \$15.8 million operating surplus for the General Fund is projected for Fiscal Year 2023-24, which is net of non-operating activity that includes one-time transfers out of the General Fund as well as the addition to the Contingency Reserve (pursuant to City Council Policy F-2). City Council has approved three budget amendments in Fiscal Year

2024-25 that allocate a portion of the Fiscal Year 2023-24 year-end surplus. BA 25-012 and BA 25-018 designated \$2.1 million for an extension of a temporary reduction in the employee retirement contributions for applicable bargaining units, to temporarily increase contributions to health coverage for safety bargaining groups, and for a bonus for safety bargaining units and eligible K&M positions. Additionally, BA 2025-013 appropriated \$2.8 million of the year-end surplus for the purchase of real property at 301 E Balboa Blvd. These uses of the General Fund surplus reduce the available unrestricted surplus to \$10.8 million, as shown in the table below. Per Council Policy F-5, “roughly fifty percent (50%) of the Budget Surplus Funds shall be used to address long-term obligations such as pension liabilities, other post-employment benefits, bonded debt, lease obligations and other long-term needs” and “roughly fifty percent (50%) of the Budget Surplus Funds shall be used to address infrastructure or neighborhood capital improvements.” However, since the City pre-funded surplus funds at the beginning of the fiscal year towards paying down the pension liability, it is recommended that the entire unrestricted surplus be allocated towards infrastructure or neighborhood capital improvements.

Fiscal Year 2023-24 Year-End Surplus	\$15,752,275
Purchase of Real Property at 301 E. Balboa Blvd.	(2,823,500)
Side Letters with Bargaining Groups	<u>(2,109,515)</u>
Unrestricted Surplus	\$10,819,260

Other Funds

Staff have evaluated the fiscal condition of the City’s other major operating funds (Tidelands, Water & Wastewater). An analysis of the budget performance for these funds indicates that no budget adjustments are necessary and variances between budgeted and actual amounts are within reason.

Preliminary Unaudited Amounts

The City’s financial records are undergoing a customary audit review. Therefore, the financial information presented in this report is preliminary in nature and subject to adjustments as the year-end close process continues through December. Any such adjustments are not anticipated to have a material impact on the financial information presented in this report. If any material adjustments related to Fiscal Year 2023-24 are subsequently recorded, any such adjustments will be reported to the Finance Committee.

Conclusion

Staff recommends that the Finance Committee review and discuss this report and provide any recommendations for city manager and City Council consideration.

Prepared and Submitted by:

/s/ Shelby Burguan

Shelby Burguan
Deputy Finance Director

FISCAL YEAR 2023-24 FOURTH QUARTER FINANCIAL REPORT

October 10, 2024
Finance Committee

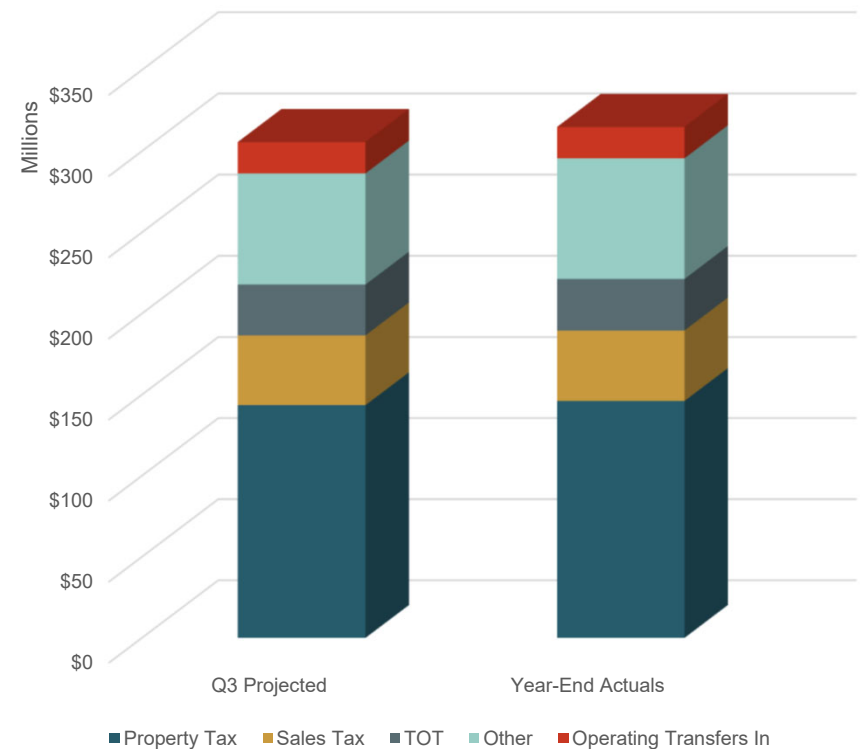


ACTUAL GENERAL FUND REVENUES

Third Quarter Projection \$ 305.3 million

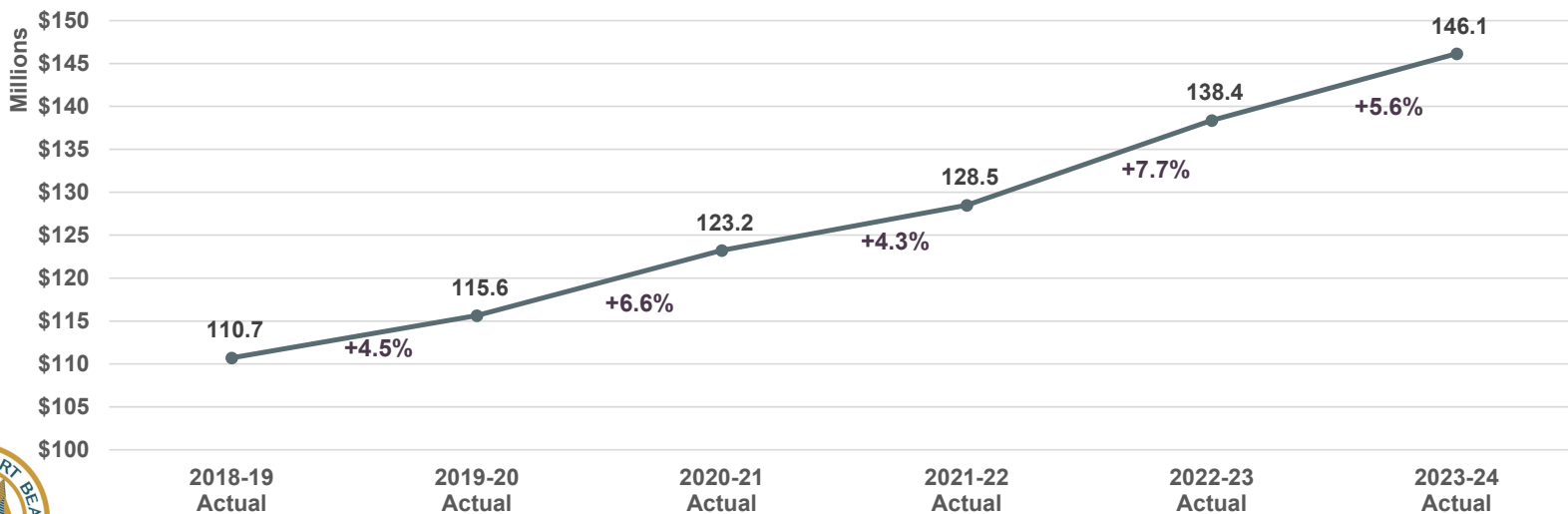
Year-End Actuals \$ 315.0 million

- Actual General Fund revenues were 3.2%, or \$9.6 million, higher compared to the third quarter primarily due to increases in property taxes, investment earnings, service fees & charges, parking revenues, and intergovernmental revenues.



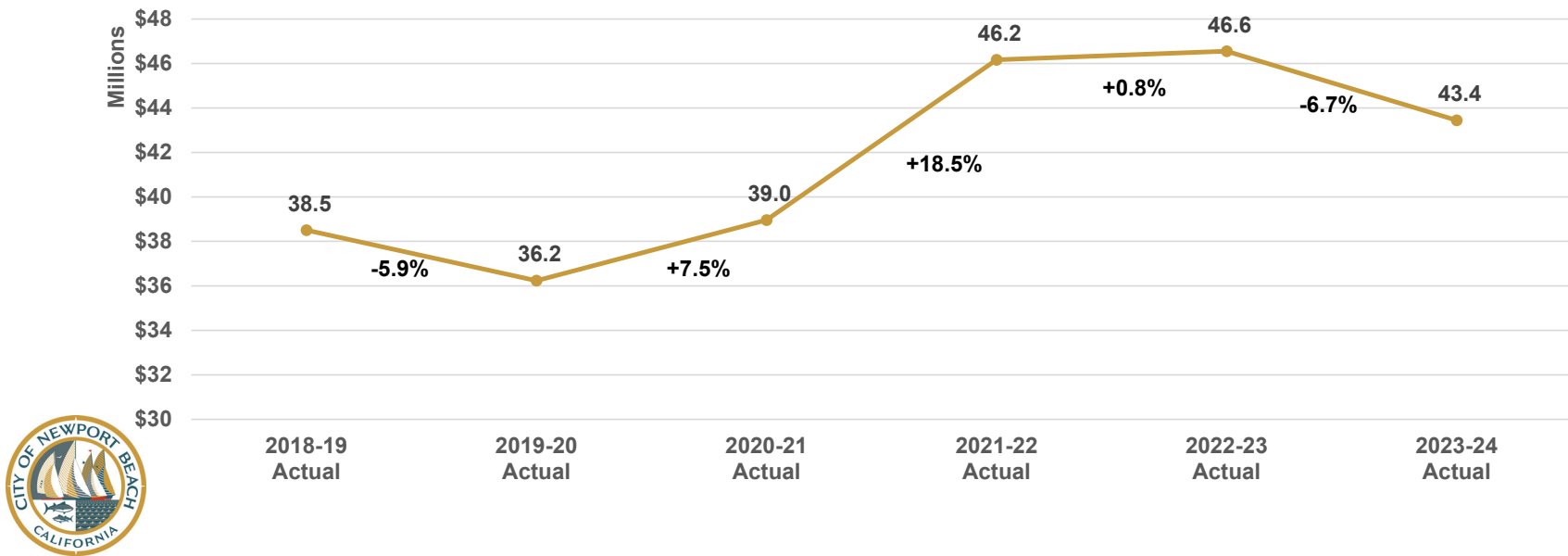
PROPERTY TAX REVENUE

- Property tax revenue is the City's largest source of revenue and is projected to increase by \$7.8 million (5.6%) over last fiscal year. The year-end actual is \$2.6 million higher than projected at Q3 largely due to Supplemental Taxes, Property Tax Transfers, RDA Residual Taxes, and Prior Year Penalties and Interest.

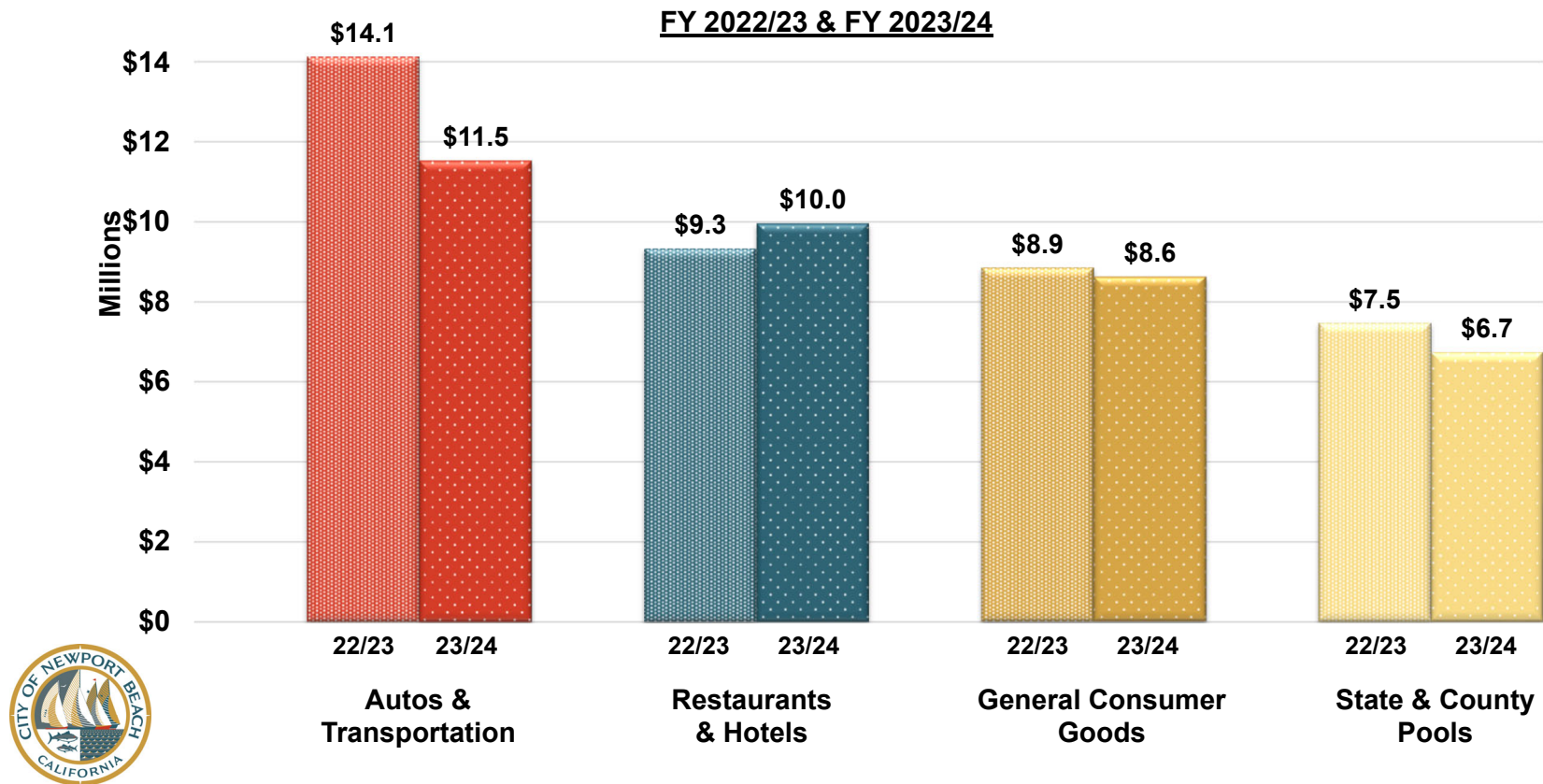


SALES TAX REVENUE

- Sales tax revenue is the City's second largest source of revenue and came in \$0.4 million (1%) higher than the amount projected in the third quarter budget update. Year-end actuals reflect a decrease of \$3.1 million from the prior year.

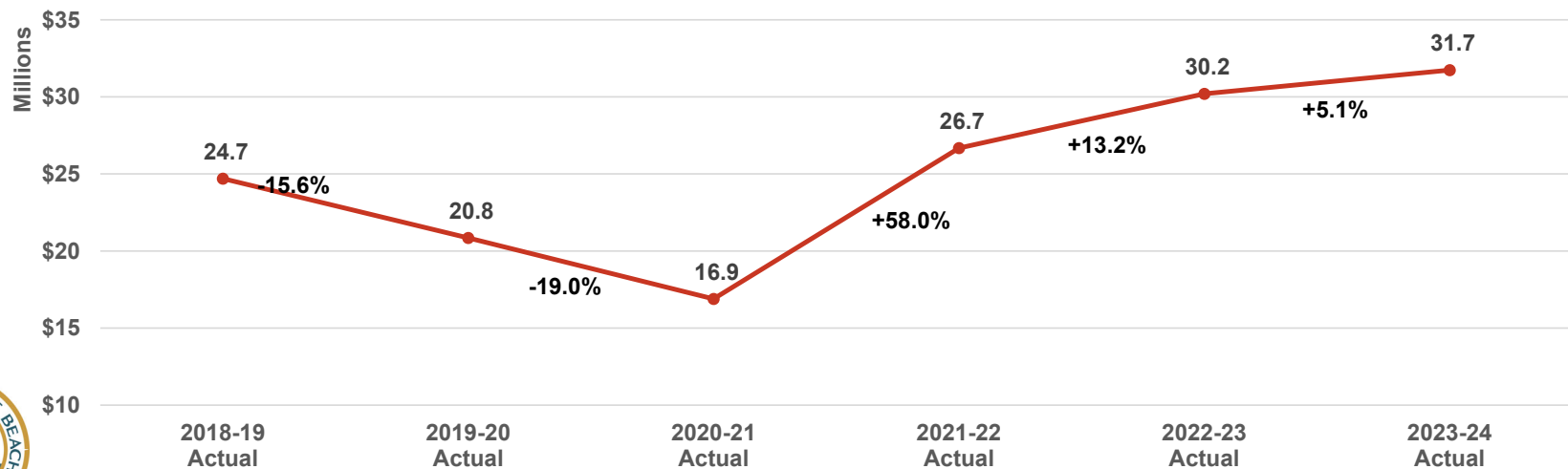


SALES TAX REVENUE BY MAJOR INDUSTRY GROUPS

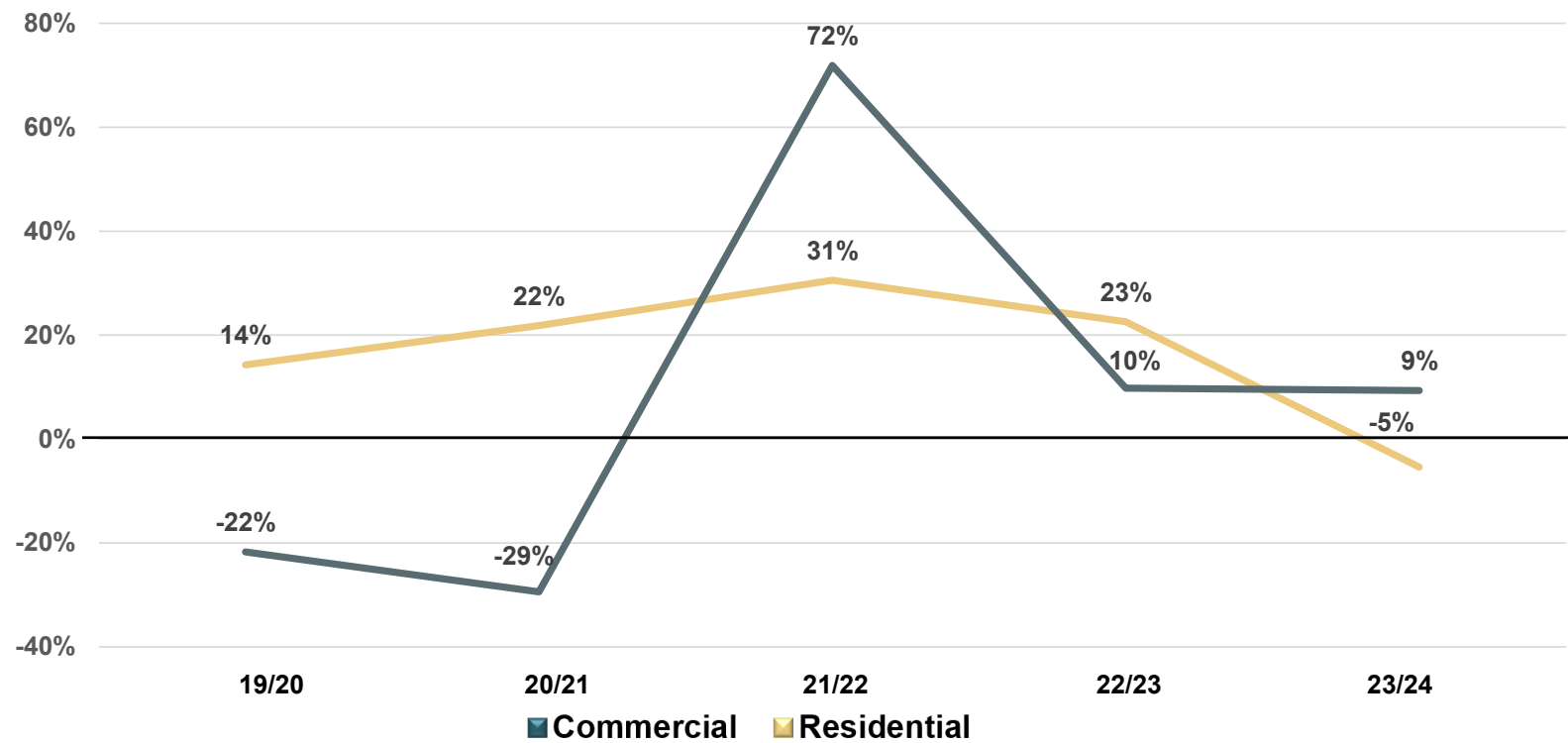


TRANSIENT OCCUPANCY TAX REVENUE

- Transient occupancy tax (TOT) revenue is the City's third largest source of revenue and increased by \$1.5 million (5.1%) over the prior year, which is \$0.4 million higher than previously forecasted.
- Gross TOT revenues are \$38.7 million. VNB receives 18% (or approximately \$6.9 million), which brings TOT revenues to \$31.7 million, net of amounts remitted to VNB.



TRANSIENT OCCUPANCY TAX REVENUE GROWTH RATES



OTHER GENERAL FUND REVENUES

Other general fund revenues exceeded budget by \$6.7 million or 10%, and exceeded Q3 projections by \$5.8 million, or 7%:

- Investment earnings exceeded projected amounts by \$2.2 million
- Service Fees and Charges exceeded projected amounts by \$0.9 million
 - Recycling Fees, Water Quality Inspection Fees, Paramedic Inspection Fees
- Parking revenue exceeded prior estimates by \$0.8 million
 - Reopening of parking lots previously closed
- Intergovernmental revenue exceeded prior estimates by \$0.7 million
 - County of Orange Waste Disposal Agreement (WDA) payments
- Miscellaneous revenues exceeded prior estimates by \$0.4 million
 - Lower than expected Bad Debt



GENERAL FUND EXPENDITURES

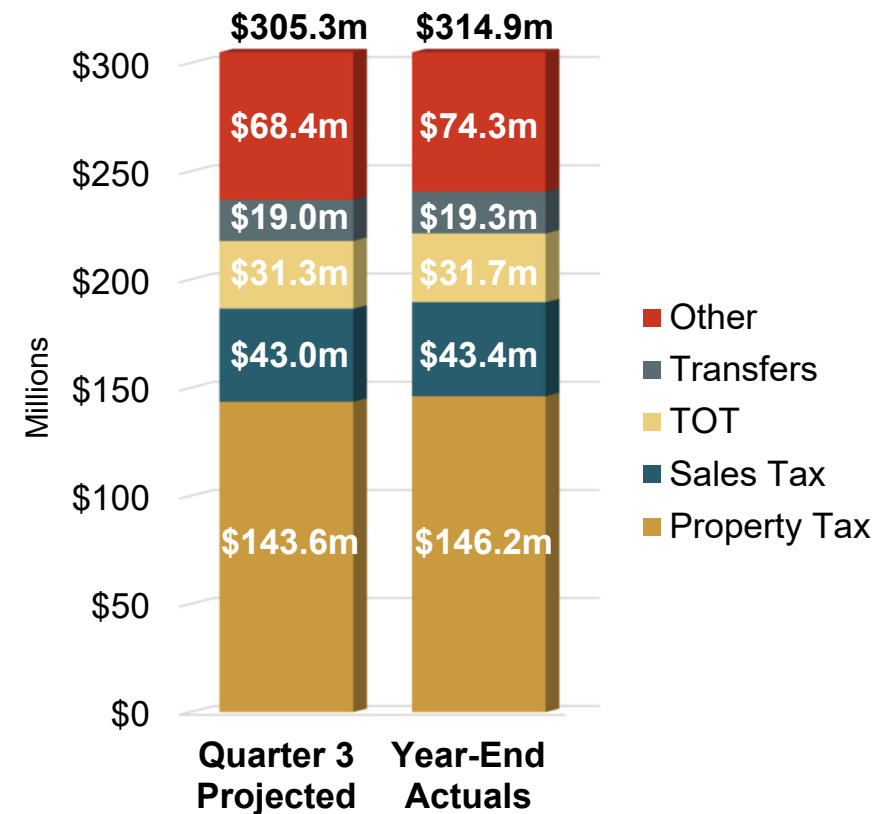
Budget	\$ 310.1 million
Projected Actual	\$ 301.8 million
Year-end Actual	\$ 300.4 million

- \$8 million savings in salaries and benefits due to vacancies and lower than budgeted costs for employee benefits
- \$6.7 million in ongoing projects or encumbrances were carried forward to FY2024-25.



FISCAL YEAR 2023-24 YEAR-END RESULTS

- Year-End Results for Fiscal Year 2023-24 reflect an unrestricted General Fund operating surplus of \$10.8 million, which is \$1.9 million higher than previously projected and is largely due to:
 - \$9.6 million of better-than-projected General Fund Revenues
 - Expenditure savings of \$1.3 million
 - Less \$5.6 million for Council-approved uses of the surplus and the contingency reserve set-aside (\$3.4M)



GENERAL FUND SOURCES & USES

Fiscal Year 2023-24 Year-End Surplus	15,752,275
Purchase of Real Property at 301 E Balboa	(2,823,500)
Side Letters with Bargaining Groups	(2,109,515)
Unrestricted Surplus	10,819,260

- An unrestricted operating surplus of \$10.8 million is available at the end of Fiscal Year 2023-24, which is net of Council appropriated uses for the purchase of property at 301 E Balboa Boulevard and to fund employee costs related to new side letters with bargaining groups.
- Since the City pre-funded surplus funds at the beginning of the fiscal year towards paying down the pension liability, it is recommended that the entire unrestricted surplus be allocated towards infrastructure or neighborhood capital improvements.



RECOMMENDED ACTION

- Review and discuss this report
- Provide any recommendations for consideration by the City Manager and the City Council. Staff recommendation:
 - a) Waive Council Policy F-5
 - b) Allocate the full \$10.8 toward future capital projects by transferring it to the FFP



Questions?





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

Agenda Item No. 6C
October 10, 2024

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Jason Al-Imam, Finance Director/Treasurer
949-644-3123 or jalimam@newportbeachca.gov

SUBJECT: BUDGET AMENDMENTS FOR QUARTER ENDING SEPTEMBER 30, 2024

EXECUTIVE SUMMARY

The purpose of this memorandum is to report on the budget amendments for the first quarter of Fiscal Year 2024-25. All budget amendments are in compliance with City Council Policy F-3, Budget Adoption and Administration.

DISCUSSION

City Council Policy F-3, Budget Adoption and Administration, identifies how appropriations can be transferred, increased or reduced. The Finance Committee reviews a quarterly report of City Council and City Manager budget amendments including their effect on fund balance. Please find the list of budget amendments included as Attachment A.

Prepared by:

/s/ Anthony Alannouf

Anthony Alannouf
Budget Analyst

Submitted by:

/s/ Jason Al-Imam

Jason Al-Imam
Finance Director/Treasurer

Attachment:

- A. Budget Amendments Fiscal Year 2024-25 Quarter Ending
September 30, 2024

ATTACHMENT A

BUDGET AMENDMENTS FISCAL YEAR 2024-25 QUARTER ENDING SEPTEMBER 30, 2024

City of Newport Beach
Fiscal Year 2024-25 Budget Amendments
Quarter Ending September 30, 2024

Reporting Quarter: Q1

BA #	Date	Amendment Type	Fund Number	Fund(s)	Revenues	Expenditures	Net Effect on Fund Balance Increase/(Decrease)	Department	Explanation
001	07/01/2024	City Council	010	GENERAL FUND	\$ -	\$ 5,000,000.00	\$ (5,000,000.00)	Finance	To appropriate structural surplus to increase expenditure appropriations. Funds will be allocated to CalPERS UAL Additional payment for FY 24-25.
002	07/23/2024	City Council	010	GENERAL FUND	\$ 40,000.00	\$ 40,000.00	\$ -	Library	To recognize revenues from a donation from the Newport Beach Public Library Foundation and increase expenditures for Library Materials, Office Furniture and Fixtures, and Hardware for the Newport Beach Public Library.
003	07/01/2024	City Manager	010	GENERAL FUND	\$ -	\$ 15,000.00	\$ -	Police/PW	To transfer budget from Police Traffic Services Professional to Public Works Facility Maintenance - Maintenance and Repair Building for the ongoing animal shelter maintenance.
004	07/04/2024	City Manager	712	WASTEWATER CAPITAL FUND	\$ -	\$ 1,000,000.00	\$ -	Public Works	PW is not planning another Sewer Lift Station project in FY2024-25, so PW requests to appropriate funds from the Sewer Lift Station Improvement project (23S04) to the Sewer Main Lining Repairs project (25S03). These funds will be used for the sewer force mains crossing the harbor from Little Balboa Island to CDM. Wastewater Funds had not yet been set aside for these crossings in the Bay Crossing CIP project, which will occur in 24-25. Originally, PW thought this project would occur in FY2025-26 and cost double what they are now estimating. The project will incorporate a new lining technology which will replace the previous full replacement of the lines. According to F-3 7b, the City Manager can approve project appropriations if the project utilize the same funding source and are for substantially the same project purpose and physical location.
005	07/23/2024	City Council	513 & 562	FACILITIES FINANCING PLAN & PARKS & COMMUNITY CENTERS	\$ -	\$ 805,874.00	\$ (805,874.00)	Public Works	To appropriate funds from the 513 FFP Fund to the 562 Parks and Community Center Fund for the Lower Sunset View Park project (15T09).
006	07/23/2024	City Council	160	ENVIRONMENTAL LIABILITY FUND	\$ -	\$ 49,681.00	\$ (49,681.00)	Public Works	To appropriate funds from the Environmental Liability unappropriated fund balance due to increased expenditures as requested by contractor Burns & McDonnell Amendment No. 5 for the Newport Bay Water Wheel project.
007	08/27/2024	City Council	010	GENERAL FUND	\$ 200,000.00	\$ 200,000.00	\$ -	Library	To recognize revenues from a donation from the Friends of Newport Beach Library and increase expenditures for Library Materials and Programming for the Newport Beach Public Library.
008	07/18/2024	City Manager	010 & 017	GENERAL FUND & SPECIAL PURPOSE DEPOSIT FUND	\$ 4,000.00	\$ 4,000.00	\$ -	Library	To increase revenue estimates and expenditure appropriations from the Literacy Services Special Deposit Account. Funds will be allocated to the org-objects as highlighted below.
009	08/27/2024	City Council	010	GENERAL FUND	\$ 56,860.00	\$ 56,860.00	\$ -	Police	To increase revenue estimates and expenditure appropriations from the approval and acceptance of the California Department of Alcoholic Beverage Control (ABC) 2024-25 Alcohol Policing Partnership Program (APP) Grant.
010	08/07/2024	City Manager	180	RESTRICTED PROGRAM FUND	\$ -	\$ 9,906.32	\$ (9,906.32)	Library	To increase expenditures in the Newport Beach Arts Foundation Programming account from donations for the City Arts Commission Marina Park Concert.
011	09/10/2024	City Council	010	GENERAL FUND	\$ 125,000.00	\$ 125,000.00	\$ -	Police	Accept Department of Homeland Security Operation Stonegarden Grant Funds - Grant supports enhanced cooperation and coordination among Customs and Border Protection, United States Border Patrol, and local law enforcement.
012	08/27/2024	City Council	010 100 701 711 752 764	GENERAL FUND TIDE & SUBMERGED LANDS FUND WATER ENTERPRISE FUND WASTEWATER ENTERPRISE FUND EQUIPMENT FUND IT ISF	\$ 13,778.09	\$ 1,931,800.00	\$ (1,918,021.91)	Human Resources	To reflect the additional city pickup of CalPERS contribution rates through June 2025 for applicable bargaining units, increase contributions to health coverage through June 2025 for safety bargaining groups, and to apply an agreed upon bonus that will be paid quarterly throughout FY25 for safety bargaining units and eligible K&M positions. Funds are appropriated from the fiscal year end FY 24 surplus ending balance.
013	08/27/2024	City Council	010 & 012	GENERAL FUND GENERAL FUND CAPITAL PROJECTS	\$ 8,500.00	\$ 2,832,000.00	\$ (2,823,500.00)	CDD	To increase budget for the purchase of real property at 301 E Balboa Blvd. Estimated costs include the purchase, title/escrow closing costs, due diligence, and relocation costs. Additional revenue based on reported lease rates for three months are estimated.

City of Newport Beach
Fiscal Year 2024-25 Budget Amendments
Quarter Ending September 30, 2024

Reporting Quarter: Q1

BA #	Date	Amendment Type	Fund Number	Fund(s)	Revenues	Expenditures	Net Effect on Fund Balance Increase/(Decrease)	Department	Explanation
014	09/10/2024	City Council	010	GENERAL FUND	\$ 1,110,112.00	\$ 441,584.00	\$ 668,528.00	Fire	Accept Medi-Cal IGT Program revenue and appropriate expenditure account.
015	09/09/2024	City Manager	010 & 017	GENERAL FUND SPECIAL PURPOSE DEPOSIT FUND	\$ 300.00	\$ 300.00	\$ -	Library	To increase revenue estimates and expenditure appropriations from the Literacy Services Special Deposit Account. Funds will be allocated to the org-objects as highlighted below. The money will be used to pay for the International Literacy Day celebration.
017	09/24/2024	City Council	101	TIDELANDS HARBOR CAP FUND	\$ -	\$ 430,893.00	\$ (430,893.00)	Public Works	To appropriate expenditures from the unappropriated Tidelands Capital Fund balance for the Citywide Public Dock Rehabilitation Project.
018	09/24/2024	City Council	010 100 701 711 752 764	GENERAL FUND TIDE & SUBMERGED LANDS FUND WATER ENTERPRISE FUND WASTEWATER ENTERPRISE FUND EQUIPMENT FUND IT ISF	\$ 20,668.00	\$ 241,418.00	\$ (220,750.00)	Human Resources	To reflect the additional city pickup of CalPERS contribution rates through June 2025 for applicable bargaining units. Funds are appropriated from the fiscal year end FY 24 surplus ending balance.
019	09/25/2024	City Manager	010	GENERAL FUND	\$ -	\$ 1,127.00	\$ -	Library	To transfer budget from the Library Foundation New PC Purchases to Software License Renewal for the annual renewal of the Wayfinding Kiosk software.
020	09/25/2024	City Manager	010	GENERAL FUND	\$ 4,399.12	\$ 4,399.12	\$ -	Library	To recognize revenues in the Library Admin SLS Grant Fund OC Library account and increase expenditures in the Library Materials account.

Newport Beach Finance Committee Work Plan

Scheduled Date	Agenda Title	Report Type	Agenda Description
November 2024			
Thursday, November 14, 2024			
	First Quarter Budget Update	Presentation	Staff will provide a presentation regarding the year-to-date and projected Fiscal Year 2024-25 budget performance.
	OPEB Actuarial Valuation Report Update	Presentation	Staff will provide the Committee with an overview of the Fiscal Year 2023-24 actuarial valuation report prepared by the City's actuary.
	CalPERS Update	Presentation	Staff will provide the Committee with an overview of the data from the latest actuarial reports from CalPERS as well as their impact on prior projections of the paydown of the City's unfunded pension liability.
	Internal Audit Program Update	Presentation	Presentation of internal audit reports, findings, and recommendations from the Fiscal Year 2023-24 audit program.
	Work Plan Review	Receive and File	Staff and Finance Committee to review the proposed work plan and identify matters that members would like placed on a future agenda for discussion, action, or report.
December 2024			
<i>Committee Recess</i>			
January 2025			
Thursday, January 9, 2025			
	Financial Statement Audit Results and Related Communication	Presentation	The City's external auditors will meet with the Finance Committee to discuss the results of their audit for the fiscal year ending June 30, 2024.
	Long Range Financial Forecast (LRFF) Update	Presentation	Staff will brief the Committee regarding the results of the updated LRFF analysis.
	Budget Amendments for Quarter Ending December 31, 2024	Receive and File	Staff will report on the budget amendments from the prior quarter.
	Overview of the Utilities Department Budget	Presentation	Staff will provide the Committee with a presentation covering the budget for the Utilities Department.
	Work Plan Review	Receive and File	Staff and Finance Committee to review the proposed work plan and identify matters that members would like placed on a future agenda for discussion, action, or report.