

6A. PRESENTATION

Proposed FY 2025-2026 Budget Overview of Expenditures

FY 2025-26 PROPOSED BUDGET

Finance Committee Meeting – April 10, 2025

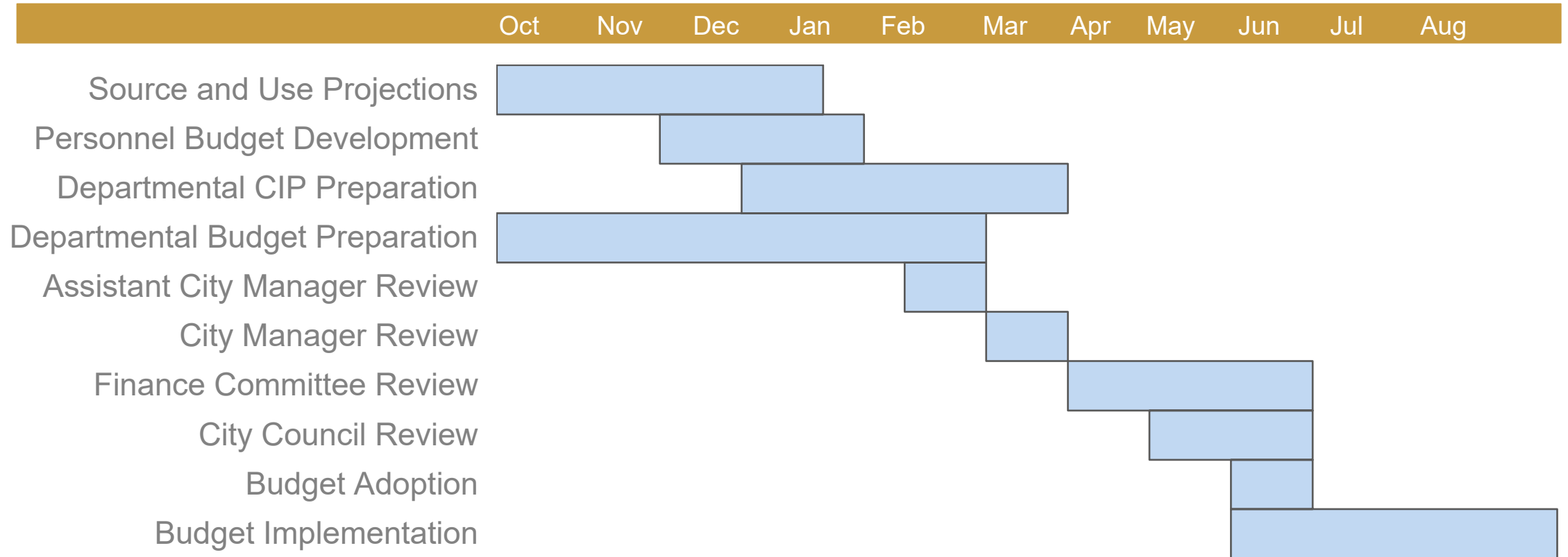


PRINCIPLES GUIDING DEVELOPMENT OF THE BUDGET

- Budget Priorities:
 - Providing high quality municipal services that residents expect
 - Providing a safe and secure neighborhood
 - Keeping Newport Beach looking great
 - Maintaining a prosperous, fiscally sustainable, and economically viable city
- Additional Focus
 - Continued emphasis on elimination of the City's long-term liabilities
 - Ensuring proper funding of long-term infrastructure maintenance and replacement
 - Addressing key City Council priorities identified at the February 1, 2025, City Council Planning Session



BUDGET DEVELOPMENT TIMELINE



OPPORTUNITIES FOR PUBLIC ENGAGEMENT & CITY COUNCIL REVIEW OF THE BUDGET

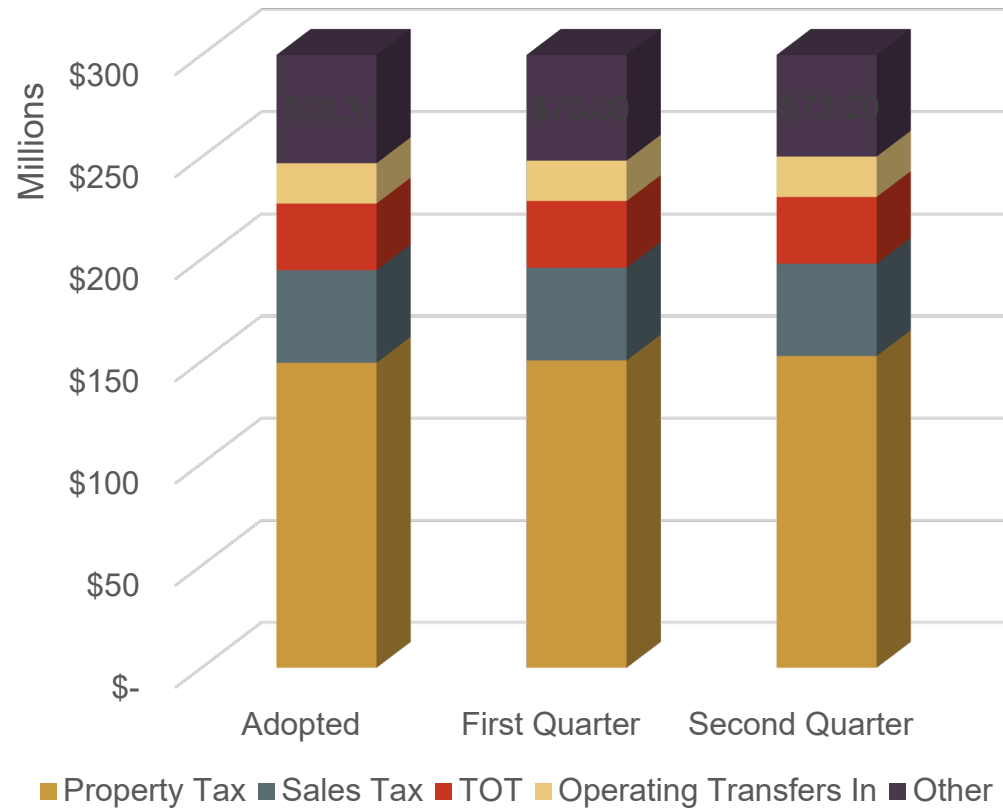
Date	Meeting Type	Meeting Purpose
Thursday, January 23, 2025	Finance Committee Meeting	Long-Range Financial Forecast (LRFF) update
Saturday, February 1, 2025	Special City Council Meeting	City Council Planning Session
Thursday, March 13, 2025	Finance Committee Meeting	Overview of FY 2025-26 Revenue Projections
Tuesday, March 25, 2025	City Council Study Session	Early Look at CIP Budget
Thursday, April 10, 2025	Finance Committee Meeting	Proposed FY 2025-26 Expenditure Budget Review
Thursday, May 8, 2025	Finance Committee Meeting	Follow-up Discussion of Proposed Budget and Performance Metrics
Tuesday, May 27, 2025	Joint City Council/Finance Committee Study Session	FY 2025-26 Operating Budget Review
Thursday, May 29, 2025	Finance Committee Meeting	Finalize Recommendations to City Council
Tuesday, June 10, 2025	City Council Public Hearing	Adoption of FY 2025-26 Budget





FY 2024-25 BUDGET STATUS

RECAP OF SECOND QUARTER BUDGET UPDATE - GENERAL FUND REVENUES



Adopted Revenue Budget **\$ 315.3 million**

First Quarter Projection **\$ 318.3 million**

Second Quarter Projection **\$ 323.4 million**

- Projected Revenues are \$8.1 million (2.58%) higher than the adopted budget
- Primary variances from adopted budget:
 - Property Tax + \$3.3 million
 - Other + \$4.8 million



RECAP OF SECOND QUARTER BUDGET UPDATE – GENERAL FUND EXPENDITURES

Adopted Budget **\$ 311.3 million**

Revised Budget **\$ 321.5 million**

Second Quarter Projection **\$ 315.8 million**

- Material appropriations to the budget include:
 - \$5 million appropriation to increase the amount paid to CalPERS towards the unfunded pension liability (from \$40 million to \$45 million).
 - Budget savings of \$5.6 million projected, largely from vacancy savings.



RECAP OF SECOND QUARTER BUDGET UPDATE

- \$17.5 million surplus projected for FY 2024-25 based on the Second Quarter Budget Update
- Additional positive revenue adjustments and expenditure savings will likely be identified as the year progresses, as is usually the case
- Year-end surplus typically used to fund required increase to Contingency Reserve (estimated to be \$281k), as well as in accordance with Council Policy F-5



Category	A Revised Budget	B Q2 Projection
Beginning Fund Balance Reserves	\$ 15,752,275	15,752,275
Operating Resources:		
Operating Revenues	298,053,032	303,652,257
Prior Year Resources Carried Forward	6,786,845	6,786,845
Transfers In from Other Funds	19,767,775	19,767,775
Repayment of Advances	1,250,000	1,250,000
Total Operating Resources	325,857,652	331,456,877
Operating Uses:		
Operating Expenditures	282,213,316	276,570,406
Transfers Out	39,255,611	39,255,611
Total Operating Uses	321,468,927	315,826,017
Net Operating Surplus	4,388,725	15,630,860
Non-Operating Resources & Uses		
Transfers Out	(13,924,430)	(13,924,578)
Total Non-Operating Resources & Uses	(13,924,430)	(13,924,578)
Net Change in Fund Balance	(9,535,705)	1,706,283
Ending Fund Balance Reserves	\$ 6,216,570	17,458,558



FISCAL YEAR 2025-26 ALL FUNDS BUDGET OVERVIEW

SUMMARY OF ALL FUNDS - EXPENDITURES

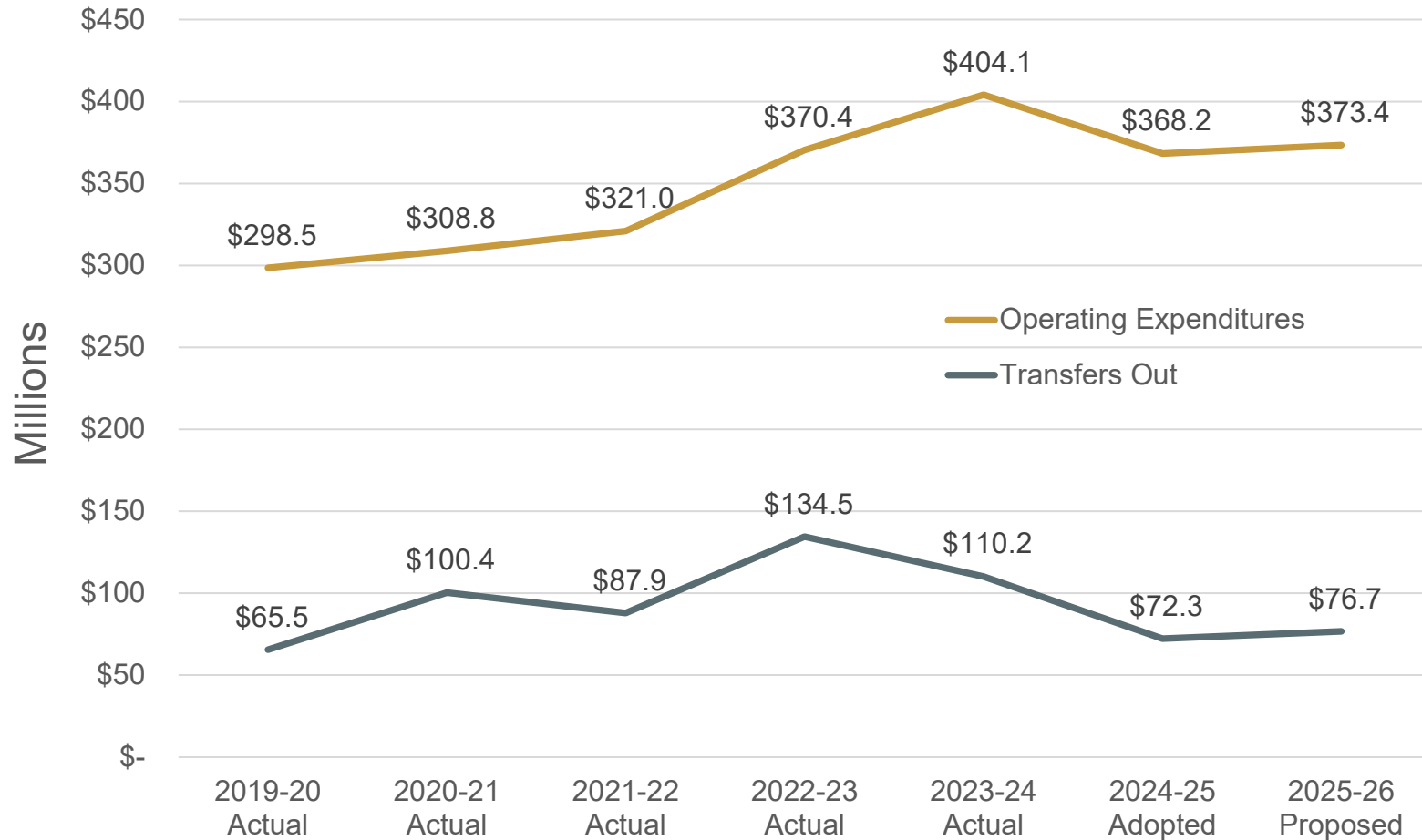
	FY 22 Adopted	FY 23 Adopted	FY 24 Adopted	FY 25 Adopted	FY 26 Proposed	% Variance
Operating Budget	291,523,400	330,919,923	351,870,115	368,155,904	373,386,729	1.4%
Transfers Out	39,075,536	53,035,836	58,859,125	72,312,196	76,724,697	6.1%
CIP New Appropriations	35,506,078	71,030,292	29,375,044	54,344,000	66,105,156	21.6%
Total Budget	366,105,014	454,986,051	440,104,284	494,812,100	516,216,582	4.3%

- 6.1% growth in transfers out, primarily due to increased transfers out in FFP and HBMP; offset by decrease in Tidelands Fund Transfer out

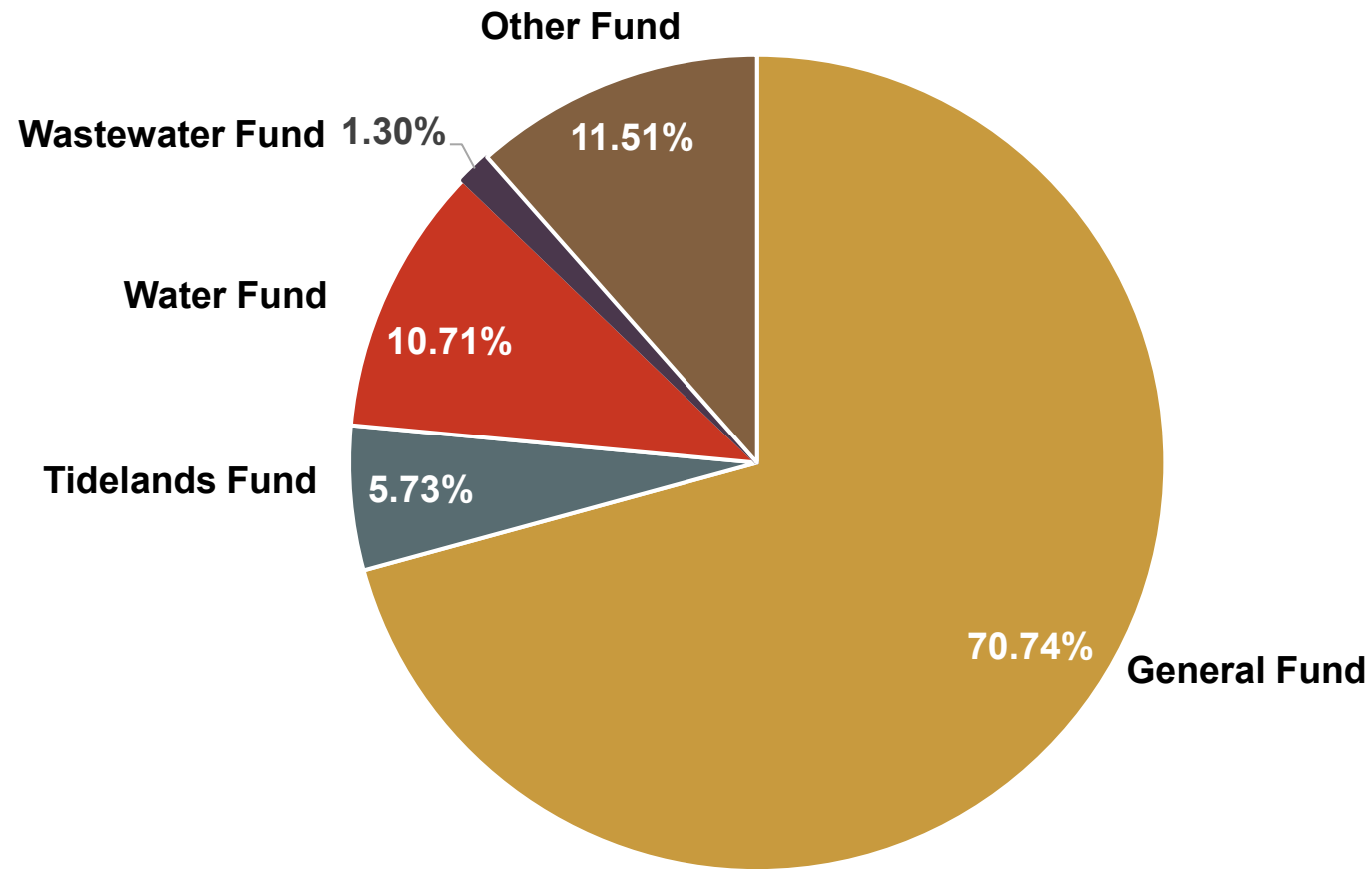
Note: Prior year amounts have been restated to align with current accounting for Tideland expenditures



ALL FUNDS OPERATING EXPENDITURES TREND



OPERATING EXPENDITURES BY FUND



MAJOR FUND OPERATING EXPENDITURES

	FY 22 Adopted	FY 23 Adopted	FY 24 Adopted	FY 25 Adopted	FY 26 Proposed	% Variance
General Fund	246,163,632	276,111,174	293,917,485	311,258,638	318,423,118	2.3%
Tidelands Fund	20,727,144	20,978,717	23,312,029	24,579,410	25,790,773	4.9%
Water Enterprise Fund	27,933,241	32,469,765	34,023,346	38,528,044	48,200,067	25.1%
Wastewater Enterprise Fund	3,956,840	4,984,651	5,197,917	5,321,136	5,868,790	10.3%
Other Funds	49,408,984	49,911,451	54,778,463	60,780,872	51,828,679	-4.7%
	348,189,842	383,955,759	410,729,240	440,468,100	450,111,426	2.2%

Note: Amounts Include Operating Expenditures and Transfers

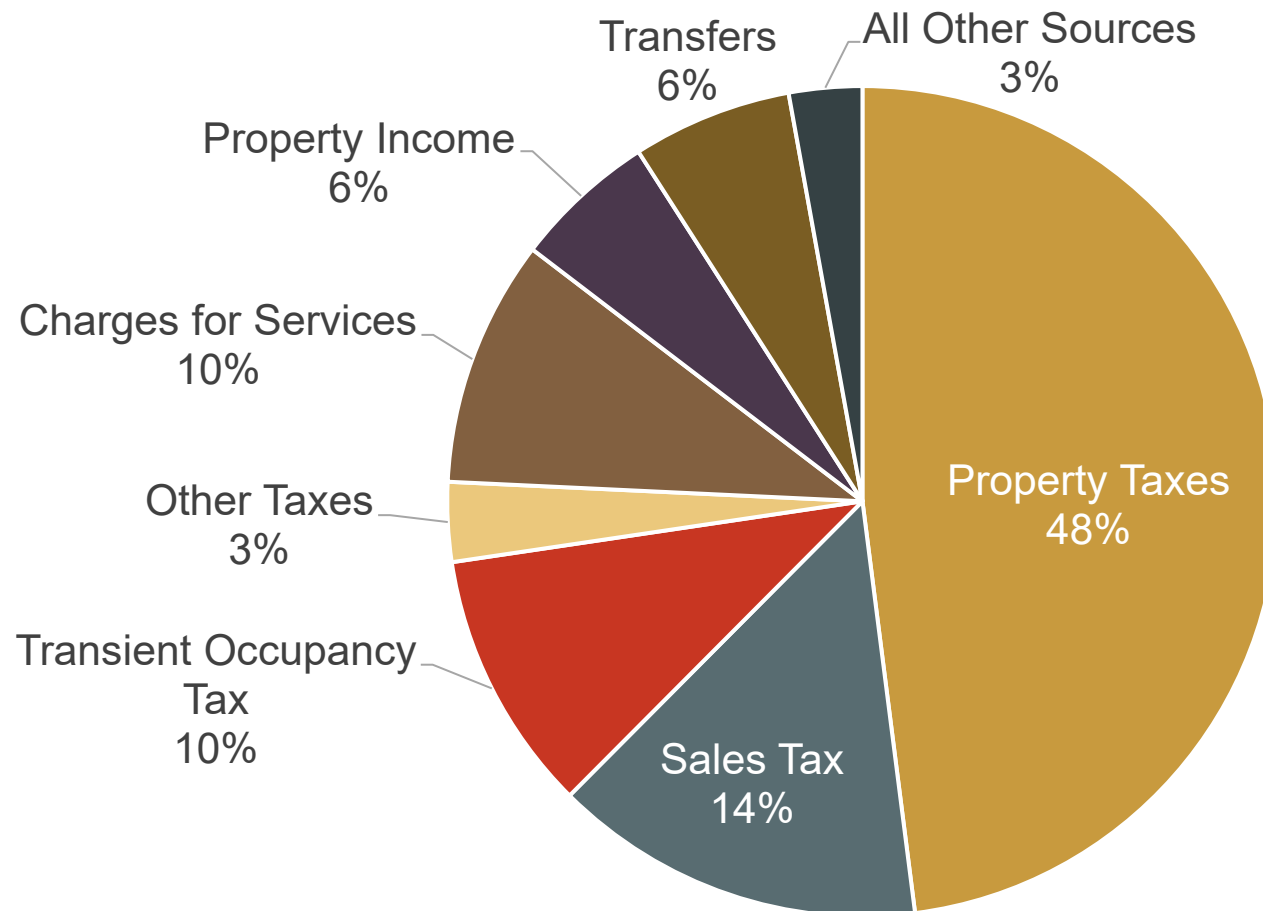
- General Fund growth of 2.3% outlined in detail on subsequent slides
- Tidelands Fund growth of 4.9% primarily due to:
 - Updated Cost Allocation Plan
 - Program Enhancement Requests
- Water Fund increases largely due to General Liability Insurance and transfer to Water Capital Fund for projects





GENERAL FUND BUDGET OVERVIEW

GENERAL FUND REVENUE SOURCES

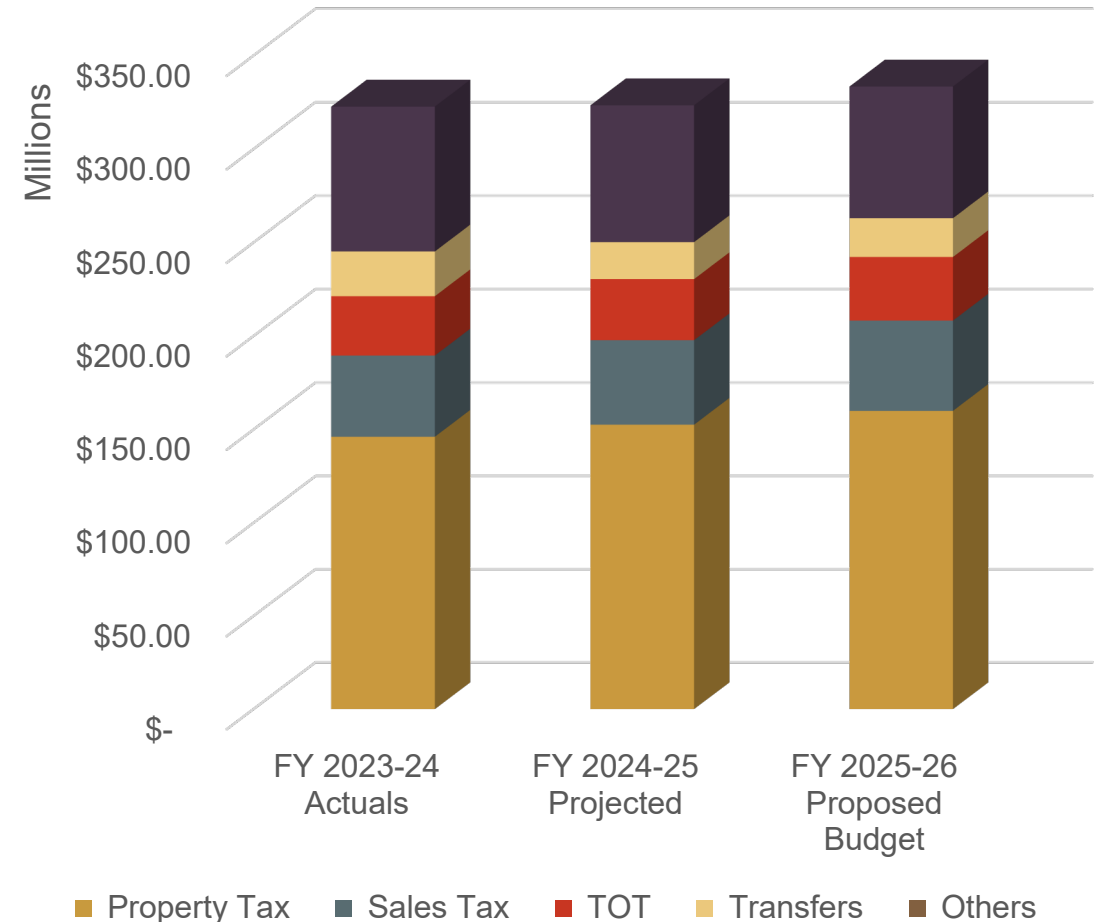


FY 2025-26 GENERAL FUND REVENUES

2024-25 Projected **\$ 323.4 million**

2025-26 Proposed **\$ 332.5 million**

- Projected revenues for FY 2025-26 are \$9 million (2.8%) higher than amounts currently projected for FY 2024-25
- Primary drivers of revenue growth due to:
 - Property Tax + \$7.4 million (4.9%)
 - Sales Tax + \$2.1 million (4.7%)
 - Transient Occupancy Tax + \$1.3 million (4%)

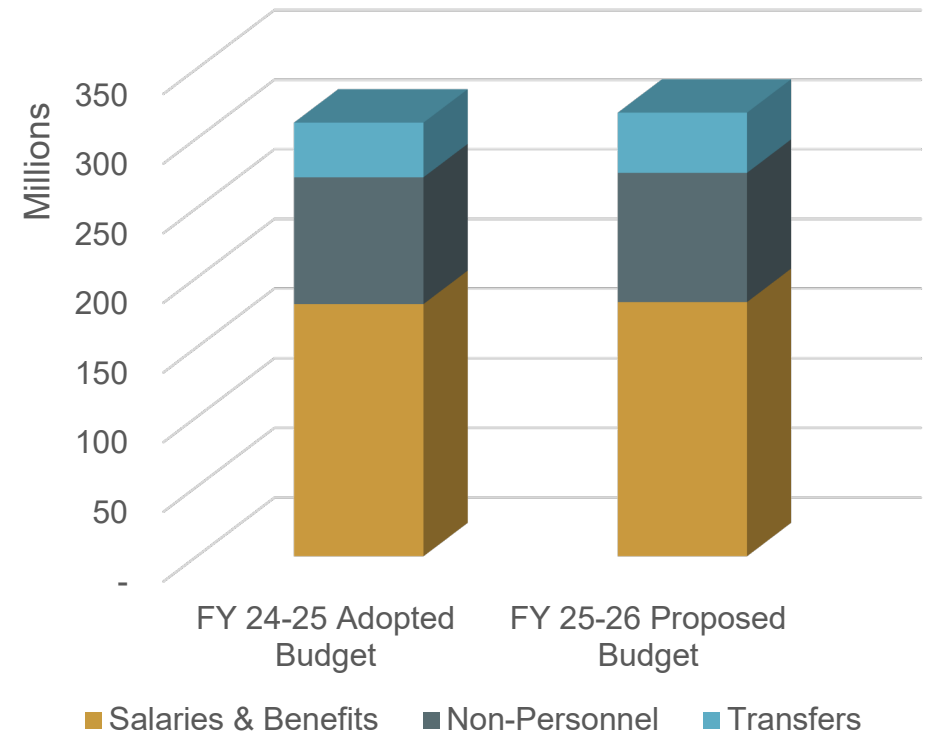


GENERAL FUND EXPENDITURES FOR FY 2025-26

2024-25 Adopted Budget \$ 311.3 million

2025-26 Proposed Budget \$ 318.4 million

- The Proposed Budget for FY 2025-26 reflects:
- 2.3% increase over FY 2024-25 Adopted Budget
- \$40 million allocated to paying down the City's unfunded pension liability
- \$1.53 million in program enhancements



SIGNIFICANT REASONS FOR BUDGET GROWTH OF 2.3%

	Amount	% Change from Adopted FY25
Decrease in Internal Service Charges (OPEB)	(1,719,401)	-0.5%
GF Program Enhancements	1,533,106	0.5%
CPI increases to M&O Budgets	2,573,312	0.8%
Other Routine Personnel (COLA, PERS rate changes)	805,670	0.3%
Increase in base Transfers (FFP, HBMP)	5,638,755	1.8%
Decrease in base Transfers (Tidelands & Submerged Lands, Debt Service)	(1,647,462)	-0.5%
<i>Remove One-Time FY25 Enhancements</i>		
Flock APR Ongoing Cost Decrease	(19,500)	-0.01%
Total Increase	7,164,480	2.3%



GENERAL FUND EXPENDITURES BY DEPARTMENT

	2021-22 Adopted	2022-23 Adopted	2023-24 Adopted	2024-25 Adopted	2025-26 Proposed	% Variance
City Council	841,003	909,554	924,218	931,993	903,038	-3.1%
City Clerk	1,080,305	1,265,760	1,191,331	1,310,158	1,212,860	-7.4%
City Attorney	2,725,458	2,350,264	2,526,824	2,661,605	2,581,181	-3.0%
City Manager	4,571,940	5,992,008	6,760,029	7,392,972	7,342,147	-0.7%
Human Resources	3,448,725	3,440,696	3,770,070	3,937,952	3,916,731	-0.5%
Finance	9,667,618	9,982,311	10,275,379	10,476,613	10,645,852	1.6%
Police	67,401,926	71,622,531	73,415,698	78,156,707	77,013,689	-1.5%
Fire	55,861,885	60,255,549	64,405,996	65,865,961	67,462,807	2.4%
Community Development	12,772,405	13,798,699	14,937,632	17,233,367	17,398,688	1.0%
Library	9,655,108	9,432,008	10,259,001	10,818,892	10,470,904	-3.2%
Recreation and Senior Services	13,360,496	13,627,977	15,394,067	16,151,132	15,969,119	-1.1%
Public Works	41,305,237	44,397,921	46,594,485	48,680,984	51,243,847	5.3%
Utilities	5,144,631	5,649,416	5,982,258	6,156,003	6,504,623	5.7%
Miscellaneous Non-Operating	126,896	3,795,710	2,991,226	2,228,689	2,528,547	13.5%
Vacancy Factor	(2,000,000)	(2,000,000)				0.0%
SubTotal	225,963,632	244,520,405	259,428,214	272,003,027	275,194,034	1.2%
Transfers Out	20,200,000	31,597,269	34,489,271	39,255,611	43,229,084	10.1%
Total	246,163,632	276,117,674	293,917,485	311,258,638	318,423,118	2.3%



GENERAL FUND TRANSFERS OUT

	2021-22 Adopted	2022-23 Adopted	2023-24 Adopted	2024-25 Adopted	2025-26 Proposed	% Variance
General Fund CIP	5,700,000	5,530,000	6,000,000	6,500,000	6,500,000	0%
Facilities Financing Plan (FFP)	8,500,000	8,600,000	444,141	1,285,152	6,778,085	427.4%
Harbor & Beaches Master Plan	4,500,000	4,600,000	4,715,000	5,832,875	5,978,697	2.5%
Facilities Maintenance Plan (FMP)	1,500,000	2,500,000	2,500,000	2,500,000	2,500,000	0.0%
Tidelands Operating Fund		9,987,817	11,152,510	12,256,805	10,611,825	-13.4%
Parks Specific CIP Projects			1,000,000	2,300,000	2,300,000	0%
Fire Equipment Fund		379,452				0.0%
Debt Service Fund			8,677,620	8,580,779	8,560,477	-0.2%
Total	20,200,000	31,597,269	34,489,271	39,255,611	43,229,084	10.1%

- Transfer to FFP based on 3% of revenues per policy. Increased by \$1 million in FY 2024-25. Proposed increase of additional \$5 million, as presented with the FFP update on March 13th.
- Transfer to Tidelands decreased due to lower CIP projects in FY2025-26



GENERAL FUND INTERNAL SERVICE FUND CHARGES

- Insurance charges are increasing due to increasing premiums, particularly Workers Compensation which increased by 10%
- OPEB reflecting decrease due to being fully funded
- Compensated Absences is based on 3.5% of fulltime salaries, increases are due to COLAs, Merit Increases, and new positions added.

	FY 22 Adopted	FY 23 Adopted	FY 24 Adopted	FY 25 Adopted	FY26 Proposed	% Variance
Information Technology	6,595,085	6,888,238	7,358,798	7,477,883	7,644,141	2.2%
Vehicle Replacement	3,327,141	3,922,740	3,730,547	3,844,299	3,971,852	3.3%
Equipment Replacement	2,779,552	2,822,871	3,159,080	3,144,267	3,297,128	4.9%
Insurance	7,866,768	10,777,438	11,199,865	12,804,430	14,219,462	11.05%
OPEB	4,510,345	3,778,920	3,964,953	3,974,618	359,610	-91%
Compensated Absences	2,481,372	2,562,839	2,716,447	2,957,695	2,993,392	1.15%
Total	\$ 27,560,262	\$ 30,753,045	\$ 32,129,690	\$ 34,203,192	\$32,485,585	-5.0%





PROGRAM ENHANCEMENTS & STAFFING CHANGES

SUMMARY OF RECOMMENDED ENHANCEMENTS

Fund Name	Department	Description	Budget Increase
Uninsured Claims Fund	City Attorney	Prosecutorial Services	130,000
General Fund	Community Development	Re-Class FT Mgmt Analyst to Sr Mgmt Analyst	11,364
General Fund	Community Development	Re-Class Senior Planner to Principal Planner	10,499
General Fund	Community Development	Budget Position at Associate Planner Level	11,614
General Fund	Community Development	New Vehicle	30,500
General Fund	Community Development	Full Time Management Analyst	140,056
IT Fund	CMO/IT	Addition of Cybersecurity - IT Engineer	218,628
IT Fund	CMO/IT	Re-Class Sr. IT Analyst to GIS Coordinator	-
General Fund	Finance	Re-Class Mgmt Analyst to Sr Mgmt Analyst	10,060
General Fund	Finance	Conversion of Buyer to Senior Buyer	11,309
General Fund	Finance	Additional 0.10 FTE to Part Time Sr Fiscal Clerk	17,437
General Fund	Fire	Fire Station Maintenance Account Consolidation and Increase	82,300
General Fund	Fire	Increase EMS Supply/Billing Budgets	-
General Fund	Fire	ISF Equipment Contribution Increases	50,000
General Fund	Fire	Title Change: Training Battalion Chief to Administrative Services Division Chief	-



SUMMARY OF RECOMMENDED ENHANCEMENTS (CONT.)

Fund Name	Department	Description	Budget Increase
General Fund	Fire	Lifeguard Officer PT to FT Conversion	89,949
General Fund	Fire	Senior Fiscal Clerk to Fiscal Specialist	(616)
Tidelands& Submerged Lands Fund	Harbor	Additional (Used) Patrol Vessel	20,000
Tidelands& Submerged Lands Fund	Harbor	Administrative Assistant to Management Analyst	5,900
Tidelands& Submerged Lands Fund	Harbor	Convert Code Enforcement Trainee Positions to CEO I and CEO II Positions	24,558
Tidelands& Submerged Lands Fund	Harbor	Increase Training and Travel Budgets	13,000
General Fund	Human Resources	Increase Recruitment and Physical Budgets	75,000
General Fund	Human Resources	Increase Wellness Program and Benefits Budgets	10,000
General Fund	Library	0.96 P/T Library Clerk II	64,086
General Fund	Library	Cultural Arts Division Funding for 3-Year Sculpture Exhibition Period	79,080
General Fund	Police	Increased Flock ALPR Data Storage	21,900
General Fund	Police	Tactical Emergency Medical Services (TEMS) Program	5,000
General Fund	Police	Wildlife Care Expenses	27,600
General Fund	Police	LEADS Online Database	15,561
General Fund	Police	Vehicle Washing Expenses	35,262



SUMMARY OF RECOMMENDED ENHANCEMENTS (CONT.)

Fund Name	Department	Description	Budget Increase
Asset Forfeiture	Police	Ongoing CIC Technology Support	-
General Fund	Public Works	Additional Staffing and Funding to Facilitate Facilities Maintenance	82,948
General Fund	Public Works	Facilities Maintenance	125,000
General Fund	Public Works	Reclass PT Maintenance Aides to PT Maintenance Workers to Support Enhanced Summer Maintenance	33,446
General Fund	Public Works	Reclass FT Senior Civil Engineer to FT Management Analyst	(46,199)
General Fund	Public Works	Municipal Operations Divisions Classification Study Report	28,639
General Fund	Public Works	Reclass Equipment Operator II to Public Works Crew Chief and Enable Independently Functional Concrete and Repair Crews	3,948
General Fund	Public Works	Flex Position Budget Ipdade - Analyst Series	6,993
General Fund	Public Works	Increase Parks Hazard and Mitigation Account	250,000
General Fund	Public Works	Increase Professional Services Budget for Contractor Inspector Needs	150,000
Equipment Fund	Public Works	Additional Equipment Operations Budget for Automobile Parts, Materials and Supplies, and Outside Maintenance Labor	75,000
General Fund	Recreation and Senior Services	Reclass Park Patrol Officers to Rec Coordinators	6,717



SUMMARY OF RECOMMENDED ENHANCEMENTS (CONT.)

Fund Name	Department	Description	Budget Increase
General Fund	Recreation and Senior Services	Lecture Hall staffing and maintenance	47,789
General Fund	Recreation and Senior Services	OASIS Garden Club Supplies	(1,300)
General Fund	Recreation and Senior Services	OASIS Fitness Center Revenue/Expenditure Increase	-
General Fund	Recreation and Senior Services	North Star Beach Summer Restrooms	18,000
Wastewater Fund	Utilities	Sewer Video Inspection Services - Contract/SSMP	166,375
General Fund	Utilities	Reclass (3) Equip Operator II & (1) Maint Wrk to Sr. Util Specialist and Util Specialist	29,163
Water Fund	Utilities	Convert Dept. Assistant to Management Analyst	49,362
General Fund Total			1,533,106
Grand Total			2,235,929



PROPOSED ADDITIONAL STAFFING ENHANCEMENTS

Fund	Department	Item Description	Full-Time FTE Change	Part-Time FTE Change
General Fund	Community Development	Re-class Management Analyst to Senior Management Analyst	-	-
	Community Development	Re-class Senior Planner to Principal Planner	-	-
	Community Development	Re-class Assistant Planner to Associate Planner	-	-
	Community Development	Increase Management Analyst	1.00	-
	Finance	Re-class Management Analyst to Senior Management Analyst	-	-
	Finance	Convert Buyer to Senior Buyer	-	-
	Finance	Addition of 0.10 FTE to Part Time Sr Fiscal Clerk	-	0.10
	Fire	Training Battalion Chief to Administrative Services Division Chief	-	-
	Fire	Part Time Lifeguard Officer to Full Time	3.00	(2.25)
	Fire	Senior Fiscal Clerk to Fiscal Specialist	-	-
	Library	Increase Part Time Library Clerk	-	0.96
	Library	Transfer Facilities Maintenance Technician to Public Works	(1.00)	-
	Public Works	Addiiton of Public Works Crew Chief	1.00	-
	Public Works	Facilities Maintenance Worker to Facilities Maintenance Technician	-	-
	Public Works	Increase Full Time Facilities Maintenance Technician (from Library)	1.00	-
	Public Works	Increase Full Time Facilities Maintenance Technician (from RSS)	1.00	-
	Public Works	Increase Part Time Facilities Maintenance Technician (from RSS)	-	0.45
	Public Works	Increase Part Time Facilities Maintenance Worker II	-	0.30
	Public Works	Part Time Maintenance Aide to Maintenance Worker	-	-
	Public Works	Water Quality Coordinator to Management Analyst (Sustainability Coordinator)	-	-
	Public Works	Full Time Equipment Operator I to Maintenance Operator	-	-
	Public Works	Full Time Equipment Operator II to Senior Maintenance Operator (8)	-	-
	Public Works	Full Time Maintenance Worker I to Maintenance Worker (7)	-	-
	Public Works	Full Time Maintenance Worker I to Concrete Finisher	-	-
	Public Works	Full Time Maintenance Worker II to Full Time Maintenance Operator (6)	-	-
	Public Works	Full Time Senior Maintenance Operator to Public Works Crew Chief	-	-
	Public Works	Full Time Assistant Management Analyst to Full Time Management Analyst	-	-

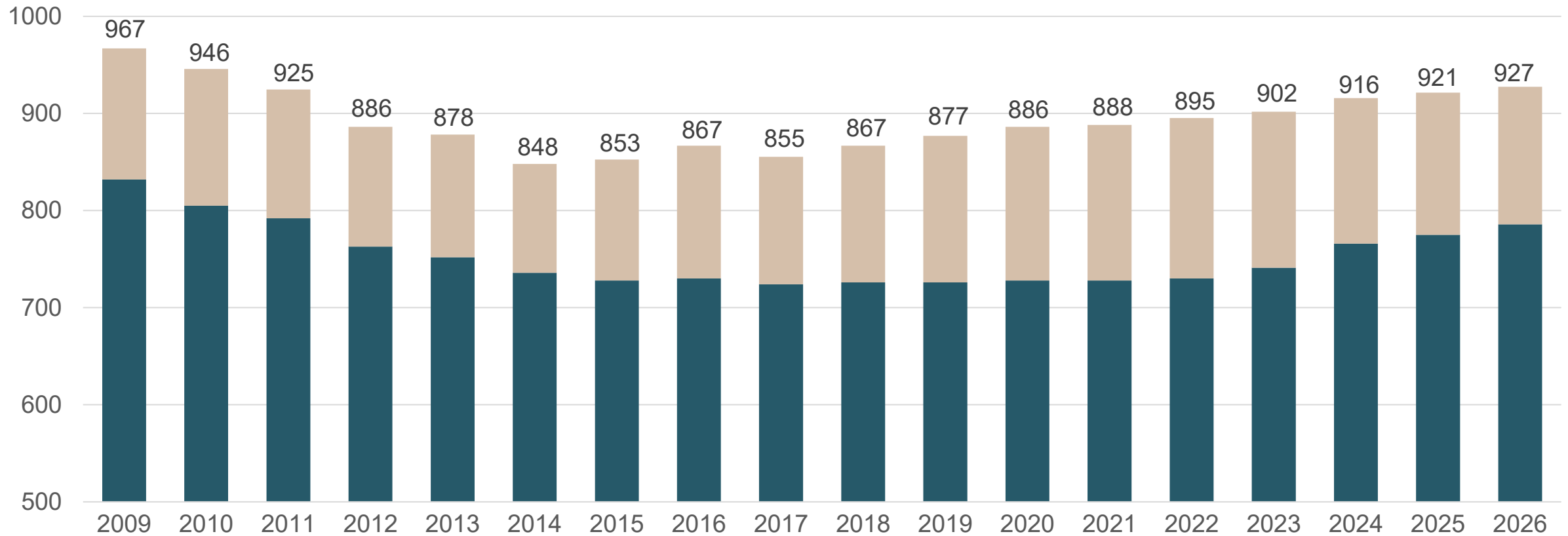


PROPOSED ADDITIONAL STAFFING ENHANCEMENTS (CONT.)

General Fund (cont.)	Recreation and Senior Services	Part TimePark Patrol Officer to Assistant Recreation Coordinator	-	(0.40)
	Recreation and Senior Services	Full Time Park Patrol Officer to Assistant Recreation Coordinator	-	-
	Recreation and Senior Services	Full Time Lead Park Patrol Officer to Recreation Supervisor	-	-
	Recreation and Senior Services	Increase Part Time Senior Recreation Leader	-	0.50
	Recreation and Senior Services	Increase Part Time Assistant Recreation Coordinator	-	0.75
	Recreation and Senior Services	Decrease Full Time Facilities Maintenance Technician (Transfer to PW)	(1.00)	-
	Recreation and Senior Services	Decrease Part Time Facilities Maintenance Worker II (Transfer to PW)	-	(0.45)
	Utilities	Full Time Equipment Operator II to Senior Utilities Specialist (3)	-	-
	Utilities	Full Time Maintenance Worker I to Utilities Specialist	-	-
	Total General Fund			5.00
Water	Utilities	Part Time Department Assistant to Full Time Management Analyst	1.00	(1.00)
		Total Water Fund	1.00	(1.00)
Information Technology	Information Technology	Senior IT Analyst to GIS Coordinator	-	-
	Information Technology	Full Time IT Engineer - Cybersecurity	1.00	-
	Total IT Fund		1.00	-
Tidelands	Harbor	Convert Adminstrative Assistant to Management Analyst	-	-
	Harbor	Part Time Code Enforcement Trainee to Code Enforcement Officer I	-	-
	Harbor	Part Time Code Enforcement Trainee to Code Enforcement Officer II	-	-
Total Tidelands Fund			-	-
Total Personnel Program Enhacements			7.00	(1.04)



CHANGES IN TOTAL STAFFING 2009 – NOW





PERFORMANCE MEASURES

PERFORMANCE MEASURES

- Implemented as component to qualify for the GFOA Budget Award
- Useful tool for departments to track performance
- Each departments measures are unique to their operations
- Examples of measures in departments
 - Finance – Average turnaround time from requisitions to purchase orders
 - Police – Average response time for Priority 1 & 2 calls
 - Public Works – Percentage of refuse collected that is diverted (recycled or composted)
 - Utilities – Percentage of sewer mainlines cleaned annually





GENERAL FUND RESERVES AND SURPLUS

GENERAL FUND SOURCES AND USES

	FY 2024-25 Projected	FY 2025-26 Proposed
Beginning Unrestricted Fund Balance	\$ 15,752,275	\$ -
Operating Revenues & Transfers In	\$ 323,420,032	\$ 332,457,397
Operating Expenditures & Transfers Out	\$ (315,826,017)	\$ (318,423,118)
Repayment of Advances	\$ 1,250,000	\$ 1,250,000
Prior Year Resources Carried Forward	\$ 6,786,845	\$ -
Non-Operating Transfers Out	<u>\$ (13,924,578)</u>	\$ -
Preliminary Ending Unrestricted Fund Balance	\$ 17,458,557	\$ 15,284,280



RECAP: KEY MESSAGES

- Proposed General Fund budget for FY 2025-26 is balanced
- Updated and comprehensive savings plans for long-term capital needs
- Maintained pension UAL payment of \$40 million, recommending funding additional \$5 million with year-end surplus, resulting in paydown of the liability in 2033
- Structural General Fund budget surplus of \$15.3 million is projected for FY 2025-26 subject to the Council's direction as to possible additional resource allocations



QUESTIONS?

