



CITY OF NEWPORT BEACH SPECIAL JOINT MEETING OF THE CITY COUNCIL AND FINANCE COMMITTEE AGENDA

**COUNCIL CHAMBERS - 100 CIVIC CENTER DRIVE, NEWPORT BEACH, CA 92660
TUESDAY, MAY 26, 2026 - 4:00 P.M.**

City Council Members:

**Lauren Kleiman, Mayor
Noah Blom, Mayor Pro Tem
Michelle Barto, Councilmember
Joe Stapleton, Councilmember
Robyn Grant, Councilmember
Sara J. Weber, Councilmember
Erik Weigand, Councilmember**

Finance Committee Members:

**Joe Stapleton, Chair / Councilmember
vacant, Councilmember
Sara J. Weber, Councilmember
Allen Cashion, Committee Member
William Collopy, Committee Member
William Kenney, Committee Member
Kory Kramer, Committee Member**

NOTICE TO THE PUBLIC

The City Council and Finance Committee are 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 a special meeting and that the public be allowed to comment on agenda items before the City Council and Finance Committee, and items not on the agenda but are within the subject matter jurisdiction of the City Council and Finance Committee. The City Council and Finance Committee may limit public comments to a reasonable amount of time, generally three minutes per person.

The City of Newport Beach's goal is to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, we will attempt to accommodate you in every reasonable manner. Please contact City Clerk staff prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible (949-644-3005 or cityclerk@newportbeachca.gov).

LEVINE ACT

Under the Levine Act, Section 84308 of the Government Code, a party to a proceeding before the City involving a contract (other than competitively bid, labor, or personal employment contracts), franchise, license, permit, or other entitlement for use, is required to disclose on the record of the proceeding any contribution in an amount of more than five hundred dollars (\$500) made within the preceding 12 months by the party or the party's agent to any elected or appointed officer of the City. If you have made a qualifying contribution, please ensure to make this disclosure on the record.

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 City Clerk 24 hours prior to the scheduled meeting.

I. **CALL MEETING TO ORDER**

II. **ROLL CALL**

III. **CURRENT BUSINESS**

1. **Review of the Proposed Fiscal Year 2026-27 Operating Budget**

Staff will be reviewing the revenue assumptions, expenditure requirements, and program enhancement recommendations included within the proposed budget, as well as any revisions required to the proposed budget as originally distributed.

IV. **PUBLIC COMMENTS**

Public comments are invited on non-agenda items generally considered to be within the subject matter jurisdiction of the City Council and Finance Committee. Speakers must limit comments to three minutes. Before speaking, we invite, but do not require, you to state your name for the record. The City Council and Finance Committee have the discretion to extend or shorten the speakers' time limit on non-agenda items, provided the time limit adjustment is applied equally to all speakers.

V. **ADJOURNMENT**

Testimony given before the City Council is recorded.

PLEASE TURN CELL PHONES OFF OR SET IN SILENT MODE

OVERVIEW OF PROPOSED FY2026-27 BUDGET

May 26, 2026

Joint City Council/Finance Committee Study Session





PRINCIPLES GUIDING DEVELOPMENT OF THE BUDGET

- Budget Priorities:
 - Provide high-quality municipal services that residents expect
 - Maintain safe and secure neighborhoods
 - Preserve Newport Beach's appearance and quality of life
 - Ensure a fiscally sustainable and economically viable city
- Additional Focus:
 - Continue reducing long-term liabilities
 - Ensure adequate funding for infrastructure maintenance and replacement
 - Address City Council priorities identified at the January 31, 2026, Planning Session



OPPORTUNITIES FOR PUBLIC ENGAGEMENT & CITY COUNCIL REVIEW OF THE BUDGET

Date	Meeting Type	Meeting Purpose
Thursday, January 15, 2026	Finance Committee Meeting	Long-Range Financial Forecast (LRFF) update
Saturday, January 31, 2026	Special City Council Meeting	City Council Planning Session
Tuesday, March 10, 2026	City Council Study Session	Early Look at CIP Budget
Thursday, April 16, 2026	Finance Committee Meeting	Overview of Proposed Fiscal Year 2026-27 Revenues and Expenditures
Thursday, May 14, 2026	Finance Committee Meeting	Follow-up Discussion of Proposed Budget & Committee Recommendation to Council
Tuesday, May 26, 2026	Joint City Council/Finance Committee Study Session	FY 2026-27 Operating Budget Review
Thursday, May 28, 2026	Finance Committee Meeting	Final Committee Recommendation to the Council on the Proposed Budget, if Substantive Changes Occur Following the Joint Meeting
Tuesday, June 9, 2026	City Council Public Hearing	Adoption of FY 2026-27 Budget





ALL FUNDS BUDGET OVERVIEW

SUMMARY OF ALL FUNDS – OPERATING AND CAPITAL EXPENDITURES

EXPENDITURE CATEGORY	PROPOSED BUDGET
Operating Expenditures:	
Salaries & Benefits	\$227,526,744
Maintenance & Operations	164,426,516
Debt Service	10,504,260
Transfers	<u>73,067,012</u>
Total Operating Budget	\$475,524,532
Capital Improvements	<u>47,840,000</u>
TOTAL	\$523,364,532



OPERATING EXPENDITURES BY FUND

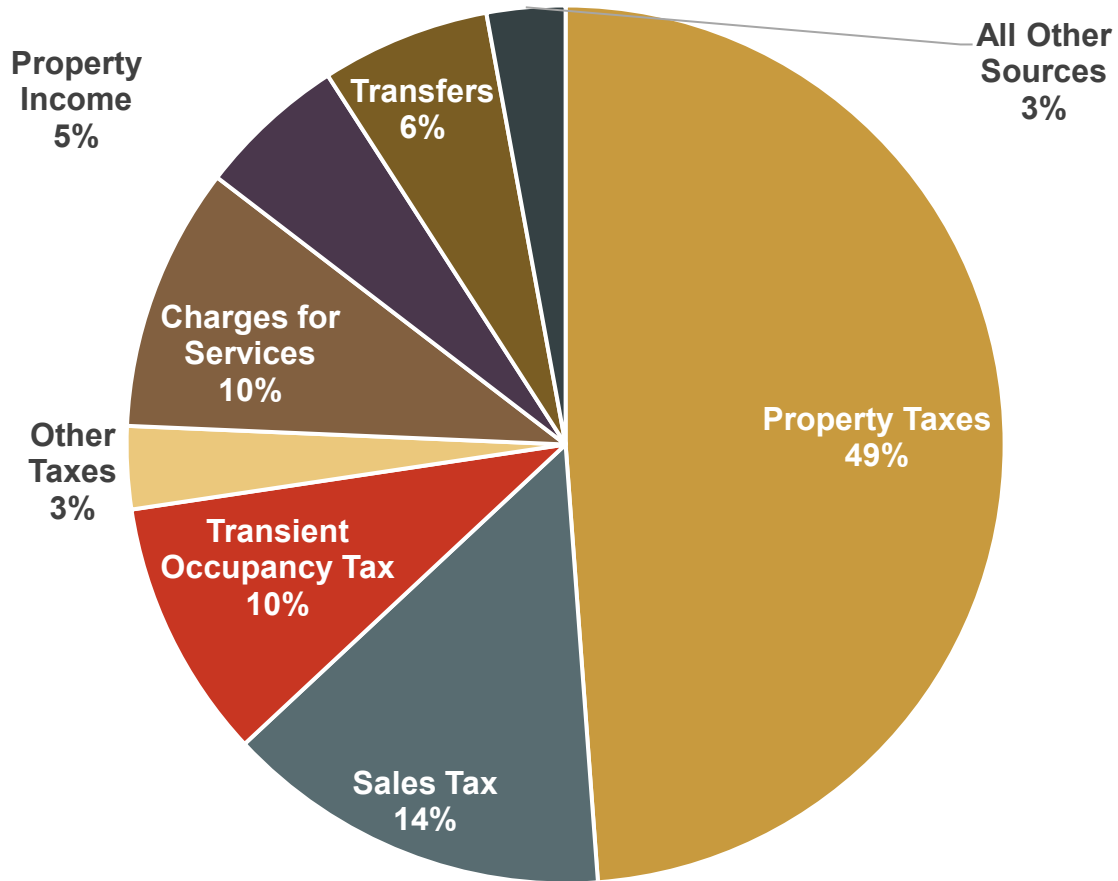
FUND	OPERATING EXPENDITURES
General Fund	\$348,389,578
Tidelands Fund	\$27,211,964
Water Fund	\$43,576,142
Wastewater Fund	\$6,058,612
Other Funds	\$50,288,236
TOTAL	\$475,524,532





GENERAL FUND BUDGET OVERVIEW

GENERAL FUND REVENUE SOURCES

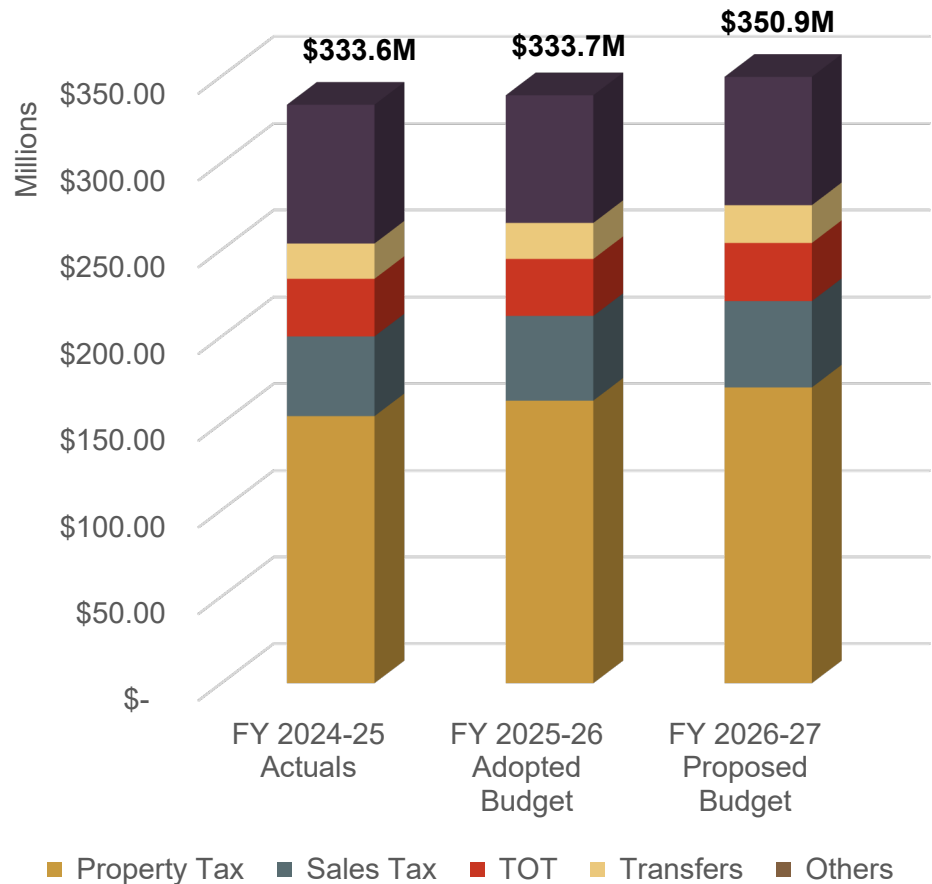


FY 2026-27 GENERAL FUND REVENUES

2025-26 Adopted **\$ 333.7 million**

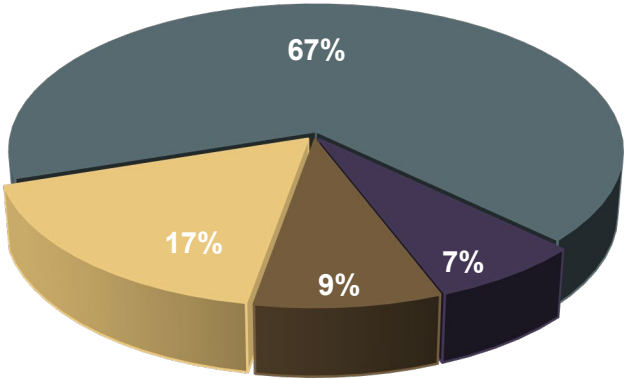
2026-27 Proposed **\$ 350.9 million**

- Projected revenues for FY 2026-27 are \$17.2 million (5.2%) higher than the FY 2025-26 adopted budget.
- Primary drivers of revenue growth include:
 - Property Tax + \$10.7 million (6.7%)
 - Sales Tax + \$2.4 million (5.2%)
 - Service Fee and Charges + \$1.1 million (4.3%)



PROPERTY TAX REVENUE

- Represents approximately 50% of General Fund Revenues
- The City receives 17% of the 1% property tax (share varies by city)
 - Newport Beach has the third highest share in Orange County, behind Santa Ana and Laguna Beach
 - Assessed value is a key driver of revenue
 - A strong tax share and high assessed values support fiscal stability
- The City has the second-largest assessed valuation in Orange County (behind Irvine, ahead of Anaheim)
- Projected assessed valuation is \$87.8 billion in FY 2026–27 (4% increase)

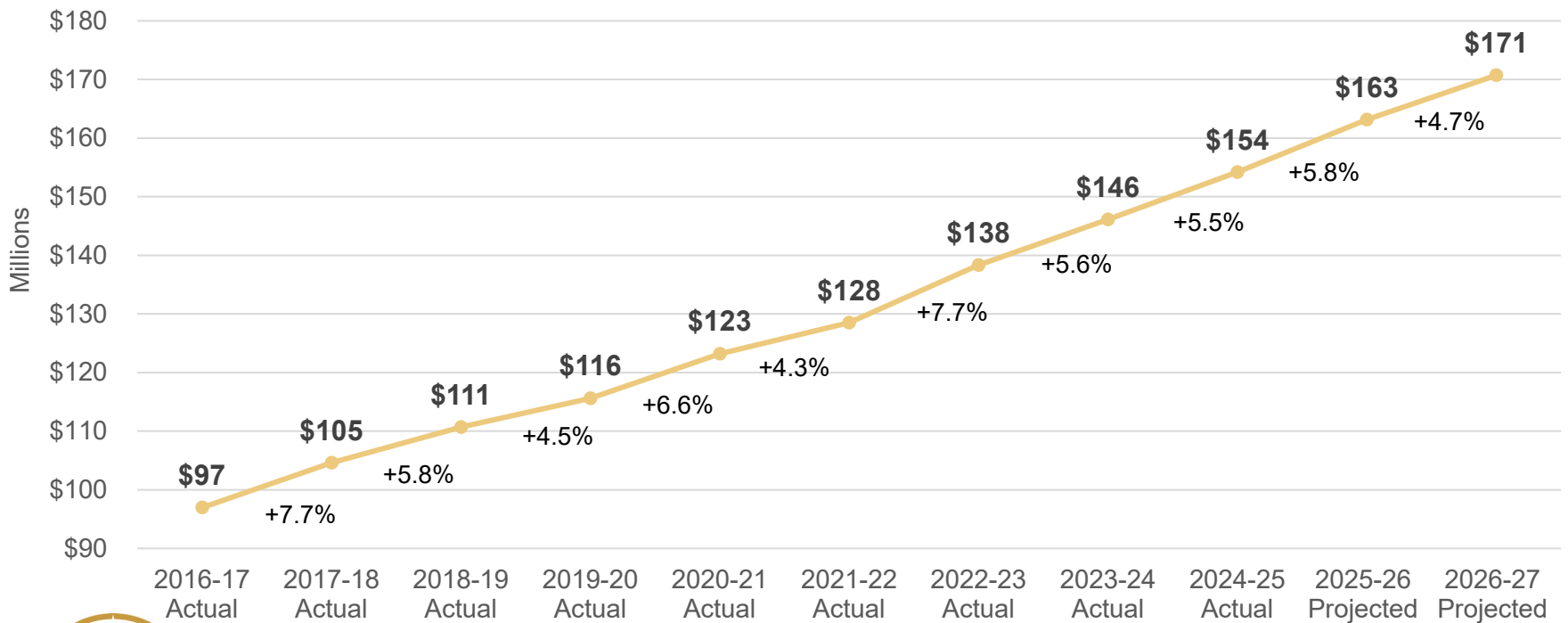


■ City of Newport Beach ■ Schools
■ County of Orange ■ Special Districts

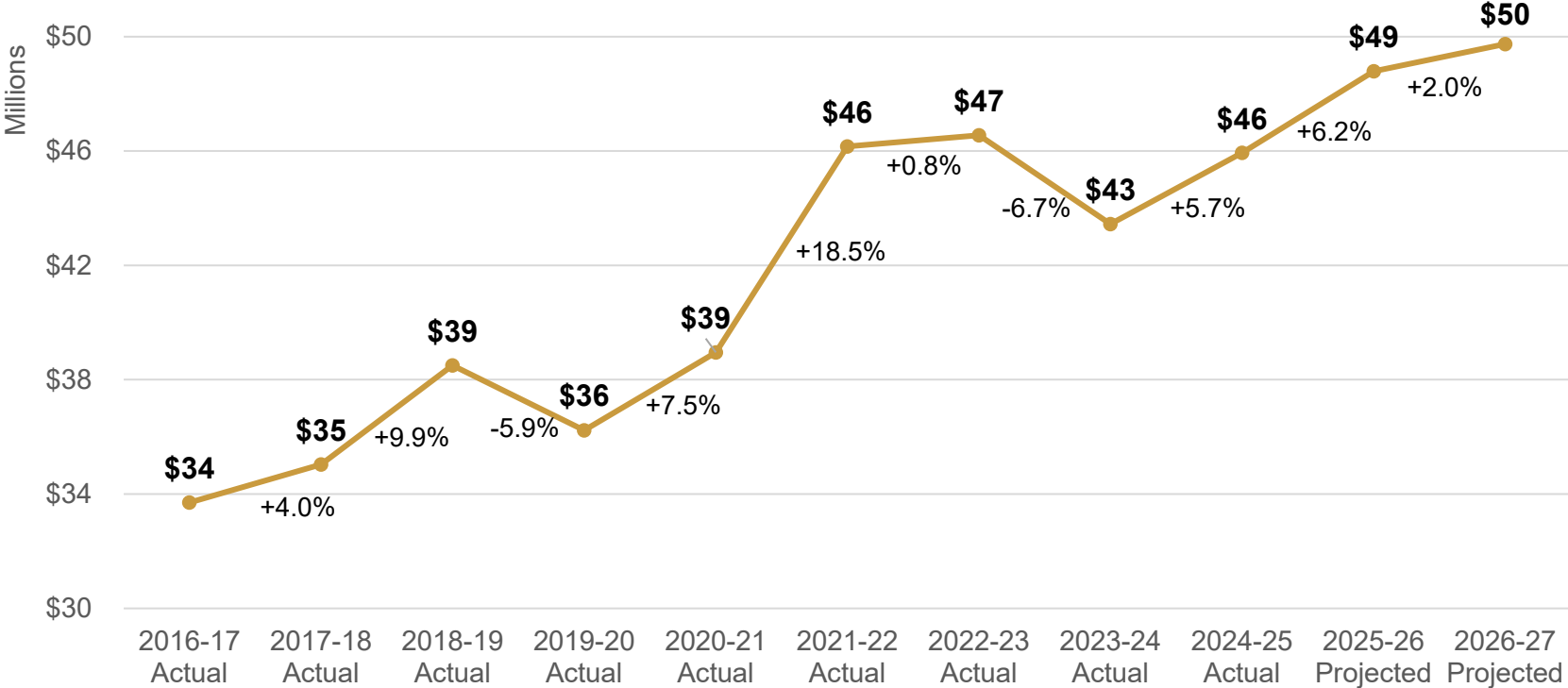


PROPERTY TAX REVENUE

- Property tax revenue has grown steadily over the past decade and is projected to increase further in FY 2026–27, driven by Proposition 13 inflationary adjustments, property turnover, and new development.



SALES TAX REVENUE

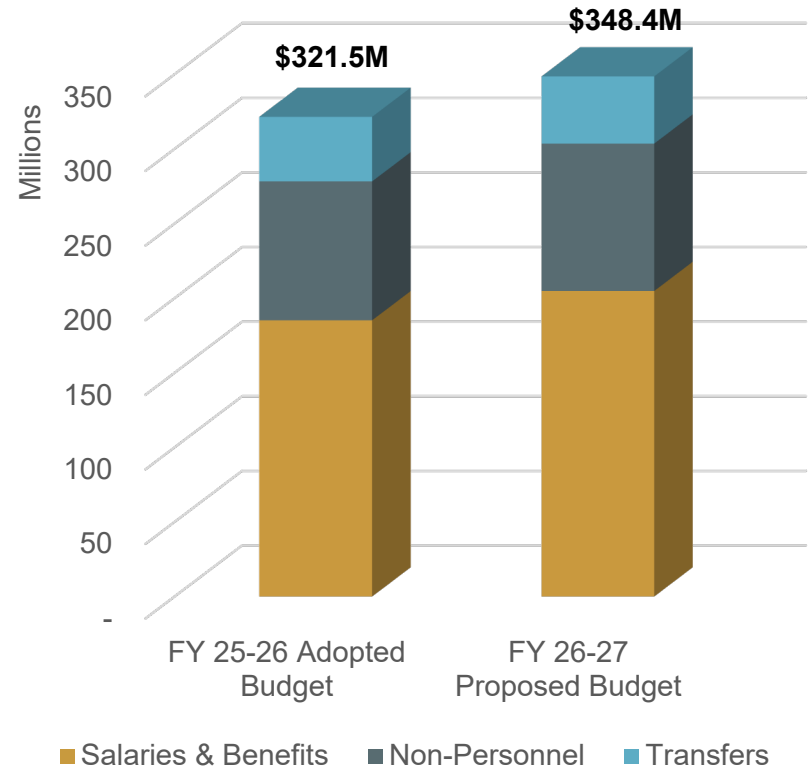


GENERAL FUND EXPENDITURES FOR FY 2026-27

2025-26 Adopted Budget \$ 321.5 million

2026-27 Proposed Budget \$ 348.4 million

- The Proposed Budget for FY 2026-27 includes:
- An 8.4% increase over the FY 2025-26 adopted budget
- \$40 million allocated to paying down the City’s unfunded pension liability
- \$1.5 million in program enhancements



SIGNIFICANT REASONS FOR BUDGET GROWTH OF 8.4%

	Amount	% Increase Relative to FY 2025-26 Adopted Budget
Routine Compensation Cost Increases (COLAs, etc.)	\$19,641,858	6.1%
Increases in Internal Service Charges	1,689,080	0.5%
Increases in Operating & Capital Transfers	1,572,212	0.5%
Increase in Cost for the WISE County Landfill Agreement	1,552,339	0.5%
GF Program Enhancements	1,552,562	0.5%
Other Cost Increases	890,457	0.3%
Total Increase	\$26,898,508	8.4%

Note: Percentages reflect each item's increase divided by the total FY 2025-26 adopted General Fund budget (\$321.5M), not the percent change within each expenditure category.



GENERAL FUND EXPENDITURES BY DEPARTMENT

Department	2023-24 Adopted	2024-25 Adopted	2025-26 Adopted	2026-27 Proposed	% Variance
City Council	\$ 924,218	931,993	903,038	928,943	2.9%
City Clerk	1,191,331	1,310,158	1,212,948	1,261,238	4.0%
City Attorney	2,526,824	2,661,605	2,578,486	3,525,280	36.7%
City Manager	6,760,029	7,392,972	7,341,829	7,697,302	4.8%
Administrative Services*	14,045,449	14,414,565	14,563,749	14,008,827	-3.8%
Police	73,415,698	78,156,707	77,189,382	88,871,563	15.1%
Fire	64,405,996	65,865,961	70,349,121	73,693,415	4.8%
Community Development	14,937,632	17,233,367	17,390,481	18,963,898	9.0%
Library	10,259,001	10,818,892	10,495,210	11,314,378	7.8%
Recreation and Senior Services	15,394,067	16,151,132	15,967,058	17,517,740	9.7%
Public Works*	12,732,652	13,966,846	14,041,566	15,021,625	7.0%
Municipal Operations*	33,861,833	34,714,137	37,203,926	41,901,283	12.6%
Utilities	5,982,258	6,156,003	6,504,144	6,777,768	4.2%
Miscellaneous Non-Operating	2,991,226	2,228,689	2,528,547	2,105,023	-16.7%
SubTotal	\$259,428,214	272,003,027	278,269,486	303,588,283	9.1%
Transfers Out	34,489,271	39,255,611	43,229,083	44,801,295	3.6%
Total	\$293,917,485	311,258,638	321,498,569	348,389,578	8.4%



* Effective December 9, 2025, Finance and Human Resources were consolidated into the Administrative Services Department, and Municipal Operations was separated from Public Works to form a standalone department. The FY 25-26 and FY 26-27 budgets reflect these changes, and prior-year budgets (FY 23-24 and FY 24-25) have been restated for comparability.

GENERAL FUND TRANSFERS OUT

	2022-23 Adopted	2023-24 Adopted	2024-25 Adopted	2025-26 Adopted	2026-27 Proposed	% Variance
General Fund CIP	5,530,000	6,000,000	6,500,000	6,500,000	6,500,000	0.0%
Facilities Financing Plan (FFP)	-	444,141	1,285,152	6,778,085	6,981,427	3.0%
Harbor & Beaches Master Plan	4,600,000	4,715,000	5,832,875	5,978,697	6,128,164	2.5%
Facilities Maintenance Plan (FMP)	2,500,000	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	10,611,824	11,835,130	11.5%
Parks Maintenance Fund	-	1,000,000	2,300,000	2,300,000	2,300,000	0.0%
Debt Service Fund	8,600,000	8,677,620	8,580,779	8,560,477	8,556,574	0.0%
Total	\$31,217,817	\$34,489,271	\$39,255,611	\$43,229,083	\$44,801,295	3.6%

- Maintains the \$6 million increase in transfers from the GF to the FFP
- Tidelands Operating Fund transfer increases due to maintenance and CIP costs





PROGRAM ENHANCEMENTS & STAFFING CHANGES

SUMMARY OF RECOMMENDED ENHANCEMENTS

Fund Name	Department	Description	Expenditure Increase/(Decrease)
General Fund	Administrative Services	Reclass Senior Accountant to Principal Accountant	22,994
General Fund	Administrative Services	Flex Management Analyst to Senior	8,909
General Fund	Administrative Services	Additional \$25,000 for new employee benefits vendor Aaptiv app	25,000
Uninsured Claims	City Attorney's Office	Increase in Outside Counsel: Prosecution	50,000
General Fund	City Attorney's Office	Increase budget for Software License & Renewal	3,500
General Fund	City Attorney's Office	Outside Investigations	80,000
General Fund	City Attorney's Office	Reclass / Reorg Administrative Assistant to Management Analyst	18,383
General Fund	City Clerk's Office	Reduce Assistant City Clerk position	(172,653)
General Fund	Community Development	Reorg existing Building Inspector, Principal to a Building Inspector, Supervisor	16,143
General Fund	Fire	Increase budget for Personal Protective Equipment	115,000
General Fund	Fire	Increase budget for Emergency Preparedness	33,000
General Fund	Fire	Increases to Lifeguard Operations Budget	22,000
General Fund	Fire	Increase 1 FTE (Firefighter paramedics) - includes uniform and PPE cost	158,437
General Fund	Fire	5.25% Compensation Adjustment for the Fire Chief	22,758
General Fund	Fire	Reclass Lifeguard Training Captain to Lifeguard Battalion Chief	16,659
Tidelands Fund	Harbor	Budget Increase for Vessel Removal & Destruction	150,000
Tidelands Fund	Harbor	Resources to Operate Balboa Yacht Basin	170,048



SUMMARY OF RECOMMENDED ENHANCEMENTS (CONT.)

Fund Name	Department	Description	Expenditure Increase/(Decrease)
Tidelands Fund	Harbor	New and Upgraded Water Quality Sensing Buoys	15,552
Tidelands Fund	Harbor	Membership and participation in the Recreational Marina Association	5,500
Tidelands Fund	Harbor	FTE Increase in association with expansion of Professional Mariners Program with OCC	5,597
Equipment Replacement Fund	Harbor	Additional accrual for vessel replacement	150,000
Tidelands Fund	Harbor	Increase budget to account for increases from California Air Resources Board (CARB)	3,528
General Fund	Library	Downloadable materials like e-books, audiobooks, downloadable magazines and newspapers	50,000
General Fund	Library	Building Maintenance	33,500
General Fund	Library	Programming - Pacific Symphony performance	45,000
General Fund	Municipal Operations	Reduce Public Works Deputy Director, MOD Position	(302,167)
General Fund	Municipal Operations	Flex Positions - Maintenance Workers Budget at Maintenance Operator	45,955
Equipment Maintenance Fund	Municipal Operations	Flex Positions - Maintenance Workers Budget at Maintenance Operator	7,877
General Fund	Municipal Operations	Upgrade Maintenance Operator to Crew Chief	12,612
Environmental Liability	Municipal Operations	Additional Maintenance Budget for Water Wheel	100,000
General Fund	Municipal Operations	Parks - Additional Operating Budget	137,500
Equipment Maintenance Fund	Municipal Operations	Equipment Purchases	335,000
General Fund	Municipal Operations	Streets - Additional Striping Budget	50,000



SUMMARY OF RECOMMENDED ENHANCEMENTS (CONT.)

Fund Name	Department	Description	Expenditure Increase/(Decrease)
Equipment Maintenance Fund	Municipal Operations	Fleet - Additional Operating Budget	50,000
General Fund	Police	Investigative funds to support greatly expanded use of technology to create leads and solve more crimes.	45,000
General Fund	Police	Crossroads e-citation system, interfaces to RMS and hardware	83,500
Police Equipment Fund	Police	Implement auto-tagging for body-worn and in-car video, saving staff time and improving the speed and accuracy of video searches.	34,000
General Fund	Police	Increase funding to cover costs of hiring outside agencies for special events	100,000
General Fund	Police	Additional funding to support community events and outreach efforts	25,000
General Fund	Police	Upgrade to the Cellebrite forensic system	23,500
General Fund	Police	Uniform expenses	25,000
General Fund	Police	POST training funds	30,000
General Fund	Police	Patrol Division training funds for defensive tactics instructor proficiency	24,000
General Fund	Police	Detective Division training funds	10,000
General Fund	Police	Add two Police Officers (one for Fashion Island and one for CdM)	439,482
Police Equipment Fund	Police	4 New Lieutenant Vehicles	246,662
General Fund	Police	5.25% Compensation Adjustment for the Chief of Police	23,396
Water Fund	Public Works	New Associate Civil Engineer Position	197,220
Wastewater Fund	Public Works	New Associate Civil Engineer Position	21,913
General Fund	Public Works	Upgrade Office Assistant to Department Assistant	5,726



SUMMARY OF RECOMMENDED ENHANCEMENTS (CONT.)

Fund Name	Department	Description	Expenditure Increase/(Decrease)
General Fund	Public Works	Upgrade Two Associate Civil Engineers to Senior Civil Engineers	39,817
General Fund	Public Works	Reclass PT Assoc. Engineers to PT Assoc. Civil Engineers	16,463
General Fund	Public Works	Study PW Administrative Manager Position	-
General Fund	Recreation & Senior Services	Contract Class: Expenditure increase offset by higher revenues (net savings)	(\$55,852)
General Fund	Recreation & Senior Services	Facility Rentals: Expenditure increase more than offset by higher revenues (net savings)	(\$1,800)
General Fund	Recreation & Senior Services	Increase staff count (1 FT / 2.8 FTE) to operate the Animal Shelter	251,800
Water Fund	Utilities	New 2027 Water Rate Study	150,000
Wastewater Fund	Utilities	New 2027 Sewer Rate Study	100,000
General Fund	Utilities	Training Program - Supplemental Funding for Current Programs	25,000
Water Fund	Utilities	Training Program - Supplemental Funding for Current Programs	25,000
Wastewater Fund	Utilities	Training Program - Supplemental Funding for Current Programs	15,000
Water Fund	Utilities	Large Commercial Meter Replacement Program	60,000
Equipment Maintenance Fund	Utilities	Trailer-Mounted (Towable by Pick-up) Jetter Trailer	91,900
Water Fund	Utilities	Reclass Utilities Crew Chief to Utilities Inspector	6,855
General Fund Total			1,552,562
Grand Total			3,544,214



PROPOSED STAFFING ENHANCEMENTS

Fund	Department	Item Description	Full-Time FTE Change	Part-Time FTE Change
General Fund				
	Administrative Services	Reclassify Senior Accountant to Principal Accountant	-	-
	Administrative Services	Flexibly Staff Management Analyst to Senior Management Analyst	-	-
	City Attorney's Office	Reclassify Administrative Assistant to Management Analyst	-	-
	City Clerk's Office	Reduce Assistant City Clerk Position	(1.00)	-
	Community Development	Convert Principal Building Inspector to Supervising Building Inspector	-	-
	Fire	Add Firefighter Paramedic	1.00	-
	Fire	Reclassify Lifeguard Training Captain to Lifeguard Battalion Chief	-	-
	Fire	Transfer Police Emergency Coordinator from the Police Department	1.00	-
	Municipal Operations	Flexibly Staff Maintenance Workers to Maintenance Operators	-	--
	Municipal Operations	Convert Maintenance Operator to Crew Chief	-	-
	Municipal Operations	Reduce Public Works Deputy Director, MOD Position	(1.00)	-
	Police	Add x2 Police Officers	2.00	-
	Police	Transfer	-	-
	Police	Transfer Police Emergency Coordinator to the Fire Department	(1.00)	-
	Police	Transfer Park Patrol Officers from Recreation & Senior Services Department	2.00	-
	Police	Transfer Animal Control Officer to Recreation and Senior Services Department	(1.00)	-
	Police	Transfer Community Services Officer to Recreation and Senior Services Department	(1.00)	-
	Public Works	Reclassify Office Assistant to Department Assistant	-	-
	Public Works	Reclassify x2 Associate Civil Engineers to Senior Civil Engineers	-	-
	Public Works	Reclassify x2 Part-Time Associate Engineers to Part-Time Associate Civil Engineers	-	-
	Public Works	Add Associate Civil Engineer**	1.00	-

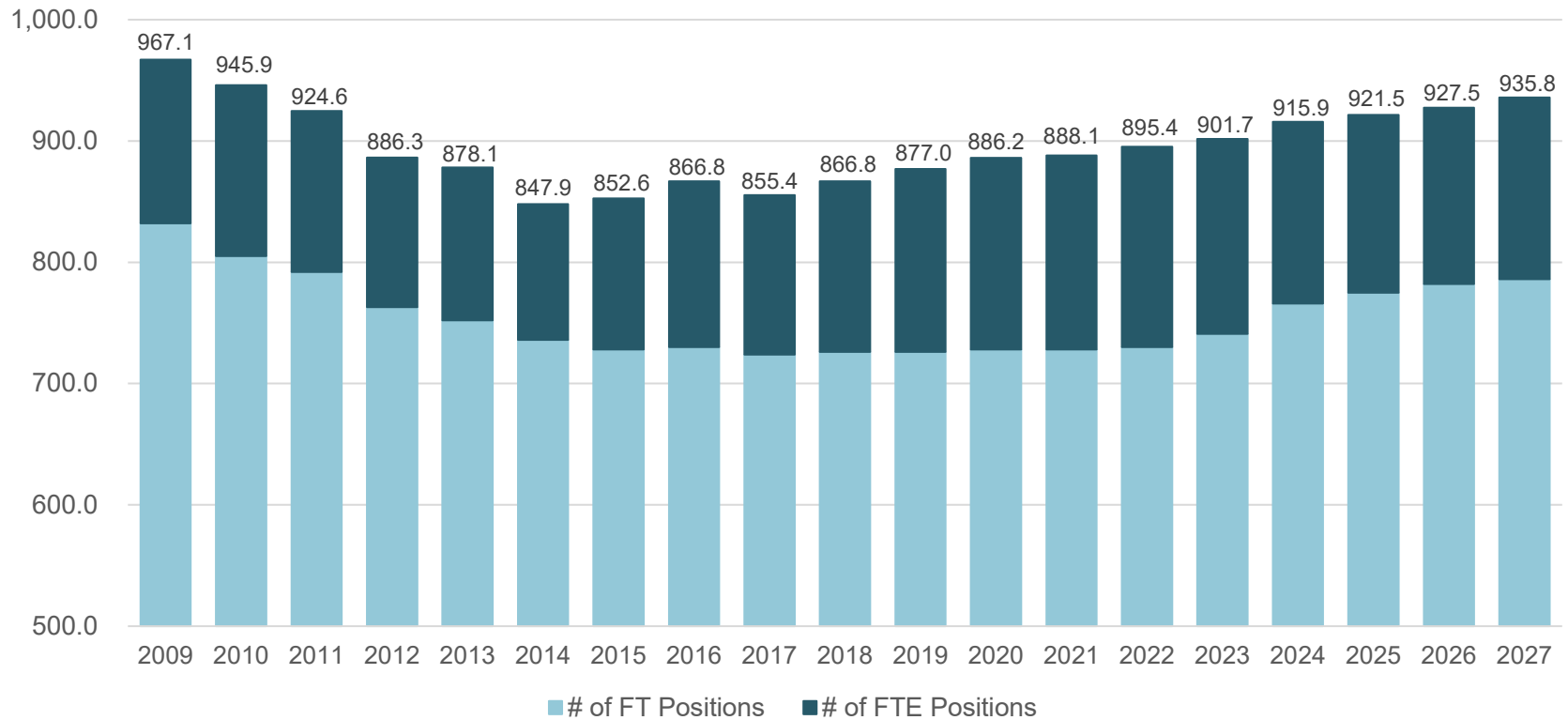


PROPOSED STAFFING ENHANCEMENTS

Fund	Department	Item Description	Full-Time FTE Change	Part-Time FTE Change
	Recreation & Senior Services	Add Recreation Coordinator	1.00	-
	Recreation & Senior Services	Add Assistant Recreation Coordinator	-	1.40
	Recreation & Senior Services	Add Senior Recreation Leader	-	1.40
	Recreation & Senior Services	Transfer Park Patrol Officers to Police Department	(2.00)	-
	Recreation & Senior Services	Transfer Animal Control Officer from Police Department	1.00	-
	Recreation & Senior Services	Transfer Community Services Officer to Recreation from Police Department	1.00	-
		Total General Fund	3.00	2.80
Tidelands				
	Harbor	Add Lead Harbor Safety Officer	1.00	-
	Harbor	Add Harbor Safety Officer	-	1.50
	Harbor	Increase Management Analyst FTE	-	0.05
Equipment Maintenance Fund				
	Municipal Operations	Flexibly Staff Maintenance Workers to Maintenance Operators	-	-
Water Enterprise Fund				
	Utilities	Reclassify Utilities Crew Chief to Utilities Inspector	-	-
		Total Other Funds	1.00	1.55
Total Personnel Program Enhancements			4.00	4.35
** Position is being funded through the Admin Service Charges that are collected in the Water and Wastewater Enterprise Funds.				



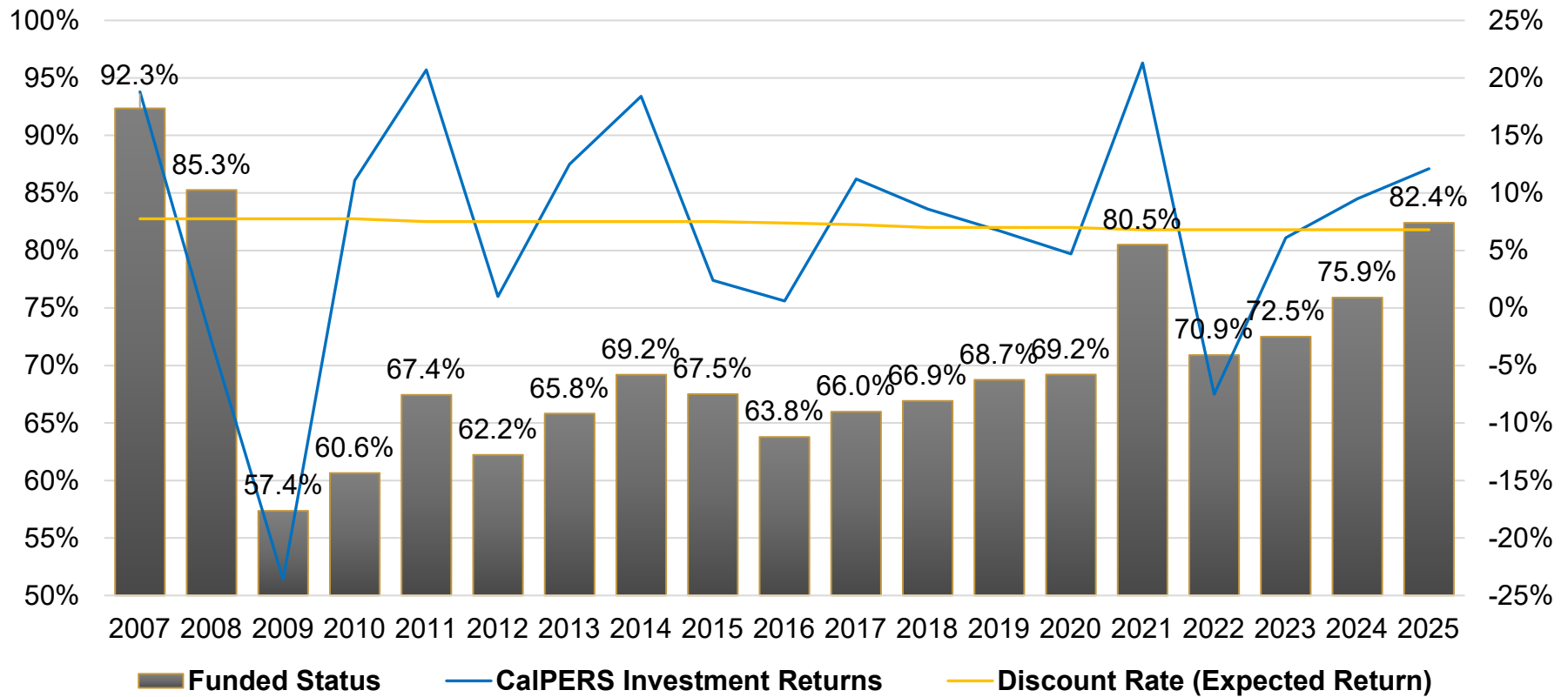
CHANGES IN TOTAL STAFFING 2009 – NOW





UNFUNDED PENSION LIABILITY

CALPERS INVESTMENT RETURNS & THE CITY'S PENSION FUNDED STATUS



PENSION LIABILITY PAYDOWN STRATEGY

- The Finance Committee and City Council revisit the UAL paydown strategy annually as part of the budget process.
- For Fiscal Year 2026-27, staff recommends a \$40 million allocation from the baseline budget, plus an additional \$5 million supplemental appropriation at fiscal year-end.
- Assuming CalPERS achieves a 6.8% annual investment return, the City's unfunded pension liability is projected to be fully paid off by FY 2032-33.
- In March 2026, the City deposited \$5 million into a Section 115 Pension Trust to complement the City's pension liability paydown strategy by helping stabilize future pension contribution volatility and diversify pension-related investments.
- No budget allocation is proposed at this time for additional contributions to the Section 115 Pension Trust; however, the City Council may revisit the matter during the next fiscal year in connection with a future update on the trust.





GENERAL FUND RESERVES AND SURPLUS

GENERAL FUND SOURCES AND USES

	FY 2025-26 Projected	FY 2026-27 Proposed
Beginning Unrestricted Fund Balance	\$ 25,714,088	\$ -
Operating Revenues & Transfers In	\$ 339,037,638	\$ 349,647,075
Operating Expenditures & Transfers Out	\$ (331,180,374)	\$ (348,389,578)
Repayment of Advances	\$ 1,250,000	\$ 1,250,000
Prior Year Resources Carried Forward	\$ 3,785,541	\$ -
Non-Operating Transfers Out	<u>\$ (25,714,088)</u>	<u>\$ -</u>
Preliminary Ending Unrestricted Fund Balance	\$ 12,892,805	\$ 2,507,497



RECAP: KEY MESSAGES

- The FY 2026–27 Proposed General Fund budget is balanced
- Continued investment in long-term infrastructure and capital needs
- Maintains \$40 million annual pension UAL contribution
- Structural surplus of approximately \$2.5 million projected, subject to Council direction



Questions and Council Feedback

