

City of Newport Beach General Fund Long Range Financial Forecast

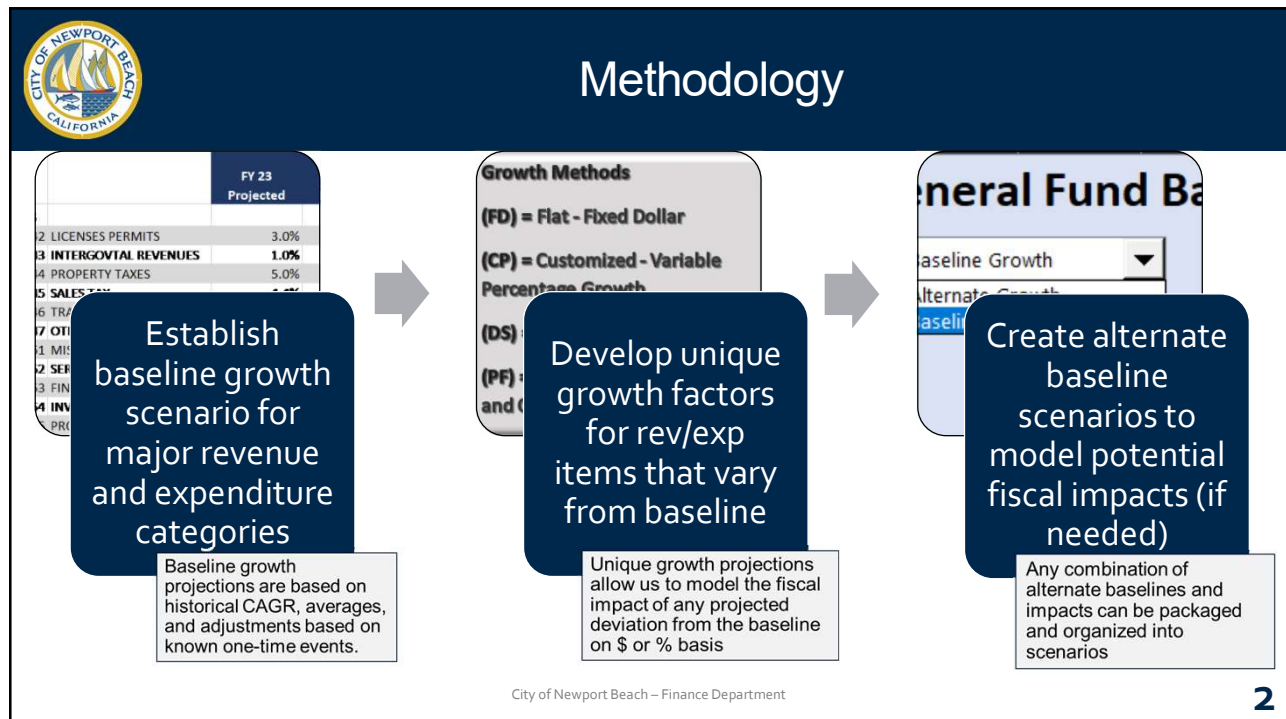
Fiscal Years 2023-2042



Finance
Committee

January 13, 2022

1



2

2



Major Assumptions

- The FY 2021-22 adopted budget, stripped of one-time items, was used as a base budget from which forward growth assumptions were projected
- Annual General Fund transfers out in support of:
 - ☐ FFP – \$8.5 million up to \$12.5 million in out years annually
 - ☐ CIP – \$5.0 million annually
 - ☐ Facilities Maintenance – \$1.5 million annually
 - ☐ Tidelands Harbor Capital – \$4.5 million annually
- Contingency Reserve funding annually (maintained at 25% of expenditures)
- No programming of future surpluses in projections – the forecast assumes all revenues and expenditures are fully realized as presented

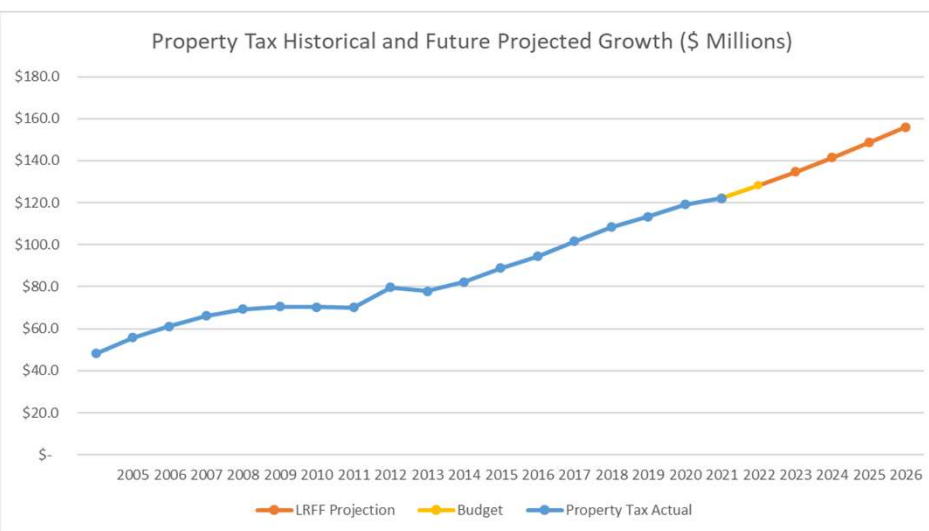
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3

3



Revenue Assumptions – Property Tax



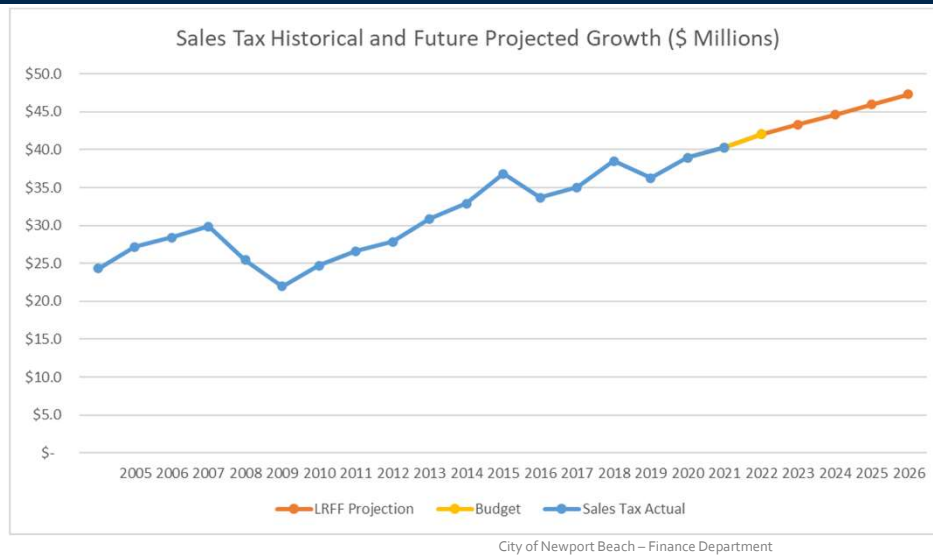
- Average annual historical growth: 6.1%
- Projected future growth: 5.0%

4

4



Revenue Assumptions – Sales Tax



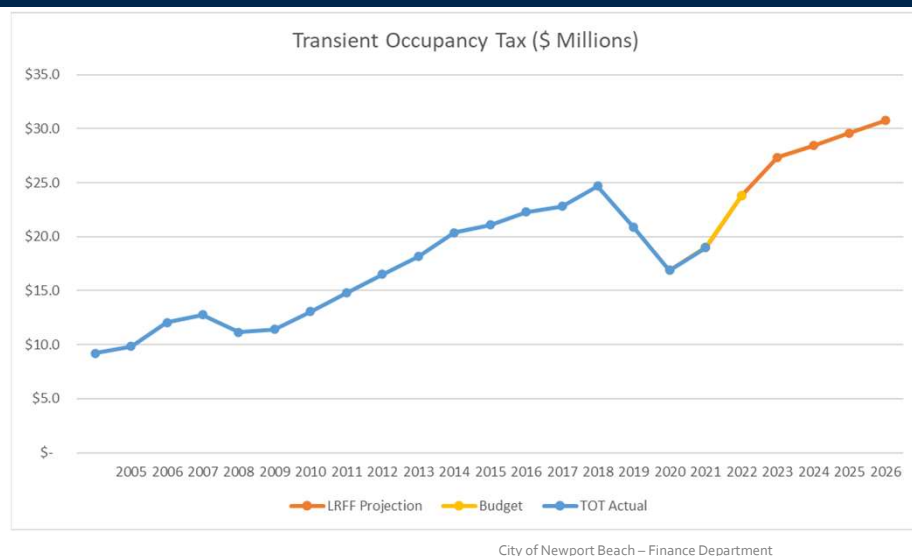
- Annual average growth: 4.4%
- Projected future growth: 4.0%

5

5



Revenue Assumptions – Transient Occupancy Tax



- Annual average growth: 7.6%
- Projected future growth: 4.0%
- Average growth 2017-2019: 5.4%

6

6



Revenue Assumptions – Other Revenue

General Fund Baseline Growth Rates

Baseline Growth

2

Growth Methods

(FD) = Flat - Fixed Dollar (PF) = Percentage Growth Fixed and Constant - All Years
(DS) = Defined Schedule (CP) = Customized - Variable Percentage Growth

Projected to grow modestly at 2.6% on average over the next 20 years

Other Revenue

Top 3 Revenues

FUND DESCRIPTION	FY 23 FORECAST	FY 24 FORECAST	FY 25 FORECAST	FY 26 FORECAST	FY 27 FORECAST	FY 28 FORECAST
42 LICENSES PERMITS	5,259,755	5,380,000	5,500,000	5,620,000	5,740,000	5,860,000
43 INTERGOVTAL REVENUES	1,778,000	1,800,000	1,820,000	1,840,000	1,860,000	1,880,000
52 SERVICE FEES & CHARG	19,332,000	19,600,000	19,860,000	20,120,000	20,380,000	20,640,000
53 FINES & PENALTIES	3,325,000	3,380,000	3,430,000	3,480,000	3,530,000	3,580,000
54 INVESTMENT EARNINGS	1,555,163	1,570,000	1,585,000	1,600,000	1,615,000	1,630,000
55 PROPERTY INCOME	11,456,138	11,600,000	11,740,000	11,880,000	12,020,000	12,160,000
56 DONATIONS & CONTRIBU	401,550	401,550	401,550	401,550	401,550	401,550
61 NON-OPERATING SOURCE	125,999	125,999	125,999	125,999	125,999	125,999
51 MISC REVENUES	206,599	206,599	206,599	206,599	206,599	206,599

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7

7



Expenditure Assumptions - Salaries

- Regular salaries for both miscellaneous and public safety are on average assumed to grow at 2% annually
- The forecast assumes no growth in personnel headcount
- Special and other pays (certification pay, bilingual pay, motor office pay, scholastic achievement, etc.) are projected to grow commensurately with salaries at 2% annually
 - FY 2022-23 has a 20% increase from the prior year due to the elimination of an assumed \$2,000,000 vacancy-related salary savings that was included in the budget during the two fiscal years most impacted by the pandemic

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8

8



Expenditure Assumptions – Benefits

- Benefits (stipends, life insurance, Medicare fringes, retiree health plan contribution, CalPERS contributions, etc.) are projected to grow on average at just over 1% annually based on negotiated MOU increases for the early part of the forecast and then grow at over 4% annually thereafter
- Continued funding of the City's unfunded actuarial liability at the \$35 million level through FY 2028-29, after which the liability is eliminated assuming no dramatic changes in either future CalPERS experience studies or the discount rate
 - This assumes that the City Council authorizes additional contributions through future surplus balances of \$5.0 million tapering to \$2.0 million after five years
 - This additional allocation to CalPERS is not reflected in the forecast as it is considered discretionary for City Council action on an annual basis and would be funded from prior year surplus

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9

9



Expenditure Assumptions – Non-Personnel

General Fund Baseline Growth Rates

Baseline Growth

2

(FD) = Flat - Fixed Dollar

(DS) = Defined Schedule

CHARACTER	OBJECT	BASLINE GROWTH METHC	BASLINE GROWTH OVERIDES	ACCOUNT DESCRIPTION	FY 23 FORECAST	FY 24 FORECAST	FY 25 FORECAST	FY 26 FORECAST	FY 27 FORECAST
				81 CONTRACT SERVICES	25,991,933				
				82 GRANT OPERATING	660,000				
				83 UTILITIES	3,235,376				
				84 SUPPLIES & MATERIALS	3,777,127				
				85 MAINTENANCE & REPAIR	13,361,455				
				86 TRAVEL & TRAINING	825,461				
				87 GENERAL EXPENSES	2,297,636	2,478,087	2,672,974	2,883,452	3,110,117
				88 INTERNAL SVC CHARGE	26,959,807	28,981,792	31,155,427	33,492,084	36,003,117
				89 RISK MANAGEMENT	788,461	827,884	869,278	912,742	958,117
				90 CAPITAL EXPENDITURES	780,438	780,438	780,438	780,438	780,438
				99 TRANSFERS					
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Non-personnel costs include services, utilities, supplies, materials, maintenance and transfers out

These expenditures are projected to grow on average at 5.4% annually

Non-personnel costs include contract services, utilities, supplies and materials, maintenance and repair, and transfers out

These expenditures are projected to grow on average at 5.4% annually

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10

10



Expenditure Growth Assumptions

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Regular Salaries	\$ 80,216,297	\$ 81,820,623	\$ 83,457,035	\$ 85,126,176	\$ 86,828,699
Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Special and Other Pays	\$ 13,713,472	\$ 13,987,741	\$ 14,267,496	\$ 14,552,846	\$ 14,843,903
Growth Rate	19.8%	2.0%	2.0%	2.0%	2.0%
Benefits	\$ 61,889,034	\$ 62,158,256	\$ 62,432,862	\$ 63,589,024	\$ 64,803,353
Growth Rate	0.4%	0.4%	0.4%	1.9%	1.9%
Non-Personnel Costs	\$ 107,580,106	\$ 112,098,583	\$ 117,438,663	\$ 123,341,037	\$ 129,403,997
Growth Rate	6.0%	4.2%	4.8%	5.0%	4.9%
Total General Fund Expenditures	\$ 263,398,909	\$ 270,065,202	\$ 277,596,056	\$ 286,609,083	\$ 295,879,952
Growth Rate	4.0%	2.5%	2.8%	3.2%	3.2%

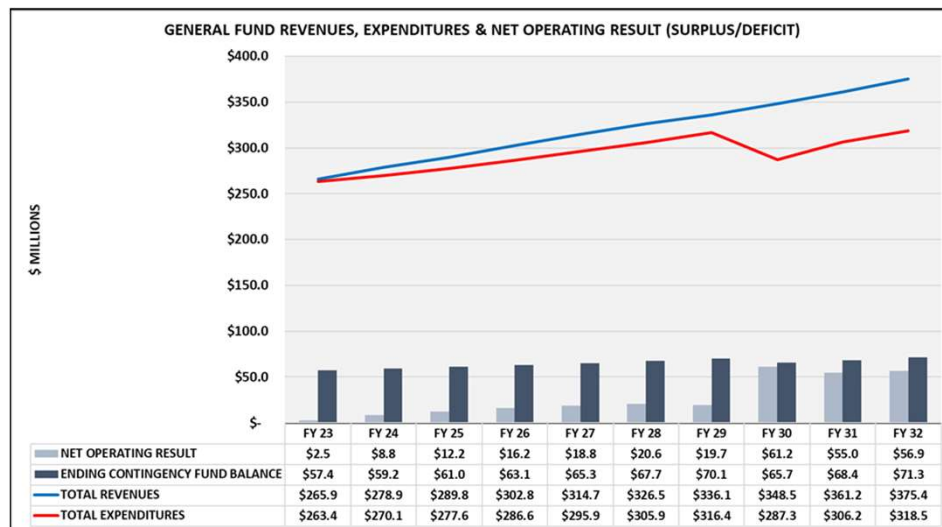
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11

11



Projected Future Budget Surpluses or Deficits



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12

12



Conclusion and Other Considerations

- The General Fund is projected to be in a financially sound position over the next 20-year period
- Any short-term deficits can be absorbed without long-term reliance on the Contingency Reserve – No structural deficit is apparent
- The City is not without its fiscal challenges and could face potentially financially impactful events in the near term:
 - Additional CalPERS pension costs due to future investment losses
 - Future recessions
 - Shifts in consumer habits impacting brick and mortar stores or hotels
 - Near-term facilities maintenance and replacement obligations in accordance with long-term infrastructure financing plans

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13

13



Questions?

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14

14