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City Council Planning Session

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UPDATE ON FISCAL ISSUES

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FY 2017-18 General Fund Results

General Fund Reserves (in millions)

Reserve Category	Audited 2017	Audited 2018	Change
Non-Spendable	$14.4	$13.3	-$1.1
Restricted	$3.8	$4.4	$0.6
Committed	$10.6	$13.4	$2.9
Assigned	$0.6	$0.6	$0.0
Contingency	$47.5	$49.1	$1.6
"Surplus"	$12.5	$13.0	$0.5
TOTAL	**$89.4**	**$93.9**	**$4.5**

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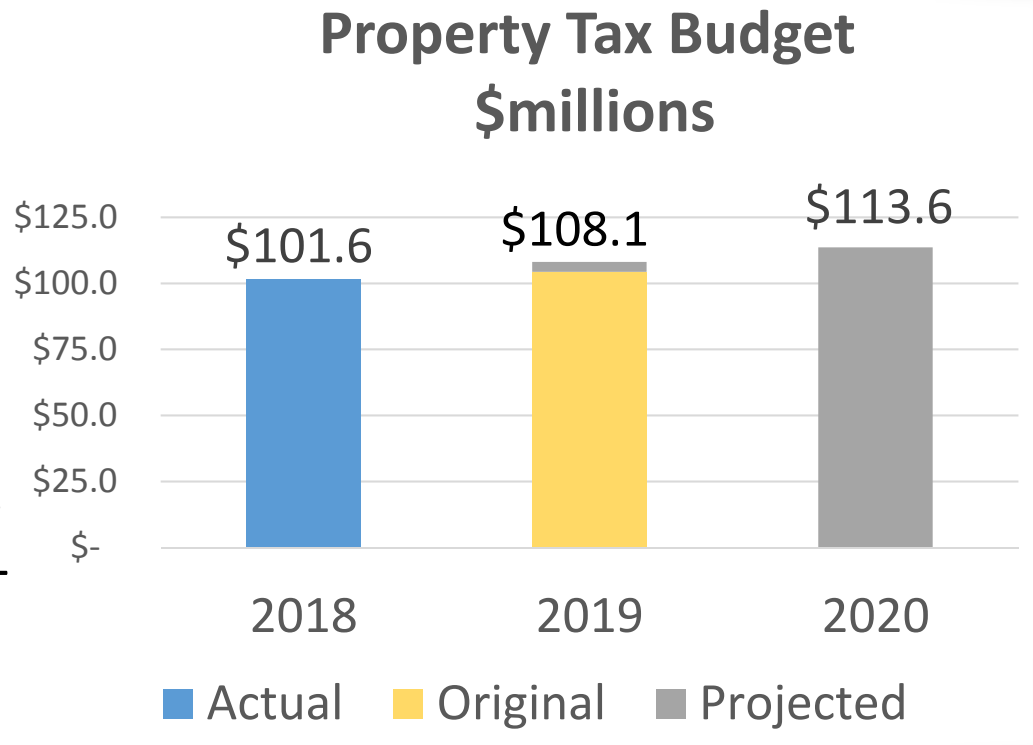
Property Tax

(50% of General Fund Revenues)

- Value changes along with infill development in Newport Beach result in continued appreciation and strong growth in the foreseeable future
- Positive AV growth during each of the last 20 years – average 7.0% annually
- AV Growth for FY 18-19 amounted to 7.3%



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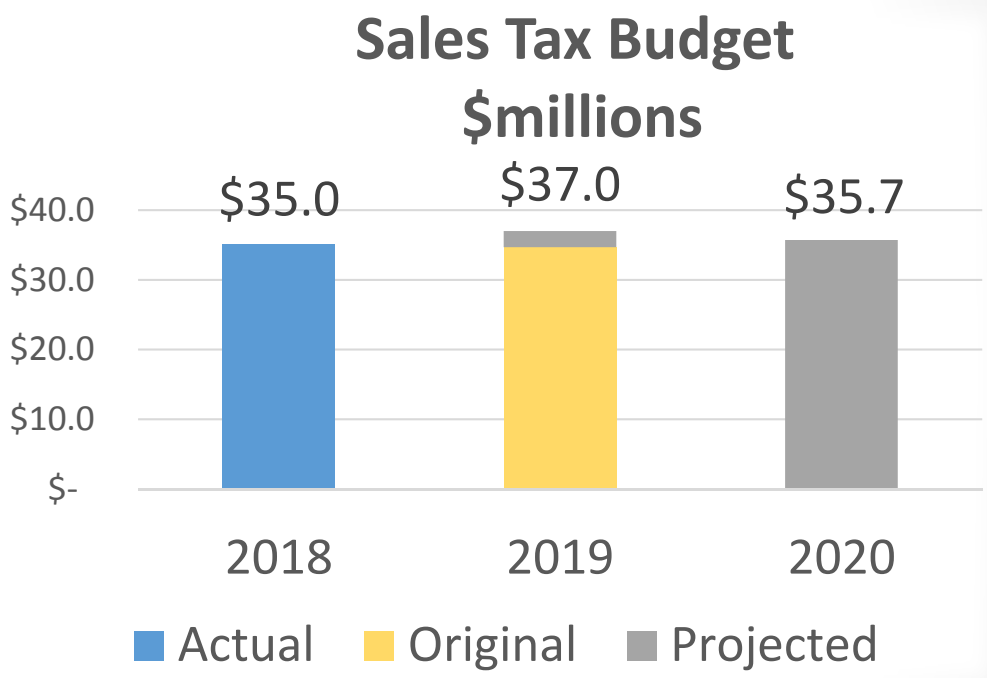
Sales Tax

(15% of General Fund Revenues)

- The City has experienced recent growth in the autos, general consumer and restaurants groups.
- Long term trends suggest slowing auto sales.
- Internet shopping is shifting sales tax away from brick-and-mortar stores further contributing to slow-down



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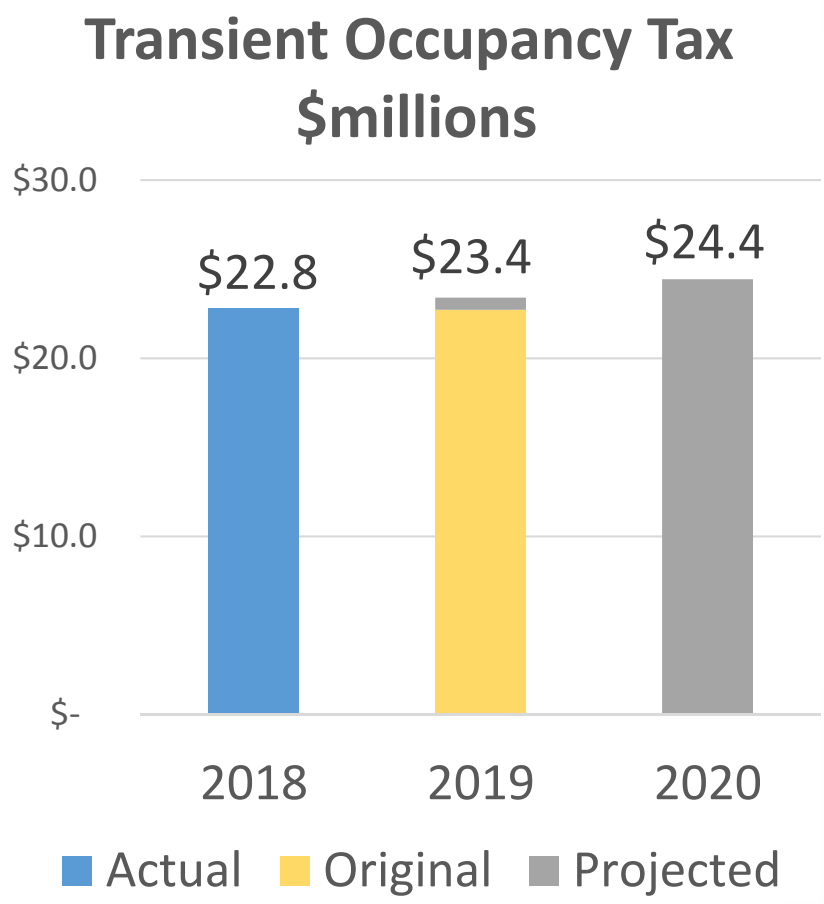
Transient Occupancy Tax

(10% of General Fund Revenues)

- Commercial hoteliers optimistic, addition of Lido House hotel, more newly renovated room inventory back online
- Residential TOT modestly growing especially with continued enforcement of online listing platforms



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General Fund "Top 3" Revenues

			PROJECTED			
Revenue Category	**2018**	**2018 % Change over PY**	**2019**	**2019 % Change over PY**	**2020**	**2020 % Change over PY**
Property Tax	101,593,290	7.7%	108,096,849	6.4%	113,578,622	5.1%
Sales Tax	35,038,846	4.0%	36,997,648	5.6%	35,697,090	-3.5%
Transient Occupancy Tax	22,833,614	2.4%	23,396,102	2.5%	24,433,131	4.4%
Other General Fund Revenue	57,050,715	5.6%	55,540,445	-2.6%	54,299,146	-2.2%
Total General Fund	**$216,516,466**	**5.9%**	**224,031,045**	**3.5%**	**$228,007,989**	**1.8%**

(Top 3 revenues represent 75% General Fund Revenues)

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Still have funding challenges ahead…

- Unfunded Pension Obligation – Maintaining Course
- Workers' Compensation Adverse Experience
- Funding for City's Infrastructure Needs – New and Rehabilitation

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Unfunded Pension Obligation

- Maintain Course of Accelerated Payment Plan
- Vulnerable to Market Volatility and Risk Mitigation Effort
- Will continue to monitor the probability and impact earning less than the 7% investment return assumption

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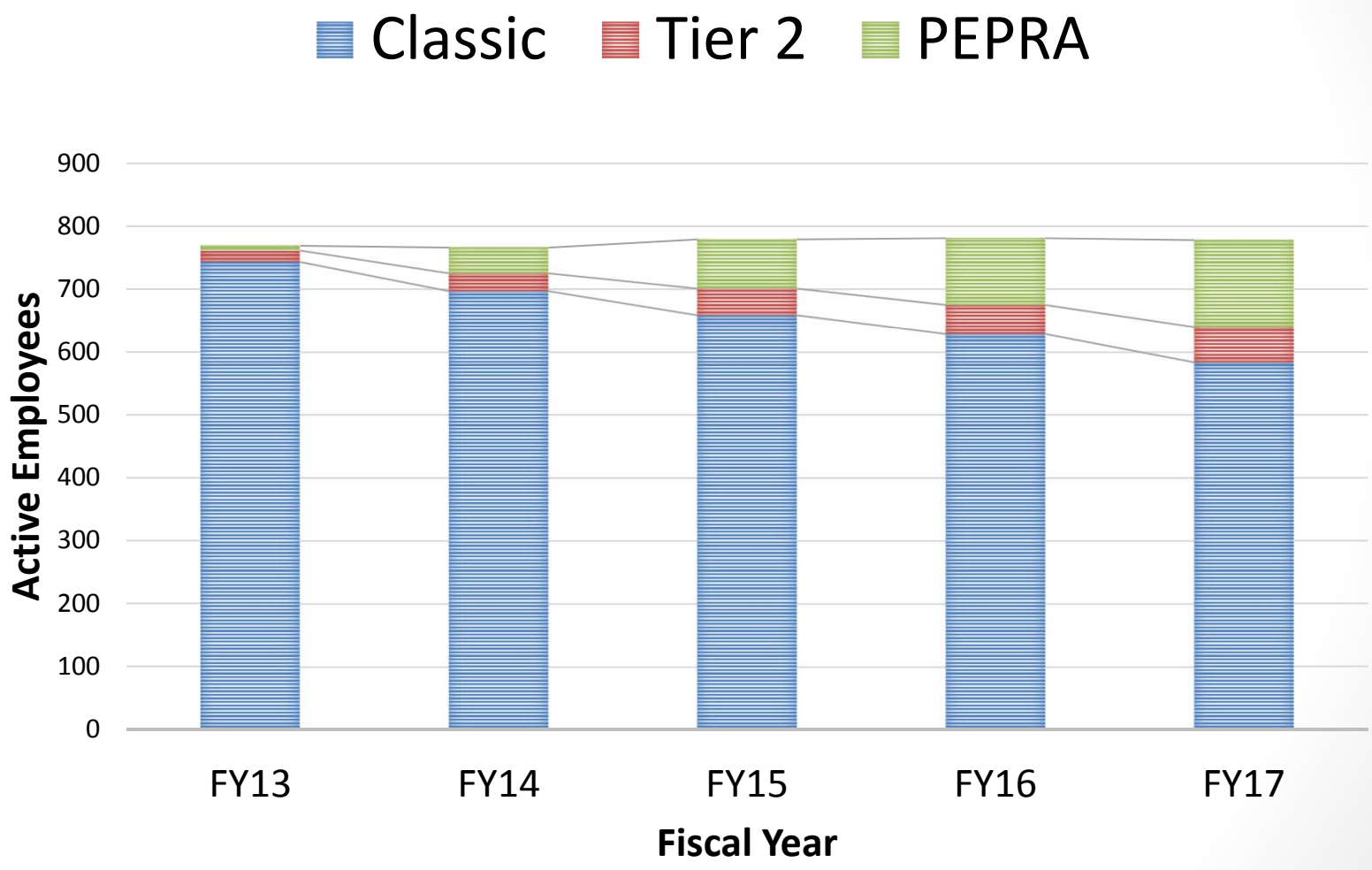
Pension Benefit Tier Trend



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Pension Plan Assets and Liabilities

	2017 Valuation			2016
	Miscellaneous	Safety	Total	Total
Accrued Liability	396,834,941	542,668,920	939,503,861	887,481,877
Less: Market Value of Assets	278,869,980	340,964,919	619,834,899	566,016,065
Unfunded Accrued Liability (UAL)	117,964,961	201,704,001	319,668,962	321,465,812
Funded Status	70.3%	62.8%	66.0%	63.8%

CALPERS Projection*		
Funded Status 6/30/2018*	71.7%	64.3%
Funded Status 6/30/2023*	79.8%	73.1%

*Assuming 7% return and no ADP's

Funded status is highly sensitive to investment performance!

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Net Employer Pension Cost Projection

	Normal Cost Rate		Expected Normal Cost		Change	
	2018/19	2019/20	2018/19	2019/20	Dollars	Percent
Misc	16.2%	16.9%	7,205,087	7,712,921	507,834	7.0%
Safety	27.4%	28.1%	9,082,071	9,694,972	612,901	6.7%
Total Expected Normal Cost			16,287,158	17,407,893	1,120,735	6.9%

	Amortization of UAL		Change	
	2018/19	2019/20	Dollars	Percent
Minimum Payment of on UAL	25,698,507	26,469,557	771,050	3.0%
Additional Discretionary Payment (ADP)	8,801,493	8,530,443	(271,050)	-3.1%
Total Planned UAL Payment	34,500,000	35,000,000	500,000	1.4%

	Total Expected Pension Cost		Change	
	2018/19	2019/20	Dollars	Percent
Total Expected PERS Contribution	50,787,158	52,407,893	1,620,735	3.2%
Less: Expected Employee Contributions	10,324,540	11,017,800	693,260	6.7%
Net Employer Cost "Projected"	40,462,618	41,390,093	927,475	2.3%

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Workers' Compensation Funding

- Higher Claims Experience in Workers Compensation –
  - Increase in severity of claims
  - Safety Industrial Disability (Presumed Job Related)

- Recommendations:
  - Annual Actuarial Valuations – Done
  - Continue Active Management of Claims
  - Increase Department Charges – $900,000
  - One-Time Cash infusion - $3 Million

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Infrastructure Funding

- Funding Needs
  - Utilities – Water, Wastewater, Storm Drains
  - Harbor and Islands - Capital Plan, Seawall Funding, Dredging
  - Aging Infrastructure – Transportation, Ocean front
  - New Infrastructure – Parks, Junior Lifeguard Building, Library Lecture Hall

- Funding Sources
  - State and Federal Funds
  - Development Agreements
  - User Fees
  - Public/Private Partnerships
  - Community Facilities Districts (CFDs or Mello Roos Districts)
  - General Fund

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MANAGING SERVICE LEVELS

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Service Level Considerations

- Enhanced Service Levels for Enforcement
  - Traffic and Parking
  - Harbor
  - Code – Residential and Commercial Properties
  - Recycling Program – New State Mandates
- Increased Maintenance of Public Facilities
  - Sidewalk and Public Plaza Pressure Washing
  - Beach/Park Restroom Janitorial Services
- Maintaining Service Levels with Rising Demands
  - Street Light Maintenance
  - Wastewater Infrastructure Maintenance
  - Staffing up for General Plan Update

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Traffic Safety Enhancement

- Current staffing level of 8 FTE allows approximately 40 deployable Motor Officer hours per day.
- In 2018, motor officers wrote 5,700 citations and handled 1,750 traffic collisions.

Additional Staffing from 8 to 10 will:

- Add about 10 hours of Motor Officer time every day of the year and increases traffic enforcement activity by 25%.
- Enhance school safety efforts
- Increase traffic hot spot patrols
- Augment enforcement of community quality of life concerns

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Residential Parking Enforcement Pilot Program Results

- Three-week pilot parking enforcement program
- 529 parking citations issued, along with 222 warnings to both residents and contractors
- 75% of parking citations issued to residents, 25% issued to contractors
- Most people cited were cooperative when educated on the nature of the parking violation
- Most violations occurred in two specific areas:
  - Parking in red zone
  - Parking in the alley

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Augment Parking Enforcement Services with Existing Vendor

Current Parking Enforcement Service Levels

	Peak	Non-Peak	Year Round
POLICE DEPT.			3 F/T, 4 P/T
AMERIPARK	9 F/T, 4 P/T	7 F/T, 2 P/T	

Proposed Ameripark Parking Enforcement Service Levels

	Peak	Non-Peak
AMERIPARK (OPTION A)	14 F/T, 6 P/T	
AMERIPARK (OPTION B)	14 F/T, 6 P/T	10 F/T, 4 P/T

A significant portion of cost can be offset with citation revenue

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Community Development Code Enforcement

Position	Current FTE	Proposed FTE
Code Supervisor	(Loan to Harbor)	1.0
CE Trainee	0.75	1.0

- Backfilling code enforcement supervisor position and increasing hours of code enforcement trainee is estimated to increase cases processed by an additional 1,000 per year or 20%
- Allows the City to be proactive rather than primarily reactive in our enforcement efforts

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Harbor Department Code Enforcement with 1 FT Code Enforcement Supervisor

- **Goals:** Community engagement, education, and enforcement of City Codes.
- **Current Efforts:** Enforcement of City managed off-shore mooring field, correcting deficiencies with derelict vessels, providing notifications, and enforcement of vessel registration.
- **Future Planned Efforts:** Enforcement of non-permitted live-aboard activities, establishing and updating commercial operations Marine Activities Permits, and code compliance with private docks and other harbor structures.

Code Enforcement Activity Data Since July 2017

- Cases opened = 740
- Cases closed = 490
- Verbal Warnings = 141
- Written Warning Notices = 541
- Administrative Citations = 94
- Permit Revocations = 3
- Issuance of Marine Activities Permits = 12

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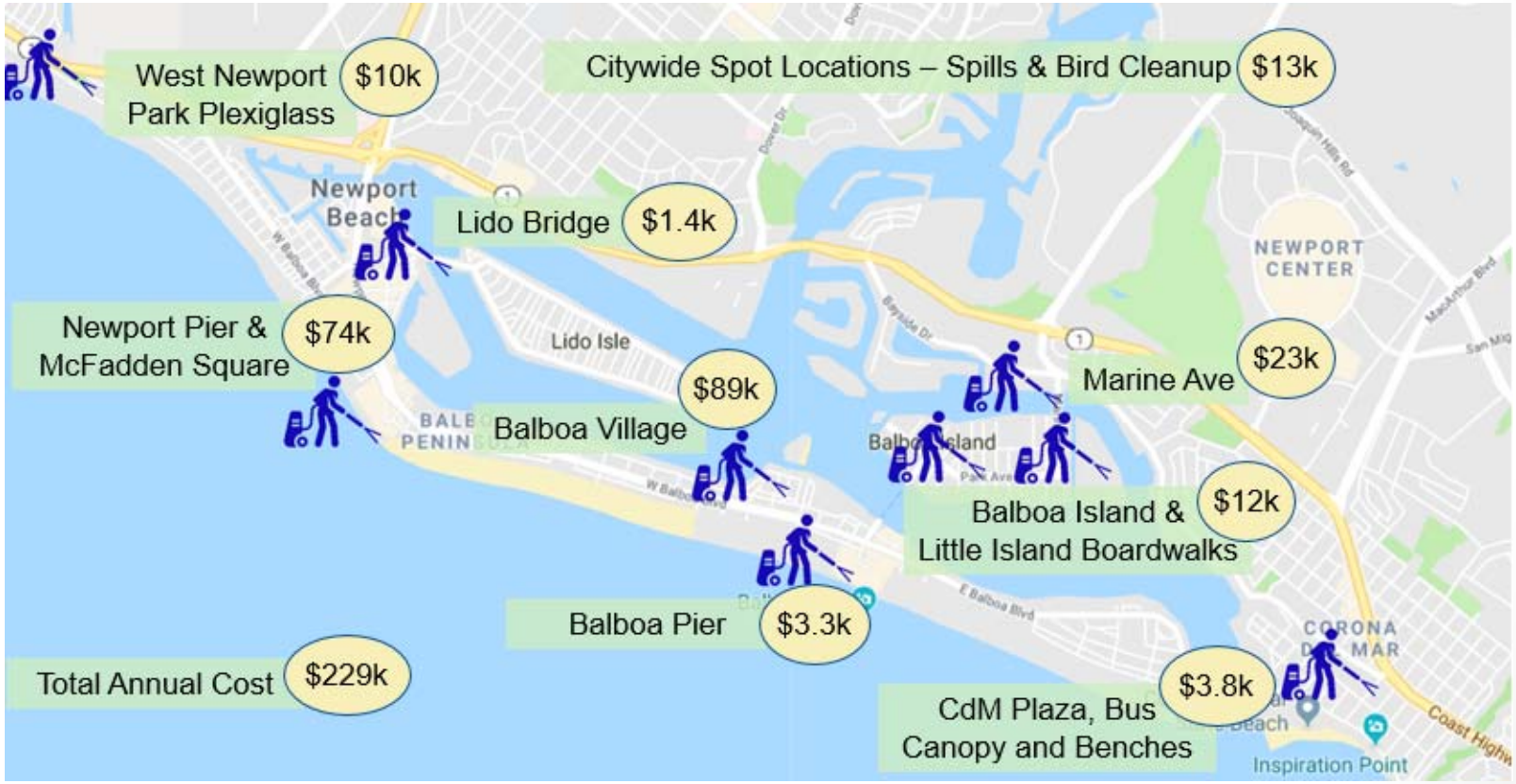
Sidewalk and Public Plaza Pressure Washing



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Sidewalk and Public Plaza Pressure Washing

Issue at Hand

- Cleaning Level?
- Occasional Request for Increased Cleaning
- Costs have been increasing:
  - FY 2016 ~ $210,000
  - FY 2017 ~ $229,000
  - FY 2018 ~ $244,000
  - FY 2019 ~ $282,000 *(Projected)*

LOCATION	SUMMER	FALL - SPRING	YEAR ROUND
BALBOA VILLAGE	ONCE WEEKLY	ONCE MONTHLY	
BALBOA & NEWPORT PIER	ONCE MONTHLY	ONCE QUARTERLY	
ENDS OF THE PIERS	ONCE WEEKLY	ONCE MONTHLY	
VARIOUS LOCATIONS - BIRD CLEANUP			ONCE WEEKLY
CORONA DEL MAR FURNITURE (PLAZA, BUS CANOPY, & BENCHES)			ONCE MONTHLY
WEST NEWPORT PARK PLEXIGLASS			ONCE QUARTERLY
LIDO BRIDGE			ONCE QUARTERLY
BALBOA ISLAND & LITTLE ISLAND			ONCE QUARTERLY
MARINE AVE			TWICE A MONTH
McFADDEN SQUARE			TWICE A MONTH
McFADDEN SQUARE (MEMORIAL)			TWICE A WEEK

Consider Increasing or Decreasing Frequency and/or Locations?

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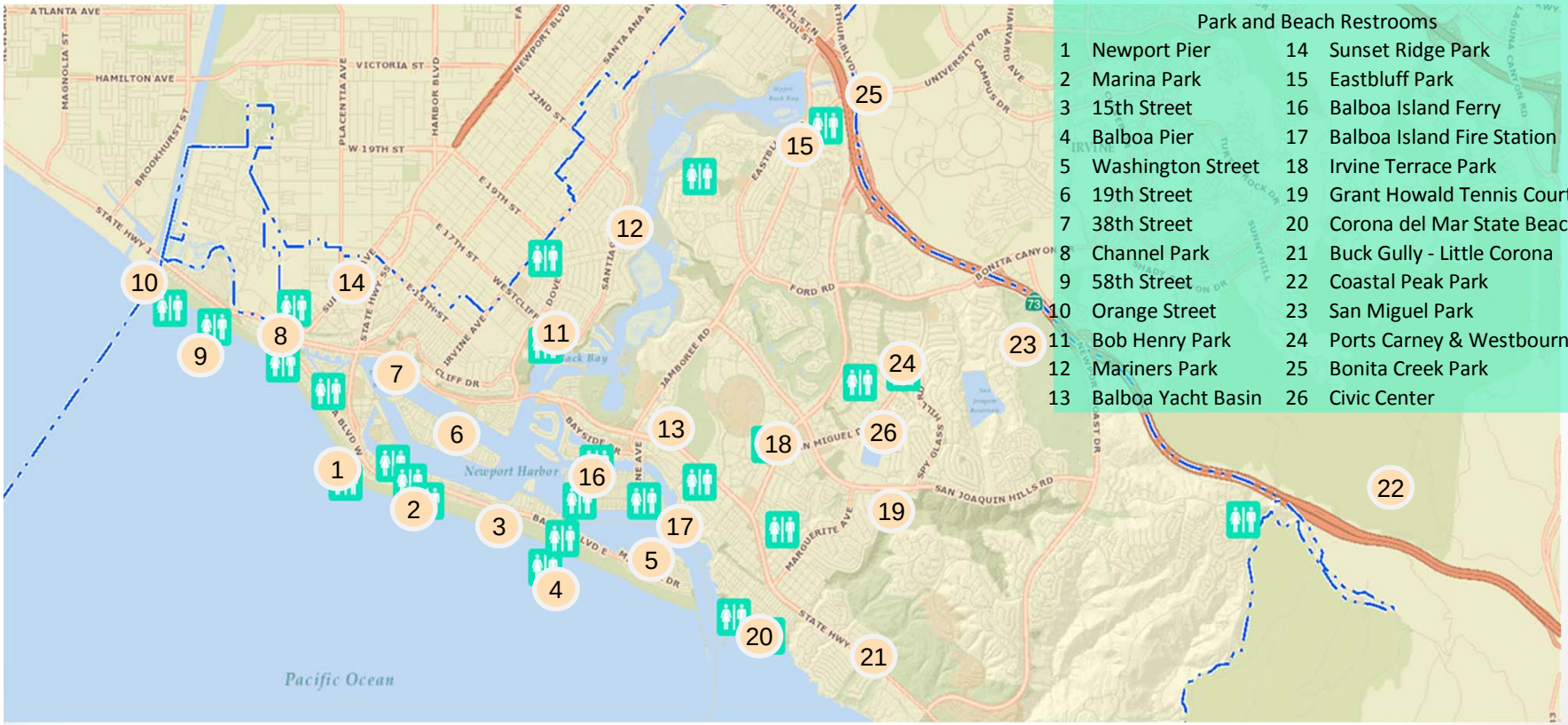
Public Restroom Locations



Park and Beach Restrooms

1	Newport Pier	14	Sunset Ridge Park
2	Marina Park	15	Eastbluff Park
3	15th Street	16	Balboa Island Ferry
4	Balboa Pier	17	Balboa Island Fire Station
5	Washington Street	18	Irvine Terrace Park
6	19th Street	19	Grant Howald Tennis Courts
7	38th Street	20	Corona del Mar State Beach
8	Channel Park	21	Buck Gully - Little Corona
9	58th Street	22	Coastal Peak Park
10	Orange Street	23	San Miguel Park
11	Bob Henry Park	24	Ports Carney & Westbourne
12	Mariners Park	25	Bonita Creek Park
13	Balboa Yacht Basin	26	Civic Center

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Public Restroom Cleaning & Service

Currently Serviced by Contract - Basic Cleaning Level with Extra Cleaning of Several High Use Facilities and Additional Paper Product Re-Supply Service

- 6 High Usage Restrooms Cleaned Twice Daily
- 20 Cleaned Once Daily

Issue at Hand

- Cleaning Level Substandard
- On-going Service Complaints (Pier, Popular Beach Areas)
- Draws on Staff Resources to Backfill
- Restrooms Require More Frequent, Deep Cleanings
- Transient Population Affecting Wear and Tear on Facilities

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Public Restroom Cleaning & Service – Current Contract Services

- **ABM** - Restroom Cleaning
  - Annual Costs: $252,000
  - Contract up in February 2019
- **Ed Building Maintenance** *(Portering Service)*
  - Annual Costs: $290,000
  - Contract up in May 2021

Service Level Suggestions:

- Combine Contract Services and Rebid for a Higher Cleaning Level *(and probably higher cost)?*
- Consider/Evaluate if value would be added by Returning to In-House Service/Cleaning?

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Service Delivery Considerations

- Contract versus City Employee
  - Financial Impact
  - Customer Service Level
  - Institutional Knowledge, Succession Planning
- Part-Time versus Full-Time Employee
  - Easier to add and reduce part-time employees
  - May be more cost effective to have 1 FT rather than 2 PT

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Maintaining Service Levels with Rising Demands – Contractor vs Employee?

- Contract Street Light Cost for 1 Man Crew with truck
  - $170/Hour, 3 Days a week, 8 Hours per day
  - 1,248 Service Hours
  - $212,160 Annually

- Top Step Street Light Employee Cost with truck
  - $80/Hour, 5 Days per week, 8 Hours per day
  - 1,800 Service Hours
  - $144,000 Annually
  - $60,000 One-Time Cost of New Vehicle

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UPDATE ON CONTINUING INITIATIVES

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Homeless Strategies

- City Efforts
  - City's Homeless Liaison Officer – with OCHCA Clinician
  - Funding homeless service providers - $168K – last 5 years
  - CityNet Contract – coming soon
  - Funding for short-term stays until more permanent shelter is available
- County Partners
  - Participation in Point in Time Count Survey
  - Creation of the Orange County Housing Finance Trust and Joint Powers Authority (AB 448)
    - Evaluate City's participation in the program
- Work with neighboring jurisdictions on housing issues

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Homeless Strategies – CityNet Contract

- $200,000 per year includes 1,000 hours per year of on-call response
  - Move homeless neighbors off the street prioritizing the most vulnerable and costly cases
  - On-call response to issues involving homeless neighbors
  - Connect homeless neighbors to Orange County Continuum of Care
  - Provide the City a gateway to regional social and health services network
  - Present stakeholder and public education, outreach and advocacy efforts on behalf of the City
  - Deliver ongoing case management to include long-term housing stabilization

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John Wayne Airport-Related Efforts

- Protecting the 1985 JWA Settlement Agreement
- Pursuing the quietest, safest and least-polluting departure procedure possible
- Advocating policies that incentivize air carrier fleet transition
- Monitoring legislation, developing relationships
- Tracking JWA General Aviation Improvement Program EIR
- Evaluating Structure and Purpose of Aviation Committee

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Current Airport/Aviation Consultant Costs

Shorter Term	
Strategy / Technical Consultant	$35,000- $50,000
Noise Consultant	$50,000-$60,000
FAA Consultant (pending)	$50,000 - $60,000
Longer Term	
Airport Consultant	$75,000 - $80,000
Government Relations (Federal, County)	$130,000 - $150,000
Legal	As Needed
TOTAL (estimated)	$340,000-$400,000

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Possible Allocation

($ Millions)

Uses	Sources		
Description	Surplus	Estimated Revenue Growth	Total
Beg Bal	$13.00	$6.00	$19.00
Harbor Capital Plan		(1.0)	(1.00)
Pensions	(3.00)	(.50)	(3.50)
Operations			
Neighborhood Enhancement Projects	(5.50)		(5.50)
Facilities Maintenance	(1.00)	(.50)	(1.50)
Workers Compensation	(3.00)	(.90)	(3.90)
FY 18-19 Budget Amendments	(.50)		(.50)
End Bal	$0.0	$3.10	$3.10

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Our Takeaways for Today…

January 2019 finds the City in good shape.

- Revenues are strong with a strong reserve position
- Good progress on pension issues
  - Unfunded Liability is actually going down…
- We should be able to maintain our $5M in General Fund CIP – the "nuts and bolts"
- Base operations funded

Challenges Remain

- Pension funded status highly sensitive to investment performance!
- Unfunded Infrastructure projects – How should we fund them?

Other Considerations

- Service Level Enhancements
- More Cost Effective Service Delivery Options

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Council Planning Session Financial Update

Questions?