



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

Agenda Item No. 5B
March 12, 2020

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Dan Matusiewicz, Finance Director
949-644-3123, danm@newportbeachca.gov

SUBJECT: HARBOR AND BEACHES MASTER PLAN UPDATE

SUMMARY:

The Finance Committee is charged with a variety of tasks including, but not limited to, reviewing with staff on an annual basis the timing, means of financing, and fiscal impacts associated with funding the high-priority projects designated in the Facilities Financing Plan (FFP) and the Harbor and Beaches Master Plan (HBMP). Staff welcomes input and recommends that the Committee receive and file the attached HBMP update and provide staff with any input regarding its financial solvency.

RECOMMENDED ACTION:

Staff welcomes input and recommends that the Committee receive and file the attached HBMP update and provide staff any input regarding its financial solvency.

DISCUSSION:

Each year, as part of the budget process, staff prepares an update to the long-term HBMP. Staff has projected the timing, means of financing, and fiscal impacts associated with funding the high-priority projects in the HBMP as recommended by the Harbor Commission. The Harbor Commission reviewed and approved the HBMP on March 11, 2020.

As indicated on the "Sources and Uses Proforma" (page 2 of Attachment A), revenue sources derive from increment revenue projections, interest earnings, and General Fund contributions. All sources and uses are shown net of the \$49 million in anticipated grants through 2030.

With the adoption of new permit and the adjustment of lease templates and adjusted commercial and noncommercial tidelands rent to fair market value in the years immediately subsequent to 2010, the City Council directed staff to deposit incremental rent increases from certain harbor revenue sources to a Tidelands Capital Fund. The intent was to sequester the incremental increases from tidelands rent adjustments solely to finance critical in-Harbor capital improvements, like sea walls repair, dredging, piers, and important amenities. Over the next ten years, increment revenue will range between \$3.5 to \$4.2 million annually.

Historically, the Tidelands Operating Fund does not generate sufficient revenue to cover the full cost of operations – in large part because of the public safety costs (lifeguarding, EMS response, and police services) associated with the ocean beaches and other Tidelands property. Similarly, the incremental rents dedicated to the Tidelands Capital fund are not sufficient to fund the capital improvement projects contemplated in the HBMP. Due to the ongoing gap between revenues and expenditures, the City's General Fund transfers approximately \$8 million annually to subsidize the Tideland operations. Over the duration of the HBMP forecast, the General Fund is anticipated to contribute \$4.5 million annually to support the HBMP.

Beginning in FY 2008-09, the City had an opportunity to complete a long-awaited maintenance dredging project within Lower Newport Bay, and a similar opportunity arose to remove sediments not suitable for ocean disposal that sat at the bottom of the Rhine Channel. The timing was critical, as much of the sediment within the Harbor and the Rhine needed a special repository – and that repository was in fill areas at the Port of Long Beach as the Port embarked on a major terminal expansion. To take advantage of the Port's space for sediment not suitable for ocean disposal (where the sediment would be buried and encased in a support structure and secured), the City Council advanced a loan from the General Fund to the Tidelands Harbor Capital Fund of \$9.7 million. In addition, City Council approved another \$6.1 million in loan advances to the Harbor Capital Fund to cover the cost of development of the Marina Park, marina and slips. These advances are non-interest bearing, and are to be paid back to the General Fund from incremental revenue increases generated from certain leases, mooring rents, and commercial and residential pier rents. The balance of advance due to the General Fund as of June 30, 2019, is \$11.9 million and the remaining annual debt service payments to the General Fund through 2030 is reflected on Attachment A, page 2.

Staff welcomes and looks forward to any recommendations from Finance Committee.

Prepared and Submitted by:

/s/ Steve Montano

Steve Montano
Deputy Finance Director

Attachment:

A. Harbor and Beaches Master Plan