



City of Newport Beach

OFFICE OF THE CITY MANAGER
Homer L. Bludau, City Manager

November 17, 2008

Dear Residents:

Shorter days and cooler nights mean the end of the calendar year is in sight. The next couple of months will go by quickly and your City Council and staff intend to finish 2008 strongly. This edition provides information on some current issues and December's newsletter will recap some of the larger issues and projects that we have tackled this year.

City Finances

The somber news about the economy has recently prompted some residents to ask how the economic downturn impacts the City's finances and budget. The City Council's written fiscal policies are conservative and our in-house finance experts – Dennis Danner and Dick Kurth – are among the most conservative public-sector financial managers anywhere. Our budgeting philosophy is to estimate revenues conservatively and build up reserve funds (our version of "rainy day" savings accounts) with revenues that exceed our estimates. As part of our annual budgeting process, the City sets aside money each year to place in these reserves. Today, our General Fund reserves are currently about \$79 million. A Council-approved reserve fund policy calls for a Contingency Reserve (for economic uncertainties) which is 12 percent of our General Fund operational budget. Today, this and other General Fund reserves far exceed 12 percent. These additional reserves will not just sit in a bank; they will be used to offset some of the costs of our future OASIS, City Hall, Marina Park, Sunset Ridge Park and other capital improvement projects. The amount of our reserves has been the result of our strong commitment to do some major projects.

It is still quite early in our fiscal year (it runs from July 1, 2008 to June 30, 2009), but we can take a very preliminary look at a few key revenue indicators to see how our budget projections are holding up. Four sources of revenue account for about 60 percent of the City's total General Fund budgeted revenues. They are: property tax, transient occupancy tax (TOT, commonly called the hotel "bed tax"), business license tax and sales tax. Surprisingly, early indications are that three of these – property tax, business license and TOT – are trending slightly higher than our budget projections. Sales tax is down and if that trend continues as most expect, we might experience anywhere from a 6 to 10 percent drop in estimated sales tax revenues. We will closely monitor these indicators and if we find that actual General Fund revenues are coming in below our estimates, I will immediately go to the Council with recommendations for addressing the shortfall. Administrative Services Director Dennis Danner provided an excellent overview of these revenues and projections to the City Council at its October 28 meeting. If you would like to view his presentation, please visit www.city.newport-beach.ca.us/councilagendas.asp, then select Council Agendas, Minutes & Video Streaming. Choose October 28 City Council Regular Meeting and the Revenue and Investment Update is item #17.

City Financing Plan Wins Award

Speaking of financial planning, the City's Facilities Finance Master Plan recently earned the prestigious Helen Putnam Award from the League of California Cities, an organization comprised of the 480 incorporated cities in California. The 15-year plan establishes a "pace of progress" for renovating or replacing nearly two dozen major City facilities and specifically outlines a long-term, affordable funding plan that is tied to the City's annual

budget process. We felt it was prudent to look at these projects as a whole rather than determine the timing and funding on a case-by-case basis. A committee of City Council, City staff and financial expert community members created the plan about two years ago. As mentioned previously, Newport Beach has conservative fiscal policies and taking on substantial debt does not fit into our budgeting philosophy. This plan ensures that any debt payments for these projects will never exceed 4.2 percent of the General Fund budget, an amount we think is sustainable without having an adverse effect on services to the public.

City Library Ranked #1

The Newport Beach Public Library received the highest ranking of California public libraries in its population category according to the recently released Hennen's American Public Library Rankings (HAPLR). The results were announced in the October issue of American Libraries, the magazine of the American Library Association. Newport Beach placed first out of 44 public libraries in cities with 50,000 to 100,000 residents. The HAPLR Index identifies the public libraries in the United States with the highest input and output measures. The study focuses on 15 key factors, including funding levels, collections, staffing, hours open, number of visitors and reference services. Rankings are based on nationwide public library statistics collected from more than 9,000 public libraries. This ranking is a credit to our many residents who actively support our libraries, both financially and in patronage. The award is certainly a community achievement. Of course, our dedicated library staff played a key role too.

Voluntary Water Conservation Requested

With California facing the most serious water shortages in many years, the City is asking its residents and business owners to voluntarily reduce water usage by 10 percent (about 20 gallons per person per day). To help in that effort, a new line item that displays your property's historic water usage was added to your municipal services statement. This addition will give you good baseline information to begin your conservation efforts. We have also created a new bill insert that offers conservation tips and resources. We all need to be good stewards of our finite resources and a good place to start is with voluntary water conservation. If current conditions continue through the winter of 2009 and voluntary conservation measures are not successful, mandatory water conservation measures may be necessary by next summer. There are several water use efficiency programs available for residential and commercial appliances and devices. For more information, please call 949-644-3214 or log onto www.watersmartnewport.org.

City Council Considers City Hall & Park Design

The City Hall Design Committee, composed of five resident architects and Chair Larry Tucker, evaluated and ranked the five proposed design concepts for the City Hall & Park Project and have forwarded recommendations to the City Council. The committee ranked Bohlin Cywinski Jackson's design concept first and LPA's plan second. The Council discussed the project at its November 12 meeting and a decision is expected on the architectural team's selection at the November 28 meeting. Your input is welcome during these discussions. Many thanks to those residents who provided the City Council with written comments regarding the proposed concepts.

Banning Ranch Development and Open Space Studies

The Banning Ranch property encompasses 400 acres near the Santa Ana River and Coast Highway. The property owners, Newport Banning Ranch, LLC filed an application with the City to develop a planned community consisting of up to 1,375 dwelling units, 75,000 square feet of retail, a 75-room boutique hotel, parks and open space. As currently proposed, more than half of the land would remain undeveloped. This is consistent with the 2006 voter-approved General Plan, if the property is not acquired as open space. The City is reviewing this application and getting ready to prepare a full environmental impact report on the project. No decisions on the proposed development will be made for at least a year. The project application can be viewed on the City website at www.city.newport-beach.ca.us/PLN/Banning_Ranch/BanningRanchInfo.asp.

Meanwhile, there are residents and non-profit groups that would like to see all of the property remain as open space. They understand that to do so, it will have to be purchased from the owner. No one knows exactly what the land is worth – estimates range to more than \$200 million – so the first step is to get a good general appraisal to put the feasibility of purchase in perspective. The developer is having the land appraised and the City has hired an open space acquisition consultant and an appraisal firm to conduct a separate general appraisal. We will compare the two and share those with the community groups interested in preserving Banning Ranch. It's important to note here that the City has no plans to become the owner of this land or to fund its purchase by another party. You can contact Assistant City Manager Sharon Wood at 949-644-3222 for more information on this property.

Potential Relinquishment of Coast Highway

A large segment of Coast Highway and a section of Newport Boulevard are currently owned and controlled by Caltrans. This means, of course, that Caltrans highway standards, scheduling and funding dictate the maintenance of these sections of roadway through our city. It also means that Caltrans issues permits for other agency and utility projects that occur within its right-of-way and decides how and when this work takes place. The section of Coast Highway I'm referring to runs from the Santa Ana River Bridge east to Jamboree Road and the stretch of Newport Boulevard is from Finley Street to the Channel Bridge. The City is interested in assuming control of these sections of roadway and recently sent a letter to Caltrans asking the agency to begin the process for allowing us to do so. Local control would allow the City to decide the timing for new improvements, work with our own residents and businesses on projects, allow us to control the timing of the traffic signals in these areas, and potentially open these areas to activities like sidewalk dining or aesthetic improvements that Caltrans currently prohibits. Of course, the City would also assume the responsibility for funding future roadway repairs or maintenance. Caltrans has an established relinquishment process that must be followed and our letter is merely the first step. I will keep you posted of any progress made.

Council Action to Eliminate Polystyrene Use in the City

Thanks to a determined group of local students from Mariners Elementary School and Newport Harbor High School, the City Council recently passed an ordinance that bans the use of expanded polystyrene (EPS) disposable food service ware in the city. A common brand name for EPS is Styrofoam®. EPS is not biodegradable and it easily breaks down into small pieces that often end up in storm drains, the bay, ocean and beaches, threatening wildlife that ingest the materials. The students first brought their concerns to the Council's attention last spring, and then to the Environmental Quality Affairs Citizens Advisory Committee (EQAC), which also recommended

that the City adopt a ban on use of these products. The Council directed staff to conduct some research, work with local restaurants and return with a recommendation. With support from the Newport Beach Restaurant Association, the new ordinance becomes effective on April 26, 2009, at which time Newport Beach restaurants and all City facilities and events will be required to serve prepared food in containers made from something other than EPS.

Newport Beach / Costa Mesa Cooperation on the Airport

The City Councils of Newport Beach and Costa Mesa held a special joint meeting on September 30 to discuss John Wayne Airport (JWA) issues. The meeting resulted in a Memorandum of Understanding that the two cities will work together in partnership to ensure that no actions are taken at JWA that would negatively alter the quality of life for our residents. In particular, we want to be sure that the airport doesn't expand beyond its current footprint, that the John Wayne Airport Settlement Agreement is preserved, that there are no modifications to the airport's noise curfew, and the construction of a second air carrier runway is prevented. This is a quick overview and the agreement contains more details. If you are interested in reading more, please visit www.city.newport-beach.ca.us/Airport. We are very pleased that Costa Mesa has agreed to become our full-fledged partner in these efforts and we look forward to other Orange County cities joining the team in the future. With airport-related issues, we feel there is strength in numbers and broadening support for a limited JWA serves our community well.

Group Homes Update

The City's precedent-setting group homes ordinance continues to withstand legal challenges and our staff is busy implementing the terms of the ordinance. Specifically, staff is working on use permit applications for those operators that submitted them and is overseeing the abatement (closure) process for those operators that chose not to submit applications. We also had some good news from Sacramento. Governor Schwarzenegger vetoed a bill that would have expanded the number and type of "sober homes" that could come into a community regardless of local zoning. We'll be working with our legislators in 2009 to continue our efforts to get the state to respect fair and non-discriminatory local zoning, like our new group homes ordinance.

As always, thank you for your time and interest in reading this newsletter.

Sincerely,



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City Manager

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