



# City of Newport Beach

OFFICE OF THE CITY MANAGER  
Dave Kiff, City Manager

July 2013

Dear Neighbors,

There are three issues worth bringing to your attention as another summer begins in Newport Beach.

## City Finances (City's new fiscal year begins July 1)

As the City of Newport Beach (City) moves from one budget to the next, this is a good time to ask "how are we doing?" The answer is, "quite well." On June 11, the City Council adopted a balanced budget for Fiscal Year 2013-2014. City expenditures will increase slowly, by approximately 2.9%\*, and revenues are projected to increase a little bit more, by about 4.9%\*. The new budget does not use any of the City's savings for operational expenses, and it continues funding some critical efforts that are important to the community. These include:

- Reducing the staff size. The City organization will be reduced further as 16 full-time positions and 14 full-time equivalent (part-time) positions are eliminated. Some of these reductions involve layoffs and some are due to retirements. Since 2009, we've gone from 833 full-time positions to 736.
- Adding more police officers. Even though the City workforce is being reduced overall, the trends in property crime across the state suggest that we need to fight the bad guys persistently, with more resources. The City will add four new police positions to do so.
- Investing more in our neighborhoods. You will see two new parks under construction, a new community center on the Peninsula, better roads, more trees planted, and more neighborhood beautification efforts this year. A highlight will be the new streetscape along Balboa Boulevard between 32nd Street and Coast Highway.
- Addressing pension obligations aggressively. Newport Beach employees are paying more than ever before for the cost of their pensions – collectively, they will pay up to \$5 million of the City's pension costs this year, headed to \$7 million per year.

Since the recession started in the late 2000s, Newport Beach has been successful in navigating the tough times without significant impact to you, to the services you value, and to the community as a whole. We have done so through the downsizing noted above, but also by keeping up the City's investment in infrastructure (streets, parks, medians, buildings, and more).

I can't emphasize the infrastructure investment part enough. By having the financial wherewithal to do construction work during the recession, we were able to take advantage of low labor and materials costs. We built the Civic Center, with its large park and the library expansion. We added more pavement quantities to nearly every road-repair contract we had, provided that the asphalt or concrete costs remained low, and they did.

\*Adjusted for one-time sources and other anomalies.

At the same time, we were able to add to the City's reserves (savings) so that now, as I write this, the reserve levels are at the highest they have been in the city's history. We've been setting aside money for years, including during every year of the recession, to save money for planned projects. Keeping a 107-year-old city looking great requires investment, and you will see the City Council begin to make strategic use of some of those savings to build parks, replace fire stations, beautify streets, and more.

For more details about the budget, please visit [www.newportbeachca.gov/budget](http://www.newportbeachca.gov/budget).

## The Civic Center

One of the most discussed infrastructure projects over the last five years is the Newport Beach Civic Center. The City combined several projects - the city hall building, the expansion of and second entrance to the Central Library, the 14-acre park, and the parking structure - and built them as one large project. The related construction costs are about \$112 million in total. When you include the soft costs like insurance, architectural fees, the environmental document, and more, the project total reaches about \$140 million.

This is a lot of money for a project - any project. I know that. However, I will tell you this:

- We invested in quality building materials. The place is built to last. Parts of the old city hall were doing okay after 70 years of use (unless there was an earthquake), but the newest parts were crumbling at age 30. We chose quality materials for the new building so that it will withstand generations of use. We were also careful not to short-circuit important construction-related items. Included in the soft costs were significant dollars to carefully review and inspect steel, glass, utility systems, waterproofing protection, storm water retention, and more.
- We had a sound construction process. A private-sector construction management firm oversaw open-bid subcontractors. While they ran into different site and supply issues at times, change orders for the overall project ran at under seven percent. (At the project's onset, we set an ambitious and lower goal, but seven percent is actually right in line with projects of this size.) The City appropriately insured the whole process - which added some costs - to reduce its exposure given the magnitude of the construction effort. Thankfully, we had no major injury claims.
- We invested today for savings tomorrow. The energy efficiency of the building is remarkable as it uses the local environment to reduce long-term utility costs. The net present value of these savings is \$2.4 million. The city hall building is expected to be certified as LEED Gold - quite notable for a public space. In addition, the building's design and technology have allowed us to reduce the staff size - saving millions in the long run - just by locating city employees in one location instead of multiple ones.
- We invested more in customer-friendly spaces. Parking is easy and plentiful, for the library as well as the park and city buildings. There is a "one-stop" permit center that can efficiently and easily accommodate our customers.
- We invested in opportunity. Knowing that the Central Library needed expansion, repair, and significant additional parking, we accomplished all of that with the same construction manager and architect used for the rest of the project.

- We invested to address community wishes. We had 45 public meetings about the Civic Center process. You may recall reading about those meetings in these newsletters as I tried to keep you informed with our planning and progress. Each of the hundreds of community members who spoke during the planning process had good ideas and perspectives on what to build. Now that it's all done, it's so much fun to see dogs in the dog park, walkers enjoying the "people" park, couples looking at harbor sunsets from the viewing platforms, and people filling up the expanded space at the library. The Community Room is already being booked for meetings, family gatherings, and more. This is exactly how it was envisioned to be.

Cities that do not make investments like these in community spaces are likely to see those same spaces deteriorate in the months and years to come. They will let employee salaries and pension costs swallow up dollars that should have gone to new parks, larger libraries, civic gathering areas, better infrastructure, street improvements, and other places and programs that give direct public value to your neighborhoods and families. Newport Beach will not be one of those places, thanks to the Civic Center, the two, additional parks that we will start to build this year, and the City's continued willingness to invest in public spaces and beautification.

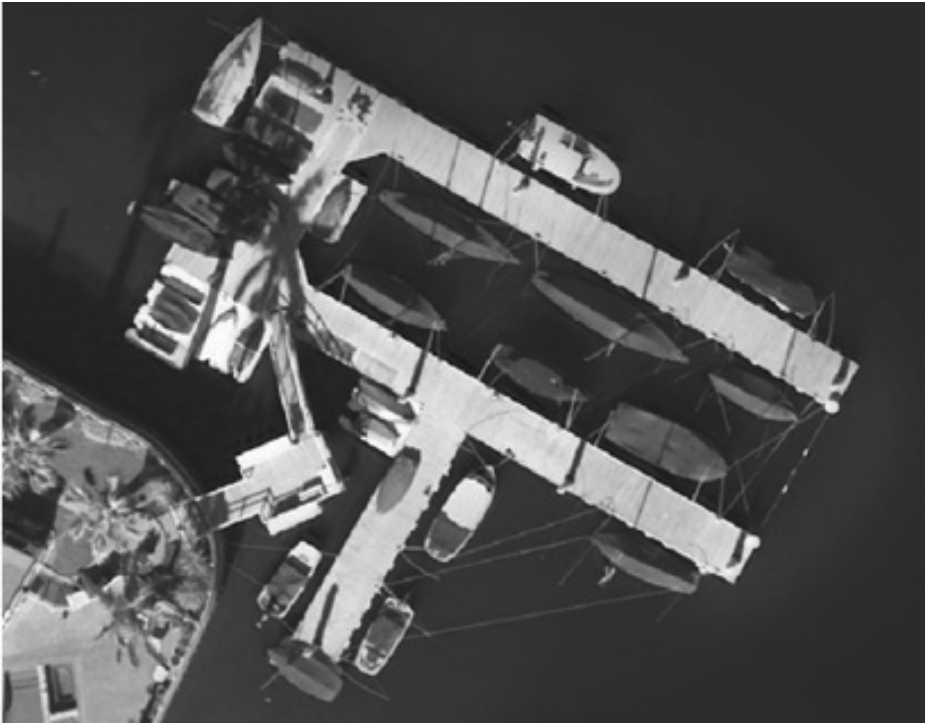
For more information about the Civic Center, please visit [www.newportbeachca.gov/civiccenter](http://www.newportbeachca.gov/civiccenter).

## Harbor Rents

It's been about seven months or so since the City finished a two-year process to review tidelands rents in Newport Harbor. Suffice it to say that this was a painful process - for all involved. That's in part why it hadn't been done for many years. With most of the dust settled, here's what we know:

- Nearly one third of all residential pier owners now pay nothing at all (yes, \$0). The 406 homes in this category used to pay \$100 per year. Now they pay nothing, because their docks are not over City-administered tidelands.
- The amount that the average dock owner will pay by 2017 (recall that rental increases are phased-in over five periods) is \$740 per year.
- It's now legal for owners to rent their docks out to others (this was not legal before 2013). But if they do, they need to pay a higher rent, like a small marina would. Out of the 856 pier permittees, only nine said that they would be renting out their docks to others.

We have an aerial from 2006 that shows the rental question in spades. The photo below shows 19 vessels on a private, residential dock. Yes, they might all be the adjacent property owner's vessels. If they are not, and if the person rents spaces to others for \$500 per month per boat, this person was paying \$100 per year rent for public waters, yet earning \$114,000 per year. That's a nice return.



For more information about harbor rents, please visit [www.newportbeachca.gov/harborcharges](http://www.newportbeachca.gov/harborcharges).

Thank you for reading this issue of my newsletter. I always appreciate hearing from you. Please consider e-mailing or calling with your thoughts.

Sincerely,

A handwritten signature in black ink that reads "Dave Kiff". The signature is stylized and cursive.

Dave Kiff  
City Manager  
[dkiff@newportbeachca.gov](mailto:dkiff@newportbeachca.gov) or 949-644-3001