



# CITY OF NEWPORT BEACH FINANCE COMMITTEE AGENDA

100 Civic Center Drive - Crystal Cove Conference Room, Bay 2D

Thursday, January 12, 2023 - 3:00 PM

***Finance Committee Members:***

**Will O'Neill, Chair**  
**Noah Blom, Mayor**  
**Joe Stapleton, Council Member**  
**William Collopy, Committee Member**  
**John Reed, Committee Member**  
**Nancy Scarbrough, Committee Member**

**Staff Members:**

**Grace K. Leung, City Manager**  
**Jason Al-Imam, Finance Director/Treasurer**  
**Michael Gomez, Deputy Finance Director**  
**Amy Byrne, Administrative Assistant**

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**NOTICE REGARDING PRESENTATIONS REQUIRING USE OF CITY EQUIPMENT**

Any presentation requiring the use of the City of Newport Beach's equipment must be submitted to the Finance Director/Treasurer 24 hours prior to the scheduled Finance Committee meeting.

**NOTICE REGARDING PUBLIC PARTICIPATION**

Questions and comments may also be submitted in writing for the Finance Committee's consideration by sending them to Jason Al-Imam, Finance Director/Treasurer, at [jalimam@newportbeachca.gov](mailto:jalimam@newportbeachca.gov). To give the Finance Committee adequate time to review your questions and comments, please submit your written comments by no later than 5 p.m. the day prior to the Finance Committee meeting. All correspondence will be made part of the record.

**NOTICE TO THE PUBLIC**

The Finance Committee meeting is subject to the Ralph M. Brown Act. Among other things, the Brown Act requires that the Finance Committee agenda be posted at least seventy two (72) hours in advance of each regular meeting and that the public be allowed to comment on agenda items before the Committee and items not on the agenda but are within the subject matter jurisdiction of the Finance Committee. The Chair may limit public comments to a reasonable amount of time, generally three (3) minutes per person.

It is the intention of the City of Newport Beach to comply with the Americans with Disabilities Act ("ADA") in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, the City of Newport Beach will attempt to accommodate you in every reasonable manner. If requested, this agenda will be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Please contact the City Clerk's Office at least forty-eight (48) hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible at (949) 644-3127 or [jalimam@newportbeachca.gov](mailto:jalimam@newportbeachca.gov).

I. **CALL MEETING TO ORDER**

II. **ROLL CALL**

III. **PUBLIC COMMENTS**

*Public comments are invited on agenda items. Speakers must limit comments to three (3) minutes. Before speaking, we invite, but do not require, you to state your name for the record. The [Board/Committee/Commission] has the discretion to extend or shorten the speakers' time limit on agenda items, provided the time limit adjustment is applied equally to all speakers. As a courtesy, please turn cell phones off or set them in the silent mode.*

IV. **CONSENT CALENDAR**

A. **MINUTES OF NOVEMBER 10, 2022**

**Recommended Action:**

Approve and file.

[DRAFT MINUTES 11.10.2022](#)

V. **CURRENT BUSINESS**

A. **CALPERS UPDATE**

**Summary:**

Staff will provide the Committee with an overview of the data from the latest actuarial reports from CalPERS as well as their impact on prior projections of the paydown of the City's unfunded pension liability.

**Recommended Action:**

Receive and file.

B. **LONG RANGE FINANCIAL FORECAST (LRFF) UPDATE**

**Summary:**

Staff will brief the Committee regarding the results of the updated LRFF analysis.

**Recommended Action:**

Receive and file.

[STAFF REPORT](#)

[ATTACHMENT A](#)

C. **INTERNAL AUDIT PROGRAM WORK PLAN REVIEW**

**Summary:**

Selection of audit topics for the FY 2022-23 audit program.

**Recommended Action:**

Review and discuss internal audit areas, confirm or revise staff's two recommended areas of focus to pursue in Fiscal Year 2023-24.

[STAFF REPORT](#)

**D. BUDGET AMENDMENTS FOR QUARTER ENDING DECEMBER 31, 2022**

**Summary:**

Staff will report on the budget amendments from the prior quarter.

**Recommended Action:**

Receive and file.

[STAFF REPORT](#)

[ATTACHMENT A](#)

**E. WORKPLAN REVIEW**

**Summary:**

Staff will report on the upcoming Finance Committee items.

**Recommended Action:**

Receive and file.

[ATTACHMENT A](#)

**VI. ADJOURNMENT**

**CITY OF NEWPORT BEACH  
FINANCE COMMITTEE  
NOVEMBER 10, 2022 MEETING MINUTES**

**I. CALL MEETING TO ORDER**

The meeting was called to order at 3:01 p.m.

Mayor Pro Tem Noah Blom announced Chair O'Neill would be arriving late.

**II. ROLL CALL**

**PRESENT:** Mayor Pro Tem Noah Blom, Committee Member Brad Avery, Committee Member William Collopy, Committee Member John Reed, Committee Member Nancy Scarbrough, Committee Member Joe Stapleton

**ABSENT:** Chair Will O'Neill

**STAFF PRESENT:** City Manager Grace K. Leung, Acting Finance Director Michael Gomez, Senior Budget Analyst Amber Haston, Budget Manager Shelby Burguan, Management Fellow Lorig Yaghsezian, Administrative Assistant Amy Byrne, Purchasing and Contracts Administrator Sander Huang, Accounting Manager Trevor Power

**MEMBERS OF THE PUBLIC:** Jim Mosher, Resident, Charles Klobe, Resident

**OTHER ENTITIES:** None

**III. PUBLIC COMMENTS**

**IV. CONSENT CALENDAR**

**A. MINUTES OF OCTOBER 20, 2022**

**Recommended Action:**  
Approve and file.

**MOTION:** Moved to approve the minutes of October 20, 2022 as presented, and seconded. The motion carried 6 ayes – 0 noes, 1 absence (Chair Will O'Neill)

Mayor Pro Tem Blom announced the Year End Budget Results and Surplus Allocation would be heard at end of the agenda.

**V. CURRENT BUSINESS**

**C. INTERNAL AUDIT PROGRAM UPDATE**

**Summary:**  
Bi-monthly progress update on the internal audit program.  
**Recommended Action:**  
Receive and file.

Acting Finance Director Michael Gomez reported the Internal Audit Program began in September 2020. He advised all items from the findings for Procurement Policies have been

addressed. He noted the revised Council Policy F-14 will be discussed later in the agenda. He reported a Cash Handling Draft Policy has been written and is being reviewed by Finance management with the anticipation it is finished in November/December with implementation in January 2023. He advised the Information Technology policy has been shared with Finance and Human Resources for review and comments before becoming effective in December or January. He reported fourteen policies that will be reviewed and revised as part of the Internal Audit Program. He noted two are nearing completion.

Acting Finance Director Gomez reported Moss Adams will be conducting the next round of deep dive audits for the next fiscal year. He advised work has begun and the audits are anticipated to be completed in February 2023 and will return to the Finance Committee for discussion.

Mayor Pro Tem Blom opened public comments.

Jim Mosher noted there were not enough physical agendas available for the meeting and was difficult for the public to follow.

Mayor Pro Tem Blom closed public comments.

The item was received and filed.

City Manager Leung requested Item D be heard next.

#### **D. RECOMMENDED CHANGES TO PURCHASING POLICIES**

**Summary:**

Staff will provide an overview of recommended changes to the City's purchasing policies for the Committee's consideration, in follow-up to the Internal Audit Program report presented to the Committee in January.

**Recommended Action:**

Review the draft revisions to Council Policy F-14, and recommend further changes as needed for submission to the City Council for consideration.

Acting Finance Director Gomez advised there was no presentation for the item but asked for recommendations from the Finance Committee before it moves forward to the City Council. He explained the changes update or improve the language, elaborate or define statements, and ensure consistency between policies. He noted this was a joint effort between the Finance Committee and the City Attorney's Office. He advised there was no recommendation to change any of the authority limits for Council Policy F-14.

Mayor Pro Tem Blom opened public comments.

Mr. Mosher advised Council Policy F-14 states "the City shall not be bound by any contract or amendment thereto unless the same shall be made in writing, approved by the City Council or employee designated by the City Council". He noted it further states that the employee shall be designated by the City Council, the City Clerk, and the City Attorney. He recommended it be clarified that the employee is designated by the City Council and must be signed by the City Clerk and the City Attorney and further recommended it be separated into two sentences.

Mayor Pro Tem Blom closed public comments.

No further action was taken on the item.

#### **A. YEAR END BUDGET RESULTS AND SURPLUS ALLOCATION**

**Summary:**

Staff will provide a presentation regarding the year-end budget results for FY 2021-22 and recommendations for allocation of any year-end budget surplus.

**Recommended Action:**

Review and discuss this report and provide any recommendations for consideration by the City Manager and City Council.

Acting Finance Director Gomez introduced the item.

Budget Manager Shelby Burguan reported the General Fund Revenue Budget was adopted at \$234.1 million and steadily increased projections as new information became available to staff. She advised the total actual for General Fund Year-End Revenues was \$261.5 million which is a positive variance of \$27.4 million above the adopted budget. She noted the high variance is due to the adopted budget being established in spring 2021 with the City exercising caution and conservatism in light of the pandemic.

Budget Manager Burguan reported Property Tax is the City's highest source of revenue and comprises 50% of General Fund revenues. She advised actual property tax revenues came in at \$124.3 million which is \$2.1 million higher than the adopted budget and is due to the increased valuation of properties and timely payments from property owners. She noted the City has a very healthy property tax base with the median home process in June 2022 reaching over \$3 million which is 19% over the calendar year 2020-21.

Budget Manager Burguan reported Sales Tax is the City's second-largest source of revenue and makes up 15% of General Fund revenues. She advised actuals came in at \$46.2 million which is \$5.9 million higher than the adopted budget. She noted the City's highest Sales Tax performing categories include autos and transportation, revenues from brick-and-mortar retail stores, and revenue from restaurants and hotels which have not surpassed pre-pandemic levels. She reported high fuel costs have inflated the sales tax received on fuel sales.

Budget Manager Burguan reported Transient Occupancy Tax (TOT) ended the year at \$26.7 million which is \$7.6 million higher than the adopted budget and \$10 million higher than Fiscal Year 20/21. She explained occupancy has still not reached pre-pandemic levels but room rates are very high. She noted coupling the high room rates with the strong growth in residential TOT resulted in total TOT being a record high for the City.

Budget Manager Burguan reported Other General Fund Revenues came in at \$11.8 million higher than the adopted budget. She advised Property Transfer Tax actuals were \$1.7 million higher than the adopted budget which is due to the high valuations of properties. She reported revenues from fees and charges came in at \$3.8 million more than the adopted budget. She noted that property income revenues exceeded the adopted budget by \$1.7 million due to increased percentage-based rent revenues from the Lido House Hotel. She reported intergovernmental revenues were \$2.8 million above the budget due to adjustments related to Fire Department mutual aid reimbursements and Senate Bill (SB) 2 grant revenues for homeless services.

Budget Manager Burguan reported General Fund Expenditure Budget has been amended numerous times since its adoption. She advised the revised budget is \$12.9 million more than the adopted budget. She explained the growth in the revised budget is the \$5 million additional payment to CalPERS, \$3.1 in budget carryovers from the previous fiscal year, and amendments related to the implementation of various labor agreements. She reported actual year-end expenses came in at \$228 million which represents a budget savings of \$10.9 million. She noted \$4.7 million of that is salary savings due to vacancies. She noted \$4.4 million of encumbrances were carried over into Fiscal Year 22/23.

Committee Member Collopy inquired about the City's total CalPERS contribution. Budget Manager Burguan reported the City's total CalPERS Unfunded Accrued Liability (UAL) was \$40 million and will be \$45 million in Fiscal Year 22/23.

Committee Member Collopy inquired about the City's required UAL payment. Budget Manager Burguan reported the City's required payment is \$30 million and noted it changes every year. She noted the payment over and above the required was approximately \$10 million in Fiscal Year 21/22.

Budget Manager Burguan reported the total Year-End Surplus totals \$24.1 million in unrestricted fund balance. She noted the surplus is after the \$31 million appropriation the City Council approved from the Fiscal Year 20/21 Year-End Surplus.

Acting Finance Director Gomez reported Council Policy F-5 recommends that 50% of surplus funds be allocated to long-term obligations, infrastructure, and capital improvements. He advised staff recommends the \$24.1 million surplus be used to fund the majority of the purchase of the Dove Street property for the future police facility.

City Manager Leung explained that part of the reason for waiving the policy is that there was a structural surplus in the current year which is prefunding the additional pension payment. She advised the potential purchase of property is something the City Council has been negotiating and will be on the City Council agenda on November 15th. She noted the property purchase price is \$30.5 million and because there is private income usage the City cannot obtain tax-exempt bonds.

Committee Member Collopy agreed with the recommendation given the current interest rate environment.

City Manager Leung agreed it makes sense for a long-term strategy for the City and the property.

Committee Member Collopy inquired about Council Policy F-5 and recommended reviewing the policy to understand why the City has such a strong surplus.

Mayor Pro Tem Blom noted he believes the unexpected increases in TOT were not factored into the City's budget which led to the increased surplus.

City Manager Leung noted the City just went through a world-wide pandemic that has never been faced before and noted TOT revenue was projected at \$6 million in Fiscal Year 19/20 and it turned out not to be that bad. She noted staff will take into consideration the new state of the world when it considers its budget forecast.

Committee Member Collopy noted the City's TOT is too low and recommended raising it in the future. He noted residents are not paying for the TOT.

Mayor Pro Tem Blom agreed it may sense during this economic climate to explore raising TOT.

Committee Member Scarbrough inquired about the reasoning behind not putting half of the surplus toward the City's UAL.

Mayor Pro Tem Blom noted that during reasonable times the City would probably put the surplus towards UAL, however, there is no easy way to finance the Dove Street property. He explained that by using the surplus to purchase the property the City will pay much less in the long run.

Committee Member Scarbrough noted the City should not overpay into its UAL for a reason she could not remember.

Committee Member Collopy explained that former Committee Member Larry Tucker was opposed to overpaying into a surplus because he felt there may be impending legislation to tax the surplus. He further explained that the UAL will be paid down in a short period but this is an opportunity to purchase a property that will only go up in value. He noted financing the purchase of the property in a high-interest rate environment will only cost the City more money. He advised the surplus funds will not incur the City any interest payments.

Committee Member Stapleton noted the City can not only be focused on paying down UAL. He agreed the surplus should be evaluated every year but agreed with using the funds for the investment property.

Mayor Pro Tem Blom noted the City would be investing in something that has a reasonable rate of return.

Mayor Pro Tem Blom opened public comments. Seeing none, Mayor Pro Tem Blom closed public comments.

City Manager Leung advised if there were no additional recommendations she would forward the report to City Council.

Committee Member Collopy inquired if this required a unanimous or majority vote by the City Council.

City Manager Leung advised it requires a majority vote.

No further action was taken on the item.

#### **E. FIRST QUARTER BUDGET UPDATE**

**Summary:**

Staff will provide a presentation regarding the year-to-date and projected FY 2022-23 budget performance.

**Recommended Action:**

Review and discuss this report and provide any recommendations for consideration by the City Manager and City Council.

Acting Finance Director Gomez announced there was a change to the First Quarter Report which was redlined and made available to the public yesterday.

Budget Manager Burguan reported the report covers July through September. She advised the General Fund Revenue Budget was adopted at \$265 million with the current revised budget being \$266.9 million. She reported the projection at the end of the first quarter is \$268.3 million with positive variance in property tax, TOT, fee-based classes, and grants.

Budget Manager Burguan reported Property Tax represents 50% of General Fund revenues. She advised the City's consultant projects property tax will come in at \$132 million which is \$900,000 higher than the adopted budget.

Committee Member Collopy inquired if property tax revenue would decrease if home values drop by 20%.

Acting Finance Director Gomez explained that every individual homeowner would have to ask the County to reassess their property value and if that happened then that number would decrease. He noted residents have been successful in having their properties reassessed.

City Manager Leung noted property value reassessments were seen during the Great Recession. She explained that property tax revenues lag so the revenue projections for this year are solid. She noted property tax does not go up or down like TOT or sales tax.

Committee Member Collopy noted property tax revenue did not go down in 2009. City Manager Leung reported last year's property tax revenue was only off by 1.2% and noted the surplus was due to the increase in TOT and sales tax.

Chair O'Neill arrived at 3:39 p.m.

Budget Manager Burguan reported the City saw strong growth in Sales Tax last year as the economy recovered from the pandemic. She noted growth is expected to continue but at a slower pace. She advised the projected revenue for sales tax is \$46.5 million.

Committee Member Collopy inquired if the City had any influence in the 7.75% sales tax.

Chair O'Neill advised the City cannot change the sales tax.

Budget Manager Burguan reported TOT took a dramatic hit during the pandemic. She advised that although current TOT revenues are surpassing pre-pandemic highs occupancy rates have not fully recovered. She noted the lower occupancy rates are offset by high room rates. She reported staff met with and performed an analysis of year-to-date actuals and have come up with an updated projection of \$28.9 million which is \$1.1 million higher than the adopted budget and largely fueled by residential TOT.

Budget Manager Burguan reported all other General Fund Revenues are projected to exceed the adopted budget by \$1.2 million.

Budget Manager Burguan reported General Fund Expenditures have been amended several times and are \$11 million over the adopted amount. She advised the growth is due to the \$5 million additional CalPERS payment, \$4.4 million of budget carryovers, and various labor agreements. She reported the projected year-end expenses are \$255.3 million which is under the revised budget by \$300,000 and are offset by overages in the contracts services category and two new City vehicles.

Budget Manager Burguan reported staff projects ending the current year with \$1.8 million in unrestricted funds and is after the \$24.1 million surplus. She noted staff will continue to monitor economic trends including inflation and consumer spending.

Acting Finance Director Gomez called for comments from the Finance Committee.

Chair O'Neill opened public comments. Seeing none, Chair O'Neill closed public comments.

Committee Member Reed asked for clarification about the surplus.

Budget Manager Burguan provided a detailed explanation of how the surplus was determined to be \$1.8 million.

City Manager Leung explained the surplus is being allocated as part of that transaction.

The item was received and filed.

Chair O'Neill noted there was no Work Plan attached to the agenda.

Acting Finance Director Gomez detailed the Work Plan for January and February 2023. He announced there will be no meeting in December.

Committee Member Collopy inquired why the Harbor Department was being reviewed and not Public Works.

Chair O'Neill explained it was coming back as there was some incomplete data but was happy to bring Public Works in for review.

City Manager Leung noted the Harbor Department will be presenting proposals on staff.

Chair O'Neill opened public comments. Seeing none, Chair O'Neill closed public comments

City Manager Leung announced that Jason Al-Imam will take over as the Finance Director on November 28<sup>th</sup>. She thanked Acting Finance Director Gomez for taking over the role in the interim.

**VI. ADJOURNMENT**

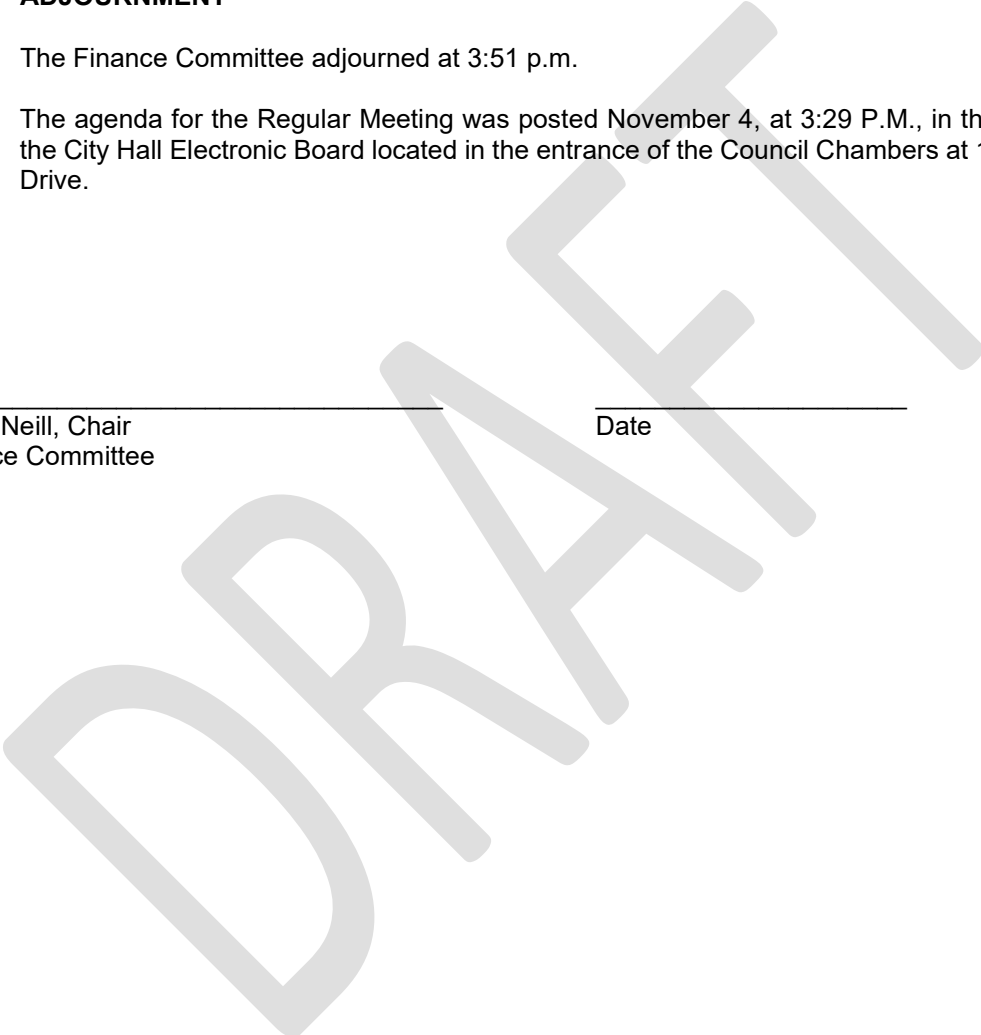
The Finance Committee adjourned at 3:51 p.m.

The agenda for the Regular Meeting was posted November 4, at 3:29 P.M., in the binder and on the City Hall Electronic Board located in the entrance of the Council Chambers at 100 Civic Center Drive.

Attest:

\_\_\_\_\_  
Will O'Neill, Chair  
Finance Committee

\_\_\_\_\_  
Date



# 2023 CalPERS Update



## **Finance Committee**

**January 12, 2023**



# CalPERS News

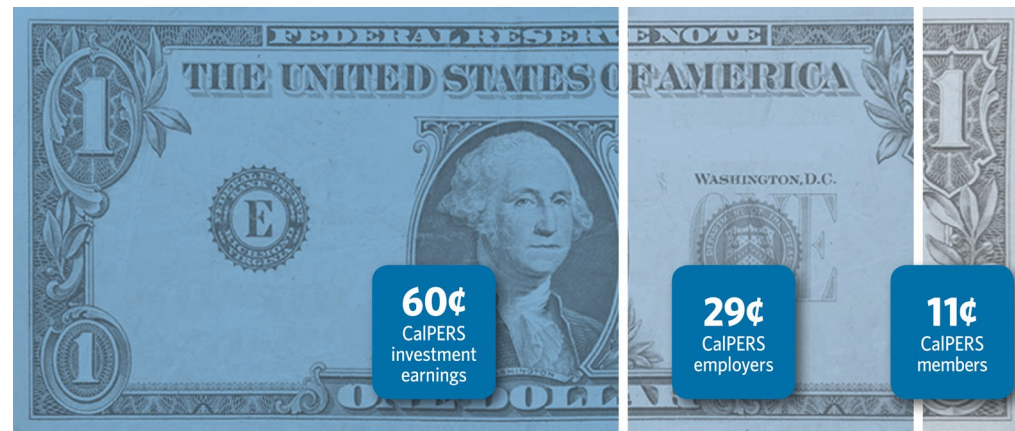
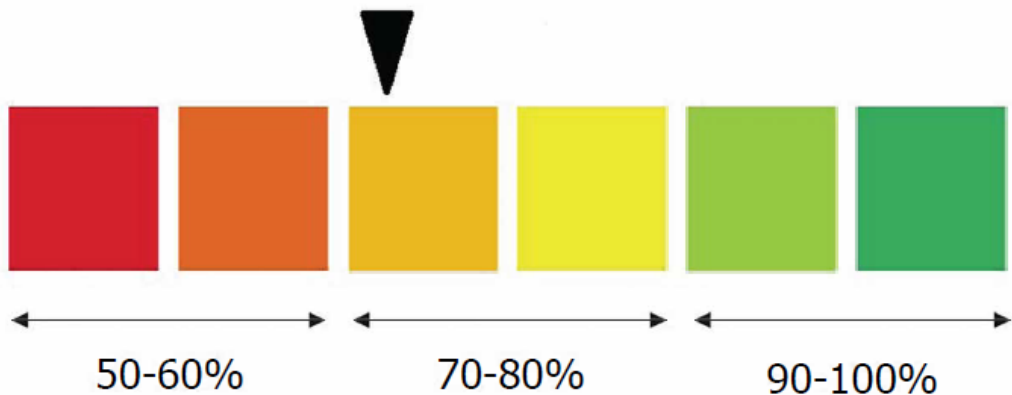


# Fiscal Year 2021-22 CalPERS Fiscal Status

**\$440 billion in assets**  
*(down from \$469b in prior year)*

**-7.5% net return on investments**  
*(21.3% in prior year)*

**72% funded status** *(from 82%)*



*Preliminary*



# CalPERS Portfolio Composition June 30, 2022

	Ending Asset Value (bil)	Current Allocation (%)	Policy Target Weight (%)	Policy Variance (%)	Policy Range
<b>Public Equity<sup>1</sup></b>	\$ 195.2	44.4%	50.0%	(5.6%)	± 7%
<b>Private Equity<sup>2</sup></b>	\$ 52.8	12.0%	8.0%	4.0%	± 4%
<b>Income<sup>1</sup></b>	\$ 117.6	26.7%	28.0%	(1.3%)	± 6%
<b>Real Assets<sup>2</sup></b>	\$ 69.6	15.8%	13.0%	2.8%	± 5%
<b>Total Fund</b>	\$ 18.8	4.3%			
Opportunistic <sup>2</sup>	\$ 6.4	1.4%			
LLER <sup>3</sup>	\$ 11.6	2.6%			
Other	\$ 0.8	0.2%			
<b>Financing &amp; Liquidity</b>	\$ (14.4)	(3.3%)			
Trust Level Financing <sup>4</sup>	\$ (24.5)	(5.6%)			
Liquidity <sup>4</sup>	\$ 10.1	2.3%	1.0%	1.3%	-6% to +3%
<b>Total PERF</b>	\$ 439.6	100.0%	100.0%		

Performance Summary	Ending Asset Value (bil)	1-Yr		
		Total Return	BM Return	Excess Bps
<b>Public Equity</b>	\$ 195.2	(13.1%)	(13.2%)	15
Cap Wtd. <sup>1</sup>	\$ 130.5	(15.8%)	(16.0%)	21
Factor Wtd.	\$ 64.7	(6.9%)	(6.8%)	(3)
<b>Private Equity<sup>2</sup></b>	\$ 52.8	21.3%	8.3%	1,299
<b>Income</b>	\$ 117.6	(14.5%)	(14.5%)	(3)
Long Spread	\$ 66.4	(14.0%)	(13.9%)	(2)
Long Treasury <sup>1</sup>	\$ 31.4	(16.1%)	(16.1%)	0
Total Fund Income	\$ 6.8	(16.4%)	(16.1%)	(31)
High Yield	\$ 13.0	(11.9%)	(11.9%)	(1)
<b>Real Assets<sup>2</sup></b>	\$ 69.6	24.1%	27.1%	(304)
<b>Total Fund</b>	\$ 18.8			
Opportunistic <sup>2</sup>	\$ 6.4	8.4%	7.0%	140
LLER <sup>3</sup>	\$ 11.6	(1.2%)	0.3%	(144)
Other	\$ 0.8	-	-	-
<b>Financing &amp; Liquidity</b>	\$ (14.4)			
Trust Level Financing <sup>4</sup>	\$ (24.5)			
Liquidity <sup>4</sup>	\$ 10.1	0.3%	0.1%	13
<b>Total PERF</b>	\$ 439.6	(6.1%)	(7.0%)	91













# New Actuarial Assumptions

- On November 17, 2021, CalPERS adopted new actuarial assumptions based on recommendations in the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
- Salary 2.75% → 2.80%
- Inflation 2.50% → 2.30%
- Mortality – fully generational based on 80% of SOA Mortality improvement table “MP 2020”



# 2021 Asset Liability Management Study

- In 2021, CalPERS completed its most recent asset liability management study, which resulted in a change to the asset mix that is expected to have a long-term blended return that continues to support a discount rate assumption of 6.80%.

	Current Asset Mix	New Asset Mix
Global Equity	50% 	42% 
Fixed Income	28% 	30% 
Real Assets	13% 	15% 
Private Equity	8% 	13% 
Private Debt	0% 	5% 



# June 30, 2021 Actuarial Valuation Reports (Published in July 2022)



# June 30, 2021 Actuarial Valuation Reports

- 2021 valuation reports set the contribution rates for Fiscal Year 2023-24.
- Fiscal Year 2020-21 investment return was 21.3%, overperforming the 7.0% target, which under the Funding Risk Mitigation Policy resulted in a decrease in the discount rate.
- Total unfunded liability decreased from \$333.0 million to \$223.4 million, while the total funded ratio increased from 69.2% to 80.5%
- The 2021 valuation reports do not reflect the 7.5% investment loss in Fiscal Year 2021-22

## Miscellaneous

	June 30, 2020	June 30, 2021
Accrued Liability	\$ 460,751,764	\$ 489,050,515
Market Value of Assets	\$ 336,126,374	\$ 412,473,498
Unfunded Liability	\$ 124,625,390	\$ 76,577,017
Funded Ratio	73.0 %	84.3 %

## Safety

	June 30, 2020	June 30, 2021
Accrued Liability	\$ 620,832,794	\$ 655,797,326
Market Value of Assets	\$ 412,411,927	\$ 508,935,899
Unfunded Liability	\$ 208,420,867	\$ 146,861,427
Funded Ratio	66.4 %	77.6 %



# CalPERS Funding Risk Mitigation Policy

- Uses a portion of unexpected gains to de-risk the portfolio



**If** investment returns outperform discount rate by:

+2 pp → 8.8% →

+7 pp → 13.8% →

+10 pp → 16.8% →

+13 pp → 19.8% →

+17 pp → 23.8% →



**then** resulting discount rate will be:

6.75%

6.70%

6.65%

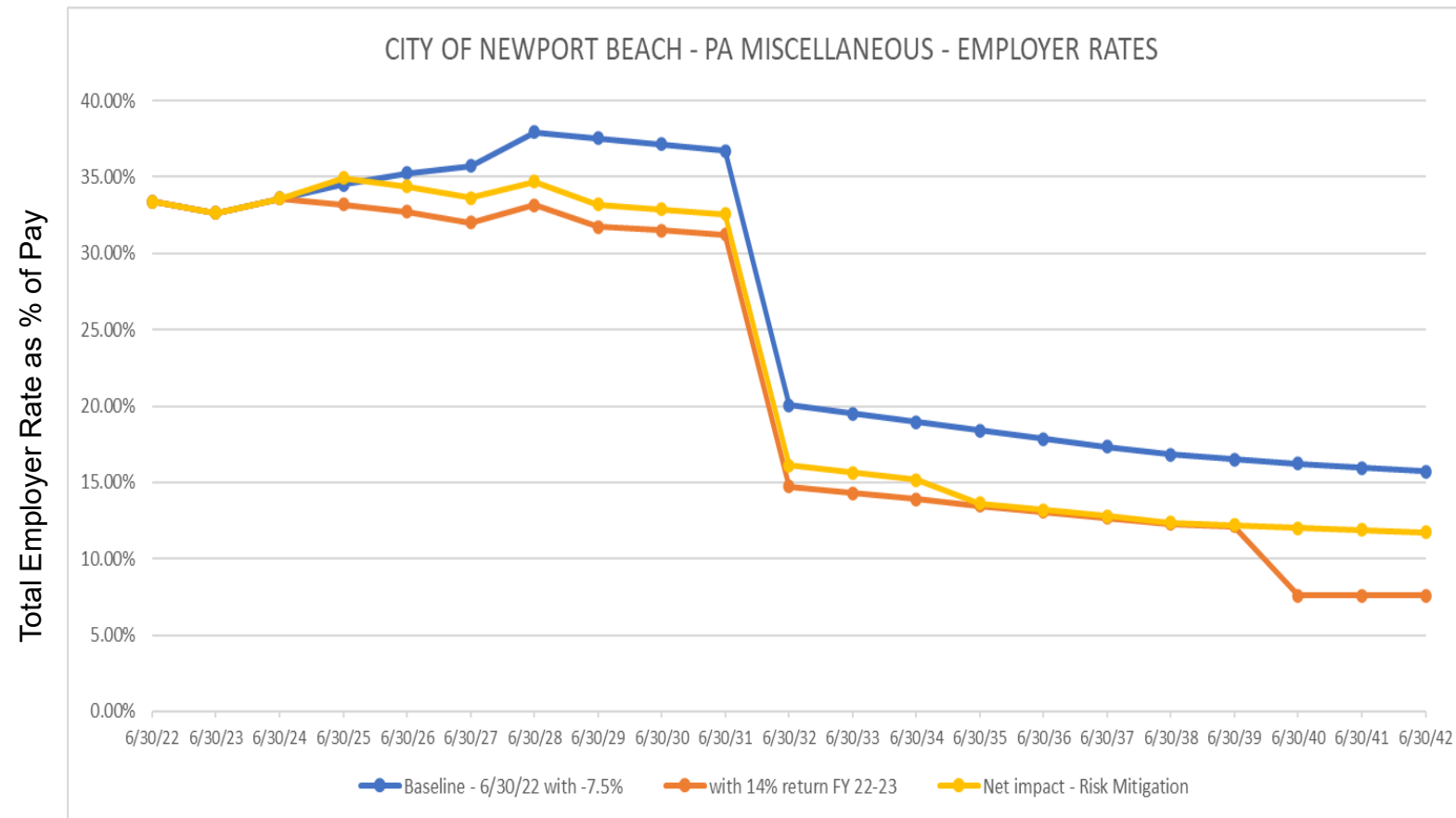
6.60%

6.55%



# CalPERS Funding Risk Mitigation Policy

- Results in higher long-term rates than would otherwise be the case
  - Rate increase phased in with five-year ramp
  - Theoretically decreases the size of deviations from the expected investment return
  - Only minimum required payments





# Normal Cost for Active Employees (Based on the June 30, 2021 Actuarial Reports)

## Blended Normal Cost Rates (as a % of Payroll)

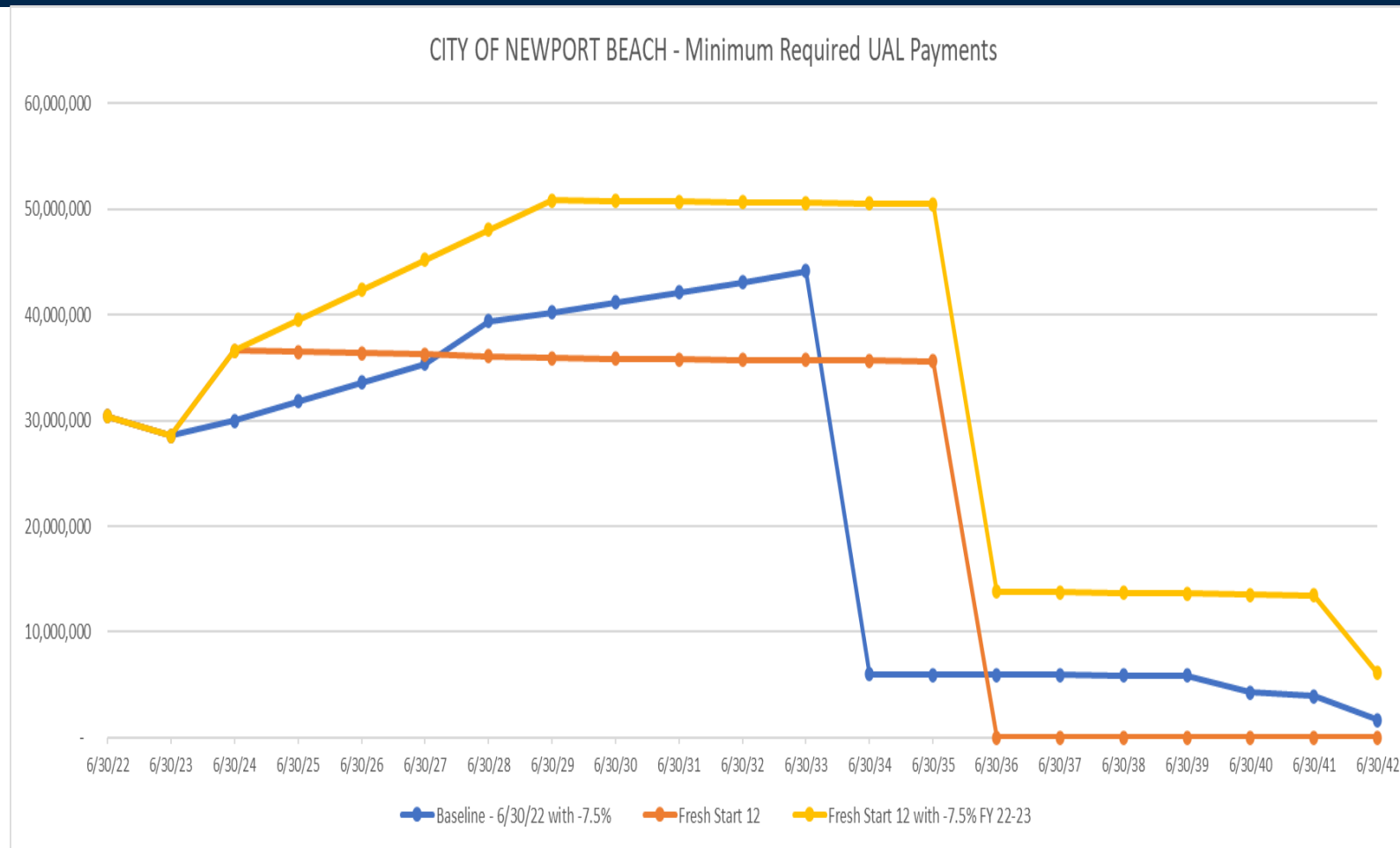
	FY 2022-23	FY 2023-24
Miscellaneous	17.1%	18.5%
Safety	28.9%	31.7%

- Normal cost represents the amount required to be paid to CalPERS for new pension benefits earned by active employees each pay period.
- Employees pay a portion of normal cost, which varies by bargaining group and benefit tier.
- Normal cost rates will increase in Fiscal Year 2023-24 largely due to changes associated with the Funding Risk Mitigation impact that resulted in a decrease in the discount rate to 6.8%. Normal cost rates were also impacted by changes to several demographic assumptions.



# Fresh Start Funding Option

- Desire to level off UAL payments
  - New Minimum payments are “locked-in”
  - Future investment losses could severely impact the budget





# Comparison to Other Orange County Employers

- The funded percentage for every non-pooled plan in the County increased in part to the investment gain.
- Huntington Beach and Orange issued Pension Obligation Bonds

Agency	June 30, 2020, Valuation		June 30, 2021, Valuation		Change		
	UAL	Funded %	UAL	Funded %	UAL \$	UAL %	Funded %
City of Anaheim	884,308,082	69.6%	625,854,522	79.0%	(258,453,560)	-29.2%	9.4%
City of Brea *	44,240,756	72.0%	28,478,757	82.8%	(15,761,999)	-35.6%	10.8%
City of Buena Park *	45,947,839	69.8%	33,064,905	79.4%	(12,882,934)	-28.0%	9.6%
City of Costa Mesa	242,275,493	61.7%	189,671,106	71.5%	(52,604,387)	-21.7%	9.8%
City of Fullerton	282,857,335	66.6%	211,231,609	77.9%	(71,625,726)	-25.3%	11.2%
City of Garden Grove	329,315,311	64.7%	257,363,315	74.8%	(71,951,996)	-21.8%	10.1%
City of Huntington Beach	454,929,864	68.2%	(41,599,178)	102.9%	(496,529,042)	-109.1%	34.7%
City of Irvine	162,599,460	79.4%	71,891,554	91.4%	(90,707,906)	-55.8%	12.0%
City of La Habra *	33,462,226	74.1%	20,859,964	84.8%	(12,602,262)	-37.7%	10.7%
City of Laguna Beach *	31,849,617	75.5%	18,034,222	86.9%	(13,815,395)	-43.4%	11.4%
City of Mission Viejo *	23,921,524	76.3%	13,408,809	87.6%	(10,512,715)	-43.9%	11.3%
City of Newport Beach	333,046,257	69.2%	223,438,444	81.0%	(109,607,813)	-32.9%	11.8%
City of Orange	311,646,198	68.1%	(76,384,628)	107.8%	(388,030,826)	-124.5%	39.8%
City of Santa Ana	764,634,849	65.5%	574,282,144	75.4%	(190,352,705)	-24.9%	9.8%
City of Tustin *	31,572,384	76.7%	19,141,426	86.8%	(12,430,958)	-39.4%	10.1%
City of Westminster *	48,114,638	67.1%	33,948,569	77.7%	(14,166,069)	-29.4%	10.6%
City of Yorba Linda *	24,520,033	70.2%	16,703,379	81.0%	(7,816,654)	-31.9%	10.8%
Irvine Ranch Water District *	83,052,928	73.6%	52,029,692	84.5%	(31,023,236)	-37.4%	10.9%
Santa Margarita Water District *	37,650,157	67.3%	25,311,966	79.3%	(12,338,191)	-32.8%	12.0%



# Pension Paydown Strategy



# 2022 Pension Paydown Strategy

- The pension paydown strategy is revisited each year.
- In 2022, the Finance Committee and City Council approved the continuation of an aggressive pension paydown strategy, and approved staff's recommendation to make a payment of \$40 million to CalPERS as part of the budget with the intent to allocate an additional \$5 million from the Fiscal Year 2022-23 budget surplus.
- The previous forecast projected the City's pension liability being paid off in Fiscal Year 2029-30, which was dependent on CalPERS earning 7% over the long-term. The investment loss for Fiscal Year 2021-22 was not known at that the time the forecast projected the City's pension liability being paid off in Fiscal Year 2029-30.



# Roll-Forward of Valuations to June 30, 2022

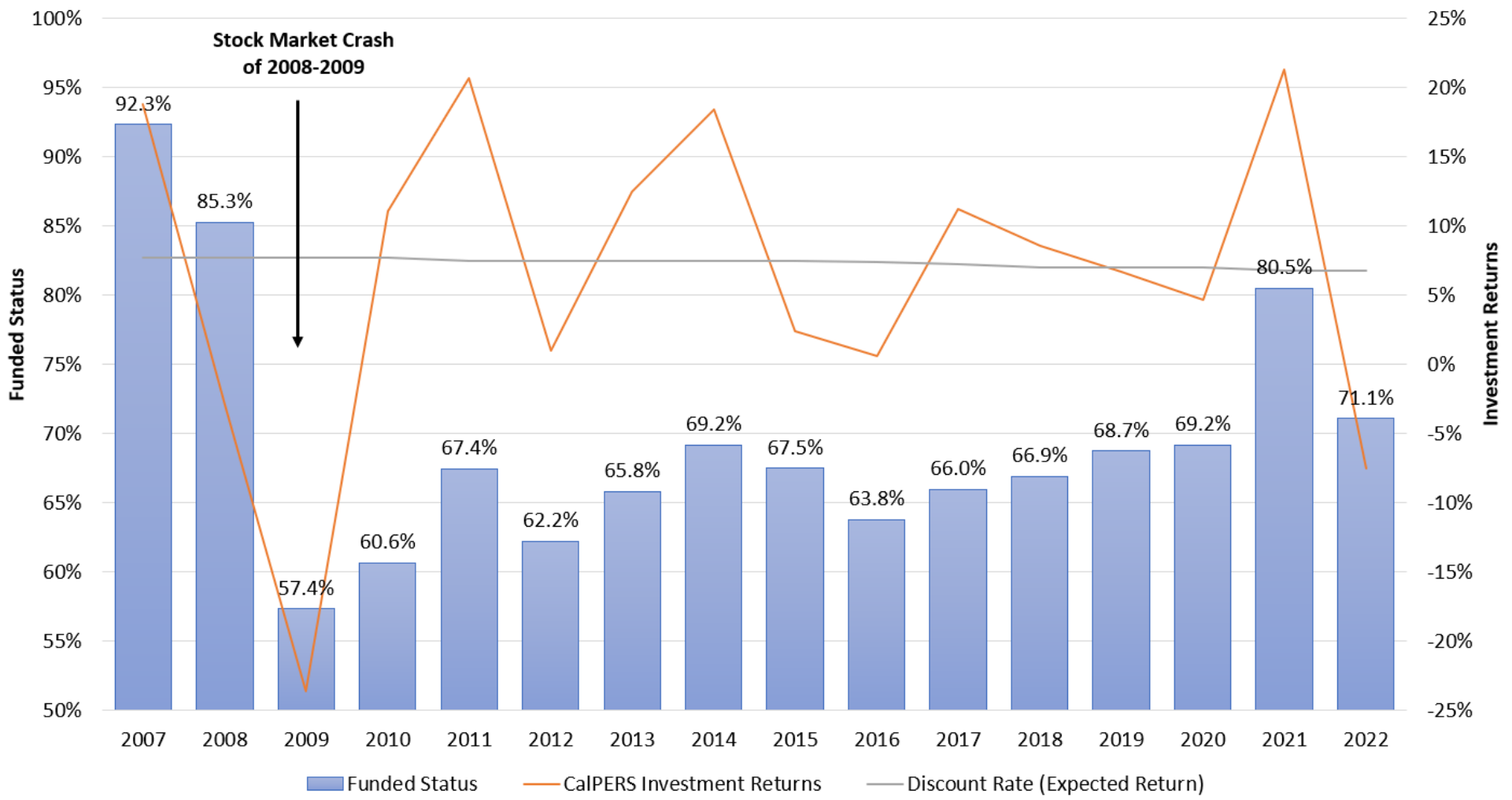
- In November 2022, CalPERS announced a 7.5% investment loss for Fiscal Year 2021-22.
- The Actuarial Valuation at June 30, 2022 will not be available until August 2023. However, the CalPERS Pension Outlook tool has been utilized to estimate the City’s projected funded status as of June 30, 2022, which reflects the impact associated with the 7.5% investment loss.

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022*
Unfunded Liability	\$ 333,135,247	\$ 326,289,861	\$ 333,046,257	\$ 223,438,444	\$330,881,000
Funded Percentage	66.9 %	68.7 %	69.2 %	80.5 %	71.1%
Investment Return	8.6 %	6.7 %	4.7 %	21.3 %	-7.5%

\* Projected



# Historical Investment Returns & the City's Funded Status



Source: CalPERS



# Projections for the Future

- Using the CalPERS Pension Outlook tool, staff modeled the impact of the investment loss for Fiscal Year 2021-22 and the impact of continuing the current payment strategy
  - The Fiscal Year 2021-22 investment losses resulted in extending the paydown schedule by two years
  - Current projection shows the liability will be eliminated in Fiscal Year 2032-33
  - Fiscal Year 2022-23 projected to pay approximately \$15 million more than required by CalPERS

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2032-33
Planned Payment	\$ 40,000,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 6,546,000
Beginning Unfunded Liability	\$ 223,438,444	\$ 330,881,000	\$ 309,087,000	\$ 283,600,000	\$ 256,382,000	\$ 227,311,000	\$ 196,263,000	\$ 163,104,000	\$ 6,335,000
Beginning Funded Percentage	79.3 %	71.1 %	77.6 %	80.3 %	83.2 %	86.0 %	88.8 %	91.5 %	100 %
Investment Return	-7.5 %	6.8 %	6.8 %	6.8 %	6.8 %	6.8 %	6.8 %	6.8 %	6.8 %



# Normal Cost for Active Employees

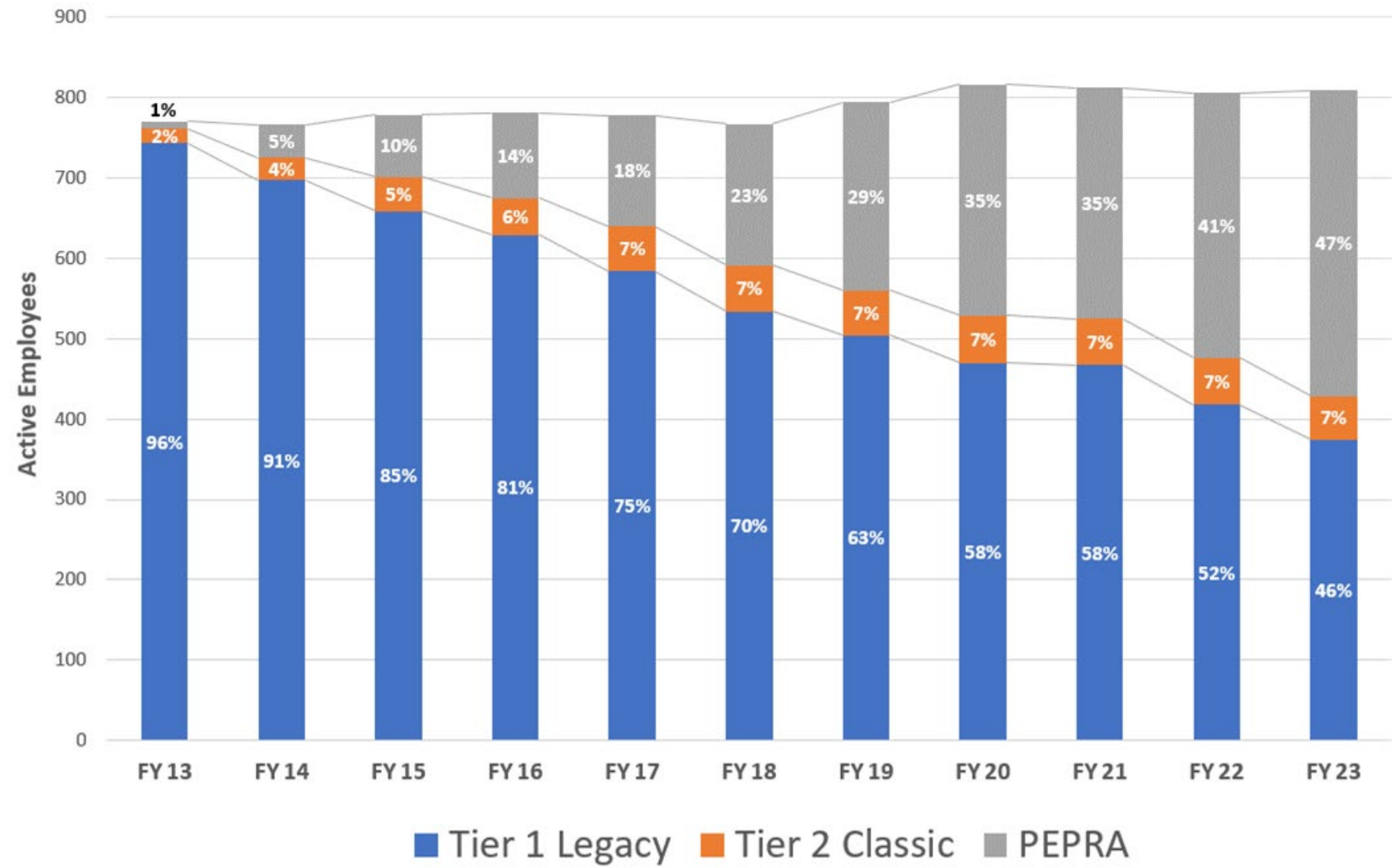
## Total Normal Cost Rates (as a % of Payroll)

	Miscellaneous	Safety
Tier 1 "Legacy"	20.2%	30.6%-36.5%
Tier 2 "Classic"	20.2%	24.5%-34.0%
Tier 3 "PEPRA"	15.0%	24.4%-36.3%

- Tier 1 (Legacy) & Tier 2 (Classic) employees in the Miscellaneous Plan contribute approximately 57% of amounts associated with normal cost.
- Tier 1 (Legacy) & Tier 2 (Classic) employees in the Safety Plan contribute approximately 42% of amounts associated with normal cost on average across the various bargaining groups.
- Miscellaneous PEPRA employees contribute approximately 77% of amounts associated with normal cost, whereas Safety PEPRA employees share equally (50%) in the payment of normal cost.

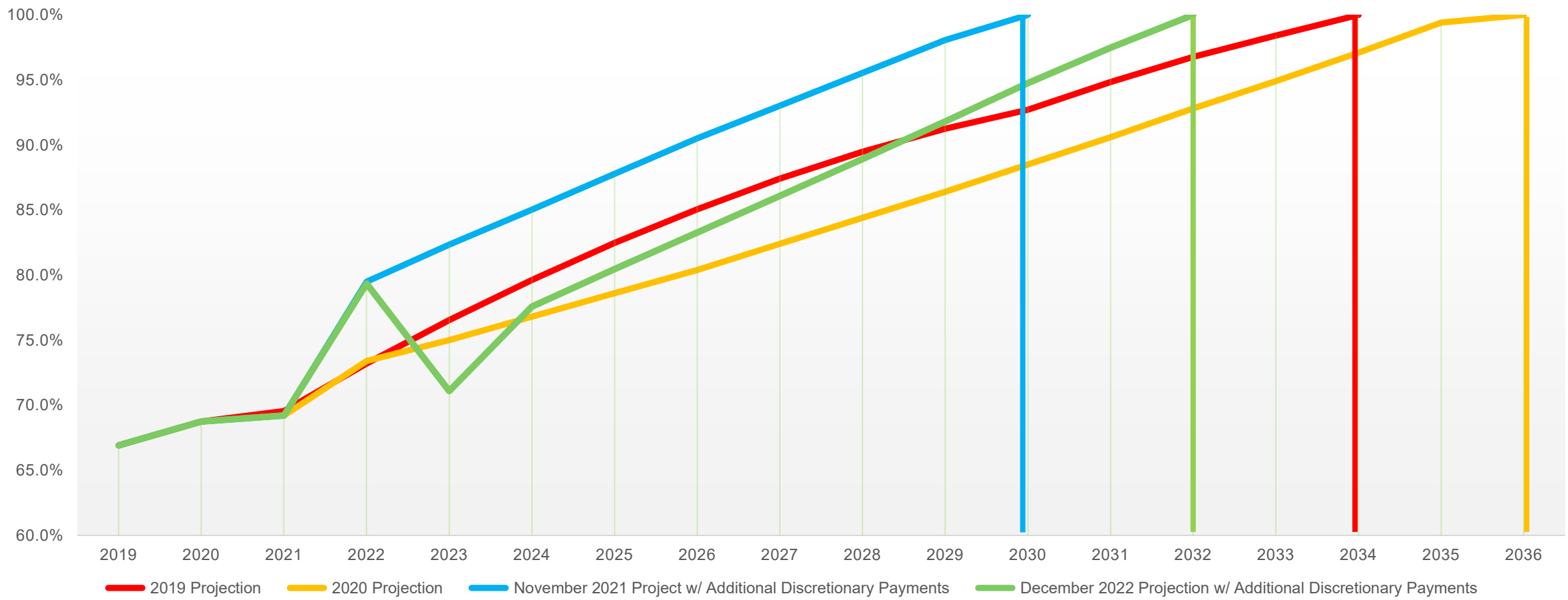


# Active Employees by Benefit Tier





# Impact of Investment Return and Additional Payments





# Summary

- Staff recommend continuing with the ADP strategy recommended in 2022
- This disciplined approach to the accelerated paydown of the City's unfunded liability is expected to:
  - Paydown the current liability in Fiscal Year 2032-33
  - Reduce long-term pension costs
- Monitor future CalPERS investment returns and respond accordingly



# Questions?



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

Agenda Item No. 5B  
January 12, 2023

**TO:** HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

**FROM:** Finance Department  
Jason Al-Imam, Finance Director/Treasurer  
949-644-3123, [jalimam@newportbeachca.gov](mailto:jalimam@newportbeachca.gov)

**SUBJECT: LONG-RANGE FINANCIAL FORECAST (LRFF) UPDATE**

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**EXECUTIVE SUMMARY**

The City's fiscal policy is guided by the Long-Range Financial Forecast (LRFF), which is a planning tool that encompasses the long-term operating and capital needs of the General Fund over the next 20 years. The forecast projects an operating surplus (revenues net of expenditures) in each year over the next 20 years. The City is projected to maintain long-term fiscal sustainability, and is in excellent financial position relative to most other local agencies, with a revenue base and reserves unparalleled by any similar size City in the County.

**DISCUSSION**

Strategic planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of recurring operating revenues and future financial obligations. Prior to the adoption of the annual budget, staff prepares a Long-Range Financial Forecast (LRFF) for the General Fund (the City's primary operating fund) in order to assess internal and external issues impacting the City's financial condition. The LRFF is intended to ensure the City's maintains long-term fiscal sustainability, to guide fiscal policy decisions, and to ensure that the City has sufficient resources to continue to provide high quality programs and services for the community.

**Methodology**

The Finance Department utilizes a multifaceted process when preparing the LRFF. First, a baseline growth scenario for the various revenue and expenditure categories is established by analyzing historical compound annual growth rates (CAGR), historical average growth rates and/or other assumptions based on current economic conditions and other factors. Revenues and expenditures that may vary from the typical escalation patterns are segregated and are increased by their unique defined schedule (dollar or percentage growth basis). These items include such items as additional discretionary

pension payments which are on a fixed annual contribution schedule, interest income, known and expected ground lease revenue from various properties, transfers out to support the various master financing plans (Facilities Financial Plan, Harbor and Beaches Master Plan, Facilities Master Plan), and any emerging commitments the City has on the horizon. Finally, the model is designed to be flexible enough to model one or more alternate baseline scenarios or fiscal impacts as needed.

### **Major Assumptions**

Projected Revenues for Fiscal Year 2022-23, excluding one-time items, serves as the basis for amounts projected for Fiscal Year 2023-24 and each subsequent fiscal year. The Amended Budget for Fiscal Year 2022-23, excluding one-time items and capital projects carried-over from the prior year, serves as the basis for amounts projected for Fiscal Year 2023-24 and each subsequent year. It should also be noted that expenditure savings are not reflected in the forecast, such as savings from vacancies, which are typically realized each year.

### **Revenue Assumptions**

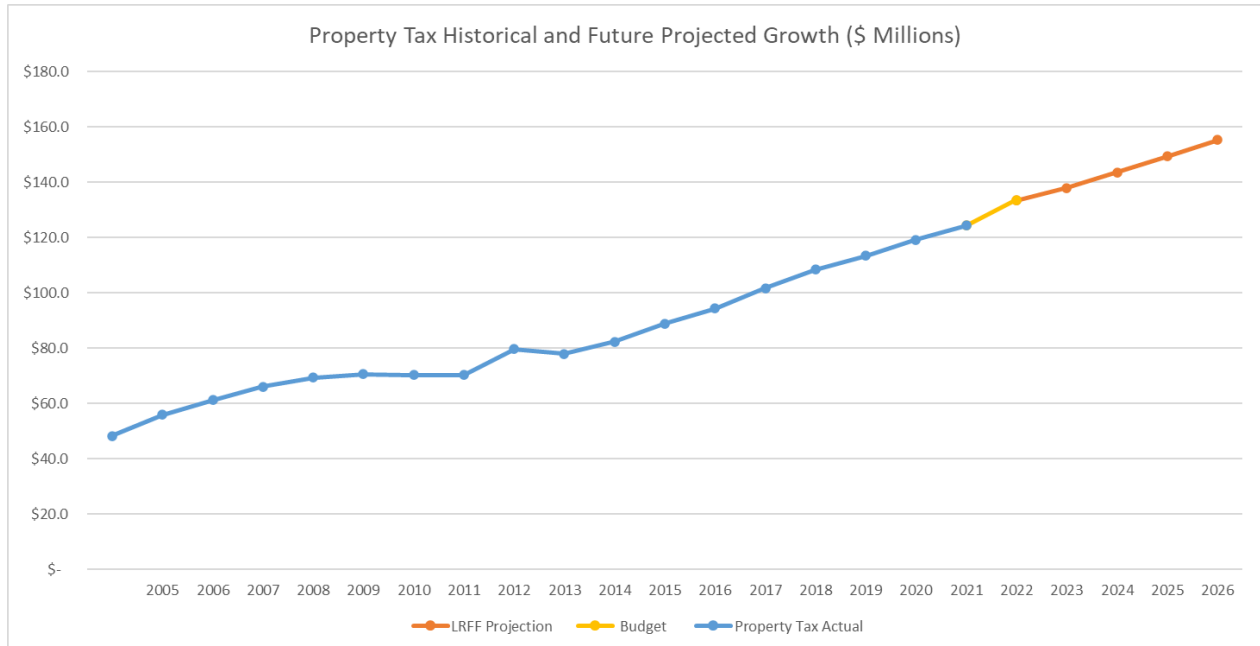
The General Fund's revenues are primarily derived from Property Tax, Sales Tax, and Transient Occupancy Tax, which accounts for approximately 73% of total General Fund revenues. The growth assumptions for these revenue categories are as follows:

#### Property Tax

Property tax revenues are primarily dependent on the assessed valuation established in January of each year. Projections for Fiscal Year 2022-23 property tax revenues reflect a 7.6% increase in assessed property values, with the City's local assessed value projected to grow from \$66.2 billion to \$71.2 billion. Property tax revenues are projected to increase by \$4.5 million or 3.4% in Fiscal Year 2023-24, which is largely related to the inflation adjustment indexed at the 2% cap allowed by Proposition 13, and due to changes in ownership, which is partially offset with an anticipated decrease in supplemental property tax revenue as home sales slow due to rising interest rates. It should be noted that the increase in assessed values for Fiscal Year 2023-24 related to changes in ownership is based on homes sales data received from the County for the 10-month period from January 2022 through October 2022 - homes sales data for November and December 2022 was not available at the time of projection. Therefore, the amount projected for Fiscal Year 2023-24 is conservative considering additional increases in assessed values related to homes sold in November and December 2022 are expected.

In outer years of the forecast, staff continues to project consistent and vigorous demand for Newport Beach's coastal property. Changes to these revenues that may result from a dampened housing economy are less dramatic and less abrupt than with other revenues due to a tax collection lag and the high value of assessed properties in Newport Beach. The lag is due to the lengthy time it takes (ranging from 12-18 months) to assess property values, process appeals and other adjustments, prepare the property tax rolls and submit them to the County Tax Collector. While property tax growth rates fell sharply during the Great Recession, the City has experienced positive local assessed value growth during

each of the past 20 years. Even while growth may have slowed, the assessed value in Newport Beach never declined throughout the Great Recession. This demand has allowed the City to enjoy long-term growth trends with its number one revenue source. The average annual 18-year growth for all items in this category including secured property tax, unsecured property tax, supplemental taxes, redevelopment agency residual and prior year penalties and interest is 5.8%. Beyond FY 2023-24, staff conservatively forecast 4% annual growth for property taxes as a whole.



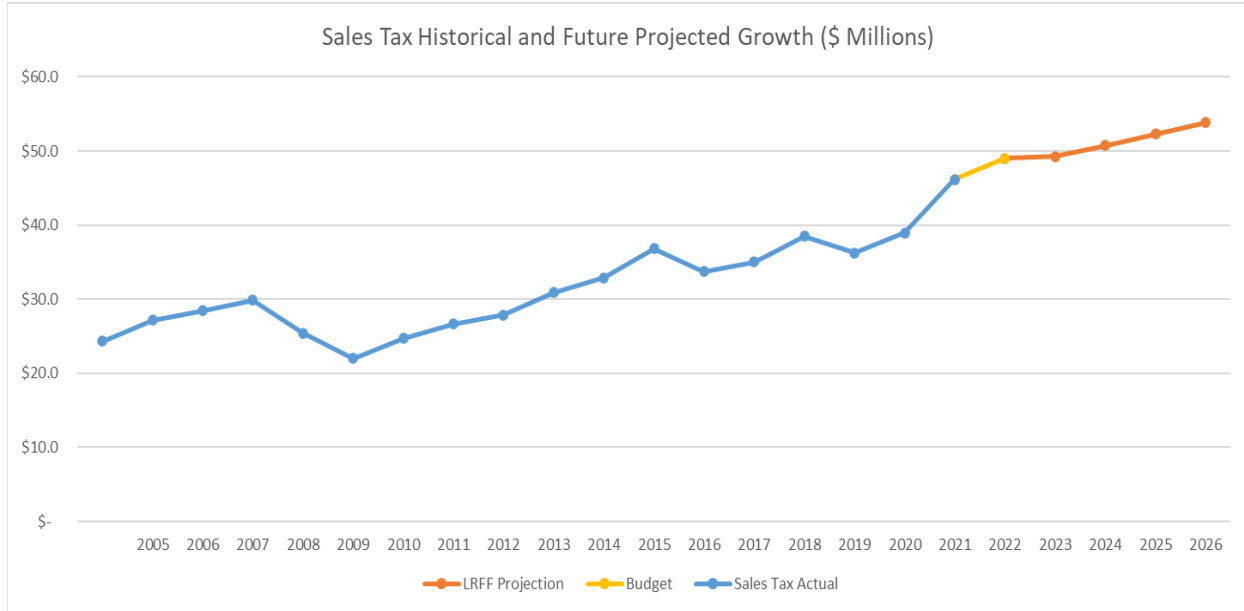
**Sales Tax**

The second largest funding source for the General Fund is sales tax revenue, which is largely generated from three main industry categories including autos and transportation, general consumer goods, and restaurants and hotels. These industries are also heavily impacted by tourism and were impacted by the effects of the COVID-19 pandemic.

For Fiscal Year 2023-24, sales tax revenue is projected to increase approximately \$260 thousand or 0.5% due to modest growth projected in sales tax revenue from restaurants and hotels, and the State & County pools, which is partially offset with projected decreases in general consumer goods and autos & transportation. This forecast is based on the sales data over the past two years, which has reflected a significant shift in spending from tangible goods to spending on travel, dining and leisure and entertainment. It is also expected that the auto industry may face challenges in the years ahead due to a combination of high prices, rapidly escalating costs to finance a vehicle purchase and a slowing economy.

The economic outlook for the City’s largest industry segments generally appears positive for the foreseeable future, albeit growing at a slower rate for the next fiscal year. Beyond

Fiscal Year 2023-24, a conservative 3% annual growth rate is generally assumed for sales tax.



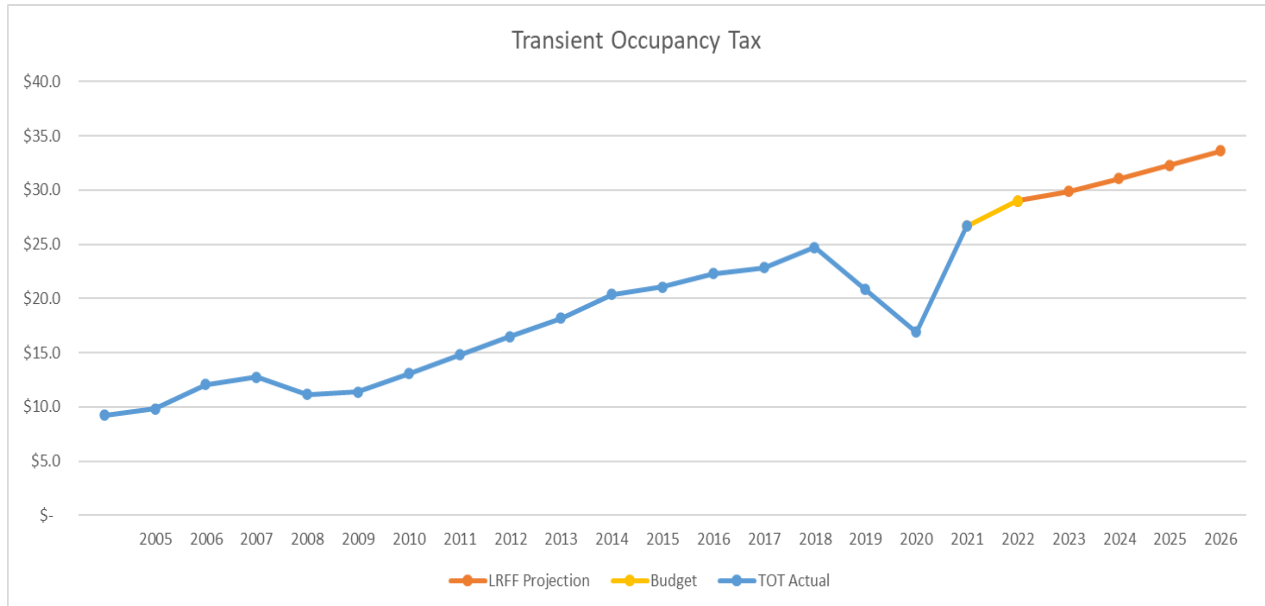
Transient Occupancy Tax

Transient occupancy tax (TOT) was the City’s most severely COVID-19 impacted revenue source; however, the City has seen a steady rebound as the effects of the pandemic receded. The TOT budget for Fiscal Year 2022-23 was developed in anticipation of full recovery of TOT revenues. Revenue from short-term lodging businesses, which grew throughout the pandemic, is at a record high level. Additionally, many hotel properties are reporting record high TOT receipts and have been doing so for multiple consecutive months. While occupancy levels have not returned to pre-pandemic levels, they are slowly increasing. This lag in occupancy levels has been largely offset by higher room rates.

An updated analysis of the City’s TOT revenues shows an expected increase in TOT due largely to strong short-term lodging businesses, which increases the current year projection to approximately \$29 million. This projection is based on actual hotel tax revenue through October 2022 and conservatively assumes hotel tax revenue for November 2022 through June 2023 consistent with the figures generated from November 2021 through June 2022. While the VEA Newport Beach is now operational – with expanded meeting space, higher room rates, and a full complement of rooms available that have not been usable during the renovation process this past year – staff has conservatively not included an impact in the TOT revenue projection from the changes to the hotel, which should result in a positive variance beginning with Fiscal Year 2022-23. Similarly, while the Fashion Island Hotel remains closed but is expected to reopen in the Summer of 2023 following a sale and renovation as the Pendry Newport Beach, staff has conservatively not included any revenue from the hotel in the TOT revenue projection.

These reopening's, combined with the expected return of more business travelers, are anticipated to have additional positive impact on the City's TOT revenues in the years ahead.

For Fiscal Year 2023-24, staff projects receipts of \$29.9 million, representing a conservative 3% increase compared to the FY 2022-23 revised projection. Staying generally consistent with historical trends, staff projects 4% annual growth thereafter.



Other revenues (service fees and charges, fines and penalties, property income, transfers in, and other miscellaneous revenues) which make up 27% of the City's total revenues are projected to grow modestly at 2.9% on average over the next 20 years. This assumption is based on the average growth from the preceding 18 years. Starting in Fiscal Year 2023-24, the forecast includes \$1.5 million in annual lease revenue from the 1201 Dove Street property. The forecast also accounts for a slight decrease in revenues from building and planning fees as a result of the City Council's extension of the fee waiver for accessory dwelling unit and junior accessory dwelling unit projects. However, no further decrease in these revenues is anticipated – while a potential recession could result in a slowing of planning/construction activity, higher costs from rising interest rates, inflation, and materials are anticipated to balance out any slowdown in construction.

**Expenditure Assumptions**

Regular salaries for both miscellaneous and public safety are reflective of the approved adjustments through the end of the current MOU agreements. Thereafter, regular salaries are 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.) is projected to grow at 3% annually. In FY 2023-24, a one-time allocation of \$880,000 to assist in the recruitment of full-time vacant police officer positions is included.

The benefits category which consists of various stipends, life insurance, Medicare, retiree health plan contribution, and the City's pension contributions to CalPERS among other miscellaneous benefits is generally projected to grow at 2% annually. This category includes the recently approved 1.5% reduction in the employee's share in pension contributions to CalPERS through Fiscal Year 2024-25. The benefits category also includes contributions towards the unfunded pension liability at the \$45 million level citywide (General Fund portion is \$42 million) through Fiscal Year 2031-32, after which the liability is eliminated assuming CalPERS earns 6.8% on average each year. This assumes that the City Council continues authorizing additional contributions through this period consistent with City Council action in recent years with the recommendation of the Finance Committee.

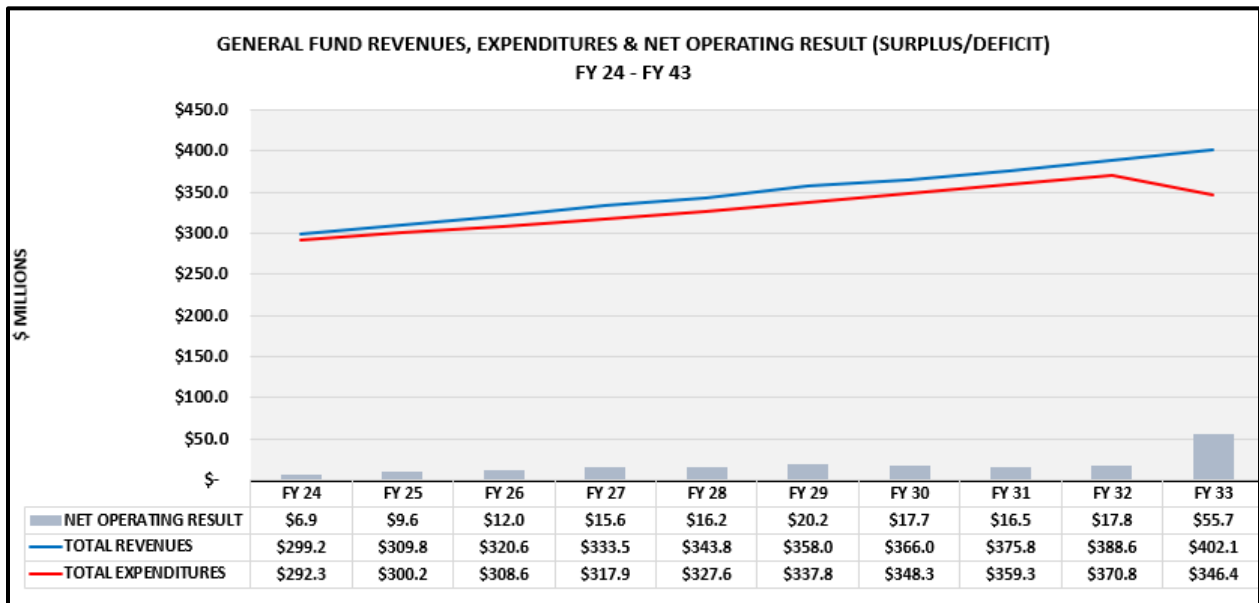
Non-personnel costs include contract services, utilities, supplies and materials, and maintenance and repair. These expenditures are projected to grow an average of 5.1% annually. While some of these costs may increase by the consumer price index (CPI), many of the City's contracts have capped the rate by which certain services or goods may increase by CPI. Thus, although CPI has remained high, that percentage was not broadly projected for contract services or supplies and materials. It should also be noted that additional funding for homelessness has also been included in the forecast starting in Fiscal Year 2023-24.

**Transfers Out**

Per City Council Policy F-28, General Fund contributions to the Facilities Financial Plan (FFP) Program is based on the annual sinking fund contribution that has been established to amortize the cost of critical City facilities (such as, but not limited to, the Civic Center, Police Department buildings, Fire Stations, Library Branches, and other Facility Improvement Projects) or three percent (3%) of total General Fund Revenue, whichever is greater. Annual General Fund Transfers to the FFP range from \$8.6 million to \$15.4 million over the next twenty years. In addition, annual General Fund Transfers consists of \$5 million for the Capital Improvement Program (CIP), \$2.5 million for Facilities Maintenance, and \$4.5 million to the Tidelands Harbor Capital Fund indexed at 2.5% annually through Fiscal Year 2029-30 and reduced to \$4.5 million thereafter.

**Conclusion**

The forecast projects an operating surplus (revenues net of expenditures) in each year over the next 20 years. In addition, it is important to note that the City currently has a contingency reserve of \$58.8 million, which represents 25% of operating expenditures. This reserve serves as a means to respond to unexpected deviations in operating trends for the next twenty years. The City is projected to maintain long-term fiscal sustainability, and is in excellent financial position relative to most other local agencies, with a revenue base and reserves unparalleled by any similar size City in the County.



Submitted by:

/s/ Jason Al-Imam

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Jason Al-Imam  
Finance Director/Treasurer

Attachment:

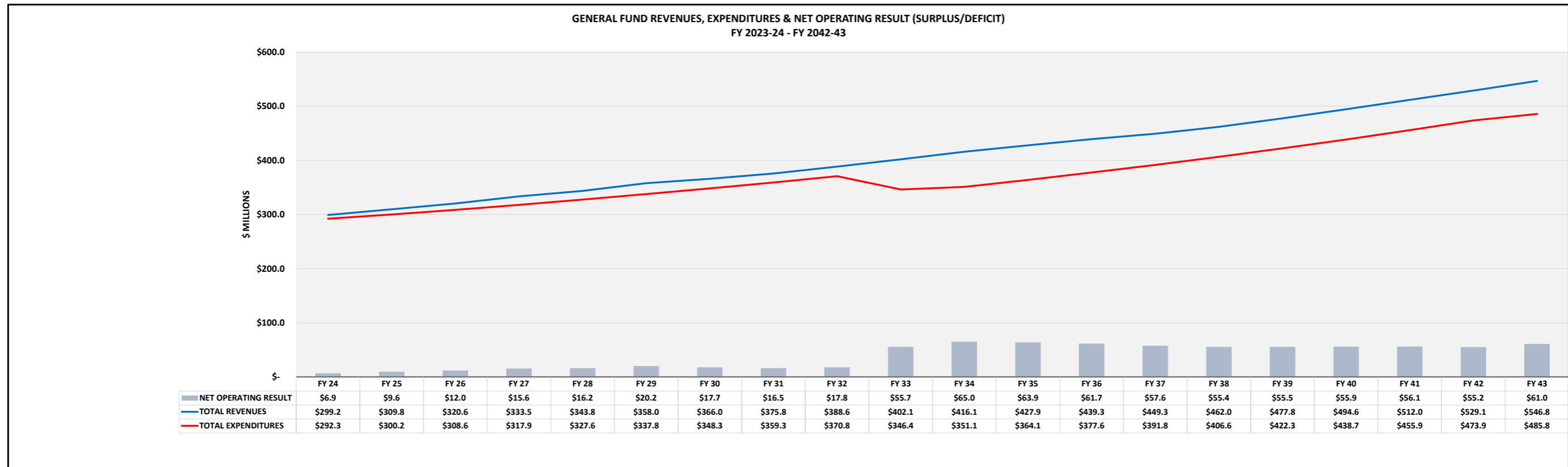
A. 20-Year LRFF Table and Associated Graph

**ATTACHMENT A**  
**20-YEAR LRFF TABLE AND ASSOCIATED GRAPH**

**CITY OF NEWPORT BEACH GENERAL FUND LONG-RANGE FISCAL FORECAST  
FY 2023-24 - FY 2042-43**

	Original Budget FY 2022-23	Amended Budget FY 2022-23	Projected FY 2022-23	FY 2023-24 <sup>3</sup>	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	FY 2035-36	FY 2036-37	FY 2037-38	FY 38-39	FY 2039-40	FY 2040-41	FY 2041-42	FY 2042-43
Property Tax	\$ 131,403,081	\$ 131,403,081	\$ 133,467,331	\$ 137,973,235	\$ 143,531,457	\$ 149,272,716	\$ 155,243,624	\$ 161,453,369	\$ 167,911,504	\$ 171,269,734	\$ 176,407,826	\$ 183,464,139	\$ 190,802,705	\$ 198,434,813	\$ 206,372,205	\$ 212,563,371	\$ 216,814,639	\$ 223,319,078	\$ 232,251,841	\$ 241,541,915	\$ 251,203,591	\$ 261,251,735	\$ 271,701,804
Growth Rate				3.4%	4.0%	4.0%	4.0%	4.0%	4.0%	2.0%	3.0%	4.0%	4.0%	4.0%	3.0%	2.0%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Sales Tax	\$ 46,526,493	\$ 46,526,493	\$ 49,004,223	\$ 49,264,206	\$ 50,742,132	\$ 52,264,396	\$ 53,832,328	\$ 54,908,974	\$ 56,007,154	\$ 57,687,368	\$ 59,417,990	\$ 61,200,529	\$ 63,036,545	\$ 64,927,641	\$ 66,226,194	\$ 67,550,718	\$ 69,577,240	\$ 71,664,557	\$ 73,814,494	\$ 76,028,928	\$ 78,309,796	\$ 79,875,992	\$ 81,473,512
Growth Rate				0.5%	3.0%	3.0%	3.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%
Transient Occupancy Tax	\$ 27,788,728	\$ 27,788,728	\$ 29,001,528	\$ 29,871,574	\$ 31,066,437	\$ 32,309,094	\$ 33,601,458	\$ 34,609,502	\$ 35,301,692	\$ 35,654,709	\$ 36,367,803	\$ 37,458,837	\$ 38,957,191	\$ 40,515,478	\$ 41,730,943	\$ 42,565,561	\$ 42,991,217	\$ 43,851,041	\$ 45,166,573	\$ 46,973,236	\$ 48,852,165	\$ 50,806,252	\$ 52,838,502
Growth Rate				3.0%	4.0%	4.0%	4.0%	3.0%	2.0%	1.0%	2.0%	3.0%	4.0%	4.0%	2.0%	1.0%	2.0%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Other Revenues	\$ 59,312,200	\$ 62,228,448	\$ 62,228,448	\$ 63,032,137	\$ 64,896,602	\$ 66,552,175	\$ 70,132,010	\$ 71,819,506	\$ 77,651,492	\$ 79,625,877	\$ 81,657,208	\$ 83,875,483	\$ 86,029,956	\$ 88,247,013	\$ 88,948,934	\$ 91,213,458	\$ 93,774,088	\$ 96,261,254	\$ 98,821,515	\$ 101,457,195	\$ 104,170,690	\$ 106,804,382	\$ 109,578,200
Growth Rate				1.3%	3.0%	2.6%	5.4%	2.4%	8.1%	2.5%	2.6%	2.7%	2.6%	2.6%	0.8%	2.5%	2.8%	2.7%	2.7%	2.7%	2.7%	2.5%	2.6%
Transfers In	\$ 18,550,724	\$ 18,550,724	\$ 18,550,724	\$ 19,069,746	\$ 19,604,338	\$ 20,154,968	\$ 20,722,117	\$ 20,982,940	\$ 21,157,969	\$ 21,777,708	\$ 21,916,040	\$ 22,573,521	\$ 23,250,726	\$ 23,948,248	\$ 24,666,696	\$ 25,406,696	\$ 26,168,897	\$ 26,953,964	\$ 27,762,583	\$ 28,595,461	\$ 29,453,325	\$ 30,336,924	\$ 31,247,032
Growth Rate				2.8%	2.8%	2.8%	2.8%	1.3%	0.8%	2.9%	0.6%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Total General Fund Revenue</b>	<b>\$ 283,581,226</b>	<b>\$ 286,497,475</b>	<b>\$ 292,252,254</b>	<b>\$ 299,210,898</b>	<b>\$ 309,840,966</b>	<b>\$ 320,553,349</b>	<b>\$ 333,531,537</b>	<b>\$ 343,774,291</b>	<b>\$ 358,029,811</b>	<b>\$ 366,015,396</b>	<b>\$ 375,766,866</b>	<b>\$ 388,572,509</b>	<b>\$ 402,077,122</b>	<b>\$ 416,073,194</b>	<b>\$ 427,944,972</b>	<b>\$ 439,299,806</b>	<b>\$ 449,326,081</b>	<b>\$ 462,049,895</b>	<b>\$ 477,817,006</b>	<b>\$ 494,596,735</b>	<b>\$ 511,989,568</b>	<b>\$ 529,075,285</b>	<b>\$ 546,839,050</b>
Growth Rate				2.4%	3.6%	3.5%	4.0%	3.1%	4.1%	2.2%	2.7%	3.4%	3.5%	3.5%	2.9%	2.7%	2.3%	2.8%	3.4%	3.5%	3.5%	3.3%	3.4%
Regular Salaries	\$ 81,048,307	\$ 82,045,717	\$ 82,045,717	\$ 86,135,617	\$ 88,727,079	\$ 90,501,620	\$ 92,311,653	\$ 94,157,886	\$ 96,041,043	\$ 97,961,864	\$ 99,921,102	\$ 101,919,524	\$ 103,957,914	\$ 106,037,072	\$ 108,157,814	\$ 110,320,970	\$ 112,527,389	\$ 114,777,937	\$ 117,073,496	\$ 119,414,966	\$ 121,803,265	\$ 124,239,331	\$ 126,724,117
Growth Rate				5.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Special and Other Pays	\$ 16,120,178	\$ 16,245,556	\$ 16,245,556	\$ 16,674,142	\$ 17,160,144	\$ 17,642,557	\$ 18,171,834	\$ 18,716,989	\$ 19,278,499	\$ 19,856,854	\$ 20,452,559	\$ 21,066,136	\$ 21,698,120	\$ 22,349,064	\$ 23,019,536	\$ 23,710,122	\$ 24,421,425	\$ 25,154,068	\$ 25,908,690	\$ 26,685,951	\$ 27,486,529	\$ 28,311,125	\$ 29,160,459
Growth Rate				2.6%	2.9%	2.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Benefits <sup>1</sup>	\$ 66,294,835	\$ 71,697,170	\$ 71,697,170	\$ 72,750,905	\$ 72,554,768	\$ 73,260,539	\$ 74,494,902	\$ 75,792,456	\$ 77,156,775	\$ 78,591,642	\$ 80,101,066	\$ 81,689,288	\$ 83,362,626	\$ 84,211,678	\$ 84,064,326	\$ 84,015,395	\$ 84,070,537	\$ 84,235,735	\$ 84,517,329	\$ 84,922,031	\$ 85,456,953	\$ 86,019,626	\$ 86,601,219
Growth Rate				1.5%	-0.3%	1.0%	1.7%	1.8%	1.9%	1.9%	2.0%	-42.7%	-9.8%	4.4%	4.4%	4.5%	4.5%	4.5%	4.5%	4.6%	4.6%	4.7%	2.0%
Non-Personnel Costs <sup>2</sup>	\$ 81,057,085	\$ 82,193,691	\$ 82,193,691	\$ 82,804,045	\$ 88,287,116	\$ 92,896,835	\$ 97,627,639	\$ 102,749,911	\$ 108,153,404	\$ 113,853,755	\$ 119,867,480	\$ 126,212,020	\$ 138,450,452	\$ 141,560,881	\$ 147,419,945	\$ 155,282,566	\$ 163,579,034	\$ 172,333,555	\$ 181,571,694	\$ 191,320,456	\$ 201,608,363	\$ 212,465,543	\$ 220,385,850
Growth Rate				0.7%	6.6%	5.2%	5.1%	5.2%	5.3%	5.3%	5.3%	9.7%	2.2%	4.1%	5.3%	5.3%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	3.7%
Transfers Out <sup>4</sup>	\$ 31,597,269	\$ 33,172,827	\$ 33,172,827	\$ 33,970,181	\$ 33,468,272	\$ 34,293,013	\$ 35,333,554	\$ 36,193,788	\$ 37,195,230	\$ 38,014,136	\$ 38,922,296	\$ 39,922,296	\$ 35,421,293	\$ 38,917,310	\$ 41,396,866	\$ 42,287,290	\$ 43,157,612	\$ 44,129,399	\$ 45,213,842	\$ 46,350,878	\$ 47,529,413	\$ 48,722,775	\$ 48,243,567
Growth Rate				2.4%	-1.5%	2.5%	3.0%	2.4%	2.8%	2.2%	2.4%	-11.3%	9.9%	6.4%	2.2%	2.1%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	-1.0%
<b>Total General Fund Expenditures</b>	<b>\$ 276,117,674</b>	<b>\$ 285,354,961</b>	<b>\$ 285,354,961</b>	<b>\$ 292,334,890</b>	<b>\$ 300,197,378</b>	<b>\$ 308,594,564</b>	<b>\$ 317,939,581</b>	<b>\$ 327,611,030</b>	<b>\$ 337,824,950</b>	<b>\$ 348,278,251</b>	<b>\$ 359,262,252</b>	<b>\$ 370,809,263</b>	<b>\$ 346,350,405</b>	<b>\$ 351,076,005</b>	<b>\$ 364,058,486</b>	<b>\$ 377,616,343</b>	<b>\$ 391,755,998</b>	<b>\$ 406,630,694</b>	<b>\$ 422,285,052</b>	<b>\$ 438,694,282</b>	<b>\$ 455,884,523</b>	<b>\$ 473,868,400</b>	<b>\$ 485,846,212</b>
Growth Rate				2.4%	2.7%	2.8%	3.0%	3.0%	3.1%	3.1%	3.2%	3.2%	-6.6%	1.4%	3.7%	3.7%	3.7%	3.8%	3.8%	3.9%	3.9%	3.9%	2.5%
<b>Surplus (Deficit)</b>	<b>\$ 7,463,552</b>	<b>\$ 1,142,514</b>	<b>\$ 6,897,294</b>	<b>\$ 6,876,008</b>	<b>\$ 9,643,588</b>	<b>\$ 11,958,785</b>	<b>\$ 15,591,956</b>	<b>\$ 16,163,261</b>	<b>\$ 20,204,861</b>	<b>\$ 17,737,145</b>	<b>\$ 16,504,615</b>	<b>\$ 17,763,246</b>	<b>\$ 55,726,717</b>	<b>\$ 64,997,189</b>	<b>\$ 63,886,486</b>	<b>\$ 61,683,463</b>	<b>\$ 57,570,083</b>	<b>\$ 55,419,200</b>	<b>\$ 55,531,954</b>	<b>\$ 55,902,453</b>	<b>\$ 56,105,044</b>	<b>\$ 55,206,885</b>	<b>\$ 60,992,838</b>

<sup>1</sup> Assumes CalPERS unfunded liability payment of \$45 million citywide (General Fund portion is \$42 million) per year through 2033.  
<sup>2</sup> Assumes transfer out to CIP remains flat and transfer out to HBMP and FFP is indexed per policy. In addition, FY 2022-23 General Fund capital carryovers of approximately \$4.4 million are excluded.  
<sup>3</sup> FY 2023-24 growth rates are based off of FY 2022-23 projected amounts.  
<sup>4</sup> Generally, the Transfers Out category excludes one-time transfers.



# General Fund Long-Range Financial Forecast (LRFF) Update

FY 2023/24 – FY 2042/43



**Finance  
Committee**

**January 12, 2023**



# Methodology



Baseline growth assumptions for revenues are based on historical revenue trends and adjusted for extraneous factors and anticipated changes due to economic conditions.



Expenditures are based on projected amounts adjusted for inflation, increases in personnel costs based on current MOUs, etc. The Forecast also includes capital contributions based on City Council Policy, debt service expenditures, and other anticipated cash outlays.



Alternate scenarios can be modeled to evaluate potential fiscal impacts from any combination of scenarios.

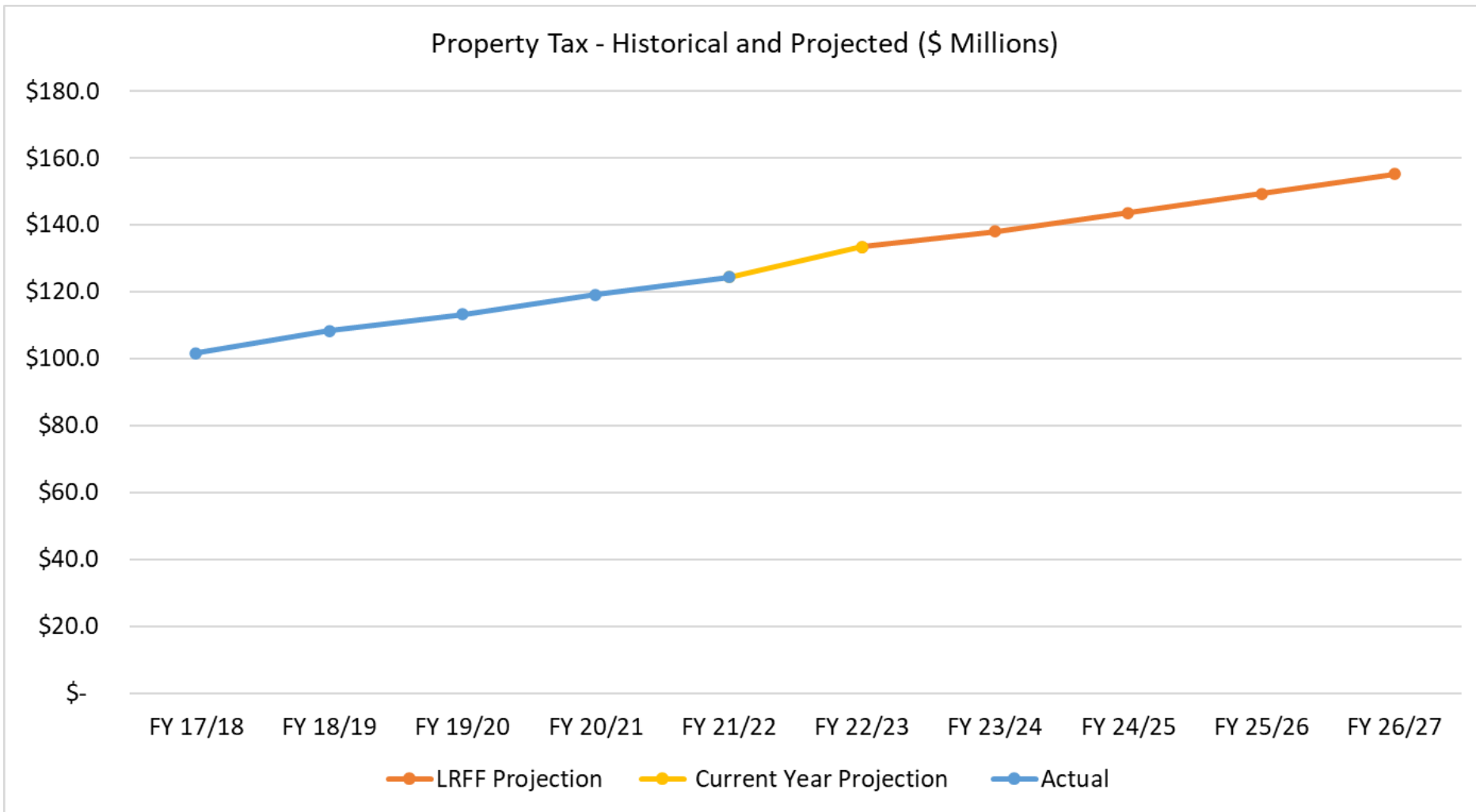


# Major Assumptions

- Projected Revenues for Fiscal Year 2022-23, excluding one-time items, serves as the basis for amounts projected for Fiscal Year 2023-24 and each subsequent fiscal year.
- The Amended Budget for Fiscal Year 2022-23, excluding one-time items and capital projects carried-over from the prior year, serves as the basis for amounts projected for Fiscal Year 2023-24 and each subsequent year.
- Annual General Fund transfers-out in support of:
  - Facilities Financial Plan (FFP) Program – \$8.6m up to \$15.4m annually
  - Capital Improvement Program – \$5m annually
  - Facilities Maintenance – \$2.5m annually
  - Tidelands Harbor Capital – \$4.5m, indexed at 2.5% annually through FY 2029-30, and reduced to \$4.5m thereafter



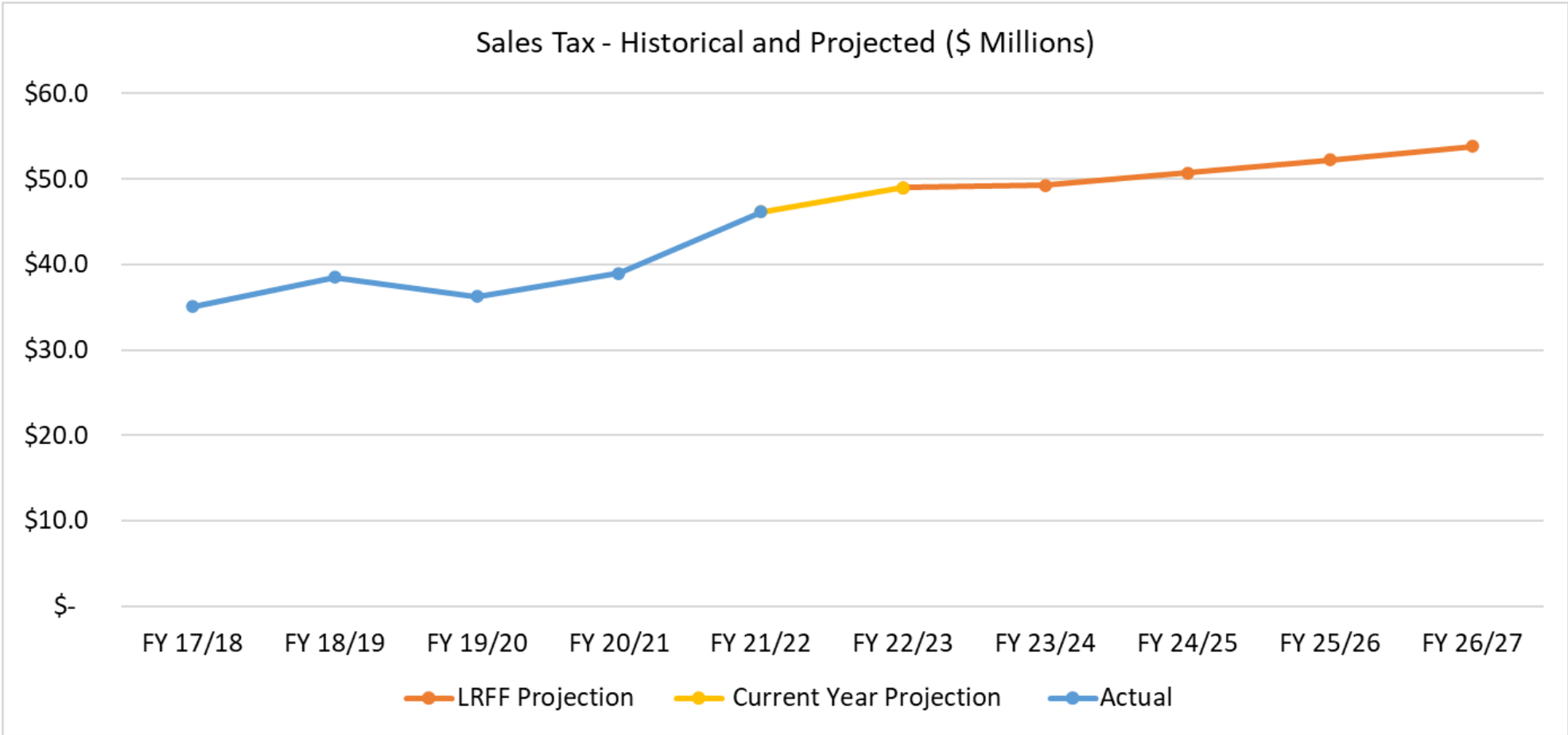
# Property Tax Revenue



- FY 2022-23 projected growth: 7.6%
- FY 2023-24 projected growth: 3.4%
- Projected future growth: 2% - 4%



# Sales Tax Revenue



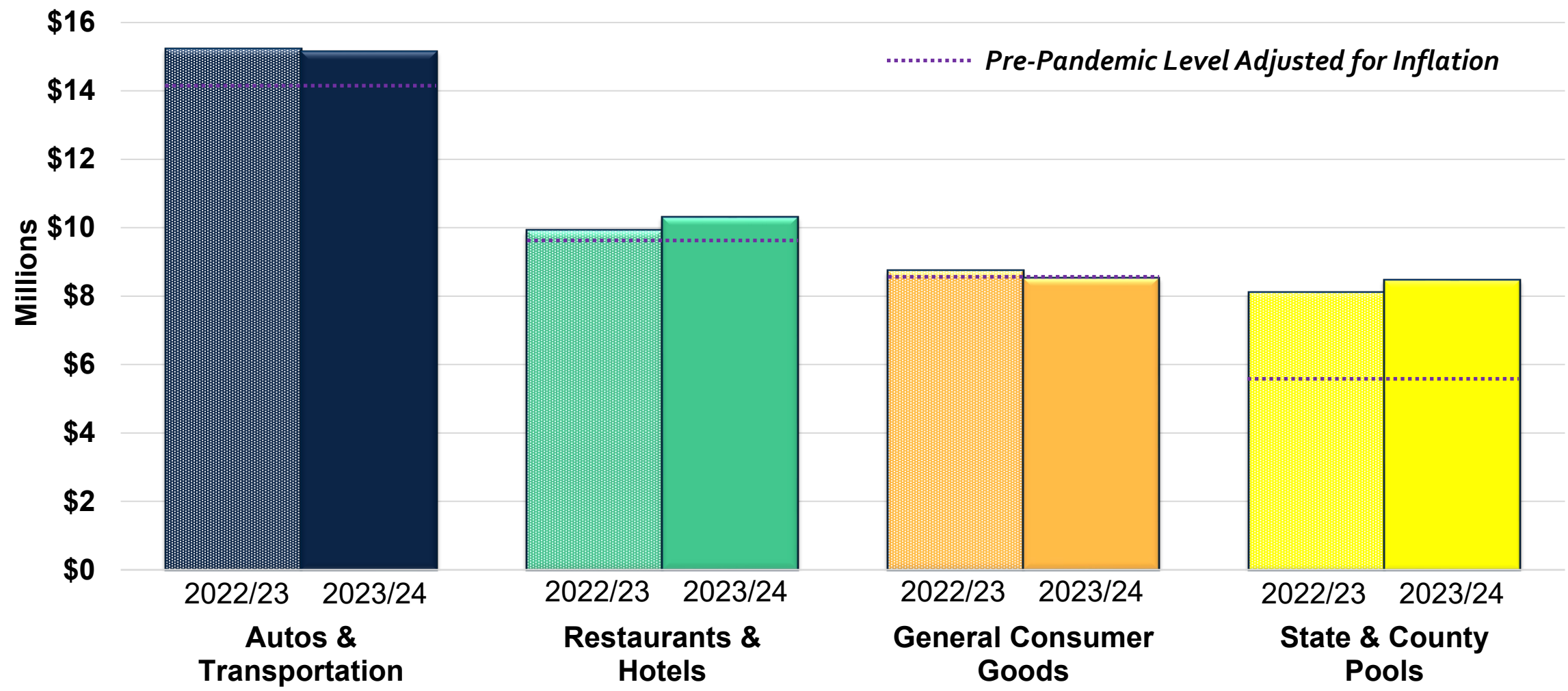
FY 2022-23  
projected growth:  
6.2%

FY 2023-24  
projected growth:  
0.5%

Projected future  
growth: 2% - 3%



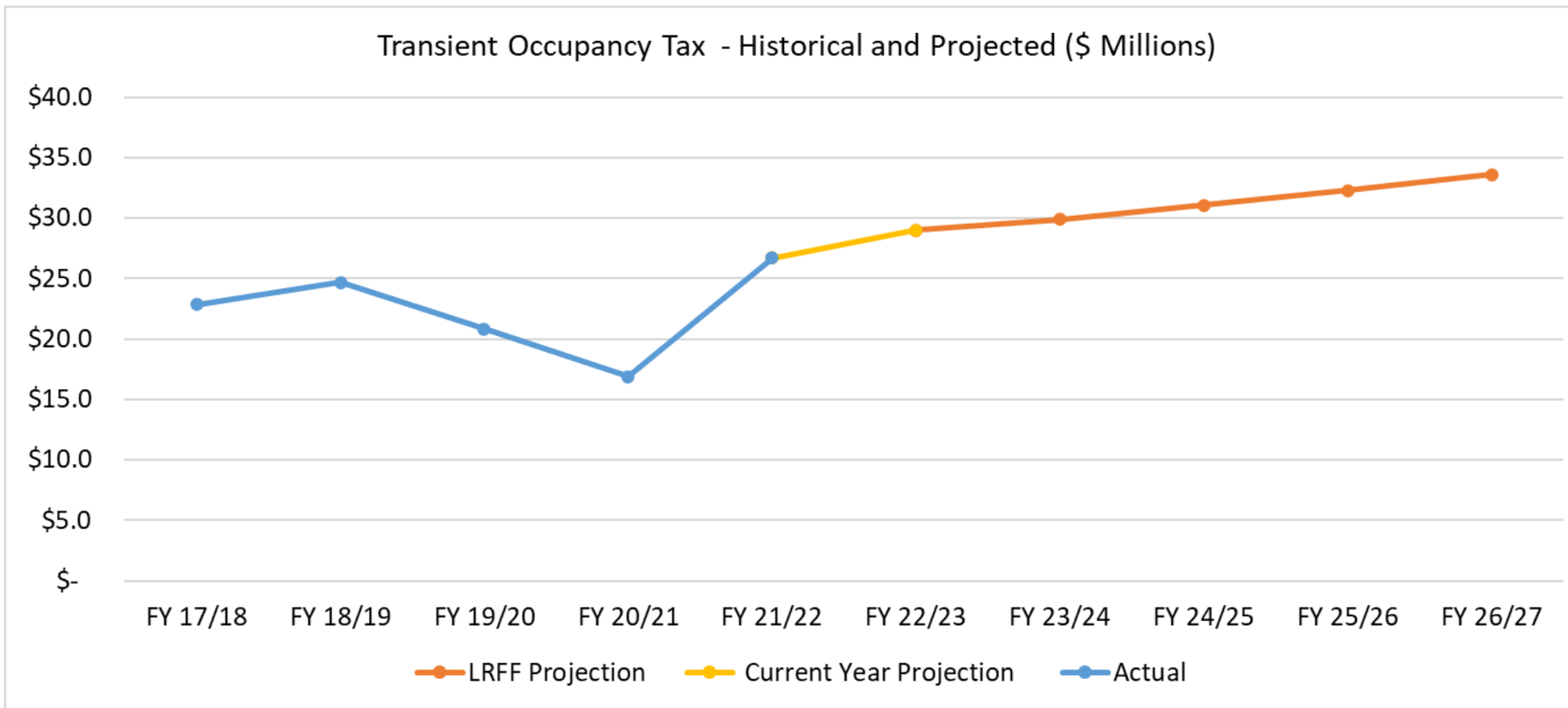
# Sales Tax Revenue Major Industry Groups





# Transient Occupancy Tax Revenue

Transient Occupancy Tax - Historical and Projected (\$ Millions)



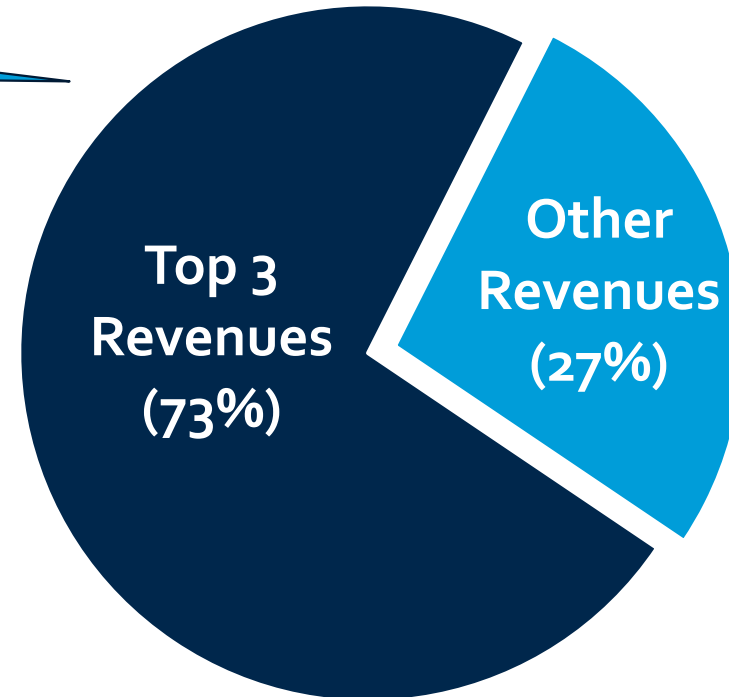
- FY 2022-23 projected growth: 8.7%
- FY 2023-24 projected growth: 3%
- Projected future growth: 1% - 4%



# Other Revenues

Projected to grow modestly at 2.9% on average over the next 20 years

- Other revenues include service fees and charges, fines and penalties, property income, transfers in, and other miscellaneous revenues.
- \$1.5 million in annual lease revenue from Dove Street property





# Salaries & Benefits

- Regular salaries for both miscellaneous and public safety are based on negotiated MOU increases for the early part of the forecast and then on average are assumed to grow at 2% annually thereafter.
- Special and other pays (certification pay, bilingual pay, motor office pay, scholastic achievement, etc.) are projected to grow similarly with salaries at 3% annually.
- In FY 2023-24, a one-time allocation of \$880,000 to assist in fully staffing police officer positions.



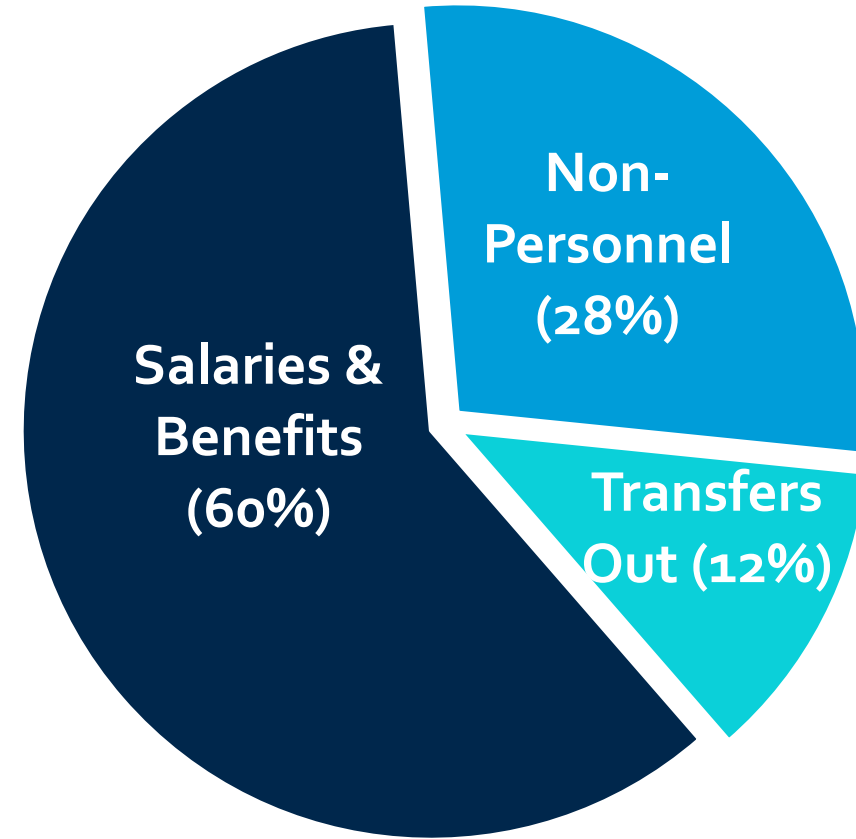
# Salaries & Benefits (Continued)

- Benefits (stipends, life insurance, Medicare, retiree health plan contribution, CalPERS contributions, etc.) is projected to grow at 2% annually.
- Continued funding of the City's unfunded actuarial liability at the \$45 million level citywide (\$42 million GF portion) through FY 2031-32, after which the liability is eliminated assuming no dramatic changes in either future CalPERS experience studies or the discount rate.
- Includes 1.5% reduction in the employee's share in pension contributions to CalPERS through FY 2024-25.



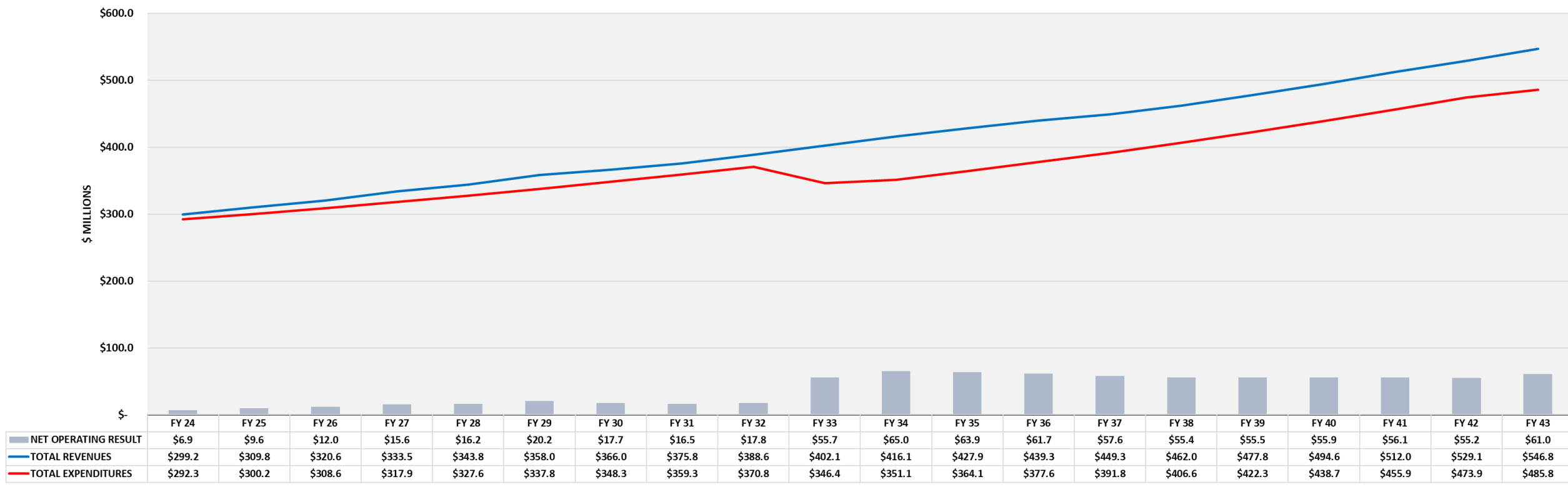
# Non-Personnel

- Non-personnel costs include contract services, utilities, supplies and materials, and maintenance and repair.
- These expenditures are projected to grow on average at 5.1% annually.





# General Fund Revenues, Expenditures & Net Result





# Conclusion & 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 Contingency Reserve – No structural deficit is apparent.
- The City is not without its fiscal challenges. The City is facing potentially financially impactful events in the near term:
  - Increases to CalPERS pension costs
  - Future recessions or shifts in consumer habits (such as a shift in spending from tangible goods to spending on travel, dining and leisure and entertainment)
  - High inflationary environment impacting capital improvement projects



# Questions?



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

Agenda Item No. 5C  
January 12, 2023

**TO:** HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

**FROM:** Finance Department  
Jason Al-Imam, Finance Director/Treasurer  
949-644-3123, [jalimam@newportbeachca.gov](mailto:jalimam@newportbeachca.gov)

**SUBJECT: INTERNAL AUDIT PROGRAM WORK PLAN REVIEW**

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**SUMMARY:**

It is anticipated that risk assessment and audit work will be conducted on a continuous basis as risk levels are reassessed. There is planned funding in the Finance Department budget to undertake a review of up to three focus areas for Fiscal Year 2023-24. Staff recommends undertaking audit work for Financial Reporting, and Budgeting next. Police Property and Evidence Internal Control Testing planned for Fiscal Year 2022-23 was delayed until Fiscal Year 2023-24.

**RECOMMENDED ACTION:**

Review and discuss internal audit areas, confirm or revise staff's two recommended areas of focus to pursue in Fiscal Year 2023-24.

**DISCUSSION:**

In the spirit of continuous improvement and with support and direction from the City Manager's office, the Finance Department has been charged to develop a comprehensive internal audit program. While the City has managed a great many financial statement and compliance audits over the years, the City has not historically had a robust internal audit program. The current program was initiated in 2020 with an enterprise risk assessment and initial evaluation of internal control risks. These processes served as the primary building blocks to inform and develop workplans to further assess and test internal controls, conduct performance audits, and provide management consulting services when appropriate.

Audit firm Moss Adams completed the enterprise internal controls review to determine the general adequacy of internal controls and identify areas warranting more in-depth review in the future. As part of the assessment, Moss Adams conducted planning activities, completed fieldwork and data collection, analyzed the results of their fieldwork, and prepared the results of their analysis in a report as summarized for the Finance Committee on September 24, 2020.

From this preliminary fieldwork, an inventory of future focus areas based on potential risk was developed. Audit firms MGO and Moss Adams have recently completed work in areas 1-4 listed in the table below. Moss Adams is currently completing work on areas 6-8 listed in the table below. Those items are expected to be complete in February 2023. Tap International is scheduled to begin work on item 9 in July 2023.

**Internal Control Areas of Focus**

	Key Control	Progress	Task Resource
1	Purchasing and Contract Management	Complete	MGO
2	Cash, Billing, Collections, and Accounts Receivable – Daily Reconciliation and Reporting	Complete	Moss Adams
3	Information Technology – System Security, Help Desk, Workflow, System Support and Monitoring	Complete	Moss Adams
4	Fiscal Policy Inventory and Implementation Plan	Complete	Moss Adams
5	Inventory Management – Central Warehouse and Automotive Inventory Management	Complete	Moss Adams
6	Accounts Payable and Disbursement	Ongoing	Moss Adams
7	Payroll – Employee Timecard Processing	Ongoing	Moss Adams
8	Fixed Asset Management – Physical Inventory Process and Asset Record Maintenance	Ongoing	Moss Adams
9	Police Property and Evidence Internal Controls Testing – Review how operation handles all evidence, found property or property held for safekeeping to ensure integrity for criminal prosecutions	Delayed	Tap international
10	Financial Reporting – System Access, Segregation of duties, account reconciliation and financial reporting documentation		
11	Budgeting – Budget to actual reporting, budget amendment process, budget process		
12	Business Continuity and Disaster Planning Assessment		

	Key Control	Progress	Task Resource
13	Finance Customer Service Operational Review		

It is anticipated that risk assessment and audit work will be conducted on a continuous basis as risk levels are reassessed. Other priority areas identified and that remain for further assessment include the areas listed above (10-13).

There is planned funding in the Finance Department budget for undertaking up to three additional focused reviews for Fiscal Year 2023-24. Staff recommends undertaking audit work for Financial Reporting (item 10) and Budgeting (item 11) next and starting the delayed Police Property and Evidence Internal Control Testing (item 9).

The Finance Committee is welcome to recommend a different focus area that it deems relevant to pursue from the list above. Alternatively, the Committee may wish to suggest another topic for review that is not included on the original list provided by Moss Adams.

Prepared and Submitted by:

/s/ Michael Gomez

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Michael Gomez  
Deputy Finance Director

# Internal Audit Program Work Plan Review



**Finance  
Committee**

**January 12, 2023**



# Background

- The City's internal audit program was initiated in 2020
- Goal to continuously review various areas of City operations with both financial and operational reviews
- With the reports for last year's program nearly complete, it is time to identify topics for the current year's program
- There is a panel of audit firms to facilitate reviews



# Moss Adams Assessment

- The original Moss Adams report outlined 13 areas of focus for future reviews
- Five reviews are complete, three reviews are ongoing, and one is delayed until next fiscal year
- Four topics have not yet been reviewed

	Key Control	Progress	Task Resource
1	Purchasing and Contract Management	Complete	MGO
2	Cash, Billing, Collections, and Accounts Receivable – Daily Reconciliation and Reporting	Complete	Moss Adams
3	Information Technology – System Security, Help Desk, Workflow, System Support and Monitoring	Complete	Moss Adams
4	Fiscal Policy Inventory and Implementation Plan	Complete	Moss Adams
5	Inventory Management – Central Warehouse and Automotive Inventory Management	Complete	Moss Adams
6	Accounts Payable and Disbursement	Ongoing	Moss Adams
7	Payroll – Employee Timecard Processing	Ongoing	Moss Adams
8	Fixed Asset Management – Physical Inventory Process and Asset Record Maintenance	Ongoing	Moss Adams
9	Police Property and Evidence Internal Controls Testing – Review how operation handles all evidence, found property or property held for safekeeping to ensure integrity for criminal prosecutions	Delayed	Tap international
10	Financial Reporting – System Access, Segregation of duties, account reconciliation and financial reporting documentation		
11	Budgeting – Budget to actual reporting, budget amendment process, budget process		
12	Business Continuity and Disaster Planning Assessment		
13	Finance Customer Service Operational Review		



# FY 2022-23 Internal Audit Program

- Sufficient funding is planned to undertake three reviews next fiscal year
- Staff recommends initiating two additional reviews from the Moss Adams assessment, for a total of three to be completed in Fiscal Year 2023-24
  - Financial Reporting
  - Budgeting
  - Police Property and Evidence Internal Controls Testing
    - Planned for Fiscal Year 2022-23 and delayed until Fiscal Year 2023-24
- The Finance Committee's input is requested to select the review topics
  - A topic can be selected from the Moss Adams list (need not be in order)
  - The Committee may desire to conduct a financial or operational review on a specific topic not included on the Moss Adams list



# Recommendation and Next Steps

- Staff request the Finance Committee's concurrence with staff's two selections and feedback
- Reports to the Finance Committee can be anticipated in January or February 2024



# Questions?



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

Agenda Item No. 5D  
January 12, 2023

**TO:** HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

**FROM:** Finance Department  
Jason Al-Imam, Finance Director/Treasurer  
949-644-3123 or [jalimam@newportbeachca.gov](mailto:jalimam@newportbeachca.gov)

**SUBJECT: BUDGET AMENDMENTS FOR QUARTER ENDING DECEMBER 31, 2022**

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**EXECUTIVE SUMMARY**

The purpose of this memorandum is to report on the budget amendments for the second quarter of Fiscal Year 2022-23. All budget amendments are in compliance with City Council Policy F-3, Budget Adoption and Administration.

**DISCUSSION**

City Council Policy F-3, Budget Adoption and Administration, identifies how appropriations can be transferred, increased or reduced. The Finance Committee reviews a quarterly report of City Council and City Manager budget amendments including their effect on fund balance. Please find the list of budget amendments included as "Attachment A".

Prepared by:

Submitted by:

/s/ Jessica Nguyen

/s/ Jason Al-Imam

\_\_\_\_\_  
Jessica Nguyen

\_\_\_\_\_  
Jason Al-Imam

Budget Analyst

Finance Director/Treasurer

Attachment:

- A. Budget Amendments Fiscal Year 2022-23 Quarter Ending December 31, 2022

# **ATTACHMENT A**

**BUDGET AMENDMENTS FISCAL YEAR 2022-23 QUARTER ENDING DECEMBER 31, 2022**

**City of Newport Beach  
Fiscal Year 2022-23 Budget Amendments  
Quarter Ending December 31, 2022**

BA #	Date	Amendment Type	Fund	Net Effect on Fund Balance			Department	Explanation
				Revenues	Expenditures	Increase/(Decrease)		
023	09/20/2022	City Council	GENERAL FUND	19,281.50	19,281.50	-	Library	Transfer to accept check from Dorothy Arens Ressel Trust and increase expenditure in Library Account.
			SPECIAL PURPOSE DEPOSIT FUND	-	-	(19,281.50)		
024	10/11/2022	City Council	WATER CAPITAL FUND	1,379,100.00	1,379,100.00	1,379,100.00	Public Works	To increase expenditures for the West Irvine Terrace and Balboa Island Water Main Replacement Project (23W13).
					1,379,100.00	(1,379,100.00)		
025	10/11/2022	City Council	GENERAL FUND	3,000.00	-	3,000.00	CDD	To increase anticipated revenues to account for concession agreement at Corona del Mar State Beach.
026	10/25/2022	City Council	POLICE FACILITY NEW	24,093,441.00	-	24,093,441.00	Finance	To appropriate the FY 2021-22 year-end surplus.
			GENERAL FUND		24,093,441.00	(24,093,441.00)		
027	10/25/2022	City Council	GENERAL FUND	649,100.00	677,000.00	(27,900.00)	Finance	To appropriate revenues and expenses related to the Recreation department's fee based classes, to appropriate revenues and expenses in the Contributions Fund for CIP Projects, and to appropriate revenues and expenses for the ARPA Wastewater arrears program.
			CONTRIBUTIONS FUND	382,968.31	130,873.31	252,095.00		
			ARPA-AMERICAN RESCUE PLANT ACT SEWER FUND	50,008.59	50,008.59			
028	10/25/2022	City Council	GENERAL FUND	300,000.00		300,000.00	CDD	To transfer and appropriate funding from the Facilities Financing Plan (FFP) Fund to the Police Facility Fund in order to fund the purchase of a parcel located at 1201 Dove Street, Newport Beach.
			GENERAL FUND CAPITAL PROJECTS		1,450,000.00	(1,450,000.00)		
			FACILITIES FINANCING PLAN		5,506,461.50	(5,506,461.50)		
			POLICE FACILITY NEW	6,956,461.50	30,775,000.00	(23,818,538.50)		
029	10/25/2022	City Council	POLICE EQUIPMENT FUND	-	104,876.59	(104,876.59)	Police	To purchase seven (7) Ford Police Interceptor Hybrid Utility Vehicles - Additional funding due to added costs for vehicles above previously funded amount.
030	11/09/2022	City Manager	GENERAL FUND	4,265.00	4,265.00	-	Police	EMPG Funds - Transfer received Grant Revenues to Expense Account.
031	11/29/2022	City Council	GENERAL FUND	-	71,640.00	(71,640.00)	Human Resources	To appropriate budget in salary and benefit accounts to fund a new Human Resources Specialist I position.
032	11/15/2022	City Council	POLICE EQUIPMENT FUND	-	56,532.87	(56,532.87)	Police	Appropriate increased funds to purchase Patrol Vehicles, in conjunction with FY22 encumbrance.
033	11/15/2022	City Council	TIDE & SUBMERGED LANDS FUND	-	39,500.00	(39,500.00)	Public Works	To increase appropriations to the Upper Newport Bay Reserve from the Tide & Submerged Lands fund for the Big Canyon Phase 2 Restoration Project (23X11).
034	11/09/2022	City Manager	MEASURE M-COMPETITIVE FUND	5,009.62	-	-	Public Works	In Fiscal Year 2020-21, the City of Newport Beach received funding from the Orange County Transportation Authority (OCTA) for the Newport Bay Trash Mitigation project expense in FY 2019-20. The project cost was \$125,226.00, however, only \$120,216.38 was received from OCTA. Staff is proposing transferring \$5,009.62 from the General Fund in order to balance the revenues and expenses for this prior year project.
			GENERAL FUND	-	5,009.62	-		

**City of Newport Beach  
Fiscal Year 2022-23 Budget Amendments  
Quarter Ending December 31, 2022**

BA #	Date	Amendment Type	Fund	Net Effect on Fund Balance			Department	Explanation
				Revenues	Expenditures	Increase/(Decrease)		
035	11/29/2022	City Council	GENERAL FUND	11,706.00	11,706.00	-	Police	EMPG Funds - Appropriating additional Grant Revenues and Expenses.
036	11/29/2022	City Council	GENERAL FUND	-	275,242.82	(275,242.82)	Human Resources	FY 23 - Additional CalPERS and Cafeteria Plan Contributions.
			TIDE & SUBMERGED LANDS FUND	-	1,652.72	(1,652.72)		
			ENVIRONMENTAL LIABILITY FUND	-	228.75	(228.75)		
			WATER ENTERPRISE FUND	-	12,505.96	(12,505.96)		
			WASTEWATER ENTERPRISE FUND	-	3,905.04	(3,905.04)		
			EQUIPMENT FUND	-	2,587.65	(2,587.65)		
			IT ISF	-	7,030.31	(7,030.31)		
037	11/29/2022	City Council	CONTRIBUTIONS FUND	195,562.00	195,562.00	-	Public Works	To appropriate new revenues and expenditures to fund the Newport Coast Drive and Balboa Boulevard Pavement Rehabilitation Project (22R14).
			MEASURE M FUND	-	984,303.75	(984,303.75)		
038	11/29/2022	City Council	PARKS & COMMUNITY CENTERS	544,345.00	544,345.00	-	Public Works	To appropriate expenditures after awarding a construction contract for the Superior Avenue Pedestrian/Bicycle Bridge and Sunset View park lot project (15T09).
			CIRCULATION & TRANSPORTATION	-	2,743,600.00	(2,743,600.00)		
			FACILITIES FINANCING PLAN	-	544,345.00	(544,345.00)		
039	11/29/2022	City Manager	GENERAL FUND	2,500.00	2,500.00	-	Library	To appropriate expenditures to cover required expenses for the Literacy Program.
040	11/21/2022	City Manager	GENERAL FUND	-	20,984.10	-	City Attorney	Transfer funds to cover salary cost of part-time paralegal.
					(20,984.10)			
041	12/13/2022	City Council	WATER ENTERPRISE FUND	-	140,000.00	(140,000.00)	Utilities	To appropriate funds to the water system service account for the purchase of liquid sodium hypochlorite, which is used to disinfect the City's drinking water supplied prior to the water entering the water distribution system.
042	12/13/2022	City Council	CONTRIBUTIONS FUND	2,504,229.75	2,504,229.75	-	Public Works	Request approval of recognizing additional revenue and appropriating expenses as it relates to Assessment District No. 111 and Underground Utilities District No. 22 Phases 2 & 3, Contract No. 7833-1 (21A11).
043	12/13/2022	City Council	TIDELANDS HARBOR CAP FUND	-	581,553.00	(581,553.00)	Public Works	To appropriate expenses to collect and test additional sediment samples for a higher resolution testing program as required by the U.S. Environmental Protection Agency (USEPA).
044	12/07/2022	City Manager	GENERAL FUND		(5,577.22)	-	City Attorney	To transfer funds to complete PO 22300177 for the purchase of furniture/wardrobes.
					5,577.22			

## Newport Beach Finance Committee Work Plan

Scheduled Date	Agenda Title	Report Type	Agenda Description
<b>January 2023</b>			
<b>Thursday, January 12, 2023</b>			
<b>Rescheduled from November</b>	CalPERS Update	Presentation	Staff will provide the Committee with an overview of the data from the latest actuarial reports from CalPERS as well as their impact on prior projections of the paydown of the City's unfunded pension liability.
<b>Rescheduled from October</b>	Long Range Financial Forecast (LRFF) Update	Presentation	Staff will brief the Committee regarding the results of the updated LRFF analysis.
	Internal Audit Program Work Plan Review	Presentation	Selection of audit topics for the FY 2022-23 audit program.
	Budget Amendments for Quarter Ending December 31, 2022	Receive and File	Staff will report on the budget amendments from the prior quarter.
	Workplan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
<b>February 2023</b>			
<b>Thursday, February 16, 2023</b>			
	Capital Improvement Program (CIP) Update	Presentation	Staff from Public Works will provide an update on what is planned for inclusion in the FY 2023-24 CIP.
	Financial Statement Audit Results and Related Communication	Presentation	The City's external auditors will meet with the Finance Committee to discuss the results of their audit for the fiscal year ending June 30, 2022.
<b>New Item</b>	Enabling Resolution Review	Presentation	Staff will provide the Committee with an overview of the Committee's enabling resolution and the responsibilities delineated therein. The Committee can then provide staff will feedback regarding any additional topics that should be added to the Committee's Work Plan.
	Facilities Financial Plan (FFP) and Harbor & Beaches Master Plan	Presentation	Staff will provide an update on the current status of FFP and Harbor & Beaches Master Plan funding. Staff will also highlight changes to the development fee funding projection methodology for the FFP.
<b>New Item</b>	Harbor Department Budget and Staffing Review	Presentation	Staff will provide an updated overview of the status of the Harbor Department's budget and staffing, as well as possible future budget enhancements for the Department.
	Second Quarter Budget Update	Presentation	Staff will provide a presentation regarding the year-to-date and projected FY 2022-23 budget performance.
	Workplan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
<b>March 2023</b>			
<b>Thursday, March 16, 2023</b>			
	Fiscal Year 2022-23 Fee Study Update	Presentation	Staff will present the Master Fee Schedule to the Finance Committee prior to presenting it to the City Council.
	Internal Audit Program Reports	Presentation	Presentation of reports, findings, and recommendations from the FY 2022-23 audit program.

## Newport Beach Finance Committee Work Plan

Scheduled Date	Agenda Title	Report Type	Agenda Description
	Overview of Revenue Projections	Presentation	Staff will provide the Committee with an overview of the assumptions utilized to prepare revenue projections for the City's major funds as part of the FY 2023-24 budget preparation process.
	Internal Audit Program Update	Presentation	Bi-monthly progress update on the internal audit program.
	Workplan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
<b>April 2023</b>			
<b>Thursday, April 13, 2023</b>			
	Proposed FY 2023-24 Budget Overview	Presentation	Staff will provide the Committee with an overview of the expenditure budget for FY 2023-24 that will be presented to the City Council in May.
	OPEB Actuarial Valuation Report Update	Presentation	Staff will provide the Committee with an overview of the latest actuarial valuation report prepared by the City's actuary.
	Budget Amendments for Quarter Ending March 31, 2023	Receive and File	Staff will report on the budget amendments from the prior quarter.
	Workplan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
<b>May 2023</b>			
<b>Thursday, May 11, 2023</b>			
	Third Quarter Budget Update	Presentation	Staff will provide a presentation regarding the year-to-date and projected Fiscal Year 2022-23 budget performance.
	Follow-Up Discussion of Proposed FY 2023-24 Budget	Discussion	Staff will provide the Committee with a copy of the Fiscal Year 2023-24 proposed budget document. Should the Committee wish to continue April's discussion of the Fiscal Year 2023-24 budget, this is also an opportunity to do so.
	Internal Audit Program Update	Presentation	Bi-monthly progress update on the internal audit program.
<b>Tuesday, May 23, 2023</b>	Joint City Council and Finance Committee Study Session	Presentation	Staff will present the FY 2023-24 proposed budget to the City Council and Finance Committee.
<b>Thursday, May 25, 2023</b>	Financial Statement Auditor's Communication with the Finance Committee acting as the City's Audit Committee	Presentation	The City's external auditors, Davis Farr LLP, will provide an overview presentation regarding the audit process and request feedback from the Committee regarding any information that may assist them in their audit of the City's financial statements.
	Committee Recommendation to Council for the FY 2023-24 Budget	Discussion	Discussion of the Study Session earlier in the week and formulation of any recommendations to be presented to the City Council at the budget public hearing in June.
	Workplan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
<b>June 2023</b>			
Committee Recess			

Newport Beach Finance Committee Work Plan

Scheduled Date	Agenda Title	Report Type	Agenda Description
<b>July 2023</b>			
		Committee Recess	
<b>August 2023</b>			
		Committee Recess	