



CITY OF NEWPORT BEACH FINANCE COMMITTEE AGENDA

Community Room - 100 Civic Center Drive

Thursday, March 16, 2023 - 3:00 PM

Finance Committee Members:

Will O'Neill, Chair
Noah Blom, Mayor
Joe Stapleton, Council Member
Allan Cashion, Committee Member
William Collopy, Committee Member
Keith Curry, 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

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. 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.

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 Finance Committee 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 FEBRUARY 16, 2023

Recommended Action:

Approve and file.

[DRAFT MINUTES 02.16.2023](#)

V. CURRENT BUSINESS

A. OVERVIEW OF REVENUE PROJECTIONS

Summary:

Staff will present to the Committee 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.

Recommended Action:

Receive and file.

B. HARBOR DEPARTMENT OPERATIONS AND FINANCES

Summary:

Staff will present to the Committee an updated overview of the status of the Harbor Department's budget and staffing, as well as possible future budget enhancements for the Department.

Recommended Action:

Receive and file.

C. WORK PLAN 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
FEBRUARY 16, 2023 MEETING MINUTES**

I. CALL MEETING TO ORDER

The meeting was called to order at 3:00 p.m.

II. ROLL CALL

PRESENT: Will O'Neill, Chair
Noah Blom, Mayor
Joe Stapleton, Council Member
William Collopy, Committee Member
Keith Curry, Committee Member
Nancy Scarbrough, Committee Member

ABSENT: Allen Cashion, Committee Member (excused)

STAFF PRESENT: City Manager Grace K. Leung, Finance Director Jason Al-Imam, Deputy Finance Director Michael Gomez, Budget Manager Shelby Burguan, Senior Budget Analyst Amber Haston, Budget Analyst Jessica Nguyen, Accounting Manager Trevor Power, Public Works Director Dave Webb, Deputy Public Works Director Jim Houlihan, Public Works Manager Chris Miller, Deputy Community Development Director Jim Campbell, Administrative Assistant Amy Byrne

MEMBERS OF THE PUBLIC: Jim Mosher, Resident; Charles Klobe, Resident; TJ Rokos, Student/Resident

OTHER ENTITIES: Marc Davis, Auditor for Davis Farr, LLP
Don Yahn, Secretary of Harbor Commission

III. PUBLIC COMMENTS

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

IV. CONSENT CALENDAR

A. MINUTES OF JANUARY 12, 2023

Recommended Action:

Approve and file.

Chair O'Neill provided recommended changes to the January 12, 2023 minutes.

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

MOTION: Chair O'Neill moved to approve the minutes of January 12, 2023 as amended, seconded by Mayor Blom. The motion carried as follows:

AYES: Blom, Collopy, Scarbrough, O'Neill
NOES: None
ABSENT: Cashion
ABSTAIN: Curry, Stapleton

V. CURRENT BUSINESS

A. FINANCIAL STATEMENT AUDIT RESULTS AND RELATED COMMUNICATION

Summary: 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.

Recommended Action: Receive and file.

Finance Director Al-Imam introduced the item and reported that the City recently completed the audit for the Fiscal Year Ending June 30, 2022. Finance Director Al-Imam explained that the City received an unmodified or clean audit opinion, and introduced Marc Davis, the audit partner from Davis Farr LLP.

Marc Davis provided the Finance Committee with a PowerPoint Presentation, which outlined the scope of the audit engagement, management's responsibilities, the auditor's responsibilities, and the results of the audit. Mr. Davis explained that there were no significant unusual transactions, no significant difficulties encountered in connection with the performance of the audit, no material corrected or uncorrected misstatements, no disagreements with management, and no other audit findings or issues.

Mr. Davis noted that the Single Audit, a compliance audit of federally assisted grant programs, is still ongoing.

Committee Member Curry inquired whether the City could expect any "claw back" as it relates to the risk related to Federal Grant Requirements.

Mr. Davis indicated that there was no indication of such vulnerability at this time.

Committee Member Collopy inquired whether the areas of risk that were identified by the auditors related to the new lease standard, construction in progress and compliance with Federal Grant Requirements were unique to the City of Newport Beach.

Mr. Davis confirmed that the risk associated with the implementation of the new lease standard applies to all agencies, however the other two areas of risk were identified by the auditors as part of the auditor's risk assessment of the City of Newport Beach.

Chair O'Neill opened public comments.

Jim Mosher suggested that the wording in the Independent Auditor's Report should state the audit covers the Fiscal Year Ending June 30, 2022, and indicated that the Other Governmental Funds outlined on page 165 of ACFR were not individually audited. He also questioned how park development fees are accounted for, and questioned how funding for Culture and Arts is funded pursuant to Council Policy I-10.

Chair O'Neill indicated that he believed that park development fees are segregated in the Facilities Financial Plan (FFP) Fund. City Manager Leung and Finance Director Al-Imam confirmed park development fees are accounted for in the FFP Fund.

Chair O'Neill inquired with staff about how funding for Culture and Arts is funded pursuant to Council Policy I-10.

City Manager Leung indicated that the funding for Culture and Arts will be reviewed at the next City Council meeting on February 28, 2023.

Seeing no other speakers, Chair O'Neill closed public comments.

The item was received and filed.

B. FACILITIES FINANCIAL PLAN (FFP) AND HARBOR & BEACHES MASTER PLAN

Summary: The Facilities Financial Plan (FFP) and Harbor & Beaches Master Plan (HBMP) are long-term planning tools that are used to analyze the means of financing, timing of expected cash flows and funding requirements associated with the projects that are prioritized based on need and community goals. The FFP and HBMP have been updated to reflect the current estimated cost to fund the construction and or renovation of City facilities and harbor-related capital projects, which are presented to the Finance Committee for feedback and consideration.

Recommended Action: Receive and file.

Deputy Finance Director Gomez introduced the agenda item and provided the Finance Committee with a PowerPoint Presentation on the Facilities Financial Plan (FFP) and Harbor & Beaches Master Plan (HBMP), which have been updated to reflect the projected costs to fund the construction and/or renovation of City facilities and harbor-related capital projects. It was pointed out that the Harbor Commission reviewed the HBMP on January 11, 2023.

Deputy Finance Director Gomez explained that the dashboard presentations of the FFP and HBMP reflect a five-year outlook and also include a “future” column on applicable charts that captures the remaining projects beyond the first five years. In addition, a complete summary of projects – including the project estimates and timeframes – are included within the respective project planning worksheets for each plan. Since there is considerable variability in the cost estimates and timing in which the projects in the outer years of both plans may be completed, the dashboards are primarily focused on the fiscal impact of the nearer-term projects that are projected to occur in the next five-years.

Deputy Finance Director Gomez stated the FFP includes updates to the project list and corresponding project costs to reflect inflation-indexed unit costs.

Chair O'Neill inquired whether the inflation related increases would require an increase in the contributions set forth in the budget for Fiscal year 2023-24.

City Manager Leung indicated that the Public Works Department is currently working on revising costs and the related funding requirements for projects reflected in the capital improvement program, which will be presented to the City Council prior to the budget hearings.

Deputy Finance Director Gomez continued with his presentation and explained that the FFP is well positioned to fund all proposed projects for the near future. He noted that the annual contribution from the General Fund to the FFP is set at \$8.6 million. However, in Fiscal Year 2024-25, the annual contribution will increase and remain indexed to 3% of General Fund revenues.

Committee Member Collopy inquired whether this is a policy. Deputy Finance Director Gomez responded affirmatively, acknowledging it is Council Policy F-28.

Deputy Finance Director Gomez continued with his presentation and explained that the HBMP has been updated to reflect inflationary factors and project costs, which has resulted in a \$100 million increase over the lifetime of the model.

Chair O'Neill inquired how did the City get to the point of a \$100 million increase. He noted the agenda report reflected inflation as a primary source of the increase. He inquired if any items were added to the list of proposed projects. Public Works Director Webb stated that inflationary

factors were a primary driver of the increases to project costs. However, Public Works Director Webb also pointed out that the two piers were added to the HBMP model this year.

Deputy Finance Director Gomez continued with the presentation and reported that there is adequate funding for the next five to six years for the proposed projects included in the plan for that time frame. He presented an update on the Facilities Maintenance Management Plan (FMMP) which includes smaller scale improvements to the City's facilities, which is funded from a \$2.5 million annual contribution from the General Fund. The proposed expenditures for the upcoming Fiscal Year are approximately \$2 million. He concluded the presentation and requested feedback from the Finance Committee.

Chair O'Neill offered a reminder that there are projects in the CIP, such as storm drainage system improvements, which were not presented as part of today's agenda report which are still planned to be completed, but not funded through the plans reviewed at this meeting.

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

The item was received and filed.

C. SECOND QUARTER BUDGET UPDATE

Summary: The Finance Department prepares quarterly financial reports to review the status of revenues and expenditures for the City's General Fund and to monitor budgetary trends in other City funds. This report contains information on revenues, expenditures, and estimated fund balance for the second quarter of Fiscal Year 2022-23.

Recommended Action: Receive and file.

Budget Manager Burguan introduced the agenda item and provided a PowerPoint Presentation that summarized the status of General Fund revenues, expenditures and estimated fund balance for the second quarter of Fiscal Year 2022-23. Based on the second quarter update, a \$12.4 million operating surplus is projected for the General Fund for Fiscal Year 2022-23. Approximately \$10 million of the budget surplus is expected to be utilized to set-aside funds for the Contingency Reserve (pursuant to City Council Policy F-2), and to replenish the FFP and General Fund CIP Fund for amounts attributable to the Dove Street Property Purchase.

Chair O'Neill confirmed it appears the City is tracking at a projected ending unrestricted fund balance of \$2.4 million at June 30, 2023. Budget Manager Burguan confirmed this is accurate.

Committee Member Curry inquired whether the City would be in a negative position due to the loss of pandemic-related grant funds. Staff indicated that the City would not be in a negative financial position since ARPA has only been used to fund one-time projects.

Council Member Stapleton inquired whether sales tax is projected to decrease in the third quarter. Budget Manager Burguan stated that it would not be decreasing but rather slowing down. City Manager Leung stated the sales tax growth coming out of the pandemic was in the double-digits and it is likely to level off to a more typical rate.

Committee Member Collopy inquired about how many positions are currently unfilled. City Manager Leung indicated the City has 60 positions currently under recruitment.

Chair O'Neill inquired whether the 60 vacancies included full-time and part-time positions. City Manager Leung confirmed the number included both full-time and part-time positions.

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

Chair O'Neill commented on the positive position the City finds itself in at this time as compared to where other cities are finding themselves.

The item was received and filed.

D. WORKPLAN REVIEW

Summary: Staff will report on the upcoming Finance Committee items.

Recommended Action: Receive and file.

Chair O'Neill reviewed the proposed Workplan included in the agenda report.

Chair O'Neill inquired as to the source of the difference between the internal audit review update and report. Deputy Finance Director Gomez noted the update is the quarterly update on internal audit work and the report is the first level findings from the audits performed. Chair O'Neill suggested the Committee combine the two into one item.

Chair O'Neill reported the Finance Committee should see the initial draft of the Fiscal Year 2023-24 budget at their April meeting. The May meeting will feature a review of the third quarter financial reports and follow up on the proposed budget. A joint City Council and Finance Committee meeting is scheduled for May 23rd. Also, at the May 25th Finance Committee meeting, the Committee will finalize their recommendations on the proposed budget to the City Council. The Committee will then recess in June, July, and August.

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

The item was received and filed.

VI. ADJOURNMENT

The Finance Committee adjourned at 3:55 p.m. to the next regular meeting of the Finance Committee on March 16, 2023 at 3:00 p.m.

The agenda for the Regular Meeting was posted on February 10, 2023, at 3:34 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

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FY 2023-24 Overview of Revenue Projections



Finance Committee Meeting

March 16, 2023



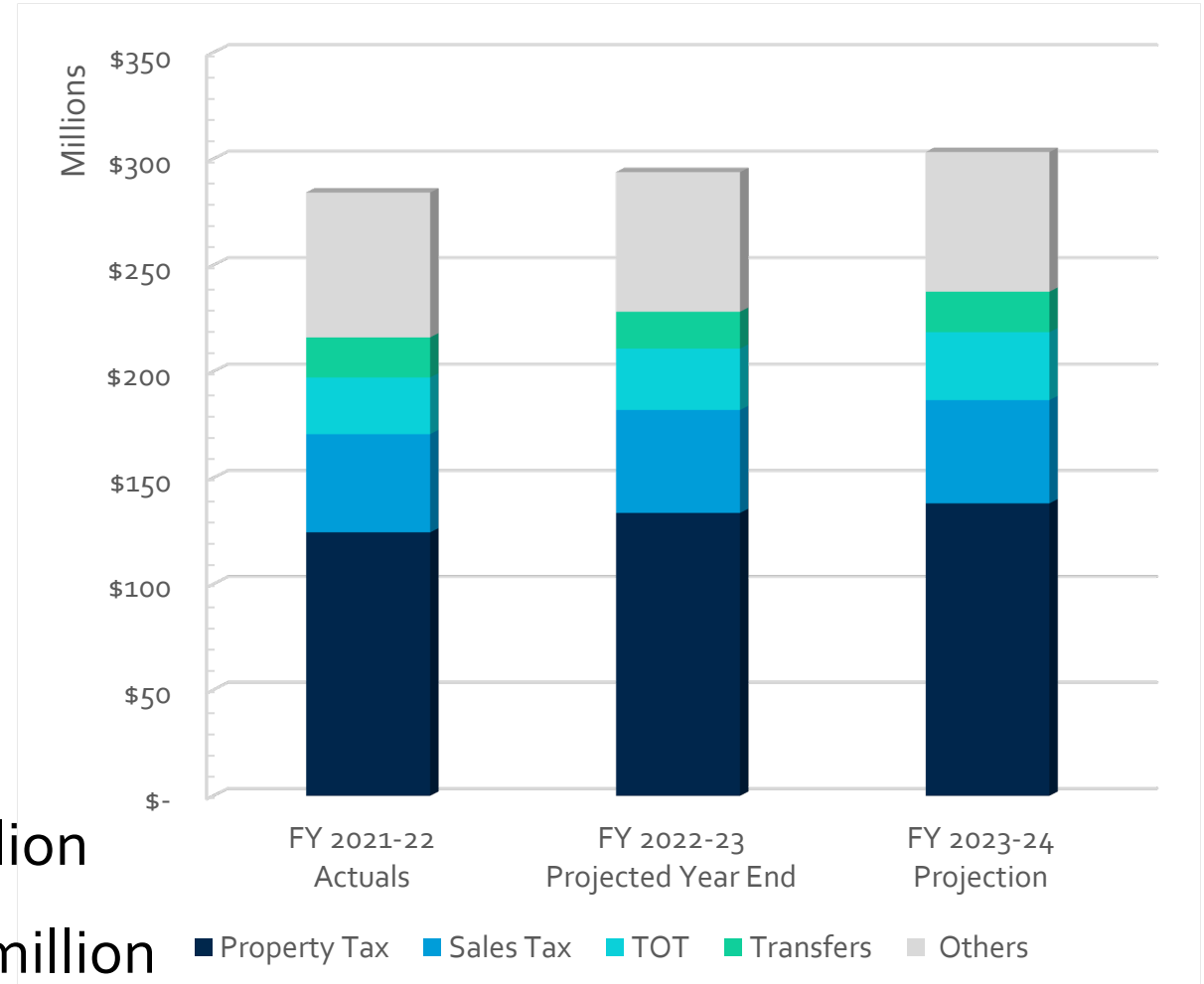
Historical General Fund Revenues

2021-22 Actual* \$ 284.1 million

2022-23 Projected \$ 293.7 million

2023-24 Projected \$ 303.2 million

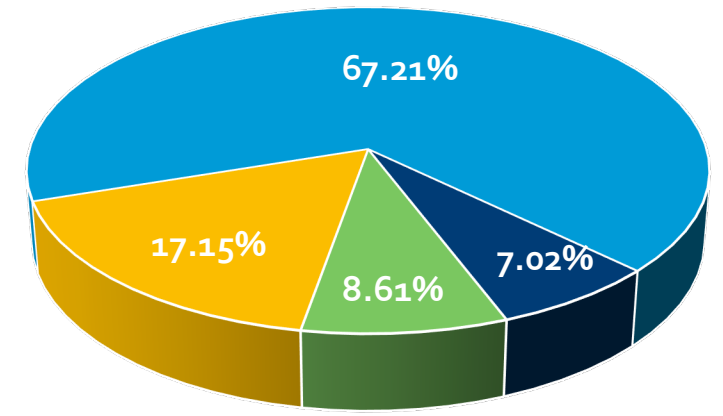
- \$9.5 million of projected revenue growth
- Drivers of revenue growth
 - Property Tax + \$4.5 million
 - TOT + \$1.5 million
 - Parking & Property Income + \$2.2 million
 - Transfer from Tidelands (CAP) + \$1.7 million





Property Tax Revenue

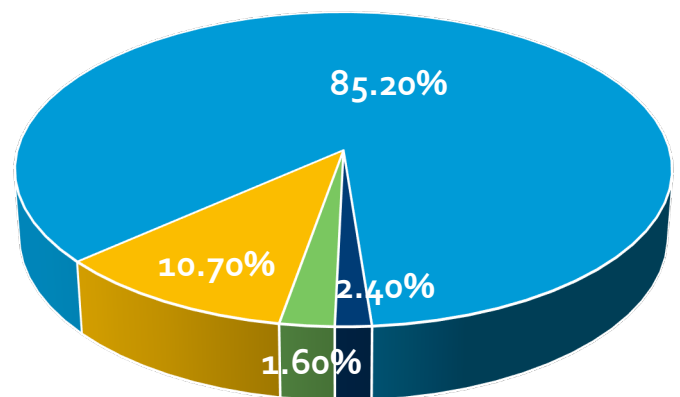
- The City receives 17.2% of the 1% property tax
 - Each City's percentage of the 1% varies
 - Newport Beach has the third highest share of the 1% property tax in Orange County behind Santa Ana and Laguna Beach
 - Assessed value has a significant impact on revenue
 - Having a higher percentage of the total tax and higher assessed values than many surrounding cities is a significant contributor to the City's fiscal stability
- The City's assessed valuation is the second largest in Orange County (behind Irvine and ahead of Anaheim).
- The assessed valuation is projected to be \$73 billion in FY 2023-24



- City of Newport Beach
- Schools
- County of Orange
- Special Districts

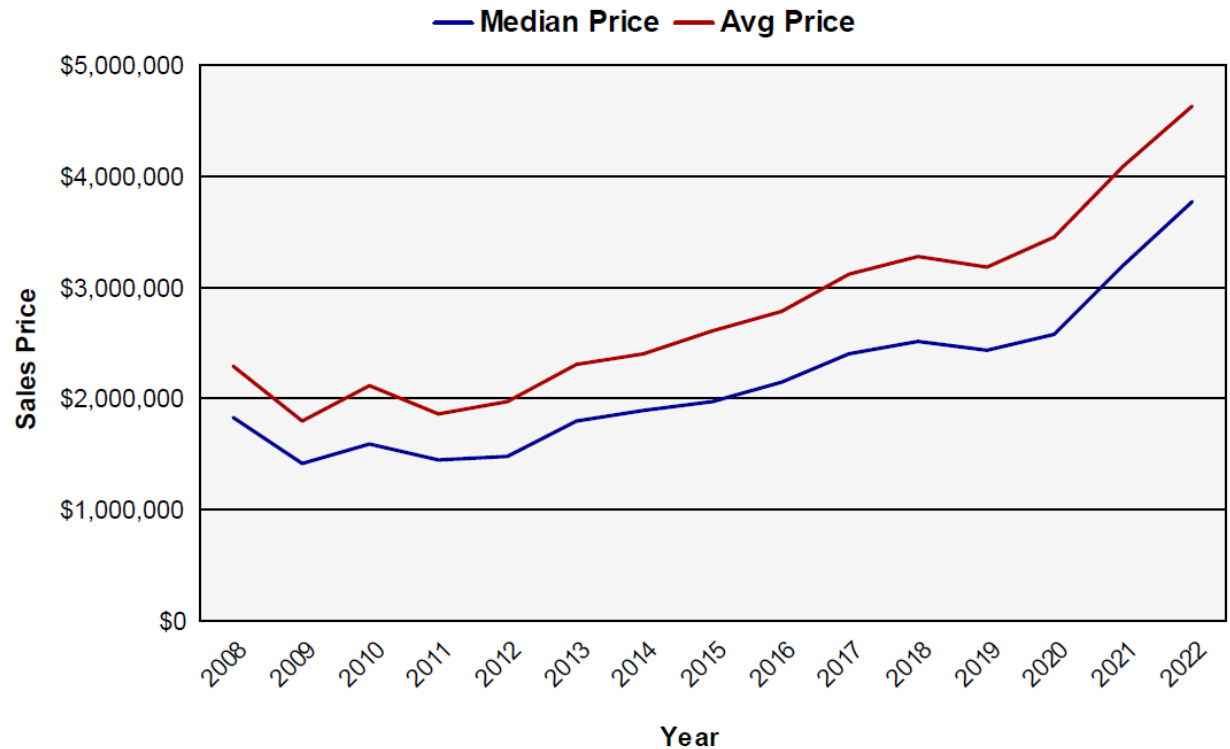


Property Tax Revenue by Category and Residential Sales Trend



Commercial Residential
Other Unsecured

Year	Full Value Sales	Average Price	Median Price	Median % Change
2008	427	\$2,292,790	\$1,835,000	
2009	565	\$1,792,433	\$1,415,000	-22.89%
2010	853	\$2,113,617	\$1,600,000	13.07%
2011	845	\$1,868,806	\$1,450,000	-9.38%
2012	1,196	\$1,974,265	\$1,475,000	1.72%
2013	1,093	\$2,314,160	\$1,800,000	22.03%
2014	962	\$2,404,919	\$1,894,500	5.25%
2015	1,023	\$2,604,978	\$1,975,000	4.25%
2016	1,064	\$2,778,741	\$2,150,000	8.86%
2017	1,114	\$3,127,157	\$2,400,000	11.63%
2018	952	\$3,283,684	\$2,517,000	4.88%
2019	949	\$3,177,617	\$2,435,000	-3.26%
2020	1,142	\$3,461,580	\$2,587,500	6.26%
2021	1,403	\$4,090,328	\$3,200,000	23.67%
2022	632	\$4,637,759	\$3,770,250	17.82%





Property Tax Revenue Projection Methodology

- City staff works in collaboration with the City's property tax consultant HdL to develop the secured property tax revenue projection
 - Accounts for the majority of the City's property tax revenue
 - Includes the State's recently-released CPI factor for allowable assessment growth under Proposition 13 (2.0% for FY 2023-24)
 - Projects the impact of changes of ownership on assessed values
 - Projects the impact of rising property values on remaining Proposition 8 adjustments from prior fiscal years
- HdL also provides a projection of the City's property tax in lieu of VLF allocation each year
- Staff calculate appropriate growth factors for other types of property tax revenue based on historical information and advice from HdL

General Fund and BY Values 2022-23

Citywide Net Taxable Value 2022-23

Real Property Value (Incl. Prop 8 parcels)

CPI of Non Prop 8 Parcels (2.000%)

Transfer of Ownership Assessed Value Change

Est. SFR Prop 8 Adj Based on Recent SFR Price

2023-24 Estimated Real Property Value

Base Year Values

Secured Personal Property Value (0.0% growth)

Unsecured Personal Property Value (0.0% growth)

Nonunitary Utility Value

Enter Completed New Construction

2023-24 Estimated Net Taxable Value

General Fund

\$69,700,935,603

\$68,201,187,389

\$1,352,100,220

\$2,272,412,076

\$70,874,107

\$71,896,573,792

\$124,212,013

\$95,060,704

\$1,232,874,150

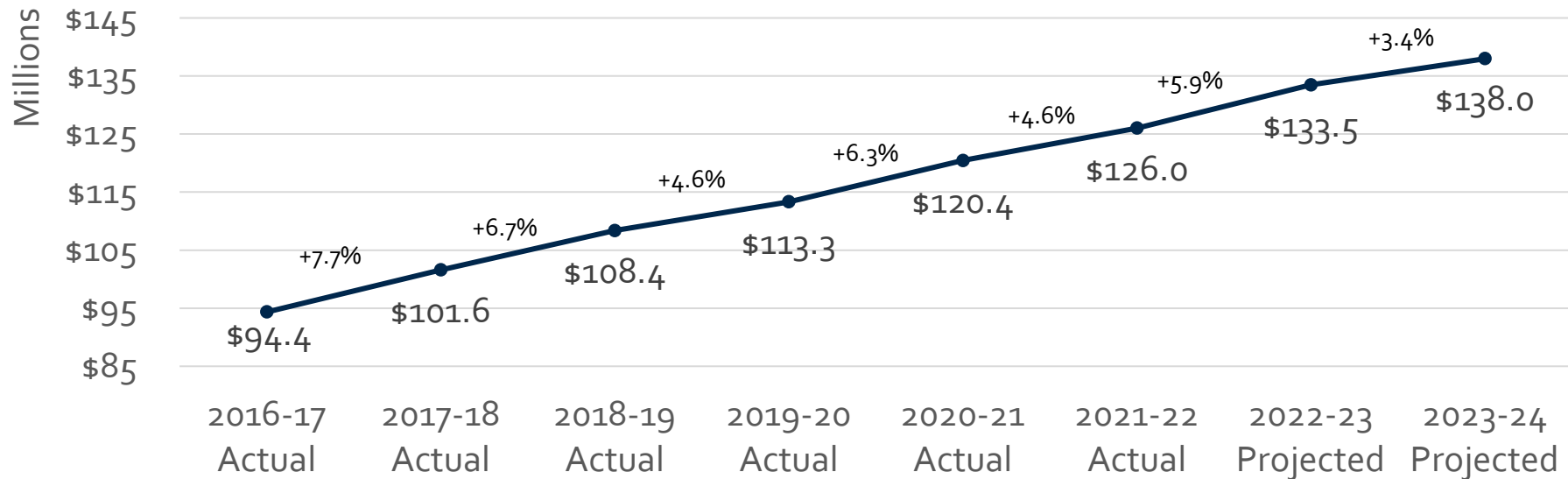
\$273,188

\$73,348,993,847



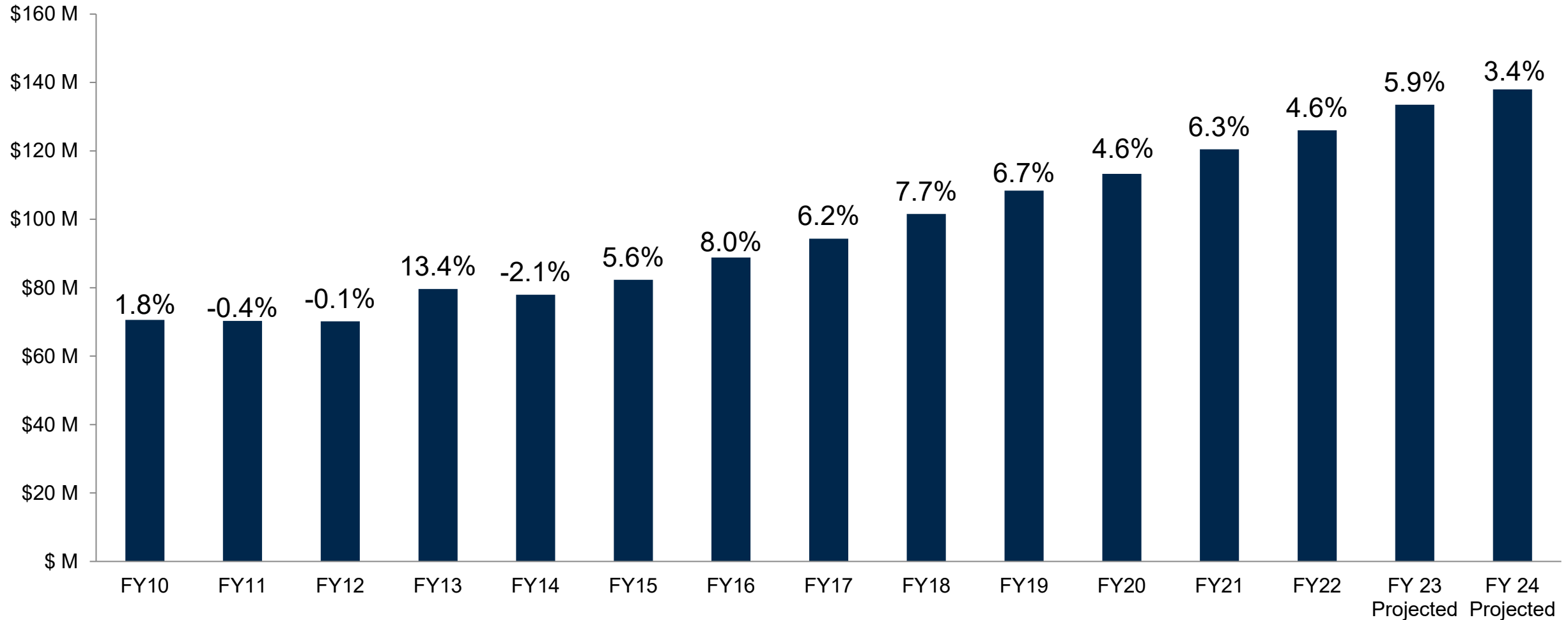
Property Tax Revenue Projection

- Represents approximately 50% of General Fund revenues
- Growth has been accelerating based on strong assessed value growth and sales activity
- 3.4% growth projected for FY 2023-24 for property tax revenue





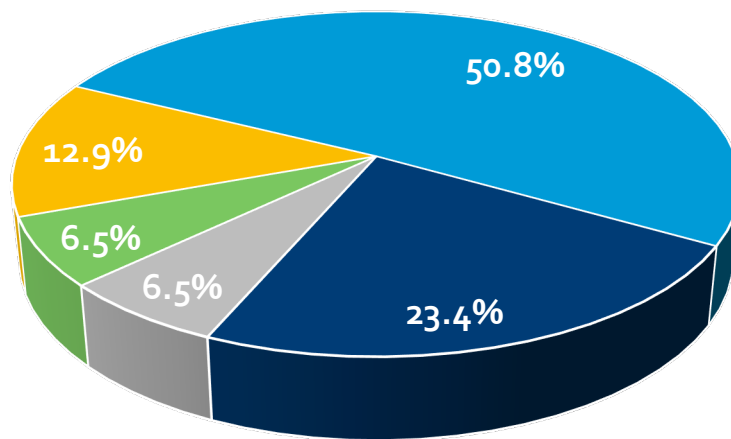
Property Tax Revenue Growth History





Sales Tax Revenue

- The City receives 12.9% of the 7.75% sales tax (1% of sale)
- Historically most of the City's sales tax revenue comes from:
 - Autos & Transportation
 - Restaurants & Hotels
 - General Consumer Goods
 - County Pools



- City of Newport Beach
- State General Fund
- County of Orange
- Proposition 172
- OCTA

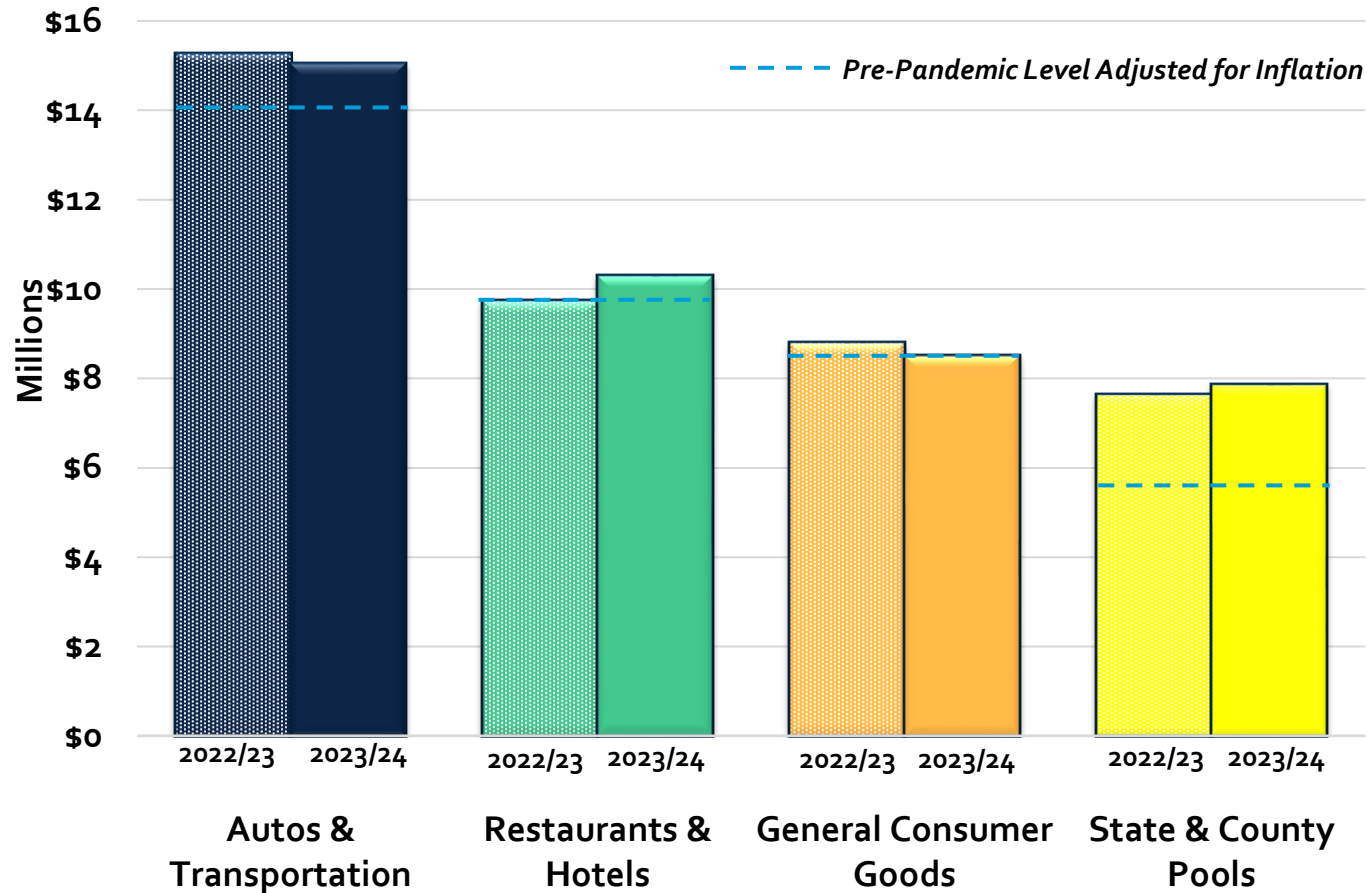


TOP 25 PRODUCERS

Apple	Newport Lexus
Balboa Bay Club & Resort	Nordstrom
Bandera	Pavilions
Bentley Porsche Audi of Newport Beach	Resort At Pelican Hill
Chevron	Sterling BMW
Corporate Business Interiors	Sun Country Marine
Daimler Trust	Systems Source
Ferrari of Newport Beach	Tangram Studio
Fletcher Jones Mercedes Benz	Tesla Motors
Glidewell Laboratories	Traditional Jewelers
Jaguar Land Rover Newport Beach	
Javier's	
Jazz Semiconductor	
JP Morgan Chase Bank	
Neiman Marcus	



Projected Sales Tax Revenue Major Industry Groups



	Previous Forecast (Based on 3Q22)	Current Forecast (Based on 4Q22)
Autos & Transportation	(0.6%)	(1.4%)
Restaurants & Hotels	4.0%	5.7%
General Consumer Goods	(2.4%)	(3.3%)
State & County Pools	4.5%	3.0%



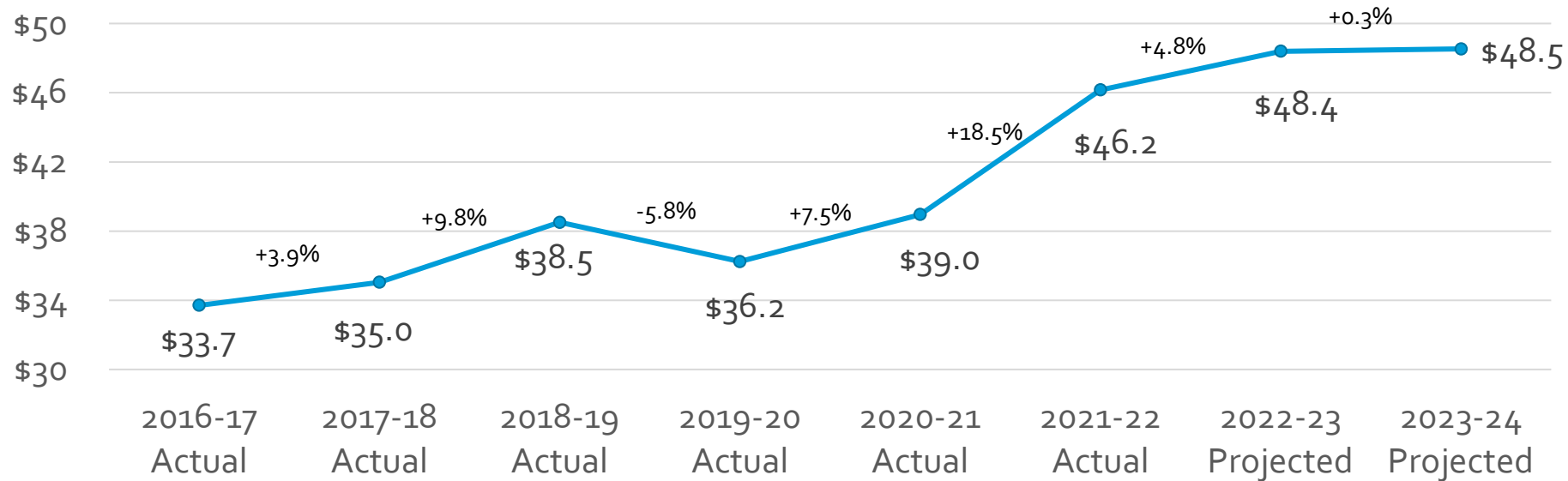
Sales Tax Revenue Projection Methodology

- City staff works in collaboration with the City's sales tax consultant HdL to analyze historical sales tax data and to identify material necessary adjustments
 - New and closed retailers
 - Misallocated revenues
- HdL develops a statewide revenue forecast by industry category with assistance from Beacon Economics
 - Adjusted for regional or agency trends
- Historically HdL's forecasts tend to be conservative



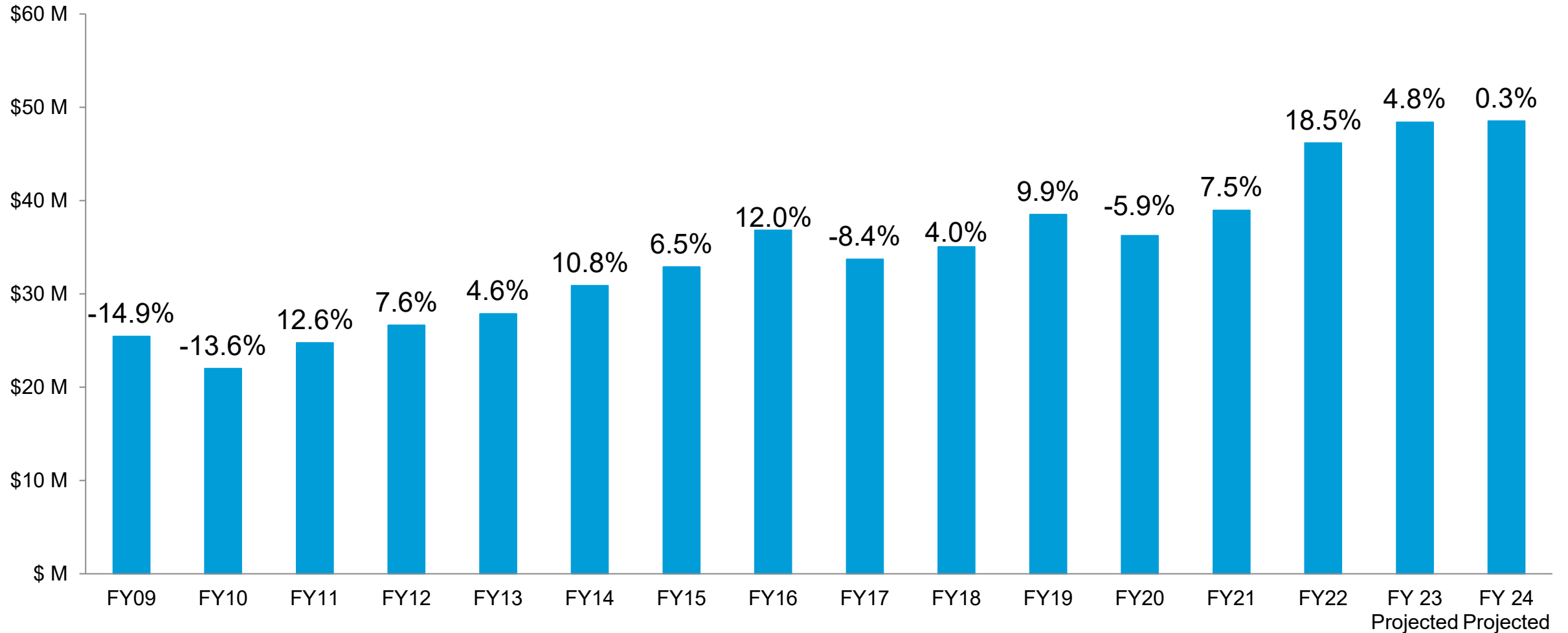
Sales Tax Revenue Projection

- 4.8% growth anticipated for FY 2022-23. Relatively flat growth projected for FY 2023-24
- Revenue was down in the second quarter partly due to the economy slowing more quickly than anticipated, and partly due to a mix of aberrations.
 - A few large retailers shifted more online revenue to individual store locations or fulfillment centers.
 - New car sales were up less than 1%. Several luxury auto dealerships were down.





Sales Tax Revenue Growth History





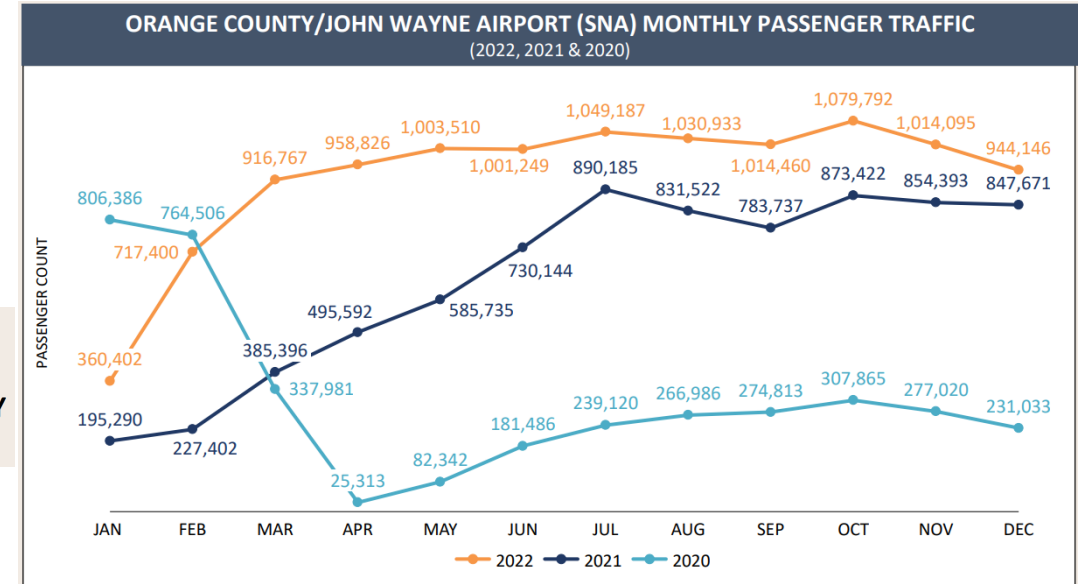
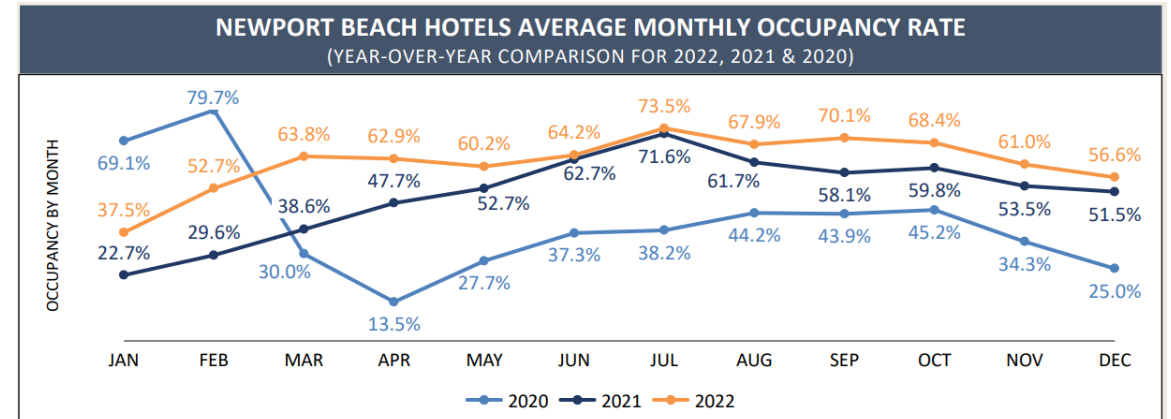
Transient Occupancy Tax Revenue

- The City charges a 10% tax
 - Same rate as 41% of California jurisdictions
 - Lower than 32% of California jurisdictions
 - Higher than 27% of California jurisdictions
- Revenue is generated from commercial (hotel) and residential (short-term rental) stays
- The City has access to a variety of data sources to monitor trends that impact leisure and business travel



OCTOBER 20, 2022 WEEKLY REPORT
NEWPORT BEACH & COMPANY
EXECUTIVE SUMMARY

Recovery Research Dashboard - December 2022
Visit California and third-party data sets





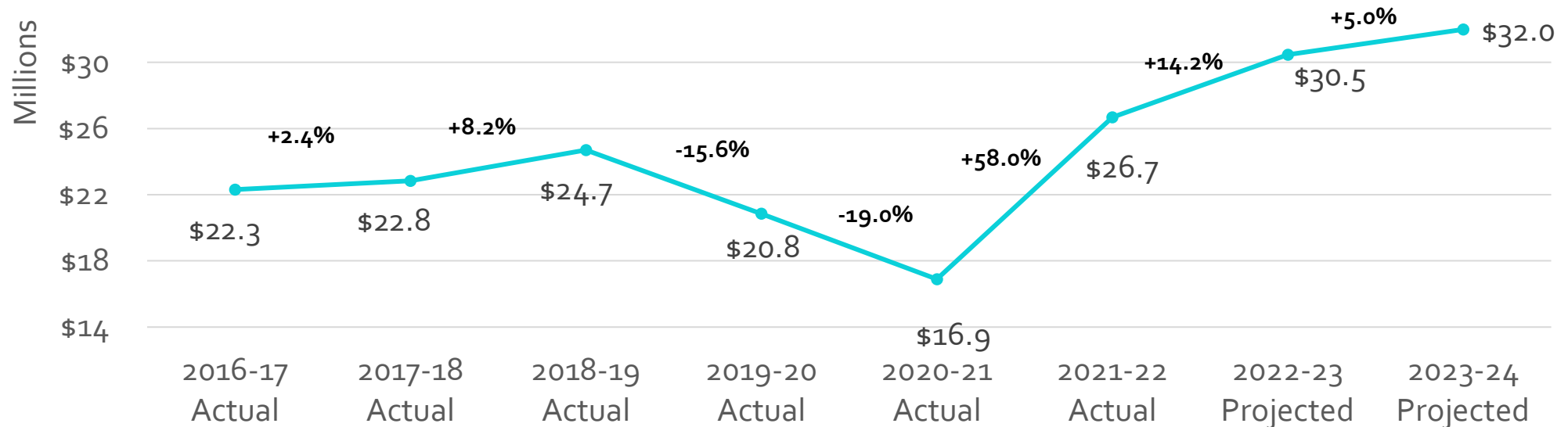
TOT Revenue Projection Methodology

- Staff has spent a significant amount of time refining the projection methodology through collaboration with industry experts and more careful evaluation of the data at the category, and, in the case of hotel TOT, the individual property level
 - Evaluating residential TOT and hotel TOT trends and developing appropriate projections
 - Analyzing actual cash receipts for trends month over month, and compared to the comparable period a year ago
 - Monitoring hotel closures, sales, and remodeling for impacts on revenues
 - Seeking input from Visit Newport beach and evaluating data from VNB and Visit California
 - Collectively validating assumptions amongst the Finance Department leadership team



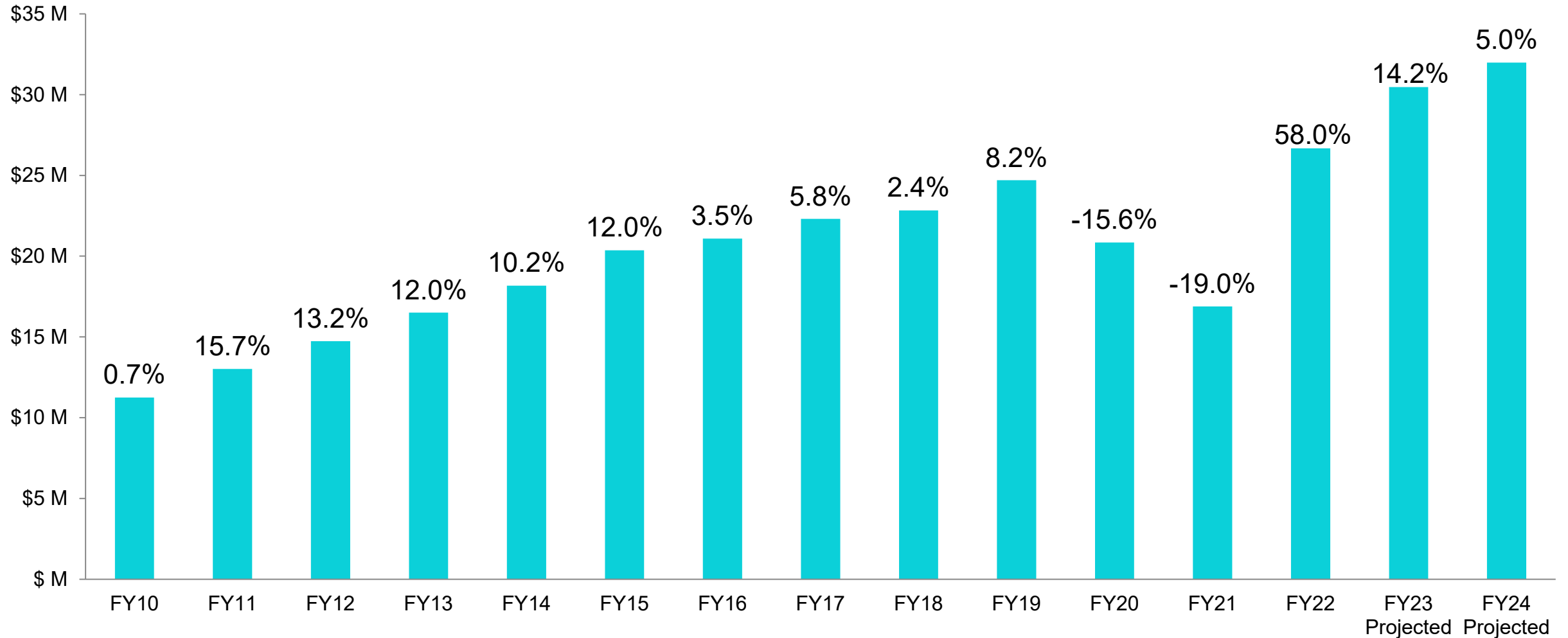
Transient Occupancy Tax Revenue Projection

- 5.0% growth projected for FY 2023-24, including 5.0% for residential revenue and 5.0% for hotel revenue
- Hotel-related revenues exceed pre-pandemic levels and short-term rental-related revenues are growing well beyond the already-reached record high level
- Projection does not include the Pendry Newport Beach (former Fashion Island Hotel), which is expected to open in the Summer of 2023





Transient Occupancy Tax Revenue Growth History





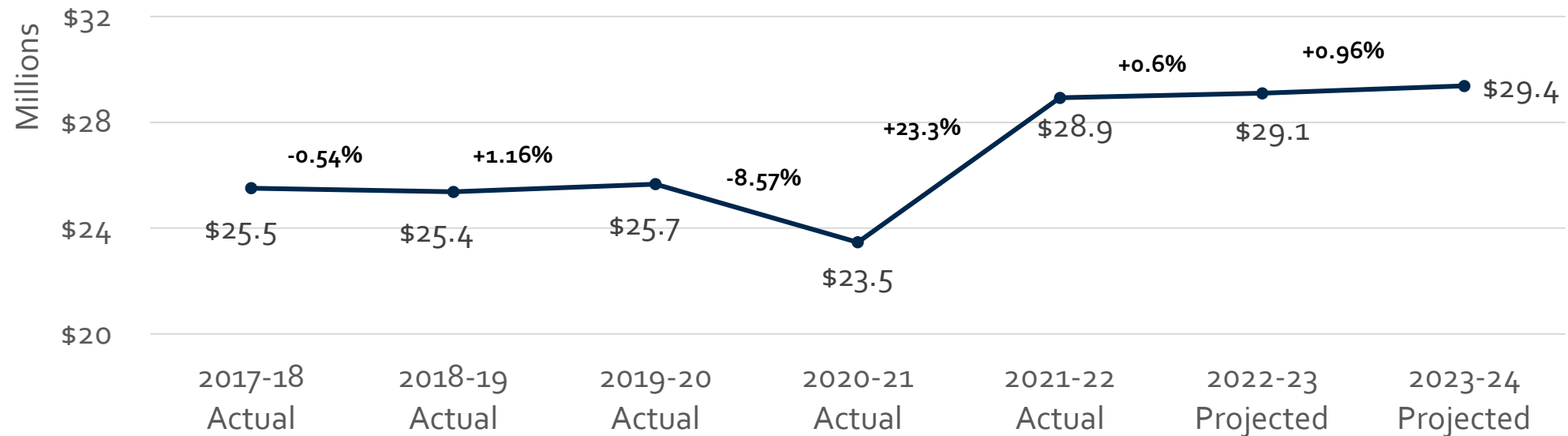
Other Revenues

- Property tax, sales tax, and transiency occupancy tax revenues make up almost 75% of the City's General Fund revenues
- Other revenues include the following material additional categories of revenue
 - Service Fees and Charges / Licenses and Permits (10% of General Fund revenues)
 - Property income (5% of General Fund revenues)
 - Other Taxes (4% of General Fund revenues)
- The remainder of other revenues (3% of General Fund revenues) includes:
 - Intergovernmental revenues (primarily Proposition 172 revenue)
 - Fines and penalties (primarily parking fines)
 - Investment income and other minor revenues



Service Fees and Permits Revenue Projection

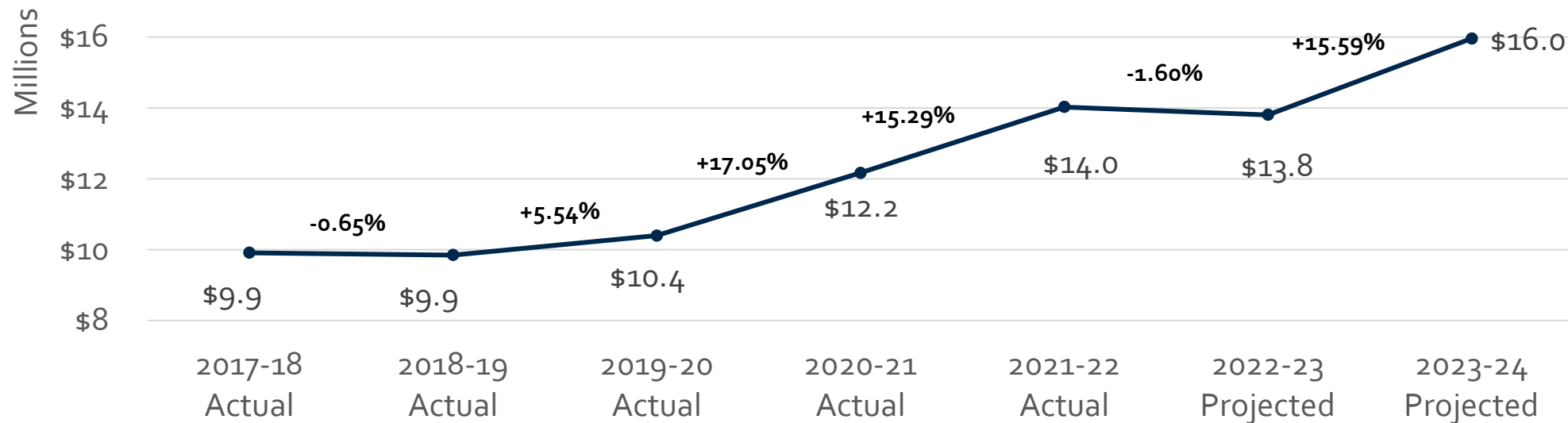
- This category of other revenue primarily includes:
 - Building and planning fees
 - Recreation class and Junior Lifeguard program fees
 - Paramedic service fees
 - Recycling fees
- The revenue projection is developed by Finance staff in collaboration with the subject matter experts in the City Departments responsible for each of these programs
- Growth due to increased recreation program activity and Jr Lifeguard Program participation





Property Income Revenue projection

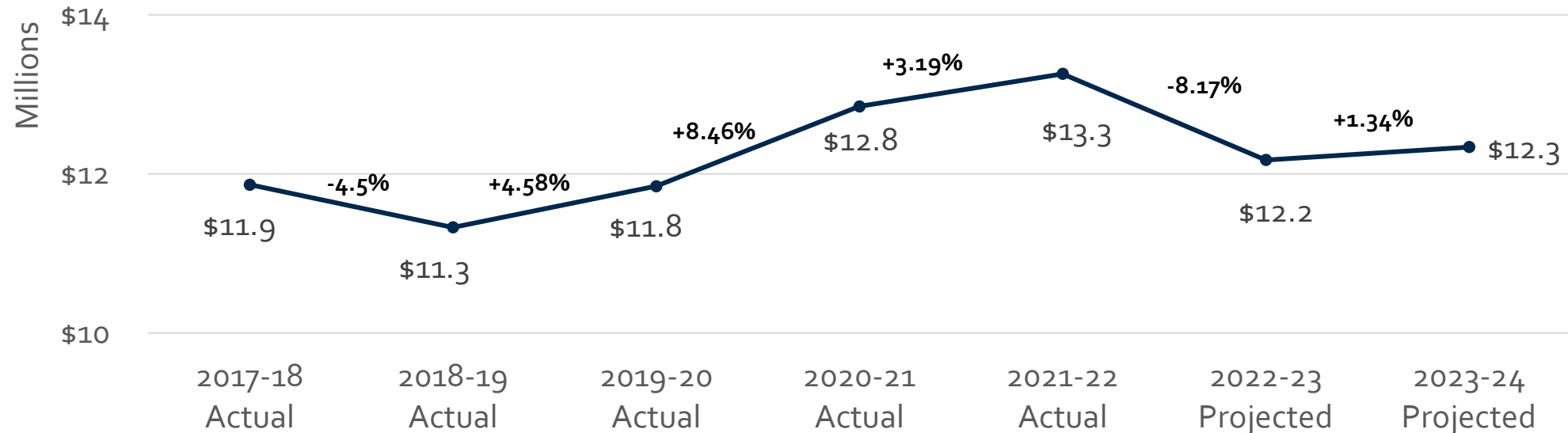
- This category of other revenue primarily includes:
 - Leased property income – generated from non-Tidelands property leases
 - Parking income – generated from non-Tidelands parking lots and meters
- The revenue projection is developed by Finance staff in collaboration with the subject matter experts in the City Departments responsible for each of these programs
- Growth due to higher percentage-based rents and parking revenues





Other Taxes Revenue Projection

- This category of other revenue primarily includes:
 - Business license tax revenue
 - Property transfer tax revenue
 - Franchise fees (solid waste, cable, and utility)
- The revenue projection is developed by Finance staff
- Business License revenue has steadily decreased since FY21 however inflation contributing to increase





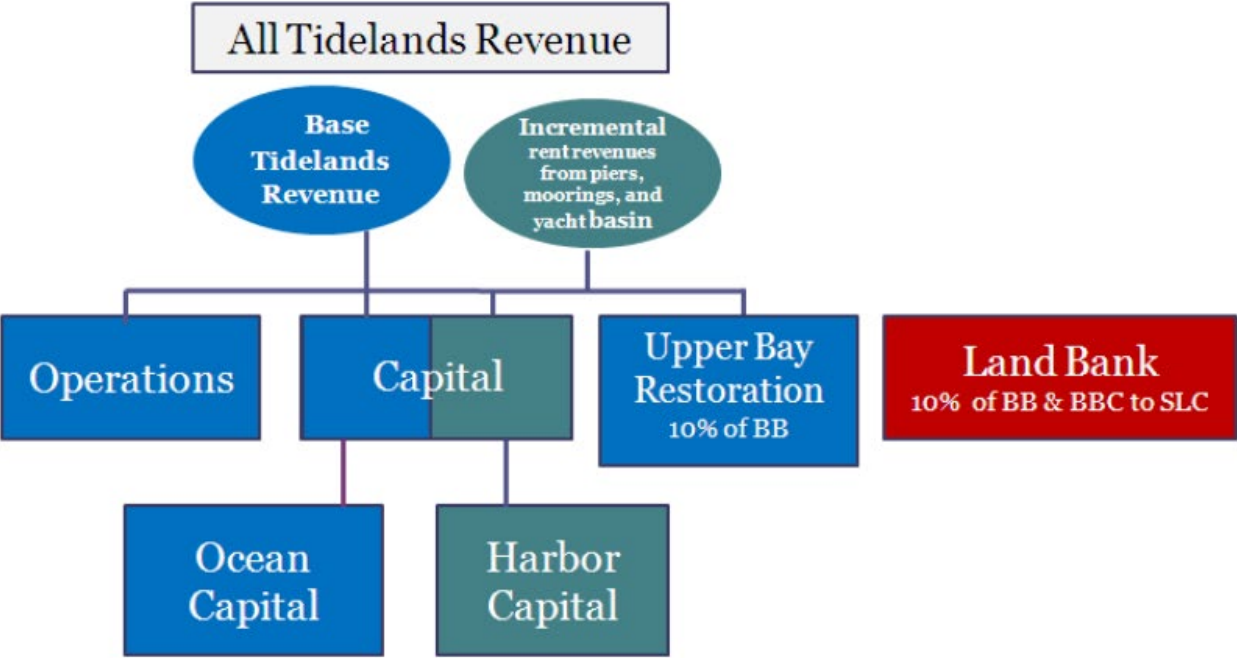
Tidelands Fund Revenues

- The Tidelands Fund is a special revenue fund used to account for revenues related to the Tidelands areas under the City's jurisdiction
- Funds are deposited into either the operating or capital fund from all revenue-generating activities within the Tidelands
 - The operating fund has had an annual deficit ranging from \$7 million to \$10 million in recent fiscal years that is supported by the General Fund
 - The General Fund will transfer \$4.75 million to the capital fund in FY 2023-24 to support capital needs. In 2022, Council approved this transfer to be adjusted based on CPI.





Tidelands Fund Revenues



Top Ten Tidelands Revenue Producers

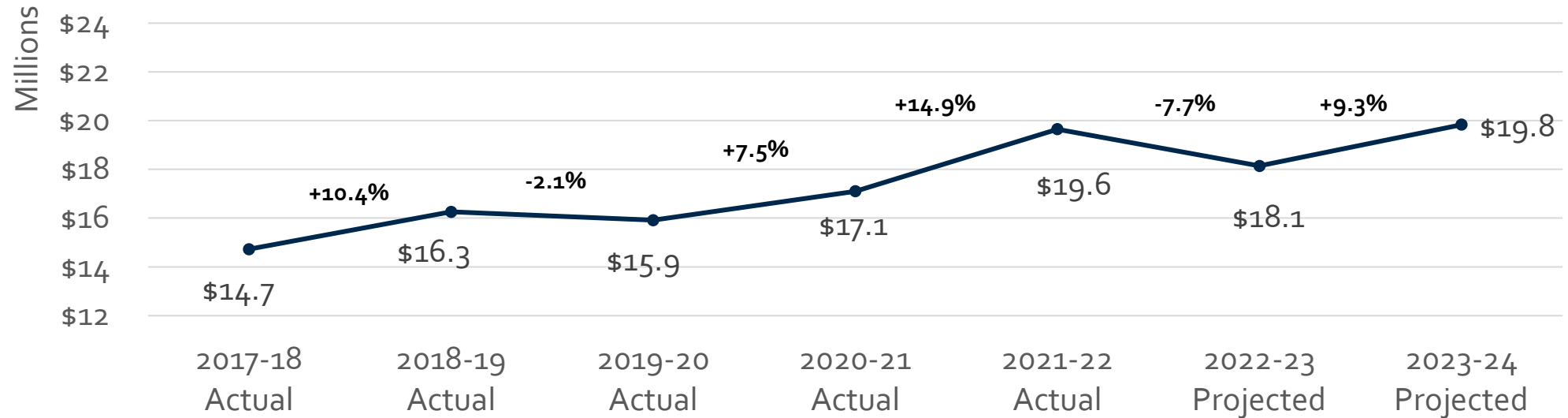
Top Tidelands Revenue Producers	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Tide and Submerged Land Total
Balboa Bay Club	\$ 3,011,162	\$ 1,010,056	\$ 4,021,218
Balboa Pier Parking Lot	2,305,126	-	2,305,126
Oceanfront/Other Parking Meters	1,855,733	-	1,855,733
Beacon Bay Residences	1,411,399	-	1,411,399
Other Leases	1,258,153	130,670	1,388,823
Balboa Yacht Basin	745,368	616,174	1,361,542
Commercial Piers	427,943	793,870	1,221,813
Offshore Moorings	623,171	526,951	1,150,122
Petroleum Royalties	898,761	-	898,761
Other Moorings	-	313,300	313,300

BB and BBC represents Beacon Bay and Balboa Bay Club respectively.



Tidelands Fund Revenue Projection

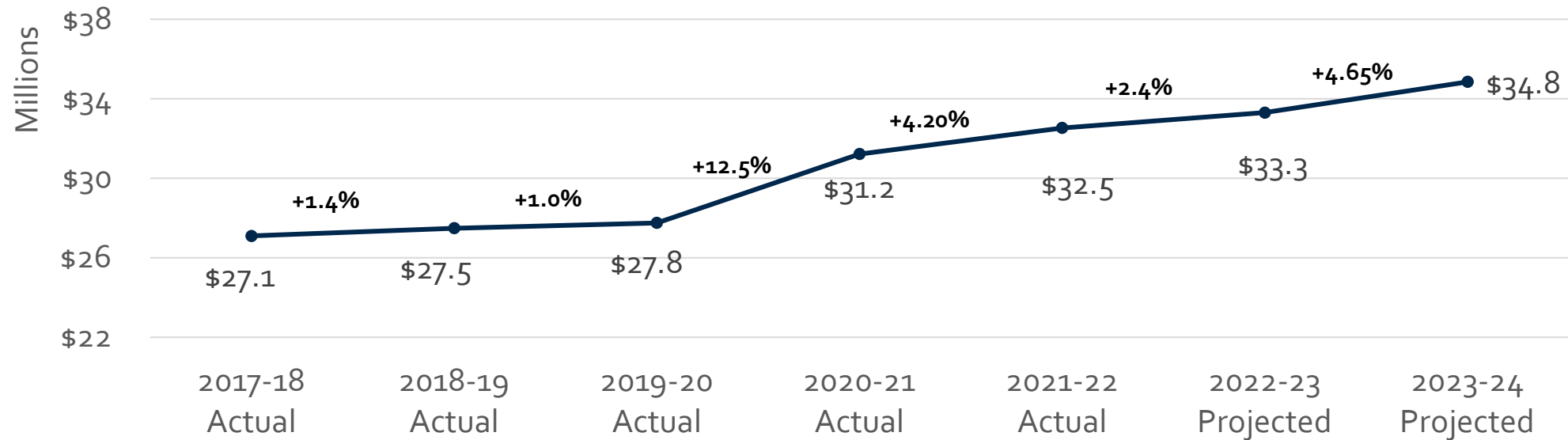
- 96% of revenues are generated from property income
 - Leased property income – generated from Tidelands property leases, slips, and moorings
 - Parking income – generated from Tidelands parking lots and meters
 - Oil well income – generated from the City's oil field in West Newport
- 4% of revenues are generated by investment income (primarily from capital reserves)





Water Utility Revenue Projection

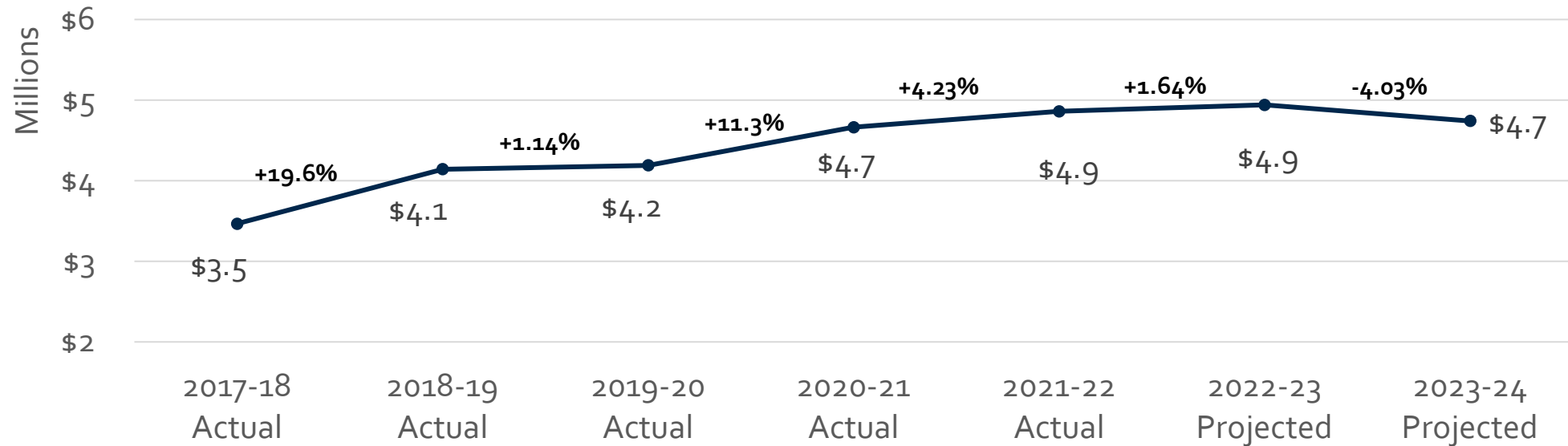
- 98% of revenues are generated by service fees and charges from customers
- 1% of revenues are generated by investment income
- Various other sources account for the final 1% of revenues
- 2020 Rate plan provides for one last annual increase on January 1, 2024
- Staff has begun a rate study with a consultant





Wastewater Utility Revenue Projection

- 98% of revenues are generated by service fees and charges from customers
- Various other sources account for the final 2% of revenues
- Rate plan in place with annual increases through January 2022 - No new rates currently scheduled.
- Staff has begun a rate study with a consultant





Questions?

Harbor Department Operations and Finances



Finance Committee Meeting

March 16, 2023



Harbor Department Operations

A Brief History of the Department

- July 2017 - the City assumed responsibility for mooring management from the OC Sheriff's Dept.
- Harbor Operations Division initially assigned to the Public Works Dept.
- Jan. 2018 - Harbor Operations Division transferred to the City Managers Office.
- July 2018 - City Council created a standalone Harbor Dept.
- 2020 - Title 17 updated to reflect new arrangement/responsibilities





Harbor Department Operations

Harbor Department Mission

- Clean
- Safe
- Well Enjoyed
- Services delivered in favor of:
 1. Residents
 2. Businesses
 3. Visitors





Harbor Department Operations

Harbor Department Services

- Mooring Management
- Code Enforcement
- Commercial Marine Activity and Harbor Events Permitting
- Safety/Rescue Operations
- Marina Park/Hospitality
- Pump out equipment maintenance and upgrades
- Impounds and auctions
- Public Relations/Concierge





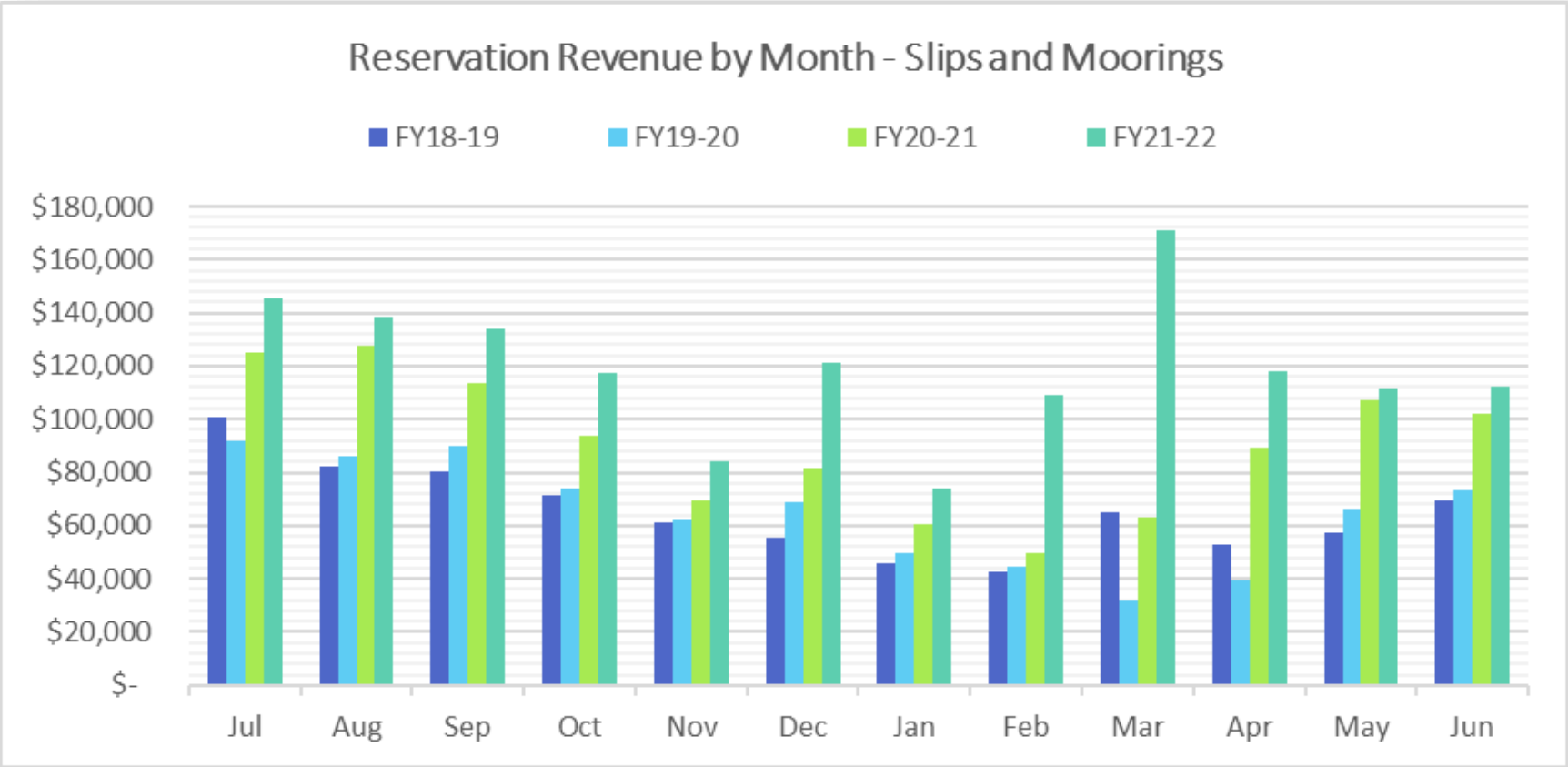
Harbor Department Operations Service Statistics

Harbor Department Statistics Comparison Year over Year		
	YTD-20- 21	YTD- 21- 22
Anchorage	233	133
Anchorage Dye Tab	-	15
Assisting Vessels Over 20'	39	40
Assisting Vessels under 20'	50	81
Bridge Jumpers	334	155
Daily Anchorage Check	1,298	780
Discharge/Pollution	12	32
Dock/Pier/Bridge Issue	21	113
Emergency	0	2
General Assist	294	463
Hazards/Debris	92	84
Human Lift Use Request		8
Impound	125	197
Incident	67	108
Mooring Assist	180	159
Mooring Check	2,276	2,082
Noise	4	5
Paddleboard/Kayak	82	147
Public Contact	385	904
Public Dock Enforcement	6,780	10,124
Pump Out	150	160
Registration & Insurance	267	407
Sea Lions	160	293
Speeding	479	176
Swim Line	6	16
Trash	941	824

Harbor Department Statistics Comparison Year over Year		
	YTD-20- 21	YTD- 21- 22
Rentals - Marina Park Slips	1,395	1,394
# of nights	4,301	6,466
Rentals - MP Sand Lines	203	163
# of nights	509	595
Offshore Mooring Sub-permit	433	724
# of nights	2,237	4,920
Onshore Mooring Sub-permit	0	353
# of nights	0	4,907
Code Enforcement		
New Cases	1,211	1,072
Closed Cases	830	1,401
Verbal Warning	246	220
Warning Notices	1,023	927
Admin Cites	109	219
MAPS Issued	47	62



Harbor Department Operations Revenues Over Which We Have Significant Influence

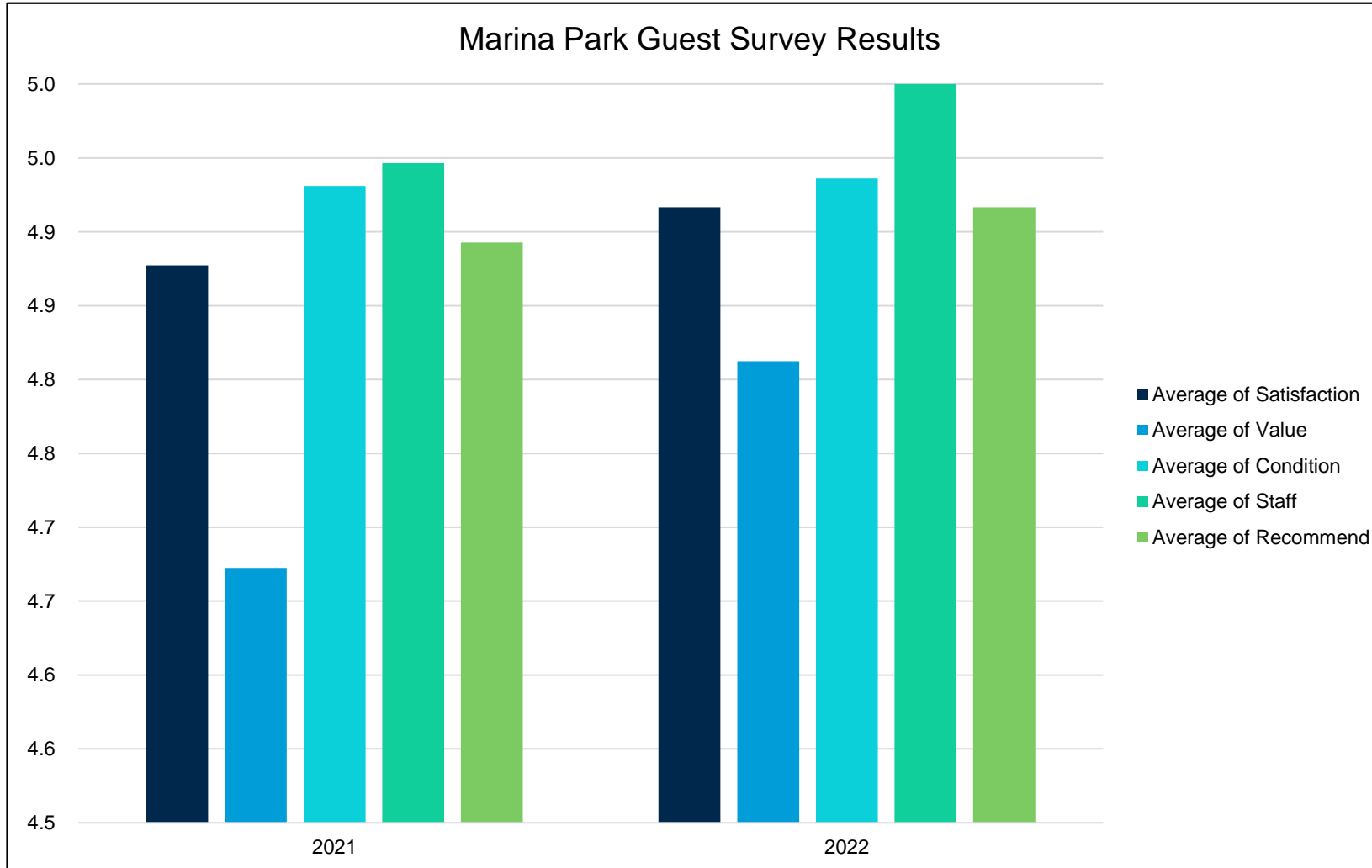


Reservation Revenue Totals by Fiscal Year

FY18-19	FY19-20	FY20-21	FY21-22
\$ 785,033	\$ 778,481	\$ 1,083,554	\$ 1,437,005



Harbor Department Operations





Harbor Department Operations

Challenges

- Diverse constituency
 - Residents versus visitors versus businesses
 - Waterfront residents versus harbor users
 - Sail versus power versus manual (crew, SUP, kayak)
 - Large versus small
- Ever-growing traffic and opportunities for harbor use
- Balance between commercial and recreational uses
- Water quality and environmental concerns (eelgrass, Caulerpa, dredging)
- Competing agencies of authority (SARWQB, AQMD, CARB, Army Corp, CCC, USCG)
- Noise
- Speed





Harbor Department Budget

Revenues

- Harbor Department revenues have grown steadily in recent years
- 2021-22 Revenues reached an all-time high

Revenue Type	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Budget
Balboa Yacht Basin Slips	\$ 1,144,570	\$ 1,189,478	\$ 1,232,185	\$ 1,253,463	\$ 1,257,250
Mooring Permits - Off Shore	1,100,072	1,135,389	1,150,122	1,166,795	1,148,171
Marina Park Slips	223,735	252,576	406,973	479,712	300,000
Guest Moorings	242,623	171,650	235,217	331,810	280,000
Mooring Permits - On Shore	144,234	159,302	160,759	164,188	139,546
Mooring Transfers	52,384	47,130	78,083	76,424	60,000
Other Revenues	71,872	56,944	80,948	121,428	85,771
Total	2,979,489	3,012,469	3,344,287	3,593,820	3,270,738



Harbor Department Budget

Expenditures

Expenditure Category	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget
Salaries and Benefits	\$ 685,187	\$ 533,414	\$ 696,739	\$ 650,444	\$ 1,052,317	\$ 962,728	\$ 1,194,822	\$ 1,094,641	\$ 1,055,646
Contract Services	\$ 203,322	\$ 275,995	\$ 281,272	\$ 183,972	\$ 271,672	\$ 249,916	\$ 291,193	\$ 250,917	\$ 282,720
Maintenance and Repair	\$ 20,000	\$ 140,046	\$ 130,000	\$ 56,453	\$ 140,000	\$ 31,157	\$ 141,547	\$ 83,180	\$ 131,547
Other Non-Personnel Expenses	\$ 127,000	\$ 96,451	\$ 149,250	\$ 112,197	\$ 148,850	\$ 101,206	\$ 129,042	\$ 159,619	\$ 178,582
Internal Service Charges	\$ 90,906	\$ 105,697	\$ 85,086	\$ 85,517	\$ 141,478	\$ 141,478	\$ 170,311	\$ 139,986	\$ 273,888
Capital Purchases	\$ 5,000	\$ 4,625	\$ 5,000	\$ 129	\$ 5,000	\$ 1,086	\$ 5,000	\$ 15,711	\$ 10,000
Total	\$ 1,131,415	\$ 1,156,228	\$ 1,347,347	\$ 1,088,712	\$ 1,759,317	\$ 1,487,571	\$ 1,931,915	\$ 1,744,055	\$ 1,932,382
Cost of Loan Code Supervisor	\$ 154,880	\$ 145,380	\$ 160,778	\$ 149,293	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 1,286,295	\$ 1,301,608	\$ 1,508,125	\$ 1,238,005	\$ 1,759,317	\$ 1,487,571	\$ 1,931,915	\$ 1,744,055	\$ 1,932,382



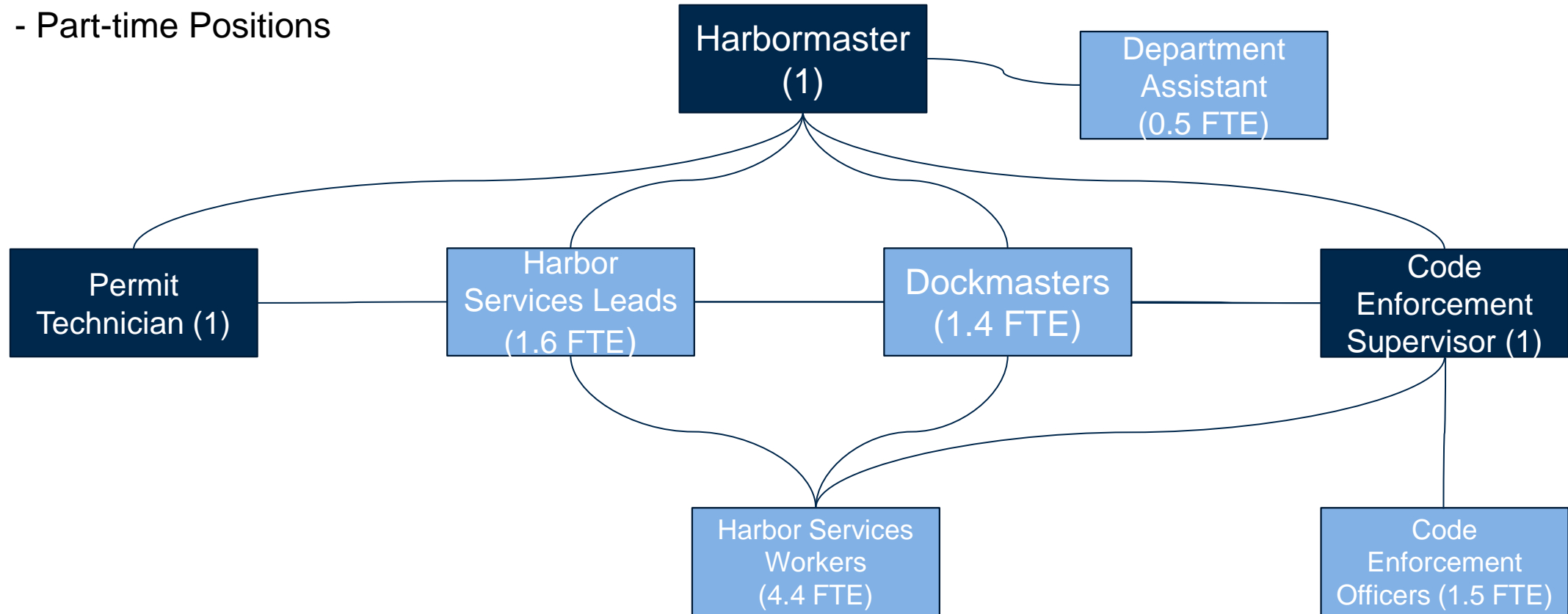
Harbor Department Staffing

Position Classification	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Full-Time Harbormaster	1.00	1.00	1.00	1.00
Part-Time Harbor Services Workers	8.14	7.39	7.39	7.39
Part-Time Department Assistant	0.75	0.50	0.50	0.50
Full-Time Code Enforcement Supervisor (CDD)	1.00	-	-	-
Full-Time Code Enforcement Supervisor (Harbor)	-	1.00	1.00	1.00
Part-Time Code Enforcement Trainees	-	1.50	1.50	1.50
Full-Time Permit Technician	-	-	1.00	1.00
Total	10.89	11.39	12.39	12.39



Harbor Department Staffing

- - Full-time Positions
- - Part-time Positions





Harbor Department Staffing Turnover Analysis

Total Department Part-Time Hires since Inception: 64

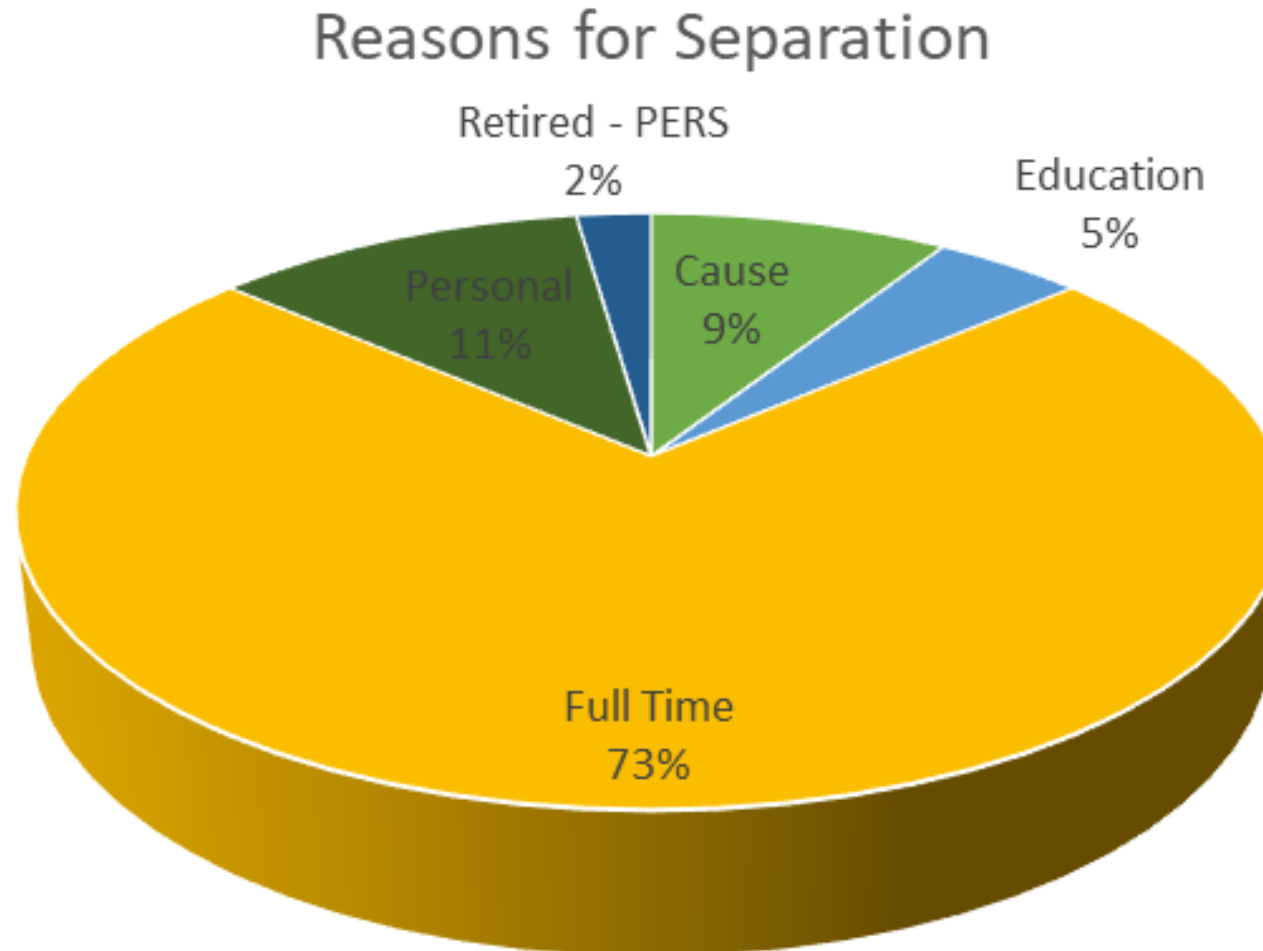
Total Department Part-Time Separations Since Inception: 44

Percentage Who Separated Within 1 Year: 43.2%

Year	Hires	Separations
2017	15	1
2018	7	5
2019	8	10
2020	7	7
2021	14	11
2022	13	7
2023		3
Totals	64	44



Harbor Department Staffing Turnover Analysis





Harbor Department Program Enhancements

Program Enhancement Request #1 – Convert 6 FTEs of Current Part-Time Staff to Full-Time Positions

- elevate the professional status of the team members
- improve connection to the City as an employer
- reduce the time, effort and costs to recruit and train new team members
- Estimated annual costs : \$109,845



Harbor Department Program Enhancements

Program Enhancement Request #2 – Extended Hours of Operation

- code Enforcement, general patrol, and hospitality at the Marina Park marina
- better response to waterfront residents when there are late/overnight complaints of noise, disruption, and unpermitted activities
- better response to late-arriving mariners
- 8 am to 6 pm daily → 8 – 8 May thru Sept
- after hours rescue anecdote
- Estimated annual costs: \$55,103





Harbor Department Program Enhancements Represented by Position

Position Classification	FY 2022-23	Enhancement Request 1	Enhancement Request 2
Full-Time Harbormaster	1.00	1.00	1.00
Full-Time Harbor Services Workers/Leads	-	6.00	6.00
Part-Time Harbor Services Workers/Leads	7.39	1.39	2.19
Part-Time Department Assistant	0.50	0.50	0.50
Full-Time Code Enforcement Supervisor (Harbor)	1.00	1.00	1.00
Part-Time Code Enforcement Trainees	1.50	1.50	1.60
Full-Time Permit Technician	1.00	1.00	1.00
Total Full-Time FTEs	3.00	9.00	9.00
Total Full-Time FTEs	9.40	3.40	4.30
Total FTEs	12.39	12.39	13.29



Questions?

Newport Beach Finance Committee Work Plan

3/16/23

Scheduled Date	Agenda Title	Report Type	Agenda Description
March 2023			
Thursday, March 16, 2023			
	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.
New Item	Harbor Department Operations and Finances	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.
	Workplan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
April 2023			
Thursday, April 13, 2023			
	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.
	Budget Amendments for Quarter Ending March 31, 2023	Receive and File	Staff will report on the budget amendments from the prior quarter.
	2023 Fee Study Update	Presentation	Staff will present the Master Fee Schedule to the Finance Committee prior to presenting it to the City Council.
New Item	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.
	Workplan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
May 2023			
Thursday, May 11, 2023			
	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.
Tuesday, May 23, 2023	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.
Thursday, May 25, 2023	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.
	Internal Audit Program Reports	Presentation	Presentation of reports, findings, and recommendations from the FY 2022-23 audit program.
	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.

Newport Beach Finance Committee Work Plan				3/16/23
Scheduled Date	Agenda Title	Report Type	Agenda Description	
June 2023				
		Committee Recess		
July 2023				
		Committee Recess		
August 2023				
		Committee Recess		
September 2023				
Thursday, September 14, 2023				
	Annual Review of Investment Performance	Presentation	The City's investment advisor, Chandler Asset Management, will report on the performance of the City's investment portfolio for the fiscal year ending June 30, 2023.	
	Annual Review of Investment Policy	Presentation	Staff will provide a presentation regarding any changes proposed to the City's Investment Policy by staff or the City's investment advisor prior to the Investment Policy being approved by the City Council.	
	Internal Audit Program Update	Presentation	Bi-monthly progress update on the internal audit program.	
	Budget Amendments for Quarter Ending June 30, 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.	
October 2023				
Thursday, October 12, 2023				
	Budget Amendments for Quarter Ending September 30, 2023	Receive and File	Staff will report on the budget amendments from the prior quarter.	
	OPEB Actuarial Valuation Report Update	Presentation	Staff will provide the Committee with an overview of the Fiscal Year 2022-23 actuarial valuation report prepared by the City's actuary.	
	Workplan Review	Receive and File	Staff will report on the upcoming Finance Committee items.	
November 2023				
Thursday, November 16, 2023				
Rescheduled from October	Year-End Budget Results and Surplus Allocation	Presentation	Staff will provide a presentation regarding the year-end budget results for FY 2022-23 and recommendations for allocation of any year-end budget surplus.	
	First Quarter Budget Update	Presentation	Staff will provide a presentation regarding the year-to-date and projected FY 2023-24 budget performance.	
December 2023				
		Committee Recess		