

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

August 11, 2011

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

**FROM:** Finance Department  
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**SUBJECT: ASSESSED VALUATION (AV) GROWTH AND ANALYSIS**

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**ABSTRACT:**

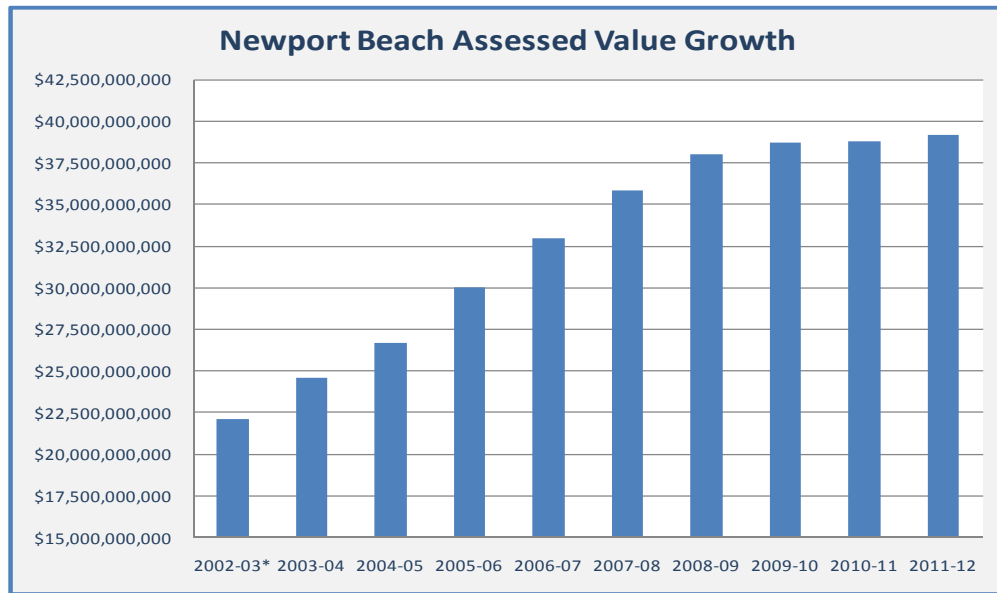
The Orange County Assessor's Office has released their 2011-12 Local Assessment Tax Roll; these property values are as of January 1, 2011. The Newport Beach AV for secured and unsecured is \$39,144,154,709. This represents a +0.93% increase over last year's roll.

**DISCUSSION:**

Of Orange County's 34 cities, Newport Beach has the second highest Total AV at \$39.1 billion, second only to Irvine. Our increase of +0.93% over last year includes a CPI adjustment of +0.73%. Broken down further, we had an increase of +1.27% in the secured roll; however, that was offset with a -6.52% decrease in the unsecured roll. This decrease in the unsecured category was most likely a delayed effect of the recession in which residents and businesses were selling yachts, boats and other major office equipment during the bad economy. We assumed a possible decrease in unsecured taxes, compared to FY 2010-11, of approximately -12% for the preparation of FY 2011-12 budget.

Even during the worst economic time since the Great Depression, Newport Beach has experienced positive growth in our AV. This is impressive considering that S & P's senior economist recently wrote that the U.S. housing crisis is worse, and happened faster, than the fallen market experienced during the Great Depression. Prices nationwide have fallen -33% during the 2006-2010 time period, compared to a decrease of -31% in the 1920's - 1930's.

The chart below shows a 10-year history of Total AV for Newport Beach:



Newport Beach was rated the most expensive real estate market, out of 2,300 markets surveyed, by Coldwell Banker Real Estate LLC, in June 2011. The average listing price was \$2.5 million, almost \$1 million higher than second place Pacific Palisades. Regardless, a recent DataQuick report listed Newport Beach zip code 92660 as the only area in Orange County that enjoyed both rising sales and an increase in median selling price in the first half of 2011. Newport Beach has historically weathered tough economic times well, and has soared during good economic times.

We assumed a growth rate of +1.5% for secured taxes, and a decline in unsecured taxes of -12% for the FY 2011-12 budget. The chart below reports four years of actual property tax revenues received compared to the FY 2011-12 budget:

Description	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
	Actual	Actual	Actual	Actual	Budget
Property Tax-Cur Sec	53,116,665.83	56,122,375.96	57,477,915.25	57,823,937.98	58,526,557.00
Prop Tax- In lieu of VLF	6,422,302.51	6,659,417.93	6,732,911.37	6,733,375.10	6,851,257.00
Property Tax-Cur Unsec	2,317,501.29	2,389,765.29	2,556,877.73	2,690,581.83	2,300,000.00
Prior Year, Penalty/Interest	1,341,455.84	2,363,761.97	2,560,018.01	1,749,796.30	1,700,000.00
Supplemental Taxes	2,364,018.70	1,306,515.01	728,706.51	656,897.92	1,000,000.00
Prop Tax-Home Owners	518,648.66	521,958.75	535,457.37	532,822.95	527,800.00
Prop Tax-Transfers	1,091,133.68	763,110.82	1,407,793.36	1,335,782.45	1,250,000.00
<b>Total</b>	<b>67,171,726.51</b>	<b>70,126,905.73</b>	<b>71,999,679.60</b>	<b>71,523,194.53</b>	<b>72,155,614.00</b>

The City's conservative budgeting principles and detailed historical and economic trend analysis have awarded us positive results in comparing our actual revenue collections to budget amounts in all revenue categories, but most certainly in our "Top 3" revenues. Property Taxes comprise almost 50% of total General Fund revenue and the City exceeded budget in FY 2010-11 by approximately 1%. This confirms sound budget practices and strong fiscal policies set by Council and adhered to by management. Actual Property Tax collections will include increases, or decreases, in assessed value as a result of turnover; this is not part of the January 2011 AV. Looking back at the most recent five years, our City has exceeded our budget estimates, as a result of turnover in properties, anywhere from +0.5% -/+5.55%. Although extremely early in the fiscal year, with this trend analysis, we seem on track to meet and most likely exceed our budget estimates in the Property Tax category.

Finance staff is committed to communicating all revenue and expenditure projections to the Committee at least quarterly. The AV data is comparable to the data we estimated when preparing the budget, we look forward to answering any questions the Committee may have during the meeting.

Prepared by:

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Tracy McCraner  
Finance Director