

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

September 12, 2011

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

**FROM:** Finance Department  
Tracy McCraner, Finance Director  
(949) 644-3123 or [tmccraner@newportbeachca.gov](mailto:tmccraner@newportbeachca.gov)

**SUBJECT: GENERAL FUND AND FACILITIES FINANCING FUND BALANCE PROJECTIONS FOR FISCAL YEAR ENDING 6/30/2011**

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**ABSTRACT:**

Fiscal year ending 6/30/2011 is currently being compiled by the Finance department and audited by our external auditors. We have completed booking all major revenue and expenditure accruals and want to provide the committee with our most recent fund balance projections for the General Fund and the Facilities Financing Reserve as was promised in the July, 2011 Finance Committee meeting.

**DISCUSSION:**

On July 12, 2011 we provided the committee a preliminary schedule of our potential increase to the General Fund - Appropriations Reserve (preliminary and subject to change):

<b>GENERAL FUND</b>	
<b>FY 2010-11 PROJECTED INCREASE TO APPROPRIATIONS RESERVE</b>	
<b><u>DATED JULY 7, 2011 - PRELIMINARY</u></b>	
<b>DESCRIPTION</b>	<b>AMOUNT</b>
<b>FY 2010-11 Activity:</b>	
Revenue Surplus	\$ 3,100,000
Appropriations Savings	3,000,000
Net Increase Appropriations Reserve	<u>\$ 6,100,000</u>
<b>City Manager Assignments:</b>	
Revitalization Efforts	500,000
Tidelands Management	200,000
Marian Bergeson Pool Contribution	330,000
Subtotal Assignments	<u>\$ 1,030,000</u>
Preliminary Appropriations Reserve Increase .....	<u>\$ 5,070,000</u>

We also disclosed during that meeting that it is very early in the year end process and this amount will change as we finalize our year end closing entries. While still a work-in-progress, we have since then booked several critical accruals and received our larger payments of “Top 3” revenues and are at a point to freshen our projections for the committee; however, the audit process is on-going and can create changes to the numbers as provided today.

Revenue Surplus:

We last projected a revenue surplus in the General Fund of \$3.1 million, in the “Top 3” revenue categories only. We have increased that projection slightly by \$350,000 and this is attributable to final June TOT revenue coming in much higher than we had anticipated. We also now have the data for projections of all other categories. The following table presents an updated projection of the General Fund Revenue Surplus estimated at \$5 million:

<b>General Fund Revenue Surplus Updated Projection as of 8/31/2011</b>	
<b>Revenue Category:</b>	<b>Amount</b>
Property Taxes	\$ 987,505
Sales Taxes	934,854
TOT	1,527,417
Building Permits	450,000
Plan Check Fees	300,000
Paramedic Fees	240,500
Library Grants	400,000
All Other Revenue	200,000
<b>Estimated General Fund Revenue Surplus</b>	<b>\$ 5,040,276</b>

Expenditure Savings:

We last projected appropriations savings in the General Fund of \$3 million and after booking the large expenditure accruals, including the payroll accrual, we are improving that projected savings to \$5 million. This is primarily \$3 million in salary savings across every General Fund department and \$2 million in contract savings in both capital projects completed and operational maintenance and repair contract savings. This \$5 million in appropriations savings combined with the revenue surplus above is the \$10 million operating increase discussed and reported on the comparison fund balance schedule below.

General Fund, Fund Balance Projections:

As illustrated below, total General Fund balance decreased nearly \$20 million due to a budgeted transfer of \$31.3 million to the Facilities Financing Plan (FFP) fund. This \$31.3 million is still reserved for major facilities and available for Council approved uses. If you exclude the transfer to the FFP Fund, the General Fund balance would have shown a net increase of approximately \$12 million. \$10 million of this increase was attributable to an operating surplus caused by modestly better than expected revenue results and reductions in operating expenditures. The \$10 million operating increase can be accounted for by the \$6.1 million increase in Unassigned Appropriations reserve, the \$1 million increase in City Manager Assignment and the \$3 million increase to the Contingency Reserve (from 12%-15% of operations) as a result of a recent Council-approved change to Council Reserve policy (F-2). The remaining \$2 million net increase was a result of routine fluctuations in Capital Re-appropriations, Non-spendable fund balance and changes in other Assignments.

## General Fund Balance – Projected @ 8/31/2011:

<b>General Fund Reserves - PROJECTED</b>			
	<b>2010</b>	<b>2011</b>	<b>Change</b>
<b>Non-spendable</b>	\$ 1,641,672	\$ 1,368,037	\$ (273,635)
<b>Restricted</b>	1,557,773	1,546,573	(11,200)
<b>Committed</b>			-
Facilities Financing Plan **	27,500,000	31,300,000	3,800,000
Contingency Reserve	18,895,125	21,841,467	2,946,342
Recreation Reserves	443,522	452,448	8,926
Parking Reserves	235,506	234,017	(1,489)
Cable Franchise	1,356,143	1,360,624	4,481
Other Miscellaneous	1,759,103	1,962,417	203,314
<b>Assigned</b>			-
Pension Rate Stabilization	5,000,000	5,000,000	-
Capital Reappropriations	3,993,497	2,567,100	(1,426,397)
City Manager Assignments*	-	1,030,000 *	1,030,000
Other	2,482,226	2,038,958	(443,268)
<b>Unassigned (Appropriations Rsv)</b>	17,293,299	23,382,922	6,089,623
Pre FFP Transfer	<b>\$ 82,157,866</b>	<b>\$ 94,084,563</b>	11,926,697
FFP Transfer Out**	<b>\$ -</b>	<b>\$ (31,300,000) **</b>	(31,300,000)
Net General Fund Balance	<b>\$ 82,157,866</b>	<b>\$ 62,784,563</b>	<b>\$ (19,373,303)</b>

\* CMO Assignments to Revitalization Efforts, Tidelands Mgmt & Bergeson Pool Improvements

\*\*In FY 11 \$31.3 Million was transferred to separate Facilities Financing Plan Fund

Facilities Financing Plan (FFP) Fund Balance Projections:

After a transfer of \$31.3 million from the General Fund and interest income of \$275 thousand, total resources available to the FFP during the year were \$31.6 million. Of the total resources available to the FFP funds, \$464 thousand was utilized to fund the January 1<sup>st</sup> installment debt service payments on the Civic Center bonds and \$5.3 million was utilized to cash fund the City's contribution to the OASIS Sr. Center construction project. The net projected fund balance in the FFP fund is \$25.8 million. This does not include a \$13.5 developer contribution received after year end, nor does it include the July 1<sup>st</sup> debt service payment of \$4.4 million (net of subsidy).

FFP Fund Balance – Projected @ 8/31/2011:

<b>Facilities Financing Plan Fund</b>	
<b>Beginning Balance 7/1/11</b>	\$ -
<b>Revenues</b>	
Transfer In	31,300,000
Interest Income	275,381
<b>Total Revenues</b>	<u>31,575,381</u>
<b>Expenditures</b>	
2010 Civic Center COPs Debt Service	(464,446)
OASIS	(5,266,982)
<b>Total Expenditures</b>	<u>(5,731,428)</u>
<b>Ending Balance 6/30/11</b>	<u>25,843,953</u>

In closing, the City of Newport Beach has \$88.6 million in available reserves between these two major funds, an increase of approximately \$6.5 million or 7.9%. This is the result of our Council approved fiscal sustainability plan, City Manager and departmental fiscal conservatism and is the stronghold of our 5 year financial plan to prepare for significant pension increases and facilities improvements and maintenance.

Prepared by:

/s/ Tracy McCraner  
Tracy McCraner  
Finance Director