

FACILITIES AND HARBOR AND BEACHES FINANCIAL PLANNING PROGRAMS

PURPOSE

To establish the policy for the administration of the City of Newport Beach's ("City") Facilities and Harbor and Beaches Financial Planning Programs ("Programs").

DISCUSSION

In addition to the annual Capital Improvement Program ("CIP"), the City has established a long-term plan for major renovation or replacement of aging facilities and installation of new infrastructure. The emphasis is on structures and adjacent grounds, rather than transportation, environmental, or other projects funded either in whole or in part by the General Fund.

OBJECTIVES

- A. To ensure that long-term programs addressing large, non-recurring projects for replacement of facilities is part of the budget process each year.
- B. To ensure that development fees and proceeds derived from redevelopment or redeployment of existing land and capital assets owned by the City, and other non-recurring revenues are dedicated to the replacement of infrastructure facilities, rather than ongoing operating expenses.
- C. To provide a consistent, level funding plan to the extent practicable so as to minimize the peaks and valleys in General Fund support levels for elements of the Programs.
- D. To ensure that projects are properly prioritized and scheduled, taking into consideration the relative age, condition, and functional viability of current facilities; pairing of projects' implementation where prudent; and cost implications of immediate projects for the overall long-term Programs.
- E. Spreading or matching the costs of facilities over the useful life of such facilities should be a goal of all long-term capital project financings. Debt financing that extends beyond the useful life of the assets the debt was borrowed to finance should be avoided.

SOURCES AND USES OF FUNDS

Funding for the Programs comes from development fees and proceeds derived from redevelopment or redeployment of existing land and capital assets owned by the City contributions from individuals and organizations within the community, annual budget allocations from the General Fund, incremental rent or fees originating from harbor activity received by the City, net proceeds of Certificates of Participation or other financing instruments, and investment earnings on temporarily idle funds.

Funds for both Programs are used for actual site acquisition, design, construction, and directly related costs, as well as debt service expenses.

POLICY AND PROCEDURE

- A. In advance of the budget process, staff shall prepare an update of the Facilities Financial Planning Tool and the Harbor and Beaches Capital Financial Plan for review, modification, and approval by the City Council.
- B. If requested by the City Council, the Finance Committee will review the fiscal impacts associated with, and recommend the most advantageous methods to fund the high-priority projects in, the Facilities Financial Planning Tool and the Harbor and Beaches Capital Financial Plan. The City Manager will consider these recommendations in the preparation and presentation of the City Manager's annual budget to the City Council.
- C. Unless otherwise specified in individual development agreements, other governing documents, or as otherwise specifically directed by the City Council, all development fees received by the City will be credited to the Facilities Financial Planning Reserve fund.
- D. Prudent assumptions regarding revenue and expenditure growth, inflation, and all relevant factors will be included in each year's update of the Facilities Financial Planning Tool and the Harbor and Beaches Capital Financial Plan
- E. General Fund contributions to the Facilities Financial Plan shall generally not be less than three percent (3%) of the total General Fund Revenue Budget or the total annual debt service on outstanding Facilities Financial Plan-related debt,

whichever is greater. However, if there is a shortfall in General Fund revenue due to a decline in economic activity or other unexpected circumstances and it is necessary to reduce expenditures, General Fund contributions to the Facilities Financial Planning Program can be temporarily reduced to under the three percent (3%) threshold.

- F. General Fund contributions to the Harbor and Beaches Capital Financial Plan shall be sufficient so as to adequately fund the identified long-term capital needs included in the Plan and shall be incrementally increased to account for inflation.
- G. The financing duration for any borrowed funds shall not exceed thirty (30) years or the projected life of the new facility, whichever is less.
- H. Transfers from the General Fund to the Facilities Financial Plan Fund for debt service expenditures shall be separately shown in the City's budget so as to highlight the portion of the transfer funding debt service.
- I. The City shall maintain fund balance in the Facilities Financial Plan Fund at a level equal to or greater than the maximum annual debt service on existing obligations.
- J. The Facilities Financial Planning Tool and Harbor and Beaches Capital Financial Plan may be amended by City Council action in the event of a natural disaster or financial crisis.

Adopted - August 11, 2009

Amended - May 14, 2013

Amended - June 9, 2015

Amended - February 12, 2019

Amended - June 14, 2022