



**CITY OF NEWPORT
FY2023 PROPOSED BUDGET
OVERVIEW**

April 26, 2022

BUDGET INCREASE/TAX RATES

	Current	FY2022
Total general fund expenditures	\$ 100,699,604	\$ 105,030,930
Dollar increase		\$ 4,331,326
Total percentage increase		4.30%
Tax rate, residential	\$ 9.33	\$ 9.61
Tax Rate, commercial	\$ 13.99	\$ 14.41

TAX RATES (CONTINUED)

The Proposed FY2023 Budget includes a tax rate increase of 3.0% increase for residential and commercial.

A \$500,000 residential property currently pays taxes of \$4,665. This taxpayer would, under the proposed rates, pay taxes of \$4,805, a \$140 annual increase.

A \$500,000 commercial property currently pays taxes of \$6,995. This taxpayer would, under the proposed rates, pay taxes of \$7,205, a \$210 annual increase.

Note that the maximum 4% tax levy increase allowed by law would generate \$3.2M in revenue.

REVENUE CHANGES OTHER THAN REAL ESTATE TAX

- Motor Vehicle – year 5 of state phase out. Rate drops to \$20.00 from \$23.45; revenue reduced but state aid increased to cover reduction
- Meals & Beverage tax increased by \$500k and Hotel increased by \$1.05M
- Newport Beach parking revenue increased by \$250k

EXPENDITURES — MATERIAL CHANGES FROM PRIOR YEAR

- Debt Service increased by \$3.9M
- Salaries increased by \$758k
- Capital increased by \$900k
- Benefits increased by \$388k (prior to offset)
- Waste Management increased by \$241k
- Other operating expenses increased by \$279k
- Net Metering credits of \$200k included in FY23
- Total Increases per above of \$6.266M

DEBT SERVICE

- Thompson Middle School/Library Bond repaid in full reduced P&I by \$1.4M
- Interest expense on new Rogers/Pell School Bonds of \$4.739M added in FY23; first principal payment to be made on 4/1/26

EXPENDITURES — SALARIES; BARGAINING CONTRACTS AND NON-UNION

- All bargaining contracts other than NEA expired as of June 30, 2021. NEA contract expires 6/30/22, and negotiations for FY23 not yet begun
- Tentative agreement with IAFF (fire) increases cost-share on benefits and offers COLA of 1.75% in FY22 and FY23
- Police negotiations at a standstill; potential to go to binding arbitration
- AFSCME contract negotiations underway
- Non-Union employees with proposed COLA of 1.75%
- Estimated increases included in total salaries and a non-allocated contingency account

EXPENDITURES — SALARIES; NEW/CHANGED POSITIONS

- The position of Assistant Planner at an NEA-3 is included in the proposed FY23 budget; estimated salary of \$61,182
- Funding of \$75,000 has been added to the Zoning and Inspections Department for a building official II position
- The Maritime Fund Administrative Assistant position at an N-1 is proposed to be upgraded to a Deputy Harbormaster position at an N-3

EXPENDITURES — BENEFITS

- The cost of health insurance is increasing by 5.2% for a total increased general fund expense of \$246k
- The MERS contribution has increased from 21.08% of salary to 21.58% of salary for a general fund cost of \$141k (police MERS contribution is 7.91%)
- The police retirement contribution is \$4.013M and fire is \$7.082M for a combined decrease from the prior year of \$108k.

EXPENDITURES-RETIREE BENEFITS-OPEB

OPEB Trust established in 2006 to set up a system similar to police and fire plans such that assets are accumulated *in a **legally protected trust*** to pay benefits for the purposes for which the trust was established. In this case, the trust was established to accumulate assets and pay benefits for retiree health insurance. The decision made at the time the trust was established was to delay moving benefits to the Trust until such time as “sufficient” assets have accumulated to support the annual level of benefits.

EXPENDITURES — RETIREE BENEFITS (CONT.)

- The OBEB Trust has \$70.6M (56.65% funded) in assets as of July 1, 2021; by way of comparison, the police pension trust had a similar level of assets as recently as 2018 and the fire pension trust has \$85.9M (70.54% funded) as of July 1, 2021.
- The FY23 Budget includes a proposal to begin transitioning benefit payments to the Trust and pay 1/2 the cost of school and city retiree health insurance from the trust.
- This is a reduction of \$1.4M for the school and \$1.655M for the City in retiree health insurance costs previously paid for in the operating budget. We project that the second half of the benefits will be transitioned sometime in the next five years.

SCHOOL FUNDING

- Operating Transfer to the School remains the same at \$27,277,681 (would receive \$545,554 if 2% increase was included)
- School will transition half of their retiree health insurance costs to the OPEB Trust saving them \$1.4M in annual operating costs in FY2023 and beyond.
- School requested capital transfer of \$137,000 for repairs of the TMS back lot, pavement area and sidewalk area is included in the City's operating budget.
- School additional capital request of annual amount of \$225,000 met through available existing funds in the City held school capital project account.

FY2023 CAPITAL PROJECTS BUDGET

The FY2023 Proposed Capital Projects Budget has been changed from the 5-year Capital Improvement Plan adopted in concept by the Council.

Changes include:

- Pushed out \$154,000 in ERP System Replacement costs
- Added \$137,000 for school capital transfer
- Changed Easton's Beach Improvements of \$500,000 to ARPA funding
- Changed EKH electrical upgrades of \$350,000 from ARPA to CDBG funding; added \$150,000 in ARPA funding to finish roof repairs (already approved by Council)
- Removed \$120,000 in playground improvements for Braga Park

AMERICAN RESCUE PLAN ACT OF 2021

ARPA funding is included in the FY2023 Capital Budget to fund the following:

Fire Dispatch Console to replace the current one that has been discontinued and can no longer be repaired for \$280,000

Easton's Beach Improvements for \$500,000

Edward King House Improvements for \$150,000

No ARPA funds have been included in the proposed operating budget.