



CITY OF NEWPORT BEACH FINANCE COMMITTEE AGENDA - Final

COMMUNITY ROOM
100 CIVIC CENTER DRIVE, NEWPORT BEACH
Thursday, January 23, 2025 - 3:00 PM

Finance Committee Members:

Joe Stapleton, Mayor / Chair
Robyn Grant, Council Member
Sara J. Weber, Council Member
Allen Cashion, Committee Member
William Collopy, Committee Member

Staff Members:

Grace K. Leung, City Manager
Jason Al-Imam, Finance Director/Treasurer
Shelby Burguan, Deputy Finance Director
Vicky Nguyen, Assistant Management Analyst

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 their agenda be posted at least twenty-four (24) hours in advance of each special 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. **PLEDGE OF ALLEGIANCE**

IV. **PUBLIC COMMENTS**

Public comments are invited on agenda and non-agenda items generally considered to be within the subject matter jurisdiction of the Finance Committee. 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 or non-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.

V. **CONSENT CALENDAR**

A. **MINUTES OF NOVEMBER 14, 2024**

Recommended Action:

Approve and file.

[DRAFT MINUTES OF NOVEMBER 14, 2024](#)

VI. **CURRENT BUSINESS**

A **FINANCIAL STATEMENT AUDIT RESULTS AND RELATED COMMUNICATION FOR THE FISCAL YEAR ENDING JUNE 30, 2024**

Summary:

Davis Farr, an independent public accounting firm of licensed public accountants, has completed its audit for the fiscal year ending June 30, 2024. Marc Davis, the audit partner, will meet with the Finance Committee to discuss the results of the audit.

Recommended Action:

Receive and file and forward to the City Council.

[STAFF REPORT](#)

[ATTACHMENT A](#)

[ATTACHMENT B](#)

[ATTACHMENT C](#)

[6A PRESENTATION](#)

B. **OVERVIEW OF UTILITIES DEPARTMENT BUDGET**

Staff will provide the Committee with a presentation covering the budget for the Utilities Department.

Recommended Action:

Receive and file.

[STAFF PRESENTATION](#)

C. GENERAL FUND AND TIDELANDS FUND LONG RANGE FINANCIAL FORECAST UPDATE

Staff will brief the Committee regarding the results of the updated LRFF.

Recommended Action:

Receive and file.

[STAFF REPORT](#)

[ATTACHMENT A](#)

[ATTACHMENT B](#)

D. BUDGET AMENDMENTS FOR QUARTER ENDING DECEMBER 31, 2024

Summary:

Staff will report on the budget amendments from the prior quarter.

Recommended Action:

Receive and file.

[STAFF REPORT](#)

[ATTACHMENT A](#)

E. WORK PLAN REVIEW

Summary:

Staff and Finance Committee to review the proposed work plan and identify matters that members would like placed on a future Agenda for discussion, action, or report.

Recommended Action:

Receive and file.

[WORK PLAN](#)

VII. ADJOURNMENT

I. CALL MEETING TO ORDER

The meeting was called to order at 3:01 p.m. by Mayor Pro Tem/Chair Stapleton.

II. ROLL CALL

PRESENT: Joe Stapleton, Mayor Pro Tem/Chair
Will O'Neill, Mayor (excused at 3:32 p.m.)
Allen Cashion, Committee Member
Keith Curry, Committee Member
Nancy Scarbrough, Committee Member
William Collopy, Committee Member

ABSENT: Noah Blom, Councilmember (excused)

STAFF PRESENT: Grace K. Leung, City Manager
Jason Al-Imam, Finance Director/Treasurer
Shelby Burguan, Deputy Finance Director
Marlene Burns, Buyer
Raymund Reyes, Administrative Manager
Abigail Marin, Budget Analyst
Trevor Power, Accounting Manager
Vicky Nguyen, Senior Fiscal Clerk
Jessica Kan, Finance Manager
Jennifer Anderson, Purchasing and Contracts Administrator
Jessica Nguyen, Senior Budget Analyst
Theresa Schweitzer, Finance Administrator Manager
Jeff Boyles, Chief of Fire
Sabrina Mesropian, Management Fellow

MEMBERS OF THE PUBLIC: Jim Mosher
Larry Tucker

III. PLEDGE OF ALLEGIANCE

Committee Member Nancy Scarbrough led the Pledge of Allegiance.

IV. PUBLIC COMMENTS

A. ADDITIONAL MATERIALS RECEIVED

Mayor Pro Tem/Chair Stapleton opened public comments.

Mayor Pro Tem/Chair Stapleton closed public comments.

V. CONSENT CALENDAR

A. MINUTES OF OCTOBER 10, 2024

Recommended Action: Approve and file.

MOTION: Committee Member Keith Curry moved to approve the minutes of October 10, 2024, as amended, seconded by Committee Member Nancy Scarbrough. The motion carried as follows:

AYES: Cashion, Collopy, Curry, Scarbrough, Stapleton
NOES: None

ABSENT: Blom (excused)
ABSTAIN: O'Neill

VI. CURRENT BUSINESS

A. INTERNAL AUDIT PROGRAM UPDATE

Recommended Action: Receive and file.

Finance Director/Treasurer Jason Al-Imam provided a presentation describing the Internal Audit Program findings by the Pun Group.

The policy regarding payroll is nearing completion and it is recommended that there be a policy update to address the timeliness and improve the manual journal entry process, chart of account maintenance, and the timeliness and accuracy of bank reconciliations. The objective of the audit included an assessment of the year end close process.

Committee Member William Collopy inquired if a policy update is needed versus a desk procedure.

Finance Director/Treasurer Al-Imam explained that a policy would ensure the journal entries are approved and entered in a timelier manner. The City agreed with the three findings regarding the journal entries process, account maintenance, timeliness and accuracy of bank reconciliations and is preparing a formal procedure to include timelines.

Eide Bailly was retained to examine the budgeting function, which involved a comprehensive assessment of all aspects of the budget process. Four findings were related to budget development efficiencies, long-range financial forecasting, budget validation and accounts payable processing, and performance measurement. The City agreed with all four findings.

Additionally, regarding performance management, it was recognized that this was the first year the City implemented performance measures, and Newport Beach received the GFOA award for its effort. The City is working to fine-tune those performance measures.

The recommendation for the Long-Range Financial Forecast (LRFF) is that the Tidelands Fund include more detailed analysis and be incorporated into the LRFF to better reflect the fiscal impact on the General Fund due to the significant transfers made each year to cover Tidelands operations.

Eide Bailly also examined the customer service activity of the Revenue Division within the Finance Department. This assessment involved a comprehensive review of the division's structure, resource allocation, staffing levels, and documented or undocumented policies and procedures. The assessment recommended improvements in performance measures, documentation, manual processing, and utility and general billing. The City agreed with all four findings.

The current internal audit program was initiated in 2020 with an enterprise risk assessment and an initial evaluation of internal control risks. These processes served as the primary building blocks to inform and develop an internal audit work plan. Since the final remaining item on the 2020 internal audit work plan will be completed by a consultant specializing in business continuity and disaster planning assessments, it is recommended that a new enterprise risk assessment and evaluation of internal control risks be performed in 2025.

Finance Director Jason Al-Imam indicated that if the Finance Committee supports embarking on a new internal audit risk assessment and evaluation of internal control risks, an informal request for proposals will be sent to Eide Bailly and The Pun Group in 2025.

Committee Member William Collopy requested that staff provide an enterprise risk assessment matrix to the Committee for review and consideration, which will assist in developing an internal audit work plan.

Finance Director/Treasurer Al-Imam responded that staff could do that.

Committee Member Allen Cashion questioned who manages cash offsite and what the largest cash transaction is.

Finance Manager Jessica Kan reported a large amount of utility is collected at City Hall as a lot of the offsite locations won't take large transactions, such as classes and citations, a lot of which are credit card transactions. Whittier is the third-party lockbox for payments. There is also a post office box in Newport Beach that receives checks.

Mayor Pro Tem/Chair Stapleton opened public comments.

Mr. Jim Mosher, Newport Beach resident, commented about the policies and procedures being revised and asked if they were part of the City Manager's administrative policy manual or something separate, and inquired why the policies are not posted on the website to provide more transparency.

Finance Director/Treasurer Al-Imam responded that certain policies are already embedded in the Administrative Manual; others are more nuanced such as manual journal entry preparation, which is more of a Finance Department desk procedure and not necessarily required in the manual. The Administrative Manual policies and documents are available upon request.

Mayor Pro Tem/Chair Stapleton closed public comment.

Mayor Pro Tem/Chair Stapleton thanked Finance Director/Treasurer Al-Imam and filed and received the report.

B. OPEB ACTUARIAL VALUATION REPORT UPDATE

Recommended Action: Receive and file.

Finance Director/Treasurer Jason Al-Imam provided a presentation to the Committee, which included an update on the Other Post-Employment Benefits (OPEB) for the city. The discussion included a review of the most recent actuarial valuation and the status of funding the OPEB liability, which is currently fully funded. Key highlights include a description of retiree medical benefits offered through three categories: the Legacy Defined Benefit Plan (closed to new employees after 2005), the Defined Contribution Retiree Health Savings Plan (for employees hired from 2006 onward), and the CalPERS Minimum Required Contribution (MRC). A portion of the City's OPEB liability is in the form of an implicit rate subsidy, which results from the pooling of non-Medicare retirees and active employees for premium purposes. Although retirees are solely responsible for the cost of their health insurance, retirees receive the benefit of a lower rate. The difference between these amounts is the implicit rate subsidy. The accounting standards require that the value of the implicit subsidy be included in the City's OPEB liability, even though these costs will be paid on a pay-as-you-go basis in the future in the form of higher premiums for active employees. However, the cost associated with the implicit subsidy is covered by the City's cafeteria plan contribution and is paid from the City's operating budget. Therefore, the targeted funding level is based on the value of the explicit subsidy associated with the legacy defined benefit plan and the CalPERS MRC.

In 2008, the City established a Section 115 OPEB Trust with California Employers' Retiree Benefit Trust (CERBT), which is managed by CalPERS. However, in March of 2022, CalPERS approved changes to the asset class allocations for CERBT, which resulted in lower returns and an increase in volatility. The additional risk did not appear to be commensurate with the

expected return. Therefore, the City evaluated other alternatives. Public Agency Retirement Services or PARS manages \$6 billion of pension & OPEB assets for 500 public agencies throughout the U.S. A distinctive benefit to PARS is that public agencies are permitted to create a customized investment strategy for their PARS OPEB Trust, which allows for greater control of investment risk.

In January 2024, the Finance Committee directed staff to bring an item forward for City Council consideration to establish an OPEB Trust with PARS. It was recommended that PARS Trust assets be invested in the “balanced” strategy, which has an expected return of 6.27% (compared to 6.0% for CERBT) net of fees and has lower volatility. In March of 2024, the City Council approved establishing an OPEB Trust with PARS, and therefore, funds were transferred from CERBT to PARS in May 2024.

Committee Member William Collopy inquired if there was any private equity in the City’s PARS OPEB Trust. Keith Stribling from PARS confirmed the City’s OPEB Trust does not include any private equity, and currently there is no intention to invest in private equity.

Finance Director/Treasurer Al-Imam reported the annualized net rate of return of 5.6% from 2008-2024. The City has contributed nearly \$28 million to the trust which has earned just over \$18 million in investment income. The OPEB Trust reserve balance was \$46 million dollars as of June 30, 2024, which exceeded the explicit portion OPEB liability currently valued at \$39.7 million. An actuarial valuation is completed once every two years. The most recent actuarial report was completed in 2024, which had a measurement date of June 30, 2023 and reflected a long-term expected rate of return of 6.0%. It was pointed out that the next valuation report will use a higher discount rate of 6.27%, which is consistent with the long-term expected return for the City’s OPEB Trust, which is invested in the balanced strategy.

Finance Director/Treasurer Al-Imam explained further that City Council Policy F-2 (Reserve Policy) requires the “new plan” be 100% funded and that the explicit portion of the “old plan” be funded over a 20-year amortization period (or less) based on the annual required contribution determined by a biennial actuarial review. The explicit liability is comprised of the CalPERS required minimum contribution and Legacy Liability which is a closed plan and is split 50/50 between the Legacy Liability Plan and the CalPERS minimum required contribution. Council Policy F-2 does not directly address whether funds should be set aside for the implicit subsidy. However, since the cost associated with the implicit subsidy is covered by the City’s cafeteria plan contribution and is paid from the City’s operating budget, the targeted funding level has been based on the value of the explicit subsidy associated with the legacy defined benefit plan and the CalPERS MRC.

In October 2023, the City Council approved allocating \$5.8 million of the General Fund’s operating surplus for Fiscal Year 2022-23 towards paying down the City’s OPEB liability. The explicit subsidy is fully funded as of June 30, 2024. Council Policy F-2 does not directly address funding for the explicit subsidy; however, it is recommended that the City not fund the explicit subsidy for the reasons already mentioned, which is consistent with predominant practices. Since the OPEB liability is fully funded, it results in annual savings totaling approximately \$4 million are expected to accrue due to the elimination of the OPEB liability.

Mayor O’Neill congratulated staff and stated this was something he was really quite proud of the City for accomplishing.

Mayor Pro Tem/Chair Stapleton opened public comments, there were none.

C. CALPERS UPDATE

Recommended Action: Receive and file.

Finance Director/Treasurer Al-Imam moved into the CalPERS update and reported that in July the net return on investments was 9.3% for the fiscal year 2023-2024. The funded status jumped from 72% funded to 75% funded, but it is not an apples-to-apples comparison, as not all agencies across California are a full service City like Newport Beach. The 2023 valuation reports set the contribution rates for FY2025-26. Fiscal Year 2022-23 investment return was 6.1%, underperforming the 6.8% target. Total unfunded liability decreased from \$348 million to \$341 million whereas the total funded ratio increased from 70.9% to 72.5%. The funded status improved due to the City's aggressive pension paydown strategy, despite investment returns falling short of the 6.8% target.

In 2015, CalPERS approved the Funding Risk Mitigation Policy, which included a provision that automatically triggered a decrease in the discount rate when the actual investment return for a fiscal year exceeded the assumed rate of return by at least 2%. The two percent trigger intended to use a portion of unexpected gains to de-risk the portfolio. However, in April 2024, CalPERS approved a change to the policy, which eliminated the automatic change in the discount rate and instead requires board discussion on the discount rate when investment returns exceed 6.8% by 2% or more in a given year. The return for FY 23-24 exceeded the expected rate of return by 2.5%, which prompted board discussion. However, the board decided to leave the discount rate at 6.8%. However, it was pointed out that CalPERS will embark on a new Asset Liability Management study next year, which will include a review of the discount rate, which happens once every four years.

Committee Member Collopy inquired if the discount rate changed other than every four years. Finance Director/Treasurer Al-Imam explained that every two years they review the discount rate, but the four year review does a deeper dive and showed the comparison chart for other Orange County cities.

Finance Director/Treasurer Al-Imam explained that the funded status for all agencies in Orange County increased in 2024 due to the investment return of 9.3%. It was pointed out that the comparison of the funded status for agencies in Orange County is not an apples-to-apples comparison since not every city is a full-service city like Newport Beach. For example, cities like Tustin, Irvine and Santa Ana contract with the County for fire services. Therefore, the pension liability for fire services is on the balance sheet of the County. Nonetheless, the cost associated with pensions for fire services is charged to each contract city. In addition, some agencies have issued pension obligation bonds in prior years. However, the debt for those bonds is not reflected in the funded status.

Committee Member Curry noted the other thing that's not considered is a city's ability to pay their liability.

Finance Director/Treasurer Al-Imam continued and explained the pension paydown strategy is revisited annually. In 2024, the Finance Committee and City Council approved the continuation of an aggressive pension paydown strategy, and approved staff's recommendation to make a payment of \$40 million to CalPERS as part of the budget with the intent to allocate an additional \$5 million from the FY 2024-25 budget surplus.

Committee Member Collopy inquired if the same pension paydown strategy would be used in the upcoming year. City Manager Grace Leung responded that the City would continue to include \$40 million in the baseline for paying down the pension liability. In addition, at fiscal year-end, half of the surplus would be allocated towards paying down the pension liability, which would bring the total paid to CalPERS up to \$45 million.

Finance Director/Treasurer Al-Imam indicated that the Actuarial Valuation for the year ending June 30, 2024 will not be available until August 2025. However, the CalPERS Pension Outlook tool has been utilized to estimate the City's projected funded status as of June 30, 2024, which reflects the impact associated with the 9.3% investment gain. The previous forecast projected

the City's pension liability being paid off in FY 2032-33, which was dependent on CalPERS earning 6.8% over the long-term. The impact of the 9.3% return in 23-24 resulted in a projection that shows the City paying off the pension liability a few months sooner than previously projected.

Finance Director/Treasurer Al-Imam indicated that the City's pension funded status is projected to be 90% funded in the next four to five years and fully funded within the next eight years.

Committee Member Collopy asked if they were using a different discount rate than CalPERS for the City's contribution, and for an estimate for the total unfunded balance. Finance Director/Treasurer Al-Imam stated they use the same discount rate as CalPERS for forecasting purposes.

Mayor Pro Tem/Chair Stapleton opened public comments.

Seeing none, Mayor Pro Tem/Chair Stapleton closed public comments and received and filed the report.

D. FIRST QUARTER BUDGET UPDATE

Recommended Action: Review and discuss the report on the first quarter of Fiscal Year 2024-25 and provide any recommendations for consideration by the City Manager and City Council.

Deputy Finance Director Shelby Burguan provided the presentation of the first quarter budget update for 2024-2025. The revised General Fund Expenditure budget totals 325.8 million dollars and the projected year end expenses are estimated at \$323.4 million which reflects an expenditure budget savings of \$2.5 million dollars. Savings are in the salary and benefits category, largely due to vacancies. There are also a few proposed budget amendments described in the staff report that impact both the revenue and expenditure budget by minor amounts. It is currently projected that unrestricted General Fund resources will total \$5.0 million at the end of FY 2024-25. As is the case each year, staff anticipate that additional budget savings will be realized, and the final year-end budget surplus will grow in future quarters. Staff recommend that the Finance Committee review and discuss this report and provide any recommendations for city manager and City Council consideration.

Committee Member Collopy inquired if the savings were only based on vacancies to-date and whether they assumed full-staffing going forward. Deputy Finance Director Shelby Burguan confirmed that was correct.

Mayor Pro Tem/Chair Stapleton opened public comments.

Seeing none, Mayor Pro Tem/Chair Stapleton closed public comments and received and filed the report.

E. WORK PLAN REVIEW

Recommended Action: Receive and file.

Mayor Pro Tem/Chair Stapleton reported that looking at the Work Plan and January 9, 2025 will not have the current Council seated.

City Manager Leung stated that the mayor's appointment takes place on January 14. There would be one vacancy, the suggestion is to move the Finance committee meeting date past the mayoral appointment. Current suggested date is January 23, 2025, which is a Thursday.

Mayor Pro Tem/Chair Stapleton summarized that January 23rd will be the overview of the utility department, financial statement audit results, long range financial forecast budget amendments and another workplan review. Feb will have FFP, and March will begin the budget.

Mayor Pro Tem/Chair Stapleton opening public comments.

Mr. Larry Tucker commented on the City’s reserve levels and indicated that it might be advantageous for the Committee to review what is actually needed in the reserves.

Finance Director/Treasurer Al-Imam responded they have a Contingency reserve policy that is 25% of operating expenses. It was further pointed out that the FFP reserve and utilities reserves are set based on fiscal policy and reserve targets.

Committee Member Collopy stated that years ago the Finance Committee performed a comprehensive analysis that found they have a very good handle on how the reserves are established.

Mayor Pro Tem/Chair Stapleton opened public comments.

Seeing none, Mayor Pro Tem/Chair Stapleton closed public comments and received and filed the report.

VII. ADJOURNMENT

The Finance Committee meeting adjourned at meeting at 4:06 p.m.

Attest:

Joe Stapleton, Mayor Pro Tem/Chair
Finance Committee

Date



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

Agenda Item No. 6A
January 23, 2025

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Jason Al-Imam, Finance Director/Treasurer
949-644-3213, jalimam@neportbeachca.gov

**SUBJECT: FINANCIAL STATEMENT AUDIT RESULTS AND RELATED
COMMUNICATION FOR THE FISCAL YEAR ENDING JUNE 30, 2024**

SUMMARY:

The City is audited annually by an independent auditing firm, presently Davis Farr LLP. The audit process takes several months, beginning after the books are closed (typically in September) and concluding several months later once the financial statements have been prepared. The financial statement audit for the fiscal year ended June 30, 2024 has been completed by Davis Farr LLP, which reflects an “unmodified”, or clean opinion that the City’s financial statements for the fiscal year are presented fairly.

RECOMMENDED ACTION:

Receive and file.

DISCUSSION:

The financial statement audit for the fiscal year ended June 30, 2024 has been completed, which reflects an unmodified or “clean” audit opinion, meaning that the financial statements are presented fairly, in all material respects, and in conformity with generally accepted accounting principles.

The auditors reported no significant unusual transactions, no significant difficulties encountered in connection with the performance of the audit, no material corrected and uncorrected misstatements, no disagreements with management, and no other audit findings or issues. In addition, the auditors did not identify any deficiencies in internal

control that would need to be communicated to the Committee, nor did they identify any instances of noncompliance or other matters to report.

The Single Audit, a compliance audit of federally assisted grant programs, is still ongoing. While no audit findings are anticipated as a result of the Single Audit, staff will communicate any findings, should they occur, to the Finance Committee at a future meeting.

Representatives of Davis Farr LLP will be present for the Finance Committee meeting and will make a presentation regarding the results of their audit of the City's financial statements. Staff and the auditors will then be available for questions from the Committee and the public. Additionally, should the Committee wish to discuss any matters related to the Fiscal Year 2023-24 Audit with the auditors without staff present, such an opportunity can be afforded at the conclusion of the item.

Prepared by:

Submitted by:

/s/ Trevor Power

Trevor Power
Accounting Manager

/s/ Jason Al-Imam

Jason Al-Imam
Finance Director/Treasurer

ATTACHMENTS:

Attachment A – Fiscal Year 2023-24 Financial Statement

Attachment B – Required Audit Communications

Attachment C – Report on Internal Control and Other Matters

ATTACHMENT A

Fiscal Year 2023-24 Annual Comprehensive Financial Report

CITY OF NEWPORT BEACH
CALIFORNIA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2024



*Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024*

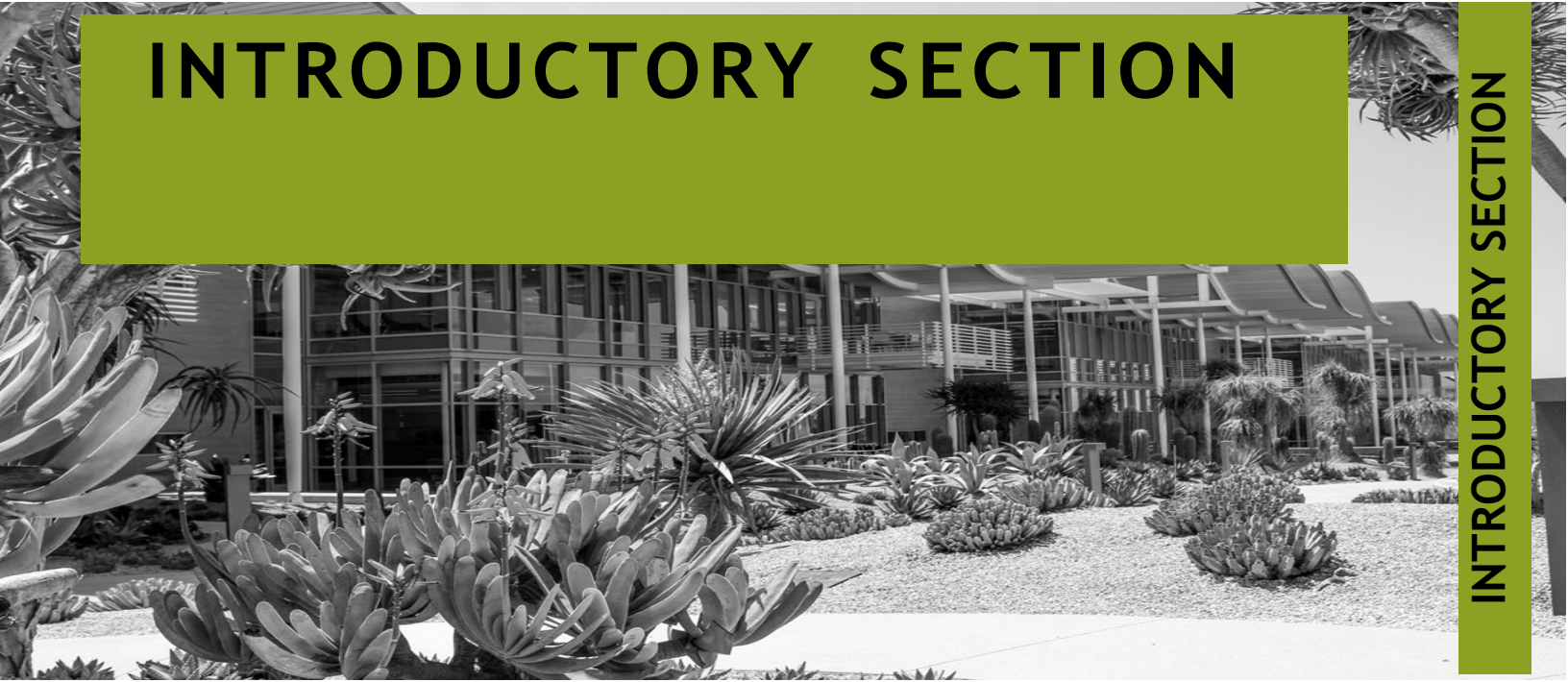
*Prepared by the Finance Department
Jason Al-Imam, Finance Director/Treasurer*



The City of Newport Beach was incorporated September 1, 1906
The present City Seal was adopted July 22, 1957

INTRODUCTORY SECTION

INTRODUCTORY SECTION



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CITY OF NEWPORT BEACH
 Annual Comprehensive Financial Report
 Fiscal Year Ended June 30, 2024

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(Unaudited)

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(Unaudited)

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December 30, 2024

Honorable Mayor, Members of the City Council,
and Residents of the City of Newport Beach, California

The City Charter and California state law require that the City of Newport Beach (City) issue a complete set of financial statements annually and that an independent firm of certified public accountants audit this report in conformance with generally accepted auditing standards (GAAS). The Annual Comprehensive Financial Report (ACFR) of the City of Newport Beach for the year ended June 30, 2024 is hereby submitted.

The ACFR was prepared in conformance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). This report consists of City management's representations concerning the finances of the City of Newport Beach. Responsibility for the accuracy and completeness of the data presented rests with the City. Management of the City is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe the information presented in this report is complete and accurate in all material respects, and that it is reported in a manner designed to fairly present the financial position and results of operations of the various activities of the City of Newport Beach.

The City of Newport Beach's financial statements have been audited by DavisFarr LLP, a firm of licensed certified public accountants. The goal of the audit was to provide reasonable assurance that the financial statements of the City of Newport Beach for the Fiscal Year (FY) ended June 30, 2024 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Newport Beach's financial statements for the year ended June 30, 2024 are fairly presented in

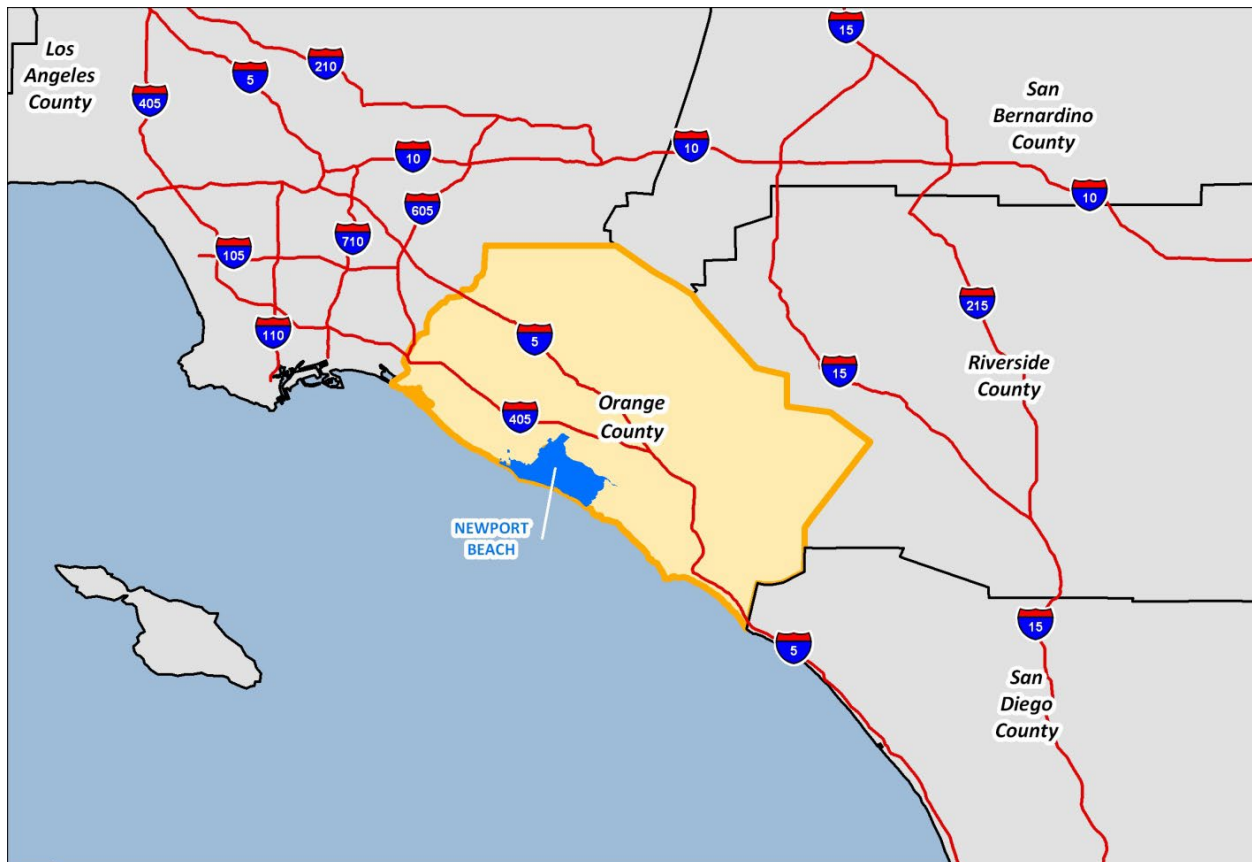
conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A narrative introduction, overview, and analysis accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Newport Beach MD&A can be found immediately following the report of the independent auditors and will provide further information regarding the format and content of this report.

PROFILE OF THE CITY

Newport Beach is a community located in the coastal center of Orange County, in the heart of Southern California, with Los Angeles County to the north and San Diego County to the south. There are currently 34 cities within the county. In terms of population, Orange County is the third largest county in California trailing Los Angeles and San Diego. It is the sixth largest county in the nation.

The general vicinity of Newport Beach and Orange County relative to the counties of Los Angeles, San Bernardino, Riverside, and San Diego is illustrated on the map below:



Newport Beach surrounds Newport Bay, well known for its picturesque islands and one of the greatest recreational harbors in the world, accommodating about 9,000 recreational and sports charter boats docked within its 21-square-mile harbor. The bay and the ten miles of ocean beach offer outstanding fishing, swimming, surfing, and aquatic sports activities. The City has a permanent population of 82,419, which typically grows to well over 100,000 during the summer months, including 20,000 to 100,000 or more tourists daily. There are fine residential areas, modern shopping facilities, and a quality school system. The University of California, Irvine, is located immediately adjacent to the city, and several other colleges are within a 30-mile radius.

The following map illustrates the communities within Newport Beach; the upper bay, the recreational harbor, and beachfront topography; and the city's location relative to the bordering cities of Costa Mesa to the north, Irvine to the east, and Laguna Beach to the south.



Newport Beach was incorporated on September 1, 1906. The City Charter was originally adopted in 1954 but has been updated and amended over time. The City is governed by seven Council Members, and operates under a Council-Manager form of government. Council Members are elected by district but voted on by the population as a whole, and serve four-year staggered terms. The Mayor is selected by the City Council from among its membership and serves a one-year term. The City Council is responsible for, among

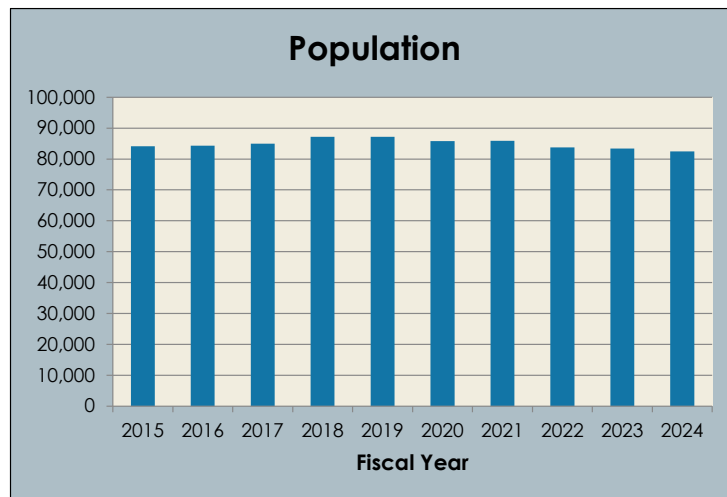
other things, policy-making, passing local ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing heads of departments.

The City of Newport Beach is a full service city providing its residents and visitors with the following functional services: general governance, legal, financial, information technology, and administrative management; police, fire, paramedic, lifeguard, and emergency medical transport services; engineering, construction, and maintenance of public facilities, public streets, beaches, and parks; planning, zoning, and economic development services; building inspection, plan check, and code enforcement services; libraries and cultural and arts services; recreation and senior services; and water, wastewater, and street light utility services. The City provides water and wastewater service to most areas within the city limits, but it does not provide gas, cable television, electrical, or other utility services. Public elementary and secondary education is provided by the Newport-Mesa Unified School District and the Laguna Beach Unified School District.

Component Unit: The City’s financial statements present the financial activity of the City of Newport Beach (the primary government) and the Newport Beach Public Facilities Corporation (a component unit of the City). The Corporation is blended into the City’s financial statements because of its operational and financial relationship with the City. Even though it is a legally separate organization, City of Newport Beach elected officials are accountable for fiscal matters of the Corporation. Additional information about the Newport Beach Public Facilities Corporation and the reporting entity in general can be found in Note (1a) of the Notes to the Financial Statements.

DEMOGRAPHICS

Reflective of a mature community, vacant land has become increasingly scarce and the city is relatively built-out. Currently at 82,419, the population has been very stable as indicated by the following chart.

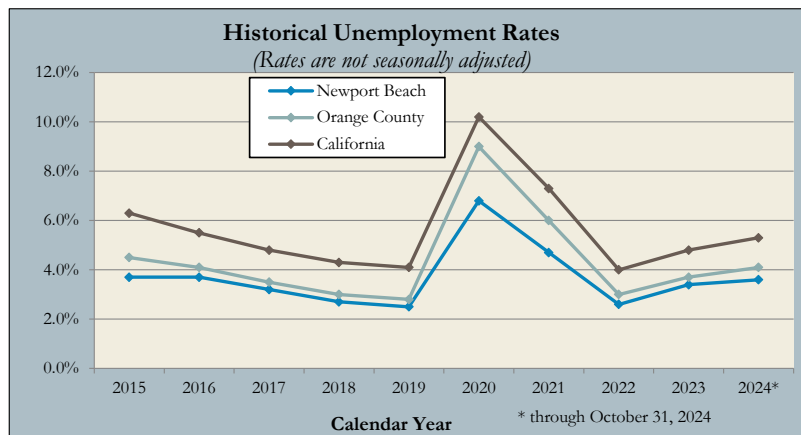


The effective buying income and median household income are generally higher in Newport Beach than in other areas of the State and the U.S. overall. As illustrated by the table below, Newport Beach’s median household income is higher than the median household income in the County of Orange and the State of California.

2023 Median Household Income	
City of Newport Beach	\$156,434
Orange County	110,042
California	95,521
USA	77,719

Source: U.S. Census Bureau, 2023

The leading industries here include professional services, scientific services, healthcare, finance, insurance, legal services, and travel and tourism. Unemployment in the City increased to 3.6% as of October 2024 which is consistent with the statewide and national trends. Jobs grew at a slower rate than the previous year due to a slowing economy and more workers joining or re-joining the labor force. However, the City’s unemployment rate is still lower compared to the state’s 5.3%, and the county’s 4.1%, as illustrated in the following chart.



More detailed information concerning the City’s demographics and statistics are contained within the Statistical Section of this report.

LOCAL ECONOMY

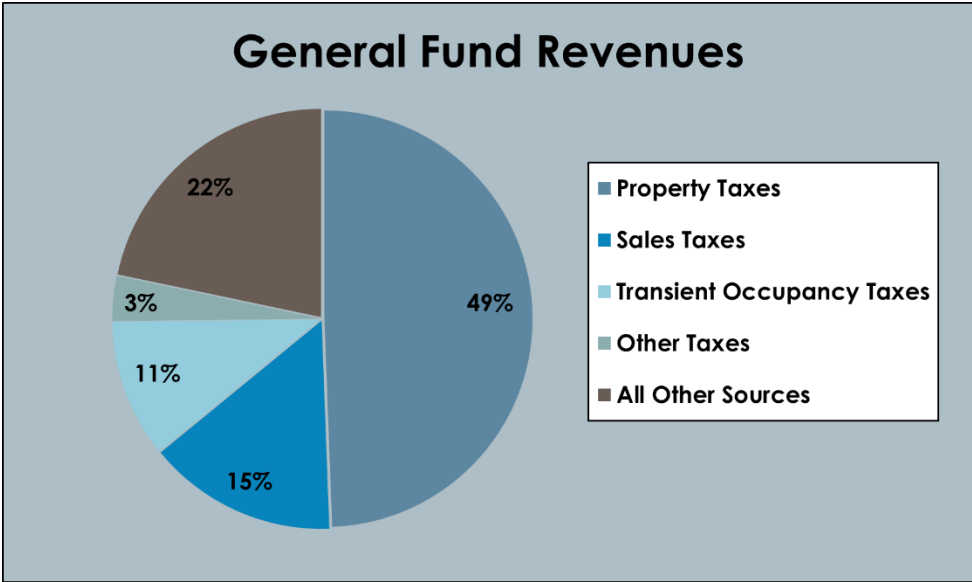
The economic outlook in Newport Beach remains strong, largely due to continued growth in property values, which has driven the median price of detached single-family homes to nearly \$4 million. Despite elevated interest rates resulting in high borrowing costs and slower home sales, property tax revenue—the City’s largest source of revenue—remains strong and stable.

Sales tax and transient occupancy tax (TOT) revenue, the City’s second and third largest revenue sources, respectively, are directly influenced by consumer behavior. A significant portion of the City’s tax revenue depends on luxury markets, such as automobile dealerships, fine dining, and luxury hotels, making it sensitive to economic headwinds like high interest rates and shifts in consumer preferences. Nonetheless, growth in sales tax and TOT revenue is projected, though at a slower pace than in previous years.

TOP THREE REVENUE SOURCES

Most General Fund revenue categories performed at or higher than their budgeted levels for the fiscal year due to more favorable economic conditions than anticipated when the budget was developed in April 2023. Actual revenues were \$8.3 million or 2.9% higher than final anticipated estimates, and \$11.8 million or 4.1% higher than previous fiscal year. As discussed in more detail below, the primary positive variances were in property tax and transient occupancy taxes.

The top three individual revenue sources, Property Taxes, Sales Taxes and Transient Occupancy Taxes, represent 74.6% of all General Fund revenues. Tax revenues in total, including business licenses, franchise fees, and other taxes represent 78.1% of all General Fund revenues, while only 21.9% is generated from other revenue sources.



Property Taxes

Unlike many cities, property taxes, not sales taxes, are the number one source of revenue for the City of Newport Beach, representing almost half (49.3%) of all General Fund revenues. Due to the limited supply of scenic coastal property and the unique access to Newport Bay, the Newport Beach community has developed into affluent residential neighborhoods and high-end commercial districts. Consistent and vigorous demand for coastal property has allowed the City to enjoy long-term growth trends with its number one revenue source. Property tax revenues for Fiscal Year 2023-24 came in \$7.8 million

or 5.6% higher than the prior year due to an increase in assessed property values related to the annual inflation adjustment that is allowed under Proposition 13 and due to changes in ownership and price appreciation.

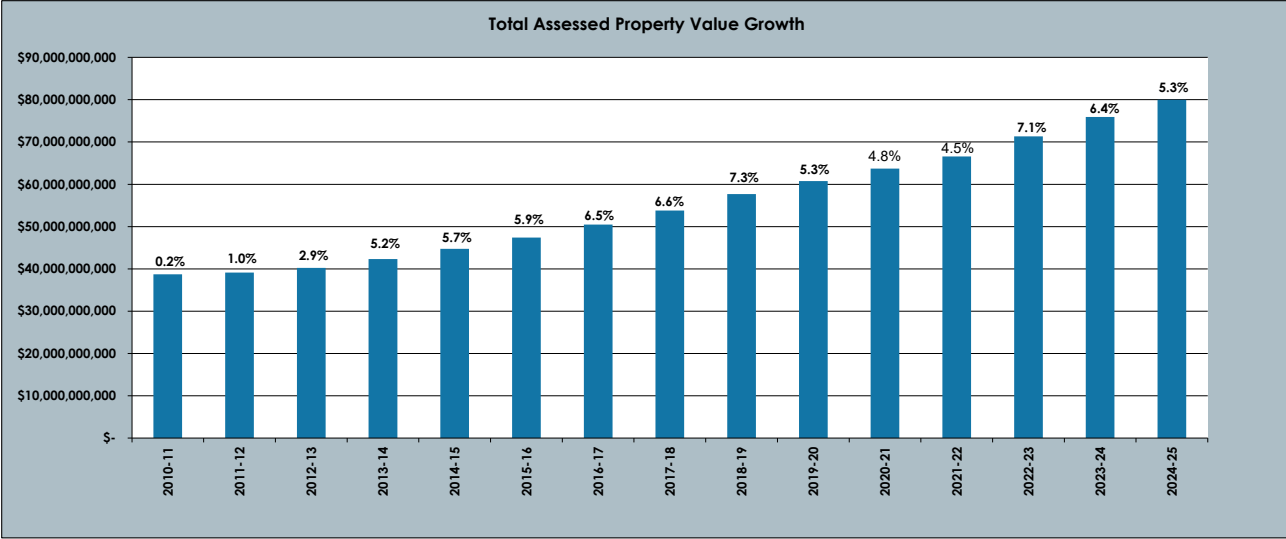
Detached single-family residential property values increased 3.2% in 2024, as illustrated in the following table. Home sales rebounded slightly from the previous year even though interest rates increased slightly. Newport Beach’s estimated median price for a detached single-family residence is currently \$4.0 million, which far exceeds the countywide estimated median value of \$1.3 million. Higher assessed values are projected to continue due to strong demand, which is expected to support continued growth in future property tax revenues.

CITY OF NEWPORT BEACH Detached Single Family Residential Full Value Sales Median Price			
Calendar Year	Sales	Median Price	Median % Change
2015	1,023	\$ 1,975,000	5.25%
2016	1,064	\$ 2,150,000	8.86%
2017	1,114	\$ 2,400,000	11.63%
2018	952	\$ 2,517,000	4.88%
2019	949	\$ 2,435,000	-3.26%
2020	1,143	\$ 2,595,000	6.57%
2021	1,409	\$ 3,200,000	23.31%
2022	834	\$ 3,730,750	16.59%
2023	689	\$ 3,845,000	3.06%
2024*	530	\$ 3,968,000	3.20%

Source: HdL Coren & Cone
*Data through October 2024

After Californians passed Proposition 13 in 1978, assessed property value is reassessed to market value only when the property changes ownership. Otherwise, the assessed value (AV) grows by no more than two percent per year. This practice creates a constant lag and buffer between assessed and market values, effectively insulating the tax base from more market volatility.

While property tax growth rates fell sharply during the Great Recession, the City has experienced positive AV growth during each of the past 30 years (see chart below with the past 15 years of AV growth demonstrated). This positive growth occurred while many other cities experienced decreases in their AV during 2008 through 2011. Note that while growth slowed, the assessed value never declined throughout the recession.



Value changes in Newport Beach show continued appreciation in property values in Fiscal Year 2023-24. Over the past 10 years, assessed valuation increased an average of 6.0% per year and 5.7% over a twenty-year period. Newport Beach’s assessed property values increased 6.4%, with a local assessed value of \$75.9 billion for Fiscal Year 2023-24.

Sales Tax

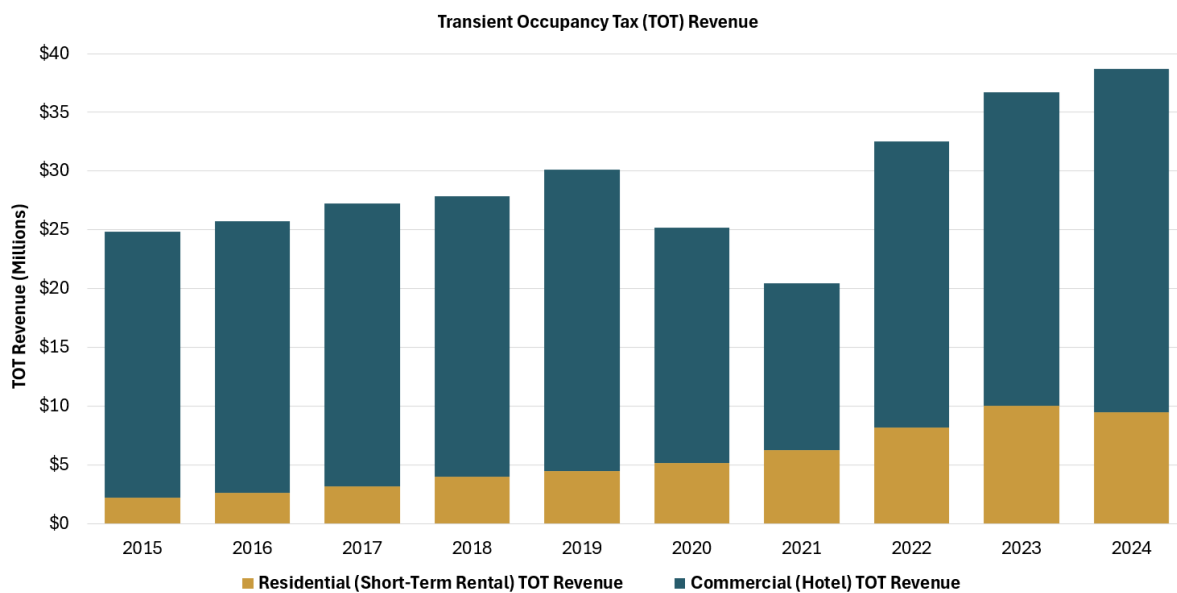
The second largest funding source for the General Fund is sales tax revenue, making up about 14.6% of General Fund revenues. The City’s sales tax base is largely generated from three industry categories – autos and transportation, general consumer goods, and restaurants/hotels. Most of these industries are also heavily impacted by tourism. To generate additional sales tax revenue over the long term while encouraging economic development, the City has historically entered into sales tax abatement agreements with local automobile dealerships. These agreements include covenants requiring the dealerships to operate within the City for a specified period of time and to maximize the City as the point-of-sale. During the current fiscal year, the City had one such agreement with a luxury automobile dealership, which expired on June 30, 2024.

Sales tax revenue was down 6.7% during the current fiscal year. Consistent with results across the State of California, sales from all industry groups were down, except for sales from restaurants and hotels, which were up 6.1%. Sales were down in the current year due to a shift in consumer spending from taxable goods, such as new car sales, to nontaxable items, such as travel, leisure, and entertainment. For example, sales from autos and transportation (the city’s largest source of sales tax revenue) were down 18%, partly due to a decrease in demand for new vehicles, which is largely related to higher interest rates. The decrease in auto sales was also exacerbated by the temporary closure of a luxury automobile dealership, which is currently undergoing a construction renovation project.

Sales tax revenue is projected to increase by 4.1% next fiscal year, largely due to an increase in demand for general consumer goods and online purchases. In addition, sales from restaurants and hotels are projected to rise by 3.5% next year, which is a lower growth rate than the previous year. This is due to menu price increases that have impacted consumer behavior, as foot traffic to restaurants has been down recently.

Transient Occupancy Tax (TOT)

TOT accrues to the City at a rate of 10% of room charges with 18% of this collection going to the local destination marketing organization (Visit Newport Beach) to promote Newport Beach as a tourist destination. The City distinguishes its transient occupancy taxpayers in two broad property type categories, commercial and residential property. The commercial category is composed of approximately 21 hotels and resorts and accounts for approximately 76% of TOT revenues. The residential category is made up of approximately 1,550 vacation rentals representing 24% of TOT revenue. TOT revenue from short-term residential stays has more than doubled over the past five years, while hotel TOT revenue has increased by only 14% over the same five-year period.



In the current fiscal year, TOT revenue from short-term residential stays decreased by 5%, while hotel TOT revenue increased by 9%. The decline in revenue from short-term rentals is due to the cap placed on the number of residential permits. This year, the number of active residential permits dropped below the cap of 1,550 for the first time since the cap was enacted several years ago. The increase in revenue from hotels is partly due to the opening of the Pendry, which opened in September 2023.

LONG TERM FINANCIAL PLANNING

The City continues to be in excellent financial health due to its strong underlying tax base, disciplined fiscal decisions, and stable governance. Conservative budgeting and sound financial policies have resulted in a trend of General Fund operating surpluses and strong

reserve levels. The City annually completes a Long-Range Financial Forecast covering the next 20 years pursuant to City Council Policy F-3 – Budget Adoption and Administration. That forecast shows positive General Fund results in each of the next 20 years and does not indicate any long-term financial trends of concern. The City’s long-term financial planning has been guided by its strong financial policies, prudent budgeting decisions, and proactive planning in such critical areas as facilities replacement and pensions. These policies are regularly evaluated and updated as conditions and needs change.

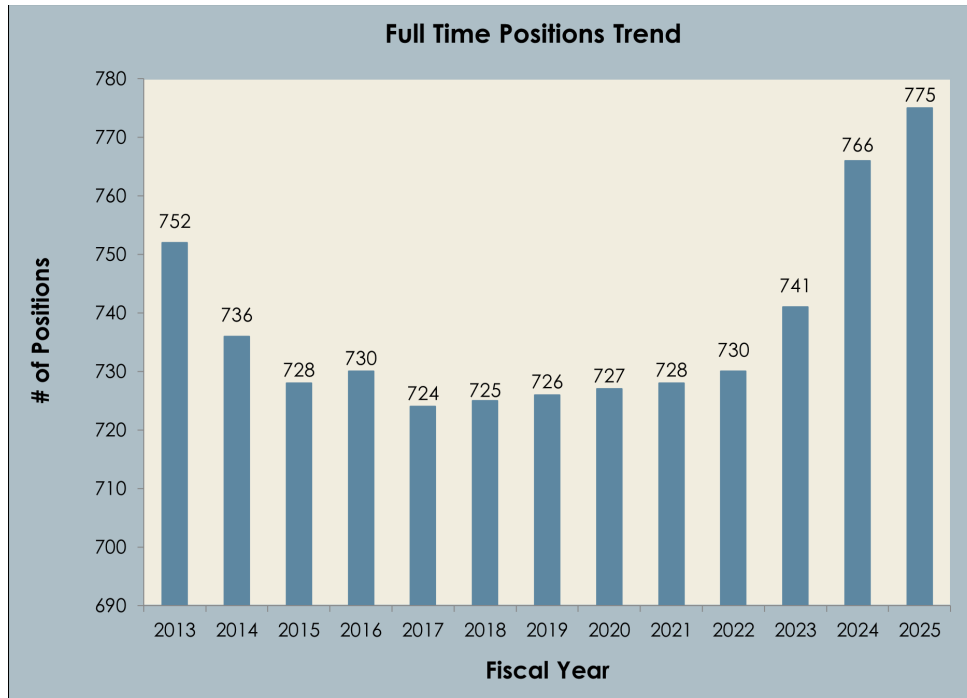
Financial Policies

The City Council has adopted prudent fiscal policies concerning its investments, reserves, budget administration, revenue initiatives, competitive contracting, facility replacement planning, and more. The budget surplus utilization policy directs the use of surplus funds resulting from unrestricted General Fund annual revenues exceeding total actual expenditures, encumbrances, and commitments for that year. Roughly fifty percent of the budget surplus is used to address long-term obligations such as pension liabilities, other post-employment benefits, bonded debt, lease obligations, and other long-term needs. The remaining surplus is used to address one-time infrastructure or neighborhood capital improvements, guided by a philosophy that these expenditures improve the community’s safety, aesthetics, transportation, or quality of life. The City’s debt policy establishes criteria for the issuance of debt and assures that the amount of any debt is affordable and cost effective. The City’s debt policy was recognized by the California Debt and Investment Advisory Commission as one of only 14 counties and cities in California whose policies have 20 or more debt management best practice elements. The City’s debt and other financial policies can be found on the City’s website in the City Council section under City Government at:

www.newportbeachca.gov/policies

Annual Budget

The annual budget serves as the foundation for the City of Newport Beach’s financial planning and control and allows the City Council to prioritize City expenditures so that they are aligned with core community values. Per current policy, appropriations for operating expenditures are balanced in relation to current revenue sources and do not rely on one-time revenue sources or reserves. When significant uncertainty exists concerning revenue volatility or threatening/pending obligations, the City Council and City Manager reserve the right to impose any special fiscal control measures, including personnel hiring freezes, and other spending controls, as was the case in FY 2019-20 and in the development of the FY 2020-21 budget. As a result of early retirement plans, attrition, outsourcing, and lay-offs implemented in the years following the onset of the Great Recession, the full-time work force was reduced by approximately 4% between FY 2012-13 and FY 2016-17 as depicted in the chart below. In the years since, thoughtful additions to the City’s workforce have been implemented with a continued focus on fiscal discipline and maintaining balanced budgets.



The City has traditionally taken a conservative approach to forecasting revenues, often assuming only modest growth. This fiscal conservatism has created a stable financial base. As a result, even in a downturn, the City of Newport Beach is able to maintain its services at a high level, while reducing expenses to accommodate reduced revenues. The City’s fiscal discipline has allowed it to prepare balanced budgets and to save, both during prosperous and difficult economic periods. As the economy continues to improve, these trends are likely to continue.

The City Council may authorize the use of contingency reserves during emergency situations as set forth by the Council Reserve Policy. Current policy requires that the contingency reserve equal 25 percent of the General Fund annual “Operating Budget.” Credit rating agencies consider a high level of available “fund balance” to be a credit strength. In 2024, Moody’s rating agency reaffirmed the City’s AAA credit rating noting the City’s extensive tax base, a very strong wealth and income profile, and a robust financial position. It also noted the well-controlled expenditure framework coupled with a very solid level of budget management. Additionally, FitchRatings rating agency also reaffirmed the City’s AAA credit rating noting the City’s consistent tax base and well-controlled expenditure framework coupled with conservative financial management would enable the City to maintain financial stability and solid reserves in a potential moderate economic downturn. The City has also employed an aggressive strategy to paydown its unfunded pension liability. The City has committed to a pension paydown plan that requires \$45 million in annual contributions towards its unfunded pension liability, which is \$15 million more than the amount required to be paid, as further described in the Pension section below. This paydown strategy is anticipated to result in eliminating the City’s pension liability in 2033.

Facilities Financial Plan (FFP) Commitment & Major Construction Initiatives

The City’s FFP is a comprehensive master facilities replacement schedule that projects the timing of construction of facility projects; projects the schedule of any planned debt issuance; includes all relevant revenue sources and expenditures on a yearly, project-by-project basis; and determines the long-term “level funding” annual budget commitment that is required to support the program. The FFP was the winner of the prestigious “Helen Putnam Award – Internal Administration” category from the League of California Cities in 2008.

The City continued its financial commitment to the Facilities Financial Planning Reserve (FFPR) in FY 2023-24 by allocating resources to a new library lecture hall, to update and modify fueling support facilities and a transfer station, to finalize construction of a new Junior Lifeguard building, and to replace a public restroom.

Facilities Financial Planning Reserve Fund	
Beginning Balance 7/1/23	\$ 24,800,492
Sources	
Licenses, Permits and Fees	68,617
Donations	37,951
Transfer In from General Fund	11,072,033
Investment Income	765,875
Net increase in fair value of investments	516,408
Total Sources	12,460,884
Uses	
Library Lecture Hall	(10,748,980)
Parks and Community Centers	(850,000)
Jr. Guard Capital Project	(286,361)
Fueling Facilities and Transfer Station	(4,940,281)
Total Uses	(16,825,622)
Ending Balance 6/30/24	\$ 20,435,754

Overall, the FFPR balance decreased by \$4.4 million from the prior fiscal year.

Pensions

As of the actuarial valuation date of June 30, 2023, the City had an Unfunded Accrued Liability (UAL) of \$341 million. The City has taken a number of actions in recent years to mitigate the impact of rising pension costs including:

- Established lower benefit formulas for new hires.
- Eliminated the Employer Paid Member Contribution (EPMC).
- Through negotiated cost sharing, saw employees contribute 51.9% of the Normal Cost of the plan, or \$11.2 million in Fiscal Year 2023-24.

- Adopted a fixed and shorter amortization period for the unfunded liability.
- Made Additional Discretionary Payments (ADPs)
- Contributed no less than Actuarial Determined Contribution (ADC) each and every year.
- Analyzed the schedule of amortization bases annually in an effort to avoid negative amortization.
- Amortized all gains/losses no longer than a 20-year closed period.
- Avoided asset smoothing or “rate phase-in” schedules if possible. Otherwise, the City’s goal is to not exceed 5 years for any one smoothing cycle.
- Established a General Fund Surplus Utilization Policy F-5 to set aside one-half of any annual budget surplus to fund debts such as the pension liability.
- Maintained a contingency reserve to protect against economic recessions and to avoid negative impacts of asset smoothing and rate phased-in schedules.

Local governments with pensions have a total pension liability, which is the obligation to pay deferred pension benefits in the future. When the total pension liability is greater than the pension plan’s assets there is a net pension liability, also known as unfunded pension liability. As required by GASB 68, the City reports the net pension liability in the government-wide financial statements, as well as in the proprietary fund statements, in the ACFR – see Note (11) of Notes to the Financial Statements.

The City implemented GASB 75 in fiscal year 2017-18, which requires local governments offering other post-employment health care benefits (“OPEB”) to report net OPEB liability in the government-wide financial statements, as well as in the proprietary fund statements, in the ACFR – see Note (12) in the Notes to the Financial Statements. When the total OPEB liability is greater than the OPEB plan’s assets there is a net OPEB liability, also known as unfunded OPEB liability.

As with past practice, the City will continue to fund its pension and OPEB obligations at an amount equal to or greater than the minimum employer contribution rate. The City has not and will never intentionally short-fund its pension and OPEB obligations. Annually the City evaluates the cost and benefits of paying down the unfunded pension and OPEB liabilities on a faster schedule. Currently, the City Council has committed to a fixed \$45 million per year contribution toward the unfunded pension liability, which is approximately \$15 million more than is required by CalPERS. Fiscal year 2023-24 represented five years in a row the City Council appropriated additional funding towards an accelerated payment of the unfunded liability from year-end budget surplus funds. The \$45 million paydown strategy is anticipated to result in eliminating the City’s pension liability in 2033. Additionally, in fiscal year 2023-24 City Council approved a one-time payment of \$5.8 million towards paying down the City’s OPEB liability. As a result, beginning in fiscal year 2024-25, the OPEB liability is fully funded and the City is expecting to accrue \$4 million of annual savings.

AWARDS AND ACKNOWLEDGMENTS

The City has prepared an Annual Comprehensive Financial Report for the past 31 years. The City has received awards for excellence in financial reporting in each of those years.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport Beach for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments: Preparation of this report was accomplished through the efficient and dedicated services of everyone in the City's Accounting Division. In addition, the Finance Department staff would like to thank the City Manager, the Mayor, and the City Council for their interest in and support of planning and conducting the financial operations of the City in a responsible and progressive manner. We would also like to thank our auditors, DavisFarr LLP, for their time and assistance in the preparation of the report.



Grace K. Leung
City Manager



Jason Al-Imam
Finance Director/Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Newport Beach
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

Newport Beach City Officials

City Councilmembers



City Executive Staff



Aaron Harp
City Attorney

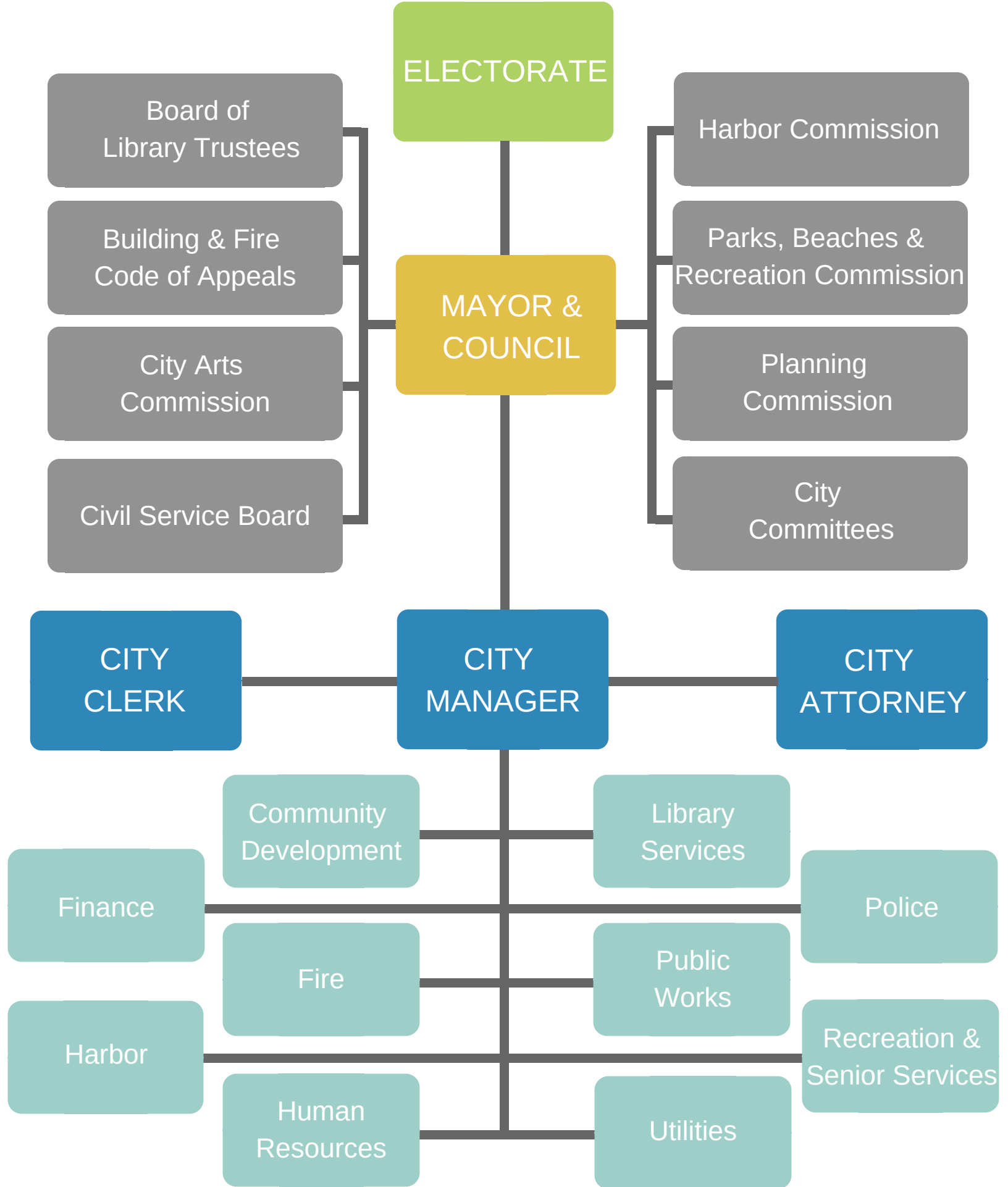


Grace Leung
City Manager



Leilani Brown
City Clerk

- Tara Finnigan..... Assistant City Manager
- Seimone Jurjis Assistant City Manager
- Jason Al-Iman Finance Director/Treasurer
- Jeff Boyles Fire Chief
- Paul Blank..... Harbormaster
- Barbara Salvini Human Resources Director
- Melissa Hartson..... Library Services Director
- Dave Miner..... Acting Police Chief
- Dave Webb..... Public Works Director
- Sean Levin Recreation & Senior Services Director
- Mark Vukojevic Utilities Director



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Newport Beach
Newport Beach, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport Beach (the "City"), as of and for the year June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management’s Discussion and Analysis, Budgetary Comparison Schedules for the General Fund and each major special revenue fund, Schedules of Changes in the Net Pension Liability and Related Ratios, Schedules of Contributions, Schedule of Changes in the Net OPEB Liability and Related Ratios* and *Schedule of OPEB Contributions* be presented to supplement the basic

financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *Combining and Individual Nonmajor Fund Financial Statements* and *Budgetary Comparison Schedules* are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The *Combining and Individual Nonmajor Fund Financial Statements* and *Budgetary Comparison Schedules* have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the *Combining and Individual Nonmajor Fund Financial Statements* and *Budgetary Comparison Schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *Introductory Section* and *Statistical Section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the

The Honorable Mayor and
Members of the City Council
City of Newport Beach
Newport Beach, California

scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dawn Furr LLP

Irvine, California
December 30, 2024



FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Newport Beach's Annual Comprehensive Financial Report (ACFR) presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2024. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the Annual Comprehensive Financial Report contains the following information: *Independent Auditors' Report*, *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, the *Required Supplementary Information*, and the *Supplementary Information* section, an optional section that presents combining and budgetary schedules for individual non-major funds. The *Basic Financial Statements* are comprised of three components: 1) *Government-wide Financial Statements*, 2) *Fund Financial Statements*, and 3) *Notes to the Financial Statements*. Management's Discussion and Analysis is intended to be an introduction to the Basic Financial Statements.

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements – The Government-wide Financial Statements use the economic resources measurement focus and accrual basis of accounting, which is similar to the accounting standard used by private sector companies. The Government-wide Financial Statements are intended to provide a “Big Picture” view of the City. With the economic resources measurement focus and accrual basis of accounting, changes in net position are recognized as soon as the event occurs regardless of the timing of related cash flows.

The Statement of Net Position includes all the City's assets (including non-spendable assets like streets, roads, and land rights), deferred outflows of resources, liabilities (including long-term liabilities that may be paid over twenty years), and deferred inflows of resources. All the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Government-wide Financial Statements report the City's net position and how net position has changed. Net position – the difference between the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the City's financial health. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, one should also consider additional non-financial factors such as changes in the City's property tax base and the condition of its facilities and other major infrastructure.

The Government-wide Financial Statements of the City are divided into two categories:

Governmental Activities – This category depicts the extent to which programs are self-supporting and the net amount provided by property taxes and other general revenues. Most of the City's basic services are included in this category such as public safety, public works, community development, community services, and general administration. Taxes and other general revenues finance most of these activities.

Business-type Activities – The City accounts for its Water and Wastewater utilities as business enterprises. The City charges fees to customers to recover the cost of providing Water and Wastewater services.

Fund Financial Statements – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements such as State and Federal law or bond covenants. Other funds are utilized simply to control and manage resources intended for particular purposes. The Fund Financial Statements provide more detailed information about the City’s most significant funds (major funds) but not the City as a whole.

Fund Financial Statements have a short-term focus measuring inflows of current, spendable assets. The resulting net difference between current financial assets and deferred outflows of resources, and current financial liabilities and deferred inflows of resources, otherwise known as fund balance (or net working capital in the private sector) is a measure of the City’s ability to finance activities in the near term.

The City utilizes three broad categories of funds:

Governmental Funds – Unlike Government-wide Financial Statements, Governmental Fund Financial Statements utilize the current financial resources measurement focus and thus concentrate on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Consequently, the Governmental Fund Financial Statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. Also included in the Governmental Funds are Permanent Funds. These funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support City programs.

Proprietary Funds – Business-like services that receive significant financial support from user fees and charges are generally reported in Proprietary Funds (Enterprise Funds and Internal Service Funds). Like the Government-wide Financial Statements, these funds provide both long and short-term financial information utilizing the economic resources measurement focus. The City’s Enterprise Funds (Water and Wastewater Funds) provide goods or services mostly to non-government users and are the individual funds represented in the combined presentation of Business-type Activities in the Government-wide Financial Statements. The individual fund presentation provides more detailed information about each business segment, its operating statements, and statements of cash flow. The City also uses Internal Service Funds that are utilized to report and allocate the cost of certain centrally managed and operated activities (e.g., fleet and other equipment maintenance, risk management, retiree insurance, telecommunications systems, information technology services, etc.). Because the Internal Service Funds primarily serve government users, they are reported with Governmental Activities, rather than the Business-type Activities, in the Government-wide Financial Statements.

Fiduciary Funds – The City utilizes Fiduciary Funds to account for assets held by the City in a trustee capacity, or as an agent for other governmental entities, private organizations, or individuals. All the City’s fiduciary activities are reported in a separate statement of

fiduciary net position, and a statement of changes in fiduciary net position. We exclude these activities from the City's Government-wide Financial Statements because the City cannot use these assets to finance its operations.

Notes to the Financial Statements – The financial statements also include the Notes to the Financial Statements that provide important narrative details about the information contained in the financial statements. Information contained in the Notes to the Financial Statements is critical to a reader's full understanding of the Government-wide and Fund Financial Statements.

Required Supplementary Information – In addition to the Basic Financial Statements, we have included a Required Supplementary Information section, which includes Budgetary Comparison Schedules for the General Fund and two other major funds, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Changes in Net Post-Employment Health Care Benefits (OPEB) Liability and Related Ratios, and the related Schedules of Contributions for the Pension and OPEB plans.

Supplementary Information – In addition to the required elements of the Basic Financial Statements, we have also included a Supplementary Information section, which includes budgetary and combining schedules that provide additional details about the City's Other Governmental Funds, Internal Service Funds, and Fiduciary Funds.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-wide Financial Statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

Net Position Discussion

As shown in Figure 1, the City's combined net position for the fiscal year ended June 30, 2024 was \$2.6 billion, increasing \$65.8 million or 2.6% over the prior year. Net position can serve as an important indicator of whether the City's overall financial condition is improving or deteriorating over time.

Current and other assets increased \$60.6 million. This increase is primarily due to a combined \$55.0 million increase in cash and investments and restricted cash and investments with fiscal agent mostly related to the receipt of contributions for operating activities and capital improvement projects and the issuance of limited obligation improvement bonds for two assessment districts. The remaining \$5.6 million increase is attributable to an increase in account receivables most of which is related to a future contribution for the construction of a new library lecture hall, offset by decreases in other receivables such as lease receivables, intergovernmental receivables, and a public-private partnership receivable. Capital assets increased \$19.7 million, of which \$10.9 million is related to additions to infrastructure and work in progress, and \$7.3 million is due to additions to land and structures.

Current liabilities increased \$18.3 million primarily due to increases in accounts payable offset by a decrease in unearned revenue.

Long-term liabilities increased \$2.5 million. The increase is primarily due to increases in insurance related liabilities and lease liabilities, offset by decreases in outstanding certificates of participation and decreases in the City's net pension liability and net OPEB liability as investment returns in

both plans finished better than expected. See Note (11) and Note (12) of the Notes to the Financial Statements for more information.

Figure 1
Net Position
June 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
Current and other assets	\$ 633,179	\$ 699,910	\$ 36,647	\$ 30,548	\$ 669,826	\$ 730,458
Capital assets	2,372,769	2,391,089	135,267	136,639	2,508,036	2,527,728
Total assets	3,005,948	3,090,999	171,914	167,187	3,177,862	3,258,186
Deferred outflows of resources	141,903	145,027	5,319	5,341	147,222	150,368
Current liabilities	41,327	58,840	4,245	4,986	45,572	63,826
Long-term liabilities	479,521	482,299	15,170	14,928	494,691	497,227
Total liabilities	520,848	541,139	19,415	19,914	540,263	561,053
Deferred inflows of resources	271,428	268,341	101	79	271,529	268,420
Net position						
Net investment in capital assets	2,256,306	2,275,100	131,016	132,332	2,387,322	2,407,432
Restricted	79,152	123,445	-	-	79,152	123,445
Unrestricted	20,117	28,001	26,701	20,203	46,818	48,204
Total net position, before restatement	2,355,575	2,426,546	157,717	152,535	2,513,292	2,579,081
Restatement	-	-	(1,595) ¹	-	(1,595) ¹	-
Total net position	\$ 2,355,575	\$ 2,426,546	\$ 156,122	\$ 152,535	\$ 2,511,697	\$ 2,579,081

¹ Prior year net position was restated due to unbilled receivables adjustment in Fiscal Year 2022-23. See note (20) of the Notes to the Financial Statements for more information.

The largest portion of the City's net position, at \$2.4 billion of net position, reflects the net investment in capital assets (e.g., land, right of way, street trees, buildings, infrastructure, equipment, and intangibles) less accumulated depreciation, accumulated amortization, and any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to residents. Therefore, they do not represent a financial resource to the City and consequently are not readily available for funding current obligations.

Restricted net position totaled \$123.4 million of net position, an increase of \$44.3 million from the prior fiscal year, primarily due to increased restricted net position related to public works and community services. Public works' increase is mainly from new limited obligation improvement bond proceeds restricted for use on two assessment districts not being completely spent during the fiscal year, while Community services' increase is mainly from tidelands property related revenues not being spent during the fiscal year as resources are being accumulated for future large scale capital improvement projects related to the harbor.

As of June 30, 2024, unrestricted net position was \$48.2 million, an increase of \$1.4 million from the prior fiscal year, primarily due to the receipt of unrestricted revenues such as property taxes and sales taxes that were not spent or restricted by the end of the fiscal year.

GOVERNMENTAL ACTIVITIES

Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. The Statement of Activities is intended to illustrate how the cost of governmental activities is financed and determines the annual change in net position.

Figure 2
Changes in Net Position
For the Years Ended June 30
(in thousands)

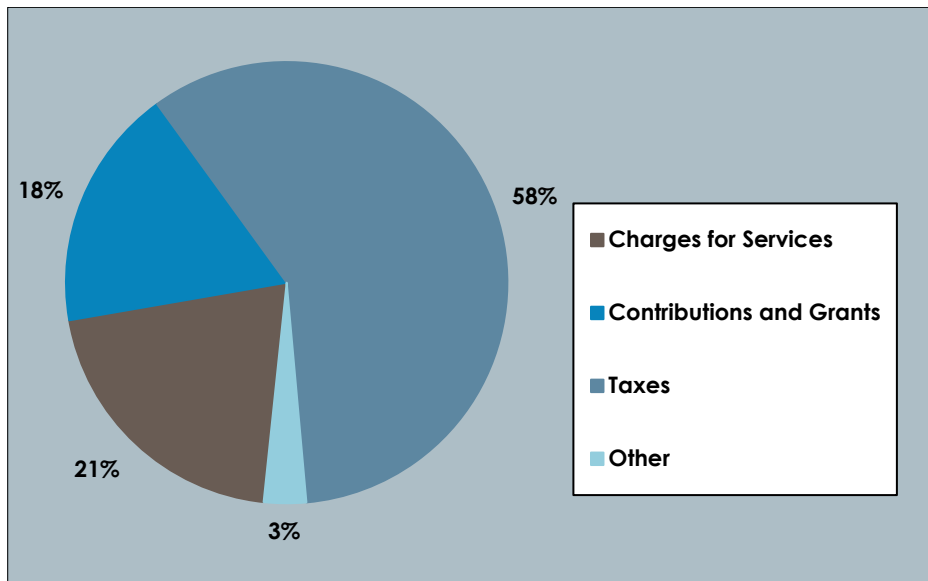
	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
Revenues:						
Program revenues:						
Charges for services	\$ 74,454	\$ 81,473	\$ 36,700	\$ 39,117	\$ 111,154	\$ 120,590
Operating grants and contributions	20,132	34,498	-	115	20,132	34,613
Capital grants and contributions	5,810	35,647	-	-	5,810	35,647
Total program revenues	100,396	151,618	36,700	39,232	137,096	190,850
General revenues:						
Taxes:						
Property taxes	138,359	146,137	-	-	138,359	146,137
Sales tax	46,552	43,445	-	-	46,552	43,445
Transient occupancy taxes	30,202	31,737	-	-	30,202	31,737
Other taxes	10,080	10,252	-	-	10,080	10,252
Investment related income	2,520	9,368	258	1,462	2,778	10,830
Other	5,552	2,855	-	-	5,552	2,855
Total general revenues	233,265	243,794	258	1,462	233,523	245,256
Total revenues	333,661	395,412	36,958	40,694	370,619	436,106
Expenses:						
General government	26,912	28,392	-	-	26,912	28,392
Public safety	121,310	151,626	-	-	121,310	151,626
Public works	75,904	88,360	-	-	75,904	88,360
Community development	13,048	16,814	-	-	13,048	16,814
Community services	27,937	33,034	-	-	27,937	33,034
Interest	6,666	6,215	-	-	6,666	6,215
Water	-	-	30,702	37,322	30,702	37,322
Wastewater	-	-	5,344	6,959	5,344	6,959
Total expenses	271,777	324,441	36,046	44,281	307,823	368,722
Increases in net position	61,884	70,971	912	(3,587)	62,796	67,384
Net position at beginning of year	2,293,691	2,355,575	156,805	157,717	2,450,496	2,513,292
Restatement	-	-	-	(1,595)	-	(1,595)
Net position at beginning of year, as restated	2,293,691	2,355,575	156,805	156,122	2,450,496	2,511,697
Net position at end of year	\$ 2,355,575	\$ 2,426,546	\$ 157,717	\$ 152,535	\$ 2,513,292	\$ 2,579,081

¹ Prior year net position was restated due to unbilled receivables adjustment in Fiscal Year 2022-23. See note (20) of the Notes to the Financial Statements for more information.

Revenues Associated with Governmental Activities Discussion

Figure 2 illustrates in detail how the \$395.4 million in Governmental Activities revenue was derived. Figure 3 summarizes this revenue by major source. As shown on Figures 2 and 3, \$81.5 million, or 20.6%, of the revenues were recovered from those who directly benefited from the programs as a charge for service. Another \$70.1 million, or 17.7%, of the revenues were generated by contributions and grants received from governmental organizations, developers, and property owners for both capital and operating activities. The remaining \$243.8 million, or 61.7%, represented general revenues of the City including taxes, intergovernmental revenues, and other miscellaneous revenues.

**Figure 3
Governmental Activities Revenue Sources
For the Year Ended June 30, 2024**



As illustrated in Figure 2, program revenues related to Governmental Activities increased \$51.2 million from the prior year. This increase was primarily attributable to an increase in capital grants and contributions, most of which was due to the issuance of limited obligation improvement bonds for two assessment districts. Additionally, operating grants and contributions increased mainly due to earning American Rescue Plan Act grant revenue by spending part of the grant money on reimbursing the City for public safety services incurred on fire operations and on the City’s Junior Lifeguard building. The City also received and earned a portion of private contributions from the Newport Beach Public Library Foundation and Junior Guard Foundation for a library lecture hall and the aforementioned Junior Lifeguard program.

The City’s general revenues related to Governmental Activities increased about \$10.5 million from the prior year primarily due to increases in property taxes, transient occupancy taxes, other taxes, and investment income, offset by decreases in sales taxes and other general revenues. Revenue increases across various categories illustrates that Newport Beach’s underlying local economy continues to remain strong.

Property tax is the largest revenue source for the City and collections finished the year \$7.8 million higher than the previous fiscal year. This increase was mostly due to an increase in secured taxes as a robust demand for coastal property continued driving property values higher.

At \$43.4 million, sales taxes represent the second largest individual revenue source for the City. Sales taxes decreased \$3.1 million from the previous fiscal year. This decrease in sales tax revenue was due to consumer spending shifting from taxable sales, such as automobiles and transportation, to nontaxable sales, such as entertainment. Additionally, luxury vehicle sales finished significantly lower due in part to the temporary closure of a luxury automobile dealership while undergoing a construction renovation project.

Transient occupancy taxes (TOT), the City’s third largest revenue source, finished the year at \$31.7 million, which is an increase of \$1.5 million from the previous fiscal year. Hotel TOT revenue

increased due to the opening of the new Pendry hotel and continued robust demand, which offset a slowdown in residential TOT.

Investment income, comprised of both interest income and unrealized gains/losses, increased about \$6.8 million from the prior fiscal year. Because the federal funds rate remained constant throughout most of the fiscal year, the increase in investment income is mostly a result of the availability of elevated interest rates throughout more of the fiscal year than the previous year. This allowed the City to reinvest earnings throughout the year at higher rates.

Expenses Associated with Governmental Activities Discussion

The City is a full-service city providing residents and visitors with the following functional services:

General Government is comprised of six departments (City Council, City Clerk, City Manager, City Attorney, Human Resources, and Finance) providing general governance, information technology services, executive management, legal services, records management, risk management, finance, and accounting.

Public Safety is comprised of two departments (Police and Fire) providing general law enforcement, fire suppression and prevention services, paramedic and medical transport services, disaster preparedness, and ocean lifeguard services.

Public Works is comprised of one department (Public Works) providing engineering, construction and maintenance of public streets, highways, buildings, beaches, parks, facilities and related infrastructure; as well as traffic engineering and street lighting.

Community Development is comprised of one department (Community Development) that provides planning, building, and zoning services, economic development services, and building plan check and code enforcement services.

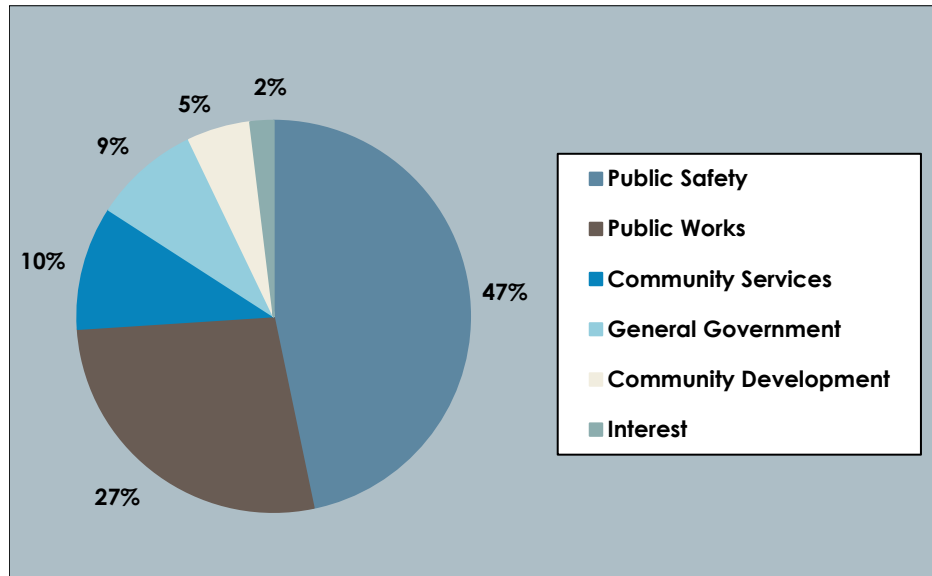
Community Services is comprised of three departments (Library Services, Recreation & Senior Services, and Harbor) providing library services, cultural and arts programs, recreation services, senior social and transportation services, and harbor programs and services.

Business Enterprise Operations are overseen by the Utilities Department providing water and wastewater services. These are considered business-type activities and are discussed further in the Business-Type Activities section.

Figure 2 illustrates in detail how the \$324.4 million of Governmental Activities expense was derived. The increase of \$52.7 million from the prior year is mostly due to an increase in the government-wide adjustment for internal service fund activity as there was a net loss in total in the internal service funds due to an increase in workers' compensation and general liability expenses. An increase in the government-wide adjustment related to pension expense, and increases in salaries and benefits also contributed to the increase in Governmental Activities expenses.

Figure 4 below summarizes the Governmental Activities expenses shared across functions.

**Figure 4
Governmental Activities Functional Expenses
For the Year Ended June 30, 2024**

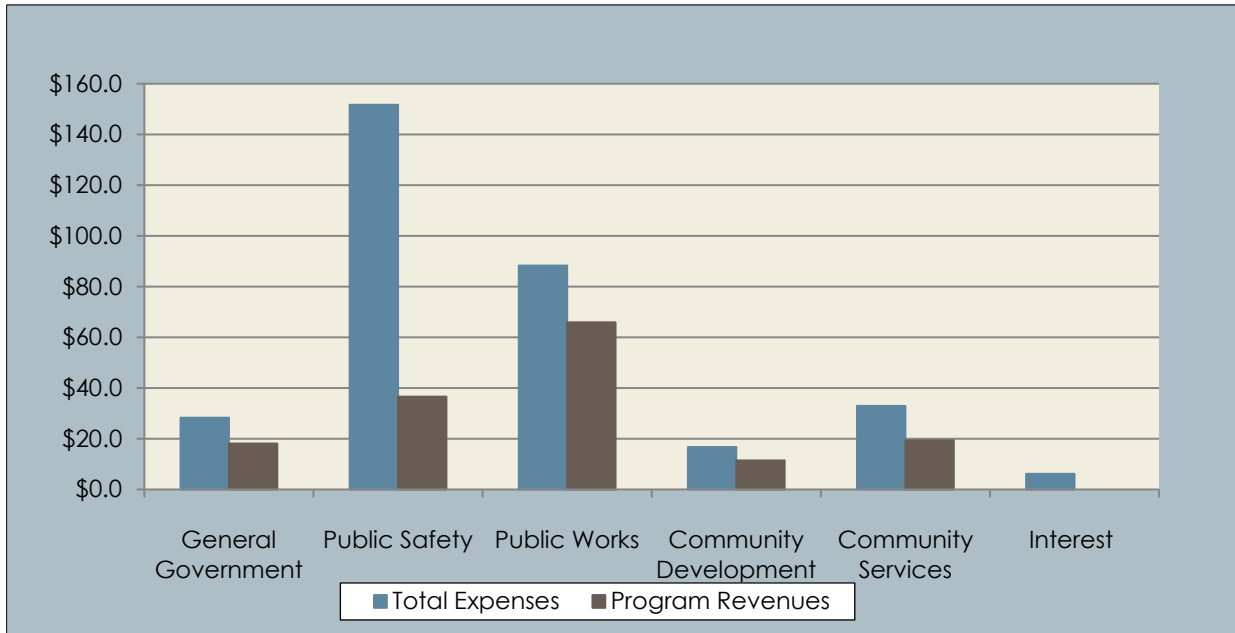


Figures 5 and 6 illustrate the net cost of each service. The net cost represents the amount that governmental activities are subsidized by taxes and other general revenues of the City.

**Figure 5
Governmental Activities
For the Years Ended June 30
(in thousands)**

	2023		2024	
	Total Cost of Service	Net (Cost) of Service	Total Cost of Service	Net (Cost) of Service
General government	\$ 26,912	\$ (10,988)	\$ 28,392	\$ (10,212)
Public safety	121,310	(92,434)	151,626	(115,049)
Public works	75,904	(49,373)	88,360	(22,387)
Community development	13,048	(765)	16,814	(5,338)
Community services	27,937	(11,155)	33,034	(13,622)
Interest	6,666	(6,666)	6,215	(6,215)
	<u>\$ 271,777</u>	<u>\$ (171,381)</u>	<u>\$ 324,441</u>	<u>\$ (172,823)</u>

Figure 6
Program Expenses and Revenues – Governmental Activities
For the Year Ended June 30, 2024
(in millions)



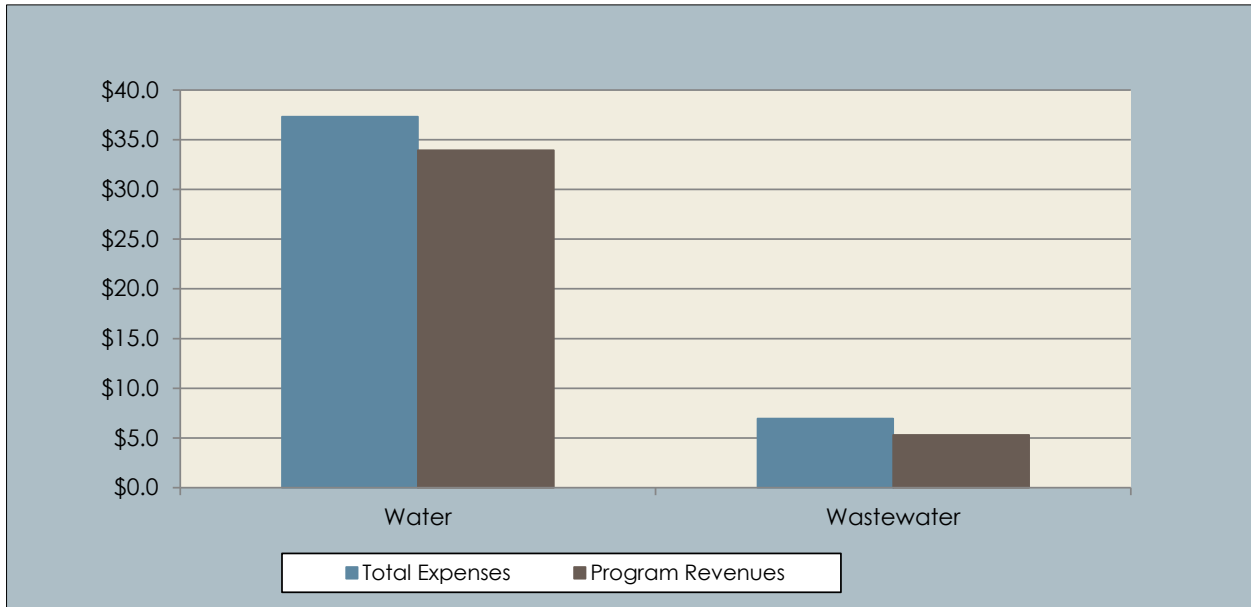
BUSINESS-TYPE ACTIVITIES

As noted earlier, the City combines the Water Enterprise Fund and Wastewater Enterprise Fund into Business-type Activities for the presentation of the Government-wide Financial Statements. Business-type activities are mainly funded by charging fees to customers to recover the cost of providing services.

Revenues Associated with Business-Type Activities Discussion

As displayed in Figure 2, total revenues related to Business-type activities totaled \$40.7 million. Program revenues totaled \$39.2 million and were supplemented by about \$1.5 million of general revenues related to investment income. As shown in Figure 7 on the following page, Water activities represents about \$33.9 million (86.5%) of program revenues, while Wastewater activities represents \$5.3 million (13.5%) of program revenues.

Figure 7
Program Expenses and Revenue – Business-type Activities
For the Year Ended June 30, 2024
(in millions)



Expenses Associated with Business-Type Activities Discussion

Current year expenses for Business-type Activities totaled \$44.3 million, an increase of about \$8.2 million over prior year as shown in Figure 2. This is attributable to increases in salaries and benefits, maintenance, utilities, and miscellaneous expenses.

Major Business-type expenses in the current fiscal year included the following:

Water

Of the \$37.3 million in water related expenses, \$12.6 million (33.7%) is for the purchase of water, \$6.0 million (16.0%) covers employee related costs, \$9.9 million (26.5%) is for maintenance, supplies, and depreciation of the water system, \$2.2 million (5.8%) is for professional services, \$2.2 million (5.9%) is for utility payments and the remaining \$4.4 million (12.1%) is collectively attributable to other miscellaneous expenses.

Wastewater

Of the \$7.0 million in wastewater related expenses, \$2.7 million (39.5%) is for maintenance, supplies, and depreciation of the wastewater system, \$1.9 million (26.6%) is for employee related costs, and the remaining approximately \$2.4 million (33.9%) is attributable to professional services, utility payments and other miscellaneous expenses.

Figure 7 summarizes Business-type expenses separately for Water and Wastewater activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to highlight available financial resources and to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Utilizing the current financial resources measurement focus, the City's Governmental Funds provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements and may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund Balance – As shown in Figure 8, the City's Governmental Funds reported combined fund balances of \$295.1 million, an increase of \$47.1 million from the prior fiscal year. The increase is net result of increases in fund balances in almost every major fund below, including the General Fund, the Tide and Submerged Land – Operating Fund, the Tide and submerged Land – Harbor Capital Fund, Debt Service Fund, other special revenue funds, other capital projects funds, and other permanent funds in aggregate, offset by a decrease in the Facilities Financial Planning Reserve Fund. The General Fund represented \$96.4 million or 32.7% of the combined fund balances of the Governmental Funds.

Figure 8
Governmental Funds Fund Balance
June 30
(in thousands)

	2023	2024	Change
General Fund	\$ 91,443	\$ 96,441	\$ 4,998
Tide and Submerged Land - Operating	6,107	8,548	2,441
Tide and Submerged Land - Harbor Capital	30,215	43,107	12,892
Facilities Financial Planning Reserve	24,800	20,436	(4,364)
Debt Service Fund	2,184	2,323	139
Non-major special revenue	26,518	32,274	5,756
Non-major capital projects	60,148	85,087	24,939
Non-major permanent	6,543	6,846	303
	<u>\$ 247,958</u>	<u>\$ 295,062</u>	<u>\$ 47,104</u>

The following describes the classification of fund balance as of June 30, 2024. Additional information on the City's fund balance can be found in Note (15) of the Notes to the Financial Statements.

Nonspendable Fund Balance – The City has \$11.8 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the \$11.8 million nonspendable fund balance, \$1.3 million is for prepaid items, \$215,285 is for inventories, \$5.7 million is for long-term loan receivables, and \$4.6 million is for permanent endowments.

Restricted Fund Balance – The City has \$112.8 million in fund balance classified as restricted to indicate that it has externally imposed restrictions on how the money may be spent. Of the \$112.8 million restricted fund balance, \$7.4 million is restricted in the Tide and Submerged Land – Operating Fund, of which \$5.7 million is restricted for capital projects and maintenance and repairs, and \$1.7 million is restricted for the Upper Newport Bay restoration; \$43.1 million is

restricted in the Tidelands and Submerged Land – Harbor Capital Fund for capital projects related to the harbor; and \$2.3 million is restricted for debt service. Of the remaining \$60.0 million in restricted fund balance, \$32.5 million is restricted for various special revenue funds, \$25.0 million is restricted for the Assessment District Fund, \$292,893 is restricted for the Fire Station Fund, and \$2.2 million of fund balance is restricted for permanent funds.

Committed Fund Balance – The City has \$88.1 million in fund balance classified as committed to indicate that the City Council has committed how the money will be spent. Of the \$88.1 million committed fund balance, \$6.8 million is committed in the General Fund mostly for contract services and maintenance and repairs; \$1.1 million is committed in the Tide and Submerged Land – Operating Fund for oil and gas related uses; \$20.4 million is committed in the Facilities Financial Planning Reserve Fund; \$3.0 million is committed in the Fire Station Fund; \$505,166 is committed in the Civic Center and Park Fund; \$16.1 million is committed in the Parks and Community Center Fund; \$310,593 is committed in Balboa Village Parking Management District Fund; \$4.2 million is committed to the Facilities Maintenance Fund; \$11.7 million is committed in the Neighborhood Enhancement Fund; \$122,146 is committed in the Junior Lifeguards Fund; \$15.7 million is committed in the Unrestricted Capital Improvements Fund; \$6.5 million is committed to the Miscellaneous FFP Projects Fund; and \$687,908 is committed to the Police Facility Fund; and \$1.0 million is committed to the Park Maintenance Fund.

Assigned Fund Balance – The City does not have any fund balance classified as assigned. Assigned fund balance is fund balance which is not restricted or committed and is classified as assigned to indicate the City Manager’s intent to be used for specific purposes.

Unassigned Fund Balance – The remaining \$82.4 million in fund balance is classified as unassigned to indicate that it is the residual balance not otherwise restricted, committed, or assigned.

Major Governmental Funds results for the year included the following:

- General Fund revenues finished \$11.8 million or 4.1% higher than the prior year mostly due to a combined \$6.2 million net increase in the City’s top three revenues sources – property taxes, sales taxes and transient occupancy taxes – with a \$7.8 million increase in property taxes as the City’s assessed valuation continued to increase due primarily to the appreciation of property values; offset with a \$3.1 million decrease in sales taxes as consumer spending shifted from taxable sales to nontaxable sales; and a \$1.5 million increase in transient occupancy taxes due to the opening of a new hotel and continued strong hotel occupancy rates. Additionally, property income increased \$3.5 million compared to the previous year mostly due to the normal increase in parking rates and the number of travelers returning to more pre-pandemic levels, and there was a full year’s worth of rental income from a property that was acquired late in the previous fiscal year. General Fund expenditures finished \$18.7 million or 7.7% higher than the prior fiscal year mostly due to the expected increase in salaries and benefits related to routine step increases, cost of living adjustments, new positions, increased pension costs and capital outlays. Notably, capital outlays related to leases increased \$3.3 million due to the leasing of additional space in a homeless shelter to help individuals experiencing homelessness within the City. Though revenues exceeded expenditures by about \$33.9 million, there were substantial transfers activity in the General Fund with transfers in totaling \$26.9 million and transfers out totaling \$59.4 million, mostly for funding capital improvement projects. In total, fund balance in the General Fund increased \$5.0 million and ended the year at \$96.4 million.

- Fund balance for the Tide and Submerged Land – Operating Fund increased \$2.4 million and ended the current year with \$8.5 million in fund balance. The increase was mostly due to an increase in property income related to parking revenues and investment earnings.
- Fund balance for the Tide and Submerged Land – Harbor Capital Fund increased \$12.9 million ending at \$43.1 million. This was largely due to reduction in expenditures as two major harbor dredging capital improvement projects nearing completion.
- Fund balance for the Facilities Financial Planning Reserve Fund decreased \$4.4 million to end the current year at \$20.4 million in fund balance. This was mainly due to transfers to other funds to cash fund construction projects related to a new library lecture hall and upgrading a fueling facility and transfer station.
- Fund balance for the Debt Service Fund increased \$139,136 ending at \$2.3 million. The increase was due to increase in investment income and a decrease in debt service related to servicing certificates of participation.

Proprietary Funds

The City's Proprietary Funds (Enterprise and Internal Service Funds) presented in the Fund Financial Statements section basically provide the same type of information in the Government-wide Financial Statements, but also include information for individual funds.

Enterprise Fund results for the year included the following:

- Net position in the Water Fund decreased \$683,219 in total mostly due to the City's highest producing water well being out of service for most of the fiscal year undergoing maintenance and a prior period restatement. The out of service well resulted in increased expenses for the purchase of water and for system maintenance which were offset by increases in water sales revenue related to a rate increase, and an increase in non-operating investment related revenues, resulting in a positive change to net position. However, the prior period restatement reduced net position, ultimately resulting in an overall decrease to net position in the Water Fund. See note (20) in the Notes to the Financial Statements for additional information about the prior period restatement.
- Net position in the Wastewater Fund decreased \$854,173. Similarly to the Water Fund, the decrease in net position was mainly due to increased system maintenance expenses and a prior period restatement, offset by an increase in sewer service and connection fees revenue as the City Council previously adopted a resolution to increase sewer rates each January 1st during calendar years 2024 through 2028. Increasing sewer rates should improve the Wastewater Fund's net position in future years. See note (20) in the Notes to the Financial Statements for additional information about the prior period restatement.

Major Internal Service Fund activity in the current fiscal year included the following:

- Total net position in the Internal Service Funds decreased \$15.0 million in the current fiscal year. This was mostly due to operating loss of \$25.1 million, which was mostly due to an increase in expenses related to the City's self-insured general liability and workers' compensation programs, offset by increases in nonoperating revenues like investment earnings, gain on sale of capital assets and transfers in. The increase in transfers in was

directly attributable to an additional one-time \$5.8 million payment to pay down the City's OPEB liability.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to Original Budget

Final budgeted revenues for the General Fund increased \$2.5 million from the original budget during the year ended June 30, 2024. Factors contributing to this fluctuation are highlighted as follows:

- Final budgeted intergovernmental revenue increased \$2.4 million primarily due to adjustments related to the Newport Beach Fire Department's mutual aid reimbursements, revenue sharing with the County under a Waste Disposal Agreement, and the acceptance of grants.
- Property taxes revenue increased \$1.3 million due to the Proposition 13 inflationary adjustment and increases in assessed values related to changes in ownership and new construction.
- Final budgeted sales tax decreased from the adopted budget by \$3.3 million. The main factor behind this decline was a decrease in demand for luxury automobiles as well as a temporary closure of a local new car dealership for renovations.
- Charges for services increased from the adopted budget by \$396,600. This adjustment is related to increased revenue received for recreation classes and special events.
- Property income revenues increased by \$1.3 million mainly due to the grossing up of full revenues related to the Dove Street property management. The adopted budget included the net revenue associated with the property, but the budget was revised to capture the full revenue associated with the property.
- Other revenues increased by \$247,849 from the adopted budget due to contributions to the Newport Beach Library Foundation for library materials and programming accounts and the Friends of the Newport Library program to enhance programs such as Summer Reading, Sunday Musicales, National Library Week, and Young Adult Programs.
- Donations were adjusted upward by \$113,851 related to donations to the Library Services Department, Police Department, Fire Department, and the Recreation & Senior Services Department.

Final budgeted expenditures for the General Fund increased \$16.1 million from the original budget during the year ended June 30, 2024. The significant factors contributing to the increase are as follows:

- The addition of \$5.3 million to the benefits and salary budget associated with an additional discretionary payment of \$5.0 million toward the City's unfunded pension liability and roughly \$300,000 in overtime for police services due to the Police Department's new Boardwalk and Quality of Life Enforcement program that tackles boardwalk safety and

quality of life issues throughout the City, and acceptance of the Stonegarden Grant which enhances cooperation and coordination amongst various agencies to raise the level of law enforcement presence on the coastline.

- Budgeted carryovers from Fiscal Year 2022-23 totaling \$5.5 million were added to the adopted budget.
- The addition of \$1.3 million related to grossing up the expenditures related to the Dove Street property management as the adopted budget represented net activity, but the budget was revised to capture the full expenditures associated with the property.
- The addition of \$1.8 million related to the Fire Department's mutual aid reimbursements, purchase of a new outfitted ambulance unit, and purchases of a lifeguard computer-aided design system and software license renewal for the records and management system.

Variance with Final Budget

Actual General Fund revenues came in at \$9.1 million above final budgeted revenues for the year ended June 30, 2024. Significant factors contributing to this favorable variance are summarized as follows:

- Property tax revenues came in \$3.4 million higher than the final budget, largely due to supplemental taxes.
- Investment earning revenues were \$3.1 million higher than final budgeted revenues due to interest income from bonds and elevated interest rates.
- Other taxes ended the year \$1.3 million higher than projected due primarily to business license taxes, utility franchise fees, and solid waste franchise fees.
- Charges for services came in \$291,475 higher due primarily to receipts for paramedic service fees, plan check fees, as well as revenue received from recreation fee-based classes, and the Junior Lifeguard program.
- Property income ended the year \$1.6 million higher mainly due to overages in Beacon Bay, Balboa Yacht Basin, as well as parking revenue, and GASB 87.
- Intergovernmental revenues came in \$333,024 higher than the final budget largely due to payments from the Newport Beach Fire Department to the IGT-GEMT program resulting in additional revenue to the City, as well as reimbursements for mutual aid.
- Other revenues exceeded the budgeted amount by \$980,168 and were made up largely of the net of bad debt and damage to city property revenues.

Actual General Fund expenditures of \$262.7 million were less than final budgetary estimates of \$275.6 million. The \$12.9 million favorable variance was due largely in part to routine savings in salaries and benefits from vacancies as well as contract services. Salary and benefit savings totaled \$8.0 million and are spread across multiple departments, with savings in the larger departments (such as the Police Department, the Public Works Department, and the Fire Department) totaling \$3.3 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for Governmental and Business-type Activities as of June 30, 2024 amount to \$2.5 billion, net of accumulated depreciation/amortization. This is comprised of a broad range of tangible capital assets including land, buildings, machinery and equipment, park facilities, road improvements, storm drains, piers, oil wells, sound walls, an 800 MHz radio communications system, parking pay stations and meters, and bridges; and intangible capital assets including the rights to use land and rights of way, structures and equipment. Total capital assets increased \$19.7 million over the prior fiscal year.

Figure 9
Capital Assets
June 30
(net of depreciation/amortization, in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
Land	\$ 1,918,486	\$ 1,922,330	\$ 2,219	\$ 2,219	\$ 1,920,705	\$ 1,924,549
Intangible right to use land and rights of way	-	-	3,809	3,755	3,809	3,755
Structures	196,235	199,676	378	363	196,613	200,039
Intangible right to use structures	12,007	14,045	-	-	12,007	14,045
Equipment	19,346	19,050	101	126	19,447	19,176
Intangible right to use equipment	236	162	-	-	236	162
Intangible right to use subscriptions	2,231	2,145	-	-	2,231	2,145
Infrastructure	210,389	211,479	121,062	125,767	331,451	337,246
Work in progress	13,839	22,200	7,697	4,408	21,536	26,608
Totals	\$ 2,372,769	\$ 2,391,087	\$ 135,266	\$ 136,638	\$ 2,508,035	\$ 2,527,725

Major capital asset events during the current fiscal year included the following:

- Capital asset additions totaled \$60.3 million in both the Governmental and Business-type Activities in the current year. Of the \$60.3 million, \$9.5 million is related to structure additions of a junior lifeguard facility, upgrading a park to synthetic turf with new lighting and a pickleball court; \$19.5 million represents additions of infrastructure assets mostly related to the road system and water system; \$4.5 million is related to equipment and intangible right to use equipment, and intangible right to use subscriptions additions; \$3.3 million is related to intangible right to use structures. The remaining \$23.5 million is comprised of additions of non-depreciable/non-amortizable assets such as work in progress of \$19.6 million, and land and rights of way of \$3.9 million.
- Of the \$50.2 million of additions in governmental assets in the current year, additions in infrastructure contributed \$11.3 million, which was mostly due to upgrades in the road system. The remaining \$38.9 million added in the current year as governmental assets is comprised of \$9.5 million of structure additions and \$3.9 million of land additions, both mostly related to the completion of a new junior lifeguard program facility, upgrading a park with a new multipurpose synthetic turf field and adding a pickleball court to a separate park; \$17.7 million of work in progress, mostly related to construction of a new lecture hall

at the central library, upgrades to the road system, and a water wheel that will help keep the harbor waters clear of debris; \$4.5 million of equipment and subscription additions, mostly related to vehicle purchases and information technology related purchases; and \$3.3 million of intangible right to use structures related to the use of a local shelter for people experiencing homelessness in the City.

- The \$10.1 million of business-type asset additions in the current year is comprised of \$8.2 million in water system infrastructure additions, mostly related to replacing water lines and updating a water well, and \$1.9 million of work in progress additions related to water system improvements, most notably replacing a major water main.

Additional information on the City’s capital assets can be found in Note (6) of the Notes to the Financial Statements.

Long-term Debt

Figure 10
Outstanding Debt
June 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
	Certificates of participation	\$ 97,610	\$ 93,525	\$ -	\$ -	\$ 97,610
Bond premium	1,007	865	-	-	1,007	865
Totals	\$ 98,617	\$ 94,390	\$ -	\$ -	\$ 98,617	\$ 94,390

The City’s total debt decreased \$4.2 million during the current fiscal year. The decrease is the result of expected debt service payments. Additional information on the City’s long-term debt obligation can be found in Note (7) of the Notes to the Financial Statements.

FACTORS AFFECTING NEXT YEAR’S BUDGET

Economy

The City’s assessed property values continue to increase, providing a strong revenue base for the City. However, recent reductions in sales tax revenue have raised concerns about the broader economy. Nonetheless, sales tax revenue is projected to begin rebounding in Fiscal Year 2024-25. Additionally, transient occupancy tax revenue from hotels continues to grow, as tourism remains a strong source of income for the City. Therefore, the local economy in Newport Beach remains strong, with a positive economic outlook for the foreseeable future. This positions the City to withstand the impacts of a potential recession and maintain long-term fiscal sustainability.

Local Revenue Trends

Property tax revenue, the City’s largest source of revenue, is projected to increase approximately 4.2% next fiscal year, which is largely related to the Proposition 13 inflationary adjustment and

due to changes in ownership and new construction. Although higher interest rates and elevated mortgage rates have slowed home sales, property tax revenue for Fiscal Year 2024-25 is projected to be higher largely due to an increase in assessed values. Property tax revenues are expected to continue growing for the foreseeable future.

Sales tax revenue is the second largest source of General Fund revenue. Approximately 84% of sales tax revenue is generated from autos and transportation, restaurants and hotels, general consumer goods, and the State and County pools. Sales tax revenue is projected to be 4.1% higher next fiscal year, largely due to moderate growth in restaurants and hotels, general consumer goods, and the State and County pools. Revenue from these three industry groups is projected to increase by 5% next fiscal year, which is offset by modest growth in autos and transportation. Revenue from autos and transportation is projected to increase by 0.6%, due in part to the temporary closure of a luxury automobile dealership undergoing a construction renovation project.

Transient occupancy tax (TOT) revenue, which is the third largest source of revenue in the General Fund, continues to remain strong. This trend is expected to continue with TOT revenues projected to increase approximately 3% next fiscal year, which is largely due to hotels reporting record high TOT receipts.

Discretionary Appropriations

The annual budget serves as the foundation for financial planning and control, and allows the City Council to prioritize expenditures in alignment with core community values. The budget as adopted is reflective of strong revenues, healthy reserves, and a sound debt position. This budget reflects a strong local economy that continues to provide stable revenues that support a wide variety of programs and initiatives.

The City Council adopted a Fiscal Year 2024-25 budget that maintains a deliberate resource balance between these important municipal expenses:

- Addressing long-term obligations such as pension liabilities, post-employment health care benefits, and debt service;
- Keeping a level of operations that reflects the community's desire for an active, safe, and attractive community; and
- Investing in infrastructure to maintain a high-quality natural and physical environment.

An aspect of the City's balanced approach to fiscal management is managing resources as efficiently as possible, responsibly managing debt, and working collaboratively with employees to recalibrate the compensation structure and share in the costs of pension obligations.

The budget for Fiscal Year 2024-25 includes \$45 million of funding for the continuation of an aggressive pension paydown strategy, which is approximately \$15 million more than the amount required to be paid. This aggressive pension paydown strategy of making \$45 million payments to CalPERS each year is expected to eliminate the City's pension liability by 2033.

In Fiscal Year 2023-24, \$7.1 million in contributions were made to the OPEB Trust. Additionally, \$3.9 million in investment income was recognized in the OPEB Trust, bringing the value of the OPEB Trust Fund assets to \$46.2 million as of June 30, 2024. This amount exceeds the value of

the explicit portion of the OPEB liability. Since the OPEB liability is fully funded, contributions to the OPEB Trust are no longer required. Therefore, OPEB Trust assets will be used to fund future benefit payments. Beginning in Fiscal Year 2024-25, annual savings totaling approximately \$4 million are expected from the elimination of the OPEB liability.

Overall, the City's total debt burden is low and remains affordable. The economy benefits from the City's mature, robust tax base and strong employment across diverse business sectors, as well as retail shopping and tourism activity. Residential and commercial property values are among the highest in the country. Our overall assessed valuation (AV) has been stable despite the economic downturn between 2009 and 2012, with growth in each of the last 30 years.

A strong financial profile is a particularly important factor considered by rating agencies when evaluating the creditworthiness of local government debt. The rating agencies Fitch, Moody's, and Standard & Poor's have all assigned the City the highest-quality credit rating of AAA. Both Moody's and Fitch reaffirmed their AAA ratings in 2024. Expenditure controls over the past decade have included additional employee contributions toward pension costs, contracting services, and freezing vacant positions when necessary, usually during recessionary periods. Financial operations produced net surpluses (after transfers) in the last ten years due to conservative budgeting and a stable and growing tax revenue base. The City has used surpluses for important one-time purposes, such as paying down debt and investing in infrastructure and neighborhood capital improvements. The City's financial management policies are strong and have been further enhanced in recent years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, 100 Civic Center Drive, Newport Beach, CA 92660, (949) 644-3123. The City's Budgets, Annual Comprehensive Financial Reports, as well as other City financial information can be found on the City's website at: www.newportbeachca.gov/financialinfo.

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FINANCIAL SECTION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FINANCIAL SECTION

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CITY OF NEWPORT BEACH
Statement of Net Position
June 30, 2024

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments (note 2)	\$ 359,465,817	\$ 28,972,098	\$ 388,437,915
Receivables:			
Accounts (net of allowance)	14,089,676	6,102,021	20,191,697
Interest	1,316,897	92,534	1,409,431
Intergovernmental receivables	13,493,376	10,736	13,504,112
Lease receivables (note 3)	268,028,069	-	268,028,069
Public-private partnership receivable (note 18)	714,546	-	714,546
Restricted cash and investments with fiscal agent (note 2)	35,126,167	-	35,126,167
Internal balances	4,629,537	(4,629,537)	-
Investment in joint ventures (note 13)	270,127	-	270,127
Inventory	679,067	-	679,067
Prepaid items	2,097,926	-	2,097,926
Capital assets (note 6):			
Non-depreciable/non-amortizable	1,944,530,634	6,627,893	1,951,158,527
Depreciable/amortizable	760,313,084	210,612,679	970,925,763
Accumulated depreciation/amortization	(313,755,179)	(80,601,365)	(394,356,544)
Total assets	<u>3,090,999,744</u>	<u>167,187,059</u>	<u>3,258,186,803</u>
Deferred Outflows of Resources:			
Deferred amount from pension plans (note 11)	124,099,025	4,189,507	128,288,532
Deferred amount from OPEB (note 12)	20,927,518	1,151,419	22,078,937
Total deferred outflows of resources	<u>145,026,543</u>	<u>5,340,926</u>	<u>150,367,469</u>
Liabilities:			
Accounts payable	36,287,807	4,678,774	40,966,581
Accrued payroll	6,686,759	280,733	6,967,492
Accrued interest payable	3,247,902	-	3,247,902
Deposits payable	3,301,637	26,034	3,327,671
Unearned revenue	9,316,215	-	9,316,215
Noncurrent liabilities:			
Due within one year:			
Lease liability (note 7)	1,272,450	44,364	1,316,814
Subscription liability (note 7)	289,030	-	289,030
Other (note 7)	15,386,741	-	15,386,741
Due in more than one year:			
Net pension liability (note 11)	306,754,409	10,224,331	316,978,740
Net OPEB liability (note 12)	17,042,719	927,270	17,969,989
Lease liability (note 7)	13,066,932	3,732,290	16,799,222
Subscription liability (note 7)	1,543,725	-	1,543,725
Other (note 7)	126,942,939	-	126,942,939
Total liabilities	<u>541,139,265</u>	<u>19,913,796</u>	<u>561,053,061</u>
Deferred Inflows of Resources:			
Deferred amount from pension plans (note 11)	2,246,776	44,187	2,290,963
Deferred amount from OPEB (note 12)	642,920	35,281	678,201
Deferred amount from leases (note 3)	264,667,787	-	264,667,787
Deferred amount from public-private partnerships (note 18)	784,001	-	784,001
Total deferred inflows of resources	<u>268,341,484</u>	<u>79,468</u>	<u>268,420,952</u>
Net Position:			
Net investment in capital assets	2,275,099,514	132,331,781	2,407,431,295
Restricted for:			
Public safety	1,002,804	-	1,002,804
Public works	55,096,135	-	55,096,135
Community services	56,839,874	-	56,839,874
Community development	1,336,346	-	1,336,346
Debt service	2,323,115	-	2,323,115
Permanent funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	2,216,508	-	2,216,508
Unrestricted	28,001,461	20,202,940	48,204,401
Total net position	<u>\$ 2,426,545,538</u>	<u>\$ 152,534,721</u>	<u>\$ 2,579,080,259</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Statement of Activities
For the Year Ended June 30, 2024

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Primary government:					
Governmental activities:					
General government	\$ 28,392,550	\$ 15,953,090	\$ 2,189,588	\$ 37,954	\$ 18,180,632
Public safety	151,625,944	27,903,642	8,672,982	-	36,576,624
Public works	88,359,562	9,397,103	21,543,775	35,031,614	65,972,492
Community development	16,813,900	10,849,048	590,147	36,736	11,475,931
Community services	33,034,132	17,370,410	1,501,469	539,991	19,411,870
Interest on long-term debt	6,215,237	-	-	-	-
Total governmental activities	324,441,325	81,473,293	34,497,961	35,646,295	151,617,549
Business-type activities:					
Water	37,322,293	33,842,356	97,212	-	33,939,568
Wastewater	6,959,273	5,274,889	18,287	-	5,293,176
Total business-type activities	44,281,566	39,117,245	115,499	-	39,232,744
Total primary government	\$ 368,722,891	\$ 120,590,538	\$ 34,613,460	\$ 35,646,295	\$ 190,850,293

Taxes:
Property tax
Sales tax
Transient occupancy tax
Business license tax
Franchise tax
Other taxes
Investment income
Net increase in fair value of investments
Other

Total general revenues

Change in net position

Net position, beginning, as previously reported

Restatement for correction of error (note 20)

Net position, beginning, as restated

Net position at end of year

**Net (Expense) Revenue and Changes in Net Assets
Primary Government**

Governmental Activities	Business-type Activities	Total
\$ (10,211,918)	\$ -	\$ (10,211,918)
(115,049,320)	-	(115,049,320)
(22,387,070)	-	(22,387,070)
(5,337,969)	-	(5,337,969)
(13,622,262)	-	(13,622,262)
(6,215,237)	-	(6,215,237)
<u>(172,823,776)</u>	<u>-</u>	<u>(172,823,776)</u>
-	(3,382,726)	(3,382,726)
-	(1,666,097)	(1,666,097)
<u>-</u>	<u>(5,048,823)</u>	<u>(5,048,823)</u>
<u>(172,823,776)</u>	<u>(5,048,823)</u>	<u>(177,872,599)</u>
146,136,873	-	146,136,873
43,444,542	-	43,444,542
31,736,961	-	31,736,961
4,896,557	-	4,896,557
5,152,384	-	5,152,384
203,135	-	203,135
5,834,247	893,332	6,727,579
3,534,164	568,429	4,102,593
2,855,069	-	2,855,069
<u>243,793,932</u>	<u>1,461,761</u>	<u>245,255,693</u>
<u>70,970,156</u>	<u>(3,587,062)</u>	<u>67,383,094</u>
2,355,575,382	157,717,018	2,513,292,400
<u>-</u>	<u>(1,595,235)</u>	<u>(1,595,235)</u>
<u>2,355,575,382</u>	<u>156,121,783</u>	<u>2,511,697,165</u>
<u>\$ 2,426,545,538</u>	<u>\$ 152,534,721</u>	<u>\$ 2,579,080,259</u>

See accompanying notes to basic financial statements

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FINANCIAL SECTION

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

FINANCIAL SECTION

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GOVERNMENTAL FUNDS

Major Funds

The **General Fund** is used to account for fiscal resources that are dedicated to governmental operations of the City, and not required to be accounted for in another fund.

The **Tide and Submerged Land – Operating Fund** is a Special Revenue Fund used to account for revenues related to the operation of the City’s tidelands, including beaches and marinas, and the related expenditures. Revenue from tideland operations includes, but is not limited to, rents from moorings, piers, and leases, as well as income from parking lots, meters, and the sale of oil.

The **Tide and Submerged Land – Harbor Capital Fund** is a Special Revenue Fund used to account for incremental increases in revenue from certain property lease, pier, and mooring rentals that exceed Council designated base year revenue amounts, as well as other designated revenues and the related expenditures for capital projects, maintenance, and servicing of loan advances from the General Fund.

The **Facilities Financial Planning Reserve Fund** is used to account for the receipt and expenditure of funds for the replacement of facilities. In prior years, this fund was called the Facilities Replacement Fund.

The **Debt Service Fund** is used to account for debt service transactions related to the Certificates of Participation issued to finance the construction of the Civic Center Complex and the construction of Fire Station No. 2.

Other Governmental Funds

Other governmental funds are those governmental funds that do not meet the criteria of a major fund. For reporting purposes in this section, they are combined as Other Governmental Funds.

CITY OF NEWPORT BEACH
Governmental Funds
Balance Sheet
June 30, 2024
Page 1 of 2

	Special Revenue Funds		
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital
Assets			
Cash and investments (note 2)	\$ 85,538,605	\$ 7,057,434	\$ 48,689,151
Receivables:			
Accounts (net of allowance)	6,183,059	2,224,279	-
Interest	403,601	39,628	137,249
Intergovernmental receivables	10,533,790	-	-
Lease receivables (note 3)	78,878,480	189,149,589	-
Public-private partnership receivable (note 18)	-	714,546	-
Restricted cash and investments with fiscal agent (note 2)	-	-	-
Due from other funds (note 4)	6,816,287	-	-
Advance to other funds (note 4)	5,676,659	-	-
Prepaid items	1,160,659	101,646	-
Inventory	215,285	-	-
	<u>\$ 195,406,425</u>	<u>\$ 199,287,122</u>	<u>\$ 48,826,400</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 9,195,144	\$ 1,305,980	\$ 42,395
Accrued payroll	6,117,226	62,414	-
Deposits payable	3,041,127	260,510	-
Unearned revenue	3,068,326	980,433	-
Advance from other funds (note 4)	-	-	5,676,659
Due to other funds (note 4)	-	-	-
	<u>21,421,823</u>	<u>2,609,337</u>	<u>5,719,054</u>
Deferred Inflows of Resources:			
Unavailable revenue	285,689	-	-
Deferred amount from leases (note 3)	77,257,725	187,410,062	-
Deferred amount from public-private partnerships (note 18)	-	720,001	-
	<u>77,543,414</u>	<u>188,130,063</u>	<u>-</u>
Fund balances:			
Nonspendable:			
Prepaid items	1,160,659	101,646	-
Inventories	215,285	-	-
Long-term loan receivable	5,676,659	-	-
Permanent endowment	-	-	-
Restricted:			
Upper Newport Bay restoration	-	1,683,144	-
Other (note 15)	-	5,710,272	43,107,346
Committed:			
Capital re-appropriations	436,303	-	-
Oil and gas	-	1,052,660	-
Other (note 15)	6,350,542	-	-
Assigned	-	-	-
Unassigned	82,601,740	-	-
	<u>96,441,188</u>	<u>8,547,722</u>	<u>43,107,346</u>
Total fund balances	<u>\$ 96,441,188</u>	<u>\$ 8,547,722</u>	<u>\$ 43,107,346</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 195,406,425</u>	<u>\$ 199,287,122</u>	<u>\$ 48,826,400</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Governmental Funds
Balance Sheet
June 30, 2024
Page 2 of 2

	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>		
	<u>Facilities Financial Planning Reserve</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Assets				
Cash and investments (note 2)	\$ 20,371,975	\$ -	\$ 111,480,369	\$ 273,137,534
Receivables:				
Accounts (net of allowance)	4,643,968	-	1,011,297	14,062,603
Interest	63,779	-	395,718	1,039,975
Intergovernmental receivables	-	1,039,804	1,919,782	13,493,376
Lease receivables (note 3)	-	-	-	268,028,069
Public-private partnership receivable (note 18)	-	-	-	714,546
Restricted cash and investments with fiscal agent (note 2)	-	7,505,205	27,620,962	35,126,167
Due from other funds (note 4)	-	-	-	6,816,287
Advance to other funds (note 4)	-	-	-	5,676,659
Prepaid items	-	-	39,723	1,302,028
Inventory	-	-	-	215,285
	<u>25,079,722</u>	<u>8,545,009</u>	<u>142,467,851</u>	<u>619,612,529</u>
Total assets	\$ 25,079,722	\$ 8,545,009	\$ 142,467,851	\$ 619,612,529
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 47	\$ 11,148,502	\$ 21,692,068
Accrued payroll	-	-	3,436	6,183,076
Deposits payable	-	-	-	3,301,637
Unearned revenue	-	-	5,267,456	9,316,215
Advance from other funds (note 4)	-	-	-	5,676,659
Due to other funds (note 4)	-	6,221,847	241,439	6,463,286
	<u>-</u>	<u>6,221,894</u>	<u>16,660,833</u>	<u>52,632,941</u>
Total liabilities	-	6,221,894	16,660,833	52,632,941
Deferred Inflows of Resources:				
Unavailable revenue	4,643,968	-	1,599,312	6,528,969
Deferred amount from leases (note 3)	-	-	-	264,667,787
Deferred amount from public-private partnerships (note 18)	-	-	-	720,001
	<u>4,643,968</u>	<u>-</u>	<u>1,599,312</u>	<u>271,916,757</u>
Total deferred inflows of resources	4,643,968	-	1,599,312	271,916,757
Fund balances:				
Nonspendable:				
Prepaid items	-	-	39,723	1,302,028
Inventories	-	-	-	215,285
Long-term loan receivable	-	-	-	5,676,659
Permanent endowment	-	-	4,629,781	4,629,781
Restricted:				
Upper Newport Bay restoration	-	-	-	1,683,144
Other (note 15)	-	2,323,115	59,938,876	111,079,609
Committed:				
Capital re-appropriations	-	-	-	436,303
Oil and gas	-	-	-	1,052,660
Other (note 15)	20,435,754	-	59,829,107	86,615,403
Assigned	-	-	-	-
Unassigned	-	-	(229,781)	82,371,959
	<u>20,435,754</u>	<u>2,323,115</u>	<u>124,207,706</u>	<u>295,062,831</u>
Total fund balances	20,435,754	2,323,115	124,207,706	295,062,831
Total liabilities, deferred inflows of resources and fund balances	\$ 25,079,722	\$ 8,545,009	\$ 142,467,851	\$ 619,612,529

See accompanying notes to basic financial statements

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CITY OF NEWPORT BEACH
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2024

Fund balances of governmental funds	\$ 295,062,831
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of accumulated depreciation have not been included as financial resources in governmental fund activity. Amount excludes capital assets from internal service funds which are added below.	2,371,916,763
All liabilities (both current and long-term) are reported in the Statement of Net Position. Amounts exclude long-term debt activity from internal service funds which have been added below:	
Certificates of participation payable - Series 2010B	(87,800,000)
Certificates of participation payable - Series 2020A	(5,725,000)
Bond premium - Series 2020A	(864,633)
Lease liability	(14,198,968)
Subscription liability	(326,977)
Deferred inflows for improvements by the operator to the underlying asset of a public-private partnership are recognized only in the government-wide statements for governmental activities.	(64,000)
Pension related debt applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pension are only reported in the Statement of Net Position as the changes in these amounts affect only the government-wide statements for governmental activities. Amounts exclude internal service fund activity which has been added below:	
Deferred outflows of resources	121,343,453
Deferred inflows of resources	(2,217,713)
Pension liability	(300,029,538)
OPEB related debt applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to OPEB are only reported in the Statement of Net Position as the changes in these amounts affect only the government-wide statements for governmental activities. Amounts exclude internal service fund activity which has been added below:	
Deferred outflows of resources	20,170,193
Deferred inflows of resources	(619,714)
OPEB liability	(16,432,820)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(3,247,902)
Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds.	6,528,969
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance, fleet management and information technology, to individual funds. The assets (including capital assets) and liabilities of the internal service funds must be added to the statement of net position.	38,150,930
Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.	270,127
Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.	<u>4,629,537</u>
Net position of governmental activities	<u>\$ 2,426,545,538</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024
Page 1 of 2

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Tide and Submerged Land - Operating</u>	<u>Tide and Submerged Land - Harbor Capital</u>
Revenues:			
Taxes and assessments:			
Property tax	\$ 146,136,871	\$ -	\$ -
Sales tax	43,444,542	-	-
Transient occupancy tax	31,736,961	-	-
Other taxes	10,252,076	-	-
Intergovernmental	4,977,096	6,481	-
Licenses, permits and fees	5,568,126	103,338	-
Charges for services	25,117,366	38,081	-
Fines and forfeitures	4,157,294	37,902	-
Investment income	3,200,616	194,821	1,309,710
Net increase in fair value of investments	1,652,435	77,382	790,072
Property income	18,970,340	15,308,476	6,624,712
Donations	418,774	-	-
Special assessments	-	-	-
Other	983,010	14,041	-
	<u>296,615,507</u>	<u>15,780,522</u>	<u>8,724,494</u>
Total revenues			
Expenditures:			
Current:			
General government	21,368,625	516,156	-
Public safety	139,582,338	-	-
Public works	54,085,488	1,507,721	-
Community development	15,384,163	20,637	-
Community services	27,388,952	2,487,623	-
Capital outlay	3,574,983	726,928	546,959
Debt service:			
Principal	1,250,081	-	-
Interest and fiscal charges	83,092	-	-
	<u>262,717,722</u>	<u>5,259,065</u>	<u>546,959</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>33,897,785</u>	<u>10,521,457</u>	<u>8,177,535</u>
Other financing sources (uses):			
Transfers in (note 5)	26,926,241	11,252,355	4,715,000
Transfers out (note 5)	(59,400,346)	(19,333,407)	-
Leases (as lessee)	3,259,414	-	-
Inception of subscription-based IT arrangements	315,569	-	-
	<u>(28,899,122)</u>	<u>(8,081,052)</u>	<u>4,715,000</u>
Total other financing sources (uses)			
Net change in fund balances	4,998,663	2,440,405	12,892,535
Fund balances, beginning	<u>91,442,525</u>	<u>6,107,317</u>	<u>30,214,811</u>
Fund balances, ending	<u>\$ 96,441,188</u>	<u>\$ 8,547,722</u>	<u>\$ 43,107,346</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024
Page 2 of 2

	<u>Capital Project Fund</u>		<u>Debt Service Fund</u>	
	<u>Facilities Financial Planning Reserve</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues:				
Taxes and assessments:				
Property tax	\$ -	\$ -	\$ -	\$ 146,136,871
Sales tax	-	-	-	43,444,542
Transient occupancy tax	-	-	-	31,736,961
Other taxes	-	-	963,173	11,215,249
Intergovernmental	-	2,073,983	20,657,672	27,715,232
Licenses, permits and fees	68,617	-	948,030	6,688,111
Charges for services	-	-	61,917	25,217,364
Fines and forfeitures	-	-	-	4,195,196
Investment income	765,875	87,785	3,827,939	9,386,746
Net increase in fair value of investments	516,408	-	1,548,348	4,584,645
Property income	-	-	295,230	41,198,758
Donations	37,951	-	5,614,105	6,070,830
Special assessments	-	-	26,843,142	26,843,142
Other	-	-	178,204	1,175,255
	<u>1,388,851</u>	<u>2,161,768</u>	<u>60,937,760</u>	<u>385,608,902</u>
Expenditures:				
Current:				
General government	-	-	122,977	22,007,758
Public safety	-	-	550,206	140,132,544
Public works	-	-	9,938,981	65,532,190
Community development	-	-	329,743	15,734,543
Community services	-	-	183,559	30,060,134
Capital outlay	-	-	45,927,164	50,776,034
Debt service:				
Principal	-	4,085,000	-	5,335,081
Interest and fiscal charges	-	6,615,252	-	6,698,344
	<u>-</u>	<u>10,700,252</u>	<u>57,052,630</u>	<u>336,276,628</u>
Excess (deficiency) of revenues over expenditures	<u>1,388,851</u>	<u>(8,538,484)</u>	<u>3,885,130</u>	<u>49,332,274</u>
Other financing sources (uses):				
Transfers in (note 5)	11,072,033	8,677,620	34,788,805	97,432,054
Transfers out (note 5)	(16,825,622)	-	(7,675,179)	(103,234,554)
Leases (as lessee)	-	-	-	3,259,414
Inception of subscription-based IT arrangements	-	-	-	315,569
	<u>(5,753,589)</u>	<u>8,677,620</u>	<u>27,113,626</u>	<u>(2,227,517)</u>
Net change in fund balances	(4,364,738)	139,136	30,998,756	47,104,757
Fund balances, beginning	<u>24,800,492</u>	<u>2,183,979</u>	<u>93,208,950</u>	<u>247,958,074</u>
Fund balances, ending	<u>\$ 20,435,754</u>	<u>\$ 2,323,115</u>	<u>\$ 124,207,706</u>	<u>\$ 295,062,831</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2024

Net change in fund balances - total governmental funds \$ 47,104,757

Amounts reported for governmental activities in the statement of activities differ from the amounts reported in governmental funds because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	31,465,934
Depreciation expense	(12,726,650)

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and issuance costs of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the Statement of Net Position. The amounts are the net effect of these differences in the treatment of long-term debt:

Repayment of principal on bonds	4,085,000
Amortization of principal on leases	1,132,423
Amortization of principal on subscriptions	355,544
Inception of leases	(3,259,414)
Inception of subscription-based IT arrangements	(315,569)

Amortization of deferred inflows for improvements by the operator to the underlying asset of a public-private partnership are recognized only in the government-wide statements for governmental activities. 8,000

Premium on bonds is recognized as revenues in the period received; however, in the statement of activities, it is amortized over the life of the bond.

Amortization of bond premium - Series 2020A	142,131
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Accrued interest for debt service is the net change in accrued interest for the current period. 113,074

Pension expense reported in the governmental funds includes the employer contributions made. In the Statement of Activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources. 1,688,919

OPEB expense reported in the governmental funds includes the employer contributions made. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources. 7,058,228

Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds. This is the net change in unavailable revenue for the current period. 5,369,988

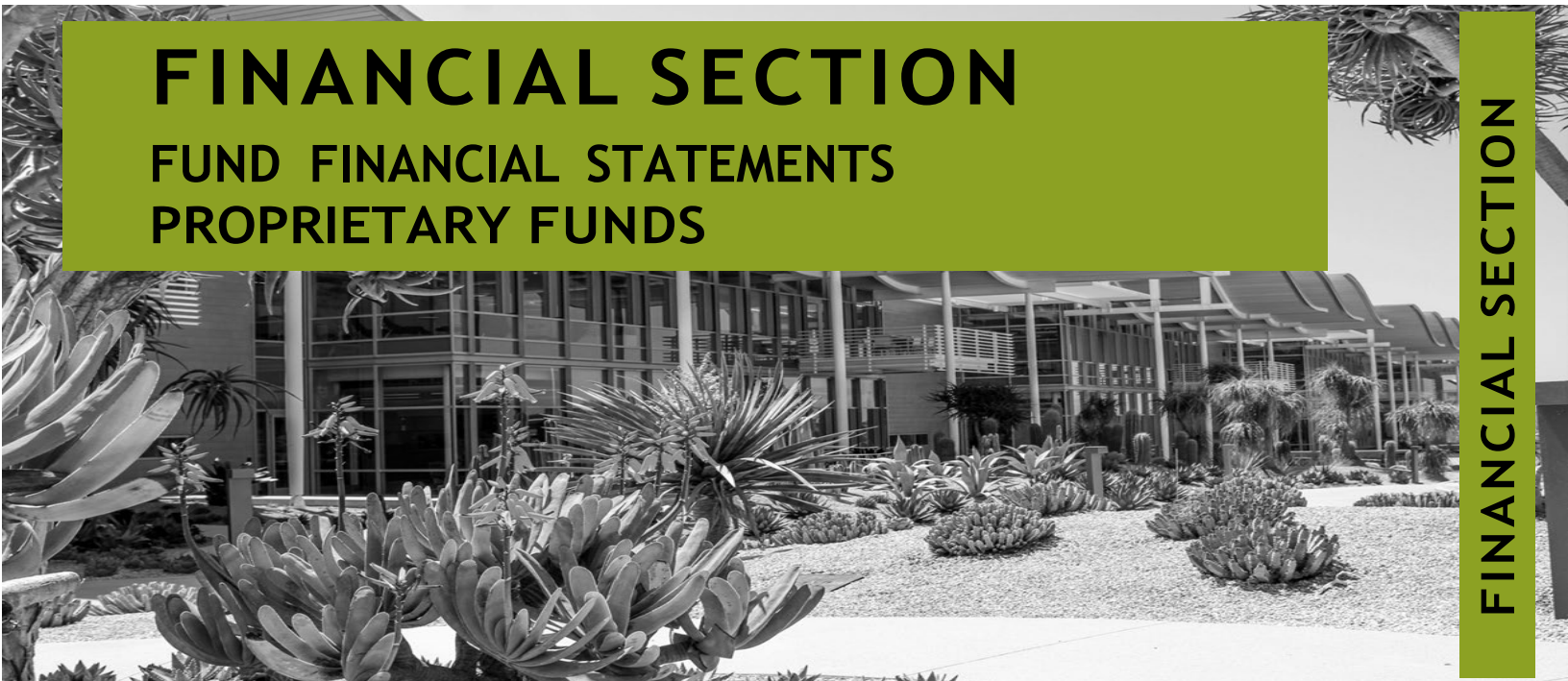
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance and fleet management, to individual funds. The net expense of the internal service funds is reported in the statement of activities. (14,952,609)

Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities. 55,496

Internal balance created by the consolidation of internal service funds activities related to enterprise funds is reflected as a reduction of expenses in the statement of activities.	3,644,904
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Change in net position of governmental activities \$ 70,970,156

See accompanying notes to basic financial statements



FINANCIAL SECTION
FUND FINANCIAL STATEMENTS
PROPRIETARY FUNDS

FINANCIAL SECTION

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PROPRIETARY FUNDS

Business-type Activities

The ***Water Fund*** is a Major Fund used to account for the operations of the City's water utility, a self-supporting activity which is entirely financed through user charges.

The ***Wastewater Fund*** is a Major Fund used to account for the operations of the City's wastewater system, a self-supporting activity which is entirely financed through user charges.

Governmental Activities

The ***Internal Service Funds*** are used to allocate the cost of providing goods and services by one department to other departments on a cost reimbursement basis.

CITY OF NEWPORT BEACH
Proprietary Funds
Statement of Net Position
June 30, 2024

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and investments (note 2)	\$ 25,516,076	\$ 3,456,022	\$ 28,972,098	\$ 86,328,283
Receivables:				
Accounts (net of allowance)	5,288,749	813,272	6,102,021	27,073
Interest	81,485	11,049	92,534	276,922
Intergovernmental receivables	8,747	1,989	10,736	-
Inventories	-	-	-	463,782
Prepaid items	-	-	-	795,898
Total current assets	<u>30,895,057</u>	<u>4,282,332</u>	<u>35,177,389</u>	<u>87,891,958</u>
Noncurrent assets:				
Capital assets (note 6):				
Land	2,219,450	-	2,219,450	-
Intangible right to use land	3,883,062	-	3,883,062	-
Structures	688,396	-	688,396	39,581
Equipment	344,080	35,988	380,068	48,586,874
Intangible right to use equipment	-	-	-	363,725
Software	-	-	-	4,360,625
Intangible right to use subscriptions	-	-	-	2,271,273
Infrastructure	156,834,559	48,826,594	205,661,153	-
Work in progress	4,393,623	14,820	4,408,443	-
Less accumulated depreciation/amortization	<u>(58,686,738)</u>	<u>(21,914,627)</u>	<u>(80,601,365)</u>	<u>(36,450,302)</u>
Total capital assets (net of accumulated depreciation/amortization)	<u>109,676,432</u>	<u>26,962,775</u>	<u>136,639,207</u>	<u>19,171,776</u>
Total assets	<u>140,571,489</u>	<u>31,245,107</u>	<u>171,816,596</u>	<u>107,063,734</u>
Deferred outflows of resources:				
Deferred amount from pension plans (note 11)	3,027,028	1,162,479	4,189,507	2,755,572
Deferred amount from OPEB (note 12)	831,931	319,488	1,151,419	757,325
Total deferred outflows of resources	<u>3,858,959</u>	<u>1,481,967</u>	<u>5,340,926</u>	<u>3,512,897</u>
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	4,589,147	89,627	4,678,774	14,595,739
Accrued payroll	213,382	67,351	280,733	503,683
Deposits payable	26,034	-	26,034	-
Due to other funds (note 4)	-	-	-	353,001
Workers' compensation - current	-	-	-	4,035,291
General liability - current	-	-	-	3,577,058
Compensated absences - current	-	-	-	3,539,392
Lease liability - current	44,364	-	44,364	73,074
Subscription liability - current	-	-	-	204,832
Total current liabilities	<u>4,872,927</u>	<u>156,978</u>	<u>5,029,905</u>	<u>26,882,070</u>
Noncurrent liabilities:				
Workers' compensation (note 7)	-	-	-	19,415,272
General liability (note 7)	-	-	-	7,264,260
Compensated absences (note 7)	-	-	-	10,108,774
Lease liability (note 7)	3,732,290	-	3,732,290	67,340
Subscription liability (note 7)	-	-	-	1,300,946
Net pension liability (note 11)	7,387,359	2,836,972	10,224,331	6,724,871
Net OPEB liability (note 12)	<u>669,977</u>	<u>257,293</u>	<u>927,270</u>	<u>609,899</u>
Total noncurrent liabilities	<u>11,789,626</u>	<u>3,094,265</u>	<u>14,883,891</u>	<u>45,491,362</u>
Total liabilities	<u>16,662,553</u>	<u>3,251,243</u>	<u>19,913,796</u>	<u>72,373,432</u>
Deferred inflows of resources:				
Deferred amount from pension plans (note 11)	31,926	12,261	44,187	29,063
Deferred amount from OPEB (note 12)	25,493	9,788	35,281	23,206
Total deferred inflows of resources	<u>57,419</u>	<u>22,049</u>	<u>79,468</u>	<u>52,269</u>
Net Position				
Net investment in capital assets	105,369,006	26,962,775	132,331,781	17,445,675
Unrestricted	22,341,470	2,491,007	24,832,477	20,705,255
Total net position	<u>\$ 127,710,476</u>	<u>\$ 29,453,782</u>	<u>157,164,258</u>	<u>\$ 38,150,930</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(4,629,537)</u>	
Net position of business-type activities			<u>\$ 152,534,721</u>	

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Proprietary Funds
Statement of Revenues,
Expenses and Changes in Net Position
For the Year Ended June 30, 2024

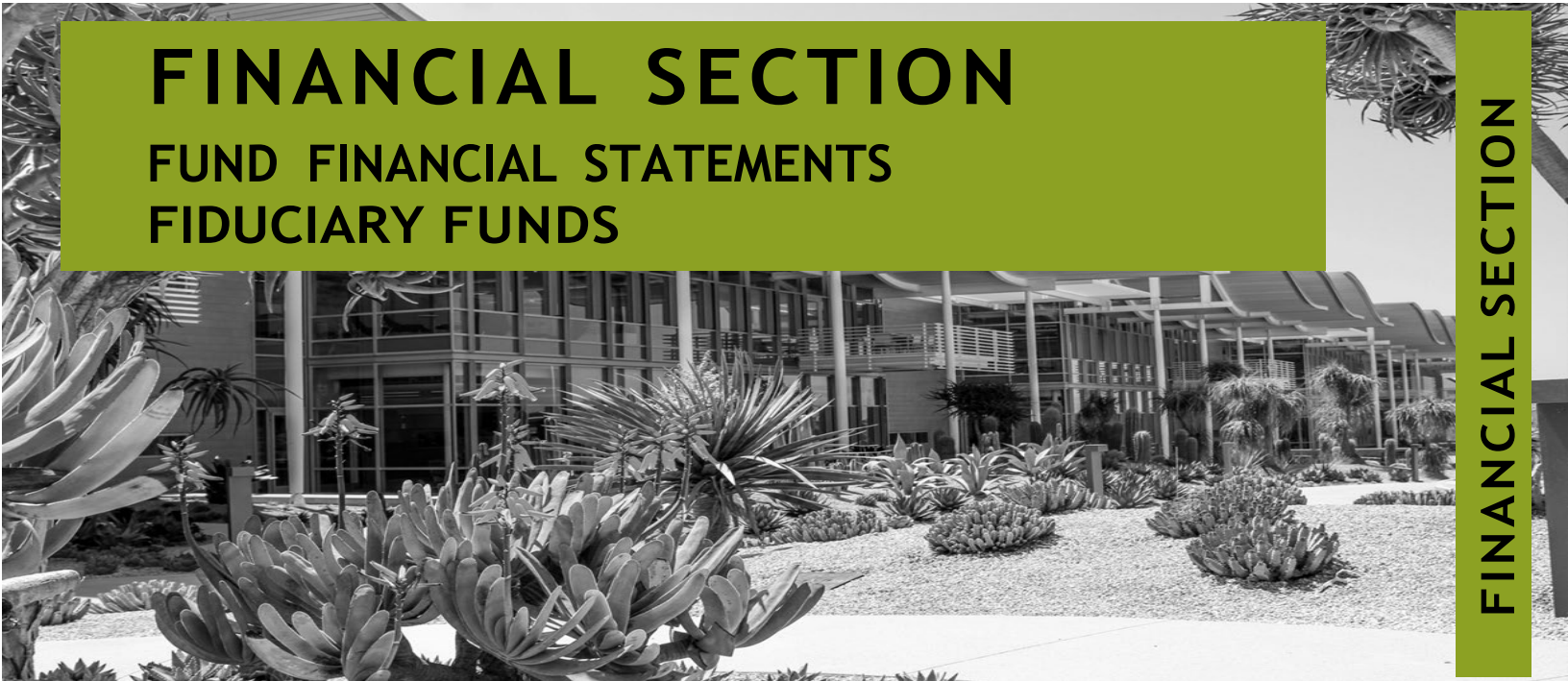
	<u>Enterprise Funds</u>			Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Total Enterprise Funds</u>	
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 33,543,566	\$ -	\$ 33,543,566	\$ -
Charges for services	543	-	543	37,930,386
Sewer service and connection fees	-	5,242,974	5,242,974	-
Employee contributions	-	-	-	24,130
Other	395,459	50,202	445,661	4,335,068
Total operating revenues	<u>33,939,568</u>	<u>5,293,176</u>	<u>39,232,744</u>	<u>42,289,584</u>
Operating expenses:				
Purchase of water	12,583,108	-	12,583,108	-
Salaries and benefits	5,956,940	1,854,288	7,811,228	4,092,908
Depreciation/amortization	1,833,639	646,683	2,480,322	4,100,760
Professional services	2,195,023	602,106	2,797,129	858,195
Maintenance and supplies	3,251,231	1,387,887	4,639,118	3,301,916
System maintenance	4,802,920	712,965	5,515,885	-
Utilities	2,177,696	97,518	2,275,214	-
Fleet parts and supplies	-	-	-	500,453
System maintenance	-	-	-	151,358
Telecommunication	-	-	-	194,919
Hardware	-	-	-	381,955
Software	-	-	-	541,072
Workers' compensation	-	-	-	11,588,497
Claims and judgments	-	-	-	25,766,286
Compensated absences	-	-	-	2,498,119
OPEB ARC - cash subsidy	-	-	-	11,002,082
Other	1,733,430	780,325	2,513,755	2,425,284
Total operating expenses	<u>34,533,987</u>	<u>6,081,772</u>	<u>40,615,759</u>	<u>67,403,804</u>
Operating (loss)	<u>(594,419)</u>	<u>(788,596)</u>	<u>(1,383,015)</u>	<u>(25,114,220)</u>
Nonoperating revenues (expenses):				
Investment income	781,623	111,709	893,332	2,535,077
Net increase in fair value of investments	500,179	68,250	568,429	1,549,091
Gain on sale of capital assets	-	-	-	284,927
Interest expense	(20,903)	-	(20,903)	(9,984)
Total nonoperating revenues	<u>1,260,899</u>	<u>179,959</u>	<u>1,440,858</u>	<u>4,359,111</u>
Income (loss) before transfers	666,480	(608,637)	57,843	(20,755,109)
Transfers in (note 5)	-	-	-	5,802,500
Change in net position	<u>666,480</u>	<u>(608,637)</u>	<u>57,843</u>	<u>(14,952,609)</u>
Net position, beginning of year, as previously reported	128,393,695	30,307,955		53,103,539
Restatement for correction of error (note 20)	<u>(1,349,699)</u>	<u>(245,536)</u>		<u>-</u>
Net position, beginning of year, as restated	<u>127,043,996</u>	<u>30,062,419</u>		<u>53,103,539</u>
Net position, end of year	<u>\$ 127,710,476</u>	<u>\$ 29,453,782</u>		<u>\$ 38,150,930</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(3,644,904)</u>	
Change in net position of business-type activities			<u>\$ (3,587,062)</u>	

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2024

	<u>Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Cash flows from operating activities:				
Cash received from customers or user departments	\$ 33,077,216	\$ 5,082,806	\$ 38,160,022	\$ 37,905,795
Cash payments to employees for services	(6,097,147)	(1,907,241)	(8,004,388)	(10,528,302)
Cash payments to suppliers for goods and services	(24,109,071)	(3,002,739)	(27,111,810)	(28,950,995)
Cash payments for other operating activities	(1,337,971)	(730,123)	(2,068,094)	-
Cash received for other operating activities	-	-	-	4,359,198
Net cash provided by operating activities	<u>1,533,027</u>	<u>(557,297)</u>	<u>975,730</u>	<u>2,785,696</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	5,802,500
Net cash provided by noncapital financing activities	-	-	-	5,802,500
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(3,837,902)	(14,818)	(3,852,720)	(3,680,695)
Lease liabilities and related	(65,023)	-	(65,023)	(63,152)
Subscription liabilities and related	-	-	-	(370,992)
Proceeds from sale of capital assets	-	-	-	284,927
Net cash (used) for capital and related financing activities	<u>(3,902,925)</u>	<u>(14,818)</u>	<u>(3,917,743)</u>	<u>(3,829,912)</u>
Cash flows from investing activities:				
Investment income	1,294,554	182,510	1,477,064	4,081,647
Net cash provided by investing activities	<u>1,294,554</u>	<u>182,510</u>	<u>1,477,064</u>	<u>4,081,647</u>
Net increase (decrease) in cash and cash equivalents	(1,075,344)	(389,605)	(1,464,949)	8,839,931
Cash and cash equivalents, beginning	<u>26,591,421</u>	<u>3,845,630</u>	<u>30,437,051</u>	<u>77,488,352</u>
Cash and cash equivalents, ending	<u>\$ 25,516,077</u>	<u>\$ 3,456,025</u>	<u>\$ 28,972,102</u>	<u>\$ 86,328,283</u>
Reconciliation to the statement of net position:				
Cash and investments reported on statement of net position	<u>\$ 25,516,076</u>	<u>\$ 3,456,022</u>	<u>\$ 28,972,098</u>	<u>\$ 86,328,283</u>
Cash and cash equivalents	<u>\$ 25,516,076</u>	<u>\$ 3,456,022</u>	<u>\$ 28,972,098</u>	<u>\$ 86,328,283</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating (loss)	\$ (594,419)	\$ (788,596)	\$ (1,383,015)	\$ (25,114,220)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,833,639	646,683	2,480,322	4,100,760
Changes in operating assets and liabilities:				
(Increase) in accounts receivable	(452,722)	(159,660)	(612,382)	(24,591)
(Increase) in intergovernmental receivables	(8,747)	(508)	(9,255)	-
(Increase) in inventories	-	-	-	(25,209)
Decrease in prepaid items	-	-	-	180,657
Increase (decrease) in accounts payable and accrued payroll	934,249	(188,569)	745,680	13,662,489
(Decrease) in deposits payable	(5,424)	-	(5,424)	-
Increase in workers' compensation	-	-	-	7,054,410
Increase in general liability	-	-	-	2,152,257
Increase in compensated absences	-	-	-	957,126
Increase in net pension liability and deferred cash flows	117,579	45,156	162,735	107,037
(Decrease) in net OPEB liability and deferred cash flows	(291,128)	(111,803)	(402,931)	(265,020)
Total adjustments	<u>2,127,446</u>	<u>231,299</u>	<u>2,358,745</u>	<u>27,899,916</u>
Net cash provided (used) by operating activities	<u>\$ 1,533,027</u>	<u>\$ (557,297)</u>	<u>\$ 975,730</u>	<u>\$ 2,785,696</u>
Noncash investing, capital and financing activities:				
Net increase in fair value of investments	\$ 500,179	\$ 68,250	\$ 568,429	\$ 1,549,091
Obtaining an intangible right to use lease asset	-	-	-	9,837
Total of noncash activities	<u>\$ 500,179</u>	<u>\$ 68,250</u>	<u>\$ 568,429</u>	<u>\$ 1,558,928</u>

See accompanying notes to basic financial statements



FINANCIAL SECTION

FUND FINANCIAL STATEMENTS
FIDUCIARY FUNDS

FINANCIAL SECTION

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FIDUCIARY FUNDS

The ***Custodial Funds*** are used to account for assets held by the City as an agent for other government entities, private organizations, or individuals.

The ***Other Post-Employment Benefits (OPEB) Trust Fund*** is used to account for the activities of the City's trust for the OPEB plan.

CITY OF NEWPORT BEACH
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2024

	Custodial Funds	OPEB Trust
Assets		
Cash and investments (note 2)	\$ 285,349	\$ -
Restricted cash and investments with fiscal agent (note 2)	4,245,553	46,202,050
Receivable:		
Interest	86	5,625
Intergovernmental receivable	45,980	-
Total assets	4,576,968	46,207,675
Liabilities		
Due to others	13,186	12,338
Total liabilities	13,186	12,338
Net Position		
Restricted for:		
Individuals, organizations, and other governments	4,563,782	46,195,337
Total net position	\$ 4,563,782	\$ 46,195,337

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2024

	<u>Custodial Funds</u>	<u>OPEB Trust</u>
Additions		
Special assessments	\$ 3,277,101	\$ -
Investment earnings	152,832	3,964,765
Other	<u>1,165,060</u>	<u>7,130,405</u>
Total additions	<u>4,594,993</u>	<u>11,095,170</u>
Deductions		
Debt service	2,007,651	-
Administrative	96,944	55,551
Other	<u>127,861</u>	<u>-</u>
Total deductions	<u>2,232,456</u>	<u>55,551</u>
Net increase in fiduciary net position	<u>2,362,537</u>	<u>11,039,619</u>
Net position, beginning of year, as previously reported	<u>2,226,973</u>	<u>-</u>
Restatement for removal of Flexible Spending Account Fund (note 20)	(25,728)	-
Restatement for addition of OPEB Trust Fund (note 20)	<u>-</u>	<u>35,155,718</u>
Total restatements	<u>(25,728)</u>	<u>35,155,718</u>
Net position, beginning of year, as restated	<u>2,201,245</u>	<u>35,155,718</u>
Net position, end of year	<u>\$ 4,563,782</u>	<u>\$ 46,195,337</u>

See accompanying notes to basic financial statements

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FINANCIAL SECTION

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL SECTION

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) Summary of Significant Accounting Policies

The basic financial statements of the City of Newport Beach (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applicable to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

a. Reporting Entity

The City was incorporated on September 1, 1906. The current City Charter was adopted in 1954. Since adoption, the Charter has been amended several times. The most recent Charter amendment was approved by the voters on November 2, 2010. The City operates under a Council-Manager form of government and provides the following services: public safety (police, fire, and marine), highway and streets, cultural and recreation, public improvements, planning and zoning, utilities, and general administrative services.

The financial statements present the financial activity of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. This entity is legally separate from the City. However, the City's elected officials have continuing full or partial accountability for fiscal matters of the component unit. The financial reporting entity consists of: (1) the City, (2) organizations for which the City is financially accountable, and (3) organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City.

Blended Component Unit

The financial statements of the City include the financial activities of the Newport Beach Public Facilities Corporation (the "Corporation"). The Corporation was formed on March 9, 1992, for the purpose of assisting the City of Newport Beach in the financing of public improvements, including the City's Central Library, Civic Center, and most recently the new Fire Station No. 2. The Corporation is governed by a Board of Directors, which is comprised of the seven City Council Members of the City. The Corporation's financial data and transactions are included in the debt service fund. Separate financial statements are not prepared for the Corporation. The debt service fund is used solely to account for the activities of the Corporation and contains no other City debt financing activities.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

b. **Basis of Accounting and Measurement Focus**

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). The City has no discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

b. **Basis of Accounting and Measurement Focus (Continued)**

made about the order in which the resources are considered to be applied. It is the City's practice to consider restricted-net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows/outflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds. Fiduciary funds are excluded from government-wide financial statements. Fiduciary statements include financial information for fiduciary funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days for all revenues.

Property taxes, sales taxes, franchise taxes, gas taxes, motor vehicle license fees, transient occupancy taxes, grants, and interest associated with the current fiscal period are all considered to be subject to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the City.

Revenue recognition is subject to the *measurability* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

b. **Basis of Accounting and Measurement Focus (Continued)**

provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place.

Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect “available spendable resources”, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The amount of net appreciation on investments that is available to support City programs is \$2,216,508. The amount of investment earnings available for expenditure is reported as Restricted Fund Balance in the fund level financial statements. The endowment principal is reported as Nonspendable for Permanent Endowments in the Balance Sheet. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504. The authority for spending investment earnings for scholarships resides with the City Manager, and the authority for periodic maintenance dredging in the Newport Bay resides with the City Council.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

b. **Basis of Accounting and Measurement Focus (Continued)**

Proprietary & Fiduciary Funds

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, proprietary and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets, deferred outflows of resources, all liabilities and deferred inflows of resources (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as reductions of the related liabilities, rather than as expenditures.

When both restricted and unrestricted resources are combined in a proprietary fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Fiduciary funds are also reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

c. **Fund Classifications**

The City utilizes the following broad categories of funds:

Major Funds – Major funds are those funds which are either material or of particular importance.

Major Governmental Funds – Governmental funds are generally used to account for tax supported activities. The following governmental funds meet the criteria of a major fund:

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

c. **Fund Classifications (Continued)**

General Fund

The General Fund is the general operating fund of the City. It is used to account for all activities, except those required to be accounted for in another fund.

Special Revenue Funds

Tide and Submerged Land – Operating

The Tide and Submerged Land – Operating Fund is a special revenue fund used to account for revenues related to the operation of the City’s tidelands, including beaches and marinas, and the related expenditures. Revenue from tideland operations includes, but is not limited to, rents from moorings, piers, and leases, as well as income from parking lots, meters, and the sale of oil.

Tide and Submerged Land – Harbor Capital

The Tide and Submerged Land - Harbor Capital Fund is used to account for incremental increases in revenue from certain property lease, pier, and mooring rentals that exceed Council designated base year revenue amounts, as well as other designated revenues and the related expenditures for capital projects, maintenance, and servicing of loan advances from the General Fund.

Capital Project Fund

Facilities Financial Planning Reserve Fund

The Facilities Financial Planning Reserve Fund is used to account for the receipt and expenditure of funds for the replacement of facilities. In prior years, this fund was called the Facilities Replacement Fund.

Debt Service Fund

The Debt Service Fund is used to account for debt service transactions related to the Certificates of Participation issued to finance the construction of the City’s Civic Center Complex and the construction of Fire Station No. 2.

Major Proprietary Funds – Proprietary funds are used to report an activity for which a fee is charged to external users to recover the cost of operation.

Water Fund

The Water Fund is an enterprise fund used to account for the activities associated with the transmission and distribution of potable water by the City to its users.

Wastewater Fund

The Wastewater Fund is an enterprise fund used to account for the activities associated with providing sewer services by the City to its users.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

c. **Fund Classifications (Continued)**

Other Governmental Funds – Other Governmental Funds are those funds which do not meet the criteria of a major fund. Other Governmental Funds used by the City fall into the following governmental fund types:

Other Special Revenue Funds – Other Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes.

Other Capital Projects Funds – Other Capital Projects Funds are used to account for resources used for the acquisition and construction of capital facilities by the City, except those financed by Enterprise Funds.

Permanent Funds – Permanent Funds are used to report resources that are legally restricted for the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Internal Service Funds – The Internal Service Funds are used to account for the City's self-insured general liability and workers' compensation, compensated absences, and retiree insurance liabilities; the cost of maintaining and replacing the City's rolling stock fleet, parking equipment, coordinated communications systems equipment, certain fire equipment, and recreation equipment; and the cost of maintaining and replacing the City's information technology systems. City departments are the primary users of these services and are charged a fee on a cost reimbursement basis.

Fiduciary Funds – The Custodial Funds, a type of Fiduciary Fund, are used to account for assets held by the City as an agent for property owners with special assessments, and local businesses in business improvements districts. The Other Post-Employment Benefit (OPEB) Trust Fund is used to account for the activities of the City's trust for the OPEB plan.

d. **New Accounting Pronouncements**

Current Year Standards

In fiscal year 2023-24, the City implemented the following GASB Statements:

- GASB Statement No. 100, *Accounting Changes and Error Corrections*, effective for periods beginning after June 15, 2023. The objective of this statement is to amend GASB Statement No. 62 and clarify the existing definition of accounting changes, and requires enhancements to accounting and financial reporting for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

d. **New Accounting Pronouncements (Continued)**

Pending Accounting Standards

GASB has issued the following pronouncements that may impact future financial reporting requirements:

- GASB Statement No. 101, *Compensated Absences*, effective for periods beginning after December 15, 2023. The objective of this Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled.
- GASB Statement No. 102, *Certain Risk Disclosures*, effective for reporting periods beginning after June 15, 2024. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, Effective for reporting periods beginning after June 15, 2025. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) Summary of Significant Accounting Policies (Continued)

e. Cash and Investments

Cash and cash equivalents are defined to be cash on hand and demand deposits.

Investments are generally stated at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Cash and investments are pooled to maximize investment yields. Typically, the City's funds may deposit or withdraw from the City's cash and investments pool on demand without penalty. The net change in fair value and interest earned on the pooled cash and investments is allocated to the respective funds based on each fund's average monthly pooled cash and investments balance. Each fund's share of the pooled cash and investments balance is treated as cash and cash equivalents on the City's statements of cash flows. Consistent with GAAP only the City's proprietary funds report a statement of cash flows.

f. Accounts Receivable

Accounts receivable represent all service and capital project billings other than intergovernmental receivables stated below. As of June 30, 2024, accounts receivable deemed to be uncollectible with an outstanding balance over 120 days past due were written off the City's accounting records to ensure that the income statement and balance sheet are fairly stated at the amount expected to be collected in receivables. Receivables with governmental organizations are generally excluded from the write-off as they are more likely to be received due to the governments' creditworthiness.

g. Intergovernmental Receivables

Intergovernmental receivables represent grant reimbursement requests, capital project billings, and pending transfers of taxes and fees collected by other government agencies. As of June 30, 2024, the balance of these accounts totaled \$13,504,112.

h. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in, first-out method. The City follows the consumption method for inventory control. The costs of governmental fund and internal service fund inventories are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The City follows the consumption method for prepaid items.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) Summary of Significant Accounting Policies (Continued)

i. Capital Assets

Capital assets are tangible and intangible assets, which include land, structures, equipment, and infrastructure assets, and are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Tangible capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Equipment purchased in excess of \$5,000 is capitalized if it has an expected useful life in excess of one year. Buildings, infrastructure, and improvements are capitalized if cost is in excess of \$30,000 and the expected useful life is in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset's life are not capitalized. The City chose to value and report on infrastructure assets in their entirety (e.g., prior to 1980).

Major capital outlays for tangible capital assets and improvements are capitalized as projects are constructed. Tangible capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Contributed tangible capital assets are valued at their estimated acquisition value at the date of contribution. Intangible capital assets are generally an estimated present value of certain future lease or software subscription payments for the leases or subscriptions in which the City is the lessee or subscriber.

Capital assets used in operations are depreciated/amortized using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Tangible capital assets are depreciated over their estimated useful lives. Intangible assets are amortized over the shorter of the estimated useful life of the underlying asset or the period of time included in the estimated present value. Depreciation/amortization is charged as an expense against operations and accumulated depreciation/amortization is reported on the respective balance sheet. The ranges of useful life for depreciation purposes for each capital asset class are as follows:

Structures	15-75 years
Equipment	3-15 years
Infrastructure	20-75 years

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) Summary of Significant Accounting Policies (Continued)

j. Claims and Judgments

The City accounts for material claims and judgments and associated legal and administrative costs when it is probable that the liability claim has been incurred and the amount of the loss can be reasonably estimated. The City records the estimated loss liabilities in the Internal Service Fund. Included therein are claims incurred but not reported, which consists of (a) known loss events expected to be presented as claims later, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported. This is based upon historical actual results that have established a reliable pattern supplemented by specific information about current matters. Small dollar claims and judgments are recorded as expenditures when paid.

k. Property Taxes

The assessment, levy, and collection of property taxes are the responsibility of the County of Orange. The City records property taxes as revenue when received from the County, except at fiscal year-end, when property taxes received within 60 days are accrued as revenue. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	January 1	
Levy date	July 1	
Due dates	November 1	1 st installment
	March 1	2 nd installment
Collection dates	December 10	1 st installment
	April 10	2 nd installment

l. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and limited amounts of earned but unused sick leave benefits, which will be paid to employees upon separation from City service. Beginning in fiscal year 1990, the City adopted a general leave plan to replace the traditional vacation and sick leave plan. The City uses a general leave plan that permits a maximum of three years’ accrual for every employee, above which the excess either stops accruing or is paid out as current compensation. All employees hired prior to January 1, 1990, were given the option of remaining in the traditional vacation and sick leave plan or enrolling in the general leave plan. All employees hired on or after January 1, 1990, are automatically enrolled in the general leave plan. Compensated absences are accrued in the Compensated Absence Internal Service Fund when employee services have been rendered and when it becomes probable that the City will compensate the employees for benefits through paid time off or cash payments at termination or retirement. Benefits that have been earned but are not yet available for use because employees have not met certain conditions are accrued to the extent it is probable that the employees will meet the conditions for compensation in the future.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

m. **Deposits Payable**

In the government-wide and fund-level financial statements, deposits payable represents monies collected for developer deposits, demolition deposits, planning deposits and others, for services which have not yet been performed. These unspent portions are reported as liabilities on the financial statements.

n. **Unearned Revenue**

Unearned revenues are those where asset recognition criteria have been met, but the revenue recognition criteria have not been met.

o. **Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has three items that qualify for reporting in this category. The first item is the deferred outflows related to employer pension and OPEB contributions made after the measurement date. The second item is a deferred outflow related to pensions and OPEB resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of expected remaining service lives of all employees that are provided pensions and OPEB through the plans. The third item is a deferred outflow related to pensions and OPEB resulting from the difference between expected and actual experience. This amount is amortized over a closed period equal to the average of expected remaining service lives of all employees that are provided pensions and OPEB through the plans.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

o. **Deferred Inflows/Outflows of Resources (Continued)**

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has five items that qualify for reporting in this category. The first item is unavailable revenues, which is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants receivable and rent collections. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow related to pensions and OPEB resulting from the difference between actual and expected experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the plans. The third item is a deferred inflow related to pensions and OPEB resulting from the change in assumptions. This amount is amortized over a closed period equal to the average of expected remaining service lives of all employees that are provided pensions through the plans. The fourth item is a deferred inflow for certain leases for which the City is lessor, and relates to a present value estimate of certain future lease payments. This amount generally is amortized over the same time period associated with the related present value estimate. The fifth item is a deferred inflow from a certain public-private partnership arrangement where the City is the transferor, and represents the sum of certain improvements by the operator to the underlying public-private partnership asset and a present-value estimate of certain future payments from the operator to the City. This amount is generally amortized over the same time period associated with the related present value estimate.

p. **Fund Balance Classifications**

The governmental fund balance is made up of different classifications and the following provides explanations as to the nature and purpose of each classification:

Nonspendable fund balance

That portion of fund balance that typically includes amounts that are either (a) not in a spendable form such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact such as endowments.

Restricted fund balance

The portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

p. **Fund Balance Classifications (Continued)**

Committed fund balance

That portion of a fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, and remain binding unless removed in the same manner. The City Council has authority to establish or modify a fund balance commitment by legislation (Council action) and can only rescind a fund balance commitment by new legislation requiring the same voting consensus. The City considers a resolution to constitute a formal action of the City Council for the purposes of establishing committed fund balance.

Assigned fund balance

That portion of a fund balance that includes amounts that are constrained by the City's intent to be used for specific purposes and do not meet the criteria to be classified as restricted or committed. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed. The City's Reserve Policy gives the City Manager the authority to establish, modify, or rescind a fund balance assignment.

Unassigned fund balance

The residual portion of a fund balance that is not otherwise restricted, committed, or assigned. Positive unassigned fund balance is available to be used for any purpose. Only the general fund may report a positive unassigned fund balance. Funds, except the general fund, may report negative unassigned fund balance in certain circumstances.

In the governmental fund statements, when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City uses the most restrictive funds first. The City uses the appropriate funds in the following order: restricted, committed, assigned, and finally unassigned amounts.

q. **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets, deferred outflows of resources, liabilities and deferred inflows of resources, disclosure of contingent assets and liabilities, and the related amounts of revenues and expenditures. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) Summary of Significant Accounting Policies (Continued)

r. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Newport Beach's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2022
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

s. Post-Employment Health Care Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the City of Newport Beach's California Public Employees' Retirement System (CalPERS) Health Plan and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

t. **Lease Liabilities and Receivables**

Lease liabilities and receivables are estimated present values of future lease payments. Estimating present values involves various related estimates, including lease terms and interest rates. The estimated lease term is the time period that the lease is noncancelable, plus extension and termination time periods if based on the lease agreement it is reasonable that the extensions will be exercised, and the terminations will not be exercised. When a lease's implicit interest rate is not known, estimates are made of either the City's incremental borrowing rate or the rate the City may charge a lessee. Non-lease components of lease agreements have been treated as separate non-lease agreements when practicable, and are excluded from the City's estimated lease liabilities and receivables. Leases that do not meet GASB's definition of a lease liability or receivable (e.g., short-term leases, etc.) are also excluded from the City's estimated lease liabilities and receivables.

u. **Subscription-Based Information Technology (IT) Arrangements**

The City is a participant in subscription-based IT arrangements as detailed in note 7. The City recognizes a subscription liability and intangible right to use subscription assets in the financial statements. At the commencement of the arrangement, the City initially measures the liability at the present value of payments expected to be paid during the arrangement term. Subsequently, the liability is reduced by the principal portion of payments made. The intangible right to use subscription assets are initially measured at the initial amount of the subscription liability. Subsequently, the intangible right to use subscription assets are amortized over the life of the arrangement term.

v. **Public-Private Partnerships (PPP)**

The City's public-private partnership receivable is an estimated present-value of future payments from the operator to the City. The estimated public-private partnership term is the time period that the operator's right to use the underlying public-private partnership asset is noncancelable, plus extension and termination time periods if based on the public-private partnership arrangement it is reasonable that the extensions will be exercised, and the terminations will not be exercised. When the public-private partnership arrangement's implicit interest rate is not known an estimate is made of the rate the City may charge an operator. Non-public-private partnership components of public-private partnership arrangements have been treated as separate arrangements when practicable and are excluded from the City's estimated receivable. Arrangements that do not meet GASB's definition of a public private partnership (e.g., leases that do not require the operator to improve the City's existing assets, etc.) are also excluded from the City's estimated receivable.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(2) Cash and Investments

Cash and investments as of June 30, 2024, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$388,437,915
Cash and investments with fiscal agent	35,126,167
Fiduciary funds:	
Cash and investments	285,349
Cash and investments with fiscal agent	<u>50,447,603</u>
Total cash and investments	<u><u>\$474,297,034</u></u>

Cash and investments as of June 30, 2024, consist of the following:

Cash on hand	\$ 27,606
Deposits with financial institutions	16,631,116
Cash and receivables in investment accounts	1,485,892
Investments	<u>456,152,420</u>
Total cash and investments	<u><u>\$474,297,034</u></u>

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. Certain investments related to debt proceeds and the City's OPEB trust are excluded from the table below, because they are governed neither by the California Government Code nor by the City's investment policy. Debt proceeds held by bond trustees are instead governed by the provisions of debt agreements of the City. Investments in the City's OPEB trust are governed by the agreement between the City and the trustee.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(2) Cash and Investments (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Rating</u>
Local Agency Bonds	5 years	30%	5%	A-
U.S. Treasury Obligations	5 years	No Limit	No Limit	None
U.S. Agency Securities	5 years	No Limit	30%	None
FHLMC	5 years	No Limit	30%	None
Banker's Acceptances	180 days	40%	5%	A-1
Commercial Paper	270 days	40%	5%	A-1
Negotiable Certificates of Deposit	2 years	30%	5%	A-1
Repurchase Agreements	30 days	No Limit	5%	A-1
Reverse Repurchase Agreements	30 days	10%	5%	None
Medium-Term Notes	5 years	30%	5%	A-
Mutual Funds	N/A	20%	10%	AAA
Money Market Mutual Funds	N/A	20%	20%	AAAm
Mortgage Pass-Through Securities	5 years	20%	5%	AAA
California Asset Management Program (CAMP)	N/A	\$75 million	\$75 million	None
Local Agency Investment Fund (LAIF)	N/A	\$75 million	\$75 million	N/A
Supranationals	5 years	20%	10%	AA-

*Excluding amounts held by bond trustee and by the OPEB trust that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees (i.e., fiscal agents) are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(2) Cash and Investments (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	6 months - No Limit	No Limit	No Limit
U.S. Agency Securities	6 months - No Limit	No Limit	No Limit
Banker's Acceptances	6 months - 1 Year	0% - No Limit	No Limit
Commercial Paper	180 days - 6 months	No Limit	10%
Money Market Mutual Funds	N/A	No Limit	No Limit
Investment Agreements	6 months - No Limit	No Limit	No Limit
Certificates of Deposit	6 months - No Limit	No Limit	No Limit
Demand Deposits	6 months - No Limit	No Limit	No Limit
Time Deposits	6 months - No Limit	No Limit	No Limit
Local Agency Bonds	6 months - No Limit	No Limit	No Limit
Forward Delivery Agreement	6 months - No Limit	0% - No Limit	No Limit
Forward Purchase Agreement	6 months - No Limit	0% - No Limit	No Limit
Repurchase Agreements	6 months - No Limit	No Limit	No Limit
Local Agency Investment Fund (LAIF)	N/A	No Limit	No Limit
Municipal Obligations	6 months - No Limit	No Limit	No Limit
County Pooled Investment Funds	N/A	0% - No Limit	No Limit

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees and by the OPEB trust) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(2) Cash and Investments (Continued)

Investment Type	Fair Value	Investment Maturities (In Years)				Total
		Less than 1	1 to 3	3 to 5	More than 5	
Money Market Funds	\$ 12,329,522	\$ 12,329,522	\$ -	\$ -	\$ -	\$ 12,329,522
U.S. Treasury Bills	77,815,938	77,815,938	-	-	-	77,815,938
U.S. Treasuries	111,989,778	75,073,780	24,277,195	12,638,803	-	111,989,778
Commercial Papers	4,812,662	4,812,662	-	-	-	4,812,662
Certificates of Deposit	5,999,433	5,999,433	-	-	-	5,999,433
U.S. Agency Bonds	15,353,100	8,069,550	3,318,350	3,965,200	-	15,353,100
U.S. Agency Discount Bonds	10,643,320	10,643,320	-	-	-	10,643,320
FHLMC	12,570,371	5,545,275	7,025,096	-	-	12,570,371
Asset Backed Securities	5,871,122	2,440,518	3,430,604	-	-	5,871,122
Corporate Bonds	44,625,358	22,953,449	10,077,159	11,594,750	-	44,625,358
CAMP	51,011,428	51,011,428	-	-	-	51,011,428
LAIF	10,320,499	10,320,499	-	-	-	10,320,499
Yankee Bonds	1,997,680	1,997,680	-	-	-	1,997,680
Supranationals	6,381,433	6,381,433	-	-	-	6,381,433
Investments with Fiscal Agent:						
Money Market Funds	17,432,588	17,432,588	-	-	-	17,432,588
U.S. Treasury Bills	435,789	435,789	-	-	-	435,789
U.S. Treasuries	17,767,397	9,514,318	8,253,079	-	-	17,767,397
U.S. Agency Securities	2,301,100	1,438,373	862,727	-	-	2,301,100
LAIF	291,852	291,852	-	-	-	291,852
Investments with OPEB Trust:						
Money Market Funds	1,600,784	1,600,784	-	-	-	1,600,784
Mutual Funds - Fixed Income	16,834,993	16,834,993	-	-	-	16,834,993
Mutual Funds - Equity	27,766,273	27,766,273	-	-	-	27,766,273
Totals	\$ 456,152,420	\$ 370,709,457	\$ 57,244,210	\$ 28,198,753	\$ -	\$ 456,152,420

Assuming callable securities (if any) will not be called.

Some of the City's investments may have call features where the investments' principal may be paid down before its maturity. Such investments include asset backed securities, FHLMCs, investments with make whole call provisions, and investments with call dates.

The City's asset backed securities pay monthly coupons, at which time principal may be paid down. As of June 30, 2024, the City held asset backed securities of about \$5.9 million.

The City's FHLMCs may pay down principal prior to maturity. As of June 30, 2024, the City held FHLMCs of about \$12.6 million.

Investments with make whole call provisions generally may be called any time, but the terms of the call price generally mitigate the financial impact of a call. As of June 30, 2024, the City held corporate and Yankee bonds with make whole call provisions as summarized below:

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(2) Cash and Investments (Continued)

Maturity	Value
July 2024	\$ 1,997,680
February 2025	977,990
March 2027	1,921,060
September 2027	1,044,524
January 2029	1,185,972
February 2029	1,200,972
Total	8,328,198
	\$ 16,656,396

Investments with call dates may be called anytime on or after the call date. As of June 30, 2024, the City held corporate bonds with call dates as summarized below:

Maturity	Value	Call Date
April 2025	\$ 1,450,264	March 2025
February 2026	878,076	February 2025
May 2027	2,928,870	April 2027
Total	\$ 5,257,210	

Investments may have both a make whole call provision and a regular call date. As of June 30, 2024, the City held corporate bonds with both a make whole call provision and a regular call date as summarized below:

Maturity	Value	Call Date
July 2024	\$ 469,098	July 2024
September 2024	992,830	August 2024
March 2025	2,934,180	February 2025
April 2025	2,927,460	March 2025
August 2025	2,368,813	May 2025
July 2026	1,980,340	July 2025
September 2027	977,340	August 2027
June 2029	1,243,438	May 2029
Total	\$ 13,893,499	

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(2) Cash and Investments (Continued)

Approximately \$5.7 million of the investments that are FHLMC's or have either a regular call date or both a make whole call provision and a regular call date, also have interest rate reset dates. If \$2.9 million of the securities with interest rate reset dates are not called by their call date, then these securities will convert to floating rate securities tied to a benchmark index. Prior to their call date, these securities pay a fixed rate of interest. An additional \$2.8 million of the securities with interest rate reset dates are FHLMC's with a potential variable coupon rate.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2024, the City did not have any investments (including investments held by fiscal agent) whose fair values were highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following schedule is the minimum rating (where applicable) required by the California Government Code, the City's investment policy, or debt agreements, and the actual rating by Standard & Poor's as of June 30, 2024 for each investment type.

Investment Type	Fair Value	Minimum Legal Rating												
			AAA	AAAm	AA+	AA	AA-	A-1+	A-1	A+	A	A-	Not Rated	
Money Market Funds	\$12,329,522	AAAm	\$ -	\$ 12,329,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Bills	77,815,938	None	-	-	-	-	-	-	77,815,938	-	-	-	-	-
U.S. Treasuries	111,989,778	None	-	-	111,989,778	-	-	-	-	-	-	-	-	-
Commercial Papers	4,812,662	A-1	-	-	-	-	-	-	-	-	-	-	-	4,812,662
Certificates of Deposit	5,999,433	A-1	-	-	-	-	-	2,999,895	2,999,538	-	-	-	-	-
U.S. Agency Bonds	15,353,100	None	-	-	15,353,100	-	-	-	-	-	-	-	-	-
U.S. Agency Discount Bonds	10,643,320	None	-	-	-	-	-	10,643,320	-	-	-	-	-	-
FHLMC	12,570,371	None	-	-	12,570,371	-	-	-	-	-	-	-	-	-
Asset Backed Securities	5,871,122	AAA	4,573,711	-	-	-	-	-	-	-	-	-	-	1,297,411
Corporate Bonds	44,625,358	A-	-	-	9,119,006	977,340	6,031,192	-	-	10,300,913	15,238,577	2,958,330	-	-
CAMP	51,011,428	None	-	51,011,428	-	-	-	-	-	-	-	-	-	-
LAIF	10,320,499	None	-	-	-	-	-	-	-	-	-	-	-	10,320,499
Yankee Bonds	1,997,680	A-	-	-	-	-	-	-	-	-	-	-	1,997,680	-
Supranationals	6,381,433	AA-	6,381,433	-	-	-	-	-	-	-	-	-	-	-
Investments with Fiscal Agent:														
Money Market Funds	17,432,588	AAm	-	17,432,588	-	-	-	-	-	-	-	-	-	-
U.S. Treasury Bills	435,789	None	-	-	-	-	-	435,789	-	-	-	-	-	-
U.S. Treasuries	17,767,397	None	-	-	17,767,397	-	-	-	-	-	-	-	-	-
U.S. Agency Securities	2,301,100	None	-	-	2,301,100	-	-	-	-	-	-	-	-	-
LAIF	291,852	None	-	-	-	-	-	-	-	-	-	-	-	291,852
Investments with OPEB Trust:														
Money Market Funds	1,600,784	None	-	1,600,784	-	-	-	-	-	-	-	-	-	-
Mutual Funds - Fixed Income	16,834,993	None	-	-	-	-	-	-	-	-	-	-	-	16,834,993
Mutual Funds - Equity	27,766,273	None	-	-	-	-	-	-	-	-	-	-	-	27,766,273
Totals	\$ 456,152,420		\$ 10,955,144	\$ 82,374,322	\$ 169,100,752	\$ 977,340	\$ 6,031,192	\$ 91,894,942	\$ 2,999,538	\$ 10,300,913	\$ 15,238,577	\$ 4,956,010	\$ 61,323,690	

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(2) Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the City and the California Government Code limit the amount that can be invested in any one issuer as previously discussed. There were no investments in any one issuer (excluding U.S. treasury bills, U.S. treasuries, mutual funds, and pooled investments) that represented 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2024, none of the City's deposits with financial institutions in excess of federal depository amounts were held in uncollateralized accounts.

For investments identified herein as restricted cash with fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in California Asset Management Trust's Cash Reserve Portfolio (CAMP)

The City voluntarily invests in the Cash Reserve Portfolio (CAMP) of the California Asset Management Trust (CAMT). CAMT is an external investment pool that is both a California joint exercise of powers authority regulated by California Government Code Section 6509.7 and a common law trust regulated by CAMT's bylaws and declaration of trust. Oversight of CAMT is provided by CAMT's trustees. Other than CAMT's initial trustees, CAMT's board of trustees appoints trustees to indefinite terms, and these appointed trustees are subject to approval by participants in CAMT that have executed CAMT's declaration of trust. Because the City has not executed CAMT's declaration of trust, the City has no voting rights with CAMT.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(2) Cash and Investments (Continued)

One of CAMP's investment objectives is to maintain a stable net asset value of \$1.00 per share. According to CAMT's audited financial statements for calendar year 2023, "In accordance with GASB Statement No. 79, Cash Reserve Portfolio securities are valued at amortized cost, which approximates fair value." CAMP is rated AAAm by S&P Global. Under normal circumstances the City may withdraw from its investment with CAMP "upon proper notice without restrictions". CAMT may suspend withdrawals in limited circumstances.

Investment in State Investment Pool

The City voluntarily invests in the Local Agency Investment Fund (LAIF). LAIF is an external investment pool that is regulated by California Government Code Sections 16429.1 – 16429.4. Oversight of LAIF is provided by the Local Investment Advisory Board (LIAB). LIAB's chairman is the State Treasurer or his or her designee. The State Treasurer also appoints the remaining four members of LIAB to serve two-year terms or at the State Treasurer's pleasure. California Government Code Section 16429.2 specifies the required qualifications of the State Treasurer's appointees to LAIF.

LAIF provides the fair value of the City's investment in LAIF, which is reported in the accompanying financial statements and is based upon the City's pro-rata share of the fair value of the entire LAIF portfolio, in relation to the amortized cost of that portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF's credit risk is not rated by a nationally recognized statistical rating organization.

Limitations and restrictions apply to the City's investment in LAIF. Up to 15 transactions with LAIF are permitted each month. Balances in LAIF may not exceed \$75 million, with the exception of bond accounts. LAIF requests one day prior notice for transactions of \$10 million or more.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(2) Cash and Investments (Continued)

Investments in Other Post-Employment Benefits (OPEB) Trust

The City established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the City's OPEB plan. The OPEB Trust's cash and investments are managed by a third-party portfolio manager under guidelines approved by the City. Those guidelines are as follows:

Risk Tolerance	Moderate
Risk Management	The portfolio is constructed to control risk through diversification of asset classes (cash, fixed income, and equity), investment styles (large cap, small cap, international, etc.), and securities. Disciplined mutual fund selection and monitoring processes help to drive return potential while reducing portfolio risk.
Investment Objective	To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.
Strategic Ranges	0% - 20% Cash 30% - 50% Fixed Income 50% - 70% Equity

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Most of the City's investments are in Level 2 of the fair value hierarchy. Examples of Level 2 valuation inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(2) Cash and Investments (Continued)

Following are the City's recurring fair value measurements as of June 30, 2024:

	Fair Value	Investments That Are Not Subject to Fair Value Hierarchy	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$12,329,522	\$ 12,329,522	\$ -	\$ -	\$ -
U.S. Treasury Bills	77,815,938	-	-	77,815,938	-
U.S. Treasuries	111,989,778	-	-	111,989,778	-
Commercial Papers	4,812,662	-	-	4,812,662	-
Certificates of Deposit	5,999,433	-	-	5,999,433	-
U.S. Agency Bonds	15,353,100	-	-	15,353,100	-
U.S. Agency Discount Bonds	10,643,320	-	-	10,643,320	-
FHLMC	12,570,371	-	-	12,570,371	-
Asset Backed Securities	5,871,122	-	-	5,871,122	-
Corporate Bonds	44,625,358	-	-	44,625,358	-
CAMP	51,011,428	51,011,428	-	-	-
LAIF	10,320,499	10,320,499	-	-	-
Yankee Bonds	1,997,680	-	-	1,997,680	-
Supranationals	6,381,433	-	-	6,381,433	-
Investments with Fiscal Agent:					
Money Market Funds	17,432,588	17,432,588	-	-	-
U.S. Treasury Bills	435,789	-	-	435,789	-
U.S. Treasuries	17,767,397	-	-	17,767,397	-
U.S. Agency Securities	2,301,100	-	-	2,301,100	-
LAIF	291,852	291,852	-	-	-
Investments with OPEB Trust:					
Money Market Funds	1,600,784	1,600,784	-	-	-
Mutual Funds - Fixed Income	16,834,993	-	3,183,119	13,651,874	-
Mutual Funds - Equity	27,766,273	-	5,475,356	22,290,917	-
Totals	<u>\$ 456,152,420</u>	<u>\$ 92,986,673</u>	<u>\$ 8,658,475</u>	<u>\$ 354,507,272</u>	<u>\$ -</u>

(3) Lease Receivables

City as Lessor

Lease agreements that meet the requirements of GASB 87 for which the City is the lessor are disclosed as lease receivables on the City's financial statements. Included in the City's lease receivables are over 900 agreements related to land and structures. GASB 87 excludes certain inflows (e.g., certain variable payments, etc.) from the measurement of lease receivables. For the fiscal year ending June 30, 2024, the City recognized \$4,487,725 of variable payments related to the lease receivables that were excluded from the measurement of the lease receivables. Lease inflows, including inflows excluded from GASB 87, are included on the City's financial statements as property income. Lease inflows for interest revenue from amortization of the GASB 87 lease

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(3) Lease Receivables (Continued)

receivables totaled \$3,092,111. Lease inflows for lease revenue from amortization of the related GASB 87 deferred inflows of resources from leases was \$10,363,339. Lease receivables at June 30, 2024 were \$268,028,069.

Regulated Lease

While not technically a lease, the City licenses streetlight space for cellphone antennas and related equipment to a cellphone company. Restrictions to the license cause the license to be a GASB 87 regulated lease that is excluded from GASB 87's present value calculations and notes. Generally, these licensed streetlight spaces are licensed nonexclusively, but some of these licensed spaces may be licensed exclusively. The total revenue recognized during the fiscal year for this license was \$8,182. Below are the expected future minimum payments to the City from this license. License payments by the cellphone company to the City do not secure debt issued by the City.

Year Ending June 30,	License Payments
2025	\$ 8,186
2026	1,500
2027	1,500
2028	1,500
2029	1,500
2030-2034	7,500
2035-2039	<u>7,000</u>
Total	<u>\$ 28,686</u>

(4) Interfund Receivables and Payables

At June 30, 2024, interfund receivables and payable were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 6,816,287	\$ -
Debt Service Fund	-	6,221,847
Internal Service Fund	-	353,001
Other Governmental Funds	-	241,439

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(4) Interfund Receivables and Payables (Continued)

The above balances are primarily due to reclassification of negative cash balances in the city-wide cash pool.

At June 30, 2024, interfund advances receivable and payable were as follows:

	Due From	Due To
General Fund	\$ 5,676,659	\$ -
Tide and Submerged Land - Harbor Capital Fund	-	5,676,659

The General Fund advance to the Tide and Submerged Land – Harbor Capital Fund was utilized for dredging within the City’s Tidelands. Repayment of the advance to the General Fund is funded from incremental revenue increases generated from certain leases, mooring rents, commercial and residential pier rents, and parking meter revenues.

The annual amortization of the repayment of the advance is as follows:

Harbor Capital Fund Advance - Repayment Terms (Zero-Interest Advance)			
	Advance #1 Dredging Projects	Advance #2 Marina Park Project	Total
Fiscal Year	Repayment	Repayment	Repayment
2025	\$ 750,000	\$ 500,000	\$ 1,250,000
2026	750,000	500,000	1,250,000
2027	750,000	500,000	1,250,000
2028	426,659	500,000	926,659
2029	-	500,000	500,000
2030	-	500,000	500,000
Totals	\$ 2,676,659	\$ 3,000,000	\$ 5,676,659

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(5) Interfund Transfers

Interfund transfers at June 30, 2024, consisted of the following:

		Transfers In							
		General Fund	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Facilities Financial Planning Reserve	Debt Service	Internal Service Funds	Other Governmental Funds	Total
Transfers Out	General Fund	\$ -	\$ 11,170,010	\$ 4,715,000	\$ 11,072,033	\$ 8,677,620	\$ 5,802,500	\$ 17,963,183	\$ 59,400,346
	Tide and Submerged Land - Operating	19,333,407	-	-	-	-	-	-	19,333,407
	Facilities Financial Planning Reserve	-	-	-	-	-	-	16,825,622	16,825,622
	Other Governmental Funds	7,592,834	82,345	-	-	-	-	-	7,675,179
	Totals	<u>\$26,926,241</u>	<u>\$ 11,252,355</u>	<u>\$ 4,715,000</u>	<u>\$ 11,072,033</u>	<u>\$ 8,677,620</u>	<u>\$ 5,802,500</u>	<u>\$ 34,788,805</u>	<u>\$ 103,234,554</u>

The City typically uses transfers to fund ongoing subsidies and to set aside resources for long-term needs such as capital facilities replacement and major maintenance. The General Fund transferred:

- \$11,170,010 to the Tide and Submerged Land – Operating Fund to subsidize the maintenance and operation;
- \$4,715,000 to the Tide and Submerged Land – Harbor Capital Fund to cash fund Harbor Capital projects;
- \$11,072,033 to the Facilities Financial Planning Reserve Fund to cash fund construction projects for General Fund supported facilities;
- \$8,677,620 to the Debt Service Fund for the debt service payments related to the Civic Center Certificates of Participation and the Fire Station No. 2 Certificates of Participation;
- \$5,802,500 to the Retiree Insurance Internal Service Fund to fund the OPEB Trust; and
- \$17,963,183 to Other Governmental Funds, which includes \$12,776,641 to the Unrestricted Capital Improvements Fund to cash fund General Fund capital improvements, \$15,290 to close Measure M project, \$1,665,952 the Neighborhood Enhancement Fund for capital improvements, \$1,000,000 to the Park Maintenance Fund for maintenance of parks, \$2,500,000 to the Facilities Maintenance Fund for maintenance of facilities, and \$5,300 to the Assessment District Fund services.

The Tide and Submerged Land – Operating Fund transferred \$19,333,407 to the General Fund to reimburse for tidelands related expenditures.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(5) Interfund Transfers (Continued)

The Facilities Financial Planning Reserve Fund also transferred \$16,825,622 to Other Governmental Funds as follows:

- \$6,955,012 to the Parks and Community Centers Fund to fund construction of a new library lecture hall;
- \$4,940,281 to the Miscellaneous FFP Projects Fund for CNG fueling support facility and transfer station rehabilitation;
- \$4,643,968 to the Contributions Fund to fund the construction of a new library lecture hall; and
- \$286,361 to the Junior Lifeguards Fund to cash fund construction projects related to the Junior Lifeguard Building.

Other Governmental Funds transferred \$7,675,179 to other funds as follows:

- The Contributions Fund transferred \$135,892 to the General Fund and \$82,345 to the Tide and Submerged Land - Operating Fund, to reimburse those funds for expenses related to a storm drain dry weather diversion capital project;
- The American Rescue Plan Act Fund transferred \$5,226,642 to the General Fund for public safety services incurred on fire operations;
- The Assessment District Fund transferred \$1,230,300 to the General Fund as reimbursement for engineering and design work related to Assessment Districts;
- The Unrestricted Capital Improvements Fund transferred \$1,000,000 to the General Fund for the Travelodge North Homekey project.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(6) Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
Non-depreciable/non-amortizable:				
Land and rights of way	\$ 1,918,486,226	\$ 3,908,965	\$ (64,792)	\$1,922,330,399
Work in progress	13,838,976	17,712,529	(9,351,270)	22,200,235
	<u>1,932,325,202</u>	<u>21,621,494</u>	<u>(9,416,062)</u>	<u>1,944,530,634</u>
Depreciable/amortizable:				
Structures	260,708,379	9,509,647	(37,808)	270,180,218
Intangible right to use structures	13,927,685	3,259,414	-	17,187,099
Equipment	60,805,831	3,843,617	(1,129,005)	63,520,443
Intangible right to use equipment	353,888	9,837	-	363,725
Intangible right to use subscriptions	2,634,434	616,790	(584,372)	2,666,852
Infrastructure	400,132,758	11,340,723	(5,078,734)	406,394,747
	<u>738,562,975</u>	<u>28,580,028</u>	<u>(6,829,919)</u>	<u>760,313,084</u>
Less accumulated depreciation/amortization for:				
Structures	(64,472,932)	(6,031,296)	-	(70,504,228)
Intangible right to use structures	(1,921,060)	(1,221,283)	-	(3,142,343)
Equipment	(41,460,147)	(4,088,541)	1,078,403	(44,470,285)
Intangible right to use equipment	(117,809)	(83,595)	-	(201,404)
Intangible right to use subscriptions	(403,595)	(454,384)	336,407	(521,572)
Infrastructure	(189,743,313)	(7,577,849)	2,405,815	(194,915,347)
	<u>(298,118,856)</u>	<u>(19,456,948)</u>	<u>3,820,625</u>	<u>(313,755,179)</u>
Net depreciable/amortizable	<u>440,444,119</u>	<u>9,123,080</u>	<u>(3,009,294)</u>	<u>446,557,905</u>
Net capital assets	<u>\$ 2,372,769,321</u>	<u>\$ 30,744,574</u>	<u>\$ (12,425,356)</u>	<u>\$2,391,088,539</u>

Governmental Activities capital assets net of accumulated depreciation/amortization at June 30, 2024 are comprised of the following:

General Capital Assets, net	\$ 2,371,916,763
Internal Service Fund Capital Assets, net	<u>19,171,776</u>
Total	<u>\$ 2,391,088,539</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(6) Capital Assets (Continued)

Business-type Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2024
Non-depreciable/non-amortizable:				
Land	\$ 2,219,450	\$ -	\$ -	\$ 2,219,450
Work in progress	7,697,408	1,856,408	(5,145,373)	4,408,443
	<u>9,916,858</u>	<u>1,856,408</u>	<u>(5,145,373)</u>	<u>6,627,893</u>
Depreciable/amortizable:				
Intangible right to use land and right of way	3,883,062	-	-	3,883,062
Structures	688,396	-	-	688,396
Equipment	337,180	42,888	-	380,068
Infrastructure	198,854,753	8,189,807	(1,383,407)	205,661,153
	<u>203,763,391</u>	<u>8,232,695</u>	<u>(1,383,407)</u>	<u>210,612,679</u>
Less accumulated depreciation/amortization for:				
Intangible right to use land and right of way	(74,169)	(53,656)	-	(127,825)
Structures	(310,212)	(15,357)	-	(325,569)
Equipment	(236,129)	(17,935)	-	(254,064)
Infrastructure	(77,792,931)	(2,393,374)	292,398	(79,893,907)
	<u>(78,413,441)</u>	<u>(2,480,322)</u>	<u>292,398</u>	<u>(80,601,365)</u>
Net depreciable/amortizable	<u>125,349,950</u>	<u>5,752,373</u>	<u>(1,091,009)</u>	<u>130,011,314</u>
Net capital assets	<u>\$ 135,266,808</u>	<u>\$ 7,608,781</u>	<u>\$ (6,236,382)</u>	<u>\$ 136,639,207</u>

Depreciation/amortization expense was charged in the following functions in the Statement of Activities:

	Governmental Activities	Business-type Activities
General Government	\$ 6,686,354	\$ -
Public Safety	2,299,560	-
Public Works	174,632	-
Community Development	478,587	-
Community Service	9,817,815	-
Water	-	1,833,639
Wastewater	-	646,683
Totals	<u>\$ 19,456,948</u>	<u>\$ 2,480,322</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(6) Capital Assets (Continued)

Internal Service Fund depreciation/amortization of \$4,100,760 is allocated to governmental functions above.

(7) Long-Term Liabilities

Changes in Long-Term Liabilities

The long-term liabilities for governmental activities for the fiscal year ended June 30, 2024, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Other debt:					
Certificates of participation - Series 2010B	\$ 91,190,000	\$ -	\$ (3,390,000)	\$ 87,800,000	\$ 3,510,000
Certificates of participation - Series 2020A	6,420,000	-	(695,000)	5,725,000	725,000
Bond premium - Series 2020A	1,006,764	-	(142,131)	864,633	-
Other long-term liabilities:					
Workers' compensation payable	16,396,153	11,588,497	(4,534,087)	23,450,563	4,035,291
Claims and judgments payable	8,689,061	25,766,286	(23,614,029)	10,841,318	3,577,058
Compensated absences	12,691,040	2,498,119	(1,540,993)	13,648,166	3,539,392
Lease liability	12,274,149	3,269,251	(1,204,018)	14,339,382	1,272,450
Subscription liability	<u>2,235,133</u>	<u>315,569</u>	<u>(717,947)</u>	<u>1,832,755</u>	<u>289,030</u>
Total governmental activities	<u>\$ 150,902,300</u>	<u>\$ 43,437,722</u>	<u>\$ (35,838,205)</u>	<u>\$ 158,501,817</u>	<u>\$ 16,948,221</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, liabilities for workers' compensation, claims and judgments, compensated absences, and net OPEB obligation are typically liquidated from the internal service funds through resources collected from individual funds.

The long-term liabilities for business-type activities for the fiscal year ended June 30, 2024, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Lease liability	<u>\$3,820,774</u>	<u>\$ -</u>	<u>\$ (44,120)</u>	<u>\$3,776,654</u>	<u>\$ 44,364</u>
Total business-type activities	<u>\$3,820,774</u>	<u>\$ -</u>	<u>\$ (44,120)</u>	<u>\$3,776,654</u>	<u>\$ 44,364</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(7) Long-Term Liabilities (Continued)

2010 Certificates of Participation

In fiscal year 2010-11, the City issued \$20,085,000 of Series 2010A (Tax Exempt) and \$106,575,000 of Series 2010B (Federally Taxable Direct Pay Build America Bonds) Certificates of Participation. The 2010A Certificates were issued to prepay the \$3,990,000 principal outstanding on the 1998 Library Certificates of Participation. Accordingly, the 1998 Library Certificates have been defeased and are no longer outstanding. The remaining proceeds from the Series 2010A Certificates were used to finance the acquisition, improvement and equipping of the Civic Center Project. The Series 2010B Certificates were issued to provide additional financing for the Civic Center Project. The proceeds of the Certificates also were applied to pay certain costs of issuance incurred in connection with the Certificates.

The lease payments made by the City are held by a trustee who makes semi-annual payments on the Certificates of Participation. The lease payments began January 1, 2011, and are in amounts sufficient to cover the payment of principal and interest of the Certificates. Interest on the Certificates is payable semiannually on January 1 and July 1 of each year. The 2010A Certificates have been defeased and are no longer outstanding. The 2010B Certificates interest rates range from 4.45% to 7.17%. The City has designated the Series 2010B Certificates as "Build America Bonds" (BABs) under the provisions of the American Recovery and Reinvestment Act of 2009. Thus, the City receives refundable credits from the United States Treasury on the interest paid on the 2010B Certificates. As of June 30, 2024, the City has received \$31,524,132 of BABs Subsidy from the United States Treasury and expects to receive subsidy equal to about 33% on future interest payable on the 2010B Certificates. Principal payments are payable annually on July 1 of each year. The remaining principal payments for the Series 2010B Certificates, which are payable through July 1, 2040, range from \$3,510,000 to \$7,245,000. The total outstanding balance at June 30, 2024 amounted to \$87,800,000. The use of the following assets has been pledged as security for the outstanding balance: the Central Library and the Civic Center.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(7) Long-Term Liabilities (Continued)

The annual amortization requirements of the outstanding Series 2010B Certificates of Participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 3,510,000	\$ 6,142,971	\$ 9,652,971
2026	3,675,000	5,889,360	9,564,360
2027	3,850,000	5,623,515	9,473,515
2028	4,025,000	5,345,089	9,370,089
2029	4,210,000	5,053,726	9,263,726
2030-2034	24,115,000	20,386,712	44,501,712
2035-2039	30,250,000	10,695,372	40,945,372
2040-2041	14,165,000	1,026,996	15,191,996
Totals	<u>\$ 87,800,000</u>	<u>\$ 60,163,741</u>	<u>\$ 147,963,741</u>

2020 Certificates of Participation

In Fiscal Year 2020-21, the City issued \$7,860,000 of Series 2020A Certificates of Participation. The 2020A Certificates were issued to finance the acquisition, improvement, and equipping of Fire Station No. 2. The proceeds of the Certificates also were applied to pay certain costs of issuance incurred in connection with the Certificates.

The lease payments made by the City are held by a trustee who makes semi-annual payments on the Certificates of Participation. The lease payments began June 15, 2021, and are in amounts sufficient to cover the payment of principal and interest of the Certificates. Interest on the Certificates is payable semiannually on January 1 and July 1 of each year. The 2020A Certificates' interest rate is 4.00%. Principal payments are payable annually on July 1 of each year. The remaining principal payments of the Series 2020A Certificates, which are payable through July 1, 2030, range from \$725,000 to \$915,000. The total outstanding balance at June 30, 2024 amounted to \$5,725,000. The use of the following assets has been pledged as security for the outstanding balance: Fire Station 5 and Fire Station 7.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(7) Long-Term Liabilities (Continued)

The annual amortization requirements of the outstanding Series 2020A Certificates of Participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 725,000	\$ 214,500	\$ 939,500
2026	755,000	184,900	939,900
2027	785,000	154,100	939,100
2028	815,000	122,100	937,100
2029	850,000	88,800	938,800
2030-2031	<u>1,795,000</u>	<u>72,500</u>	<u>1,867,500</u>
Totals	<u>\$ 5,725,000</u>	<u>\$ 836,900</u>	<u>\$ 6,561,900</u>

Claims and Judgments

The City retains the risk of loss for general liability and workers' compensation claims as described in Note (9). These amounts represent estimates of amounts to be paid for reported general liability and workers' compensation claims including incurred-but-not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2024, is dependent on future developments based upon information from the City's attorney, the City's claims administrators, and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses. The estimated liability at June 30, 2024, for general liability and workers' compensation was \$10,841,318 and \$23,450,563, respectively.

Compensated Absences

The City's policies relating to compensated absences are described in Note (1). This liability at June 30, 2024, is \$13,648,166. Compensated absences are liquidated from the Compensated Absences internal service fund.

Unused Credit

The City has a letter of credit in the amount of \$300,938.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(7) Long-Term Liabilities (Continued)

Leases

Lease agreements that meet the requirements of GASB 87 for which the City is lessee are disclosed as lease liabilities on the City's financial statements that are presented on the accrual basis of accounting and with an economic resources measurement focus. Included in the City's lease liabilities are agreements related to water well easements, lifeguard communication equipment, and part of a homeless shelter. For lease provisions subject to GASB 87 during the fiscal year there were no variable lease payments that were not previously included in the City's lease liabilities.

Estimates of the future lease payments for the City's lease liability for governmental activities are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 1,272,450	\$ 76,212	\$ 1,348,662
2026	1,273,326	69,199	1,342,525
2027	1,212,633	62,367	1,275,000
2028	1,219,317	55,683	1,275,000
2029	1,226,038	48,963	1,275,001
2030-2034	6,232,288	142,712	6,375,000
2035-2038	<u>1,903,330</u>	<u>9,170</u>	<u>1,912,500</u>
Totals	<u>\$ 14,339,382</u>	<u>\$ 464,306</u>	<u>\$ 14,803,688</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(7) Long-Term Liabilities (Continued)

Estimates of the future lease payments for the City's lease liability for business-type activities are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 44,364	\$ 20,660	\$ 65,024
2026	44,608	20,415	65,023
2027	44,854	20,169	65,023
2028	45,101	19,922	65,023
2029	45,350	19,673	65,023
2030-2034	230,529	94,588	325,117
2035-2039	236,955	88,162	325,117
2040-2044	243,560	81,557	325,117
2045-2049	250,350	74,767	325,117
2050-2054	257,328	67,789	325,117
2055-2059	264,501	60,616	325,117
2060-2064	271,874	53,243	325,117
2065-2069	279,453	45,664	325,117
2070-2074	287,243	37,874	325,117
2075-2079	295,250	29,868	325,118
2080-2084	303,480	21,637	325,117
2085-2089	311,939	13,178	325,117
2090-2094	280,510	4,584	285,094
2095-2099	39,402	181	39,583
Totals	<u>\$ 3,776,651</u>	<u>\$ 774,547</u>	<u>\$ 4,551,198</u>

Subscription-Based Information Technology Arrangements

Subscription-based information technology arrangements (SBITAs) that meet the requirements of GASB 96 for which the City is a subscriber are disclosed as SBITA liabilities on the City's financial statements that are presented on the accrual basis of accounting with an economic resources measurement focus. Included in the City's SBITA liabilities are subscriptions related to library operations, public communications, recreation classes registrations, website hosting, performance evaluations, public safety, etc. GASB 96 excludes certain outflows (e.g., certain variable payments, etc.) from the measurement of SBITA liabilities.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(7) Long-Term Liabilities (Continued)

During the fiscal year, outflows of resources from the City to one SBITA vendor included variable payments that were not previously included in the City’s SBITA liabilities. The city’s recreation class registration software vendor charges fees for every class registration. These fees cover both credit card processing and the registration software subscription. The amount of fees paid to the software vendor varies with the number of registrations. However, the fees will not decrease below the vendor’s annual minimum fee. Only the estimated annual minimum software subscription fee has been included in the City’s GASB 96 subscription liabilities.

For the fiscal year ended June 30, 2024, there were approximately \$21,907 of software subscription fees in excess of the annual minimum. Part way through the fiscal year, the City’s existing recreation class registration software’s contract ended. The City’s recreation class registration software’s new contract has both transaction fees (e.g., credit card processing, etc.) and a separate fixed software subscription fee. Consequently, the City is not expecting to disclose variable software subscription fees after the fiscal year ended June 30, 2024.

Estimates of the future subscription payments for the City’s SBITA liabilities are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 289,030	\$ 9,282	\$ 298,312
2026	243,771	7,872	251,643
2027	234,542	6,559	241,101
2028	235,836	5,266	241,102
2029	215,788	3,980	219,768
2030-2033	613,788	6,067	619,855
Totals	\$1,832,755	\$ 39,026	\$1,871,781

(8) Limited Obligation Bonds

The City has issued certain Assessment District and Community Facilities District Bonds. Although the City collects and disburses funds for these districts, the City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds, and therefore the bonded indebtedness is not shown in the financial statements of the City. The City holds reserve funds on behalf of bondholders, and the assets are recorded in the Special Assessment District Custodial Fund. Bonds outstanding at June 30, 2024, for each district under the Bond Acts of 1911 and 1915 are as follows:

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(8) Limited Obligation Bonds (Continued)

<u>Assessment District</u>	<u>Original Issue</u>	<u>Bonds Outstanding June 30, 2024</u>
Reassessment District 2012	\$ 13,583,436	\$ 574,037
Assessment District No. 117	2,955,000	2,255,000
Assessment District No. 116	1,575,000	1,300,000
Assessment District No. 116B	665,000	550,000
Assessment District No. 113	4,565,000	4,140,000
Assessment District No. 111	2,412,000	2,097,000
Assessment District No. 120-2	2,505,000	2,505,000
Assessment District No. 124	<u>23,625,000</u>	<u>23,625,000</u>
Totals	<u>\$ 51,885,436</u>	<u>\$ 37,046,037</u>

(9) Risk Management – General Liability and Workers’ Compensation

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City carries commercial insurance with independent third parties for loss risks associated with real and personal property, and automotive liability. The City purchases fidelity bonds for employees in key positions. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The City utilizes Public Risk Innovation, Solutions, and Management (PRISM), formerly called California State Association of Counties – Excess Insurance Authority (CSAC-EIA), a joint powers authority, to provide excess insurance for the general liability and workers’ compensation programs. PRISM provides coverage under the terms of a joint-powers agreement with the City as follows:

<u>Type of Coverage</u>	<u>Self-Insured Retention</u>	<u>Coverage Limits</u>
General liability	\$500,000	\$25,000,000
Workers’ compensation	500,000	Statutory

PRISM was established for the purpose of creating a risk management pool for all California public entities. PRISM is governed by a Board of Directors consisting of representatives of its member public entities.

The Insurance Reserve fund was established to account for costs associated with general liability and workers’ compensation. The Insurance Reserve fund is accounted for as an internal service fund where assets are set aside for risk management, administration, claim settlements and benefit distribution. A premium is charged to each fund that accounts for part-time or full-time

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(9) Risk Management – General Liability and Workers’ Compensation (Continued)

employees. The total charge allocated to each of the funds is calculated using trends in actual experience after considering unexpected and unusual claims.

Fund liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts and other economic and social factors. The total claims payable was \$34,291,881 at June 30, 2024, which represents the discounted present value of all outstanding claims. The claims are discounted using an interest rate of 3%.

	<u>General Liability</u>		<u>Workers' Compensation</u>	
	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>
Unpaid claims, beginning of fiscal year	\$ 8,695,880	\$ 8,689,061	\$ 15,754,588	\$ 16,396,153
Insured claims (including IBNR)	5,618,185	25,766,286	4,903,042	11,588,497
Claim payments	<u>(5,625,004)</u>	<u>(23,614,029)</u>	<u>(4,261,477)</u>	<u>(4,534,087)</u>
Unpaid claims, end of fiscal year	<u>\$ 8,689,061</u>	<u>\$ 10,841,318</u>	<u>\$ 16,396,153</u>	<u>\$ 23,450,563</u>

(10) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to set aside a portion of their salary and defer taxation on the contributions and any investment earnings until future years.

Section 457 plan assets were placed in trust for the exclusive benefit of all employees and their beneficiaries. Therefore, all employee assets held in Section 457 plans are not the property of the City and are not subject to the claims of the City’s general creditors. The assets under the plan, which are not included in the accompanying financial statements, totaled \$157,659,215 at June 30, 2024.

(11) Pension Plans

a. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City of Newport Beach’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(11) Pension Plans (Continued)

Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, the Optional Settlement 2W Death Benefit, or the 1957 Survivor Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect for the measurement period ended June 30, 2023 are summarized as follows:

	Miscellaneous		
	Prior to November 24, 2012	On or after November 24, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.5%@55	2.0%@60	2.0%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-63	52-67
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.092% - 2.418%	1.0% - 2.5%
Required employee contribution rates	11.5% - 13.0%	11.5% - 13.0%	11.5% - 13.0%
Required employer contribution rates	30.06% - 31.56%	26.64% - 28.14%	27.14% - 28.64%
	Safety		
	Prior to November 24, 2012	On or after November 24, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3.0%@50	2.0%@50; 3.0%@55	2.7%@57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% - 2.7%; 2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	13.5% - 14.6%	13.5% - 14.6%	13.5% - 14.6%
Required employer contribution rates	65.11% - 66.21%	65.11% - 66.21%	68.54% - 69.71%

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(11) Pension Plans (Continued)

Employees Covered – At the measurement date of June 30, 2023, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	778	475
Inactive employees entitled to but not yet receiving benefits	665	110
Active employees	517	276
Totals	1,960	861

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

b. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The General Fund, Tidelands Funds, Water Fund, and Wastewater Fund have typically been used in prior years to liquidate the net pension liability. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(11) Pension Plans (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2022	June 30, 2022
Measurement Date	June 30, 2023	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Payroll growth	2.80%	2.80%
Projected salary increases	Varies by Entry Age and Services	
Investment Rate of Return	6.80% ⁽¹⁾	6.80% ⁽¹⁾
Mortality Rate Table (1)	Derived using CalPERS' membership data for all funds	
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.3% thereafter	

⁽¹⁾ *The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates include full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.*

All other actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(11) Pension Plans (Continued)

Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

The expected real rates of return by asset class are as follows:

Asset Class ⁽¹⁾	Assumed Asset Allocation	Real Return Years 1-10 ^{(1),(2)}
Global equity - Cap-weighted	30.00%	4.54%
Global equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

⁽¹⁾ *An expected inflation of 2.30% used for this period.*

⁽²⁾ *Figures are based on the 2021 Asset Liability Management study.*

Subsequent Event – During the time period between the valuation date and the publication of this report, price inflation has been higher than the assumed rate of 2.3% per annum. Since inflation influences cost of living adjustments for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on the pension expense and the net pension liability in future valuations. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(11) Pension Plans (Continued)

higher inflation persists. At this time, we continue to believe the long-term price inflation assumption of 2.3% per annum is appropriate.

c. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan for the measurement period follow:

<u>Miscellaneous Plan:</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability/(Asset)</u>
Balance at June 30, 2022	<u>\$499,195,502</u>	<u>\$378,772,145</u>	<u>\$120,423,357</u>
Changes in the Year:			
Service cost	8,045,390	-	8,045,390
Interest on the total pension liability	34,232,164	-	34,232,164
Changes in benefit terms	474,137	-	474,137
Differences between expected and actual experience	5,716,564	-	5,716,564
Contribution - employer	-	20,800,063	(20,800,063)
Contribution - employee	-	4,113,185	(4,113,185)
Net investment income	-	23,270,469	(23,270,469)
Benefit payments, including refunds of employee contributions	(26,581,149)	(26,581,149)	-
Administrative expense	-	(278,531)	278,531
	<u>21,887,106</u>	<u>21,324,037</u>	<u>563,069</u>
Net Changes			
Balance at June 30, 2023	<u>\$521,082,608</u>	<u>\$400,096,182</u>	<u>\$120,986,426</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(11) Pension Plans (Continued)

<u>Safety Plan:</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability/(Asset)</u>
Balance at June 30, 2022	<u>\$667,148,312</u>	<u>\$470,269,260</u>	<u>\$196,879,052</u>
Changes in the Year:			
Service cost	10,727,817	-	10,727,817
Interest on the total pension liability	45,793,334	-	45,793,334
Changes in benefit terms	268,557	-	268,557
Differences between expected and actual experience	9,833,536	-	9,833,536
Net plan to plan resource movement	-	-	-
Contribution - employer	-	35,285,332	(35,285,332)
Contribution - employee	-	3,577,340	(3,577,340)
Net investment income	-	28,993,124	(28,993,124)
Benefit payments, including refunds of employee contributions	(37,885,623)	(37,885,623)	-
Administrative expense	<u>-</u>	<u>(345,814)</u>	<u>345,814</u>
 Net Changes	 <u>28,737,621</u>	 <u>29,624,359</u>	 <u>(886,738)</u>
 Balance at June 30, 2023	 <u>\$ 695,885,933</u>	 <u>\$ 499,893,619</u>	 <u>\$ 195,992,314</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 190,345,838	\$ 286,451,219
 Current Discount Rate	 6.90%	 6.90%
Net Pension Liability	\$ 120,986,426	\$ 195,992,314
 1% Increase	 7.90%	 7.90%
Net Pension Liability	\$ 63,892,194	\$ 121,284,207

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(11) Pension Plans (Continued)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

d. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2024, the City recognized pension expense of \$56,762,175 (\$23,469,057 Miscellaneous Plan and \$33,293,118 Safety Plan). At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Miscellaneous plan:		
Pension contributions subsequent to measurement date	\$ 21,537,720	\$ -
Differences between expected and actual experience	3,863,463	(522,874)
Change in assumptions	5,865,289	-
Net differences between projected and actual and actual earnings on plan investments	<u>18,308,754</u>	<u>-</u>
Total miscellaneous plan	<u>49,575,226</u>	<u>(522,874)</u>
Safety plan:		
Pension contributions subsequent to measurement date	36,635,838	-
Differences between expected and actual experience	7,514,668	(1,768,089)
Change in assumptions	11,593,442	-
Net differences between projected and actual and actual earnings on plan investments	<u>22,969,358</u>	<u>-</u>
Total safety plan	<u>78,713,306</u>	<u>(1,768,089)</u>
Total all plans	<u>\$ 128,288,532</u>	<u>\$ (2,290,963)</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(11) Pension Plans (Continued)

\$58,173,558 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Miscellaneous	Safety	Total
2025	\$ 9,779,876	\$ 11,425,126	\$ 21,205,002
2026	4,788,658	9,665,572	14,454,230
2027	12,391,635	18,286,128	30,677,763
2028	554,463	932,553	1,487,016
Thereafter	-	-	-

e. Payable to the Pension Plan

At June 30, 2024, the City had no outstanding contributions to the pension plan required for the year ended June 30, 2024.

f. Plan Description - Defined Contribution Plan

Pursuant to City Council Resolution No. 91-106, the City entered into a defined contribution plan administrated by the private administrator known as Public Agency Retirement System ("PARS") for all of its part-time employees, pursuant to the requirements of Section 11332 of the Social Security Act. The City Council has the authority for establishing and amending the plan's provisions per the Resolution, including establishing and amending contribution requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council resolved to match the employees' contributions of 3.75%. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the fiscal year ended June 30, 2024, the City's covered payroll for employees participating in the plan was \$3,730,194. Employees made contributions of \$139,896 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$2,443,815 at June 30, 2024.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(12) Post-Employment Health Care Benefits (OPEB)

The following description of the City of Newport Beach Retiree Health Savings (“RHS”) Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

Plan Description

The Retiree Health Savings Plan consists of the following post-retirement medical benefits:

PEMHCA

The CalPERS Public Employees' Medical and Hospital Care Act (PEMHCA) plan under the authority of section 22750 to 22948 of the state of California's government code, is an agent multiple employer plan. The City pays the required PEMHCA minimum contribution for all miscellaneous and safety employees retiring directly from the City who enroll in a CalPERS medical plan. The 2024 PEMHCA minimum contribution amount is \$157 per month.

Implicit Subsidy

The City provides healthcare benefits to retirees in the form of an implied rate subsidy, which results from the pooling of non-Medicare retirees and active employees for premium purposes. Therefore, retirees receive the benefit of a lower premium, which would be higher if the premium for retirees was based on age, health status or claims history. The difference between these amounts is the implicit rate subsidy.

Other Retiree Medical Benefits

The City provides other retiree medical benefits in the form a single-employer defined contribution plan, a single-employer defined benefit plan, and a hybrid of the two. In January 2006, the City and employee associations agreed to major changes in the Post-Employment Health Care Plan. All employees hired after January 1, 2006, and certain employees hired prior to this date, as well as employees who elected to fully convert to a defined contribution formula (hereafter fully converted employees), participate in a program that requires mandatory employee and employer contributions. However, once these contributions have been made to the employee’s account, the City has no further funding obligation to the Plan on their behalf, except for the Public Employees’ Medical and Hospital Care Act (“PEMHCA”) minimum, which is the responsibility of the City. These employees and eligible retirees participate in a Retiree Health Savings (“RHS”) Plan sponsored by the City, the single employer of the plan. Plan assets are held in trust and managed by MissionSquare Retirement (Trustee), under IRS Revenue Ruling 2002-41 (June 26, 2002) and IRS Notice 2002-45 (June 26, 2002).

Certain employees hired prior to January 1, 2006, had the option to retain a hybrid of the former defined benefit plan, or to fully convert to the new Plan. Employees electing to retain a hybrid of the former defined benefit formula participate in a program requiring mandatory defined

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(12) Post-Employment Health Care Benefits (OPEB) (Continued)

contributions by employees and the City, as well as a defined benefit consisting of an ongoing contribution from the City to the participant's RHS account each month after retirement. Additionally, these employees are eligible to receive health care benefits under the City's group health care plans. In order to receive these benefits, these employees are required to pay the City \$100 per month up until their retirement to offset the unfunded portion of post-employment health care benefits existing at the inception of the plan.

For fully converted employees, the City made a one-time contribution into their individual RHS account of \$100 per month for every month the employee contributed to the previous defined benefit plan up to a maximum of 15 years. For employees who elected to retain a hybrid plan, the City made a one-time contribution into their individual RHS account of \$75 per month for every month the employee contributed to the previous defined plan up to a maximum of 15 years. In order to receive these contributions, the employee must retire from the City. At June 30, 2024, the liability for the conversion part of the RHS Plan was \$893,075. This amount is not included in the net OPEB liability, but is included in the compensated absences liability. See Note (7).

Employees who retired prior to January 1, 2006, continue to receive an ongoing defined benefit consisting of a contribution made by the City to the participant's RHS account each month. The defined benefit portion of the plan is closed to new participants.

In 2024, the City closed the OPEB Trust with the California Employers' Retiree Benefit Trust ("CERBT") Fund and transferred its assets to Public Agency Retirement Services ("PARS") to prefund its OPEB liability. The assets held by PARS are legally restricted for the City's OPEB plan under Section 115 of the Internal Revenue Code. The City has made discretionary contributions to the OPEB Trust. Contributions to the OPEB Trust, along with earnings on those contributions, are irrevocable.

The City determines the timing of the distribution of trust assets and whether those assets will be paid directly to the insurance provider or used to reimburse the City for plan benefits and expenses it has paid. The OPEB Trust is reported as a fiduciary fund since it would be misleading to exclude the OPEB Trust Fund from the City's financial statements. PARS issues a publicly available financial report detailing the fiduciary net position of the OPEB Trust, which is available upon request. The plan itself does not issue a separate financial report. PARS is an agent multiple-employer trust.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(12) Post-Employment Health Care Benefits (OPEB) (Continued)

Employees Covered

As of the measurement date June 30, 2023, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees, spouses, or beneficiaries currently receiving benefits	460
Inactive employees or beneficiaries entitled to but not receiving benefits	346
Active employees	<u>807</u>
Total	<u>1,613</u>

Contributions

Contribution requirements are established by City policy and may be amended by the City Council. The annual contribution is based on the actuarially determined contribution. For the year ended June 30, 2024, the City's cash contributions were \$6,327,150 to the trust in premium payments and \$1,309,458 for the estimated implicit subsidy, resulting in a total payment of \$7,636,608.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023. The General Fund, Tidelands Funds, Water Fund, and Wastewater Fund have typically been used in prior years to liquidate the net OPEB liability. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability as of June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and applied to all periods included in the measurement, unless otherwise specified:

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(12) Post-Employment Health Care Benefits (OPEB) (Continued)

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Projected Salary Increase	2.80% per annum, in aggregate
Expected long term investment rate of return	6.00%
Healthcare Cost Trend Rates	Initial rate of 8.00%, decreasing 0.25% annually to an ultimate rate of 4.50% for Pre-65 and 6.50% decreasing by 0.25% annually to an ultimate rate of 4.50% for Post -65.
Post-Retirement Turnover	Derived from CalPERS pension plan
Mortality	From Society of Actuaries Pub-2010 Public Retirement Plans Mortality Table Report

The actuarial assumptions used in the June 30, 2023, valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the City.

The long-term expected rate of return on OPEB plan investment is assumed to be 6.00%. This was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.75%). The asset class percentages are taken from the current composition of the CERBT Fund, and the expected yields by asset class were not available to the actuary:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	49.00%	N/A
Fixed Income	23.00%	N/A
TIPS	5.00%	N/A
Commodities	3.00%	N/A
REITs	<u>20.00%</u>	N/A
Totals	<u>100.00%</u>	6.00%

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(12) Post-Employment Health Care Benefits (OPEB) (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability is 6.00% per annum. This is the expected long-term rate of return on City assets using investment strategy 1 within CERBT. The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position is projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022	<u>\$ 54,234,204</u>	<u>\$31,569,252</u>	<u>\$22,664,952</u>
Changes in the Year:			
Service cost	635,096	-	635,096
Interest on the total OPEB liability	3,150,800	-	3,150,800
Changes of assumptions	292,126	-	292,126
Differences between actual and expected experience	(393,810)	-	(393,810)
Contribution - employer	-	6,327,150	(6,327,150)
Net investment income	-	2,061,410	(2,061,410)
Benefit payments, including refunds of employee contributions	(4,781,574)	(4,781,574)	-
Administrative expenses	<u>-</u>	<u>(9,385)</u>	<u>9,385</u>
Net Changes	<u>(1,097,362)</u>	<u>3,597,601</u>	<u>(4,694,963)</u>
Balance at June 30, 2023	<u>\$ 53,136,842</u>	<u>\$ 35,166,853</u>	<u>\$ 17,969,989</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(12) Post-Employment Health Care Benefits (OPEB) (Continued)

Change of Assumptions

The mortality table has been updated from the 2017 CalPERS Public Agency Misc. Mortality to the following tables from the Society of Actuaries (SOA) Pub-2010:

- Employees and retirees: General Headcount Weighted Mortality Table fully generational using Scale MP-2021.
- Surviving Spouses: Continuing Survivor Headcount Weighted Mortality Table Fully generational using Scale MP-2021.
- Disabled retirees: Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021.
- Future health care cost trend rates have been reset to an initial rate of 8.00%, decreasing 0.25% annually to an ultimate rate of 4.50% for Pre-65 and 6.50% decreasing by 0.25% annually to an ultimate rate of 4.50% for Post-65.
- Salary scale has been updated to 2.80% per year plus merit increased based on the 2021 CalPERS experience study.
- Retirement rates have been updated to be consistent with the 2021 CalPERS experience study.
- Termination rates have been updated to be consistent with the 2021 CalPERS experience study.

Change of Benefit Terms

There was no change of benefit terms.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(12) Post-Employment Health Care Benefits (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate for the Plan, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB Liability	\$ 23,442,813	\$ 17,969,989	\$ 13,346,226

Sensitivity of the Net OPEB Liability to Changes in Health-Care Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (7.00% HMO/7.00% PPO) or 1-percentage point higher (9.00% HMO/9.00% PPO) than current healthcare cost trend rates:

	Healthcare Cost Trend Rates		
	1% Decrease (7.00%HMO/7.00%PPO decreasing to 3.5%HMO/3.5%PPO)	Current (8.00%HMO/8.00%PPO decreasing to 4.50%HMO/4.50%PPO)	1% Increase (9.00%HMO/9.00%PPO decreasing to 5.5%HMO/5.5%PPO)
Net OPEB Liability	\$15,261,584	\$17,969,989	\$21,608,100

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the City recognized OPEB expense of \$3,758,246. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 12,311,540	\$ -
Differences between projected and actual experience	5,400,158	(476,525)
Change of assumptions	2,205,758	(201,676)
Net difference between projected and actual earnings on OPEB plan investments	2,161,481	-
Totals	\$ 22,078,937	\$ (678,201)

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(12) Post-Employment Health Care Benefits (OPEB) (Continued)

The differences between expected and actual experience, and changes of assumptions are amortized over a six-year period or a nine-year period, depending on the fiscal year the difference occurred. The net difference between projected and actual earnings on plan investment is amortized over a five-year period.

An amount of \$10,162,093, which is reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2025.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Amount
2025	\$ 1,914,265
2026	1,335,302
2027	2,424,073
2028	991,194
2029	1,015,561
Thereafter	1,408,801

Payable to the OPEB Plan

At June 30, 2024, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2024.

(13) Joint Venture Agreements

Bonita Canyon Public Facilities Financing Authority

The Bonita Canyon Public Facilities Financing Authority (Authority) is a joint powers authority comprised of the City of Newport Beach and the Newport-Mesa Unified School District. The Authority's Board is comprised of two members appointed by each of the member agencies. The Authority created Community Facilities District 98-1 to finance public facilities that will benefit the properties within the District's boundaries. In 1998, the Authority issued \$45,000,000 of special tax bonds to be repaid by special assessments. \$30,577,712 (81.7%) of the proceeds were used to pay for the costs of the City acquiring and constructing public facilities including parks and road improvements. In Fiscal Year 2011-12, the Authority issued \$38,330,000 of special tax refunding bonds to refinance the 1998 Series. In Fiscal Year 2017-18, the Authority issued \$28,245,000 of special tax refunding bonds to refinance the 2012 series; the City is not obligated in any manner to repay the bonds. As of June 30, 2024, the contributions from property owners have been fully

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(13) Joint Venture Agreements (Continued)

spent and no funds are held in trust by the fiscal agent. The City does not make any annual contributions to the Authority and does not include the Authority as a component unit, as the City is not financially accountable for the Authority's activities and the Authority is not fiscally dependent on the City. The City's equity interest in the Authority is not readily determinable. Complete separate financial statements can be obtained at the Newport Mesa Unified School District, 2985 Bear Street, Suite 8M, Costa Mesa, California.

Metro Cities Fire Authority

The City of Newport Beach is a participant in a joint venture consisting of the cities of Anaheim, Brea, Fountain Valley, Fullerton, Huntington Beach, and Orange for the operation of a communication network utilized by fire suppression, emergency medical assistance, and rescue services. The oversight board consists of one voting member and one alternate appointed by the governing body of each member agency. The City of Newport Beach's costs are based each fiscal year upon the number of recorded incidents attributable to the City divided by the recorded incidents attributable to all members during the year and are recorded in the General Fund as an expenditure for service. Upon termination of the agreement, the proceeds from the sale of the property and assets of the joint venture will be paid to each member agency pursuant to their fair share percentage. Annually, the amounts paid by the City to this joint venture are approximately \$824,888. The City's 10.80% interest in the net equity of this joint venture at June 30, 2024, amounts to \$270,127. Complete separate financial statements can be obtained at the Metro Cities Fire Authority offices at 201 S. Anaheim Boulevard, Suite 302, Anaheim, California.

Integrated Law and Justice Agency of Orange County

The City is a participant in a joint venture with several other public agencies in Orange County for the operation of the Integrated Law and Justice Agency of Orange County (ILJAOC). The ILJAOC was established in fiscal year 2006-07 and consists of 23 member agencies, with an oversight board consisting of 12 members from the participating agencies. Annually, each member agency pays a percentage of the operating and replacement costs for the ILJAOC. The City's annual contribution and interest in the net equity of this joint venture was immaterial as of June 30, 2024. The City of Newport Beach acted as the Treasurer/Controller of the ILJAOC from inception through the end of fiscal year 2010-11. Beginning July 1, 2011, the City of Brea, another member agency, was appointed to serve as Treasurer/Controller, and assumed responsibility for all operating activities of the ILJAOC. Complete separate financial statements can be obtained from the City of Brea, 1 Civic Center Circle, Brea, California 92821.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(14) Commitments and Contingencies

Claims and Judgments

Numerous claims and suits have been filed against the City in the normal course of business. The estimated liability under such claims, based upon information received from the City Attorney, contracted attorneys, and the Risk Manager, has been estimated and recorded as accrued claims and judgments payable. (See Note 7)

Operating Agreements

The City of Newport Beach first entered into an agreement with Visit Newport Beach Inc. (“VNB”), a legally separate non-profit marketing organization, in 1987. The primary responsibility of VNB is to attract additional visitor business by promoting the City as the premier tourist and business destination in Orange County. VNB is governed by an Executive Committee comprised of seven individuals not appointed by the City Council of the City of Newport Beach. The current agreement was entered into on September 27, 2011, and subsequently amended on January 28, 2014, extending the agreement through December 31, 2024. The City pays VNB 18% of the Total Transient Occupancy Tax collected during the fiscal year. For the Fiscal Year ending June 30, 2024, the City paid VNB \$6,945,387.

Contractual Commitments

Construction and contractual commitments for major construction projects are as follows:

	Annual Budget	Project YTD Expenditures	Unexpended Commitments
Central Library Lecture Hall	\$ 22,777,582	\$ 4,282,389	\$ 18,462,635
Lower Sunset View Park Concept	9,674,898	7,218,549	2,456,349
Newport Bay Water Wheel	4,781,465	2,787,548	1,993,917
East Coast Highway Pavement Rehab	5,937,437	3,693,199	1,873,289
Balboa Island P-19 Phase 3	3,251,852	1,798,116	1,453,736
Facilities Maintenance Master Plan	2,500,000	173,445	1,266,973
WCH Hwy Intersection Imp Ped Bridge	1,092,827	17,920	1,073,490
Facilities Maintenance Master Plan	2,478,272	1,576,409	901,863
Shorecliffs Comm Water System Imprv	2,750,000	67,967	918,115
Traffic Signal Rehabilitation	1,694,375	833,648	860,727
Park Master Maintenance Plan	1,000,000	90,294	804,091
Advanced Metering Infrastructure	1,011,128	256,280	754,848
Junior Lifeguards Building	3,187,653	2,837,402	350,251
Garde Adjustments - Water Valves	1,572,890	442,873	738,483
Collins Island Bridge Replacement	2,429,168	239,203	725,263
San Miguel Drive Pavement Rehab	680,000	71,025	608,975
Slurry Seal Program	1,689,022	889,418	566,459
Sewer Lift Station Improvements	571,815	13,679	558,136

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(14) Commitments and Contingencies (Continued)

At fiscal year end, the City's encumbrances with contractors were as follows:

	Major Governmental Funds				Other Governmental Funds		Total
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Debt Service Fund	Special Revenue Funds	Capital Project Funds	
Oceanfront encroachment	\$ -	\$ -	\$ -	\$ -	\$ 155,804	\$ -	\$ 155,804
Cable franchise reserve	-	-	-	-	7,883	-	7,883
Streets and highways	-	-	-	-	9,599,936	3,552,856	13,152,792
Parks and community centers	-	-	-	-	-	14,594,621	14,594,621
Facilities	-	-	-	-	-	460,193	460,193
Public arts and culture	-	-	-	-	32,500	-	32,500
Firm	-	-	-	-	1,071	-	1,071
Debt service	-	-	-	1,500	-	-	1,500
Capital re-appropriations	-	-	-	-	-	9,274,595	9,274,595
Beaches	-	354,000	666,837	-	-	-	1,020,837
Marinas	-	16,835	-	-	-	-	16,835
Dredging	-	-	21,525	-	-	-	21,525
Equipment	33,121	239,641	-	-	11,000	-	283,762
Facilities Replacement	-	-	-	-	-	100	100
Drainage	-	-	-	-	-	423,312	423,312
Miscellaneous and studies	-	-	-	-	-	113,375	113,375
Contract services	4,044,062	-	-	-	-	-	4,044,062
Supplies and materials	152,490	-	-	-	-	-	152,490
Maintenance and repairs	1,605,727	-	-	-	-	2,848,368	4,454,095
General	127,541	-	-	-	-	-	127,541
Total encumbrances	\$ 5,962,941	\$ 610,476	\$ 688,362	\$ 1,500	\$ 9,808,194	\$ 31,267,420	\$ 48,338,893

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(15) Fund Balance

Governmental Fund Balance at June 30, 2024, is classified as follows:

	Governmental Fund Balance					Other Governmental Funds			Totals
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Facilities Financial Planning Reserve	Debt Service Fund	Special Revenue Funds	Capital Project Funds	Permanent Funds	
Nonspendable:									
Prepaid items (legally restricted)	\$ 1,160,659	\$ 101,646	\$ -	\$ -	\$ -	\$ 39,723	\$ -	\$ -	\$ 1,302,028
Inventories (legally restricted)	215,284	-	-	-	-	-	-	-	215,284
Long-term loan receivable (form restricted)	5,676,659	-	-	-	-	-	-	-	5,676,659
Permanent endowment (legally restricted)	-	-	-	-	-	-	-	4,629,781	4,629,781
Restricted:									
Affordable housing	-	-	-	-	-	484,021	-	-	484,021
Oceanfront encroachment	-	-	-	-	-	212,543	-	-	212,543
Upper Newport bay restoration	-	1,683,144	-	-	-	-	-	-	1,683,144
Cable franchise reserve	-	-	-	-	-	3,550,006	-	-	3,550,006
Community development	-	-	-	-	-	-	3,411	-	3,411
Streets and highways	-	-	-	-	-	9,599,936	-	-	9,599,936
Public safety	-	-	-	-	-	817,396	-	-	817,396
Facilities	-	-	-	-	-	-	292,893	-	292,893
Transportation	-	-	-	-	-	611,470	-	-	611,470
Air quality improvement	-	-	-	-	-	1,528,948	-	-	1,528,948
Environmental liability mitigation	-	-	-	-	-	8,555,811	-	-	8,555,811
Public arts and culture	-	-	-	-	-	1,154,535	-	-	1,154,535
Parking	-	-	-	-	-	252,714	-	-	252,714
Training	-	-	-	-	-	556,121	-	-	556,121
Libraries	-	-	-	-	-	-	-	226,570	226,570
Scholarships	-	-	-	-	-	-	-	216,581	216,581
Film	-	-	-	-	-	1,094,800	-	-	1,094,800
Debt service	-	-	-	-	2,323,115	-	-	-	2,323,115
Capital re-appropriations	-	5,099,796	11,622,548	-	-	3,971,674	24,961,911	-	45,655,929
Beaches	-	354,000	666,637	-	-	-	-	-	1,020,637
Marinas	-	16,835	-	-	-	-	-	-	16,835
Dredging	-	-	30,817,961	-	-	-	-	1,773,357	32,591,318
Equipment	-	239,641	-	-	-	11,000	-	-	250,641
General Plan Maintenance	-	-	-	-	-	63,172	-	-	63,172
Committed:									
Facilities replacement	-	-	-	20,435,754	-	-	687,907	-	21,123,661
Facilities maintenance	-	-	-	-	-	-	1,763,676	-	1,763,676
Civic center and park	-	-	-	-	-	-	505,166	-	505,166
Oil and gas liabilities	-	1,052,660	-	-	-	-	-	-	1,052,660
Parking management	-	-	-	-	-	-	162,449	-	162,449
Neighborhood enhancement	-	-	-	-	-	-	10,811,958	-	10,811,958
Capital re-appropriations	436,303	-	-	-	-	-	-	-	436,303
Drainage	-	-	-	-	-	-	2,836,212	-	2,836,212
Streets and highways	-	-	-	-	-	-	12,367,394	-	12,367,394
Facilities	-	-	-	-	-	-	10,486,563	-	10,486,563
Miscellaneous and studies	-	-	-	-	-	-	113,375	-	113,375
Parks and community centers	-	-	-	-	-	-	17,246,041	-	17,246,041
Contract services	4,194,063	-	-	-	-	-	-	-	4,194,063
Supplies and materials	390,091	-	-	-	-	-	-	-	390,091
Maintenance and repairs	1,605,727	-	-	-	-	-	2,848,366	-	4,454,093
Equipment	33,121	-	-	-	-	-	-	-	33,121
General	127,541	-	-	-	-	-	-	-	127,541
Unassigned	82,601,740	-	-	-	-	(229,775)	-	-	82,371,965
Total fund balances	\$ 96,441,188	\$ 8,547,722	\$ 43,107,346	\$ 20,435,754	\$ 2,323,115	\$ 32,274,095	\$ 85,087,322	\$ 6,846,289	\$ 295,062,831

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2024

(16) Deficit Fund Equity

The following funds reported deficit equity balances:

Special Revenue Funds:	
OTS DUI Grant	\$ 159
Community Development Block Grant	229,622
Internal Service Funds:	
Insurance Reserve	4,399,439
Compensation Absences	6,021,996

The OTS DUI Grant Fund is used to account for federal funding for the Selective Traffic Enforcement Program (STEP). These funds are used exclusively for DUI enforcement. The City will receive reimbursement in the following fiscal year, which will eliminate the deficit fund balance.

The Community Development Block Grant Fund is used to account for revenues and expenditures relating to the City's Community Development Block Grant program. These funds are received from the Federal Department of Housing and Urban Development and must be expended exclusively on programs for low- or moderate-income individuals/families. The City will receive reimbursement in the following fiscal year, which will eliminate the deficit fund balance.

The Insurance Reserve Fund is used to account for the City's self-insured general liability and workers' compensation program. The City's intention is to eliminate the deficit fund balance through a future interfund transfer.

For the Compensated Absences Fund, the City's Reserve Policy sets the maximum cash reserve at 50% of the long-term compensated absences liability and targets a lesser amount that is the median between that amount and a three-year average of the actual payments made for the cash-out of accumulated leave balances. Accordingly, this deficit fund balance is intentional and in compliance with the City Council-approved Reserve Policy.

(17) Tax Abatements

The City may enter into sales tax abatement agreements with automobile dealerships under City Council Resolution 99-64. Under that Resolution, the City may rebate sales taxes "for the sole purpose of reimbursing [automobile dealerships] for costs incurred for a project necessary to make the project financially feasible." Automobile dealerships must covenant "to complete the project, to remain and operate the project for a specified period of time... [, and] to maximize the City as the point-of-sale...". Automobile dealership sales tax rebates are based on negotiations that require City Council approval. On an accrual basis, for the fiscal year ended June 30, 2024, the City rebated sales taxes to automobile dealerships totaling \$369,781 under this program.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
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(18) Public-Private Partnerships

Agreements that meet the requirements of GASB 94 for which the city is transferor are disclosed as public-private partnerships (PPP) receivables on the City's financial statements. The City's PPP receivable is related to the facilities for the Balboa Island Ferry, Inc. (operator). GASB 94 excludes certain inflows (e.g., certain variable payments, etc.) from the measurement of PPP receivables. Payments from the operator to the City include variable payments, because the operator pays the City the greater of a minimum base amount or a specified percentage of the operator's gross receipts. For the fiscal year ending June 30, 2024, the City recognized \$7,629 of payments related to PPP receivables that were excluded from the measurement of the PPP receivables. A discount rate of 1.50% was applied to the measurement of the PPP receivable. The PPP agreement leases facilities to the operator for the continued operation of a ferry between Balboa Island and Balboa Peninsula. The City retains the right to inspect the property anytime without notice to the operator. Please see the Statement of Net Position for additional information about the nature and amounts of the PPP receivable and PPP deferred inflow.

(19) Subsequent Events

301 Balboa Boulevard East Property Purchase

On August 27, 2024, the City Council authorized staff to execute an agreement with Bobby and Linda Hanada for the purchase of property at 301 Balboa Boulevard East for future expansion of public parking access. The negotiated purchase price for the property at 301 Balboa Boulevard East is \$2.6 million, which will be funded from General Fund surplus. The close of escrow is anticipated to be December 2024.

Affordable Housing Loan Agreement to American Family Housing for the Travelodge North Homekey Project

On July 11, 2023, the City Council approved a loan commitment of \$3.0 million to American Family Housing, LLC (AFH) to provide local match funds for costs associated with the acquisition, rehabilitation and conversion of the Travelodge North Motel property, located at 1400 Bristol Street into permanent supportive housing. The City's funding is conditional based upon multiple requirements of the developer securing commitments for the balance of the project cost, approximately \$42.4 million. The developer is finalizing negotiations of various loan and funding agreements and approvals. On December 10, 2024, City Council authorized the City Manager to finalize negotiations and execute the Affordable Housing Loan Agreement between the City and AFH. The terms of the agreement is for the City to loan \$3.0 million with a 55-year term, at a 3.0% simple interest rate, commencing upon completion of the project. The \$3.0 million loan will be disbursed through escrow during construction of the project to cover constructions costs and will be funded by from available funds in the Facilities Financial Planning Reserve Fund.

CITY OF NEWPORT BEACH
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(20) Prior Period Restatements

Utility Services Revenues

The City restated net position in both the Water and Wastewater Funds due to a correction of an error regarding the unbilled receivables for utility services for revenues in the prior year that related to the current fiscal year ending June 30, 2024.

Description	Proprietary Funds		Government-Wide
	Water	Wastewater	Business Type Activities
Beginning net position, as previously reported	\$ 128,393,695	\$ 30,307,955	\$ 157,717,018
To adjust net position for an overstatement in unbilled receivables	(1,349,699)	(245,536)	(1,595,235)
Beginning net position, as restated	\$ 127,043,996	\$ 30,062,419	\$ 156,121,783

Flexible Spending Account Fund

The City implemented GASB 100: Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62 which requires the City to report any changes in the presentation of the reporting of major funds. The City removed the reporting of the Flexible Spending Account (FSA) Fund from the Fiduciary Fund as it does not meet the requirements of a custodial fund. The FSA fund has been consolidated into the General Fund.

Description	Fiduciary Funds Total Custodial Funds
Beginning fund balance, as previously reported	\$ 2,226,973
To adjust net position for the removal of Flexible Spending Account Fund	(25,728)
Beginning net position, as restated	\$ 2,201,245

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
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(20) Prior Period Restatements (Continued)

OPEB Trust Fund

In 2024, the City closed the OPEB Trust with the California Employers' Retiree Benefit Trust ("CERBT") Fund and transferred its assets to Public Agency Retirement Services ("PARS") to prefund its OPEB liability. The assets held by PARS are legally restricted for the City's OPEB plan under Section 115 of the Internal Revenue Code. The City has made discretionary contributions to the OPEB Trust. Contributions to the OPEB Trust, along with earnings on those contributions, are irrevocable.

The City determines the timing of the distribution of trust assets and whether those assets will be paid directly to the insurance provider or used to reimburse the City for plan benefits and expenses it has paid. The OPEB Trust is reported as a fiduciary fund since it would be misleading to exclude the OPEB Trust Fund from the City's financial statements. PARS issues a publicly available financial report detailing the fiduciary net position of the OPEB Trust, which is available upon request. The plan itself does not issue a separate financial report. PARS is an agent multiple-employer trust.

Description	Fiduciary Funds OPEB Trust Fund
Beginning fund balance, as previously reported	\$ -
To adjust net position for the addition of the OPEB Trust Fund	35,155,718
Beginning net position, as restated	\$ 35,155,718



FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

FINANCIAL SECTION

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SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years

Measurement Period	2024	2023	2022	2021	2020
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Total Pension Liability					
Service cost	\$ 8,045,390	\$ 8,261,032	\$ 7,438,050	\$ 7,347,708	\$ 7,084,444
Interest on total pension liability	34,232,164	32,759,522	31,805,532	30,565,919	29,409,624
Differences between expected and actual experience	5,716,564	(1,394,332)	1,624,975	369,351	403,676
Changes in assumptions	-	15,640,771	-	-	-
Changes in benefits	474,137	-	-	-	-
Benefit payments, including refunds of employee contributions	(26,581,149)	(24,940,419)	(22,976,493)	(21,516,515)	(20,129,701)
Net Change in Total Pension Liability	21,887,106	30,326,574	17,892,064	16,766,463	16,768,043
Total Pension Liability - beginning	499,195,502	468,868,928	450,976,864	434,210,401	417,442,358
Total Pension Liability - ending (a)	\$ 521,082,608	\$ 499,195,502	\$ 468,868,928	\$ 450,976,864	\$ 434,210,401
Plan Fiduciary Net Position					
Contributions - employer	\$ 20,800,063	\$ 18,352,430	\$ 18,612,457	\$ 16,346,284	\$ 15,700,833
Contributions - employee	4,113,185	3,974,974	4,057,107	4,067,751	3,955,144
Net investment income	23,270,469	(30,856,252)	76,031,841	16,074,793	19,895,019
Administrative expense	(278,531)	(256,962)	(336,753)	(454,777)	(216,502)
Other miscellaneous income/(expense)	-	-	-	-	700
Plan to plan resource movement	-	-	-	-	1,570
Benefit payments	(26,581,149)	(24,940,419)	(22,976,493)	(21,516,515)	(20,129,701)
Net change in Plan Fiduciary Net Position	21,324,037	(33,726,229)	75,388,159	14,517,536	19,207,063
Plan Fiduciary Net Position - beginning	378,772,145	412,498,374	337,110,215	322,592,679	303,385,616
Plan Fiduciary Net Position - ending (b)	\$ 400,096,182	\$ 378,772,145	\$ 412,498,374	\$ 337,110,215	\$ 322,592,679
Net pension liability - ending (a)-(b)	\$ 120,986,426	\$ 120,423,357	\$ 56,370,554	\$ 113,866,649	\$ 111,617,722
Plan fiduciary net position as a percentage of the total pension liability	76.78%	75.88%	87.98%	74.75%	74.29%
Covered payroll	\$ 48,099,822	\$ 45,210,057	\$ 44,809,856	\$ 43,902,594	\$ 42,153,383
Net pension liability as percentage of covered payroll	251.53%	266.36%	125.80%	259.36%	264.79%

Notes to Schedule:

Benefit Changes:

The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary. In 2022, SB 1186 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the changes of benefit terms.

Change in Assumptions:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

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SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years

Measurement Period	2019	2018	2017	2016	2015
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability					
Service cost	\$ 7,334,861	\$ 7,151,754	\$ 6,303,642	\$ 6,087,960	\$ 6,523,874
Interest on total pension liability	28,226,598	27,069,673	26,375,073	25,427,094	24,624,559
Differences between expected and actual experience	2,243,854	(4,912,853)	(2,686,814)	(4,736,006)	-
Changes in assumptions	(2,522,093)	22,616,424	-	(6,309,248)	-
Changes in benefits	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(18,458,539)	(17,249,398)	(16,714,022)	(16,374,370)	(15,290,340)
Net Change in Total Pension Liability	16,824,681	34,675,600	13,277,879	4,095,430	15,858,093
Total Pension Liability - beginning	400,617,677	365,942,077	352,664,198	348,568,768	332,710,674
Total Pension Liability - ending (a)	\$ 417,442,358	\$ 400,617,677	\$ 365,942,077	\$ 352,664,198	\$ 348,568,767
Plan Fiduciary Net Position					
Contributions - employer	\$ 15,797,595	\$ 10,509,243	\$ 9,904,636	\$ 6,615,920	\$ 5,793,768
Contributions - employee	3,979,337	4,134,130	4,206,942	4,321,646	4,319,336
Net investment income	23,855,196	28,349,491	1,241,432	5,687,908	38,237,161
Administrative expense	(435,499)	(375,172)	(155,791)	(287,862)	-
Other miscellaneous income/(expense)	(827,021)	-	-	-	-
Plan to plan resource movement	(700)	-	(2,387)	26,981	-
Benefit payments	(18,458,539)	(17,249,398)	(16,714,022)	(16,374,370)	(15,290,340)
Net change in Plan Fiduciary Net Position	23,910,369	25,368,294	(1,519,190)	(9,777)	33,059,925
Plan Fiduciary Net Position - beginning	279,475,247	254,106,953	255,626,143	255,635,920	222,575,995
Plan Fiduciary Net Position - ending (b)	\$ 303,385,616	\$ 279,475,247	\$ 254,106,953	\$ 255,626,143	\$ 255,635,920
Net pension liability - ending (a)-(b)	\$ 114,056,742	\$ 121,142,430	\$ 111,835,124	\$ 97,038,055	\$ 92,932,847
Plan fiduciary net position as a percentage of the total pension liability	72.68%	69.76%	69.44%	72.48%	73.34%
Covered payroll	\$ 41,468,634	\$ 41,727,563	\$ 40,031,404	\$ 38,512,011	\$ 37,775,051
Net pension liability as percentage of covered payroll	275.04%	290.32%	279.37%	251.97%	246.02%

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SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 15,211,001	\$ 15,250,219	\$ 14,432,250	\$ 14,600,178	\$ 13,080,630
Contributions in relation to the actuarially determined contributions	<u>(21,537,720)</u>	<u>(20,794,397)</u>	<u>(18,372,473)</u>	<u>(18,730,840)</u>	<u>(16,351,592)</u>
Contribution deficiency (excess)	\$ (6,326,719)	\$ (5,544,178)	\$ (3,940,223)	\$ (4,130,662)	\$ (3,270,962)
Covered payroll	\$ 50,824,016	\$ 48,099,822	\$ 45,210,057	\$ 44,809,856	\$ 43,902,594
Contributions as a percentage of covered payroll	42.38%	43.23%	40.64%	41.80%	37.25%

Notes to Schedule:

Valuation date:	06/30/2021	06/30/2020	06/30/2019	06/30/2018	06/30/2017
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.30%	2.50%	2.50%	2.50%	2.625%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.80% (3)	7.00% (3)	7.00% (3)	7.00% (3)	7.25% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll for bases established prior to June 30, 2019 and level dollar amount for bases established after June 30, 2019
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment and administrative expense; includes inflation
- (4) Retirement assumptions are based on retirement rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board

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SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 12,374,026	\$ 11,924,053	\$ 10,412,963	\$ 9,943,342	\$ 7,117,065
Contributions in relation to the actuarially determined contributions	<u>(15,713,898)</u>	<u>(15,742,587)</u>	<u>(10,412,963)</u>	<u>(9,943,342)</u>	<u>(7,117,065)</u>
Contribution deficiency (excess)	\$ (3,339,872)	\$ (3,818,534)	\$ -	\$ -	\$ -
Covered payroll	\$ 42,153,383	\$ 41,468,634	\$ 41,727,563	\$ 40,031,404	\$ 38,512,011
Contributions as a percentage of covered payroll	37.28%	37.96%	24.95%	24.84%	18.48%

Notes to Schedule:

Valuation date:	06/30/2016	06/30/2015	06/30/2014	06/30/2013	06/30/2012
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.5% (3)	7.5% (3)	7.5% (3)	7.5% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

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SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years

Measurement Period	2024	2023	2022	2021	2020
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Total Pension Liability					
Service cost	\$ 10,727,817	\$ 10,918,046	\$ 9,817,913	\$ 9,622,985	\$ 9,292,715
Interest on total pension liability	45,793,334	43,860,290	42,760,906	41,449,511	40,081,524
Differences between expected and actual experience	9,833,536	(3,451,985)	196,690	957,686	4,798,077
Changes in assumptions	-	22,634,816	-	-	-
Changes in benefits	268,557	-	-	-	-
Benefit payments, including refunds of employee contributions	(37,885,623)	(35,654,758)	(33,765,218)	(32,285,653)	(30,443,097)
Net Change in Total Pension Liability	<u>28,737,621</u>	<u>38,306,409</u>	<u>19,010,291</u>	<u>19,744,529</u>	<u>23,729,219</u>
Total Pension Liability - beginning	<u>667,148,312</u>	<u>628,841,903</u>	<u>609,831,612</u>	<u>590,087,083</u>	<u>566,357,864</u>
Total Pension Liability - ending (a)	<u>\$ 695,885,933</u>	<u>\$ 667,148,312</u>	<u>\$ 628,841,903</u>	<u>\$ 609,831,612</u>	<u>\$ 590,087,083</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 35,285,332	\$ 32,394,203	\$ 32,367,091	\$ 28,539,301	\$ 28,344,445
Contributions - employee	3,577,340	3,417,660	3,347,740	3,249,005	3,162,044
Net investment income	28,993,124	(38,537,209)	93,813,435	19,685,354	24,254,890
Administrative expense	(345,814)	(317,056)	(413,178)	(556,832)	(263,991)
Plan to plan resource movement	-	-	-	-	(1,570)
Benefit payments	(37,885,623)	(35,654,758)	(33,765,218)	(32,285,653)	(30,443,097)
Other miscellaneous income/(expense)	-	-	-	-	855
Net change in Plan Fiduciary Net Position	<u>29,624,359</u>	<u>(38,697,160)</u>	<u>95,349,870</u>	<u>18,631,175</u>	<u>25,053,576</u>
Plan Fiduciary Net Position - beginning	<u>470,269,260</u>	<u>508,966,420</u>	<u>413,616,550</u>	<u>394,985,375</u>	<u>369,931,799</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ 499,893,619</u>	<u>\$ 470,269,260</u>	<u>\$ 508,966,420</u>	<u>\$ 413,616,550</u>	<u>\$ 394,985,375</u>
Net pension liability - ending (a)-(b)	<u>\$ 195,992,314</u>	<u>\$ 196,879,052</u>	<u>\$ 119,875,483</u>	<u>\$ 196,215,062</u>	<u>\$ 195,101,708</u>
Plan fiduciary net position as a percentage of the total pension liability	71.84%	70.49%	80.94%	67.82%	66.94%
Covered payroll	\$ 36,538,774	\$ 35,231,003	\$ 34,863,204	\$ 34,279,062	\$ 33,935,043
Net pension liability as percentage of covered payroll	536.40%	558.82%	343.85%	572.40%	574.93%

Notes to Schedule:

Benefit Changes:

The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary. In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the changes of benefit terms.

Change in Assumptions:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

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SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years

Measurement Period	2019 June 30, 2018	2018 June 30, 2017	2017 June 30, 2016	2016 June 30, 2015	2015 June 30, 2014
Total Pension Liability					
Service cost	\$ 9,223,465	\$ 9,015,985	\$ 8,075,553	\$ 8,077,826	\$ 8,091,585
Interest on total pension liability	38,458,387	37,083,966	36,239,226	35,098,055	33,807,462
Differences between expected and actual experience	3,278,018	(2,192,667)	(1,613,985)	(316,827)	-
Changes in assumptions	(1,630,045)	30,110,384	-	(8,359,009)	-
Changes in benefits	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(29,183,598)	(28,074,414)	(27,447,982)	(25,838,982)	(24,529,802)
Net Change in Total Pension Liability	<u>20,146,227</u>	<u>45,943,254</u>	<u>15,252,812</u>	<u>8,661,063</u>	<u>17,369,245</u>
Total Pension Liability - beginning	<u>546,211,637</u>	<u>500,268,383</u>	<u>485,015,571</u>	<u>476,354,508</u>	<u>458,985,263</u>
Total Pension Liability - ending (a)	<u>\$ 566,357,864</u>	<u>\$ 546,211,637</u>	<u>\$ 500,268,383</u>	<u>\$ 485,015,571</u>	<u>\$ 476,354,508</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 26,779,897	\$ 19,260,537	\$ 18,496,776	\$ 21,529,513	\$ 12,089,637
Contributions - employee	3,104,318	2,967,318	2,826,831	2,969,503	3,122,237
Net investment income	29,064,749	34,814,011	1,561,480	7,049,577	47,151,493
Administrative expense	(532,480)	(462,427)	(193,780)	(357,866)	-
Plan to plan resource movement	(855)	-	2,387	-	-
Benefit payments	(29,183,598)	(28,074,414)	(27,447,982)	(25,838,982)	(24,529,802)
Other miscellaneous income/(expense)	(1,011,188)	-	-	-	-
Net change in Plan Fiduciary Net Position	<u>28,220,843</u>	<u>28,505,025</u>	<u>(4,754,288)</u>	<u>5,351,745</u>	<u>37,833,565</u>
Plan Fiduciary Net Position - beginning	<u>341,710,956</u>	<u>313,205,931</u>	<u>317,960,219</u>	<u>312,608,474</u>	<u>274,774,909</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ 369,931,799</u>	<u>\$ 341,710,956</u>	<u>\$ 313,205,931</u>	<u>\$ 317,960,219</u>	<u>\$ 312,608,474</u>
Net pension liability - ending (a)-(b)	<u>\$ 196,426,065</u>	<u>\$ 204,500,681</u>	<u>\$ 187,062,452</u>	<u>\$ 167,055,352</u>	<u>\$ 163,746,034</u>
Plan fiduciary net position as a percentage of the total pension liability	65.32%	62.56%	62.61%	65.56%	65.63%
Covered payroll	\$ 32,866,620	\$ 32,450,020	\$ 30,816,246	\$ 30,189,633	\$ 29,944,665
Net pension liability as percentage of covered payroll	597.65%	630.20%	607.03%	553.35%	546.83%

CITY OF NEWPORT BEACH
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2024
Last 10 Years

Defined Benefit Plan for Safety Employees
Page 1 of 2

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 25,872,229	\$ 25,952,201	\$ 25,115,878	\$ 25,341,788	\$ 22,980,289
Contributions in relation to the actuarially determined contributions	(36,635,838)	(35,283,235)	(32,317,538)	(32,251,903)	(28,531,744)
Contribution deficiency (excess)	\$ (10,763,609)	\$ (9,331,034)	\$ (7,201,660)	\$ (6,910,115)	\$ (5,551,455)
Covered payroll	\$ 38,168,411	\$ 36,538,774	\$ 35,231,003	\$ 34,863,204	\$ 34,279,062
Contributions as a percentage of covered payroll	95.98%	96.56%	91.73%	92.51%	83.23%

Notes to Schedule:

Valuation date:	06/30/2021	06/30/2020	06/30/2019	06/30/2018	06/30/2017
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.30%	2.50%	2.50%	2.50%	2.625%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.80% (3)	7.00% (3)	7.00% (3)	7.00% (3)	7.25% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll for bases established prior to June 30, 2019 and level dollar amount for bases established after June 30, 2019

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment and administrative expense; includes inflation

(4) Retirement assumptions are based on retirement rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board

CITY OF NEWPORT BEACH
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2024
Last 10 Years

Defined Benefit Plan for Safety Employees
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SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 22,227,698	\$ 21,524,636	\$ 19,338,360	\$ 18,466,207	\$ 13,393,374
Contributions in relation to the actuarially determined contributions	<u>(28,346,069)</u>	<u>(26,620,697)</u>	<u>(19,338,360)</u>	<u>(18,466,207)</u>	<u>(20,993,374)</u>
Contribution deficiency (excess)	<u>\$ (6,118,371)</u>	<u>\$ (5,096,061)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,600,000)</u>
Covered payroll	\$ 33,935,043	\$ 32,866,620	\$ 32,450,020	\$ 30,816,246	\$ 30,189,633
Contributions as a percentage of covered payroll	83.53%	81.00%	59.59%	59.92%	69.54%

Notes to Schedule:

Valuation date:	06/30/2016	06/30/2015	06/30/2014	06/30/2013	06/30/2012
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.5% (3)	7.5% (3)	7.5% (3)	7.5% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

CITY OF NEWPORT BEACH
Post-Employment Health Care Benefits (OPEB) Retirement Plan
As of June 30, 2024
Last 10 Years *
Page 1 of 2

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years*

Measurement Period	2024	2023	2022	2021
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Total OPEB Liability				
Service cost	\$ 635,096	\$ 530,843	\$ 529,600	\$ 521,285
Interest	3,150,800	3,237,390	2,909,400	2,944,050
Differences between expected and actual experience	(393,810)	1,120,534	6,159,865	(219,772)
Changes in assumptions	292,126	2,473,450	(302,512)	-
Changes in benefits terms	-	-	-	-
Benefit payments, including refunds of member contributions	(4,781,574)	(4,731,846)	(3,786,232)	(3,787,663)
Net change in Total OPEB Liability	(1,097,362)	2,630,371	5,510,121	(542,100)
Total OPEB Liability - beginning	54,234,204	51,603,833	46,093,712	46,635,812
Total OPEB Liability - ending (a)	\$ 53,136,842	\$ 54,234,204	\$ 51,603,833	\$ 46,093,712
Plan fiduciary net position				
Contributions - employer	\$ 6,327,150	\$ 6,185,537	\$ 5,785,342	\$ 4,674,814
Contributions - member	-	-	-	-
Net investment income	2,061,410	(4,845,154)	7,184,241	900,087
Benefit payments, including refunds of member contributions	(4,781,574)	(4,731,846)	(3,786,232)	(3,787,663)
Administrative expense	(9,385)	(9,000)	(9,908)	(12,037)
Other expense	-	-	-	-
Net change in plan fiduciary net position	3,597,601	(3,400,463)	9,173,443	1,775,201
Plan fiduciary net position - beginning	31,569,252	34,969,715	25,796,272	24,021,071
Plan fiduciary net position - ending (b)	\$ 35,166,853	\$ 31,569,252	\$ 34,969,715	\$ 25,796,272
City's Net OPEB liability - ending (a)-(b)	\$ 17,969,989	\$ 22,664,952	\$ 16,634,118	\$ 20,297,440
Plan fiduciary net position as a percentage of the total OPEB liability	66.18%	58.21%	67.77%	55.96%
Covered- employee payroll ⁽¹⁾	\$ 81,451,477	\$ 79,636,594	\$ 78,621,426	\$ 77,637,171
City's Net OPEB liability as percentage of covered-employee payroll	22.06%	28.46%	21.16%	26.14%

Notes to Schedule:

(1) Covered-employee payroll is used because contributions are not entirely based on a measure of pay.

* Fiscal year 2018 was the first year of implementation, therefore only seven years are shown.

CITY OF NEWPORT BEACH
Post-Employment Health Care Benefits (OPEB) Retirement Plan
As of June 30, 2024
Last 10 Years *
Page 2 of 2

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years*

Measurement Period	2020	2019	2018
	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability			
Service cost	\$ 524,717	\$ 509,434	\$ 478,341
Interest	2,795,490	2,814,685	2,830,153
Differences between expected and actual experience	2,532,319	-	-
Changes in assumptions	114,311	-	-
Changes in benefits terms	-	-	-
Benefit payments, including refunds of member contributions	(3,627,695)	(3,641,715)	(3,513,406)
Net change in Total OPEB Liability	<u>2,339,142</u>	<u>(317,596)</u>	<u>(204,912)</u>
Total OPEB Liability - beginning	44,296,670	44,614,266	44,819,178
Total OPEB Liability - ending (a)	<u>\$ 46,635,812</u>	<u>\$ 44,296,670</u>	<u>\$ 44,614,266</u>
Plan fiduciary net position			
Contributions - employer	\$ 4,460,937	\$ 4,675,193	\$ 4,594,772
Contributions - member	-	-	-
Net investment income	1,495,861	1,605,114	1,875,536
Benefit payments, including refunds of member contributions	(3,627,695)	(3,641,715)	(3,513,406)
Administrative expense	(4,980)	(11,076)	(9,452)
Other expense	-	(25,258)	-
Net change in plan fiduciary net position	<u>2,324,123</u>	<u>2,602,258</u>	<u>2,947,450</u>
Plan fiduciary net position - beginning	21,696,948	19,094,690	16,147,240
Plan fiduciary net position - ending (b)	<u>\$ 24,021,071</u>	<u>\$ 21,696,948</u>	<u>\$ 19,094,690</u>
City's Net OPEB liability - ending (a)-(b)	<u>\$ 22,614,741</u>	<u>\$ 22,599,722</u>	<u>\$ 25,519,576</u>
Plan fiduciary net position as a percentage of the total OPEB liability	51.51%	48.98%	42.80%
Covered- employee payroll ⁽¹⁾	\$ 75,814,626	\$ 73,999,059	\$ 74,484,613
City's Net OPEB liability as percentage of covered-employee payroll	29.83%	30.54%	34.26%

CITY OF NEWPORT BEACH
Post-Employment Health Care Benefits (OPEB) Retirement Plan
As of June 30, 2024
Last 10 Years *
Page 1 of 2

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2024	2023	2022	2021
Actuarially determined contribution	\$ 3,289,777	\$ 4,359,593	\$ 4,124,923	\$ 4,108,719
Contributions in relation to the actuarially determined contributions	(12,311,540)	(7,154,265)	(4,950,445)	(6,511,545)
Contribution deficiency (excess)	<u>\$ (9,021,763)</u>	<u>\$ (2,794,672)</u>	<u>\$ (825,522)</u>	<u>\$ (2,402,826)</u>
Covered-employee payroll ⁽¹⁾	\$ 81,451,477	\$ 81,451,477	\$ 79,636,594	\$ 78,621,426
Contributions as a percentage of covered-employee payroll	-15.12%	-8.78%	-6.22%	-8.28%

Notes to Schedule:

Valuation date: June 30, 2023 June 30, 2021 June 30, 2019 June 30, 2019

(1) Covered-employee payroll is used because contributions are not entirely based on a measure of pay.

* Fiscal year 2018 was the first year of implementation, therefore only seven years are shown.

CITY OF NEWPORT BEACH
Post-Employment Health Care Benefits (OPEB) Retirement Plan
As of June 30, 2024
Last 10 Years *
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SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2020	2019	2018
Actuarially determined contribution	\$ 3,834,916	\$ 3,827,337	\$ 3,925,087
Contributions in relation to the actuarially determined contributions	(5,379,799)	(5,133,062)	(5,309,626)
Contribution deficiency (excess)	<u>\$ (1,544,883)</u>	<u>\$ (1,305,725)</u>	<u>\$ (1,384,539)</u>
Covered-employee payroll ⁽¹⁾	\$ 77,637,171	\$ 75,814,626	\$ 73,999,059
Contributions as a percentage of covered-employee payroll	-6.93%	-6.77%	-7.18%
Notes to Schedule:			
Valuation date:	June 30, 2017	June 30, 2017	June 30, 2015

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2024
Page 1 of 2

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Taxes and assessments:				
Property	\$ 141,373,233	\$ 142,715,981	\$ 146,136,871	\$ 3,420,890
Sales	48,532,772	45,257,552	43,444,542	(1,813,010)
Transient occupancy	31,986,150	31,986,150	31,736,961	(249,189)
Other taxes	8,937,999	8,937,999	10,252,076	1,314,077
Intergovernmental	2,289,407	4,644,072	4,977,096	333,024
Licenses, permits and fees	5,746,027	5,746,027	5,568,126	(177,901)
Charges for services	24,429,291	24,825,891	25,117,366	291,475
Fines and forfeitures	3,799,784	3,799,784	4,157,294	357,510
Investment income	1,750,000	1,750,000	3,200,616	1,450,616
Net increase in fair value of investments	-	-	1,652,435	1,652,435
Property income	16,025,781	17,331,591	18,970,340	1,638,749
Donations	412,300	526,151	418,774	(107,377)
Other	(245,007)	2,842	983,010	980,168
	<u>285,037,737</u>	<u>287,524,040</u>	<u>296,615,507</u>	<u>9,091,467</u>
Expenditures:				
General government:				
City council	924,218	929,844	635,839	294,005
City clerk	1,191,331	1,215,050	1,097,388	117,662
City attorney	2,526,824	2,592,211	2,423,648	168,563
City manager	6,760,030	9,887,013	4,420,332	5,466,681
Finance	11,039,023	11,252,744	9,437,432	1,815,312
Human resources	3,770,070	3,826,377	3,353,986	472,391
	<u>26,211,496</u>	<u>29,703,239</u>	<u>21,368,625</u>	<u>8,334,614</u>
Public safety:				
Police	73,415,698	76,169,572	74,047,663	2,121,909
Fire	64,405,996	66,718,421	65,534,675	1,183,746
	<u>137,821,694</u>	<u>142,887,993</u>	<u>139,582,338</u>	<u>3,305,655</u>
Public works:				
Public works - general services	33,861,833	36,201,348	34,286,251	1,915,097
Public works	12,732,655	13,891,663	12,986,340	905,323
Utilities	5,982,258	6,329,822	6,812,897	(483,075)
	<u>52,576,746</u>	<u>56,422,833</u>	<u>54,085,488</u>	<u>2,337,345</u>

See accompanying notes to required supplementary information

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2024
Page 2 of 2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Community development:				
Community development	13,995,918	15,697,665	14,380,441	1,317,224
Code and water quality enforcement	941,714	967,198	1,003,722	(36,524)
Total community development	<u>14,937,632</u>	<u>16,664,863</u>	<u>15,384,163</u>	<u>1,280,700</u>
Community services:				
Parking operations	2,227,582	2,961,404	2,316,775	644,629
Library services	10,259,001	11,114,322	10,143,264	971,058
Recreation and senior services	15,394,067	15,811,350	14,928,913	882,437
Total community services	<u>27,880,650</u>	<u>29,887,076</u>	<u>27,388,952</u>	<u>2,498,124</u>
Capital outlay	-	-	3,574,983	(3,574,983)
Debt service:				
Principal	-	-	1,250,081	(1,250,081)
Interest and fiscal charges	-	-	83,092	(83,092)
Total debt service	<u>-</u>	<u>-</u>	<u>1,333,173</u>	<u>(1,333,173)</u>
Total expenditures	<u>259,428,218</u>	<u>275,566,004</u>	<u>262,717,722</u>	<u>12,848,282</u>
Excess of revenues over expenditures	<u>25,609,519</u>	<u>11,958,036</u>	<u>33,897,785</u>	<u>21,939,749</u>
Other financing sources (uses):				
Transfers in	19,020,967	26,926,241	26,926,241	-
Transfers out	(34,489,272)	(59,400,346)	(59,400,346)	-
Inception of leases	-	-	3,259,414	3,259,414
Inception of subscription-based IT arrangements	-	-	315,569	315,569
Total other financing sources (uses)	<u>(15,468,305)</u>	<u>(32,474,105)</u>	<u>(28,899,122)</u>	<u>3,574,983</u>
Net change in fund balance	10,141,214	(20,516,069)	4,998,663	25,514,732
Fund balance, beginning	91,442,525	91,442,525	91,442,525	-
Fund balance, ending	<u>\$ 101,583,739</u>	<u>\$ 70,926,456</u>	<u>\$ 96,441,188</u>	<u>\$ 25,514,732</u>

See accompanying notes to required supplementary information

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Tide and Submerged Land - Operating
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				(Negative)
Revenues:				
Intergovernmental	\$ -	\$ 6,000	\$ 6,481	\$ 481
Licenses, permits and fees	100,200	100,200	103,338	3,138
Charges for services	12,650	12,650	38,081	25,431
Fines and forfeitures	30,000	30,000	37,902	7,902
Investment income	192,208	192,208	194,821	2,613
Net increase in fair value of investments	-	-	77,382	77,382
Property income	13,799,460	13,821,766	15,308,476	1,486,710
Other	-	-	14,041	14,041
	<u>14,134,518</u>	<u>14,162,824</u>	<u>15,780,522</u>	<u>1,617,698</u>
Total revenues				
Expenditures:				
General government	516,156	516,156	516,156	-
Public works	1,326,696	1,433,117	1,507,721	(74,604)
Community development	2,250	5,450	20,637	(15,187)
Community services	2,445,960	2,856,653	2,487,623	369,030
Capital outlay	1,975,000	4,020,459	726,928	3,293,531
	<u>6,266,062</u>	<u>8,831,835</u>	<u>5,259,065</u>	<u>3,572,770</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>7,868,456</u>	<u>5,330,989</u>	<u>10,521,457</u>	<u>5,190,468</u>
Other financing sources:				
Transfers in	11,152,510	11,252,355	11,252,355	-
Transfers out	(19,020,966)	(19,333,407)	(19,333,407)	-
	<u>(7,868,456)</u>	<u>(8,081,052)</u>	<u>(8,081,052)</u>	<u>-</u>
Total other financing sources				
Net change in fund balance	-	(2,750,063)	2,440,405	5,190,468
Fund balance, beginning	<u>6,107,317</u>	<u>6,107,317</u>	<u>6,107,317</u>	<u>-</u>
Fund balance, ending	<u>\$ 6,107,317</u>	<u>\$ 3,357,254</u>	<u>\$ 8,547,722</u>	<u>\$ 5,190,468</u>

See accompanying notes to required supplementary information

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Tide and Submerged Land - Harbor Capital
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Investment income	\$ 436,141	\$ 436,141	\$ 1,309,710	\$ 873,569
Net increase in fair value of investments	-	-	790,072	790,072
Property income	<u>5,258,302</u>	<u>5,258,302</u>	<u>6,624,712</u>	<u>1,366,410</u>
Total revenues	<u>5,694,443</u>	<u>5,694,443</u>	<u>8,724,494</u>	<u>3,030,051</u>
Expenditures:				
Capital outlay	<u>3,471,406</u>	<u>6,976,976</u>	<u>546,959</u>	<u>6,430,017</u>
Excess (deficiency) of revenues over expenditures	2,223,037	(1,282,533)	8,177,535	9,460,068
Other financing sources:				
Transfers in	<u>4,715,000</u>	<u>4,715,000</u>	<u>4,715,000</u>	<u>-</u>
Net change in fund balance	6,938,037	3,432,467	12,892,535	9,460,068
Fund balance, beginning	<u>30,214,811</u>	<u>30,214,811</u>	<u>30,214,811</u>	<u>-</u>
Fund balance, ending	<u>\$ 37,152,848</u>	<u>\$ 33,647,278</u>	<u>\$ 43,107,346</u>	<u>\$ 9,460,068</u>

See accompanying notes to required supplementary information

CITY OF NEWPORT BEACH
Notes to Required Supplementary Information
June 30, 2024

(1) Budgetary Control and Compliance

The City adheres to the following general procedures in establishing the budgetary data reflected in the financial statements:

- During May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at City Council meetings to obtain citizen comments. Prior to July 1, the budget is legally adopted through passage of an appropriation resolution.
- Budgets are adopted on an annual basis consistent with generally accepted accounting principles for General and Special Revenue Funds, except for the Opioid Remediation Fund, for which no budget was adopted.
- The City does not present budget information on Capital Projects Funds since the City approves project-length budgets. These project-length budgets authorize total expenditures over the duration of a construction project rather than through year-by-year budgeting.
- The City does not present budget information on Debt Service and Permanent Funds since the City is not required to and does not adopt an annual budget for these funds.
- The budget is formally integrated into the accounting system and employed as a management control device during the year.
- The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions which alter the total appropriations of any fund must be approved by the City Council.
- At fiscal year-end, budget appropriations lapse. Budget appropriations for incomplete capital projects are re-budgeted in the following fiscal year by City Council action and are included in the revisions noted above. Projects that are not started during the budget year are re-evaluated in the following year.
- Encumbrances represent commitments related to unperformed contracts for goods and services. The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this system, encumbrance accounting for the expenditure of funds is recorded in order to indicate outstanding commitments and is employed in the governmental fund types. Encumbrances outstanding at year-end are reported as committed or restricted fund balances since they do not constitute expenditures or liabilities. Encumbrances and their related budgets are honored in the subsequent year to fulfill these commitments and are presented in the original adopted budget.

CITY OF NEWPORT BEACH
Notes to Required Supplementary Information
June 30, 2024

(1) **Budgetary Control and Compliance (Continued)**

Expenditures exceeded appropriations in the following governmental fund:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Supplemental Law Enforcement Services	\$200,000	\$241,105	\$(41,105)

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FINANCIAL SECTION

SUPPLEMENTARY INFORMATION
OTHER GOVERNMENTAL FUNDS

FINANCIAL SECTION

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OTHER GOVERNMENTAL FUNDS

Other Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes. The City of Newport Beach Special Revenue Funds are as follows:

The **State Gas Tax Fund** accounts for all State Gas Tax related revenues and expenditures, including street repair, construction, and maintenance. State law requires that these funds be used exclusively for maintenance of the street and highway system.

The **SB1 Gas Tax RMRA Fund** accounts for all Road Maintenance and Rehabilitation Account related revenues and expenditures. State law requires that these funds be used exclusively for the transportation system. RMRA revenues are from fuel and vehicle registration taxes imposed by the state's Road Repair and Accountability Act of 2017.

The **Asset Forfeiture Fund** was established to account for all revenues resulting from the seizure of assets in conjunction with criminal cases (primarily drug trafficking) in which judicial proceedings have been completed. All such funds are property of the City, and it is the City's policy that these funds shall be used for enhancement of law enforcement programs.

The **Office of the Traffic Safety (OTS) DUI Grant Fund** is used to account for federal funding of the Selective Traffic Enforcement Program (STEP). These funds are used exclusively for DUI enforcement.

The **Circulation and Transportation Fund** is used to account for fair share revenues collected from developers and restricted for capital improvement projects meeting the circulation element of the City's General Plan.

The **Building Excise Tax Fund** is used to account for revenues received from builders or developers on building or remodeling projects within the City. Expenditures from this fund are used exclusively for public safety, libraries, parks, beaches, or recreational activities.

The **Community Development Block Grant Fund** is used to account for revenues and expenditures relating to the City's Community Development Block Grant program. These funds are received from the Federal Department of Housing and Urban Development and must be expended exclusively on programs for low or moderate income individuals/families.

The **Air Quality Management District Fund** is used to account for revenues received from the South Coast Air Quality Management District restricted for the use of reducing air pollution.

The **Environmental Liability Fund** is used to account for solid waste fees restricted for mitigation of future environmental liability relating to the handling of solid waste.

The **Supplemental Law Enforcement Services Fund (SLESF)** is used to account for revenues received from the county to be used exclusively for front line law enforcement services.

The **Opioid Remediation Fund** is used to account for revenues received from various settlements related to opioid manufacturing and distribution to be used exclusively for opioid remediation activities.

The **Contributions Fund** is used to account for revenues received from other government agencies or private developers and expended for specific streets, highway, construction, or water quality projects.

The **Fostering Interest in Nature (FIIN) Fund** is restricted for recreation and education programming as a mitigation effort by the California Coastal Commission.

The **Restricted Programs Fund** is used to account for revenues received that are restricted for affordable housing, public arts and culture, parking improvements, and disability access training.

The **Measure M Fund** is used to account for the revenues and expenditures of funds received from the Orange County Transportation Authority. Expenditures from this fund are used exclusively for transportation related purposes.

The **Oceanfront Encroachment Fund** is restricted for ocean front restoration and improvement and maintenance to enhance public access and use of ocean beaches as restricted by the Local Coastal Program.

The **American Rescue Plan Act Fund** is used to account for federal funding received through Coronavirus State and Local Fiscal Recovery Funds under the American Rescue Plan Act.

The **Miscellaneous Grants Fund** is used to account for revenues received from various other miscellaneous grants.

The **PEG Fees Fund** is used to account for cable franchise fees received from cable providers for support of Public, Education, and Government access programming only.

Other Capital Projects Funds

Capital Projects Funds are used to account for resources used for the acquisition and construction of capital facilities by the City, except those financed by Enterprise Funds. The City of Newport Beach Capital Projects Funds are as follows:

The **Assessment District Fund** is used to account for the receipt and expenditure of funds received from 1911 Act and 1915 Act Assessment Districts for capital improvement projects.

The **Fire Station Fund** is used to account for the design and construction of new fire stations.

The **Civic Center and Park Fund** is used to account for the design and construction of a new Civic Center Complex. In prior years, this fund was called City Hall Improvements Fund.

The **Police Facility Fund** is used to account for the purchase, design and construction of a new police station.

The **Newport Uptown Undergrounding Fund** is used to account for the receipt and expenditures related to the development within the Newport Uptown Planned Community Development Plan.

The **Parks and Community Centers Fund** is used to account for expenditures for park and community center rehabilitation, expansion and/or replacement in accordance with the Facilities Financing Planning Program.

The **Balboa Village Parking Management District Fund** is used to account for revenues and expenditures associated with parking management improvements in Balboa Village.

The **Facilities Maintenance Fund** is used to account for revenues and expenditures associated with the maintenance of existing facilities.

The **Neighborhood Enhancement Fund** is used to account for projects that will enhance neighborhood aesthetics and functionality.

The **Miscellaneous FFP Projects Fund** is used to account for expenditures for small scale facility rehabilitation, expansion and/or replacement in accordance with the Facilities Financing Planning Program.

The **Junior Lifeguards Fund** is used to account for capital improvement projects related to the Junior Lifeguards program.

The **Unrestricted Capital Improvements Fund** is used to separately account for general fund capital improvement projects.

The **Park Maintenance Fund** is used to account for capital improvement projects associated with the maintenance of existing parks.

Other Permanent Funds

Permanent Funds are used to report resources that are legally restricted for the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. The City of Newport Beach Permanent Funds are as follows:

The **Bay Dredging Fund** is used to account for the receipt of permanent endowments intended to fund the ongoing cost of maintaining and dredging of the Upper Newport Bay.

The **Ackerman Fund** is used to account for the receipt of permanent endowments intended as follows: 75% of the fund's investment proceeds will be used for the purchase of high-tech library equipment while the remaining 25% will be used for scholarships for needy students.

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2024
Page 1 of 7

	<u>Special Revenue</u>				
	<u>State Gas Tax</u>	<u>SB1 Gas Tax RMRA</u>	<u>Asset Forfeiture</u>	<u>OTS DUI Grant</u>	<u>Circulation and Transportation</u>
Assets					
Cash and investments	\$ 3,344,439	\$ 520,112	\$ 816,276	\$ -	\$ 1,061,904
Receivables:					
Accounts (net of allowance)	-	-	-	-	-
Interest	10,233	1,899	1,122	-	3,425
Intergovernmental receivables	201,787	382,983	-	59,493	-
Restricted cash and investments with fiscal agent	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 3,556,459</u>	<u>\$ 904,994</u>	<u>\$ 817,398</u>	<u>\$ 59,493</u>	<u>\$ 1,065,329</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 758,658	\$ 78,995	\$ -	\$ -	\$ 147,180
Accrued payroll	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Due to other funds	-	-	-	59,652	-
Total liabilities	<u>758,658</u>	<u>78,995</u>	<u>-</u>	<u>59,652</u>	<u>147,180</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Fund balances (deficits):					
Nonspendable:					
Prepaid items	-	-	-	-	-
Permanent endowment	-	-	-	-	-
Restricted	2,797,801	825,999	817,398	-	918,149
Committed	-	-	-	-	-
Unassigned	-	-	-	(159)	-
Total fund balances (deficits)	<u>2,797,801</u>	<u>825,999</u>	<u>817,398</u>	<u>(159)</u>	<u>918,149</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,556,459</u>	<u>\$ 904,994</u>	<u>\$ 817,398</u>	<u>\$ 59,493</u>	<u>\$ 1,065,329</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2024
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	Special Revenue				
	Building Excise Tax	Community Development Block Grant	Air Quality Management District	Environmental Liability	Supplemental Law Enforcement Services
Assets					
Cash and investments	\$ 371,255	\$ -	\$ 1,739,657	\$ 9,946,765	\$ -
Receivables:					
Accounts (net of allowance)	24,974	-	-	10,882	-
Interest	1,198	-	5,612	32,084	-
Intergovernmental receivables	-	229,622	28,062	-	-
Restricted cash and investments with fiscal agent	-	-	-	-	-
Prepaid items	-	-	-	39,723	-
Total assets	\$ 397,427	\$ 229,622	\$ 1,773,331	\$ 10,029,454	\$ -
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 26,608	\$ 116,389	\$ -	\$ 62,513	\$ -
Accrued payroll	-	-	-	3,436	-
Unearned revenue	-	-	-	-	-
Due to other funds	-	113,233	-	-	-
Total liabilities	26,608	229,622	-	65,949	-
Deferred inflows of resources:					
Unavailable revenue	-	229,622	28,062	2,516	-
Fund balances (deficits):					
Nonspendable:					
Prepaid items	-	-	-	39,723	-
Permanent endowment	-	-	-	-	-
Restricted	370,819	-	1,745,269	9,921,266	-
Committed	-	-	-	-	-
Unassigned	-	(229,622)	-	-	-
Total fund balances (deficits)	370,819	(229,622)	1,745,269	9,960,989	-
Total liabilities, deferred inflows of resources and fund balances	\$ 397,427	\$ 229,622	\$ 1,773,331	\$ 10,029,454	\$ -

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2024
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Special Revenue

	<u>Opioid Remediation</u>	<u>Contributions</u>	<u>FIIN</u>	<u>Restricted Programs</u>	<u>Measure M</u>
Assets					
Cash and investments	\$ 505,567	\$ 11,217,521	\$ 1,091,280	\$ 2,504,366	\$ 2,724,129
Receivables:					
Accounts (net of allowance)	-	865,280	-	-	-
Interest	-	3	3,520	8,078	8,797
Intergovernmental receivables	-	44,277	-	-	963,647
Restricted cash and investments with fiscal agent	-	-	-	-	-
Prepaid items	-	-	-	-	-
	<u>505,567</u>	<u>12,127,081</u>	<u>1,094,800</u>	<u>2,512,444</u>	<u>3,696,573</u>
Total assets	\$ 505,567	\$ 12,127,081	\$ 1,094,800	\$ 2,512,444	\$ 3,696,573
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 2,890,037	\$ -	\$ 1,882	\$ 106,418
Accrued payroll	-	-	-	-	-
Unearned revenue	505,567	4,256,433	-	-	503,122
Due to other funds	-	-	-	-	-
	<u>505,567</u>	<u>7,146,470</u>	<u>-</u>	<u>1,882</u>	<u>609,540</u>
Total liabilities	505,567	7,146,470	-	1,882	609,540
Deferred inflows of resources:					
Unavailable revenue	-	784,131	-	-	554,981
	<u>-</u>	<u>784,131</u>	<u>-</u>	<u>-</u>	<u>554,981</u>
Fund balances (deficits):					
Nonspendable:					
Prepaid items	-	-	-	-	-
Permanent endowment	-	-	-	-	-
Restricted	-	4,196,480	1,094,800	2,510,562	2,532,052
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
	<u>-</u>	<u>4,196,480</u>	<u>1,094,800</u>	<u>2,510,562</u>	<u>2,532,052</u>
Total fund balances (deficits)	-	4,196,480	1,094,800	2,510,562	2,532,052
Total liabilities, deferred inflows of resources and fund balances	\$ 505,567	\$ 12,127,081	\$ 1,094,800	\$ 2,512,444	\$ 3,696,573

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2024
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	Special Revenue				Capital Projects
	Oceanfront Encroachment	American Rescue Plan Act	Miscellaneous Grants	PEG Fees	Assessment District
Assets					
Cash and investments	\$ 1,166,677	\$ 675,566	\$ -	\$ 3,463,701	\$ -
Receivables:					
Accounts (net of allowance)	35,029	-	-	75,132	-
Interest	3,763	-	-	11,173	153,080
Intergovernmental receivables	-	-	9,911	-	-
Restricted cash and investments with fiscal agent	-	-	-	-	27,328,069
Prepaid items	-	-	-	-	-
Total assets	\$ 1,205,469	\$ 675,566	\$ 9,911	\$ 3,550,006	\$ 27,481,149
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 21,917	\$ 673,232	\$ -	\$ -	\$ 2,460,595
Accrued payroll	-	-	-	-	-
Unearned revenue	-	2,334	-	-	-
Due to other funds	-	-	9,911	-	58,643
Total liabilities	21,917	675,566	9,911	-	2,519,238
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Fund balances (deficits):					
Nonspendable:					
Prepaid items	-	-	-	-	-
Permanent endowment	-	-	-	-	-
Restricted	1,183,552	-	-	3,550,006	24,961,911
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	1,183,552	-	-	3,550,006	24,961,911
Total liabilities, deferred inflows of resources and fund balances	\$ 1,205,469	\$ 675,566	\$ 9,911	\$ 3,550,006	\$ 27,481,149

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2024
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	Capital Projects				
	Fire Station	Civic Center and Park	Police Facility	Newport Uptown Undergrounding	Parks and Community Centers
Assets					
Cash and investments	\$ 3,041,090	\$ 504,119	\$ 685,696	\$ 3,400	\$ 17,594,132
Receivables:					
Accounts (net of allowance)	-	-	-	-	-
Interest	9,810	1,465	2,212	11	56,753
Intergovernmental receivables	-	-	-	-	-
Restricted cash and investments with fiscal agent	292,893	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 3,343,793	\$ 505,584	\$ 687,908	\$ 3,411	\$ 17,650,885
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 56,704	\$ 418	\$ -	\$ -	\$ 1,543,336
Accrued payroll	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	56,704	418	-	-	1,543,336
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Fund balances (deficits):					
Nonspendable:					
Prepaid items	-	-	-	-	-
Permanent endowment	-	-	-	-	-
Restricted	292,893	-	-	3,411	-
Committed	2,994,196	505,166	687,908	-	16,107,549
Unassigned	-	-	-	-	-
Total fund balances (deficits)	3,287,089	505,166	687,908	3,411	16,107,549
Total liabilities, deferred inflows of resources and fund balances	\$ 3,343,793	\$ 505,584	\$ 687,908	\$ 3,411	\$ 17,650,885

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2024
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	Capital Projects				
	Balboa Village Parking Management District	Facilities Maintenance	Neighborhood Enhancement	Miscellaneous FFP Projects	Junior Lifeguards
Assets					
Cash and investments	\$ 353,586	\$ 4,502,445	\$ 12,418,388	\$ 6,651,776	\$ 127,906
Receivables:					
Accounts (net of allowance)	-	-	-	-	-
Interest	1,140	14,524	40,058	-	413
Intergovernmental receivables	-	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 354,726	\$ 4,516,969	\$ 12,458,446	\$ 6,651,776	\$ 128,319
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 44,133	\$ 348,828	\$ 727,614	\$ 128,949	\$ 6,173
Accrued payroll	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	44,133	348,828	727,614	128,949	6,173
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Fund balances (deficits):					
Nonspendable:					
Prepaid items	-	-	-	-	-
Permanent endowment	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	310,593	4,168,141	11,730,832	6,522,827	122,146
Unassigned	-	-	-	-	-
Total fund balances (deficits)	310,593	4,168,141	11,730,832	6,522,827	122,146
Total liabilities, deferred inflows of resources and fund balances	\$ 354,726	\$ 4,516,969	\$ 12,458,446	\$ 6,651,776	\$ 128,319

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2024
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	Capital Projects		Permanent Funds		Total Other Governmental Funds
	Unrestricted Capital Improvements	Park Maintenance	Bay Dredging	Ackerman Donation	
Assets					
Cash and investments	\$ 16,591,150	\$ 1,020,012	\$ 5,612,254	\$ 1,225,200	\$ 111,480,369
Receivables:					
Accounts (net of allowance)	-	-	-	-	1,011,297
Interest	-	3,290	18,103	3,952	395,718
Intergovernmental receivables	-	-	-	-	1,919,782
Restricted cash and investments with fiscal agent	-	-	-	-	27,620,962
Prepaid items	-	-	-	-	39,723
Total assets	<u>\$ 16,591,150</u>	<u>\$ 1,023,302</u>	<u>\$ 5,630,357</u>	<u>\$ 1,229,152</u>	<u>\$ 142,467,851</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 871,003	\$ 63,700	\$ -	\$ 13,220	\$ 11,148,502
Accrued payroll	-	-	-	-	3,436
Unearned revenue	-	-	-	-	5,267,456
Due to other funds	-	-	-	-	241,439
Total liabilities	<u>871,003</u>	<u>63,700</u>	<u>-</u>	<u>13,220</u>	<u>16,660,833</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	1,599,312
Fund balances (deficits):					
Nonspendable:					
Prepaid items	-	-	-	-	39,723
Permanent endowment	-	-	3,857,000	772,781	4,629,781
Restricted	-	-	1,773,357	443,151	59,938,876
Committed	15,720,147	959,602	-	-	59,829,107
Unassigned	-	-	-	-	(229,781)
Total fund balances (deficits)	<u>15,720,147</u>	<u>959,602</u>	<u>5,630,357</u>	<u>1,215,932</u>	<u>124,207,706</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,591,150</u>	<u>\$ 1,023,302</u>	<u>\$ 5,630,357</u>	<u>\$ 1,229,152</u>	<u>\$ 142,467,851</u>

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024
Page 1 of 7

	Special Revenue				
	State Gas Tax	SB1 Gas Tax RMRA	Asset Forfeiture	OTS DUI Grant	Circulation and Transportation
Revenues:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,331,825	2,197,540	268,095	281,638	-
Charge for services	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	299,476
Property income	-	-	-	-	-
Investment income	131,912	31,060	22,756	-	35,197
Net increase in fair value of investments	81,601	15,656	13,575	-	23,346
Donations	-	-	-	-	-
Special assessments	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	2,545,338	2,244,256	304,426	281,638	358,019
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	17,393	281,797	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	3,455,116	1,834,308	-	-	1,093,629
Total expenditures	3,455,116	1,834,308	17,393	281,797	1,093,629
Excess (deficiency) of revenues over expenditures	(909,778)	409,948	287,033	(159)	(735,610)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(909,778)	409,948	287,033	(159)	(735,610)
Fund balances (deficits), beginning	3,707,579	416,051	530,365	-	1,653,759
Fund balances (deficits), ending	\$ 2,797,801	\$ 825,999	\$ 817,398	(159)	\$ 918,149

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024
Page 2 of 7

	Special Revenue				
	Building Excise Tax	Community Development Block Grant	Air Quality Management District	Environmental Liability	Supplemental Law Enforcement Services
Revenues:					
Other taxes	\$ -	\$ -	\$ -	\$ 963,173	\$ -
Intergovernmental	-	95,221	112,059	-	241,105
Charge for services	-	-	-	-	-
Licenses, permits and fees	190,664	-	-	-	-
Property income	-	-	-	-	-
Investment income	8,919	-	50,214	293,008	-
Net increase in fair value of investments	4,688	-	30,261	180,497	-
Donations	-	-	-	-	-
Special assessments	-	-	-	-	-
Other	-	-	-	66,962	-
Total revenues	<u>204,271</u>	<u>95,221</u>	<u>192,534</u>	<u>1,503,640</u>	<u>241,105</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	241,105
Public works	-	-	-	421,635	-
Community development	-	324,843	-	-	-
Community services	-	-	-	-	-
Capital outlay	21,435	-	-	377,713	-
Total expenditures	<u>21,435</u>	<u>324,843</u>	<u>-</u>	<u>799,348</u>	<u>241,105</u>
Excess (deficiency) of revenues over expenditures	<u>182,836</u>	<u>(229,622)</u>	<u>192,534</u>	<u>704,292</u>	<u>-</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>182,836</u>	<u>(229,622)</u>	<u>192,534</u>	<u>704,292</u>	<u>-</u>
Fund balances (deficits), beginning	<u>187,983</u>	<u>-</u>	<u>1,552,735</u>	<u>9,256,697</u>	<u>-</u>
Fund balances (deficits), ending	<u>\$ 370,819</u>	<u>\$ (229,622)</u>	<u>\$ 1,745,269</u>	<u>\$ 9,960,989</u>	<u>\$ -</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024
Page 3 of 7

Special Revenue					
	Opioid Remediation	Contributions	FIIN	Restricted Programs	Measure M
Revenues:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	5,083,257	-	-	2,965,303
Charge for services	-	-	-	61,917	-
Licenses, permits and fees	-	-	-	150,000	-
Property income	-	-	-	24,669	-
Investment income	-	1,743	33,670	67,756	84,830
Net increase in fair value of investments	-	1,097	21,022	40,531	50,670
Donations	-	5,501,518	-	112,587	-
Special assessments	-	-	-	-	-
Other	44,976	-	-	66,266	-
Total revenues	44,976	10,587,615	54,692	523,726	3,100,803
Expenditures:					
Current:					
General government	44,976	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	149,948	13,671	-
Capital outlay	-	10,805,241	-	-	2,520,338
Total expenditures	44,976	10,805,241	149,948	13,671	2,520,338
Excess (deficiency) of revenues over expenditures	-	(217,626)	(95,256)	510,055	580,465
Other financing sources (uses):					
Transfers in	-	4,643,968	-	-	15,290
Transfers out	-	(218,237)	-	-	-
Total other financing sources (uses)	-	4,425,731	-	-	15,290
Net change in fund balances	-	4,208,105	(95,256)	510,055	595,755
Fund balances (deficits), beginning	-	(11,625)	1,190,056	2,000,507	1,936,297
Fund balances (deficits), ending	\$ -	\$ 4,196,480	\$ 1,094,800	\$ 2,510,562	\$ 2,532,052

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024
Page 4 of 7

	Special Revenue				Capital Projects
	Oceanfront Encroachment	American Rescue Plan Act	Miscellaneous Grants	PEG Fees	Assessment District
Revenues:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	7,071,718	9,911	-	-
Charge for services	-	-	-	-	-
Licenses, permits and fees	-	-	-	307,890	-
Property income	270,561	-	-	-	-
Investment income	33,000	-	-	100,757	1,393,470
Net increase in fair value of investments	19,596	-	-	61,255	68,033
Donations	-	-	-	-	-
Special assessments	-	-	-	-	26,843,142
Other	-	-	-	-	-
Total revenues	323,157	7,071,718	9,911	469,902	28,304,645
Expenditures:					
Current:					
General government	-	3,535	-	72,433	-
Public safety	-	-	9,911	-	-
Public works	-	115,499	-	-	9,401,847
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	85,228	1,726,042	-	-	-
Total expenditures	85,228	1,845,076	9,911	72,433	9,401,847
Excess (deficiency) of revenues over expenditures	237,929	5,226,642	-	397,469	18,902,798
Other financing sources (uses):					
Transfers in	-	-	-	-	5,300
Transfers out	-	(5,226,642)	-	-	(1,230,300)
Total other financing sources (uses)	-	(5,226,642)	-	-	(1,225,000.00)
Net change in fund balances	237,929	-	-	397,469	17,677,798
Fund balances (deficits), beginning	945,623	-	-	3,152,537	7,284,113
Fund balances (deficits), ending	<u>\$ 1,183,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,550,006</u>	<u>\$ 24,961,911</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024
Page 5 of 7

	Capital Projects				
	Fire Station	Civic Center and Park	Police Facility	Newport Uptown Undergrounding	Parks and Community Centers
Revenues:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charge for services	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	-
Property income	-	-	-	-	-
Investment income	102,256	13,536	18,654	101	528,941
Net increase in fair value of investments	56,411	8,298	14,748	62	303,359
Donations	-	-	-	-	-
Special assessments	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>158,667</u>	<u>21,834</u>	<u>33,402</u>	<u>163</u>	<u>832,300</u>
Expenditures:					
Current:					
General government	-	2,033	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	181,529	-	4,250	-	6,361,244
Total expenditures	<u>181,529</u>	<u>2,033</u>	<u>4,250</u>	<u>-</u>	<u>6,361,244</u>
Excess (deficiency) of revenues over expenditures	<u>(22,862)</u>	<u>19,801</u>	<u>29,152</u>	<u>163</u>	<u>(5,528,944)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	6,955,012
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,955,012</u>
Net change in fund balances	<u>(22,862)</u>	<u>19,801</u>	<u>29,152</u>	<u>163</u>	<u>1,426,068</u>
Fund balances (deficits), beginning	<u>3,309,951</u>	<u>485,365</u>	<u>658,756</u>	<u>3,248</u>	<u>14,681,481</u>
Fund balances (deficits), ending	<u>\$ 3,287,089</u>	<u>\$ 505,166</u>	<u>\$ 687,908</u>	<u>\$ 3,411</u>	<u>\$ 16,107,549</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024
Page 6 of 7

	Capital Projects				
	Balboa Village Parking Management District	Facilities Maintenance	Neighborhood Enhancement	Miscellaneous FFP Projects	Junior Lifeguards
Revenues:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charge for services	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	-
Property income	-	-	-	-	-
Investment income	11,052	176,997	450,872	-	1,717
Net increase in fair value of investments	6,771	109,416	294,045	-	466
Donations	-	-	-	-	-
Special assessments	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	17,823	286,413	744,917	-	2,183
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	86,475	2,673,645	6,551,637	289,263	167,481
Total expenditures	86,475	2,673,645	6,551,637	289,263	167,481
Excess (deficiency) of revenues over expenditures	(68,652)	(2,387,232)	(5,806,720)	(289,263)	(165,298)
Other financing sources (uses):					
Transfers in	-	2,500,000	1,665,952	4,940,281	286,361
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	2,500,000	1,665,952	4,940,281	286,361
Net change in fund balances	(68,652)	112,768	(4,140,768)	4,651,018	121,063
Fund balances (deficits), beginning	379,245	4,055,373	15,871,600	1,871,809	1,083
Fund balances (deficits), ending	\$ 310,593	\$ 4,168,141	\$ 11,730,832	\$ 6,522,827	\$ 122,146

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024
Page 7 of 7

	Capital Projects		Permanent Funds		Total Other Governmental Funds
	Unrestricted Capital Improvements	Park Maintenance	Bay Dredging	Ackerman Donation	
Revenues:					
Other taxes	\$ -	\$ -	\$ -	\$ -	963,173
Intergovernmental	-	-	-	-	20,657,672
Charge for services	-	-	-	-	61,917
Licenses, permits and fees	-	-	-	-	948,030
Property income	-	-	-	-	295,230
Investment income	-	31,748	167,037	36,736	3,827,939
Net increase in fair value of investments	-	18,148	102,289	22,507	1,548,348
Donations	-	-	-	-	5,614,105
Special assessments	-	-	-	-	26,843,142
Other	-	-	-	-	178,204
Total revenues	-	49,896	269,326	59,243	60,937,760
Expenditures:					
Current:					
General government	-	-	-	-	122,977
Public safety	-	-	-	-	550,206
Public works	-	-	-	-	9,938,981
Community development	-	-	-	4,900	329,743
Community services	-	-	-	19,940	183,559
Capital outlay	7,602,296	90,294	-	-	45,927,164
Total expenditures	7,602,296	90,294	-	24,840	57,052,630
Excess (deficiency) of revenues over expenditures	(7,602,296)	(40,398)	269,326	34,403	3,885,130
Other financing sources (uses):					
Transfers in	12,776,641	1,000,000	-	-	34,788,805
Transfers out	(1,000,000)	-	-	-	(7,675,179)
Total other financing sources (uses)	11,776,641	1,000,000	-	-	27,113,626
Net change in fund balances	4,174,345	959,602	269,326	34,403	30,998,756
Fund balances (deficits), beginning	11,545,802	-	5,361,031	1,181,529	93,208,950
Fund balances (deficits), ending	\$ 15,720,147	\$ 959,602	\$ 5,630,357	\$ 1,215,932	\$ 124,207,706

**CITY OF NEWPORT BEACH
 Budgetary Comparison Schedule
 State Gas Tax Special Revenue Fund
 For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 2,189,879	\$ 2,189,879	\$ 2,331,825	\$ 141,946
Investment income	21,669	21,669	131,912	110,243
Net increase in fair value of investments	-	-	81,601	81,601
Total revenues	<u>2,211,548</u>	<u>2,211,548</u>	<u>2,545,338</u>	<u>333,790</u>
Expenditures:				
Capital outlay	<u>1,864,993</u>	<u>5,690,245</u>	<u>3,455,116</u>	<u>2,235,129</u>
Net change in fund balance	346,555	(3,478,697)	(909,778)	2,568,919
Fund balance, beginning	<u>3,707,579</u>	<u>3,707,579</u>	<u>3,707,579</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 4,054,134</u></u>	<u><u>\$ 228,882</u></u>	<u><u>\$ 2,797,801</u></u>	<u><u>\$ 2,568,919</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
SB1 Gas Tax RMRA Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,846,884	\$ 1,846,884	\$ 2,197,540	\$ 350,656
Investment income	3,321	3,321	31,060	27,739
Net increase in fair value of investments	-	-	15,656	15,656
Total revenues	<u>1,850,205</u>	<u>1,850,205</u>	<u>2,244,256</u>	<u>394,051</u>
Expenditures:				
Capital outlay	<u>2,000,000</u>	<u>1,834,308</u>	<u>1,834,308</u>	<u>-</u>
Net change in fund balance	(149,795)	15,897	409,948	394,051
Fund balance, beginning	<u>416,051</u>	<u>416,051</u>	<u>416,051</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 266,256</u></u>	<u><u>\$ 431,948</u></u>	<u><u>\$ 825,999</u></u>	<u><u>\$ 394,051</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 268,095	\$ 268,095
Investment income	-	-	22,756	22,756
Net increase in fair value of investments	-	-	13,575	13,575
Total revenues	<u>-</u>	<u>-</u>	<u>304,426</u>	<u>304,426</u>
Expenditures:				
Public safety	<u>65,000</u>	<u>65,000</u>	<u>17,393</u>	<u>47,607</u>
Net change in fund balance	(65,000)	(65,000)	287,033	352,033
Fund balance, beginning	<u>530,365</u>	<u>530,365</u>	<u>530,365</u>	<u>-</u>
Fund balance, ending	<u>\$ 465,365</u>	<u>\$ 465,365</u>	<u>\$ 817,398</u>	<u>\$ 352,033</u>

**CITY OF NEWPORT BEACH
 Budgetary Comparison Schedule
 OTS DUI Grant Special Revenue Fund
 For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 376,000	\$ 281,638	\$ (94,362)
Expenditures:				
Public safety	-	376,000	281,797	94,203
Net change in fund balance	-	-	(159)	(159)
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (159)</u>	<u>\$ (159)</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Circulation and Transportation Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, permits and fees	\$ -	\$ -	\$ 299,476	\$ 299,476
Investment income	-	-	35,197	35,197
Net increase in fair value of investments	-	-	23,346	23,346
Total revenues	-	-	358,019	358,019
Expenditures:				
Capital outlay	-	1,253,127	1,093,629	159,498
Net change in fund balance	-	(1,253,127)	(735,610)	517,517
Fund balance, beginning	1,653,759	1,653,759	1,653,759	-
Fund balance, ending	<u>\$ 1,653,759</u>	<u>\$ 400,632</u>	<u>\$ 918,149</u>	<u>\$ 517,517</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Building Excise Tax Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, permits and fees	\$ 202,950	\$ 202,950	\$ 190,664	\$ (12,286)
Investment income	3,006	3,006	8,919	5,913
Net increase in fair value of investments	-	-	4,688	4,688
Total revenues	<u>205,956</u>	<u>205,956</u>	<u>204,271</u>	<u>(1,685)</u>
Expenditures:				
Capital outlay	-	379,207	21,435	357,772
Net change in fund balance	205,956	(173,251)	182,836	356,087
Fund balance, beginning	<u>187,983</u>	<u>187,983</u>	<u>187,983</u>	<u>-</u>
Fund balance, ending	<u>\$ 393,939</u>	<u>\$ 14,732</u>	<u>\$ 370,819</u>	<u>\$ 356,087</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 385,974	\$ 1,074,362	\$ 95,221	\$ (979,141)
Total revenues	<u>385,974</u>	<u>1,074,362</u>	<u>95,221</u>	<u>(979,141)</u>
Expenditures:				
Community development	183,586	1,074,362	324,843	749,519
Debt service:				
Principal	208,000	-	-	-
Interest and fiscal charges	<u>2,548</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>394,134</u>	<u>1,074,362</u>	<u>324,843</u>	<u>749,519</u>
Net change in fund balance	(8,160)	-	(229,622)	(229,622)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (8,160)</u>	<u>\$ -</u>	<u>\$ (229,622)</u>	<u>\$ (229,622)</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Air Quality Management District Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 112,059	\$ 12,059
Investment income	16,734	16,734	50,214	33,480
Net increase in fair value of investments	-	-	30,261	30,261
Total revenues	<u>116,734</u>	<u>116,734</u>	<u>192,534</u>	<u>75,800</u>
Expenditures:				
Capital outlay	-	216,319	-	216,319
Net change in fund balance	116,734	(99,585)	192,534	292,119
Fund balance, beginning	<u>1,552,735</u>	<u>1,552,735</u>	<u>1,552,735</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,669,469</u>	<u>\$ 1,453,150</u>	<u>\$ 1,745,269</u>	<u>\$ 292,119</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Environmental Liability Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other taxes	\$ 670,563	\$ 670,563	\$ 963,173	\$ 292,610
Investment income	153,829	153,829	293,008	139,179
Net increase in fair value of investments	-	-	180,497	180,497
Other revenue	40,000	40,000	66,962	26,962
Total revenues	<u>864,392</u>	<u>864,392</u>	<u>1,503,640</u>	<u>639,248</u>
Expenditures:				
Public works	714,458	714,458	421,635	292,823
Capital outlay	-	1,273,486	377,713	895,773
Total expenditures	<u>714,458</u>	<u>1,987,944</u>	<u>799,348</u>	<u>1,188,596</u>
Net change in fund balance	149,934	(1,123,552)	704,292	1,827,844
Fund balance, beginning	<u>9,256,697</u>	<u>9,256,697</u>	<u>9,256,697</u>	<u>-</u>
Fund balance, ending	<u>\$ 9,406,631</u>	<u>\$ 8,133,145</u>	<u>\$ 9,960,989</u>	<u>\$ 1,827,844</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Supplemental Law Enforcement Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 250,000	\$ 250,000	\$ 241,105	\$ (8,895)
Expenditures:				
Public safety	200,000	200,000	241,105	(41,105)
Net change in fund balance	50,000	50,000	-	(50,000)
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Opioid Remediation Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ -	\$ -	\$ 44,976	44,976
Expenditures:				
General government	-	395,766	44,976	350,790
Net change in fund balance	-	(395,766)	-	395,766
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ (395,766)</u>	<u>\$ -</u>	<u>\$ 395,766</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Contributions Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ -	\$ 7,643,957	\$ 5,083,257	\$ (2,560,700)
Investment income	36,532	36,532	1,743	(34,789)
Net increase in fair value of investments	-	-	1,097	1,097
Donations	-	9,079,969	5,501,518	(3,578,451)
Other	-	42,650	-	(42,650)
Total revenues	<u>36,532</u>	<u>16,803,108</u>	<u>10,587,615</u>	<u>(6,215,493)</u>
Expenditures:				
Capital outlay	<u>8,502,000</u>	<u>20,805,623</u>	<u>10,805,241</u>	<u>10,000,382</u>
Excess (deficiency) of revenues over expenditures	<u>(8,465,468)</u>	<u>(4,002,515)</u>	<u>(217,626)</u>	<u>3,784,889</u>
Other financing sources:				
Transfers in	-	4,643,968	4,643,968	-
Transfers out	-	(218,237)	(218,237)	-
Total other financing sources (uses)	<u>-</u>	<u>4,425,731</u>	<u>4,425,731</u>	<u>-</u>
Net change in fund balance	(8,465,468)	423,216	4,208,105	3,784,889
Fund balance, beginning	<u>(11,625)</u>	<u>(11,625)</u>	<u>(11,625)</u>	<u>-</u>
Fund balance, ending	<u>\$ (8,477,093)</u>	<u>\$ 411,591</u>	<u>\$ 4,196,480</u>	<u>\$ 3,784,889</u>

**CITY OF NEWPORT BEACH
 Budgetary Comparison Schedule
 FIIN Special Revenue Fund
 For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 23,910	\$ 23,910	\$ 33,670	\$ 9,760
Net increase in fair value of investments	-	-	21,022	21,022
Donations	-	75,000	-	(75,000)
Total revenues	<u>23,910</u>	<u>98,910</u>	<u>54,692</u>	<u>(44,218)</u>
Expenditures:				
Community services	<u>147,000</u>	<u>233,669</u>	<u>149,948</u>	<u>83,721</u>
Net change in fund balance	(123,090)	(134,759)	(95,256)	39,503
Fund balance, beginning	<u>1,190,056</u>	<u>1,190,056</u>	<u>1,190,056</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,066,966</u></u>	<u><u>\$ 1,055,297</u></u>	<u><u>\$ 1,094,800</u></u>	<u><u>\$ 39,503</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Restricted Programs Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ -	\$ -	\$ 61,917	\$ 61,917
Licenses, permits and fees	150,000	150,000	150,000	-
Property income	32,118	32,118	24,669	(7,449)
Investment income	-	-	67,756	67,756
Net increase in fair value of investments	-	-	40,531	40,531
Donations	35,000	35,000	112,587	77,587
Other	16,672	16,672	66,266	49,594
Total revenues	<u>233,790</u>	<u>233,790</u>	<u>523,726</u>	<u>289,936</u>
Expenditures:				
Community development	-	20,000	-	20,000
Community services	-	46,351	13,671	32,680
Total expenditures	<u>-</u>	<u>66,351</u>	<u>13,671</u>	<u>52,680</u>
Net change in fund balance	233,790	167,439	510,055	342,616
Fund balance, beginning	<u>2,000,507</u>	<u>2,000,507</u>	<u>2,000,507</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,234,297</u>	<u>\$ 2,167,946</u>	<u>\$ 2,510,562</u>	<u>\$ 342,616</u>

**CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Measure M Special Revenue Fund
For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 2,728,303	\$ 4,920,550	\$ 2,965,303	\$ (1,955,247)
Investment income	7,122	7,122	84,830	77,708
Net increase in fair value of investments	-	-	50,670	50,670
	<u>2,735,425</u>	<u>4,927,672</u>	<u>3,100,803</u>	<u>(1,826,869)</u>
Total revenues				
Expenditures:				
Capital outlay	<u>1,857,000</u>	<u>6,185,248</u>	<u>2,520,338</u>	<u>3,664,910</u>
Excess (deficiency) of revenues over expenditures	<u>878,425</u>	<u>(1,257,576)</u>	<u>580,465</u>	<u>1,838,041</u>
Other financing sources:				
Transfers in	<u>-</u>	<u>15,290</u>	<u>15,290</u>	<u>-</u>
Net change in fund balance	878,425	(1,242,286)	595,755	1,838,041
Fund balance, beginning	<u>1,936,297</u>	<u>1,936,297</u>	<u>1,936,297</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,814,722</u>	<u>\$ 694,011</u>	<u>\$ 2,532,052</u>	<u>\$ 1,838,041</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Oceanfront Encroachment Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property income	\$ 259,728	\$ 259,728	\$ 270,561	\$ 10,833
Investment income	-	-	33,000	33,000
Net increase in fair value of investments	-	-	19,596	19,596
Total revenues	<u>259,728</u>	<u>259,728</u>	<u>323,157</u>	<u>63,429</u>
Expenditures:				
Capital outlay	-	302,041	85,228	216,813
Net change in fund balance	259,728	(42,313)	237,929	280,242
Fund balance, beginning	<u>945,623</u>	<u>945,623</u>	<u>945,623</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,205,351</u></u>	<u><u>\$ 903,310</u></u>	<u><u>\$ 1,183,552</u></u>	<u><u>\$ 280,242</u></u>

**CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
American Rescue Plan Act
For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 7,071,718	\$ 7,071,718	\$ -
Expenditures:				
General government	-	3,535	3,535	-
Public works	-	115,499	115,499	-
Capital outlay	10,100,000	1,726,042	1,726,042	-
Total expenditures	10,100,000	1,845,076	1,845,076	-
Excess (deficiency) of revenues over expenditures	(10,100,000)	5,226,642	5,226,642	-
Other financing uses:				
Transfers out	-	(5,226,642)	(5,226,642)	-
Net change in fund balance	(10,100,000)	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance (deficit), ending	<u>\$ (10,100,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Miscellaneous Grants Special Revenue Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 9,911	\$ 9,911	\$ -
Expenditures:				
Public safety	-	9,911	9,911	-
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NEWPORT BEACH
 Budgetary Comparison Schedule
 PEG Fees Special Revenue Fund
 For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, permits and fees	\$ 360,000	\$ 360,000	\$ 307,890	\$ (52,110)
Investment income	-	-	100,757	100,757
Net increase in fair value of investments	-	-	61,255	61,255
Total revenues	<u>360,000</u>	<u>360,000</u>	<u>469,902</u>	<u>109,902</u>
Expenditures:				
General government	-	90,000	72,433	17,567
Net change in fund balance	360,000	270,000	397,469	127,469
Fund balance, beginning	<u>3,152,537</u>	<u>3,152,537</u>	<u>3,152,537</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 3,512,537</u></u>	<u><u>\$ 3,422,537</u></u>	<u><u>\$ 3,550,006</u></u>	<u><u>\$ 127,469</u></u>



FINANCIAL SECTION

SUPPLEMENTARY INFORMATION
INTERNAL SERVICE FUNDS

FINANCIAL SECTION

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INTERNAL SERVICE FUNDS

The Internal Service Funds are used to allocate the cost of providing goods and services by one department to other departments on a cost reimbursement basis.

The City of Newport Beach Internal Service Funds are listed below:

The ***Insurance Reserve Fund*** is used to account for the City's self-insured general liability and workers' compensation program.

The ***Compensated Absences Fund*** is used to account for the City's accumulated liability for compensated absences.

The ***Retiree Insurance Fund*** is used to account for the cost of providing post-employment health care benefits.

The ***Equipment Maintenance Fund*** is used to account for the cost of maintaining and replacing the City's rolling stock fleet, parking equipment, coordinated communications system equipment, fire equipment and recreation equipment.

The ***Information Technology Fund*** is used to account for the cost of maintaining and replacing the City's computers, printers, copiers and telecommunication services to other departments.

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Net Position
June 30, 2024

Assets	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Current assets:						
Cash and investments	\$ 44,053,148	\$ 7,752,988	\$ 932,028	\$ 20,743,381	\$ 12,846,738	\$ 86,328,283
Receivables:						
Accounts (net of allowance)	26,216	-	857	-	-	27,073
Interest	140,638	24,789	3,231	66,868	41,396	276,922
Inventories	-	-	-	463,782	-	463,782
Prepaid items	-	-	69,865	57,837	668,196	795,898
Total current assets	44,220,002	7,777,777	1,005,981	21,331,868	13,556,330	87,891,958
Noncurrent assets:						
Capital assets:						
Equipment	-	-	-	45,058,356	3,528,518	48,586,874
Intangible right to use equipment	-	-	-	-	363,725	363,725
Structures	-	-	-	39,581	-	39,581
Software	-	-	-	-	4,360,625	4,360,625
Intangible right to use subscriptions	-	-	-	1,723,597	547,676	2,271,273
Less accumulated depreciation/amortization	-	-	-	(29,481,200)	(6,969,102)	(36,450,302)
Total capital assets (net of accumulated depreciation/amortization)	-	-	-	17,340,334	1,831,442	19,171,776
Total assets	44,220,002	7,777,777	1,005,981	38,672,202	15,387,772	107,063,734
Deferred outflows of resources:						
Deferred amount from pension plans	-	-	-	917,183	1,838,389	2,755,572
Deferred amount from OPEB	-	-	-	252,071	505,254	757,325
Total deferred outflows of resources	-	-	-	1,169,254	2,343,643	3,512,897
Liabilities						
Current liabilities:						
Accounts payable	14,315,707	-	-	208,793	71,239	14,595,739
Accrued payroll	11,853	151,607	185,588	43,861	110,774	503,683
Due to other funds	-	-	353,001	-	-	353,001
Workers' compensation - current	4,035,291	-	-	-	-	4,035,291
General liability - current	3,577,058	-	-	-	-	3,577,058
Compensated absences - current	-	3,539,392	-	-	-	3,539,392
Lease liability - current	-	-	-	-	73,074	73,074
Subscription liability - current	-	-	-	169,441	35,391	204,832
Total current liabilities	21,939,909	3,690,999	538,589	422,095	290,478	26,882,070
Noncurrent liabilities:						
Workers' compensation	19,415,272	-	-	-	-	19,415,272
General liability	7,264,260	-	-	-	-	7,264,260
Compensated absences	-	10,108,774	-	-	-	10,108,774
Lease liability	-	-	-	-	67,340	67,340
Subscription liability	-	-	-	1,300,946	-	1,300,946
Net pension liability	-	-	-	2,238,339	4,486,532	6,724,871
Net OPEB liability	-	-	-	202,999	406,900	609,899
Total noncurrent liabilities	26,679,532	10,108,774	-	3,742,284	4,960,772	45,491,362
Total liabilities	48,619,441	13,799,773	538,589	4,164,379	5,251,250	72,373,432
Deferred inflows of resources:						
Deferred amount from pension plans	-	-	-	9,675	19,388	29,063
Deferred amount from OPEB	-	-	-	7,724	15,482	23,206
Total deferred inflows of resources	-	-	-	17,399	34,870	52,269
Net Position						
Invested in capital assets	-	-	-	15,801,398	1,644,277	17,445,675
Unrestricted	(4,399,439)	(6,021,996)	467,392	19,858,280	10,801,018	20,705,255
Total net position	\$ (4,399,439)	\$ (6,021,996)	\$ 467,392	\$ 35,659,678	\$ 12,445,295	\$ 38,150,930

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended June 30, 2024

	<u>Insurance Reserve</u>	<u>Compensated Absences</u>	<u>Retiree Insurance</u>	<u>Equipment Maintenance</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
Operating revenues:						
Charges for services	\$ 13,827,679	\$ 2,999,486	\$ 4,359,593	\$ 8,530,463	\$ 8,213,165	\$ 37,930,386
Employee contributions	-	-	24,130	-	-	24,130
Other	<u>206,884</u>	<u>-</u>	<u>3,055,688</u>	<u>462,496</u>	<u>610,000</u>	<u>4,335,068</u>
Total operating revenues	<u>14,034,563</u>	<u>2,999,486</u>	<u>7,439,411</u>	<u>8,992,959</u>	<u>8,823,165</u>	<u>42,289,584</u>
Operating expenses:						
Salaries and wages	-	-	-	1,166,646	2,926,262	4,092,908
Depreciation/amortization	-	-	-	3,464,942	635,818	4,100,760
Professional services	-	-	-	125,250	732,945	858,195
Maintenance and supplies	-	-	-	1,638,837	1,663,079	3,301,916
Fleet parts and supplies	-	-	-	500,453	-	500,453
Telecommunication	-	-	-	-	194,919	194,919
System maintenance	-	-	-	151,358	-	151,358
Hardware	-	-	-	-	381,955	381,955
Software	-	-	-	-	541,072	541,072
Workers' compensation	11,588,497	-	-	-	-	11,588,497
Claims and judgments	25,766,286	-	-	-	-	25,766,286
Compensated absences	-	2,498,119	-	-	-	2,498,119
OPEB	-	-	11,002,082	-	-	11,002,082
Other	<u>-</u>	<u>-</u>	<u>2,425,284</u>	<u>-</u>	<u>-</u>	<u>2,425,284</u>
Total operating expenses	<u>37,354,783</u>	<u>2,498,119</u>	<u>13,427,366</u>	<u>7,047,486</u>	<u>7,076,050</u>	<u>67,403,804</u>
Operating income (loss)	<u>(23,320,220)</u>	<u>501,367</u>	<u>(5,987,955)</u>	<u>1,945,473</u>	<u>1,747,115</u>	<u>(25,114,220)</u>
Nonoperating revenues:						
Investment income	1,241,067	210,890	104,471	610,819	367,830	2,535,077
Net increase in fair value of investments	748,014	124,970	85,176	370,906	220,025	1,549,091
Gain on sale of capital assets	-	-	-	284,690	237	284,927
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,590)</u>	<u>(1,394)</u>	<u>(9,984)</u>
Total nonoperating revenues	<u>1,989,081</u>	<u>335,860</u>	<u>189,647</u>	<u>1,257,825</u>	<u>586,698</u>	<u>4,359,111</u>
Income (loss) before transfers	<u>(21,331,139)</u>	<u>837,227</u>	<u>(5,798,308)</u>	<u>3,203,298</u>	<u>2,333,813</u>	<u>(20,755,109)</u>
Transfers in	<u>-</u>	<u>-</u>	<u>5,802,500</u>	<u>-</u>	<u>-</u>	<u>5,802,500</u>
Change in net position	<u>(21,331,139)</u>	<u>837,227</u>	<u>4,192</u>	<u>3,203,298</u>	<u>2,333,813</u>	<u>(14,952,609)</u>
Net position, beginning	<u>16,931,700</u>	<u>(6,859,223)</u>	<u>463,200</u>	<u>32,456,380</u>	<u>10,111,482</u>	<u>53,103,539</u>
Net position, ending	<u>\$ (4,399,439)</u>	<u>\$ (6,021,996)</u>	<u>\$ 467,392</u>	<u>\$ 35,659,678</u>	<u>\$ 12,445,295</u>	<u>\$ 38,150,930</u>

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2024

	<u>Insurance Reserve</u>	<u>Compensated Absences</u>	<u>Retiree Insurance</u>	<u>Equipment Maintenance</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:						
Receipts from user departments	\$ 13,801,463	\$ 2,999,486	\$ 4,359,641	\$ 8,532,040	\$ 8,213,165	\$ 37,905,795
Payments to employees	(4,522,234)	(1,786,620)	-	(1,213,185)	(3,006,263)	(10,528,302)
Payments to suppliers	(9,338,468)	-	(13,240,726)	(2,830,262)	(3,541,539)	(28,950,995)
Other operating cash receipts	206,884	-	3,079,818	462,496	610,000	4,359,198
Net cash provided (used) by operating activities	<u>147,645</u>	<u>1,212,866</u>	<u>(5,801,267)</u>	<u>4,951,089</u>	<u>2,275,363</u>	<u>2,785,696</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	-	-	5,802,500	-	-	5,802,500
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>5,802,500</u>	<u>-</u>	<u>-</u>	<u>5,802,500</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	(3,267,454)	(413,241)	(3,680,695)
Lease liabilities and related	-	-	-	-	(63,152)	(63,152)
Subscription liabilities and related	-	-	-	(177,102)	(193,890)	(370,992)
Proceeds from sale of capital assets	-	-	-	284,690	237	284,927
Net cash (used) for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,159,866)</u>	<u>(670,046)</u>	<u>(3,829,912)</u>
Cash flows from investing activities:						
Investment income	1,997,065	331,927	188,657	979,575	584,423	4,081,647
Net cash provided by investing activities	<u>1,997,065</u>	<u>331,927</u>	<u>188,657</u>	<u>979,575</u>	<u>584,423</u>	<u>4,081,647</u>
Net increase in cash and cash equivalents	2,144,710	1,544,793	189,890	2,770,798	2,189,740	8,839,931
Cash and cash equivalents, beginning	41,908,438	6,208,195	742,138	17,972,583	10,656,998	77,488,352
Cash and cash equivalents, ending	<u>\$ 44,053,148</u>	<u>\$ 7,752,988</u>	<u>\$ 932,028</u>	<u>\$ 20,743,381</u>	<u>\$ 12,846,738</u>	<u>\$ 86,328,283</u>
Reconciliation to the statement of net position:						
Cash and investments reported on statement of net position	<u>\$ 44,053,148</u>	<u>\$ 7,752,988</u>	<u>\$ 932,028</u>	<u>\$ 20,743,381</u>	<u>\$ 12,846,738</u>	<u>\$ 86,328,283</u>
Cash and cash equivalents	<u>\$ 44,053,148</u>	<u>\$ 7,752,988</u>	<u>\$ 932,028</u>	<u>\$ 20,743,381</u>	<u>\$ 12,846,738</u>	<u>\$ 86,328,283</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	<u>\$ (23,320,220)</u>	<u>\$ 501,367</u>	<u>\$ (5,987,955)</u>	<u>\$ 1,945,473</u>	<u>\$ 1,747,115</u>	<u>\$ (25,114,220)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	-	-	3,464,942	635,818	4,100,760
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	(26,216)	-	48	1,577	-	(24,591)
(Increase) in inventories	-	-	-	(25,209)	-	(25,209)
(Increase) decrease in prepaid items	49,178	-	189,376	(57,837)	(60)	180,657
Increase (decrease) in accounts payable and accrued payroll	14,238,236	(245,627)	(2,736)	(325,273)	(2,111)	13,662,489
Increase in workers' compensation	7,054,410	-	-	-	-	7,054,410
Increase in general liability	2,152,257	-	-	-	-	2,152,257
Increase in compensated absences	-	957,126	-	-	-	957,126
Increase in net pension liability and deferred cash flows	-	-	-	35,627	71,410	107,037
(Decrease) in net OPEB liability and deferred cash flows	-	-	-	(88,211)	(176,809)	(265,020)
Total adjustments	<u>23,467,865</u>	<u>711,499</u>	<u>186,688</u>	<u>3,005,616</u>	<u>528,248</u>	<u>27,899,916</u>
Net cash provided (used) by operating activities	<u>\$ 147,645</u>	<u>\$ 1,212,866</u>	<u>\$ (5,801,267)</u>	<u>\$ 4,951,089</u>	<u>\$ 2,275,363</u>	<u>\$ 2,785,696</u>
Noncash investing, capital, and financing activities:						
Net increase in fair value of investments	\$ 748,014	\$ 124,970	\$ 85,176	\$ 370,906	\$ 220,025	\$ 1,549,091
Obtaining an intangible right to use lease asset	-	-	-	-	9,837	9,837
Total of noncash activities	<u>\$ 748,014</u>	<u>\$ 124,970</u>	<u>\$ 85,176</u>	<u>\$ 370,906</u>	<u>\$ 229,862</u>	<u>\$ 1,558,928</u>



FINANCIAL SECTION

SUPPLEMENTARY INFORMATION
CUSTODIAL FUNDS

FINANCIAL SECTION

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CUSTODIAL FUNDS

Custodial Funds are used to account for assets held by the City in a trustee capacity, or as an agent for other government entities, private organizations, or individuals.

The City of Newport Beach Custodial Funds are listed below:

The ***Special Assessment District Fund*** is used to account for funds received from affected property owners and payable to holders of 1911 Act and 1915 Act special assessment bonds.

The ***Tourism Business Improvement Fund*** is used to account for the Newport Beach Tourism Business Improvement District's special assessment on short term room rental revenue collected by the City for Visit Newport Beach Inc.

The ***Other Business Improvement Fund*** is used to account for monies collected from local business districts for district property improvements and business enhancement.

The ***Police Custodial Fund*** is used to account for monies received by the City's police department in a custodial capacity, such as warrants and items pending adjudication.

The ***Flexible Spending Account Fund*** is used to account for monies withheld by the City from employees' wages based on their voluntary enrollment in flexible spending accounts.

CITY OF NEWPORT BEACH
Custodial Funds
Combining Statement of Fiduciary Net Position
June 30, 2024

	Custodial Funds					Total Custodial Funds
	Special Assessment District	Tourism Business Improvement	Other Business Improvement	Police Custodial	Flexible Spending Account	
Assets						
Cash and investments	\$ 25,705	\$ 6,420	\$ 5,605	\$ 247,619	\$ -	\$ 285,349
Restricted cash and investments with fiscal agent	4,245,553	-	-	-	-	4,245,553
Receivable:						
Interest	86	-	-	-	-	86
Intergovernmental receivable	45,980	-	-	-	-	45,980
Total assets	<u>4,317,324</u>	<u>6,420</u>	<u>5,605</u>	<u>247,619</u>	<u>-</u>	<u>4,576,968</u>
Liabilities						
Due to others	516	6,420	5,605	645	-	13,186
Total liabilities	<u>516</u>	<u>6,420</u>	<u>5,605</u>	<u>645</u>	<u>-</u>	<u>13,186</u>
Net Position						
Restricted for:						
Individuals, organizations, and other governments	4,316,808	-	-	246,974	-	4,563,782
Total net position	<u>\$ 4,316,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,974</u>	<u>\$ -</u>	<u>\$ 4,563,782</u>

CITY OF NEWPORT BEACH
Custodial Funds
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2024

	Custodial Funds					Total Custodial Funds
	Special Assessment District	Tourism Business Improvement	Other Business Improvement	Police Custodial	Flexible Spending Account	
Additions						
Special assessments	\$ 3,277,101	\$ -	\$ -	\$ -	\$ -	\$ 3,277,101
Investment earnings	151,966	-	-	866	-	152,832
Other	1,080,001	-	-	85,059	-	1,165,060
Total additions	<u>4,509,068</u>	<u>-</u>	<u>-</u>	<u>85,925</u>	<u>-</u>	<u>4,594,993</u>
Deductions						
Debt service	2,007,651	-	-	-	-	2,007,651
Administrative	96,944	-	-	-	-	96,944
Other	-	-	-	127,861	-	127,861
Total deductions	<u>2,104,595</u>	<u>-</u>	<u>-</u>	<u>127,861</u>	<u>-</u>	<u>2,232,456</u>
Net increase (decrease) in fiduciary net position	<u>2,404,473</u>	<u>-</u>	<u>-</u>	<u>(41,936)</u>	<u>-</u>	<u>2,362,537</u>
Net position, beginning of year, as previously reported	1,912,335	-	-	288,910	25,728	2,226,973
Restatement for removal of Flexible Spending Account Fund	-	-	-	-	(25,728)	(25,728)
Net position, beginning of year, as restated	<u>1,912,335</u>	<u>-</u>	<u>-</u>	<u>288,910</u>	<u>-</u>	<u>2,201,245</u>
Net position, end of year	<u>\$ 4,316,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,974</u>	<u>\$ -</u>	<u>\$ 4,563,782</u>

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STATISTICAL SECTION

STATISTICAL SECTION

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FINANCIAL TRENDS

This section of the City of Newport Beach's Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is un-audited.

The following schedules contain trend information illustrating how the City's financial performance and well-being have changed over time:

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balance of Governmental Funds

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports and underlying accounting records for the relevant years.

CITY OF NEWPORT BEACH
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2015 ¹	2016 ²	2017 ³	2018 ⁴
Governmental activities:				
Net investment in capital assets	\$ 2,176,644,408	\$ 2,193,773,102	\$ 2,201,552,683	\$ 2,208,832,391
Restricted	45,689,702	44,033,677	45,753,736	49,791,908
Unrestricted	(150,532,773)	(130,468,268)	(133,461,197)	(122,024,754)
Total governmental activities	<u>\$ 2,071,801,337</u>	<u>\$ 2,107,338,511</u>	<u>\$ 2,113,845,222</u>	<u>\$ 2,136,599,545</u>
Business-type activities:				
Net investment in capital assets	\$ 113,914,514	\$ 117,055,576	\$ 116,238,944	\$ 119,375,596
Unrestricted	21,756,124	23,430,189	28,890,311	29,183,382
Total business-type activities	<u>\$ 135,670,638</u>	<u>\$ 140,485,765</u>	<u>\$ 145,129,255</u>	<u>\$ 148,558,978</u>
Primary government:				
Net investment in capital assets	\$ 2,290,558,922	\$ 2,310,828,678	\$ 2,317,791,627	\$ 2,328,207,987
Restricted	45,689,702	44,033,677	45,753,736	49,791,908
Unrestricted	(128,776,649)	(107,038,079)	(104,570,886)	(92,841,372)
Total primary government	<u>\$ 2,207,471,975</u>	<u>\$ 2,247,824,276</u>	<u>\$ 2,258,974,477</u>	<u>\$ 2,285,158,523</u>

- ¹ Reflects restatement of net position due to compensated absences and deferred outflow adjustments related to fiscal year ended June 30, 2016.
- ² Reflects restatement of net position due to deferred outflow adjustments related to fiscal year ended June 30, 2017.
- ³ Reflects restatement of net position due to implementation of GASB 75 in fiscal year ended June 30, 2018.
- ⁴ Reflects restatement of net position due to adjustments for capital assets and compensated absences liability in fiscal year ended June 30, 2019.
- ⁵ 2022 data varies from trend due to receipt of revenues such as property taxes and sales taxes that were not spent or restricted by the end of the fiscal year.
- ⁶ Reflects restatement of net position due to unbilled receivables adjustments related to fiscal year ended June 30, 2023.

The City of Newport Beach implemented GASB 63 and GASB 65 for the fiscal year ended June 30, 2013.
The City of Newport Beach implemented GASB 68 for the fiscal year ended June 30, 2015.
The City of Newport Beach implemented GASB 75 for the fiscal year ended June 30, 2018.
The City of Newport Beach implemented GASB 87 for the fiscal year ended June 30, 2022.
The City of Newport Beach implemented GASB 96 for the fiscal year ended June 30, 2023.
The City of Newport Beach implemented GASB 100 for the fiscal year ended June 30, 2024.

CITY OF NEWPORT BEACH
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year					
2019	2020	2021	2022	2023 ⁶	2024
\$ 2,218,040,304	\$ 2,217,852,660	\$ 2,227,572,605	\$ 2,223,773,786	\$ 2,256,305,577	\$ 2,275,099,514
56,426,811	67,708,225	67,189,020	78,100,496	79,152,428	123,444,563
(102,035,181)	(90,214,086)	(72,301,558)	(8,183,288)	20,117,377	28,001,461
<u>\$ 2,172,431,934</u>	<u>\$ 2,195,346,799</u>	<u>\$ 2,222,460,067</u>	<u>\$ 2,293,690,994</u>	<u>\$ 2,355,575,382</u>	<u>\$ 2,426,545,538</u>
\$ 119,346,350	\$ 120,291,689	\$ 124,775,772	\$ 128,244,924	\$ 131,015,969	\$ 132,331,781
30,331,669	30,276,662	27,039,499	28,559,633	25,105,814	20,202,940
<u>\$ 149,678,019</u>	<u>\$ 150,568,351</u>	<u>\$ 151,815,271</u>	<u>\$ 156,804,557</u>	<u>\$ 156,121,783</u>	<u>\$ 152,534,721</u>
\$ 2,337,386,654	\$ 2,338,144,349	\$ 2,352,348,377	\$ 2,352,018,710	\$ 2,387,321,546	\$ 2,407,431,295
56,426,811	67,708,225	67,189,020	78,100,496	79,152,428	123,444,563
(71,703,512)	(59,937,424)	(45,262,059)	20,376,345 ⁵	45,223,191	48,204,401
<u>\$ 2,322,109,953</u>	<u>\$ 2,345,915,150</u>	<u>\$ 2,374,275,338</u>	<u>\$ 2,450,495,551</u>	<u>\$ 2,511,697,165</u>	<u>\$ 2,579,080,259</u>

CITY OF NEWPORT BEACH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2015	2016	2017	2018
Expenses:				
Governmental activities:				
General government	\$ 24,558,041	\$ 19,335,275	\$ 20,443,569	\$ 19,011,099
Public safety	96,945,872	91,046,455	102,494,314	107,647,562
Public works	45,774,939	45,443,988	54,039,601	47,615,000
Community development	10,073,248	9,943,868	12,056,086	12,377,394
Community services	22,418,287	22,700,052	26,583,440	27,307,115
Interest on long-term debt	7,711,334	7,615,094	7,472,188	7,381,743
Total governmental activities expenses	<u>207,481,721</u>	<u>196,084,732</u>	<u>223,089,198</u>	<u>221,339,913</u>
Business-type activities:				
Water	21,175,954	21,605,197	22,004,013	23,724,918
Wastewater	3,452,398	3,818,165	4,218,926	4,158,155
Total business-type activities expenses	<u>24,628,352</u>	<u>25,423,362</u>	<u>26,222,939</u>	<u>27,883,073</u>
Total primary government expenses	<u>232,110,073</u>	<u>221,508,094</u>	<u>249,312,137</u>	<u>249,222,986</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	3,647,210	3,722,557	5,089,123	5,355,887
Public safety	19,386,017	19,108,222	19,899,242	20,733,883
Public works	5,276,991	5,319,510	5,214,426	5,789,579
Community development	8,608,645	8,419,588	10,838,114	9,956,226
Community services	13,667,775	13,964,018	13,653,466	13,974,329
Operating grants and contributions:	10,673,286	17,826,914	11,632,188	11,943,941
Capital grants and contributions:	38,157,665 ¹	2,717,504	27,993,317 ¹	1,815,464
Total governmental activities program revenues	<u>99,417,589</u>	<u>71,078,313</u>	<u>94,319,876</u>	<u>69,569,309</u>
Business-type activities:				
Charges for services:				
Water	27,705,129	24,499,952	25,371,307	26,931,193
Wastewater	3,326,362	3,065,762	3,161,114	3,445,772
Operating grants and contributions:	-	-	-	-
Total business-type activities program revenues	<u>31,031,491</u>	<u>27,565,714</u>	<u>28,532,421</u>	<u>30,376,965</u>
Total primary government program revenues	<u>130,449,080</u>	<u>98,644,027</u>	<u>122,852,297</u>	<u>99,946,274</u>
Net revenues (expenses):				
Governmental activities	(108,064,132)	(125,006,419)	(128,769,322)	(151,770,604)
Business-type activities	6,403,139	2,142,352	2,309,482	2,493,892
Total net revenues (expenses)	<u>\$ (101,660,993)</u>	<u>\$ (122,864,067)</u>	<u>\$ (126,459,840)</u>	<u>\$ (149,276,712)</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property tax	\$ 84,121,461	\$ 91,516,611	\$ 96,964,060	\$ 101,593,290
Sales tax	24,832,412	33,937,986	33,702,895	36,373,253
Sales tax in-lieu	8,046,424	2,870,474	-	-
Transient occupancy tax	20,369,158	21,083,199	22,382,361	22,857,737
Business license tax	4,141,282	4,024,386	4,149,016	4,282,935
Franchise tax	4,189,130	4,047,584	4,026,005	4,228,469
Other taxes	354,919	327,009	358,209	3,346,987
Investment income	437,272	584,259	589,001	632,808
Net increase (decrease) in fair value of investments	61,337	376,311	-	-
Other	3,161,567	4,001,486	2,290,482	3,416,348
Transfers	-	-	(3,500,000)	-
Total governmental activities	<u>149,714,962</u>	<u>162,769,305</u>	<u>160,962,029</u>	<u>176,731,827</u>
Business-type activities:				
Investment income	123,445	216,576	77,752	184,906
Net increase (decrease) in fair value of investments	34,921	148,527	-	-
Other	-	2,375,000	-	-
Capital contributions	-	22,516	-	-
Transfers	-	-	3,500,000	-
Total business-type activities	<u>158,366</u>	<u>2,762,619</u>	<u>3,577,752</u>	<u>184,906</u>
Total primary government	<u>149,873,328</u>	<u>165,531,924</u>	<u>164,539,781</u>	<u>176,916,733</u>
Changes in net position				
Governmental activities	41,650,830	37,762,886	32,192,707	24,961,223
Business-type activities	6,561,505	4,904,971	5,887,234	2,678,798
Total primary government	<u>\$ 48,212,335</u>	<u>\$ 42,667,857</u>	<u>\$ 38,079,941</u>	<u>\$ 27,640,021</u>

¹ Data varies from trend because of one-time receipt of developer contributions.

CITY OF NEWPORT BEACH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

		Fiscal Year					
		2019	2020	2021	2022	2023	2024
\$	20,549,224	\$ 20,714,050	\$ 20,177,482	\$ 19,374,179	\$ 26,911,510	\$ 28,392,550	
	111,556,065	119,194,302	119,184,958	104,767,466	121,309,057	151,625,944	
	53,339,878	60,054,860	63,689,155	65,031,715	75,904,138	88,359,562	
	11,493,204	12,842,020	12,157,226	9,664,500	13,048,442	16,813,900	
	27,758,097	26,668,079	28,214,205	24,508,702	27,937,349	33,034,132	
	7,187,971	7,064,521	7,321,612	6,877,577	6,666,044	6,215,237	
	<u>231,884,439</u>	<u>246,537,832</u>	<u>250,744,638</u>	<u>230,224,139</u>	<u>271,776,540</u>	<u>324,441,325</u>	
	26,898,075	27,387,120	28,943,243	27,117,471	30,701,834	37,322,293	
	4,222,228	4,291,755	5,223,245	4,094,448	5,343,891	6,959,273	
	<u>31,120,303</u>	<u>31,678,875</u>	<u>34,166,488</u>	<u>31,211,919</u>	<u>36,045,725</u>	<u>44,281,566</u>	
	<u>263,004,742</u>	<u>278,216,707</u>	<u>284,911,126</u>	<u>261,436,058</u>	<u>307,822,265</u>	<u>368,722,891</u>	
	5,887,265	3,846,962	2,914,007	3,625,809	12,386,628	15,953,090	
	21,979,376	22,232,248	22,038,904	23,156,703	26,273,944	27,903,642	
	5,778,441	5,054,694	5,067,478	7,538,103	8,770,525	9,397,103	
	9,902,445	9,599,848	10,491,970	11,119,757	11,269,905	10,849,048	
	13,556,360	16,936,285	17,601,288	22,302,788	15,753,446	17,370,410	
	14,021,506	14,659,016	20,361,620	16,800,039	20,131,513	34,497,961	
	6,638,356	7,352,407	7,658,387	8,693,429	5,809,562	35,646,295	
	<u>77,763,749</u>	<u>79,681,460</u>	<u>86,133,654</u>	<u>93,236,628</u>	<u>100,395,523</u>	<u>151,617,549</u>	
	26,843,751	27,100,429	30,739,726	32,104,202	32,033,631	33,842,356	
	4,069,265	4,110,815	4,618,186	4,825,249	4,666,685	5,274,889	
	-	-	-	116,629	-	115,499	
	<u>30,913,016</u>	<u>31,211,244</u>	<u>35,357,912</u>	<u>37,046,080</u>	<u>36,700,316</u>	<u>39,232,744</u>	
	<u>108,676,765</u>	<u>110,892,704</u>	<u>121,491,566</u>	<u>130,282,708</u>	<u>137,095,839</u>	<u>190,850,293</u>	
	(154,120,690)	(166,856,372)	(164,610,984)	(136,987,511)	(171,381,017)	(172,823,776)	
	(207,287)	(467,631)	1,191,424	5,834,161	654,591	(5,048,823)	
\$	<u>(154,327,977)</u>	<u>(167,324,003)</u>	<u>(163,419,560)</u>	<u>(131,153,350)</u>	<u>(170,726,426)</u>	<u>(177,872,599)</u>	
\$	108,365,261	\$ 113,313,535	\$ 119,157,057	\$ 124,335,985	\$ 138,358,730	\$ 146,136,873	
	37,168,063	36,232,969	38,956,275	46,164,860	46,552,459	43,444,542	
	-	-	-	-	-	-	
	24,697,446	21,097,384	16,886,197	26,677,331	30,201,649	31,736,961	
	4,428,440	4,882,419	4,481,349	4,363,145	4,901,385	4,896,557	
	4,286,496	4,394,156	4,204,224	4,561,278	4,996,526	5,152,384	
	2,633,720	2,592,369	4,166,549	4,333,071	181,800	203,135	
	2,644,319	2,621,488	2,603,982	1,995,214	3,208,250	5,834,247	
	2,234,249	2,520,033	(2,086,189)	(6,856,640)	(687,766)	3,534,164	
	3,495,085	2,116,884	3,354,808	2,644,194	5,552,372	2,855,069	
	-	-	-	-	-	-	
	<u>189,953,079</u>	<u>189,771,237</u>	<u>191,724,252</u>	<u>208,218,438</u>	<u>233,265,405</u>	<u>243,793,932</u>	
	713,970	732,099	525,295	345,218	520,736	893,332	
	612,358	625,864	(469,799)	(1,190,093)	(262,867)	568,429	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	<u>1,326,328</u>	<u>1,357,963</u>	<u>55,496</u>	<u>(844,875)</u>	<u>257,869</u>	<u>1,461,761</u>	
	<u>191,279,407</u>	<u>191,129,200</u>	<u>191,779,748</u>	<u>207,373,563</u>	<u>233,523,274</u>	<u>245,255,693</u>	
	35,832,389	22,914,865	27,113,268	71,230,927	61,884,388	70,970,156	
	1,119,041	890,332	1,246,920	4,989,286	912,460	(3,587,062)	
\$	<u>36,951,430</u>	<u>23,805,197</u>	<u>28,360,188</u>	<u>76,220,213</u>	<u>62,796,848</u>	<u>67,383,094</u>	

CITY OF NEWPORT BEACH
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2015	2016	2017	2018
General fund:				
Nonspendable	\$ 15,784,396	\$ 15,210,896	\$ 14,434,017	\$ 14,050,930
Restricted	5,389,810	3,083,133	3,797,009	4,412,302
Committed	11,847,852	2,726,020 ¹	10,570,638 ²	13,444,487
Assigned	1,421,225	4,201,311	567,132	590,368
Unassigned	55,509,258	56,618,041	60,009,244	61,415,049
Total general fund	<u>\$ 89,952,541</u>	<u>\$ 81,839,401</u> ¹	<u>\$ 89,378,040</u> ²	<u>\$ 93,913,136</u>
All other governmental funds:				
Nonspendable	\$ 4,669,269	\$ 4,629,781	\$ 4,666,256	\$ 4,787,243
Restricted	29,842,384	33,662,859	31,950,139	38,629,419
Committed	26,159,261	40,248,977	49,510,047	41,731,742
Unassigned	(12,495,729)	(15,422,984)	(6,308,331)	(376,162)
Total all other governmental funds	<u>\$ 48,175,185</u>	<u>\$ 63,118,633</u>	<u>\$ 79,818,111</u>	<u>\$ 84,772,242</u>
Total all governmental funds	<u>\$ 138,127,726</u>	<u>\$ 144,958,034</u>	<u>\$ 169,196,151</u>	<u>\$ 178,685,378</u>

¹ Data varies from trend due to the moving of general fund capital projects to a separate capital project fund.

² Data varies from trend due to additional funds set aside for seawall construction and pension-related items.

³ Data varies from trend due to the relocation of restricted funds to special revenue funds.

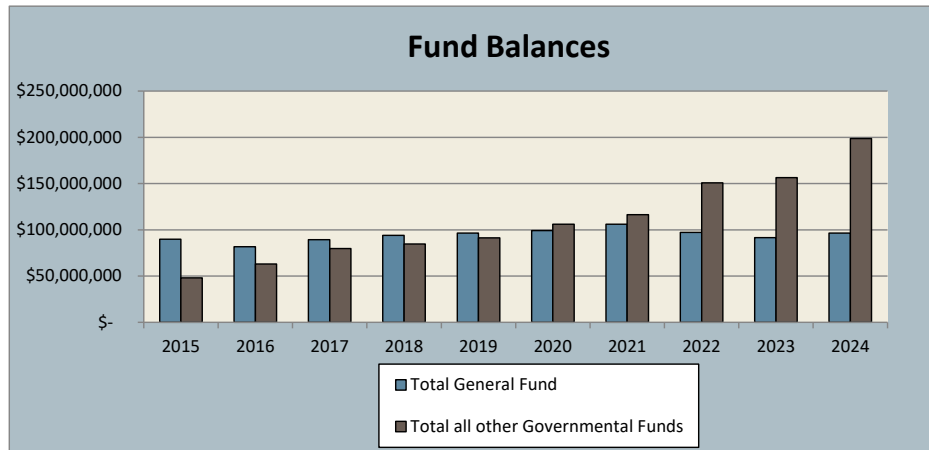
⁴ Data varies from trend due to the City's absence of fund balance not restricted or committed to be used for specific purposes in fiscal year ended June 30, 2022.

⁵ Data varies from trend due to additional funds set aside mainly in the Facilities Financial Planning Reserve Fund and Unrestricted Capital Improvements Fund.

⁶ Data varies from trend due to issuance of special Assessment District bonds.

CITY OF NEWPORT BEACH
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 13,147,221	\$ 11,864,115	\$ 10,637,097	\$ 9,407,143	\$ 8,239,567	\$ 7,052,603
4,757,437	5,710,434	4,876,025	- ³	-	-
13,335,675	2,210,811	3,235,746	4,429,573	5,465,426	6,786,845
1,199,682	2,598,828	1,489,350	- ⁴	-	-
64,146,123	76,699,284	85,715,180	83,302,665	77,737,532	82,601,740
<u>\$ 96,586,138</u>	<u>\$ 99,083,472</u>	<u>\$ 105,953,398</u>	<u>\$ 97,139,381</u>	<u>\$ 91,442,525</u>	<u>\$ 96,441,188</u>
\$ 4,715,545	\$ 4,646,529	\$ 4,707,330	\$ 4,690,430	\$ 4,650,931	\$ 4,771,150
45,958,167	53,310,518	63,914,627	73,013,208	73,657,409	112,762,753 ⁶
40,732,124	48,032,259	47,863,154	73,243,534 ⁵	78,218,834	81,317,521
(253)	(50,137)	(136,299)	(119,371)	(11,625)	(229,781)
<u>\$ 91,405,583</u>	<u>\$ 105,939,169</u>	<u>\$ 116,348,812</u>	<u>\$ 150,827,801</u>	<u>\$ 156,515,549</u>	<u>\$ 198,621,643</u>
<u>\$ 187,991,721</u>	<u>\$ 205,022,641</u>	<u>\$ 222,302,210</u>	<u>\$ 247,967,182</u>	<u>\$ 247,958,074</u>	<u>\$ 295,062,831</u>



CITY OF NEWPORT BEACH
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2015	2016	2017	2018
Revenues:				
Taxes	\$ 146,664,903	\$ 158,386,385	\$ 162,184,218	\$ 171,982,240
Intergovernmental	11,813,208	17,262,147	17,073,653	16,148,754
Licenses, permits and fees	14,676,754	6,571,123	9,844,908	6,405,668
Charges for services	16,914,210	18,827,991	19,197,065	19,828,786
Fines and forfeitures	3,732,405	3,684,602	3,590,700	3,181,823
Investment income	928,729	1,157,539	772,546	1,143,210
Net increase (decrease) in fair value of investments	177,485	769,460	-	-
Property income	21,406,667	22,259,425	23,553,188	25,430,217
Donations	22,249,427	4,190,822	16,827,889	414,123
Special assessments	-	-	-	-
Other	6,984,418	2,982,924	2,277,322	2,893,770
Total revenues	<u>245,548,206</u>	<u>236,092,418</u>	<u>255,321,489</u>	<u>247,428,591</u>
Expenditures:				
Current:				
General government	14,060,512	14,629,672	15,086,397	16,099,310
Public safety	94,568,122	96,225,784	98,750,981	109,760,129
Public works	33,694,578	36,000,905	35,961,024	38,012,230
Community development	9,876,706	10,913,205	11,696,779	12,979,656
Community services	20,235,546	21,784,680	23,607,284	25,538,966
Capital outlay	47,169,671	31,934,463	30,822,972	24,054,866
Debt service:				
Principal	4,183,000	4,272,000	4,401,000	3,335,000
Interest and fiscal charges	7,957,811	7,839,341	7,704,957	7,617,107
Total expenditures	<u>231,745,946</u>	<u>223,600,050</u>	<u>228,031,394</u>	<u>237,397,264</u>
Excess (deficiency) of revenues over (under) expenditures	13,802,260	12,492,368	27,290,095	10,031,327
Other financing sources (uses):				
Transfers in	53,281,956	48,523,132	45,342,446	45,308,862
Transfers out	(57,431,956)	(54,185,192)	(49,390,226)	(45,850,962)
Proceeds from sale	-	-	995,802	-
Certificates of participation issued	-	-	-	-
Premium on certificates of participation issued	-	-	-	-
Proceeds from loan issuance	1,339,000	-	-	-
Payment to refunded loan escrow agent	(1,339,000)	-	-	-
Leases (as lessee)	-	-	-	-
Inception of subscription-based IT arrangements	-	-	-	-
Total other financing sources (uses)	<u>(4,150,000)</u>	<u>(5,662,060)</u>	<u>(3,051,978)</u>	<u>(542,100)</u>
Net change in fund balances	<u>\$ 9,652,260</u>	<u>\$ 6,830,308</u>	<u>\$ 24,238,117</u>	<u>\$ 9,489,227</u>
Debt service as a percentage of noncapital expenditures				
	6.6%	7.2%	6.0%	5.3%

¹ Data varies from trend due to implementation of GASB 96 for the fiscal year ended June 30, 2023.

CITY OF NEWPORT BEACH
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 183,455,182	\$ 182,983,069	\$ 188,351,057	\$ 211,259,402	\$ 226,067,296	\$ 232,533,623
15,818,543	12,672,931	22,233,872	19,683,307	21,080,285	27,715,232
6,302,603	5,783,862	6,566,555	6,995,700	6,719,969	6,688,111
19,472,866	21,125,622	18,434,439	22,897,475	25,214,184	25,217,364
3,347,714	3,509,883	3,923,726	4,191,518	3,892,875	4,195,196
3,490,992	3,765,753	3,201,376	2,756,712	4,525,340	9,386,746
2,938,136	3,477,299	(2,634,682)	(8,900,762)	(465,873)	4,584,645
26,674,107	25,651,360	28,842,374	33,770,750	35,830,362	41,198,758
402,709	795,561	5,491,871	1,805,249	717,157	6,070,830
-	-	-	8,086,594	4,948,430	26,843,142
5,173,716	5,950,279	3,504,103	1,441,813	3,412,302	1,175,255
<u>267,076,568</u>	<u>265,715,619</u>	<u>277,914,691</u>	<u>303,987,758</u>	<u>331,942,327</u>	<u>385,608,902</u>
16,769,920	15,968,085	17,154,507	17,397,786	20,680,878	22,007,758
116,054,531	118,290,847	126,006,313	127,590,486	132,441,032	140,132,544
44,132,877	45,730,965	46,817,293	54,293,534	56,046,234	65,532,190
12,310,621	12,612,751	12,996,840	13,021,562	14,735,582	15,734,543
26,372,495	24,474,242	26,745,189	26,421,141	27,558,760	30,060,134
26,347,312	20,376,106	33,728,085	28,603,393	68,434,127	50,776,034
3,470,000	3,576,000	3,247,000	5,138,250	5,296,166	5,335,081
7,428,469	7,265,703	7,306,143	7,141,264	6,908,693	6,698,344
<u>252,886,225</u>	<u>248,294,699</u>	<u>274,001,370</u>	<u>279,607,416</u>	<u>332,101,472</u>	<u>336,276,628</u>
14,190,343	17,420,920	3,913,321	24,380,342	(159,145)	49,332,274
54,664,532	40,373,981	70,379,824	76,061,564	128,499,591	97,432,054
(59,548,532)	(40,763,981)	(65,965,012)	(74,776,934)	(128,879,043)	(103,234,554)
-	-	-	-	-	-
-	-	7,860,000	-	-	-
-	-	1,373,936	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	3,259,414
-	-	-	-	529,489 ¹	315,569
<u>(4,884,000)</u>	<u>(390,000)</u>	<u>13,648,748</u>	<u>1,284,630</u>	<u>150,037</u>	<u>(2,227,517)</u>
<u>\$ 9,306,343</u>	<u>\$ 17,030,920</u>	<u>\$ 17,562,069</u>	<u>\$ 25,664,972</u>	<u>\$ (9,108)</u>	<u>\$ 47,104,757</u>
4.8%	4.8%	4.2%	4.8%	4.5%	4.2%

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REVENUE CAPACITY

This section of the City of Newport Beach's Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is un-audited.

The following schedules present factors affecting the City's ability to generate its own revenue and its most significant local revenue source, the property tax:

- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Property Tax Payers
- Property Tax Levies and Collections

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports and underlying accounting records for the relevant years.

CITY OF NEWPORT BEACH
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Secured			Unsecured	Total Taxable Assessed Value	Change	Total Direct Tax Rate
	Residential	Commercial	Other				
2015	36,814,891,583	5,007,508,388	1,348,136,131	1,581,520,801	44,752,056,903	5.69%	1.000%
2016	39,263,791,190	5,264,898,550	1,394,764,145	1,465,016,213	47,388,470,098	5.89%	1.000%
2017	41,834,060,284	5,539,551,197	1,398,481,252	1,569,593,832	50,341,686,565	6.23%	1.000%
2018	44,862,969,434	5,953,148,011	1,499,414,812	1,464,683,763	53,780,216,020	6.83%	1.000%
2019	48,246,937,786	6,466,645,074	1,474,416,367	1,513,162,553	57,701,161,781	7.29%	1.000%
2020	50,791,887,238	6,807,750,346	1,552,189,492	1,592,979,478	60,744,806,554	5.27%	1.000%
2021	53,636,707,086	6,979,031,018	1,428,005,141	1,645,923,436	63,689,666,681	4.85%	1.000%
2022	56,171,689,696	7,152,717,180	1,745,857,017	1,509,466,705	66,579,730,598	4.54%	1.000%
2023	60,461,442,254	7,647,078,297	1,489,884,026	1,731,351,434	71,329,756,011	7.13%	1.000%
2024	64,292,506,871	8,048,003,322	1,681,329,931	1,908,193,032	75,930,033,156	6.45%	1.000%

NOTE:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL, Coren & Cone

CITY OF NEWPORT BEACH
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
City Direct Rates:										
City basic rate	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Total City Direct Rate	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Overlapping Rates:										
Water districts	0.047	0.047	0.047	0.047	0.047	0.032	0.047	0.047	0.047	0.051
School districts	0.182	0.183	0.173	0.176	0.161	0.173	0.186	0.170	0.175	0.158
Total Overlapping Rate	0.229	0.230	0.220	0.223	0.208	0.205	0.233	0.217	0.222	0.209
Total Direct & Overlapping Rate	<u>\$ 1.229</u>	<u>\$ 1.230</u>	<u>\$ 1.220</u>	<u>\$ 1.223</u>	<u>\$ 1.208</u>	<u>\$ 1.205</u>	<u>\$ 1.233</u>	<u>\$ 1.217</u>	<u>\$ 1.222</u>	<u>\$ 1.209</u>

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of other debt obligations.

Source: HdL, Coren & Cone

CITY OF NEWPORT BEACH
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2024			2015		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
The Irvine Company	\$ 833,108,564	1	1.10%	\$ 1,835,109,685	1	4.10%
PH Finance LLC	346,858,756	2	0.46%	N/A	-	0.00%
Villas at Fashion Island LLC	285,563,203	3	0.38%	N/A	-	0.00%
Fashion Island Retail LLC	242,270,076	4	0.32%	N/A	-	0.00%
Newport Center Hotel LLC	232,256,357	5	0.31%	N/A	-	0.00%
HG Newport Owner LLC	193,028,546	6	0.25%	N/A	-	0.00%
520 Newport Center Drive LLC	190,606,965	7	0.25%	N/A	-	0.00%
Newport Bluffs LLC	173,753,982	8	0.23%	146,556,073	3	0.33%
650 Newport Center Drive LLC	172,594,406	9	0.23%	N/A	-	0.00%
Bay Island Club	159,120,374	10	0.21%	82,471,372	10	0.18%
	<u>\$ 2,829,161,229</u>		<u>3.73%</u>	<u>\$ 2,064,137,130</u>		<u>4.61%</u>

Source: HdL, Coren & Cone

CITY OF NEWPORT BEACH
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years ²	Total Collections to Date	
		Amount ¹	Percent of Levy		Amount	Percent of Levy
2015	83,843,488	82,191,604	98.03%	642,292	82,833,896	98.80%
2016	84,166,940	81,762,526	97.14%	612,863	82,375,389	97.87%
2017	86,264,321	84,019,053	97.40%	574,124	84,593,177	98.06%
2018	92,139,181	90,279,099	97.98%	581,969	90,861,068	98.61%
2019	98,471,700	96,356,203	97.85%	646,203	97,002,406	98.51%
2020	102,636,451	100,701,002	98.11%	886,688	101,587,690	98.98%
2021	107,647,017	105,781,072	98.27%	862,772	106,643,844	99.07%
2022	113,318,692	110,354,271	97.38%	789,969	111,144,240	98.08%
2023	123,844,578	121,011,910	97.71%	1,020,161	122,032,071	98.54%
2024	129,506,001	126,637,893	97.79%	- ³	126,637,893	97.79%

¹ Net collections reflect deductions for refunds and impoundments.

² Exclusive of penalty charges.

³ The total amount of Fiscal Year 2024 delinquent taxes collected in subsequent years was not available as of the date the information was collected for the City's Annual Comprehensive Financial Report.

Source: Orange County Auditor Controller's Office

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DEBT CAPACITY

This section of the City of Newport Beach's Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is un-audited.

The following schedules exhibit the City's levels of outstanding debt over time, to help readers assess the affordability of the current level of outstanding debt, and the City's ability to issue additional debt:

- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Direct and Overlapping Debt
- Legal Debt Margin Information

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports and underlying accounting records for the relevant years.

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CITY OF NEWPORT BEACH
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					Business-type Activities					
	Certificates of Participation ¹	Pre-Annexation Agreement	CDBG Loan	Leases ³	Subscription-based Information Technology Arrangements ³	Total Governmental Activities	Leases ³	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
2015	117,197,765	2,400,000	1,339,000	-	-	120,936,765	-	-	120,936,765	1.77%	1,386
2016	114,137,212	1,200,000	1,207,000	-	-	116,544,212	-	-	116,544,212	1.77%	1,383
2017	110,956,659	-	1,066,000	-	-	112,022,659	-	-	112,022,659	1.66%	1,319
2018	107,651,106	-	916,000	-	-	108,567,106	-	-	108,567,106	1.48%	1,245
2019	104,220,553	-	756,000	-	-	104,976,553	-	-	104,976,553	1.36%	1,204
2020	100,695,000	-	585,000	-	-	101,280,000	-	-	101,280,000	1.24%	1,181
2021	106,781,026	-	403,000	-	-	107,184,026	-	-	107,184,026	1.31%	1,248
2022	102,698,895	-	208,000	13,321,040	-	116,227,935	1,512,574	1,512,574	117,740,509	1.34%	1,406
2023	98,616,764	-	-	12,274,149	2,235,132	113,126,045	3,820,774	3,820,774	116,946,819	1.27%	1,402
2024	94,389,633	-	-	14,339,382	1,832,755	110,561,770	3,776,654	3,776,654	114,338,424	1.22%	1,387

Note: This schedule excludes claims and judgments, employee compensated absence, pension, OPEB, and Early Retirement Incentive Plan liabilities. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Amounts include any applicable bond premium.

² These ratios are calculated using personal income and population for the prior calendar year.

³ The GASB 87 and GASB 96 debts on this schedule are not money borrowed by the City, but are present-value calculations of estimated future payments by the City based on assumptions specified in GASB 87 and GASB 96. The City of Newport Beach implemented GASB 87 for the fiscal year ended June 30, 2022. The City of Newport Beach implemented GASB 96 for the fiscal year ended June 30, 2023.

CITY OF NEWPORT BEACH
Ratios of General Bonded Debt
Last Ten Fiscal Years

Fiscal Year Ended June 30	Certificates of Participation ¹	Amounts Restricted for Debt Service	Total	Percent of Assessed Value ²	General Bonded Debt Per Capita
2015	117,197,765	(2,350,210)	114,847,555	0.26%	1,316
2016	114,137,212	(2,362,904)	111,774,308	0.24%	1,326
2017	110,956,659	(2,364,034)	108,592,625	0.22%	1,279
2018	107,651,106	(2,384,338)	105,266,768	0.20%	1,207
2019	104,220,553	(2,362,228)	101,858,325	0.18%	1,168
2020	100,695,000	(1,159,389)	99,535,611	0.16%	1,160
2021	106,781,026	(2,255,795)	104,525,231	0.16%	1,217
2022	102,698,895	(2,199,363)	100,499,532	0.15%	1,200
2023	98,616,764	(2,183,979)	96,432,785	0.14%	1,156
2024	94,389,633	(2,323,115)	92,066,518	0.12%	1,117

¹ Amounts include any applicable bond premium.

² Assessed value was used because the actual value of taxable property is not readily available in the State of California.

CITY OF NEWPORT BEACH
Direct and Overlapping Debt
June 30, 2024

City Net Assessed Valuation: \$ 75,930,033,156

	Percentage Applicable ⁽¹⁾	Outstanding Debt 6/30/24	Estimated Share of Overlapping Debt
OVERLAPPING DEBT:			
Metropolitan Water District	1.961%	\$ 18,210,000	\$ 357,098
Coast Community College District	35.244%	886,956,084	312,598,802
Rancho Santiago Community College District	2.678%	154,276,441	4,131,523
Rancho Santiago Community College District School Facilities Improvement District No. 1	5.019%	144,765,000	7,265,755
Laguna Beach Unified School District	14.567%	9,940,000	1,447,960
Laguna Beach Unified School District Community Facilities District No. 98-1	100.000%	6,410,000	6,410,000
Newport Mesa Unified School District	73.630%	215,994,635	159,036,850
Santa Ana Unified School District	6.180%	409,228,633	25,290,330
Irvine Ranch Water District Improvement Districts	2.671% - 100.000%	399,676,768	43,283,102
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	13,300,000	13,300,000
California Statewide Community Development Authority Community Facilities District No. 2018-3	100.000%	8,175,000	8,175,000
City of Newport Beach 1915 Act Bonds	100.000%	37,046,036	37,046,036
Orange County Newport Coast Assessment District No. 01-1	100.000%	3,182,000	3,182,000
Orange County Newport Coast Reassessment District No. 17-1R	100.000%	19,270,000	19,270,000
Orange County General Fund Obligations	9.862%	440,385,000	43,430,769
Orange County Board of Education General Fund Obligations	9.862%	10,030,000	989,159
Coast Community College District General Fund Obligations	35.244%	1,075,000	378,873
Coast Community College District Pension Obligation Bonds	35.244%	925,000	326,007
Santa Ana Unified School District General Fund Obligations	6.180%	42,399,216	2,620,272
TOTAL OVERLAPPING DEBT		\$ 2,821,244,813	\$ 688,539,536
DIRECT DEBT:			
City of Newport Beach Certificates of Participation	100.000%	\$ 94,389,633	\$ 94,389,633
Workers' compensation payable	100.000%	23,450,563	23,450,563
Claims and judgments payable	100.000%	10,841,318	10,841,318
Compensated absences	100.000%	13,648,166	13,648,166
Leases ⁽³⁾	100.000%	14,339,382	14,339,382
Subscription-based Information Technology Arrangements ⁽³⁾	100.000%	1,832,755	1,832,755
TOTAL DIRECT DEBT		\$ 158,501,817	\$ 158,501,817
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 847,041,353
GROSS COMBINED TOTAL DEBT ⁽²⁾			\$ 847,041,353

⁽¹⁾ The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

⁽³⁾ The GASB 87 and GASB 96 debts on this schedule are not money borrowed by the City, but are present-value calculations of estimated future payments by the City based on assumptions specified in GASB 87 and GASB 96. The City of Newport Beach implemented GASB 87 for the fiscal year ended June 30, 2022. The City of Newport Beach implemented GASB 96 for the fiscal year ended June 30, 2023.

Ratios to 2023-24 Net Assessed Valuation:

Total Overlapping Debt	0.91%
Total Direct Debt (\$158,501,817)	0.21%
Gross Combined Total Debt	1.12%

Source: California Municipal Statistics, Inc.

**CITY OF NEWPORT BEACH
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year			
	2015	2016	2017	2018
Assessed valuation	\$ 44,752,056,903	\$ 47,388,470,098	\$ 50,341,686,565	\$ 53,780,216,020
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	11,188,014,226	11,847,117,525	12,585,421,641	13,445,054,005
Debt limit percentage	15%	15%	15%	15%
Debt limit	1,678,202,134	1,777,067,629	1,887,813,246	2,016,758,101
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 1,678,202,134</u>	<u>\$ 1,777,067,629</u>	<u>\$ 1,887,813,246</u>	<u>\$ 2,016,758,101</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

NOTE:

The State of California Government Code Section 43605 provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department

CITY OF NEWPORT BEACH
Legal Debt Margin Information
Last Ten Fiscal Years

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 57,701,161,781	\$ 60,744,806,554	\$ 63,689,666,681	\$ 66,579,730,598	\$ 71,329,756,011	\$ 75,930,033,156
25%	25%	25%	25%	25%	25%
14,425,290,445	15,186,201,639	15,922,416,670	16,644,932,650	17,832,439,003	18,982,508,289
15%	15%	15%	15%	15%	15%
2,163,793,567	2,277,930,246	2,388,362,501	2,496,739,897	2,674,865,850	2,847,376,243
-	-	-	-	-	-
<u>\$ 2,163,793,567</u>	<u>\$ 2,277,930,246</u>	<u>\$ 2,388,362,501</u>	<u>\$ 2,496,739,897</u>	<u>\$ 2,674,865,850</u>	<u>\$ 2,847,376,243</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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DEMOGRAPHIC AND ECONOMIC INFORMATION

This section of the City of Newport Beach's Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is un-audited.

The following schedules depict demographic and economic indicators to assist the reader in understanding the socio-economic environment in which the City's financial activities take place:

- Demographic and Economic Statistics
- Principal Employers

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports and underlying accounting records for the relevant years.

CITY OF NEWPORT BEACH
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population ¹⁽¹⁾	Personal Income (in thousands)	Per Capita Income ⁽²⁾	Unemployment Rate ²⁽³⁾
2015	87,249	6,848,523	78,494	4.0%
2016	84,270	6,574,071	78,012	3.4%
2017	84,915	6,736,392	79,331	3.1%
2018	87,182	7,334,970	84,134	2.9%
2019	87,180	7,704,445	88,374	2.6%
2020	85,780	8,183,755	95,404	4.6%
2021	85,865	8,175,464	95,213 ⁽⁴⁾	6.0%
2022	83,727	8,791,502	105,002	3.0%
2023	83,411	9,219,835	110,535	3.0%
2024	82,419	9,389,008	113,918	3.5%

¹ Population estimates are as of January 1 of the year shown and do not reflect revised estimates made available after the date the information was collected for the City's Annual Comprehensive Financial Report.

² Unemployment rate represents an average of all monthly unemployment rates within a fiscal year.

Sources:

⁽¹⁾ California State Department of Finance, E-4 Population Estimates for Cities, Counties and State and E-1 Population and Housing Estimates for Cities, Counties and the State.

⁽²⁾ U.S. Census Bureau - American Community Survey 1-Year Estimates

⁽³⁾ State of California, Employment Development Department

⁽⁴⁾ HdL, Coren & Cone

CITY OF NEWPORT BEACH
Principal Employers¹
Current Year and 9 years ago

Employer	2024			2015		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	5,483	1	6.78%	4,567	1	5.48%
Pacific Life Insurance	1,657	2	2.05%	1,258	2	1.51%
PIMCO	1,168	3	1.44%	896	6	1.07%
Irvine Management Company	1,053	4	1.30%	N/A ²	-	N/A
Glidewell Dental	791	5	0.98%	1,098	3	1.32%
Tower Semiconductor	790	6	0.98%	692	8	0.83%
City of Newport Beach	765	7	0.95%	727	7	0.87%
Newport-Mesa Unified School District	750	8	0.93%	909	5	1.09%
Balboa Bay Club and Resort	729	9	0.90%	370	10	0.44%
Resort at Pelican Hill	679	10	0.84%	927	4	1.11%
Marriott Newport Coast Villas	449	11	0.55%	N/A ²	-	N/A
CBRE Inc.	404	12	0.50%	N/A ²	-	N/A

¹ Figures reflect number of employees of employer at the time the information was collected.

² Company listed was unable to provide employee data for 2015.

Source: Data obtained from companies listed and compiled by City Finance Department.

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OPERATING INFORMATION

This section of the City of Newport Beach's Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is un-audited.

The following schedules present information on the City's operations and resources including service and infrastructure data to facilitate the readers' understanding of how financial statement information relates to the services the City provides and the activities it performs:

- Full Time City Employees by Functions
- Operating Indicators by Function
- Capital Asset Statistics by Function
- Water Sold by Customer Type
- Utility Rates
- Major Water Customers

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports and underlying accounting records for the relevant years.

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CITY OF NEWPORT BEACH
Full-time City Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government	78	77	77	79	80	78	80	81	85	94
Public safety	370	374	371	372	375	375	376	376	377	385
Community development	52	52	52	53	53	53	52	53	56	59
Public works	109	104	99	98	96	99	98	98	102	104
Community services	75	79	81	79	78	78	78	78	79	80
Water	31	32	31	33	33	33	33	33	32	34
Wastewater	13	12	13	11	11	11	11	11	11	10
Total	<u>728</u>	<u>730</u>	<u>724</u>	<u>725</u>	<u>726</u>	<u>727</u>	<u>728</u>	<u>730</u>	<u>741</u>	<u>766</u>

Source: City Finance Department

CITY OF NEWPORT BEACH
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Police:				
Adult Arrests	3,472	3,158	3,178	3,266
Parking Citations Issued	59,753	64,762	69,246	56,685
Fire:				
Fire Responses	305	300	247	248
Fire Inspections	1,281	1,201	1,216	1,307
General Services:				
Street Patching (tons of mix)	2,711	1,890	1,439	1,403
Sidewalk Repair (square feet)	27,175	27,000	20,490	22,925
Recreation & Senior Services:				
Co-Sponsored Youth Organization Attendance	303,152	305,000	425,000	437,751
Senior Transportation Services	13,740	14,000	13,500	13,071
Water:				
New Connections	187	194	229	210
Average Daily Consumption (hundred cubic feet)	16.39	11.66	13.80	14.07
Sewer:				
New Connections	20	17	41	137
Miles of Pipe Cleaned	260	250	202	211
Library Services:				
Library Circulation of Materials	1,610,818	1,575,000	1,464,640	1,424,594

¹ Data varies with trend due to inclusion of responses to fires, hazardous materials, medical and other emergencies.

² Data varies with trend due to COVID-19 restrictions in 2021.

³ Data varies with trend due to COVID-19 restrictions being lifted in 2022.

Source: City of Newport Beach

CITY OF NEWPORT BEACH
Operating Indicators by Function
Last Ten Fiscal Years

Fiscal Year					
2019	2020	2021	2022	2023	2024
3,520	3,093	2,872	2,650	2,800	2,615
67,048	73,372	86,439	83,307	85,003	86,002
209	11,913 ¹	12,204	13,251	13,486	13,493
1,033	2,842	475 ²	3,015 ³	2,807	2,824
1,402	913	920	901	903	739
14,840	11,729	7,805	13,590	12,885	16,069
469,959	439,954	455,442	392,605	454,418	527,754
13,386	9,300	6,287	8,805	10,048	10,190
210	256	160	252	184	176
13.75	13.44	14.87	14.28	11.06	10.77
46	10	25	3	12	9
196	221	240	209	178	192
1,376,041	1,084,206	1,043,629	1,195,151	1,172,951	1,213,486

CITY OF NEWPORT BEACH
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Police:				
Stations	1	1	1	1
Fire:				
Fire Stations	8	8	8	8
Lifeguard Headquarters	1	1	1	1
Public works:				
Streets (miles)	395	399	400	400
Streetlights	5,977	5,978	5,978	5,978
Traffic Signals	808	808	808	808
Recreation & Senior Services:				
Parks	64	64	64	64
Community Centers (includes leased property)	14	15	15	15
Aquatic Center	1	1	1	1
Water:				
Water Mains (miles)	299.58	299.77	300.64	300.30
Maximum Daily Capacity (thousands of gallons)	27,800	27,800	27,800	27,800
Wastewater:				
Sanitary Sewers (miles)	202.64	202.75	202.72	203.56
Storm Sewers (miles)	94.14	92.08	94.74	95.12
Library Services:				
Libraries	4	4	4	4

Source: City of Newport Beach

CITY OF NEWPORT BEACH
Capital Asset Statistics by Function
Last Ten Fiscal Years

Fiscal Year					
2019	2020	2021	2022	2023	2024
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
400	400	400	400	401	399
5,971	5,972	5,973	5,974	5,974	5,974
808	808	808	808	808	808
65	65	65	66	66	66
15	15	15	14	14	15
1	1	1	1	1	1
300.88	300.82	301.23	301.13	301.48	301.39
27,800	27,800	27,800	27,800	27,800	27,800
203.99	204.10	204.13	204.30	204.72	204.81
95.35	95.89	96.18	97.37	97.81	104.28
4	4	4	4	4	4

CITY OF NEWPORT BEACH
Water Sold by Type of Customer
Last Ten Fiscal Years
(in hundred cubic feet)

Type of Customer:	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential	3,853,566	3,072,589	3,564,203	3,603,927	3,439,655	3,747,408	3,811,231	3,714,134	3,242,477	3,154,529
Commercial	2,560,620	1,847,372	2,142,952	2,201,254	2,075,812	2,081,860	2,231,809	2,078,199	1,728,975	1,698,963
Government	396,605	263,116	305,214	289,738	256,398	270,638	299,442	314,128	256,850	224,058
Total	6,810,791	5,183,077	6,012,369	6,094,919	5,771,865	6,099,906	6,342,482	6,106,461	5,228,302	5,077,550
Total direct rate per 100 cubic ft.	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.11 ¹	\$ 3.35 ²	\$ 3.60 ³	\$ 3.87 ⁴	\$ 4.16 ⁵

¹ Reflects increase in commodity rate effective January 1, 2020

² Reflects increase in commodity rate effective January 1, 2021

³ Reflects increase in commodity rate effective January 1, 2022

⁴ Reflects increase in commodity rate effective January 1, 2023

⁵ Reflects increase in commodity rate effective January 1, 2024

Source: City Utilities Department

CITY OF NEWPORT BEACH
Utility Rates¹
Last Ten Fiscal Years

Fiscal Year Ended June 30	Monthly Base Rate	Rate per 100 cubic ft
2015	21.77	3.43
2016	21.77	3.43
2017	21.77	3.43
2018	23.73	3.46
2019	24.34	3.50
2020	28.09	3.57
2021	30.25	3.85
2022	32.03	4.14
2023	33.77	4.41
2024	37.64	4.69

¹ Rates are based on 5/8" or 3/4" meter, which are the standard household meter sizes. Rates include sewer service. The City charges an excess-use rate above normal demand.

Source: City Revenue Division

CITY OF NEWPORT BEACH
Major Water Customers
Current Year and Nine Years Ago

Water Customer	2024			2015		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
Irvine Company Apartment	\$ 805,949	1	2.50%	\$ 532,674	1 ¹	1.95%
Irvine Company Office	605,192	2	1.88%	474,979	1 ¹	1.74%
Hoag Memorial Hospital	467,613	3	1.45%	302,746	4	1.11%
Newport Beach Country Club	368,577	4	1.14%	325,207	3	1.19%
Big Canyon Country Club	344,111	5	1.07%	295,721	2	1.08%
UDR Newport Beach	342,458	6	1.06%	251,069	8	0.92%
Newport-Mesa Unified School District	316,461	7	0.98%	269,852	6	0.99%
Irvine Company Retail	270,791	8	0.84%	174,528	10	0.64%
Bluffs Homeowners Association	263,595	9	0.82%	273,137	7	1.00%
Pacific View - Pierce Bros.	235,776	10	0.73%	187,880	9	0.69%
Park Newport Ltd	195,097	11	0.61%	284,543	5	1.04%
Newport Dunes Resort	175,223	12	0.54%	122,840	16	0.45%
Villa Balboa Community Association	137,137	13	0.43%	132,508	18	0.42%
De Anza Corp	133,394	14	0.41%	89,228	22	0.33%
690 Hotel LLC	127,832	15	0.40%	N/A ²	-	N/A
	<u>\$ 4,789,205</u>		<u>14.87%</u>	<u>\$ 3,716,911</u>		<u>13.57%</u>

¹ Company listed operated under The Irvine Company in 2015.

² Company listed was established in 2021 therefore, no 2015 information was available.

Source: City Revenue Division



City of Newport Beach
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www.newportbeachca.gov/acfr

ATTACHMENT B
Required Audit Communications

REQUIRED AUDIT COMMUNICATIONS

The Honorable Mayor and
Members of the City Council
City of Newport Beach
Newport Beach, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport Beach (City) as of and for the year ended June 30, 2024, and have issued our report thereon dated December 30, 2024. Professional standards require that we advise you of the following matters during our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 9, 2024, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

We identified self-review threats to independence as a result of non-attest services provided. Those non-attest services included assisting in preparation of the financial statements, recording journal entries detected during the audit process, assisting in updating infrastructure records and assisting in preparation of the State Controller's Report. To mitigate the risk, management has reviewed the financial statements and compared amounts to the accounting records, reviewed proposed journal entries to supporting documentation and posted the journal entries to the accounting records. Additionally, management has reviewed the updates to infrastructure records and compared amounts to underlying supporting documentation. Furthermore, management has reviewed the State Controller's Report and agreed the amounts to its accounting records.

Significant Risks Identified

We have identified the following significant risks:

- Risk of errors in capital asset records: We evaluated the accuracy of depreciation and accumulated depreciation by performing a full recalculation by capital asset.
- Risk of valuation as a result a transfer of the other post-employment benefits (OPEB) trust: We reviewed the transfer of the trust noting the complete closure of CERBT and opening of the trust with PARS.
- Compliance with federal grant requirements. We plan to review the City's Schedule of Expenditure of Federal Awards and select major programs to test for compliance with federal grant requirements. This work is scheduled to begin in late January.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the net pension liability.
- Management's estimate of the net OPEB liability.

- Management's estimates of the claims payable liabilities related to general liability and workers' compensation claims.
- Useful lives of depreciable assets.

Management's estimate of the pension liability, OPEB liability and claims payable liabilities are based on actuarial valuation reports. Management's estimate of the useful lives of assets are based on actual experience with the use of similar assets over time. We evaluated the key factors and assumptions used to develop the pension liability, OPEB liability, claims payable liabilities and useful lives of assets and determined they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to pensions in Note 11 and OPEB in Note 12. The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified as a result of our audit procedures.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

The Honorable Mayor and
Members of the City Council
City of Newport Beach
Newport Beach, California

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested and received certain written representations from management, which are included in a separate letter dated December 30, 2024.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information Included in the Annual Comprehensive Financial Report

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual report, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Dawn Furr LLP

Irvine, California
December 30, 2024

ATTACHMENT C

Attachment C - Report on Internal Control and Other Matters

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and
Members of the City Council
City of Newport Beach
Newport Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport Beach (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

The Honorable Mayor and
Members of the City Council
City of Newport Beach
Newport Beach, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dawn Farn LLP

Irvine, California
December 30, 2024



Financial Statement Audit Results



Discussion Topics

2

- ❑ Scope of Audit
- ❑ Management Responsibilities
- ❑ Auditor Responsibilities
- ❑ Results of Audit

Scope of Engagement

3

- ❑ Annual financial audit of the City
- ❑ Single Audit of Federal financial assistance
- ❑ Agreed-upon procedures applied to Gann limit

Management Responsibilities

4

- ❑ Preparation and fair presentation of financial statements, including notes
- ❑ Prepared in accordance with generally accepted accounting principles
- ❑ Design, implement and maintain a system of internal control
- ❑ Financial statements free from material misstatement, whether due to fraud or error
- ❑ Evaluation of going concern

Auditor Responsibilities

5

- ❑ Express opinion on financial statements
- ❑ Conduct audit in accordance with generally accepted auditing standards and *Government Auditing Standards*
- ❑ Plan and perform audit to obtain reasonable, not absolute assurance, that financial statements are free from material misstatement, whether due to fraud or error

Auditor Responsibilities

6

- ❑ Exercise professional judgment and maintain professional skepticism
- ❑ Identify and assess risks of material misstatement
- ❑ Obtain an understanding of internal control
- ❑ Evaluate appropriateness of accounting policies and estimates made by management
- ❑ Evaluate going concern

Results of Audit

7

- ❑ Initial communication to Finance Committee at 5/30/24 meeting
- ❑ Timing
 - ❑ Interim – July 2024
 - ❑ Final – October 2024 through December 2024
- ❑ Unmodified (“clean”) opinion issued

Results of Audit

8

- ❑ Financial results at government-wide level:
 - ❑ Assets and deferred outflows increased \$83 million
 - ❑ Liabilities and deferred inflows increased \$18 million
 - ❑ Net position increased \$66 million
 - ❑ Revenues increased \$65 million
 - ❑ Expenses increased \$61 million

Results of Audit

9

- ❑ Significant Risks
 - ❑ Large increase in capital assets
 - ❑ OPEB trust transferred from CERBT to PARS
 - ❑ Compliance with federal grant requirements
- ❑ Estimates in preparing statements
 - ❑ Useful lives of assets, pension liability, OPEB liability and claims payable
 - ❑ All found to be reasonable and have a sound basis

Results of Audit

10

- ❑ No significant unusual transactions
- ❑ One immaterial audit adjustment
 - ❑ Unbilled receivables
- ❑ No uncorrected misstatements
- ❑ No difficulties or disagreements with management

Results of Audit

11

- ❑ One housekeeping item
 - ❑ Update needed to Administrative Procedures over Purchasing Cards
- ❑ Management provided representations to us at the end of the audit
- ❑ No consultations with other accountants
- ❑ We remain available as a resource throughout the year



Questions



UTILITIES DEPARTMENT

Mark Vukojevic, Director

Financial Review

Finance Committee

January 23, 2025



On Today's Agenda

- Introduction
- Our Team
- Our Different Services
- Our Financials
- Some Financial Deep Dives
- Closing Thoughts



Our Team



Mark Vukojevic
Director



Steffen Catron
Superintendent

- Water



Casey Parks
Superintendent

- Wastewater
- Storm Drains
- Electrical
- Oil



Utilities Department Staff

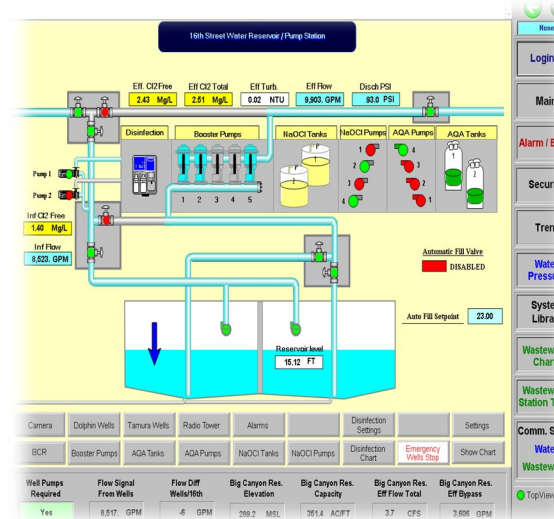
59 total

- 1 Director, 2 Managers
- 4 Admin/Finance
- 28 Water, 10 Wastewater
- 7 Storm Drains/Sweeping
- 2 Street Lights
- 5 Part Time



Water Production Division

- On-call and 24-hour service
- 4 groundwater wells (75-85% of City's water)
- 3 reservoirs (30-day supply)
- 17 pumps and 42 pressure stations
- Transmission system
- Firefighting support
- Chlorine/Disinfection
- Water quality testing & public health
- Computer, monitoring & control system



Water Maintenance & Repair Division



- On-call and 24-hour emergencies
- 300 miles of water pipelines
- 8,000+ valves & 2,000+ fire hydrants
- Water main repairs & replacements
- Service line repairs & replacements
- Meter valve replacements
- Air Vac replacements
- Water main breaks
- Fire hydrant knockdowns



Water Meter Division

- 27,000 water meters & boxes
- NEW AMI digital water meters
- Meter reading/billing preparation
- Field customer service
- Water conservation & use efficiency
- Leak detection
- Permit inspections
- Underground utility marking (protection)
- Requests from residents and plumbers



Water (Enterprise Fund)

	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	\$ 5,310,000	\$ 5,458,000	\$ 5,816,000	\$ 6,152,000
Contract Services	\$ 638,000	\$ 706,000	\$ 548,000	\$ 982,000
Electricity, Phones...	\$ 1,755,000	\$ 2,157,000	\$ 2,194,000	\$ 2,074,000
Supplies & Materials	\$ 12,381,000	\$ 11,706,000	\$ 12,824,000	\$ 15,481,000
Maintenance & Repair	\$ 1,387,000	\$ 1,675,000	\$ 1,973,000	\$ 1,865,000
General Expenses	\$ 2,451,000	\$ 1,965,000	\$ 2,197,000	\$ 2,843,000
Insurance/Internal	\$ 1,748,000	\$ 2,388,000	\$ 2,584,000	\$ 2,642,000
Total Operating Budget	\$ 25,670,000	\$ 26,055,000	\$ 28,136,000	\$ 32,039,000
CIP Costs	\$ 6,509,000	\$ 7,833,000	\$ 8,641,000	\$ 8,546,000
TOTAL WATER EXPENSE	\$ 31,769,000	\$ 33,888,000	\$ 36,777,000	\$ 40,585,000
TOTAL WATER REVENUE	\$ 32,154,000	\$ 32,220,000	\$ 34,879,000	\$ 37,274,000



Cost of Water

Groundwater – (OCWD)

Annexation charge	\$130/AF
Basin charges	\$688/AF
Electricity	\$ 55/AF
<u>Treatment/testing</u>	<u>\$ 25/AF</u>
Avg cost	\$ 898/AF

Imported State Water – (MWD, MWDOC)

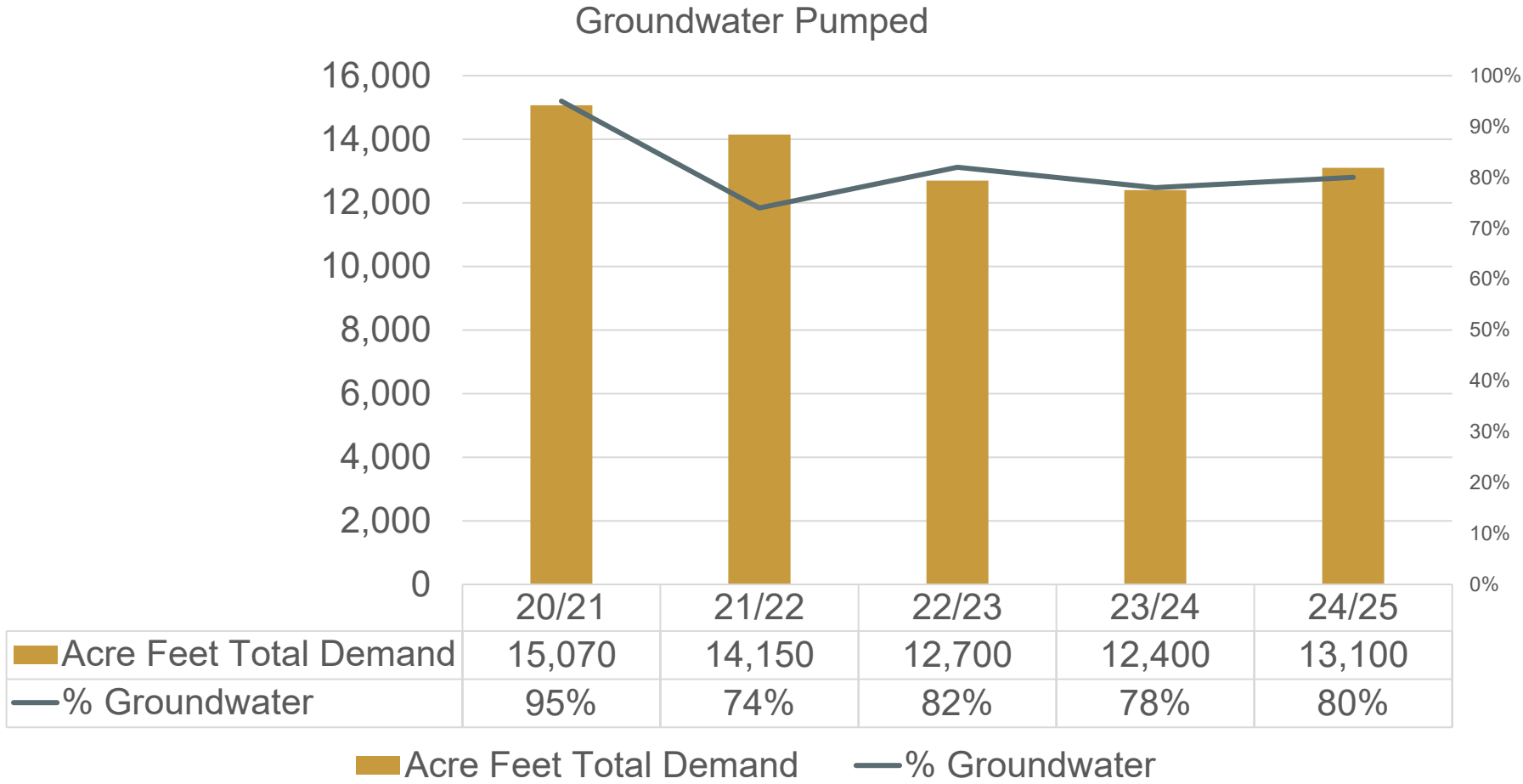
<u>Use Charge</u>	<u>\$1395/AF</u>
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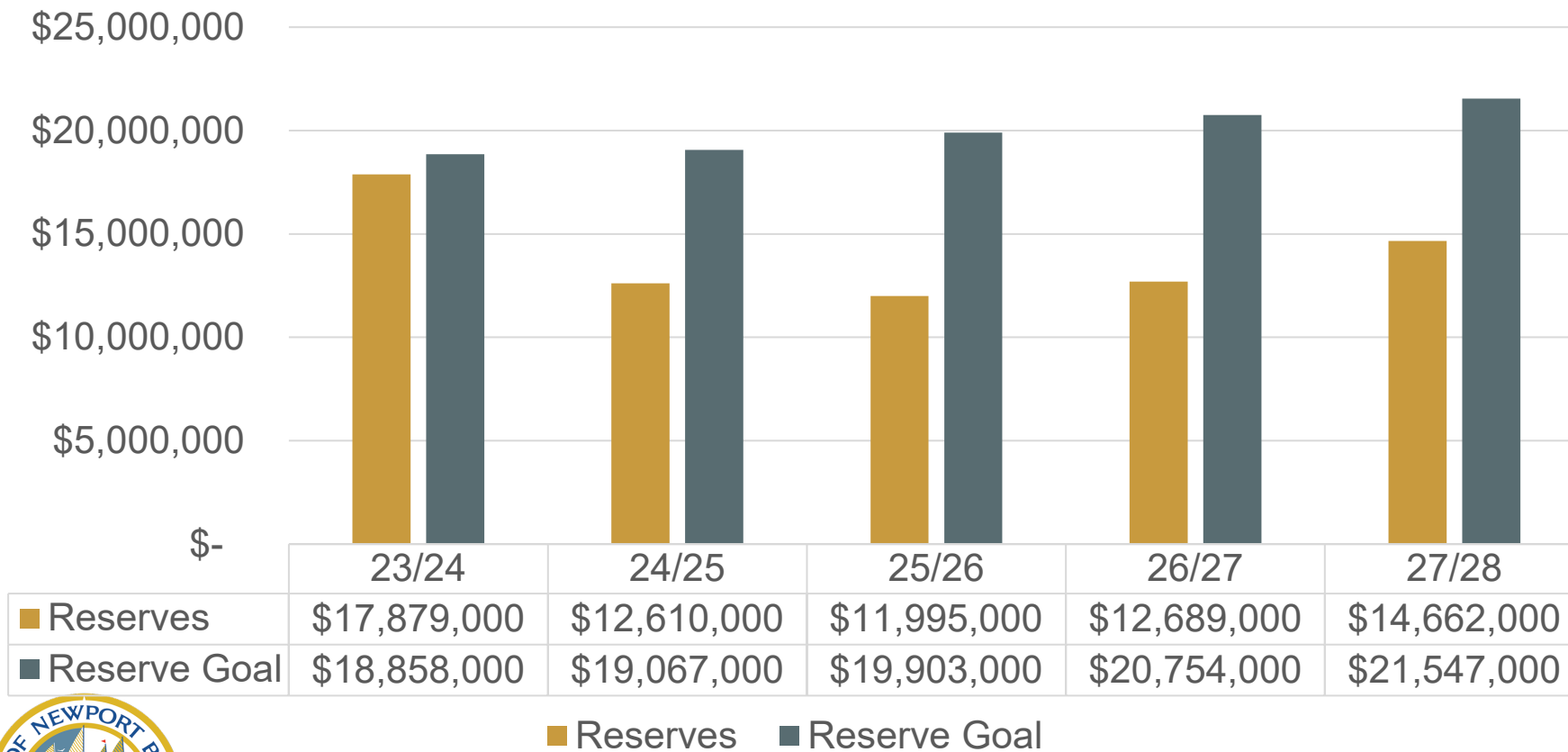
Situational Comparison: 13,000 AF
50% Groundwater & 50% Imported
Groundwater cost: \$5.8 mil
Imported water cost: \$9.1 mil



Performance Measure: % of Groundwater Pumped
 Goal is 85% groundwater,
 (prior to 2023, goal was 77%)



Performance Measure: % of Water Fund Reserves vs. Reserve Goal
 Reserve Goal: 120 days of expenses + 75% annual CIP + 30% water use reduction



New Water Well, Cost:

Land, Engineering, Construction \$30 mil

Funded by:

Newport Beach \$20mil

Laguna Beach \$10 mil

Previously envisioned funding plan:

Pay as you go, known as Pay/go

- Reprioritize CIP (delay certain pipeline projects)
- Plus use of water reserves



New Water Well, Funding Plan:

(Long term, capital producing asset)



Recommended Funding plan:

- Pay/go from CIP, \$3 mil over next 3 years
- Maintain existing reserves
- Finance \$17mil over 20-30 years
 - Bond market placement
 - OCWD loan program option
 - 4 – 4.5% interest rate
 - ~\$1 - 1.3 mil/year payment cycle
 - Invest groundwater savings into prepayments or CIP



Financial Thoughts (Water Fund)

- New AMI digital water meters will save in meter reading costs & enable early leak detections
- Insurance cost increases have been high
- Fire hydrants knockdowns - 2021 (10), 2022 (6), 2023 (13), 2024 (11): Cost recovery goal
- Credit card billing fees, a \$600k+ annual expense, fee changes coming in Spring 2025
- Development Impact Fees aka “buy-in fees” coming
- Monthly billing will begin in March 2025
- Average residential water bill: \$68/month
- Currently on 2nd year of a 5-year rate increase
- 2025 water rate increase is approx. \$5.50/month
- Next Rate study is planned for 2027

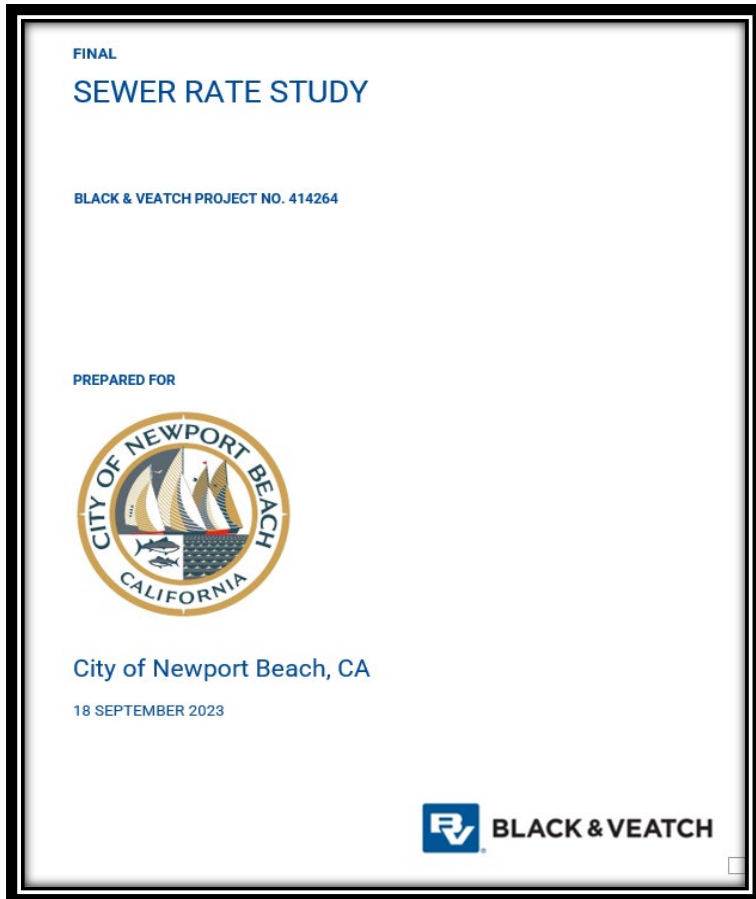


Wastewater (Sewer) Division

- SEWER SPILL PREVENTION
- 200 miles of sewer line cleaning, jetting, and rooting (monthly, quarterly, annually)
- Repairing mainlines and sewer laterals
- Pump station maintenance & repairs - 21 pump stations
- Regulatory compliance
- Emergency response, customer service, and plumber calls



Sewer Rates



- Average residential sewer bill: \$16/month
- Currently on 2nd year of a 5-year rate increase
- 2025 sewer rate increase is approx. \$2.50/month
- Expenses have increased
- CIP costs has increased
- Below reserve targets
- No rate increases were implemented between 2006-2017
- New sewer rate study is planned for 2027



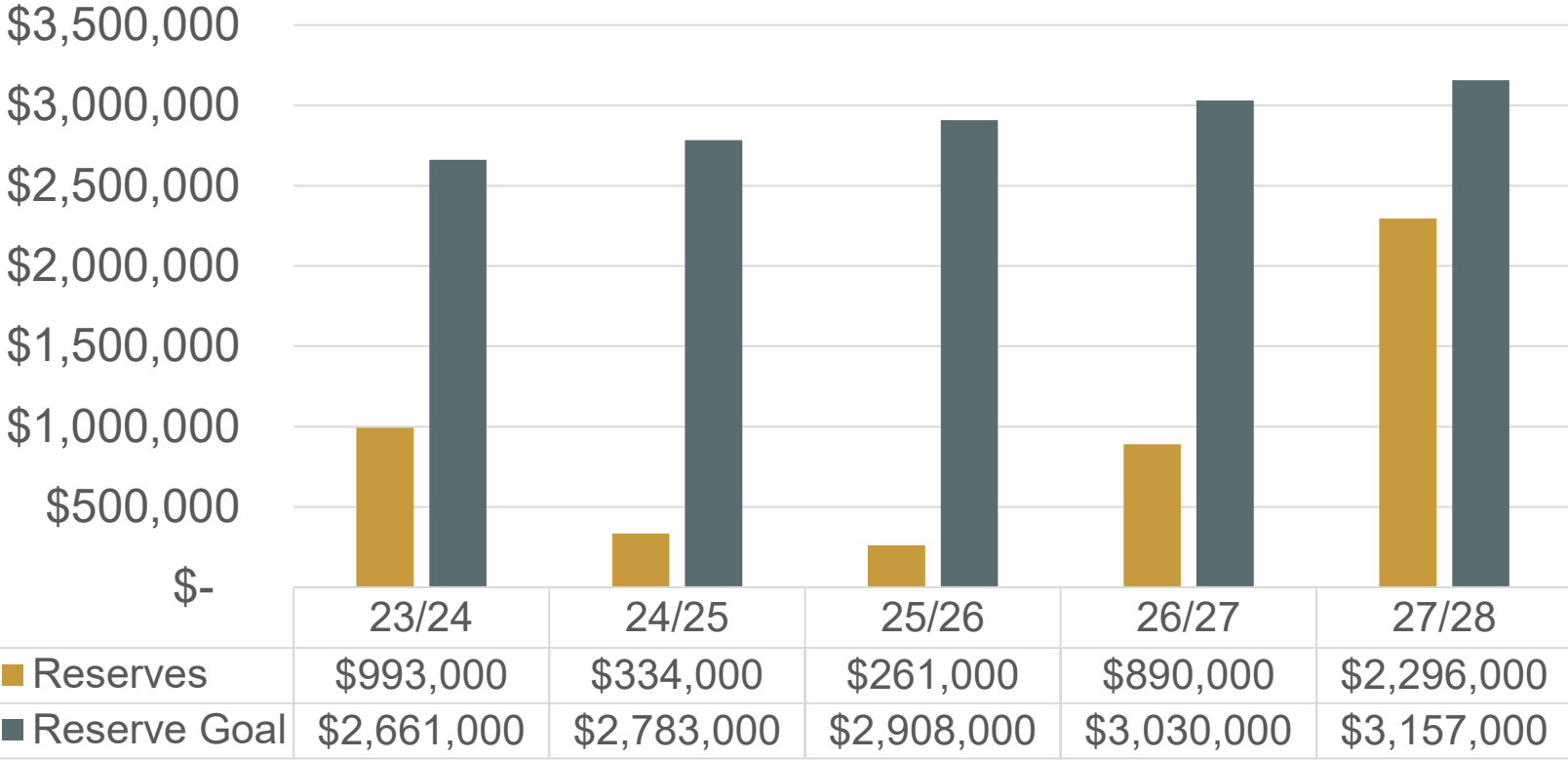
Wastewater/Sewer (Enterprise Fund)

	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	\$ 1,617,000	\$ 1,736,000	\$ 1,821,000	\$ 1,952,000
Contract Services	\$ 69,000	\$ 142,000	\$ 132,000	\$ 181,000
Electricity, Phone...	\$ 71,000	\$ 84,000	\$ 97,000	\$ 82,000
Maint. & Repair	\$ 572,000	\$ 673,000	\$ 984,000	\$ 922,000
General Expenses	\$ 343,000	\$ 545,000	\$ 570,000	\$ 704,000
Insurance/Internal	\$ 819,000	\$ 1,360,000	\$ 1,416,000	\$ 1,480,000
Total Operating Budget	\$ 3,491,000	\$ 4,540,000	\$ 5,020,000	\$ 5,321,000
CIP Costs	\$ 337,000	\$ 152,000	\$ 496,000	\$ 2,550,000
Total Sewer Expense	\$ 3,828,000	\$ 4,692,000	\$ 5,516,000	\$ 7,871,000
Total Sewer Revenue	\$ 4,793,000	\$ 4,703,000	\$ 5,371,000	\$ 5,567,000



Performance Measure: % of Wastewater Fund Reserves vs. Reserve Goal

Reserve Goal: 90 days of expenses + 100% annual CIP



■ Reserves ■ Reserve Goal



Financial Thoughts (Wastewater/Sewer Fund)

- Insurance cost increases have been high but common across the industry
- Internal cost allocations ensure Utilities to pay its fair share
- Continued capital investment is needed
- Frequent cleaning and quick response time are crucial to protecting water quality
- Customer service is intensive, particularly with plumbers and sewer laterals
- Development Impact Fees aka “buy-in fees” are coming Feb 2025
- Monthly billing will begin in March 2025
- Next Rate study is planned for 2027

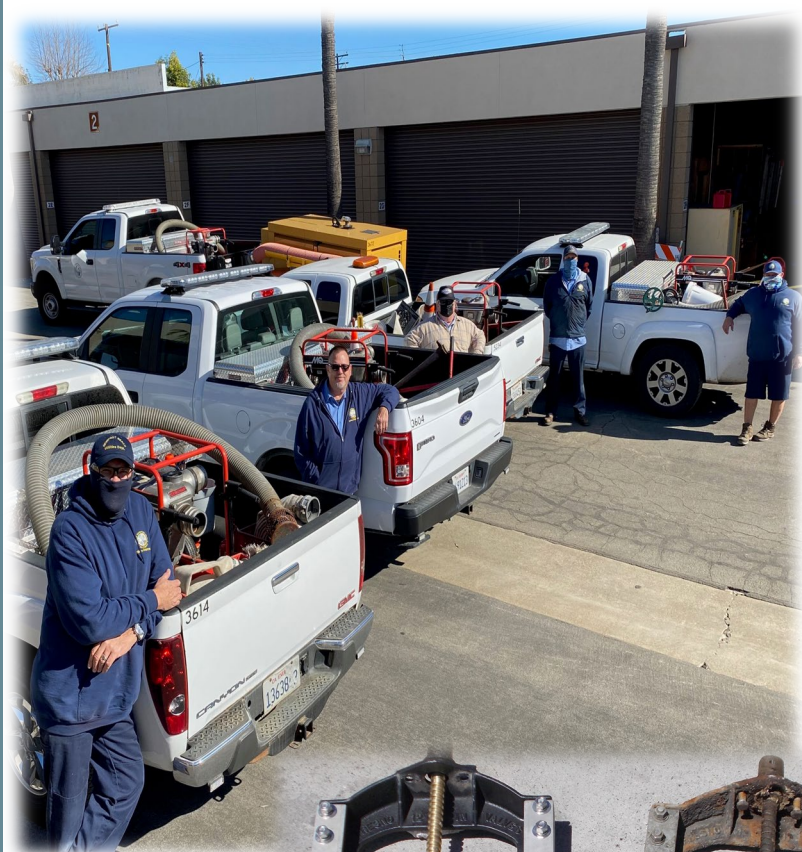


Storm Drains (General Fund)

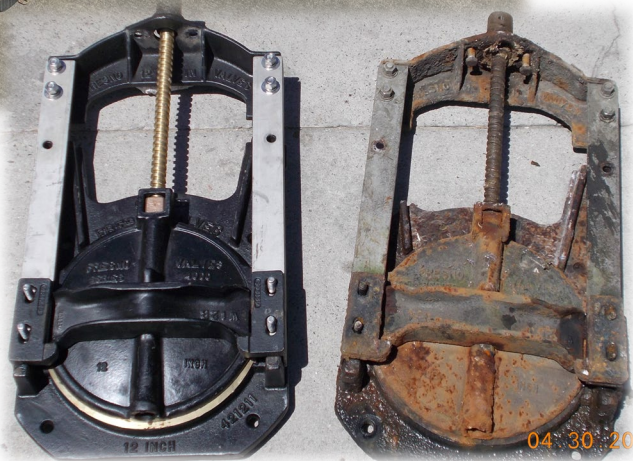
- Protecting harbor water quality
- 87 miles of storm drains, channels, & ditches
- 3,200+ catch basins cleaned annually
- 23 inline large trash capture devices
- 400+ catch basin trash capture devices
- **300 tons of trash removed annually**
- Repairs to storm drain pipes, catch basins & ditches
- Customer Service – i.e. car key recovery from catch basins



Tide Valves (General Fund)

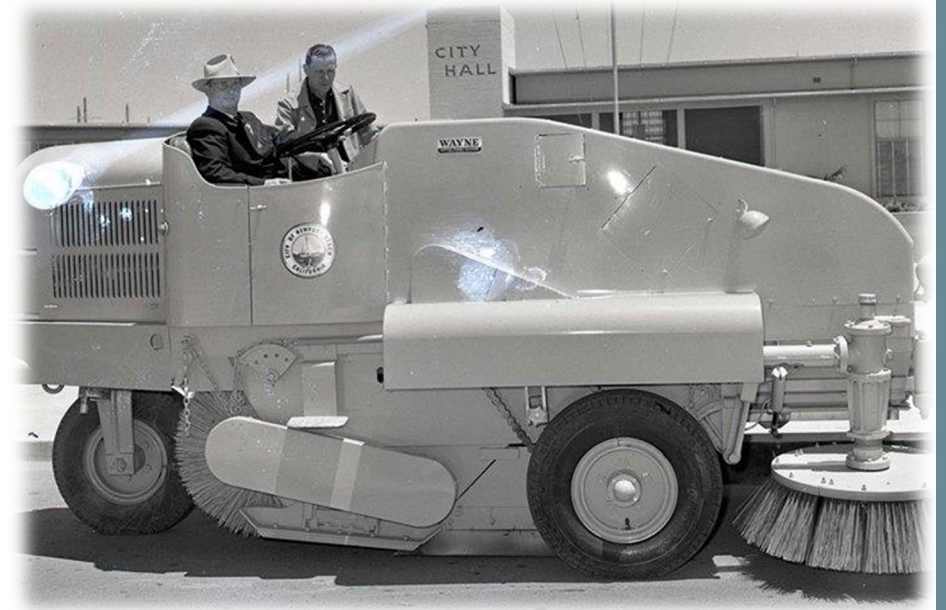


- 90 tide valves requiring daily operation
- 0 permanent pump stations
- 40 mobile storm pumps
- 12 electrically operated valves
 - Lack of space & power outage realities
 - Automation is not foolproof
- Tide valve maintenance during very low tides
- Forecasted Rain + Predicted High Tides
- Force multiply a staff of 7 to make 35 “pumpers”



Street Sweeping (General Fund)

- Residential weekly
- Commercial, parking lots, boardwalk, 2-3/week
- Contracted service - (2020) 10-year street sweeping contract with new street sweepers
 - 5 Street Sweepers every day!**
 - 700 miles a week
 - 3,800 tons a year
- Alleys – every 2 weeks, (2021) 5-year contract
- City sweeper is the backup & for emergencies
- Customer service intensive with questions, requests and special postings/sweepings
- Enforcement through Police Dept., Payments through Finance Dept.





Graffiti Removal (General Fund)

- Contracted Service (prevailing wage)
- 7 days a week, contracted service
 - 2nd crew on Mondays
 - Summer extra crews & special callouts
- Graffiti - 350+ locations removed/month
- Each location is inputted into the County system
- Customer service – phone, website & app
- Graffiti is removed with:
 - chemical removers
 - painted over & color matched
 - pressure washing
- Stickers are growing nuisance



Streetlight (General Fund)

- **7,000 Streetlights**
(street, bollards, parking lots, beaches & facilities)
- 99% of all lights are now LED
- 2 City Staff Electricians
 - Contracted Assistance (as needed & knockdowns)
- Customer Service – phone, website & app
- Annual night-time drive-by inspection of city lights
- 30 City Emergency Generators; + air quality regs
- Street Light knockdowns:
2021 (24), 2022 (18), 2023 (17), 2024 (18)





Storm Drains, Tide Valves, Sweeping, Graffiti (General Fund)



	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	\$ 1,325,000	\$ 1,480,000	\$ 1,708,000	\$ 1,406,000
Graffiti Removal	\$ 118,000	\$ 172,000	\$ 227,000	\$ 190,000
Street Sweeping	\$ 938,000	\$ 851,000	\$ 863,000	\$ 938,000
Storm Drain cleaning	\$ 287,000	\$ 351,000	\$ 357,000	\$ 385,000
Maintenance & Repair	\$ 521,000	\$ 543,000	\$ 761,000	\$ 614,000
Internal Services: IT, Fleet, Insurance	\$ 595,000	\$ 695,000	\$ 744,000	\$ 802,000
Emergency storm drain		\$ 234,000	\$ 325,000	
Total Expenses	\$ 3,784,000	\$ 4,326,000	\$ 4,985,000	\$ 4,335,000





Streetlights (General Fund)



	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	\$ 214,000	\$ 212,000	\$ 267,000	\$ 336,000
Contract Services	\$ 195,000	\$ 195,000	\$ 255,000	\$ 211,000
Electricity	\$ 697,000	\$ 746,000	\$ 760,000	\$ 825,000
Maint. & Repair	\$ 285,000	\$ 217,000	\$ 416,000	\$ 316,000
Internal Services: IT, Fleet, Insurance	\$ 58,000	\$ 120,000	\$ 130,000	\$ 132,000
Total Expenses	\$ 1,449,000	\$ 1,490,000	\$ 1,828,000	\$ 1,820,000



Financial Thoughts (General Fund)

- Year 5 of 10 for street sweeping contract
- New catch basin cleaning contract in 2024
- Extra sweeping is added in the summer
- 40% of the City is posted no parking for sweeping
- Extra graffiti services during the summer
- Staff overtime for pumping is \$45-60/hour vs. contractor overtime \$160
- Important goal is to protect water quality

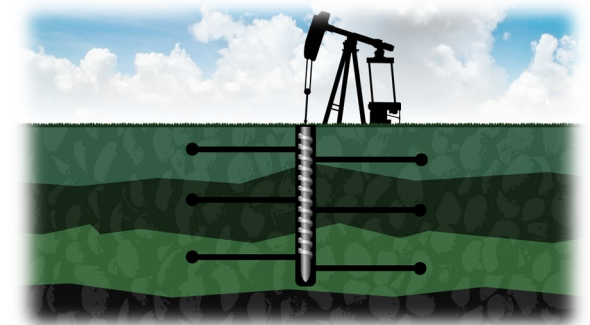


Oil & Gas (Tidelands Fund)

- 16 oil wells producing 18,000 barrels/year
- Crude oil is sold
- Natural gas sent to Hoag Hospital
- Horizontally drilled in the 1950s
- City operated since 1981
- 4 wells are currently offline



Oil Operations (Tidelands Fund)



	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	0	0	0	0
Contract Services	\$ 236,000	\$ 288,000	\$ 238,000	\$ 214,000
Utilities	\$ 76,000	\$ 80,000	\$ 124,000	\$ 83,000
Maintenance & Repair	\$ 1,011,000	\$ 894,000	\$ 712,000	\$ 478,000
Royalties & Agency Fees	\$ 156,000	\$ 156,000	\$ 127,000	\$ 168,000
Total Expenses	\$ 1,479,000	\$ 1,418,000	\$ 1,201,000	\$ 943,000
Total Revenue	\$ 1,680,000	\$ 1,288,000	\$ 1,582,662	\$ 1,250,000
Barrels of Oil	20,377	16,860	21,225	19,200



Financial Thoughts (Tidelands Fund)

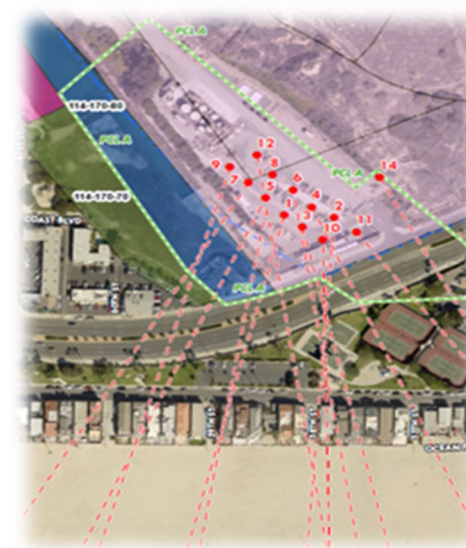
- Crude oil pricing:
 - Difficult to be profitable when oil is \$50/barrel
 - Oil is currently ~\$60/barrel
- Cost of oil production
 - Royalties cost ~ 10% of gross
 - Expenses have increased, especially regulatory permits costs and repair costs
 - new operator contract coming
- Rehab and redrill efforts:
 - New State law changes prohibit redrill efforts



Financial Thoughts (Tidelands Fund)

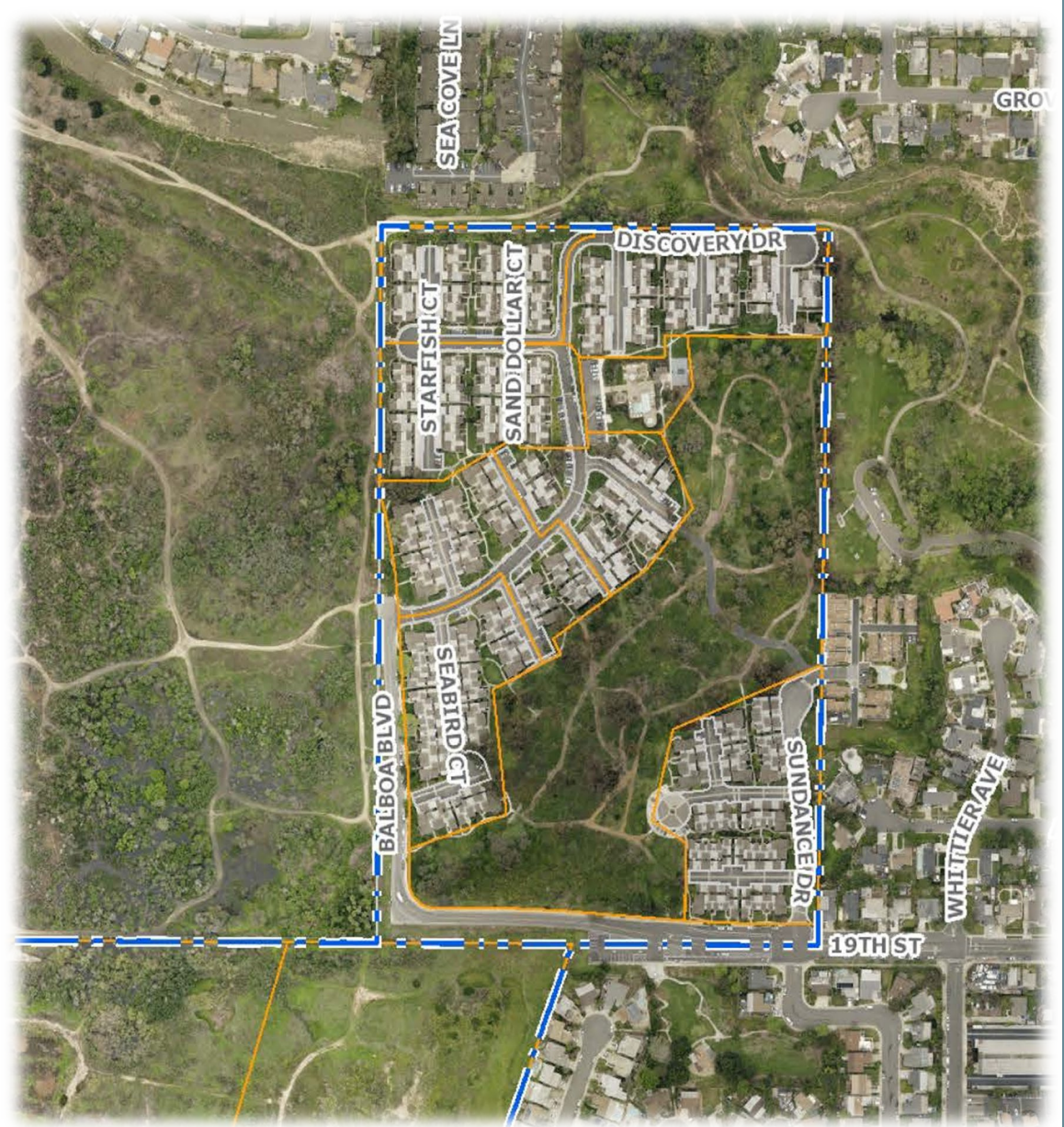
- Narrow margin of profit
- High risk vs. benefit
- System is old and requires frequent repairs
- Not a core City business function
- Future goals:
 - Decommission/abandon the oil wells
 - \$6-\$10mil effort
 - Place all profits in abandonment fund
 - Decommission wells on a stepped annual basis, 1-3 wells per year, using realized profits

Note: oil wells and tank farm are on leased land



Old City Landfill Newport Terrace Community (Environmental Fund)

- 1950s-1960s former City dump
- 1972 sold to developer
- City shares 50/50 responsibility with HOA
- Managed/monitored by City staff
- Contracted resources used
- Landfill gas control system
 - Extraction, pumping, and treatment
 - Alarm system
 - Emergency call outs
- Regulatory compliance – State and County
- System repairs and improvements





Old City Landfill Newport Terrace Community (Environmental Fund)



	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	0	0	0	0
Contract Services	\$ 74,000	\$ 109,000	\$ 90,000	\$ 115,000
Utilities	\$ 4,000	\$ 3,000	\$ 4,000	\$ 5,000
Maintenance & Repair	\$ 58,000	\$ 32,000	\$ 54,000	\$ 77,000
Insurance	\$ 130,000	\$ 146,000	\$ 165,000	\$ 162,000
Total Expenses	\$ 266,000	\$ 290,000	\$ 313,000	\$ 359,000
Total Revenue	\$ 67,000	\$ 70,000	\$ 67,000	\$ 68,000



Closing:

Thank you for the opportunity to present!

Your Utilities Department:

- Water
- Wastewater
- Storm Drains & Tide Valves
- Street Sweeping & Graffiti
- Streetlights
- Oil & Gas
- Former Landfill





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

Agenda Item No. 6C
January 23, 2025

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Jason Al-Imam, Finance Director/Treasurer
949-644-3123, jalimam@newportbeachca.gov

SUBJECT: GENERAL FUND AND TIDELANDS FUND LONG RANGE FINANCIAL FORECAST UPDATE

EXECUTIVE SUMMARY

The City is projected to remain financially sound over the next 20 years, with a strong revenue base and healthy reserves. The forecast anticipates a surplus (revenues exceeding expenditures) each year during this period. Any short-term deficits resulting from economic downturns or unforeseen events are expected to be absorbed without long-term reliance on the Contingency Reserve, and no structural deficit is apparent.

DISCUSSION

Strategic planning begins by determining the City's fiscal capacity, based on long-term financial forecasts of recurring revenues and future financial obligations. Before adopting the annual budget, staff prepares a Long-Range Financial Forecast (LRFF) each year for the General Fund to evaluate internal and external factors affecting the City's financial condition. This year, staff also prepared an LRFF for the Tide and Submerged Land Operating Fund, known as the Tidelands Fund. The LRFF aims to help the City achieve and maintain financial sustainability, provide long-term guidance for financial decisions, and ensure sufficient resources to deliver programs and services to the community.

Methodology

The Finance Department follows a three-step process when preparing the LRFF. First, a baseline growth scenario for various revenue and expenditure categories is established by analyzing historical compound annual growth rates (CAGR), historical average growth rates, and other future growth assumptions based on the latest data from consultants and other sources. Allowances are made for lower near-term growth rates, reflecting current data and anticipated changes in consumer activity for revenue sources such as sales tax and transient occupancy tax.

Next, line items that deviate from typical escalation patterns are adjusted according to their unique schedules, based on either dollar or percentage growth. These items include discretionary pension payments on a fixed annual contribution schedule, interest income, known and expected ground lease revenue from various properties, and transfers to support master financing plans, including the Facilities Financing Plan, Harbor and Beaches Master Plan, and Facilities Master Plan. Emerging commitments on the horizon are also considered.

Finally, the model is designed to be flexible, allowing for alternate baseline scenarios or fiscal impact analyses as needed.

Major Assumptions

Major assumptions used in the model include the following:

The Fiscal Year 2024-25 adopted budget, excluding one-time items, was used as the base budget from which forward growth assumptions were developed. To refine the projections for the near-term years, the methodology for establishing the base for growth assumptions related to certain revenues and expenditures was updated. These updates incorporate the Fiscal Year 2024-25 revised budget and the latest available actual receipts and data. Additional information is summarized below.

Annual General Fund transfers-out in support of:

- FFP – \$15.3 million to \$23.9 million annually, representing 3% of general fund revenues as outlined in Council Policy F-28, and includes an additional \$6 million for future capital projects.
- CIP – \$6.5 million annually
- Facilities Maintenance – \$2.5 million annually
- Tidelands Harbor Capital – \$6.0 million, indexed at 2.5% annually, through Fiscal Year 2032-33, and reduced to \$4.5 million thereafter
- Parks Maintenance Fund - \$2.3 million annually

Despite realizing year-end surpluses exceeding \$10 million over the past several years, staff did not program future surpluses in the projections. Surpluses appearing in the forecast represent the net operating result of annual revenues minus forecasted expenditures. The forecast does not assume expenditure savings or revenues exceeding budgeted amounts, which are typically realized each year. Consequently, the forecast is prepared by projecting revenues conservatively and expenditures liberally.

Revenue Assumptions

The methodology used for calculating revenue changes from Fiscal Year 2025-26 to Fiscal Year 2045-46 is initially based on historical revenue trends using CAGR or the annual average growth for each revenue category, depending on which seems most applicable for the particular revenue growth category based on how it may change going forward. This methodology is adjusted based on staff's knowledge of known one-time

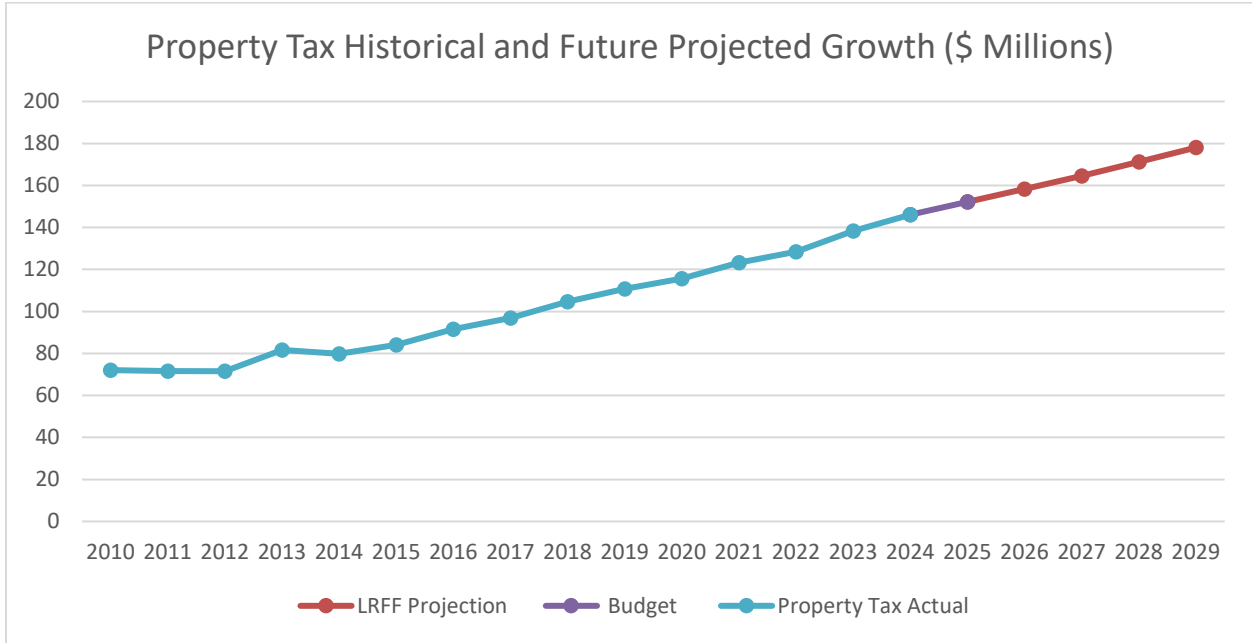
past events and other extraneous factors. Thereafter, an outlook is developed that factors in the cyclical nature of the economic cycle, which tends to fluctuate from periods of economic expansion followed by economic contraction. As a result, this approach provides for dynamic forecasting as opposed to linear or static growth assumptions, which mitigates the compounding effect that can tend to distort revenue growth over time.

The General Fund's top three revenue sources (property tax, sales tax, and transient occupancy tax) account for approximately 72% of total General Fund revenues. Consequently, the future growth assumptions for these primary revenue sources can have a considerable impact on the twenty-year forecast. The forecast for these three revenue sources is based on the most recently available economic data in addition to the updated projections reflected in the Fiscal Year 2024-25 revised budget.

Property Taxes

These revenues are primarily dependent on the assessed valuation established in January of each year. Newport Beach's assessed property values increased 5.5% in Fiscal Year 2024-25 largely due to changes in ownership and new construction. In Fiscal Year 2025-26, assessed property values are projected to increase 4.4% based on an increase in assessed values from home sales from January 2024 through September 2024. This growth is partly due to the two-percent inflation adjustment provided under Proposition 13. In addition, assessed values are projected to increase in Fiscal Year 2025-26 due to changes in ownership and new construction, although at a slower pace as home sales have slowed due to higher interest rates.

In outer years of the forecast, staff continues to expect consistent and vigorous demand for Newport Beach property. Changes to these revenues that may result from a dampened housing economy are less dramatic and less abrupt than with other revenues due to a tax collection lag and the high value of assessed properties in Newport Beach. The lag is due to the lengthy time it takes (ranging from 12-18 months) to assess property values, process appeals and other adjustments, prepare the property tax rolls and submit them to the County Tax Collector. While property tax growth rates fell sharply during the Great Recession, the City has experienced positive local assessed value growth during each of the past 20 years. Even while growth may have slowed, the assessed value in Newport Beach never declined throughout the Great Recession. This demand has allowed the City to enjoy long-term growth trends from its largest source of revenue. The average annual historical growth rate for this revenue category is 5.6% over the past 20 years. Beyond Fiscal Year 2025-26, staff conservatively forecast 3-4% annual growth for property taxes as a whole, which includes supplemental taxes and property transfer tax revenue.

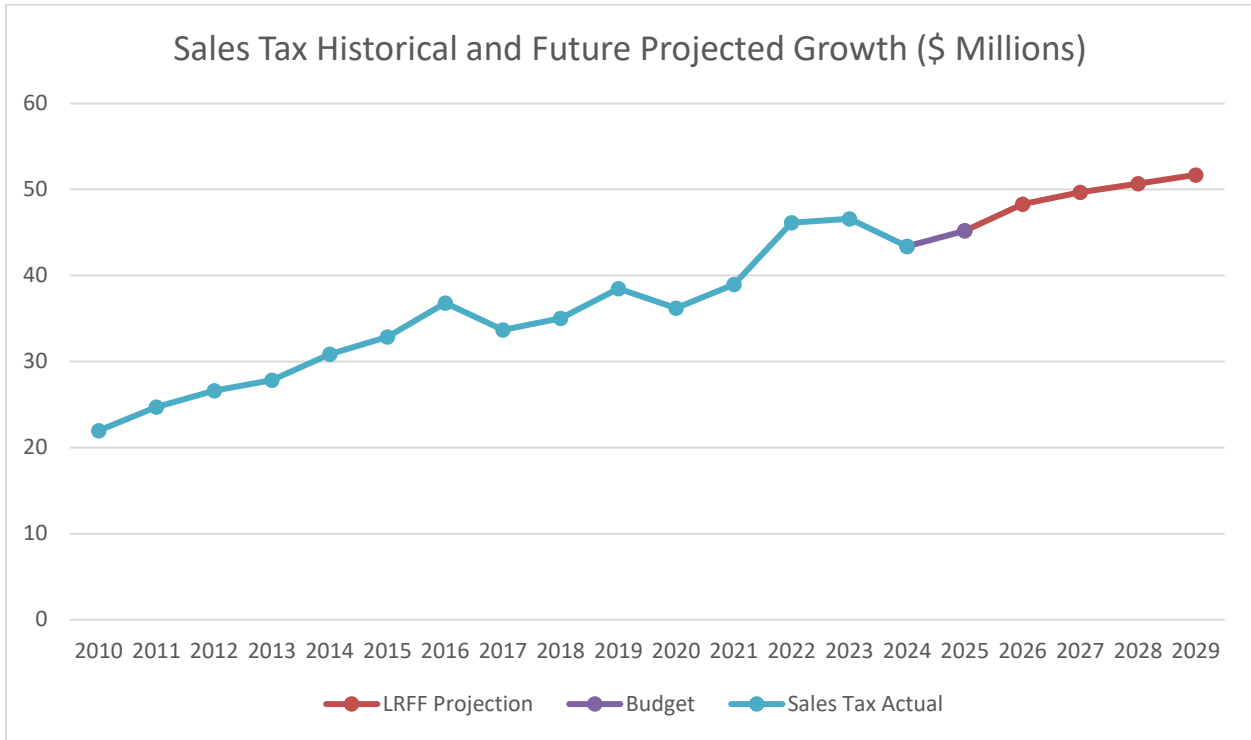


Sales Tax

The second largest funding source for the General Fund is sales tax revenue, which is largely generated from three main industry categories including autos and transportation, general consumer goods, and restaurants/hotels.

Sales tax revenue was down 6.7% for Fiscal Year 2023-24 and is projected to increase 4.1% in Fiscal Year 2024-25 due to anticipated growth in the autos and transportation and the state and county pools.

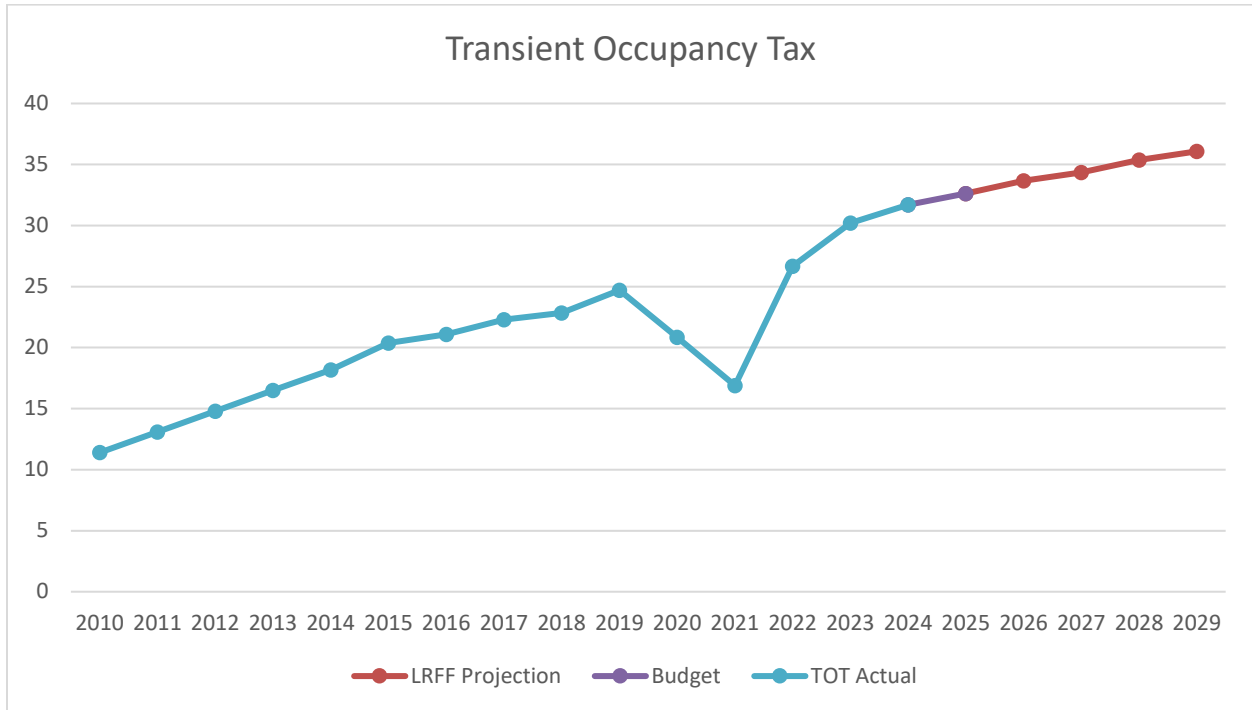
Looking ahead, sustained sales tax growth is anticipated throughout the forecast, with Fiscal Year 2025-26 anticipated to increase by 6.9%, or approximately \$3 million, compared to the Fiscal Year 2024-25 projection. Beyond Fiscal Year 2025-26, staff conservatively forecast annual growth of 2.6% on average each year for sales tax.



Transient Occupancy Tax (TOT)

The third largest funding source for the General Fund is TOT which makes up more than 10% of revenues. TOT revenue is derived from commercial and residential property. Commercial TOT revenue is derived from 21 hotels and resorts and accounts for approximately 74% of TOT revenues. Residential TOT revenue is derived from approximately 1,550 vacation rentals representing 26% of TOT revenue. TOT revenue from short-term residential stays has nearly doubled since 2019-20, whereas hotel TOT revenue increased 46% over the same period. While commercial occupancy levels have not returned to pre-pandemic levels, they are increasing and are largely offset by higher room rates.

The budget for Fiscal Year 2024-25 assumed a 2% growth rate over the prior year. For Fiscal Year 2025-26, staff projects receipts of \$33.7 million, representing a 3.2% increase over the prior year. Generally consistent with historical trends, staff projects 2.9% average annual growth thereafter.



Other revenues (service fees and charges, fines and penalties, property income, transfers in, and other miscellaneous revenues) which make up 28% of the City’s total revenues are projected to grow modestly at 3% on average over the next 20 years. This assumption is based on the average growth from the preceding 20 years. Service fees and charges are projected to grow by an average of 2% annually each year and Property Income, which includes leases and parking revenue, is projected to grow by an average of 4% annually over the next 20 years. Transfers in, which represents the Tidelands payment to the General Fund for the Cost Allocation Plan is estimated to grow at 3% annually.

Expenditure Assumptions

Regular salaries for both miscellaneous and public safety are reflective of the approved adjustments through the end of the current MOU agreements. Thereafter, regular salaries are assumed to grow at 2% annually. The forecast assumes no growth in personnel headcount. Special and other pays (e.g., certification pay, bilingual pay, motor officer pay, scholastic achievement, etc.) is projected to grow at 2% annually. The benefits category, which consists of life insurance, Medicare, retiree health plan contributions, and the City’s pension contributions to CalPERS, among other miscellaneous benefits, is projected to grow at 2% annually. However, based on the following assumptions and certain items in this category forecasted at alternate growth rates, the projected average year-over-year change is 0%. This category includes the 1.5% reduction in the employee’s share of pension contributions to CalPERS through December 2025 for applicable bargaining units.

The forecast assumes a baseline allocation of \$40 million in annual funding for the pension liability, with \$38 million coming from the General Fund. In Fiscal Year 2032-33, the pension liability is projected to be eliminated, assuming CalPERS continues to achieve an average investment return of 6.8% and there are no significant changes in future CalPERS experience studies or the discount rate. The baseline allocation of \$40 million annually exceeds the required payment to CalPERS by approximately \$10 million. An additional \$5 million is also expected to be allocated each year from the year-end surplus, bringing the total annual payment for the pension liability to \$45 million. This approach aligns with the pension paydown strategy discussed with the Finance Committee in November 2024. It also assumes that the City Council will continue to authorize additional contributions during this period, consistent with recent Council actions and Finance Committee recommendations.

General Fund Expenditure Forecast FY2025-26– FY2029-30

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Regular Salaries	\$ 95,146,664	\$ 97,049,597	\$ 98,990,589	\$ 100,970,401	\$ 102,989,809
Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Special and Other Pays	\$ 16,777,018	\$ 17,112,558	\$ 17,454,809	\$ 17,803,905	\$ 18,159,983
Growth Rate	1.8%	2.0%	2.0%	2.0%	2.0%
Benefits ¹	\$ 71,678,450	\$ 73,017,135	\$ 74,422,950	\$ 75,899,659	\$ 77,451,245
Growth Rate	-6.2%	1.9%	1.9%	2.0%	2.0%
Non-Personnel Costs	\$ 90,524,454	\$ 95,013,548	\$ 99,923,832	\$ 105,102,412	\$ 110,564,164
Growth Rate	3.0%	5.0%	5.2%	5.2%	5.2%
Transfers Out ²	\$ 48,176,029	\$ 49,338,503	\$ 50,321,883	\$ 50,183,624	\$ 51,011,794
Growth Rate	22.7%	2.4%	2.0%	-0.3%	1.7%
Total General Fund Expenditures	\$ 322,302,615	\$ 331,531,341	\$ 341,114,063	\$ 349,960,002	\$ 360,176,995
Growth Rate	2.9%	2.9%	2.9%	2.6%	2.9%

Non-personnel costs include contract services, utilities, supplies and materials, and maintenance and repair. These expenditures are projected to grow an average of 5.2% annually. While some of these costs may increase by the consumer price index (CPI), many of the City’s contracts have capped the rate by which certain services or goods may increase by CPI. Thus, although CPI has remained high, that percentage was not broadly projected for contract services or supplies and materials. In Fiscal Year 2023-24, the City’s unfunded OPEB liability was paid down, which reduces general fund expenditures by approximately \$4 million annually beginning in Fiscal Year 2024-25.

Transfers out includes transfers from the General Fund to various other funds for future capital improvement projects, as well as a transfer to support the Tidelands Fund operations.

Tidelands Fund Forecasting

Each year, the Tidelands Fund transfers approximately \$20 million to the General Fund to cover costs associated with activities in the Tidelands areas supported by General Fund services. Allocated direct services impacting the Tidelands Fund include public safety services, such as Police Department patrols, traffic operations, Fire Department operations, emergency medical services, and marine safety. They also include public facilities services, such as Public Works Department maintenance of public spaces and Finance Department management of parking.

Revenue in the Tidelands Fund is insufficient to fully cover the costs of Tidelands operations. As a result, the General Fund must subsidize these operations, with the subsidy estimated at \$12.3 million for Fiscal Year 2024-25. Consequently, the performance of the General Fund and the long-range financial plan must account for projections related to the Tidelands Fund's revenues, expenditures, and the related subsidy from the General Fund.

In response to a recent internal audit recommendation presented to the Finance Committee in November 2024, staff developed a long-range financial forecast (LRFF) for the Tidelands Fund. The Tidelands LRFF uses the same methodology as the General Fund LRFF. The Fiscal Year 2024-25 adopted budget, excluding one-time items, was used as a base from which forward growth assumptions were developed.

Tidelands Revenue Assumptions

The Tidelands Fund's revenue sources are related to the operation of the City's tidelands, including but not limited to rents from moorings, piers, and leases, as well as income from parking lots, meters, and the sale of oil. The Tidelands Fund's top three revenue sources—property income, parking revenue, and a transfer subsidy from the General Fund—account for approximately 99% of total Tidelands revenue. Consequently, the growth assumptions for these primary revenue sources significantly impact the twenty-year forecast. The forecast for these three revenue sources is based on the most recent economic data and updated projections reflected in the Fiscal Year 2024-25 revised budget.

Property Income

Property income is the primary revenue source for the Tidelands Fund. For Fiscal Year 2024-25, Tide and Submerged Land Operating income is projected to generate \$8.4 million from leases and an additional \$1.3 million from oil sales. Looking ahead to Fiscal Year 2025-26, property income revenues are expected to grow by 4%, or \$386,764.

Parking Revenue

Parking revenue is made up of \$2.6 million from the Balboa Parking Lot, \$1.4 million from the Ocean Front Lot, and \$847,758 from a combination of smaller lots. In Fiscal Year 2025-26, parking revenues are projected to increase by 4%, or \$187,740.

General Fund Subsidy

Historically, the Tidelands Fund has not generated sufficient revenue to cover the full cost of operations, largely due to public safety expenses such as lifeguarding, EMS response, and police services at ocean beaches. This remains true in Fiscal Year 2024-25. To address the ongoing gap between revenues and expenditures, the City’s General Fund subsidizes the operations of the Tidelands Fund annually. Since Tidelands revenues and expenditures fluctuate year to year, the General Fund subsidy also varies. For Fiscal Year 2024-25, the General Fund transferred \$12.3 million to subsidize the Tidelands Fund.

Tidelands Expenditure Assumptions

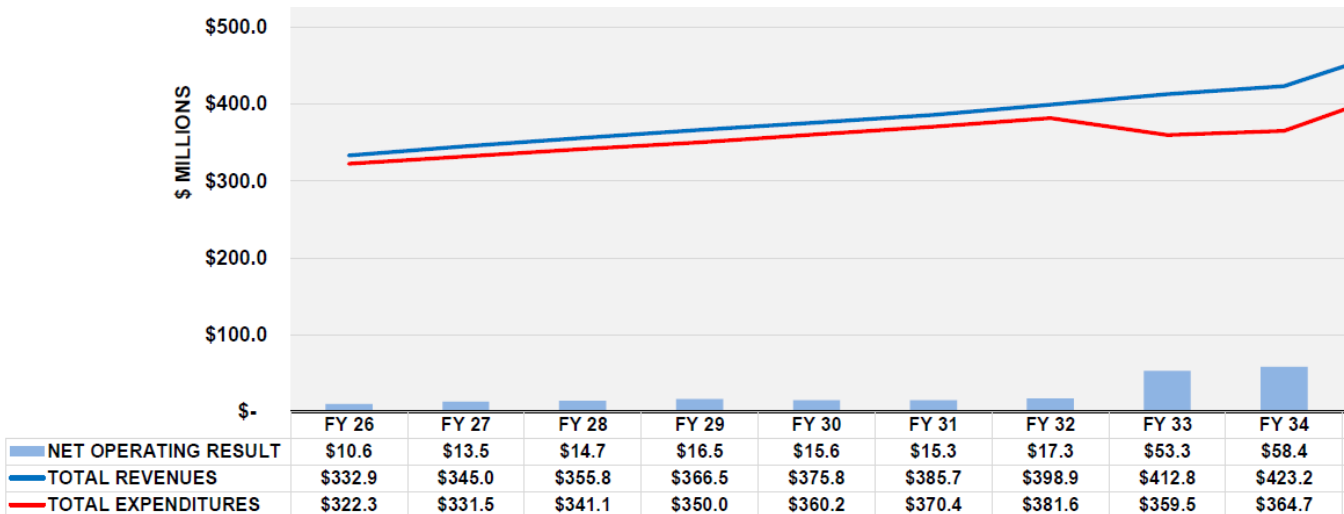
Regular salaries are reflective of the approved adjustments through the end of the current MOU agreements. Thereafter, regular salaries are assumed to grow at 2% annually. The forecast assumes no growth in personnel headcount. Non-personnel costs include contract services, utilities, supplies and materials, and maintenance and repair. These expenditures are projected to grow an average of 4.5% annually.

The largest expense in the Tidelands Fund is the transfer out to the General Fund to cover the allocated costs, which are the Citywide expenditures that support the management and operation of the Tidelands that are accounted for in the General Fund. Assumptions for these costs are based on the current Cost Allocation Plan and are escalated each year by 3%.

CONCLUSION

The City is in a strong financial position. The General Fund LRFF projects a surplus balance (revenues net of expenditures) of approximately \$10.6 million in Fiscal Year 2025-26. Surpluses are also projected for the remaining years of the model.

**General Fund Revenues, Expenditures & Net Operating Results
FY 2025-26– FY 2033-34**



The City currently has a contingency reserve of \$66.0 million, which represents 25% of operating expenditures. This reserve serves as a means of responding to unexpected deviations in operating trends over the 20-year term of the forecast. Historically, the City has not utilized its contingency reserve to balance its annual budgets and only did so recently to cover a revenue shortfall during the COVID-19 pandemic. The draw of less than \$3 million from the contingency reserve during Fiscal Year 2020-21 was quickly reversed with the first quarter budget update that year.

However, the City is not without its fiscal challenges. Although revenues have improved considerably since the Great Recession, future recessions or shifts in consumer behavior—such as changes in consumer spending and the outlook for travel and leisure—may alter the course of revenues, and new patterns could emerge that differ from past trends.

The City routinely faces financially impactful events, such as significant increases in CalPERS pension costs due to underperforming investment returns, unfunded state mandates, and the need to ramp up savings to meet substantial near-term facilities maintenance and replacement obligations in accordance with our long-term infrastructure financing plans. Fortunately, the City’s revenue base provides the ability to make strategic decisions each year, deploying the necessary resources toward the most critical needs of our citizens.

In summary, the General Fund is projected to remain in a financially sound position over the next 20 years. Any short-term deficits that may arise can be absorbed without long-term reliance on the Contingency Reserve—no structural deficit is apparent.

Submitted by:

/s/ Shelby Burguan

Attachments:

- A. 20-Year Long-Range Financial Forecast for the General Fund
- B. 20-Year Long-Range Financial Forecast for the Tidelands Fund

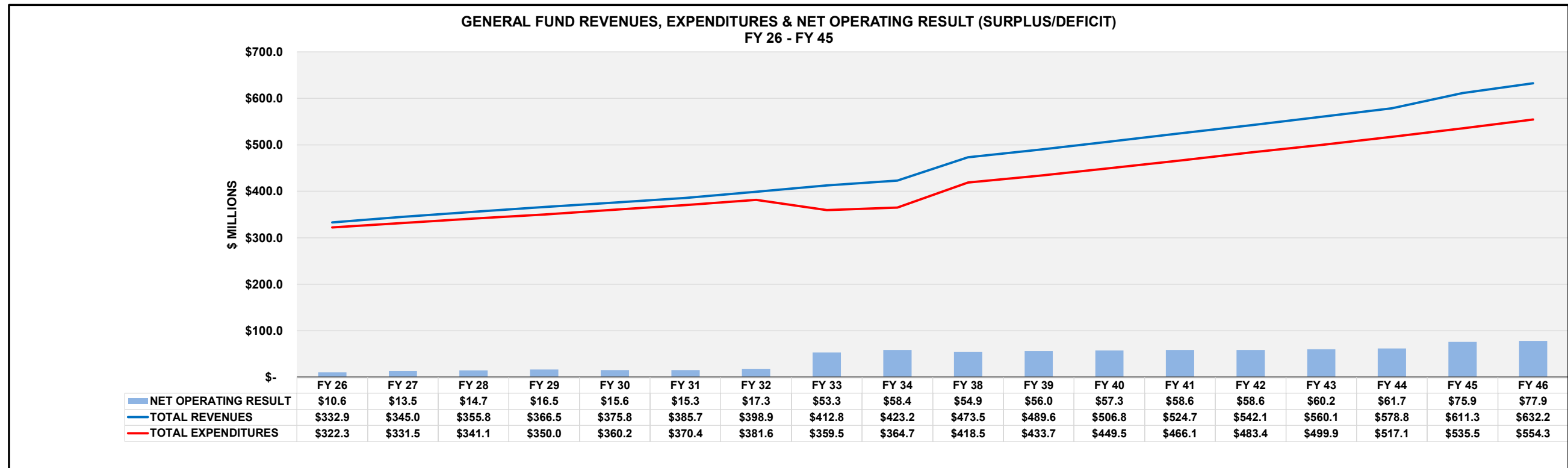
ATTACHMENT A
20-YEAR LONG-RANGE FINANCIAL FORECAST FOR THE GENERAL FUND

**CITY OF NEWPORT BEACH GENERAL FUND LONG-RANGE FISCAL FORECAST
FY 2026 - FY 2045**

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	FY 2035-36	FY 2036-37	FY 2037-38	FY 2038-39	FY 2039-40	FY 2040-41	FY 2041-42	FY 2042-43	FY 2043-44	FY 2044-45
Property Tax	\$ 158,297,658	\$ 164,629,565	\$ 171,214,747	\$ 178,063,337	\$ 183,405,237	\$ 188,907,395	\$ 196,463,690	\$ 204,322,238	\$ 212,495,127	\$ 220,994,933	\$ 227,624,781	\$ 234,453,524	\$ 241,487,130	\$ 251,146,615	\$ 261,192,479	\$ 271,640,179	\$ 282,505,786	\$ 293,806,017	\$ 305,558,258	\$ 317,780,588
Growth Rate	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Sales Tax	\$ 48,306,625	\$ 49,698,747	\$ 50,692,722	\$ 51,706,576	\$ 53,257,774	\$ 54,855,507	\$ 56,501,172	\$ 58,196,207	\$ 59,942,094	\$ 61,140,935	\$ 62,363,754	\$ 64,234,667	\$ 66,161,707	\$ 68,146,558	\$ 70,190,955	\$ 72,296,683	\$ 73,742,617	\$ 75,217,469	\$ 76,721,819	\$ 79,023,473
Growth Rate	6.9%	2.9%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%	3.0%
Transient Occupancy Tax	\$ 33,668,079	\$ 34,341,440	\$ 35,371,684	\$ 36,079,117	\$ 36,439,908	\$ 37,168,707	\$ 38,283,768	\$ 39,815,119	\$ 41,407,723	\$ 42,649,955	\$ 43,502,954	\$ 43,937,984	\$ 44,816,743	\$ 46,161,246	\$ 48,007,695	\$ 49,928,003	\$ 51,925,123	\$ 54,002,128	\$ 56,162,213	\$ 57,847,080
Growth Rate	3.2%	2.0%	3.0%	2.0%	1.0%	2.0%	3.0%	4.0%	4.0%	3.0%	2.0%	1.0%	2.0%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.0%
Other Revenues	\$ 71,013,021	\$ 74,144,543	\$ 75,973,676	\$ 77,856,209	\$ 79,234,720	\$ 81,152,582	\$ 83,322,065	\$ 85,427,425	\$ 83,537,085	\$ 85,532,128	\$ 87,583,423	\$ 89,919,103	\$ 91,957,808	\$ 94,270,368	\$ 96,650,674	\$ 99,100,913	\$ 101,218,372	\$ 103,450,382	\$ 105,670,241	\$ 120,981,095
Growth Rate	1.4%	4.4%	2.5%	2.5%	1.8%	2.4%	2.7%	2.5%	-2.2%	2.4%	2.4%	2.7%	2.3%	2.5%	2.5%	2.5%	2.1%	2.2%	2.1%	14.5%
Transfers In	\$ 21,610,808	\$ 22,221,632	\$ 22,527,440	\$ 22,748,805	\$ 23,416,269	\$ 23,603,757	\$ 24,311,870	\$ 25,041,226	\$ 25,792,463	\$ 26,566,237	\$ 27,363,224	\$ 28,184,120	\$ 29,029,644	\$ 29,900,533	\$ 30,797,549	\$ 31,721,476	\$ 32,673,120	\$ 33,653,314	\$ 34,662,913	\$ 35,702,801
Growth Rate	2.8%	2.8%	1.4%	1.0%	2.9%	0.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Total General Fund Revenue	\$ 332,896,192	\$ 345,035,928	\$ 355,780,269	\$ 366,454,045	\$ 375,753,909	\$ 385,687,947	\$ 398,882,565	\$ 412,802,215	\$ 423,174,492	\$ 436,884,188	\$ 448,438,136	\$ 460,729,398	\$ 473,453,031	\$ 489,625,320	\$ 506,839,353	\$ 524,687,254	\$ 542,065,018	\$ 560,129,311	\$ 578,775,445	\$ 611,335,037
Growth Rate	3.8%	3.6%	3.1%	3.0%	2.5%	2.6%	3.4%	3.5%	2.5%	3.2%	2.6%	2.7%	2.8%	3.4%	3.5%	3.5%	3.3%	3.3%	3.3%	5.6%
Regular Salaries	\$ 95,146,664	\$ 97,049,597	\$ 98,990,589	\$ 100,970,401	\$ 102,989,809	\$ 105,049,605	\$ 107,150,597	\$ 109,293,609	\$ 111,479,481	\$ 113,709,071	\$ 115,983,252	\$ 118,302,917	\$ 120,668,976	\$ 123,082,355	\$ 125,544,002	\$ 128,054,882	\$ 130,615,980	\$ 133,228,300	\$ 135,892,866	\$ 138,610,723
Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Special and Other Pays	\$ 16,777,018	\$ 17,112,558	\$ 17,454,809	\$ 17,803,905	\$ 18,159,983	\$ 18,523,183	\$ 18,893,647	\$ 19,271,520	\$ 19,656,950	\$ 20,050,089	\$ 20,451,091	\$ 20,860,113	\$ 21,277,315	\$ 21,702,861	\$ 22,136,919	\$ 22,579,657	\$ 23,031,250	\$ 23,491,875	\$ 23,961,713	\$ 24,440,947
Growth Rate	1.8%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Benefits ¹	\$ 71,678,450	\$ 73,017,135	\$ 74,422,950	\$ 75,899,659	\$ 77,451,245	\$ 79,081,925	\$ 80,796,165	\$ 82,597,160	\$ 84,487,978	\$ 86,473,978	\$ 88,566,996	\$ 90,767,750	\$ 93,075,750	\$ 95,490,940	\$ 97,924,230	\$ 100,476,725	\$ 103,147,749	\$ 105,936,367	\$ 108,845,595	\$ 111,877,003
Growth Rate	-6.2%	1.9%	1.9%	2.0%	2.0%	2.1%	2.2%	-39.6%	-4.1%	4.3%	4.3%	4.3%	4.4%	4.4%	4.5%	4.5%	4.5%	2.0%	2.0%	2.0%
Non-Personnel Costs	\$ 90,524,454	\$ 95,013,548	\$ 99,923,832	\$ 105,102,412	\$ 110,564,164	\$ 116,324,794	\$ 122,400,888	\$ 131,522,871	\$ 138,408,770	\$ 144,570,997	\$ 150,225,279	\$ 158,161,907	\$ 166,534,969	\$ 175,368,766	\$ 184,688,964	\$ 194,522,671	\$ 204,898,519	\$ 216,270,171	\$ 227,856,803	\$ 240,270,205
Growth Rate	3.0%	5.0%	5.2%	5.2%	5.2%	5.2%	5.2%	7.5%	5.2%	4.5%	3.9%	5.3%	5.3%	5.3%	5.3%	5.3%	5.5%	5.4%	5.4%	
Transfers Out ²	\$ 48,176,029	\$ 49,338,503	\$ 50,321,883	\$ 50,183,624	\$ 51,011,794	\$ 51,392,314	\$ 52,372,362	\$ 50,620,004	\$ 48,425,792	\$ 50,254,611	\$ 52,935,730	\$ 53,785,580	\$ 54,661,881	\$ 55,658,520	\$ 56,704,092	\$ 57,787,212	\$ 58,875,665	\$ 59,584,901	\$ 60,722,510	\$ 62,109,855
Growth Rate	22.7%	2.4%	2.0%	-0.3%	1.7%	0.7%	1.9%	-3.3%	-4.3%	3.8%	5.3%	1.6%	1.6%	1.8%	1.9%	1.9%	1.2%	1.9%	2.3%	
Total General Fund Expenditures	\$ 322,302,615	\$ 331,531,341	\$ 341,114,063	\$ 349,960,002	\$ 360,176,995	\$ 370,371,821	\$ 381,613,659	\$ 359,485,164	\$ 364,744,971	\$ 377,353,154	\$ 390,462,349	\$ 404,186,267	\$ 418,544,081	\$ 433,661,732	\$ 449,501,651	\$ 466,088,171	\$ 483,426,780	\$ 499,902,473	\$ 517,109,487	\$ 535,482,734
Growth Rate	2.9%	2.9%	2.9%	2.6%	2.9%	2.8%	3.0%	-5.8%	1.5%	3.5%	3.5%	3.5%	3.6%	3.6%	3.7%	3.7%	3.7%	3.4%	3.4%	3.6%
Surplus (Deficit)	\$ 10,593,577	\$ 13,504,587	\$ 14,666,206	\$ 16,494,044	\$ 15,576,914	\$ 15,316,126	\$ 17,268,906	\$ 53,317,051	\$ 58,429,520	\$ 59,531,034	\$ 57,975,787	\$ 56,543,131	\$ 54,908,950	\$ 55,963,588	\$ 57,337,702	\$ 58,599,083	\$ 58,638,238	\$ 60,226,837	\$ 61,665,958	\$ 75,852,303

¹ Assumes CalPERS unfunded liability payment of \$40 million citywide (General Fund portion is \$38 million) per year through 2033.

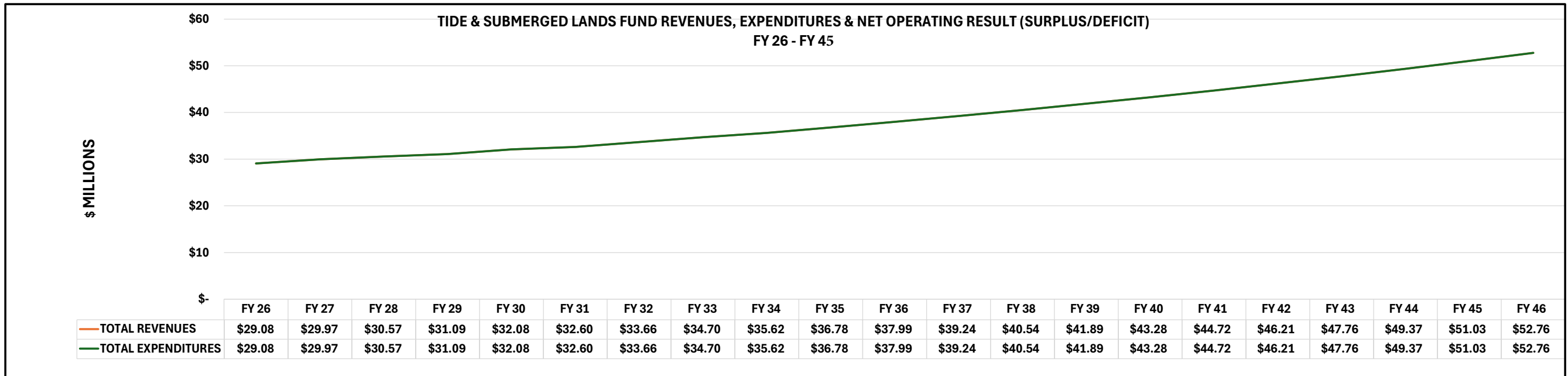
² Assumes transfer out to CIP remains flat and transfer out to HBMP and FFP is indexed per policy plus additional transfer amounts included in the FY25 budget plus an additional \$5 million (reallocated from UAL payment). Includes projected increase to contingency reserve, which is typically funded from prior year end surplus.



ATTACHMENT B
20-YEAR LONG-RANGE FINANCIAL FORECAST FOR THE TIDELANDS FUND

**CITY OF NEWPORT BEACH TIDE & SUBMERGED LANDS FUND FORECAST
FY 2026 - FY 2045**

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	FY 2035-36	FY 2036-37	FY 2037-38	FY 2038-39	FY 2039-40	FY 2040-41	FY 2041-42	FY 2042-43	FY 2043-44	FY 2044-45
Property Income	\$ 10,055,856	\$ 10,458,090	\$ 10,876,414	\$ 11,311,470	\$ 11,763,929	\$ 12,234,486	\$ 12,723,865	\$ 13,232,820	\$ 13,762,133	\$ 14,312,618	\$ 14,885,123	\$ 15,480,528	\$ 16,099,749	\$ 16,743,739	\$ 17,413,488	\$ 18,110,028	\$ 18,834,429	\$ 19,587,806	\$ 20,371,319	\$ 21,186,171
Growth Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Parking Revenue	\$ 4,881,249	\$ 5,076,499	\$ 5,279,559	\$ 5,490,741	\$ 5,710,371	\$ 5,938,786	\$ 6,176,337	\$ 6,423,391	\$ 6,680,327	\$ 6,947,540	\$ 7,225,441	\$ 7,514,459	\$ 7,815,037	\$ 8,127,639	\$ 8,452,744	\$ 8,790,854	\$ 9,142,488	\$ 9,508,188	\$ 9,888,515	\$ 10,284,056
Growth Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Other Revenue	\$ 405,238	\$ 411,678	\$ 418,231	\$ 427,107	\$ 436,209	\$ 443,201	\$ 450,315	\$ 459,992	\$ 469,919	\$ 480,101	\$ 487,882	\$ 495,799	\$ 506,630	\$ 517,741	\$ 529,141	\$ 540,839	\$ 552,842	\$ 561,945	\$ 571,210	\$ 583,986
Growth Rate	2.1%	1.6%	1.6%	2.1%	2.1%	1.6%	1.6%	2.1%	2.2%	2.2%	1.6%	1.6%	2.2%	2.2%	2.2%	2.2%	2.2%	1.6%	1.6%	2.2%
Transfers In	\$ 13,733,517	\$ 14,020,835	\$ 13,991,544	\$ 13,863,665	\$ 14,169,494	\$ 13,984,943	\$ 14,308,023	\$ 14,580,383	\$ 14,704,332	\$ 15,043,844	\$ 15,394,533	\$ 15,754,182	\$ 16,120,355	\$ 16,496,047	\$ 16,881,631	\$ 17,277,508	\$ 17,684,100	\$ 18,105,071	\$ 18,537,849	\$ 18,979,603
Growth Rate	12.0%	2.1%	-0.2%	-0.9%	2.2%	-1.3%	2.3%	1.9%	0.9%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%	2.4%
Total Revenues	\$ 29,075,860	\$ 29,967,102	\$ 30,565,747	\$ 31,092,983	\$ 32,080,003	\$ 32,601,415	\$ 33,658,540	\$ 34,696,586	\$ 35,616,710	\$ 36,784,103	\$ 37,992,979	\$ 39,244,968	\$ 40,541,771	\$ 41,885,165	\$ 43,277,005	\$ 44,719,229	\$ 46,213,859	\$ 47,763,010	\$ 49,368,893	\$ 51,033,815
Growth Rate	7.6%	3.1%	2.0%	1.7%	3.2%	1.6%	3.2%	3.1%	2.7%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.4%	3.4%	3.4%
Regular Salaries	\$ 1,153,752	\$ 1,176,827	\$ 1,200,363	\$ 1,224,370	\$ 1,248,858	\$ 1,273,835	\$ 1,299,312	\$ 1,325,298	\$ 1,351,804	\$ 1,378,840	\$ 1,406,417	\$ 1,434,545	\$ 1,463,236	\$ 1,492,501	\$ 1,522,351	\$ 1,552,798	\$ 1,583,854	\$ 1,615,531	\$ 1,647,841	\$ 1,680,798
Growth Rate	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Special and Other Pays	\$ 4,100	\$ 4,182	\$ 4,266	\$ 4,351	\$ 4,438	\$ 4,527	\$ 4,618	\$ 4,710	\$ 4,804	\$ 4,900	\$ 4,998	\$ 5,098	\$ 5,200	\$ 5,304	\$ 5,410	\$ 5,519	\$ 5,629	\$ 5,742	\$ 5,856	\$ 5,974
Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Benefits	\$ 555,327	\$ 566,434	\$ 577,762	\$ 589,317	\$ 601,104	\$ 613,126	\$ 625,388	\$ 581,727	\$ 381,866	\$ 389,503	\$ 397,293	\$ 405,239	\$ 413,344	\$ 421,611	\$ 430,043	\$ 438,644	\$ 447,417	\$ 456,365	\$ 465,492	\$ 474,802
Growth Rate	-0.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	-7.0%	-34.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Non-Personnel Costs	\$ 5,751,872	\$ 5,998,027	\$ 6,255,915	\$ 6,526,139	\$ 6,809,334	\$ 7,106,170	\$ 7,417,353	\$ 7,743,625	\$ 8,085,773	\$ 8,444,623	\$ 8,821,047	\$ 9,215,965	\$ 9,630,347	\$ 10,065,216	\$ 10,521,652	\$ 11,000,793	\$ 11,503,839	\$ 12,032,059	\$ 12,586,790	\$ 13,169,441
Growth Rate	5.4%	4.3%	4.3%	4.3%	4.3%	4.4%	4.4%	4.4%	4.4%	4.4%	4.5%	4.5%	4.5%	4.5%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Transfers Out	\$ 21,610,808	\$ 22,221,632	\$ 22,527,440	\$ 22,748,805	\$ 23,416,269	\$ 23,603,757	\$ 24,311,870	\$ 25,041,226	\$ 25,792,463	\$ 26,566,237	\$ 27,363,224	\$ 28,184,120	\$ 29,029,644	\$ 29,900,533	\$ 30,797,549	\$ 31,721,476	\$ 32,673,120	\$ 33,653,314	\$ 34,662,913	\$ 35,702,801
Growth Rate	2.8%	2.8%	1.4%	1.0%	2.9%	0.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Expenditures	\$ 29,075,860	\$ 29,967,102	\$ 30,565,747	\$ 31,092,983	\$ 32,080,003	\$ 32,601,415	\$ 33,658,540	\$ 34,696,586	\$ 35,616,710	\$ 36,784,103	\$ 37,992,979	\$ 39,244,968	\$ 40,541,771	\$ 41,885,165	\$ 43,277,005	\$ 44,719,229	\$ 46,213,859	\$ 47,763,010	\$ 49,368,893	\$ 51,033,815
Growth Rate	3.3%	3.1%	2.0%	1.7%	3.2%	1.6%	3.2%	3.1%	2.7%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.4%	3.4%	3.4%
Surplus (Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -





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

Agenda Item No. 6D
January 23, 2025

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Jason Al-Imam, Finance Director/Treasurer
949-644-3123 or jalimam@newportbeachca.gov

SUBJECT: BUDGET AMENDMENTS FOR QUARTER ENDING DECEMBER 31, 2024

EXECUTIVE SUMMARY

The purpose of this memorandum is to report on the budget amendments for the second quarter of Fiscal Year 2024-25. All budget amendments are in compliance with City Council Policy F-3, Budget Adoption and Administration.

DISCUSSION

City Council Policy F-3, Budget Adoption and Administration, identifies how appropriations can be transferred, increased or reduced. The Finance Committee reviews a quarterly report of City Council and City Manager budget amendments including their effect on fund balance. Please find the list of budget amendments included as Attachment A.

Prepared by:

Submitted by:

/s/ Anthony Alannouf

/s/ Jason Al-Imam

Anthony Alannouf
Budget Analyst

Jason Al-Imam
Finance Director/Treasurer

Attachment:

- A. Budget Amendments Fiscal Year 2024-25 Quarter Ending December 31, 2024

ATTACHMENT A

BUDGET AMENDMENTS FISCAL YEAR 2024-25 QUARTER ENDING DECEMBER 31, 2024

City of Newport Beach
Fiscal Year 2024-25 Budget Amendments
Quarter Ending December 31, 2024

Reporting Quarter: Q2

BA #	Date	Amendment Type	Fund Number	Fund(s)	Revenues	Expenditures	Net Effect on Fund Balance Increase/(Decrease)	Department	Explanation
016	09/10/2024	City Council	110	OTS GRANT FUND	\$ 360,000.00	\$ 360,000.00	\$ -	Police	To increase revenue estimates and expenditure appropriations to accept the 2025 State of California, Office of Traffic Safety (OTS) Selective Traffic Enforcement Program (STEP) Grant (#PT25191) for increasing DUI Enforcement and Awareness and funding additional traffic safety enforcement, as well as DUI Sobriety Checkpoints. Funds will be used to pay for overtime costs specifically used for this program, related costs for travel and training, and supplies.
021	10/08/2024	City Council	752	EQUIPMENT FUND	\$ -	\$ 5,141,458.91	\$ (5,141,458.91)	Fire	Per City Council Policy F-9: City Vehicle / Equipment Replacement Guidelines, the replacement schedule for fire engines is 13 years for frontline engines and five to seven years for reserve engines. Four 2014 model year Pierce fire engines are slated for replacement in 2027. Due to current production lead times of 48 to 50 months from the manufacturer, and in order to secure discounted pricing, staff requests the purchase of four 2028 Model Year (MY) or newer engines in Fiscal Year (FY) 2024-25.
022	10/08/2024	City Council	120	COMM DEVL BLK GRANT FUND	\$ -	\$ 607,680.00	\$ (607,680.00)	PW	To appropriate expenditures from the Community Development Block Grant (CDBG) unappropriated fund balance for the San Miguel Park Accessible Playground Improvements. City Council approved CDBG funding for this project with Resolution Nos. 2024-30 and 2023-23.
023	10/08/2024	City Council	123	MEASURE M-COMPETITIVE FUND	\$ -	\$ 56,000.00	\$ (56,000.00)	PW	To appropriate expenditures from the Community Development Block Grant (CDBG) unappropriated fund balance to the TMDL Compliance/Water Quality Improvements project.
025	10/07/2024	City Council	010 017	GENERAL FUND SPECIAL PURPOSE DEPOSIT FUND	\$ 15,737.06	\$ 15,737.06	\$ -	Library	Transfer to accept check from the Dorothy Arens Ressel Trust and increase expenditure in Library Account.
026	10/07/2024	Harbor	100	TIDE & SUBMERGED LANDS FUND	\$ -	\$ -	\$ -	Harbor	To transfer budget from Harbor Department Vehicle Replace ISF to Equipment N.O.C. for the One-Time Additional Replacement Patrol Vessel. This program enhancement was approved as part of the FY25 budget and inadvertently placed in 881003.
027	10/22/2024	City Council	010 513	GENERAL FUND FACILITIES FINANCING PLAN	\$10,819,260.00	\$ 10,819,260.00	\$ -	Finance	To appropriate the FY 2023-24 year-end unrestricted surplus. Funds will be allocated to the FFP Fund to be used for future capital projects.
028	10/10/2024	City Manager	010 017	GENERAL FUND SPECIAL PURPOSE DEPOSIT FUND	\$ 17,411.00	\$ 17,411.00	\$ -	City Clerk	To increase revenue and expenditure appropriations in the election accounts form the Candidate Statement Special Deposit Account.
029	10/14/2024	City Manager	010	GENERAL FUND	\$ 499.16	\$ 499.16	\$ -	Library	Increase revenue and expenditures for Literacy Services
030	10/17/2024	City Manager	010 017	GENERAL FUND SPECIAL PURPOSE DEPOSIT FUND	\$ 200.00	\$ 200.00	\$ -	Library	Increase revenue and expenditure appropriations from the Literacy Services' Special Deposit account to help fund ongoing programs.
031	10/17/2024	City Council	010	GENERAL FUND	\$ 41,935.00	\$ 41,935.00	\$ -	Library	Increase revenue and expenditure appropriations from California State Literacy Services (CLLS). Funds will be allocated to various Library Literacy Services accounts.
032	10/21/2024	City Manager	010 017	GENERAL FUND SPECIAL PURPOSE DEPOSIT FUND	\$ 647.35	\$ 647.35	\$ -	HR	to increase revenue and expense appropriations in the Training City Wide account from the CNB Toastmasters Fees special deposit account.
033	10/22/2024	City Manager	135	CONTRIBUTIONS FUND	\$ 27,000.00	\$ 27,000.00	\$ -	PW	To increase revenue and expenditure appropriations for the Water System Rehabilitation project (25W05) that investigates and constructs various city water infrastructure elements (pipelines and valves) that need rehabilitation and/or replacement.
034	10/25/2024	City Manager	010	GENERAL FUND	\$ 10,000.00	\$ 10,000.00	\$ -	Fire	To increase revenue and expenditure appropriations for additional CERT equipment and supplies as the Fire Prevention Division continues to revamp and review the CERT program. This CMBA will also transfer funds from the fire prevention's professional services account to special department supplies NOC.

035	11/12/2024	City Council	010 012 123	GENERAL FUND GENERAL FUND CAPITAL PROJECTS MEASURE M-COMPETITIVE FUND	\$ 4,033,010.00	\$ 4,436,311.00	\$ (403,301.00)	PW	To recognize revenues from the Orange County Transit Authority (OCTA) grant for the Trolley Program operation. Additionally, this budget amendment will expense the awarded grant to the Balboa Peninsula Trolley Transit Operations and Vehicle Procurement Services project (25T13).
036	10/30/2024	City Manager	010 015	GENERAL FUND DEVELOPER DEPOSIT FUND	\$ 24,040.00	\$ 24,040.00	\$ -	CAO	To increase revenue and expenditure appropriations from Revenue N.O.C (No Other Category) to Outside Counsel Special Litigation.
037	11/01/2024	City Manager	010	GENERAL FUND	\$ -	\$ -	\$ -	Finance	To transfer budget from Accounting Supplies/Checks/Invoices/Forms to Computer Equipment.
038	11/01/2024	City Manager	010 017	GENERAL FUND SPECIAL PURPOSE DEPOSIT FUND	\$ 85.47	\$ 85.47	\$ -	Finance	To increase revenue estimates and expenditure appropriations from the Literacy Services Special Deposit Account. Revenues will be increased in the Literacy Services Private Donation/Contributions account; expenditures will be increased in Literacy Services Library Materials.
039	11/19/2024	City Council	701 702	WATER ENTERPRISE FUND WATER CAPITAL FUND	\$ 1,339,096.00	\$ 2,678,192.00	\$ (1,339,096.00)	PW	To transfer funds from the Water Enterprise Fund to the Water Capital Fund and appropriate expenditures in Distribution & Piping CIP Expenditures for GL for the Water Well Rehabilitation Tamura Shallow, Dolphin Shallow and Dolphin Deep project 25W07.
040	11/19/2024	City Council	663	ASSESSMENT DIST #113	\$ -	\$ 150,000.00	\$ (150,000.00)	PW	To appropriate funds from the Assessment District 113 unappropriated fund balance for the completion of the AD 113 project that managed and constructed utility undergrounding such as undergrounded overhead power, telephone, and cable facilities.
041	11/19/2024	City Council	010	GENERAL FUND	\$ 449,763.69	\$ 449,763.69	\$ -	Fire	The Fire Prevention division has been awarded a grant provided by State Department of Forestry and Fire Protection (CAL Fire) for Buck Gully Reserve Hazardous Fuel Thinning and Reduction Project (23-WP-ORC-58700857)
042	11/06/2024	City Manager	010	GENERAL FUND	\$ 300.00	\$ 300.00	\$ -	Library	To recognize revenues from a patron donation and increase expenditure appropriations for the purpose of purchasing books.
043	11/13/2024	City Manager	010	GENERAL FUND	\$ 12,600.00	\$ 12,600.00	\$ -	Police	To recognize revenues from a donation from the Irvine Company and increase expenditure appropriations for funding a one-year pilot program of four new Flock cameras that will be located adjacent to Fashion Island.
044	11/20/2024	City Manager	010 135	GENERAL FUND CONTRIBUTIONS FUND	\$ 5,489.28	\$ 5,489.28	\$ -	Public Works	In FY 2020-21, the City of Newport Beach received funding from CalRecycle for a Rubberized Pavement Grant. A journal entry was completed to reclass funds to reconcile revenues and expenditures related to the grant; however, it did not account for \$5,489.28 retention held on a previous CalRecycle bill. Staff proposes transferring \$5,489.28 from the General Fund in order to balance the revenues and expenses for this prior year project.
045	11/22/2024	City Manager	010	GENERAL FUND	\$ 4,231.38	\$ 4,231.38	\$ -	PD	To recognize revenues from a donation from the Friends of Newport Beach Animal Shelter and increase expenditure appropriations for the purpose of reimbursement for the shelter flag pole.
046	11/27/2024	City Manager	010 180	GENERAL FUND RESTRICTED PROGRAM FUND	\$ -	\$ -	\$ -	Library	To appropriate funds from the Cultural Arts Sculpture Garden VNB account to projects L2301 and L2401 for phase VIII and phase IX of the sculpture garden.
047	12/10/2024	City Council	012 513	GENERAL FUND CAPITAL PROJECTS FACILITIES FINANCING PLAN	\$ 3,000,000.00	\$ 6,000,000.00	\$ (3,000,000.00)	Finance	To appropriate funds from the FFP unappropriated fund balance to the General Fund Capital Project Fund for the Permanent Supportive Housing Project.
049	12/20/2024	City Manager	135	CONTRIBUTIONS FUND	\$ 29,259.11	\$ -	\$ 29,259.11	Public Works	To recognize revenue contributions from other agencies for the work the City is performing on the agencies' behalf for the Grade Adjustments Water Valved Project (24R09).

Newport Beach Finance Committee Work Plan

Scheduled Date	Agenda Title	Report Type	Agenda Description
February 2025			
Thursday, February 13, 2025			
	Facilities Financial Plan (FFP) and Harbor & Beaches Master Plan (HBMP)	Presentation	Staff will provide an update on the current status of FFP and HBMP.
	Second Quarter Budget Update	Presentation	Staff will provide a presentation regarding the year-to-date and projected Fiscal Year 2024-25 budget performance.
	Enterprise Risk Assessment Review	Presentation	Staff will provide the Committee with an overview of the enterprise risk assessment and initial evaluation of internal control risk, which will aid in the development of an internal audit work plan.
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
March 2025			
Thursday, March 13, 2025			
	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 Fiscal Year 2025-26 budget preparation process.
	Fiscal Year 2024-25 Fee Study Update	Presentation	Review and discuss the proposed fee updates for Fiscal Year 2024-25
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
April 2025			
Thursday, April 10, 2025			
	Proposed FY 2025-26 Budget Overview of Expenditures	Presentation	Staff will provide the Committee with an overview of the expenditure budget for Fiscal Year 2025-26 that will be presented to the City Council in May.
	Budget Amendments for Quarter Ending March 31, 2025	Receive and File	Staff will report on the budget amendments from the prior quarter.
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
May 2025			
Thursday, May 8, 2025			
	Follow-Up Discussion of Proposed FY 2025-26 Budget	Discussion	Staff will provide the Committee with a copy of the Fiscal Year 2025-26 proposed budget document. Should the Committee wish to continue April's discussion of the Fiscal Year 2025-26 budget, this is also an opportunity to do so.
Tuesday, May 27, 2025			
	Joint City Council and Finance Committee Study Session	Presentation	Staff will present the Fiscal Year 2025-26 proposed budget to the City Council and Finance Committee.
Thursday, May 29, 2025			
	Committee Recommendation to Council for the FY 2024-25 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.
	Third Quarter Budget Update	Presentation	Staff will provide a presentation regarding the year-to-date and projected Fiscal Year 2024-25 budget performance.
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
June 2025			
<i>Committee Recess</i>			
July 2025			
<i>Committee Recess</i>			

Newport Beach Finance Committee Work Plan

Scheduled Date	Agenda Title	Report Type	Agenda Description
August 2025			
<i>Committee Recess</i>			
September 2025			
Thursday, September 11, 2025			
	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, 2025.
	Annual Review of Investment Policy	Presentation	Staff will provide a presentation regarding any proposed changes to the City's Investment Policy prior to the Investment Policy being approved by the City Council.
	Budget Amendments for Quarter Ending June 30, 2025	Receive and File	Staff will report on the budget amendments from the prior quarter.
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
October 2025			
Thursday, October 9, 2025			
	Budget Amendments for Quarter Ending September 30, 2025	Receive and File	Staff will report on the budget amendments from the prior quarter.
	Year-End Budget Results and Surplus Allocation	Presentation	Staff will provide a presentation regarding the year-end budget results for Fiscal Year 2024-25 and recommendations for allocation of any year-end budget surplus.
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
November 2025			
Thursday, November 13, 2025			
	First Quarter Budget Update	Presentation	Staff will provide a presentation regarding the year-to-date and projected Fiscal Year 2025-26 budget performance.
	OPEB Actuarial Valuation Report Update	Presentation	Staff will provide the Committee with an overview of the Fiscal Year 2024-25 actuarial valuation report prepared by the City's actuary.
	CalPERS Update	Presentation	Staff will provide the Committee with an overview of the data from the latest actuarial reports from CalPERS as well as their impact on prior projections of the paydown of the City's unfunded pension liability.
	Internal Audit Program Update	Presentation	Presentation of internal audit reports, findings, and recommendations from the Fiscal Year 2024-25 audit program.
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
December 2025			
<i>Committee Recess</i>			