

**CITY OF NEWPORT BEACH
FINANCE COMMITTEE
OCTOBER 16, 2025 MEETING MINUTES**

I. CALL MEETING TO ORDER

The meeting was called to order at 3:00 p.m. in the City Council Chambers, 100 Civic Center Drive, Newport Beach, California 92660.

II. ROLL CALL

PRESENT: Councilmember Robyn Grant, Committee Member Allen Cashion, Committee Member William Kenney, Committee Member Kory Kramer

ABSENT: Mayor/Chair Joe Stapleton, Committee Member William Collopy, Councilmember Sara Weber

LATE ARRIVALS: Councilmember Sara Weber arrived at 3:05 p.m.
Mayor/Chair Joe Stapleton arrived at 3:13 p.m.

STAFF PRESENT: City Manager Grace K. Leung, Finance Director/Treasurer Jason Al-Imam, Acting Deputy Finance Director Trevor Power, Assistant Management Analyst Vicky Nguyen, Finance Manager Jessica Nguyen, Budget Analyst Abigail Marin, Budget Analyst Anthony Alannouf, Budget Analyst Courtney Buck, Senior Accountant Jeremiah Lim, Purchasing and Contracts Administrator Jennifer Anderson, Senior Buyer Shaun Tormey, Finance Manager Jessica Kan, Assistant City Manager Seimone Jurjis, Systems and Administration Manager Dan Campagnolo, Management Analyst, Senior Brittany Ramirez, Deputy Community Development Director Tonee Thai, Real Property Administrator Lauren Whitlinger, Library Services Manager Rebecca Lightfoot, Public Works Finance/Administrative Manager Theresa Schweitzer, Public Works Director David Webb, Administrative Assistant Mariah Stinson

OTHER ENTITIES: None

MEMBERS OF THE
PUBLIC: Jim Mosher, Nancy Scarbrough

III. PLEDGE OF ALLEGIANCE

Committee Member Kenney led the Pledge of Allegiance

IV. PUBLIC COMMENTS

Vice Chair Grant opened public comments.

Nancy Scarborough noted that the *Orange County Business Journal* recently published a list of auto dealerships and their annual sales. She highlighted that the Porsche dealership, which had been temporarily relocated to Costa Mesa and has now returned to Newport Beach, had a significant revenue impact. During the two to three years it was located outside the city, Newport Beach experienced a reduction in sales tax revenue. She recalled mentioning at a prior Finance Committee meeting that the City should track such changes and consider appointing a business development representative to monitor them. She suggested that, had the City been proactive, it might have been possible to negotiate a temporary sales office at Fashion Island to retain local tax

revenue during the relocation. She also noted that Costa Mesa's sales tax revenue increased during the dealership's absence and will now likely decline.

Ms. Scarborough continued that this led her to consider Citizens Bank, the largest tenant at 1201 Dove Street, which recently purchased a new building at 895 Dove Street and will likely relocate. Since the bank represents the City's second-largest revenue source, she reiterated that a business development staff member could proactively monitor such transitions to begin leasing efforts early and avoid potential revenue loss or prolonged vacancy.

Jim Mosher commended staff for preparing excellent and thorough minutes but noted an error on page 20 of 22 (page 23 of the agenda packet). He noted that the minutes state he "introduced himself as a member of the General Plan Update Committee." He clarified that the City does not have a General Plan Update Committee and that he is, in fact, one of the 24 members of the General Plan Advisory Committee. He suggested that the word "Advisory" be used in place of "Update" to ensure accuracy.

Vice Chair Grant closed public comments.

V. CONSENT CALENDAR

A. MINUTES OF SEPTEMBER 11, 2025

Recommended Action:

Receive and file.

MOTION: Committee Member Cashion moved to approve the minutes of the September 11, 2025, Finance Committee meeting, seconded by Committee Member Kenney. The motion carried as follows:

AYES: Cashion, Kenney, Kramer, Weber, Grant

NOES: None

ABSENT: Collopy, Stapleton

ABSTAIN: None

There was no further discussion on the item.

VI. CURRENT BUSINESS

A. OVERVIEW OF COMMUNITY DEVELOPMENT DEPARTMENT BUDGET

Recommended action:

Receive and file.

Chair Stapleton arrived at 3:13 p.m.

Assistant City Manager Seimone Jurjis referred to the organizational chart displayed on the screen and provided an overview of the Community Development Department. He noted the department includes approximately 67 full- and part-time employees and relies on 10 to 12 contract staff, such as building inspectors, office assistants, and permit technicians, for staff augmentation as needed.

He highlighted that staffing has increased from 59.4 positions in fiscal year 2020–21 to 62 full-time and 5 part-time employees in fiscal year 2025–26, reflecting a conversion of part-time roles to full-time and the transfer of four code enforcement officers from Public Works to strengthen enforcement efforts.

Assistant City Manager Jurjis explained that roughly 90 percent of the department's work serves external customers, including residents and businesses, while the remaining 10 percent

supports internal City departments. He briefly described the divisions. The Planning Division oversees land use entitlements and coastal-related issues. The Building Division manages building code review and inspections, issuing over 7,000 permits annually and conducting approximately 43,000 inspections. The Code Enforcement Division handles reactive and proactive enforcement, including refuse management and short-term lodging compliance, initiating about 8,900 cases annually. The Real Property Division manages the City's real estate portfolio, including income-generating and non-revenue properties; General Fund and Tidelands Fund expenditures and revenues are tracked separately. The Systems and Administrative Division provides customer service, administrative support, and technology coordination across the department.

He presented financial highlights, reporting that the Planning Division's expenditures total approximately \$3.5 million with revenues of \$900,000, noting that many responsibilities are state-mandated and non-revenue generating. The Building Division expenditures are about \$8 million with revenues of \$9.8 million, fluctuating with development activity. The Code Enforcement Division spends \$1.2 million with revenues between \$300,000 and \$400,000, including refuse enforcement. The Real Property Division's General Fund expenditures are \$1.8 million with \$9 million in revenue, while the Tidelands Fund generates approximately \$12.8 million annually. The Systems and Administrative Division operates with \$1.8 million in expenditures and minimal revenue from document scanning fees.

The department manages approximately 66 active contracts and 52 public meetings annually. Total budget is \$18 million, with the largest allocations to the Building Division (\$7.8 million) and Planning Division (\$3.5 million). Professional services expenditures totaled \$1.8 million last year, with \$1 million budgeted for the current year. Total department revenues approximate \$34 million, primarily from Real Property Tidelands, Building Division fees, and Real Property income-generating assets.

Assistant City Manager Jurjis outlined current budget enhancements, including reclassifying key staff roles, adding an analyst to the Real Property Division, and evaluating future positions for Code Enforcement Manager and Real Property Manager. He summarized top accomplishments, including transitioning to an automated online platform, implementing the Housing Element, enhancing beach vending enforcement, completing the acquisition of 301 East Balboa Boulevard, and improving ADU program services. Key performance metrics were highlighted, including a one-day turnaround for building inspections achieved 90 percent of the time, first plan checks completed over the counter at 77 percent, and within 10 days at 88 percent.

Customer survey results showed high satisfaction: 88 percent rated service quality excellent, 92 percent rated staff courtesy excellent, and nearly 89 percent combined "excellent" and "very good" responses for overall satisfaction.

Upcoming priorities include the Master Plan for Airport Area and West Newport, focusing on connectivity and infrastructure; technology enhancements to improve digital services and public accessibility; and continued support for housing development, with approximately 5,600 units currently approved or in review.

Committee Member Kramer commended the department's performance and inquired about appeal fees, Newport Coast jurisdiction, major City properties, technology adoption including AI, and staffing relative to development activity. Assistant City Manager Jurjis responded that appeal fees are currently subsidized by 50 percent and that a comprehensive fee study is ongoing. Newport Coast annexation and LCP authority remain partially under County oversight, with transfer to the City in progress. Major City revenue-generating properties include Lido House, Balboa Yacht Basin slips, Balboa Bay Club, Beacon Bay, 1201 Dove Street, Ruby's on the Pier, Galley Café, and the forthcoming Kit Coffee. AI applications are being explored cautiously, with no taxpayer funding committed until tools are proven effective. Staffing and

permit data reflect fiscal year-to-date through June. The City maintains a comprehensive inventory of all real property assets for management and insurance purposes. Coastal permitting authority allows the City to review and approve local development permits, and fire prevention fees are cost-based. Code enforcement revenue variances reflect transfer of unclaimed demolition deposits to the General Fund.

Vice Chair Grant inquired about the valuation of City-owned properties leased for public benefit. Assistant City Manager Jurjis confirmed no formal metric is applied; agreements are managed per Council direction, and staff maintain a master spreadsheet of all assets.

Committee Member Kenney clarified organizational chart references and revenue sources, and Assistant City Manager Jurjis explained permitting and code enforcement functions, Coastal Commission delegation, and associated fees.

Committee Member Cashion raised concerns about public access to development information online. Planning Systems Administrator Dan Campagnolo explained the City's GIS dashboards and ongoing improvements to streamline accessibility.

Committee Member Kramer asked about staffing adjustments relative to future housing projects. Assistant City Manager Jurjis emphasized a measured approach to aligning staffing with development activity.

Chair Stapleton thanked Assistant City Manager Jurjis and staff for their presentation, praising their accomplishments and red-carpet approach.

Chair Stapleton opened public comments.

Jim Mosher introduced himself as a member of the General Plan Advisory Committee (GPAC) and expressed disappointment that completion of the General Plan Update was not included among the "Looking Ahead" items or anticipated accomplishments listed in the presentation. He emphasized that finalizing the update should remain a priority for the City. He then asked how the General Plan Update is represented within the budget and accompanying presentation slides.

He noted that, in addition to staff time, the project involves a consultant contract, originally approved in 2023 and later amended, currently totaling \$1.6 million. He said it was unclear whether those funds were reflected in any of the slides presented, since the budget process categorizes the General Plan Update as a Capital Improvement Project (CIP). He observed that the only slide referencing capital expenditures appeared to align with Public Works Department spending rather than the Planning Division, and he asked for clarification on how those expenditures are accounted for.

He referenced the City's Facilities Financial Plan, noting that it has historically been funded through development agreements. He stated his understanding that the City is shifting toward an impact fee model and suggested the committee may want an update on how that transition is progressing.

Lastly, he commented on the discussion regarding tidelands revenue, noting that several landside properties, such as the Balboa Yacht Basin, had been identified as contributors. He asked whether the City also collects fees from private marinas and, if so, whether those revenues appear within the Community Development Department's budget or the Harbor Department's budget.

Chair Stapleton closed public comments.

Assistant City Manager Jurjis explained that funding for the General Plan Update is tracked under the Capital Improvement Program (CIP), as this structure provides a clearer and more efficient method for accounting for and managing consultant services and related project expenditures. He confirmed that the project is nearing completion, with the goal of presenting it in the first quarter of next year.

Regarding tidelands and harbor-related revenues, Assistant City Manager Jurjis clarified that the City manages and collects fees for its own city-operated slips, while private marinas are independently managed under license agreements with the City. He noted that these agreements establish the terms and revenue contributions for each tenant's use of tidelands property.

Chair Stapleton received and filed the item.

B. YEAR-END BUDGET RESULTS AND SURPLUS ALLOCATION

Recommended action:

Receive and file.

Finance Manager Jessica Nguyen introduced the Fiscal Year 2024–25 Fourth Quarter Financial Report. She explained that the slide presented illustrates the differences between the third-quarter projections previously shared with the committee and the actual year-end results. She reported that the FY 2025 unrestricted General Fund operating surplus totaled \$13.8 million, which is \$5.4 million lower than the prior forecast. She noted that this surplus already accounts for a \$5.5 million contingency reserve set-aside and an \$11.9 million City Council–approved set-aside for the purchase of a property near the airport area, approved in August. She further explained that year-end revenues exceeded third-quarter projections by \$10.5 million, while expenditure savings were \$1.4 million higher than projected.

Finance Manager Nguyen reported that property tax, the City's largest revenue source, came in \$1.6 million (1%) higher than third-quarter projections, driven largely by increased supplemental taxes. Compared to the prior year, actual property tax revenue was \$8 million (5.5%) higher. She continued that sales tax revenue, the City's second-largest revenue source, came in \$700,000 (1.6%) higher than third-quarter projections, primarily due to growth in key industry groups including restaurants, hotels, general consumer goods, and state and county pools, which saw year-over-year growth of 8–9%.

Finance Manager Nguyen clarified that the bullet point referencing sales tax under "other general fund revenues" should instead refer to property income, which came in \$700,000 (6.9%) higher than projected, largely due to property transfers in the Beacon Bay area generating higher rents. She noted that other general fund revenues, beyond the top categories, also performed strongly. Investment earnings exceeded projections by \$3 million, including \$1 million in unrealized gains. Service fees and charges surpassed third-quarter projections by \$1.4 million, primarily due to higher paramedic service fees and short-term lodging renewal fees. Miscellaneous revenues, which include donations and insurance reimbursements for City property damage, came in \$1.3 million above projections due to lower-than-expected bad debt write-offs. Parking revenues also outperformed forecasts, driven by higher parking rates and increased utilization.

Finance Manager Nguyen reported General Fund expenditure savings of \$11.8 million, of which \$7 million resulted from salary savings tied to vacant positions and unspent health benefit allocations. She noted that \$3.8 million represented budgeted amounts carried over for encumbrances and ongoing projects. She then presented the year-end results, highlighting that revenues over expenditures produced a surplus of approximately \$25–26 million. After accounting for the \$5.5 million contingency reserve and the \$11.9 million property acquisition set-aside for Campus Drive, the remaining year-end unrestricted surplus was \$13.8 million, which includes approximately \$5 million in net carryover resources from the prior year.

She explained that, pursuant to City Council Policy A-5, 50% of any budget surplus should be directed toward reducing long-term liabilities, with the remaining 50% applied to capital needs. However, since the City had already pre-funded its pension liability earlier in the fiscal year, she recommended that the entire unrestricted General Fund surplus be allocated to the Facilities Financing Plan (FFP) to support infrastructure and neighborhood capital improvements.

Chair Stapleton remarked that the City's position was a good problem to have, referring to the positive surplus outcome. He summarized the funding situation, noting that the City had already pre-funded \$5 million toward pension liabilities at the beginning of the year, consistent with its past practice of making that payment at year-end. He explained that, after accounting for the set-aside for the potential property acquisition near Campus Drive, the City had an overall surplus of approximately \$13.8 million. Should that property purchase not proceed, he said, the additional \$11.9 million could be redirected toward other purposes, such as capital improvement projects (CIP) or long-term infrastructure planning.

Vice Chair Grant requested clarification that the \$45 million pension pre-funding figure included the additional \$5 million.

Chair Stapleton confirmed that the \$45 million total included the additional \$5 million contribution, which had already been completed.

Vice Chair Grant asked whether the City typically makes the \$5 million contribution at the end of the fiscal year or if that timing varies.

Chair Stapleton explained that the City traditionally funds it at the end of the year, but last year's prepayment was made at the beginning of the year due to favorable market conditions and the availability of extra funds. He noted that the earlier contribution was not intended as a replacement for the year-end funding but rather an acceleration of it. He added that the goal is to return to the standard practice of funding the contribution at the end of the fiscal year once the budget outlook is finalized, especially given current strong market conditions that could change.

Committee Member Kenney asked whether the \$5.5 million contingency referenced earlier was also tied to the unfunded pension liability.

Finance Director/Treasurer Jason Al-Iman clarified that it was not. He explained that the contingency reserve is a general emergency reserve set aside for unforeseen economic circumstances that may require financial stabilization. He noted that the reserve balance was previously \$67 million, representing 25% of the City's annual operating expenditures. After recalculating based on the upcoming fiscal year's budget, staff determined the target should increase to \$72 million, requiring an additional \$5 million allocation to restore compliance with City reserve policy.

Committee Member Kenney inquired about the \$11.9 million set-aside for the potential property acquisition on Campus Drive, asking for confirmation of its purpose and whether it was public information.

City Manager Grace Leung explained that the City Council had previously taken formal action authorizing the allocation for potential future municipal use.

Chair Stapleton noted that the acquisition may or may not proceed. He added that, if it does not occur, the \$11.9 million could be redirected toward long-term savings or other capital improvement projects, as the funds are already designated for capital purposes.

Committee Member Cashion observed that significant figures were being discussed and sought clarification regarding the application of Council Policy F-5, which directs that 50 percent of surplus funds be allocated toward pension paydown and 50 percent toward capital improvements. He clarified his understanding that the 50 percent allocation for pension paydown had already been addressed through pre-funding and therefore would not apply to the current \$13.8 million surplus. He also asked whether there was any reason the committee should not consider dedicating half of the remaining surplus toward an additional pension payment despite the earlier pre-funding.

Chair Stapleton stated that the committee had been having this same discussion for many years. He explained that focusing solely on paying down the unfunded pension liability would not achieve meaningful progress. He noted that last year the City's pension funding level improved from 70 percent to 82 percent, driven by strong market performance. Based on current projections, he said, the City remains on track to eliminate the unfunded liability within the next five to seven years, depending on future market conditions. He added that the City faces several major capital improvement needs related to infrastructure and facilities. From a fiscally conservative standpoint, he stated that Newport Beach is performing better than most municipalities in the region. He cautioned that if the markets were to decline, an additional \$5 million contribution would have little effect on the overall unfunded liability, which currently stands at approximately \$240 million. He emphasized that the City continues to make aggressive pension contributions—\$40 million plus an additional \$5 million annually—and remains well ahead of peer jurisdictions. Given the scale of upcoming infrastructure demands, including a future police station project, he said staff recommended allocating most of the remaining surplus toward capital improvement funding. He concluded by noting that the City's allocation policy allows flexibility and that the City Council has discretion to modify or waive it as circumstances warrant.

Committee Member Cashion stated that he was still unclear about why the 50 percent Council policy did not apply to the current surplus figure. He remarked that although a portion had been paid previously, this appeared to represent an additional overage. He further observed that this surplus seemed larger than in prior years, at least in dollar terms if not proportionally.

Chair Stapleton noted that under different circumstances—specifically, if the City were not facing major capital improvement needs—the discussion regarding allocation might have taken a different direction.

Finance Director/Treasurer Al-Iman explained that it is not unusual for the City to waive Council Policy F-5, noting that the policy is reviewed each year in light of that year's financial circumstances. He stated that under the policy, 50 percent of any surplus is typically allocated toward capital improvements and 50 percent toward debt reduction. He elaborated that the City's debt obligations primarily consist of pension liability, previously existing OPEB (Other Post-Employment Benefits) liability, and bonded debt. He noted that the OPEB liability was paid off several years ago using year-end surplus funds, and that while bonded debt exists, it cannot be paid down early except through refinancing, which would require issuing new bonds. He explained that this leaves the pension liability as the City's only practical avenue for debt reduction. He further explained that, given the City's ongoing and aggressive pension paydown strategy already in place, and the significant capital improvement needs currently facing the City, staff recommended waiving the 50/50 policy this year to direct the full surplus toward capital investments.

Chair Stapleton stated that the committee and staff had done an excellent job over the years in paying down City debts, noting that most obligations had been addressed and that the only major remaining liability—aside from bonded debt—was the unfunded pension liability. He expressed confidence that the City had a clear path to eliminate that liability within a reasonable timeframe. He emphasized that the broader goal was to avoid taking on new debt in the future.

Given the number of significant capital projects on the horizon, he said, the focus should be on saving now to fund those projects directly rather than entering the debt market.

Committee Member Kramer suggested that, in addition to waiving Council Policy F-5 for this fiscal year, the committee include in its motion a recommendation that any unspent or unused funds—such as those set aside for the potential Campus Drive property purchase—be redirected to the City’s capital expenditure program.

Councilmember Weber stated that she agreed with the recommendation, particularly the emphasis on the capital expenditure component. She then inquired whether there had ever been a discussion about redirecting the additional \$5 million, rather than sending it to CalPERS, into an investment vehicle managed directly by the City.

Finance Director/Treasurer Al-Iman responded that the committee would be reviewing the City’s pension paydown plan at its next meeting in November, as is customary each year. He explained that the plan would include discussion of pension trust options, which have both advantages and disadvantages, and that staff would present the details at that time.

Chair Stapleton confirmed that the pension review occurs annually each November and remarked that it is always a valuable and engaging discussion. He summarized the committee’s consensus, stating that the recommendation appeared clear and that the committee would proceed to take formal action. He confirmed that Committee Member Kramer had made a motion to adopt staff’s recommendation, with the added condition that if the Campus Drive property purchase did not occur, those funds would remain allocated for future capital improvement projects.

Chair Stapleton opened the public comments. Hearing none, Chair Stapleton closed public comments.

MOTION: Committee Member Kramer moved to adopt staff’s recommendation, with the added condition that if the Campus Drive property purchase did not occur, those funds would remain allocated for future capital improvement projects, seconded by Committee Member Kenney. The motion carried as follows:

AYES: Kenney, Kramer, Weber, Grant, Stapleton
NOES: None
ABSENT: Collopy
ABSTAIN: Cashion

C. BUDGET AMENDMENTS FOR QUARTER ENDING SEPTEMBER 30, 2025

Recommended action:

Receive and file.

Chair Stapleton opened, public comments. Hearing none, Chair Stapleton closed public comments.

Chair Stapleton received and filed the item.

D. WORK PLAN REVIEW

Recommended action:

Receive and file.

Chair Stapleton stated that the next meeting would take place on November 13 and would include an overview of sales tax allocations, with a particular focus on auto sales. He remarked that Porsche appeared to be doing very well, which was positive news for the City’s revenues. He added that the November meeting would also feature the first-quarter budget update and

the annual CalPERS pension review. He concluded by noting that the committee would not meet in December and would reconvene on January 15.

Chair Stapleton opened public comments. Hearing none, Chair Stapleton closed public comments.

Chair Stapleton received and filed the item.

VII. AJOURNMENT

The Finance Committee adjourned at 4:09 p.m.

Attest:

Joe Stapleton, Mayor/Chair
Finance Committee

Date

DRAFT