CITY OF

NEWPORT BEACH

City Council Staff Report

October 14, 2025
Agenda Item No. 14

TO:	HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
FROM:	Jason Al-Imam, Finance Director/Treasurer - 949-644-3126, jalimam@newportbeachca.gov
PREPARED BY:	Jason Al-Imam, Finance Director/Treasurer
TITLE:	Annual Review of Visit Newport Beach Audited Financial Statements and Expenditure Report

ABSTRACT:

In accordance with reporting requirements of the City of Newport Beach's agreement with Visit Newport Beach, Inc. (VNB), entered into on January 1, 2025, VNB's audited financial statements, and compliance expenditure report for the fiscal year ending June 30, 2025, are attached for the City Council's review. Due to the significant fees paid to Newport Beach & Company by VNB for services, Newport Beach & Company's audited financial statements are also included for the City Council's review.

RECOMMENDATIONS:

a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and

b) Receive and file.

DISCUSSION:

On January 1, 2025, the City entered into a new agreement with VNB to provide destination marketing services, following the expiration of the previous agreement on December 31, 2024. A key component of the new agreement is focused on ensuring transparency when it comes to the use of public funds. To help streamline reporting and increase transparency, VNB agreed to restructure its organization by consolidating Visit Newport Beach, Inc. and Newport Beach & Company into one company. As such, Newport Beach & Company formally dissolved on June 30, 2025 with all business operations ceasing and all assets and liabilities transferred to VNB. VNB will continue the operational activity of the consolidated organization. The audited financial statements attached reflect the activity and transactions related to the dissolution.

Similar to the previous agreement, the new agreement requires VNB to submit audited financial statements to the City by September 30 of each year for its most recently ended fiscal year, including any management letter associated with those audited financial statements.

VNB submitted audited financial statements for the fiscal year ending June 30, 2025 to the City on September 25, 2025. The audited financial statements are attached for the City Council's review.

The new agreement still requires VNB to submit an expenditure report to the City by September 30 of each year. The expenditure report must be certified by VNB and a Certified Public Accountant to the effect that the funds received pursuant to the Agreement were expended in accordance with the agreement in the previous fiscal year for authorized purposes. This report must include reasonable detail in support of the certification, including expenditures or contributions to special events and not-for-profit organizations in Newport Beach. VNB submitted the expenditure report for the fiscal year ending June 30, 2025 to the City on September 25, 2025. According to the report, VNB paid $2,117,563 to Newport Beach & Company for marketing and promotion services prior to its dissolution. Therefore, Newport Beach & Company's financial statements are also included for City Council review.

The audited financial statements and expenditure report for the fiscal year ending June 30, 2025 were reviewed by the independent audit firm Crowe LLP. The independent auditor's report can be found within the audited financial statements for VNB and Newport Beach & Company for the fiscal year ending June 30, 2025, 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 audit reports reflect no audit findings or internal control recommendations. Therefore, a management letter was not issued in connection with the audit. The firm's review of the required expenditure report indicates that VNB's assertion that it complied with the applicable provisions of the agreement with the City is fairly stated in all material respects.

FISCAL IMPACT:

Under the previous agreement, VNB received 18% of the City's gross Transient Occupancy Tax (TOT) revenue from both commercial (hotel) and residential (short-term lodging) activity through December 31, 2024. Beginning January 1, 2025, the new agreement increased VNB's share to 23% of hotel TOT while eliminating its share of residential TOT.

For the fiscal year ending June 30, 2025, the City collected $40.9 million in TOT revenue from commercial and residential activity. Of this amount, the City paid $7.7 million to VNB in FY 2024/25 to fund destination marketing services and activities.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENTS:

Attachment A – Visit Newport Beach Audited Financial Statements for the Year Ended June 30, 2025
Attachment B – Newport Beach and Company Audited Financial Statements for the Year Ended June 30, 2025
Attachment C – Visit Newport Beach Expenditure Compliance Report for the Year Ended June 30, 2025