

**CITY OF NEWPORT BEACH  
FINANCE COMMITTEE  
NOVEMBER 13, 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:** Mayor/Chair Joe Stapleton, Councilmember Robyn Grant, Councilmember Sara Weber, Committee Member William Collopy, Committee Member William Kenney

Committee Kory Kramer arrived at 3:23 p.m.

**ABSENT:** Committee Member Allen Cashion

**STAFF PRESENT:** City Manager Grace K. Leung, Finance Director/Treasurer Jason Al-Imam, Acting Deputy Finance Director Trevor Power, Assistant Management Analyst Vicky Nguyen, Assistant City Manager Seimone Jurjis, Senior Budget Analyst Abigail Marin, Budget Analyst Courtney Buck, Senior Accountant Jeremiah Lim, Finance Manager Jessica Kan, Library Services Manager Rebecca Lightfoot, Public Works Finance/Administrative Manager Theresa Schweitzer, Administrative Manager Raymund Reyes, Assistant Management Analyst Lili Banuelos

**OTHER ENTITIES:** Kerry Worgan, CalPERS  
Alexandra Irving, Public Agency Retirement Services  
Keith Stribling, Public Agency Retirement Services  
Bobby Young, HdL Companies

**MEMBERS OF THE PUBLIC:** Jim Mosher, Nancy Scarbrough

**III. PLEDGE OF ALLEGIANCE**

Committee Member Kenney led the Pledge of Allegiance

**IV. PUBLIC COMMENTS**

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

**V. CONSENT CALENDAR**

**A. MINUTES OF OCTOBER 16, 2025**

**Recommended Action:**

Receive and file.

**MOTION:** Committee Member Kenney moved to approve the minutes of October 16, 2025, Finance Committee meeting, seconded by Councilmember Weber. The motion carried as follows:

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

There was no further discussion on the item.

## **VI. CURRENT BUSINESS**

### **A. CALPERS UPDATE**

**Recommended action:**

Receive and file.

Finance Director/Treasurer Jason Al-Imam introduced Senior Budget Analyst Abigail Marin and Kerry Worgan of CalPERS.

Mr. Worgan, Supervising Actuary with CalPERS, introduced himself, noting sixteen years with CalPERS, including about fifteen working with Newport Beach. He provided an overview of recent developments, including the Total Portfolio Approach (TPA), the quadrennial Asset Liability Management (ALM) study, the four-year experience study on demographic trends, and recent investment returns.

He reported strong investment performance. Valuation data as of June 30, 2024, showed CalPERS assets at approximately \$563 billion, increasing to \$592 billion as of June 30, 2025. Systemwide funded status improved from 79 percent (2024 valuation) to 82.7 percent. CalPERS earned net investment returns of 9.5 percent for FY 2023–24 and 12.1 percent for FY 2024–25, which will be reflected in future valuations.

Committee Member Collopy asked about the “pension buck.” Mr. Worgan explained that roughly 60 percent of each pension dollar is funded by investment returns, 29 percent by employer contributions, and 11 percent by employee contributions, noting these percentages vary with market performance.

Mr. Worgan discussed the CalPERS Experience Study, conducted every four years to evaluate retirement, mortality, terminations, disabilities, and other demographic factors. He noted that elevated mortality during COVID-19 was mostly excluded from long-term assumptions. The recent study produced no major changes from 2021, except for two assumption adjustments: inflation rose from 2.3 percent to 2.5 percent, affecting projected salary growth and benefits.

Committee Member Kenney asked about mortality assumptions. Mr. Worgan explained that CalPERS bases mortality on its own California-specific data, projecting forward to reflect longevity changes. COVID-19 disrupted prior trends, so mortality improvement adjustments have been paused since 2020–2021. He emphasized that accurate mortality assumptions are essential for estimating benefit costs.

Committee Member Kenney also asked about the “80 percent SOA mortality.” Mr. Worgan clarified that national SOA tables differ from CalPERS’ California-specific data, which shows lower mortality rates, limiting potential future improvement.

Committee Member Collopy inquired whether assumptions included investment returns. Mr. Worgan confirmed the assumptions discussed were demographic (retirement, termination, mortality), while the discount rate is tied to investment assumptions and informed by the ALM study. Current long-term discount rate is 6.8 percent.

Committee Member Weber asked if this acts as a hedge. Mr. Worgan noted a modest hedge effect exists, but the discount rate remains unbiased to protect contribution rates under PEPRA. He explained a reasonable expected return range of 6.5–7.5 percent over a 20-year outlook.

Finance Director/Treasurer Al-Imam asked if the 6.8 percent rate would remain. Mr. Worgan confirmed it is supported under current ALM recommendations.

Mr. Worgan reviewed the fund's asset allocation as of June 30, 2025: 40 percent global equities, 18 percent private equity, 13 percent real assets, and 30 percent fixed income.

Committee Member Collopy asked if CalPERS plans to maintain return assumptions. Mr. Worgan stated detailed breakdowns are publicly available through Investment Committee materials. He explained private equity is independently valued, benchmarks are used, and deviations prompt further review.

Committee Member Weber asked about allocation stability over five years. Mr. Worgan noted overall allocation is stable with modest private equity increases. The TPA focuses on portfolio-wide management rather than fixed asset-class targets.

Mr. Worgan explained that CalPERS manages ~\$590 billion, paying ~\$3 billion per month. TPA evaluates the portfolio holistically to guide cash flow decisions and reallocation, supporting stronger overall returns.

Committee Member Collopy asked about legislative constraints. Mr. Worgan stated none specific, noting fiduciary duties guide allocations. Collopy emphasized liquidity and transparency concerns for private equity, which Mr. Worgan explained relies on projected cash flows and independent valuations, acknowledging volatility.

Committee Member Kenney noted similar dynamics for real assets. Mr. Worgan confirmed allocations have declined, with lower recent performance for real estate.

Mr. Worgan reported the June 30, 2024 valuation showed a 9.5 percent return, improving funded ratio from 72.5 percent to 75.9 percent, with further improvement expected to 82.4 percent after FY 2024–25 returns. Unfunded liability decreased from \$341 million to \$313 million (June 30, 2024) and projected \$235 million (June 30, 2025).

Committee Member Kenney asked about Miscellaneous vs. Safety plans. Mr. Worgan explained Safety covers sworn/safety employees such as police officers, firefighters and lifeguards; Miscellaneous covers other non-safety employees. Plans differ in benefits and cost profiles.

He defined normal cost as the annual cost of benefits earned by active employees. Classic members generally have higher costs; PEPRA members lower. Normal costs for Miscellaneous are projected to fall ~30 basis points from FY 2025–26 to FY 2026–27; Safety declines more slowly. Contributions are shared between employees and employers per law.

Chair Stapleton asked about PEPRA vs. Classic. Mr. Worgan explained PEPRA applies to employees hired on/after January 1, 2013, providing lower benefit formulas.

Mr. Worgan compared Newport Beach's pension status with other Orange County cities, noting Newport Beach is well-funded without issuing a Pension Obligation Bond (POB). He favors making regular Additional Discretionary Payments (ADPs), which have earned ~8.6 percent over five to six years.

Chair Stapleton observed that some cities are not full-service, making comparisons less comparable.

Mr. Worgan noted the City's funded ratio (~82 percent) and a \$78 million reduction in unfunded liability. Year-to-date FY 2025–26 returns were ~6.2 percent.

Senior Budget Analyst Abigail Marin outlined the Pension Paydown Strategy: FY 2025–26 budgeted \$40 million toward UAL, with year-end surplus allocated per Council Policy F-5 (50/50 split with Council approval). Projections show full payoff by FY 2032–33, updated to reflect recent 12.1 percent CalPERS return.

Committee Member Collopy asked if the payoff year changed after the 12.1 percent return. Ms. Marin and City Manager Leung confirmed it remains FY 2032–33.

Finance Director/Treasurer Al-Imam explained that new labor contracts partially offset investment gains, reinforcing the same projected payoff year. The City currently pays ~\$45 million annually toward UAL and ~\$12 million for normal cost, targeting full funding around 2033.

Al-Imam described the impact of different funding targets (100%, 95%, 90%, 85%) on required payments and potential savings, noting largest savings occur after full funding. He recommended maintaining \$45 million annual UAL payments and, once 100% funded, redirecting excess into a Section 115 Pension Trust, which offers local control and investment flexibility. Ms. Marin highlighted benefits and limitations of the trust.

Committee Member Collopy noted the trust had been previously discussed but not pursued; the current recommendation reflects a more refined strategy.

Chair Stapleton and City Manager Leung emphasized timing and policy considerations, noting the largest savings occur once full funding is reached, and a 95 percent target could allow partial redirection into a Section 115 trust. Committee Member Weber supported early evaluation.

Finance Director/Treasurer Al-Imam suggested a subcommittee to review investment strategies; Alexandra Irving (PARS) confirmed the trust is administratively established and requires only portfolio selection to activate the pension side.

Councilmember Weber proposed a small initial contribution; discussion ensued about funding amounts relative to the \$45 million annual UAL payment and minimum required contributions.

The Committee discussed potential trade-offs, benefits of flexibility, and comparisons to CalPERS returns. Chair Stapleton emphasized maintaining the \$45 million payment while using surpluses to fund the trust and monitor performance. Committee Member Collopy and Councilmember Weber supported this approach, ensuring adherence to Council Policy F-5.

Discussions included market risks, liquidity, asset classes in the Section 115 trust, and comparisons to prior allocations. Finance Director/Treasurer Al-Imam noted subcommittee options, and Ms. Irving clarified reimbursement mechanisms for OPEB expenditures within the trust.

Committee Member Collopy asked if the OPEB trust is fully funded; Al-Imam confirmed the OPEB liability was fully funded and noted that a more detailed update on the status of funding progress would be provided at the January meeting.

The Committee reached general consensus to continue the \$45 million annual payment, pursue the 95 percent funding model over the next seven years, maintain flexibility for surpluses, and evaluate contributions to a Section 115 Pension Trust at year-end.

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

Chair Stapleton received and filed the item.

**B. OVERVIEW OF SALES TAX ALLOCATIONS FOR AUTOMOBILE SALES**

**Recommended action:**

Receive and file.

Finance Director/Treasurer Al-Imam explained that HdL Companies (HdL) provides the City with sales tax and property tax consulting services, with both contracts scheduled to expire at the end of December. He noted that HdL representatives were present to provide an overview of how sales tax allocations for automobile sales are calculated, including traditional dealerships and online models such as Tesla.

Bobby Young, HdL Client Services Director, provided a professional background, noting he has nearly 30 years of local government finance experience, including 13 years with HdL and 13 years as a City Finance Director. He stated that this depth of public-sector experience is typical across HdL's team.

Mr. Young explained that HdL has operated in California for over 40 years, initially focusing on sales tax and later expanding to property tax, business license tax, transient occupancy tax (TOT), cannabis excise tax, and other local revenues. He emphasized that HdL's mission is rooted in public service and that the company now works with agencies nationwide.

Mr. Young reviewed the City's sales tax composition, noting that auto dealerships generate approximately 24 percent of annual sales tax revenue, making it the largest category. Restaurants and hotels comprise about 23 percent, followed by general consumer goods. He explained that these percentages reflect Newport Beach's distinct sales tax base and spending patterns.

Compared with statewide trends, Newport Beach has a more diversified mix of sales tax sources. Mr. Young reviewed trends over the past thirteen quarters, noting that autos and transportation have softened due to higher interest rates, inflation, and reduced purchases of higher-priced vehicles. In contrast, general consumer goods have shown modest growth, aside from typical fourth-quarter holiday spikes. He added that other categories, particularly business and industry, and countywide and statewide pools, often prompt questions, which he would address later.

Mr. Young described county pool revenues, noting that statewide these pools now represent the largest single sales tax category, primarily from online purchases and goods shipped into California. While pool revenues are a smaller share of Newport Beach's total sales tax, they continue to grow.

Reviewing fiscal year trends, Mr. Young stated that FY 2022–23 showed minimal positive growth, essentially flat overall. The following year declined about 5.4 percent, driven mainly by autos and transportation. In the most recent fiscal year, sales tax recovered by about 3.9 percent, partially offsetting the prior year's decline.

Committee Member Kramer asked whether the data reflected inflation. Mr. Young clarified that figures are not inflation-adjusted and explained that HdL receives data from the California Department of Tax and Fee Administration (CDTFA) in cash receipts, reflecting actual distributions, and supplemental data.

Mr. Young also explained that HdL analyzes adjusted data, assigning tax receipts to the period in which they were earned rather than received. This removes anomalies and provides a clearer

view of underlying trends. He emphasized that this adjusted data is for analytical purposes, while the City's general ledger reflects cash received.

Committee Member Kramer noted that a decline, even if concentrated in auto sales, is concerning. Mr. Young agreed, stating the trend is significant because of the City's reliance on auto-related revenues, and this concern was a key reason for the presentation.

Mr. Young reported that Newport Beach receives about 5.3 percent of the Orange County countywide use tax pool, based on its proportion of locally generated sales tax. On average, the City generates roughly 5 percent of Orange County's place-of-sale sales tax, corresponding to its pool allocation.

Chair Stapleton asked which city receives the largest pool allocation. Mr. Young replied that Anaheim, due to Disneyland and tourism, and Irvine receive the largest shares, while Newport Beach's 5 percent is consistent with expectations. He explained that compared with smaller residential jurisdictions, Newport Beach's share is relatively high.

Chair Stapleton asked about Anaheim and Irvine's exact percentages. Mr. Young responded that each typically receives 10–12 percent, reflecting larger economic bases. He emphasized that Newport Beach benefits from local purchases and the importance of continued local spending.

Committee Member Kramer asked how Newport Beach's population compares to the county total. Mr. Young estimated about 2.5 percent, meaning the City's pool share is proportionally higher.

Chair Stapleton asked whether this reflects high sales tax velocity. Mr. Young noted that Anaheim and Irvine have populations generally between 300,000–400,000, contributing to higher absolute allocations.

Mr. Young, a Costa Mesa resident, noted that both Costa Mesa and Newport Beach share similar retail and visitor profiles, including Fashion Island, South Coast Plaza, Pacific Coast Highway auto dealerships, and high-end retail. He said both cities benefit from destination-based spending, and that the current allocation methodology favors Newport Beach compared with a population-based system, which would benefit larger cities like Anaheim and Irvine.

Transitioning to online sales, Mr. Young explained that taxable transactions now occur through traditional retail and online platforms. For brick-and-mortar sales, the local sales tax is allocated to the jurisdiction where the store is located.

Online transactions, including automobile sales, are more complex. Mr. Young noted that allocation depends on the goods' location at the time of sale and fulfillment. Using Amazon as an example, goods shipped from outside California contribute to the countywide pool, while in-state fulfillment centers allocate tax to the city where the center is located.

Mr. Young noted that most fulfillment centers are in the Inland Empire, where large sites are available. Orange County has limited capacity, with Amazon operating only a 500,000-square-foot facility locally versus much larger Inland Empire centers.

Committee Member Kramer asked where the Amazon facility serving Newport Beach is located. Mr. Young confirmed it is in Irvine, north of John Wayne Airport.

Committee Member Collopy asked about Huntington Beach. Mr. Young explained it is a last-mile facility, not a fulfillment center, and cannot be disclosed in more detail due to taxpayer confidentiality.

Committee Member Kenney noted the inequity created when fulfillment centers are outside Orange County and asked about potential legislative changes. Mr. Young confirmed discussions in Sacramento, noting that a working group of city managers and officials is exploring changes to shift sales tax allocation from the location of goods to the purchaser's residence. He added that jurisdictions currently benefiting from fulfillment centers are unlikely to support such reforms.

Mr. Young reiterated that Newport Beach receives slightly over 5 percent of the pool while representing 2–2.5 percent of the population, raising the question of whether a population-based allocation or the current methodology is preferable.

Committee Member Kenney commented that Newport Beach is disadvantaged without fulfillment centers.

Councilmember Weber asked for confirmation that sales tax from fulfillment centers is allocated to the city, not the county. Mr. Young confirmed, noting exceptions for unincorporated areas.

Chair Stapleton asked whether large fulfillment facilities create significant financial windfalls. Mr. Young confirmed, stating they can generate tens of millions in sales tax revenue, sometimes funding civic projects such as city halls.

Mr. Young noted the financial impact of fulfillment centers should be considered when analyzing online automobile sales, even though rules for autos differ from general consumer goods.

Mr. Young provided background on legal authority for online sales tax collection, citing the Wayfair decision and California AB 147. Prior to AB 147, online vehicle sales, including CarMax, Carvana, and Tesla, were taxed largely based on point of first contact. After AB 147, the CDTFA now allocates tax based on the vehicle's final preparation location. This applies to Tesla, Rivian, VinFast, and other direct-to-consumer manufacturers.

Mr. Young acknowledged the complexity and regulatory gray area of online sales.

Councilmember Weber asked whether it is easier to allocate tax based on delivery or preparation center. Mr. Young explained this is tied to California revenue law; Newport Beach receives 1 percent of the 7.75 percent sales tax rate. He noted differences in additional local taxes such as Santa Ana's 1.5 percent add-on, with Bradley-Burns tax distributed locally and Transactions and Use Tax following the consumer.

Mr. Young explained that the city manager working group seeks changes to align the Bradley-Burns Sales Tax rules with Transaction and Use Tax law, but significant opposition exists. Vice Chair Grant asked about coordination with Cal Cities. City Manager Leung confirmed the group is operating through Cal Cities, noting not all cities support the proposed changes.

Mr. Young linked the decline in auto-related sales tax in Newport Beach to CDTFA's revised interpretation of Tesla allocations and the temporary closure of Newport Beach Porsche, which caused transactions to be processed at Costa Mesa, boosting Costa Mesa's auto revenue. He noted similar trends in cities like Beverly Hills and Walnut Creek, tracking broader economic conditions.

Vice Chair Grant asked whether there had been discussions with Tesla about a delivery area in Newport Beach. City Manager Leung stated Tesla typically does not collaborate with cities to structure delivery locations, focusing on locations that suit their operations.

Mr. Young explained that the key factor is the location where vehicles are delivered or prepared. Tesla now operates larger facilities resembling traditional dealerships. Limited space in Newport Beach and Costa Mesa constrains operations, while Irvine has larger facilities.

Chair Stapleton observed Newport Beach parking structures store many Tesla vehicles and emphasized attention to dealership trends. He noted the relocation of Newport Auto Group to Irvine, the rebuilding of Porsche Newport Beach, and ongoing performance of Fletcher Jones. He expressed concern about the status of Ferrari and Maserati dealerships.

Committee Member Kenney asked about Newport Lexus inventory. Chair Stapleton explained pre-order sales reduce visible inventory.

Mr. Young stated specific performance data cannot be publicly shared due to confidentiality, though dealerships may present voluntarily. Al-Imam confirmed sales data for businesses is confidential and cannot be disclosed.

Chair Stapleton emphasized the importance of auto dealerships to City revenue, noting declines during Porsche's temporary closure and the need to monitor brands such as Ferrari. Committee Member Kenney observed Newport Lexus is underutilized and suggested it could host additional luxury brands to increase revenue. Chair Stapleton offered to contact the new ownership to discuss plans. Mr. Young noted that in other cities, economic development staff routinely conduct outreach to understand market conditions and operator needs, which could be helpful here.

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

Chair Stapleton received and filed the item.

#### **C. FIRST QUARTER BUDGET UPDATE**

##### **Recommended action:**

Receive and file.

Finance Manager Jessica Nguyen presented the first-quarter financial report for FY 2025–26, focusing on General Fund revenues and expenditures. She reported that, after comparing sources and uses, the unrestricted General Fund balance shows a surplus of approximately \$10.3 million. She added that staff will continue to monitor results and refine projections in subsequent quarters, consistent with past practice.

City Manager Leung added that the surplus reflects both higher-than-anticipated revenues and expenditure savings. She noted that roughly half of the surplus is attributable to additional revenues, primarily property tax, with some contribution from sales tax.

Finance Director/Treasurer Al-Imam explained that the City initially projected a \$12 million structural surplus when the budget was adopted. He noted that after the approval and booking of labor contracts, that projection declined to about \$2.5 million. Despite this reduction, the unrestricted General Fund surplus has now increased to roughly \$10.3 million.

Committee Member Kenney asked about the updated year-end surplus forecast. Finance Director/Treasurer Al-Imam replied that it is still early in the fiscal year to provide a precise estimate but noted that the City has historically ended with an unrestricted General Fund surplus of \$20–\$25 million, and staff currently anticipates a similar outcome this year.

Committee Member Collopy asked whether the chart showing Transient Occupancy Tax (TOT) revenue activity reflected amounts net of payments to Visit Newport Beach (VNB), and if so, how much had been paid. Finance Director/Treasurer Al-Imam confirmed that the figures were



net of payments to VNB and noted that VNB currently receives 23 percent of TOT from hotels. When Committee Member Collopy asked whether VNB's share had increased or decreased, City Manager Leung responded that it had increased.

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 noted that the committee will not meet in December and will resume on January 15, with additional meetings scheduled for February 12 and March 12. He stated that upcoming agenda items include review of the financial statements, the external audit, an update on the internal audit program, and the General Fund long-range financial plan. City Manager Leung added that the budget development process typically begins with the long-range financial forecast.

City Manager Leung announced that this was her last Finance Committee meeting. Chair Stapleton stated that it was fitting to recognize her seven years of service to the community. He noted that she was originally recruited for both her strong financial background and exceptional leadership, and that she has helped guide the organization to its current strong financial position. He expressed the committee's appreciation for her dedication and contributions.

City Manager Leung thanked the Committee and stated that the Finance Committee has been one of her favorite assignments. She noted that several members have served throughout her tenure with the City and expressed appreciation for their support and collaboration.

With no further business to come before the committee, Chair Stapleton wished everyone happy holidays and adjourned the meeting.

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 4:48 p.m.

Attest:

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Joe Stapleton, Chair  
Finance Committee

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Date