



CITY OF NEWPORT BEACH FINANCE COMMITTEE AGENDA

Community Room

100 Civic Center Drive, Newport Beach, CA 92660

Thursday, November 13, 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

William Kenney, Committee Member

Kory Kramer, Committee Member

Staff Members:

Grace K. Leung, City Manager

Jason Al-Imam, Finance Director/Treasurer

Trevor Power, Acting 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 OCTOBER 16, 2025**

Recommended Action:

Approve and file.

[DRAFT MINUTES - OCTOBER 16, 2025](#)

VI. **CURRENT BUSINESS**

A. **CALPERS UPDATE**

Summary:

Staff will provide the Committee with an overview of data from the latest CalPERS actuarial reports and discuss their impact on prior projections for paying down the City's unfunded pension liability.

Recommended Action:

Receive and file.

[STAFF PRESENTATION](#)

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

Summary:

The City's sales tax consultant, HdL Companies, will provide the Committee with an overview of how sales tax is allocated for automobile sales, with a particular focus on non-traditional auto dealerships, such as Tesla, which has adopted a direct-to-consumer sales model.

Recommended Action:

Receive and file.

[PRESENTATION](#)

C. FIRST QUARTER BUDGET UPDATE

Summary:

Staff will provide a presentation regarding the year-to-date and projected Fiscal Year 2025-26 budget performance.

Recommended Action:

Receive and file.

[STAFF REPORT](#)

[STAFF PRESENTATION](#)

D. WORK PLAN REVIEW

Summary:

Staff will report on the upcoming Finance Committee items.

Recommended Action:

Receive and file.

[WORK PLAN](#)

VII. ADJOURNMENT

**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

6A. STAFF PRESENTATION

CALPERS UPDATE

CALPERS UPDATE

Finance Committee Meeting – November 13, 2025





CALPERS NEWS

FISCAL YEAR 2024-25 CALPERS FISCAL STATUS

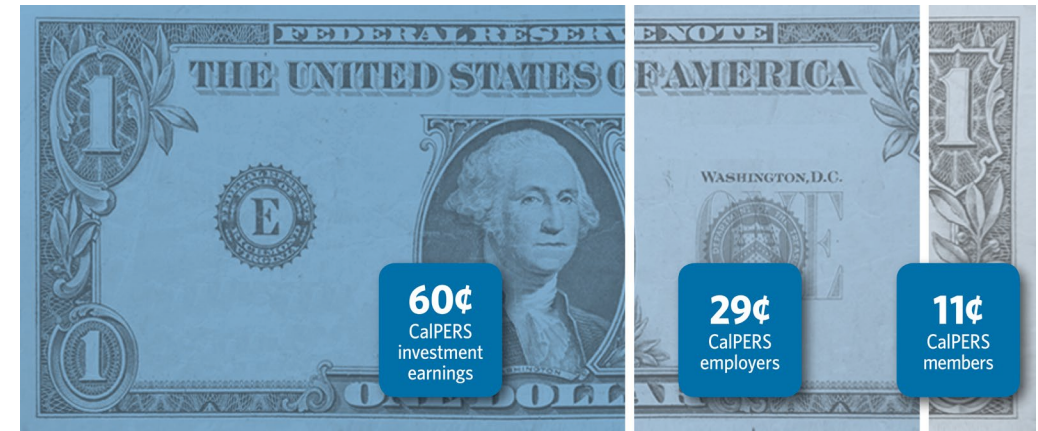
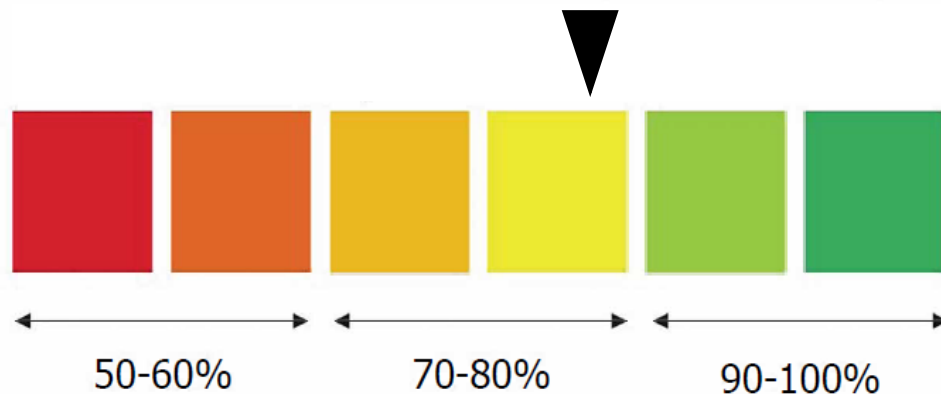
\$563 billion in assets

(up from \$506b in prior year)

12.1% net return on investments

(9.5% in prior year)

79% funded status



Preliminary



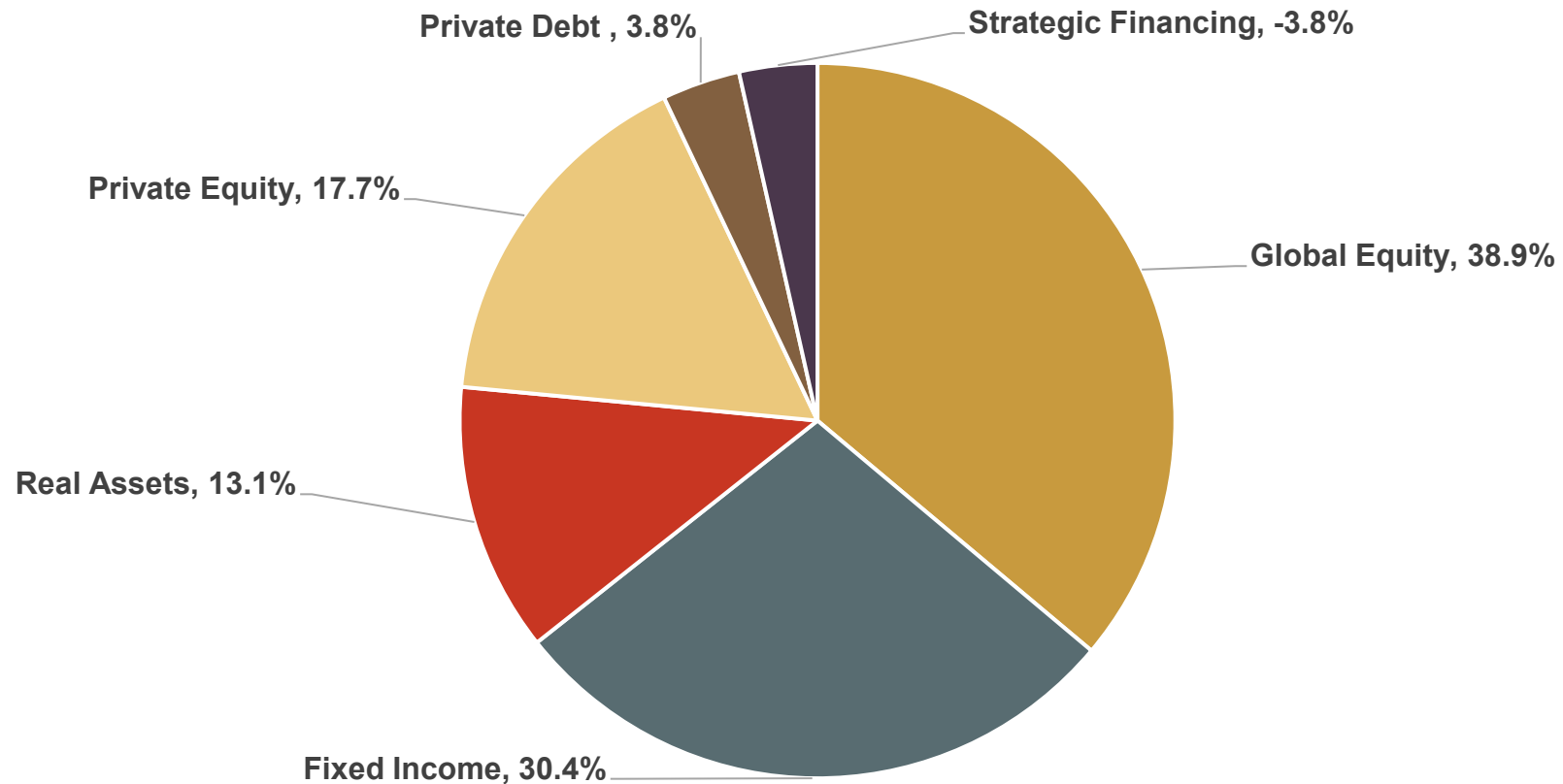
NEW ACTUARIAL ASSUMPTIONS

- On November 18, 2025, CalPERS is expected to adopt new actuarial assumptions based on recommendations in the 2025 CalPERS Experience Study and Review of Actuarial Assumptions.
- Salary 2.80% → 3.00%
- Inflation 2.30% → 2.50%
- Mortality – fully generational based on 80% of SOA Mortality improvement table “MP 2021”



PUBLIC EMPLOYEES' RETIREMENT FUND (PERF)

Current Asset Allocation as of June 30, 2025





JUNE 30, 2024
ACTUARIAL VALUATION REPORTS
(PUBLISHED IN AUG 2025)

JUNE 30, 2024 ACTUARIAL VALUATION REPORTS

- 2024 valuation reports set the contribution rates for FY2026-27.
- FY 2023-24 investment return was 9.5%, overperforming the 6.8% target.
- Total unfunded liability decreased from \$341 million to \$312.5 million, while the total funded ratio increased from 72.5% to 75.9%.
- The 2024 valuation reports do not reflect the 12.1% investment return in FY2024-25

	June 30, 2024			June 30, 2023
	Miscellaneous	Safety	Total	Total
Accrued Liability	\$ 557,154,955	\$ 739,680,443	\$ 1,296,835,398	\$ 1,240,764,986
Market Value of Assets	\$ 436,179,835	\$ 548,134,475	\$ 984,314,310	\$ 899,755,600
Unfunded Liability	\$ 120,975,120	\$ 191,545,968	\$ 312,521,088	\$ 341,009,386
Funded Ratio	78.3%	74.1%	75.9%	72.5%



NORMAL COST FOR ACTIVE EMPLOYEES (BASED ON THE JUNE 30, 2024, ACTUARIAL REPORTS)

Blended Normal Cost Rates (as a % of Payroll)

	FY 2025-26	FY 2026-27
Miscellaneous	17.93%	17.67%
Safety	30.94%	30.88%

- Normal cost represents the amount required to be paid to CalPERS for new pension benefits earned by active employees each pay period.
- Employees pay a portion of normal cost, which varies by bargaining group and benefit tier.
- PEPRA EE's pay 7.5% for Miscellaneous, 13.50% for Safety



COMPARISON TO OTHER ORANGE COUNTY EMPLOYERS

- The funded percentage for every non-pooled plan in the County increased in part to the investment gain.

Agency	June 30, 2024, Valuation		June 30, 2025, Valuation		Change		
	UAL	Funded %	UAL	Funded %	UAL \$	UAL %	Funded %
City of Anaheim	958,818,679	71.7%	805,959,850	76.7%	(152,858,830)	-15.9%	5.1%
City of Brea*	48,528,053	73.8%	40,279,513	78.8%	(8,248,540)	-17.0%	5.0%
City of Buena Park*	26,557,683	85.2%	19,775,721	89.2%	(6,781,962)	-25.5%	4.0%
City of Costa Mesa	268,446,159	64.4%	237,947,722	69.4%	(30,498,437)	-11.4%	4.9%
City of Fullerton	318,857,946	68.5%	281,301,868	73.0%	(37,556,079)	-11.8%	4.5%
City of Garden Grove	362,368,467	67.8%	316,355,784	72.8%	(46,012,684)	-12.7%	5.0%
City of Huntington Beach	215,471,010	87.6%	146,472,972	91.9%	(68,998,038)	-32.0%	4.3%
City of Irvine	202,334,420	80.7%	156,087,134	85.8%	(46,247,286)	-22.9%	5.1%
City of La Habra*	18,463,705	88.2%	11,994,647	92.6%	(6,469,058)	-35.0%	4.4%
City of Laguna Beach*	35,715,287	77.5%	28,611,489	82.7%	(7,103,798)	-19.9%	5.1%
City of Mission Viejo*	27,811,098	78.3%	21,845,230	83.6%	(5,965,868)	-21.5%	5.4%
City of Newport Beach	312,521,088	75.9%	234,342,791	82.4%	(78,178,297)	-25.0%	6.5%
City of Orange	85,050,199	93.0%	31,948,535	97.8%	(53,101,664)	-62.4%	4.8%
City of Santa Ana	450,373,083	82.4%	340,300,019	87.0%	(110,073,064)	-24.4%	4.6%
City of Tustin*	32,561,768	80.4%	23,611,202	86.3%	(8,950,566)	-27.5%	5.9%
City of Westminster*	54,017,434	68.8%	46,849,287	73.7%	(7,168,147)	-13.3%	4.8%
City of Yorba Linda*	25,363,252	75.1%	20,493,356	80.6%	(4,869,896)	-19.2%	5.5%
Irvine Ranch Water District*	94,023,646	76.1%	75,175,762	81.6%	(18,847,885)	-20.0%	5.5%
Santa Margarita Water District*	37,198,393	74.2%	30,785,506	79.5%	(6,412,887)	-17.2%	5.3%

Funded percentages are averages of all combined plans for a city.

** Indicates agency does not have safety plan with CalPERS.*





PENSION PAYDOWN STRATEGY

PENSION PAYDOWN STRATEGY

- Pension paydown strategy reviewed annually.
- FY 2025-26 budget includes \$40 million allocated towards the unfunded accrued liability (UAL); any extra payments will follow Policy F-5, allocating 50% of year-end surplus to debt reduction.
- Previous forecast projected full payoff by FY 2032-33, assuming a 6.8% CalPERS return on average each year.
- FY 2024-25 investment return of 12.1%, exceeded the 6.8% assumed rate of return.



ROLL-FORWARD OF VALUATIONS TO JUNE 30, 2024

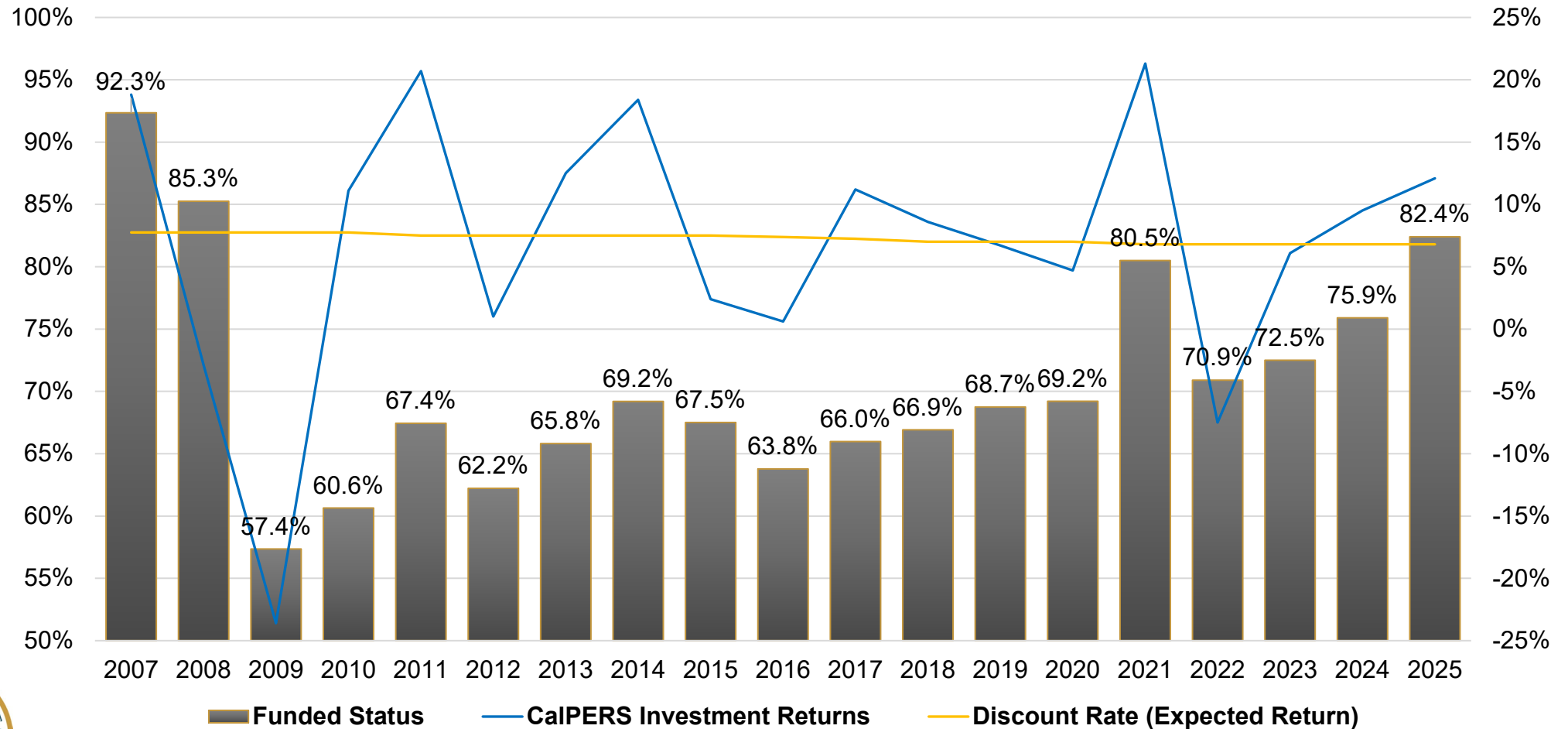
- The Actuarial Valuation at June 30, 2025, will not be available until August 2026. However, the CalPERS Pension Outlook tool has been utilized to estimate the City's projected funded status as of June 30, 2025, which reflects the impact associated with the 12.1% investment gain.

	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025*
Unfunded Liability	\$ 223,438,444	\$347,832,174	\$341,009,386	\$312,521,088	\$235,142,000
Funded Percentage	79.3 %	70.9%	72.5%	75.9%	82.4%
Investment Return	21.3 %	-7.5%	6.1%	9.5%	12.1%

* Projected



HISTORICAL INVESTMENT RETURNS & THE CITY'S FUNDED STATUS



PROJECTIONS FOR THE FUTURE

- Using the CalPERS Pension Outlook tool, staff modeled the impact of the projected 12.1% return for FY 2024-25 and the impact of continuing the current payment strategy
 - The FY 2024-25 rate of return is estimated to be 5.3% higher than expected
 - Current projection shows the liability will be eliminated in FY 2032-33
 - FY 2025-26 projected to pay approximately \$11.4 million more than required by CalPERS

	2025-26	2026-27	2027-28	2028-29	2029-2030	2032-33
Planned Payment	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 4,650,000
Beginning Unfunded Liability	\$ 235,142,000	\$ 217,020,000	\$ 194,855,000	\$ 161,693,000	\$ 126,184,000	\$ 4,500,000
Beginning Funded Percentage	82.4%	84.2%	86.3%	89%	91.7%	99.7%
Investment Return	6.8 %	6.8 %	6.8 %	6.8 %	6.8 %	6.8 %



NORMAL COST FOR ACTIVE EMPLOYEES

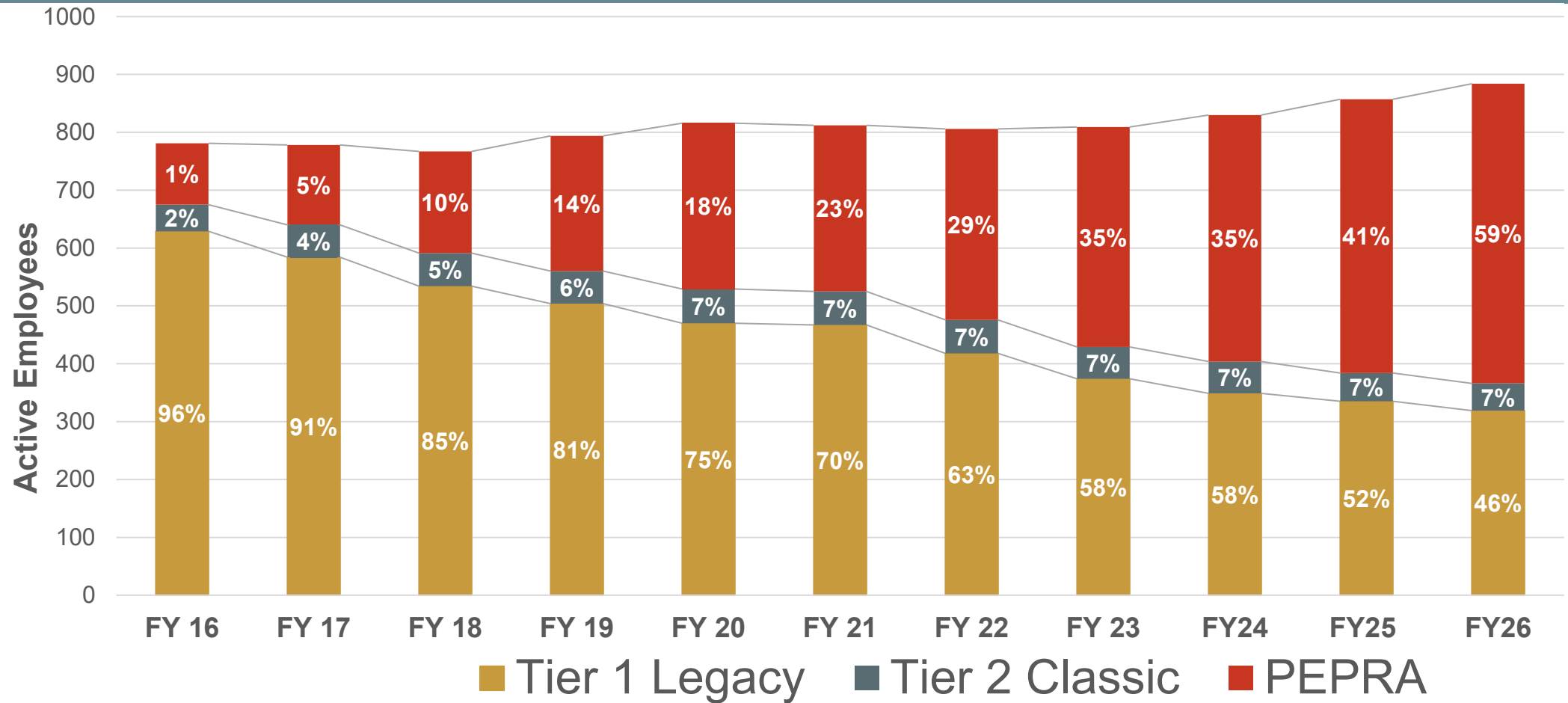
- Tier 1 (Legacy) & Tier 2 (Classic) employees in the Miscellaneous Plan contribute approximately 56.2% of amounts associated with normal cost.
- Tier 1 (Legacy) & Tier 2 (Classic) employees in the Safety Plan contribute approximately 72% of amounts associated with normal cost on average across the various bargaining groups.
- Miscellaneous PEPRA employees contribute approximately 43.9% of amounts associated with normal cost, whereas Safety PEPRA employees share 28.3% in the payment of normal cost.

Total Normal Cost Rates (as a % of Payroll)

	Miscellaneous	Safety
Tier 1 “Legacy”	20.09%	30.64%-37.26%
Tier 2 “Classic”	19.64%	24.46%-33.84%
Tier 3 “PEPRA”	15.3%	25.5%-30.9%



ACTIVE EMPLOYEES BY BENEFIT TIER



IMPACT OF INVESTMENT RETURN AND ADDITIONAL PAYMENTS

- Last year's CalPERS update projected the pension liability to be paid off in FY 2032-33
- FY 2024-25 projection considered a return of 6.8%, where return actual was 12.1%, shortening the payoff timeline further by a few months
- Staff project the pension liability to be paid off in FY 2032-33 if CalPERS can achieve an investment rate of return equal to their 6.8% discount rate



TARGET SCENARIOS

<i>Fiscal Year</i>	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Target 85% Funded Status										
Safety	30,527,490	29,559,439	21,824,000	22,831,000	22,483,000	22,068,000	21,996,000	22,655,000	16,114,000	
Misc	14,472,510	15,440,561	13,452,000	14,240,000	13,839,000	13,378,000	13,187,000	13,571,000	9,602,000	
Total	45,000,000	45,000,000	35,276,000	37,071,000	36,322,000	35,446,000	35,183,000	36,226,000	25,716,000	
Funded %	84.2%	86.3%	88.3%	90.4%	92.5%	94.5%	96.5%	98.6%	100.0%	
Target 90% Funded Status										
Safety	30,527,490	29,559,439	27,769,044	27,712,237	21,339,000	20,923,000	20,851,000	21,510,000	5,921,000	
Misc	14,472,510	15,440,561	17,230,956	17,287,763	13,133,000	12,673,000	12,481,000	12,865,000	3,230,000	
Total	45,000,000	45,000,000	45,000,000	45,000,000	34,472,000	33,596,000	33,332,000	34,375,000	9,151,000	
Funded %	84.2%	86.3%	89.0%	91.7%	93.6%	85.6%	97.5%	99.5%	100.0%	
Target 95% Funded Status										
Safety	30,527,490	29,559,439	27,769,044	27,712,237	27,856,086	28,019,496	19,226,000	12,757,000		
Misc	14,472,510	15,440,561	17,230,956	17,287,763	17,143,914	16,980,504	11,522,000	7,115,000		
Total	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000	30,748,000	19,872,000		
Funded %	84.2%	86.3%	89.0%	91.7%	94.3%	97.0%	98.9%	100.0%		





ALTERNATIVE TO ADPS

PARS TRUST TEAM

As of June 30, 2025

Trust Administrator & Consultant*



- Serves as record-keeper, consultant, and central point of contact
- Sub-trust accounting
- Coordinates all agency services
- Monitors plan compliance (IRS/GASB/State Government Code)
- Processes contributions/disbursements
- Hands-on, dedicated support teams

40+
Years of Experience
(1984-2025)

2,000+
Plans under
Administration

1,100+
Public Agency
Clients

500+
115 Trust Clients

750K+
Plan Participants

\$9.8B+
Assets under
Administration

** See important information regarding PARS in the Disclaimer page at the end of the presentation.*

Trustee



- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts
- Safeguard plan assets
- Oversight protection as plan fiduciary
- Custodian of assets

162
Years of Experience
(1863-2025)

\$11.0T
Assets under
Administration

Investment Manager



- A division of U.S. Bancorp Asset Management, Inc.
- Fixed income and multi asset portfolios
- Strategic blend and passive platform options
- Customized portfolios (with minimum asset level)

40+
Years of Investment
Experience
(As of 6/30/2025)

\$256.3B*
Assets under Management
& Advisement

**As of June 30, 2025. Total assets under management for U.S. Bancorp Asset Management, Inc. were \$404.9 billion. Please see disclosures at the end of this presentation*



INTERNAL REVENUE CODE SECTION 115 PENSION TRUST

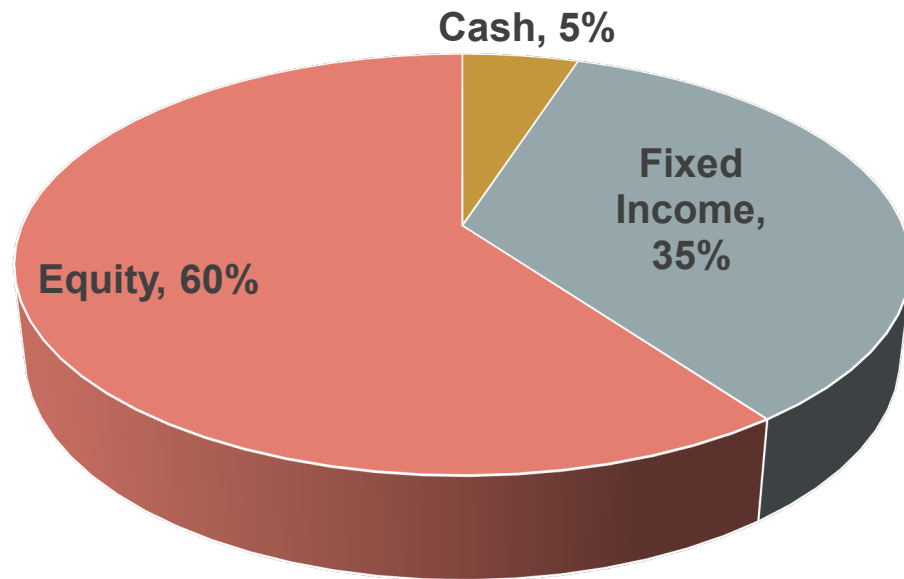
Primary Benefits

- **Rate Stabilization:** designed to *mitigate against pension contribution volatility* since Pension Trust Fund assets can be used to offset unanticipated increases in rates due to investment return volatility.
- **Diversification:** designed to *mitigate against investment return volatility* through diversification where assets are managed in a customized investment strategy that balances risk and return

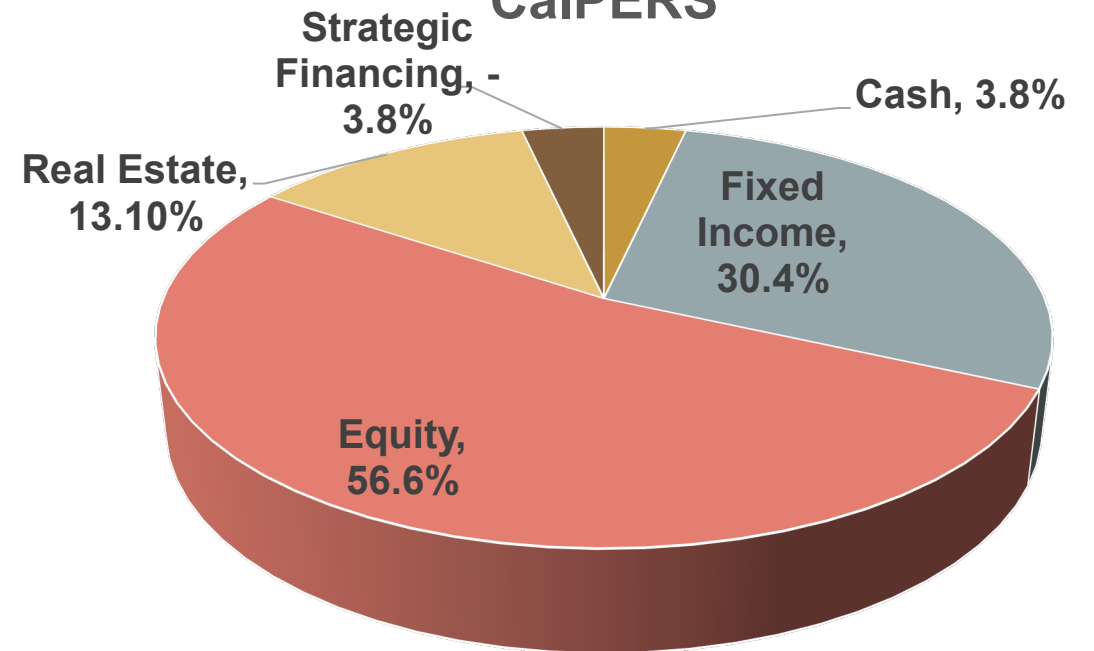


ASSET ALLOCATION & DIVERSIFICATION

Pension Trust, Balanced Strategy



CalPERS



PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS



INVESTMENT RETURN & VOLATILITY

	PARS Balanced Strategy	CalPERS PERF
1 – Year Return	10.7%	12.1%
3 – Year Return	11.0%	9.0%
5 – Year Return	8.4%	8.1%
10 – Year Return	7.2%	7.2%



SUMMARY

- Staff recommend that the Finance Committee discuss and provide recommendations for future steps
- Monitor future CalPERS investment returns and respond accordingly





QUESTIONS?

6B. PRESENTATION

OVERVIEW OF SALES TAX ALLOCATIONS FOR AUTOMOBILE SALES

City of Newport Beach Finance Committee

*Overview of Sales Tax
Allocations for Auto Sales*
November 13, 2025

HdL Companies





ABOUT HdL COMPANIES

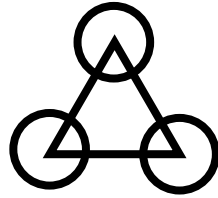
**PROUD
TO SERVE**

CITIES, COUNTIES &
SPECIAL DISTRICTS
FOR

40+ YEARS

100%

**EMPLOYEE
OWNED**



TRIFECTA

Superior service
Increased revenue
Decreased costs



COMPLIANCE

HdL helps clients reduce risk
by keeping current with
ever-changing legislation



RESULTS

Average city growth
rates are ~3%,
HdL clients are 2x that!

900+

Municipal
Clients

\$4billion+

Recovered
revenue

99.6%

Avg. Client
Retention



Major Industry Group Breakdown	Newport Beach (avg annual)	Statewide
Autos	24% (\$11.0m)	15%
Restaurants	23% (\$10.7m)	14%
General Consumers	21% (\$9.5m)	15%
County Pool(s)	16% (\$7.5m)	18%
Business & Industry	8% (\$3.6m)	17%
Gas Stations & Diesel	4% (\$1.8m)	8%
Food & Drugs	3% (\$1.5m)	4%
Building & Const.	1% (\$400k)	8%



NEWPORT BEACH MAJOR INDUSTRY GROUPS - QUARTERLY TREND

Restaurants And Hotels

Count: 563

Autos And Transportation

Count: 195

General Consumer Goods

Count: 1,770

State & County Pools

Business And Industry

Count: 1,590

Fuel And Service Stations

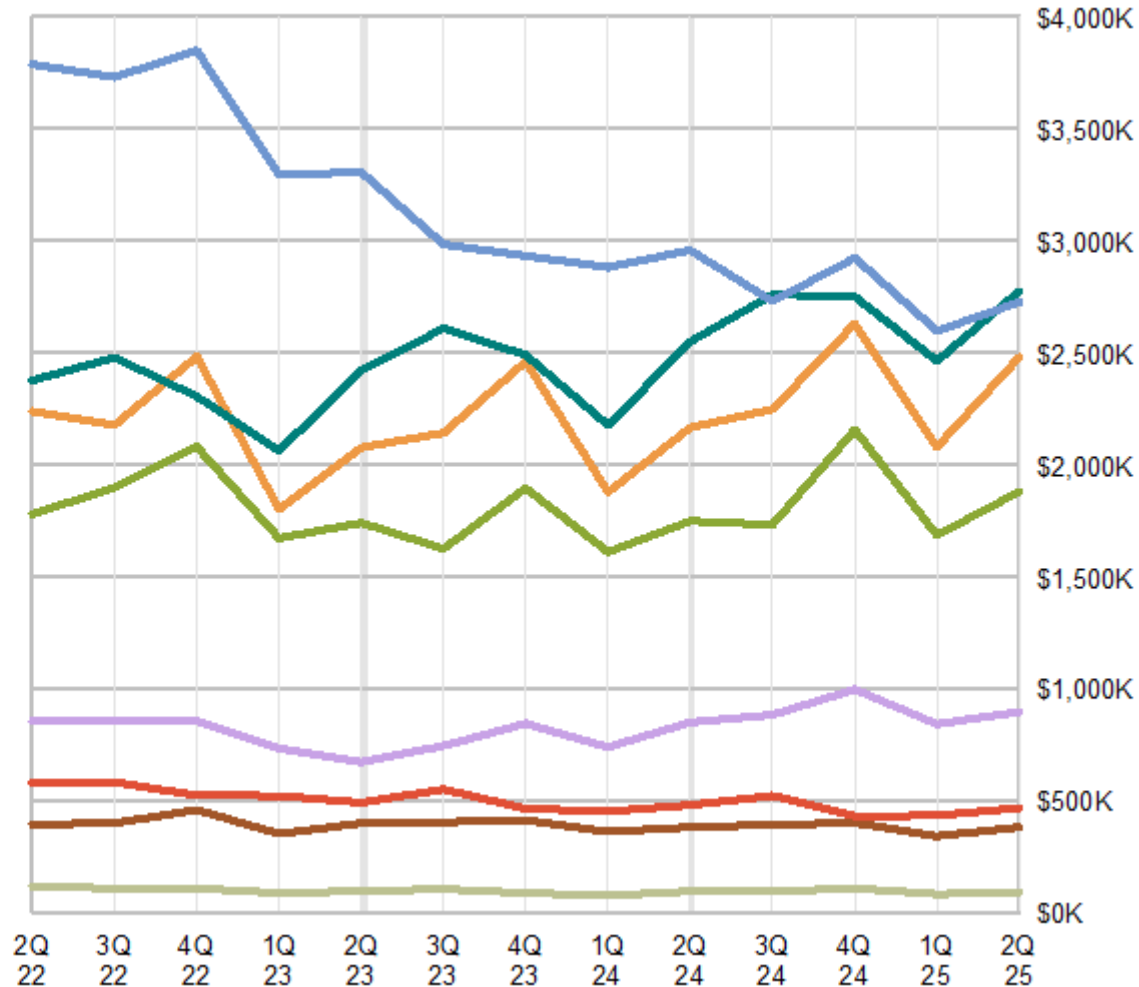
Count: 26

Food And Drugs

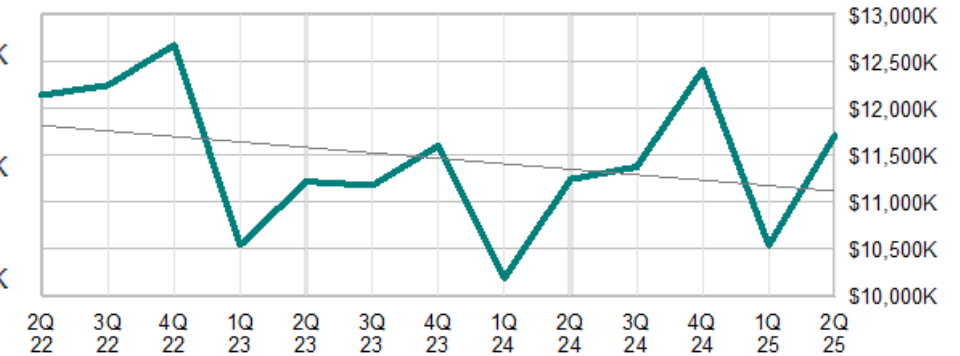
Count: 91

Building And Construction

Count: 79



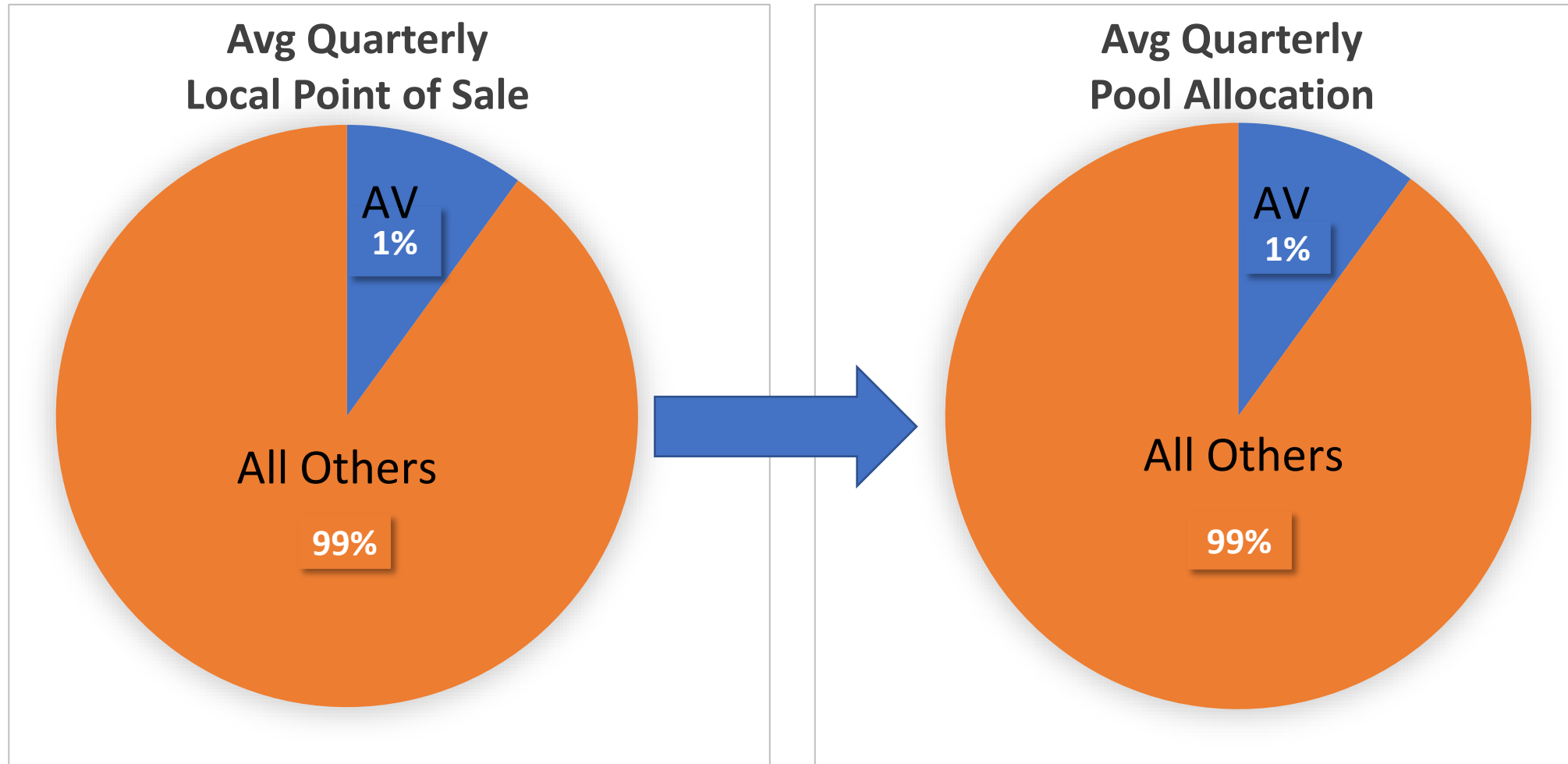
QUARTERLY TOTALS



FY 22-23 = +0.1%
FY 23-24 = (-5.4%)
FY 24-25 = +3.9%

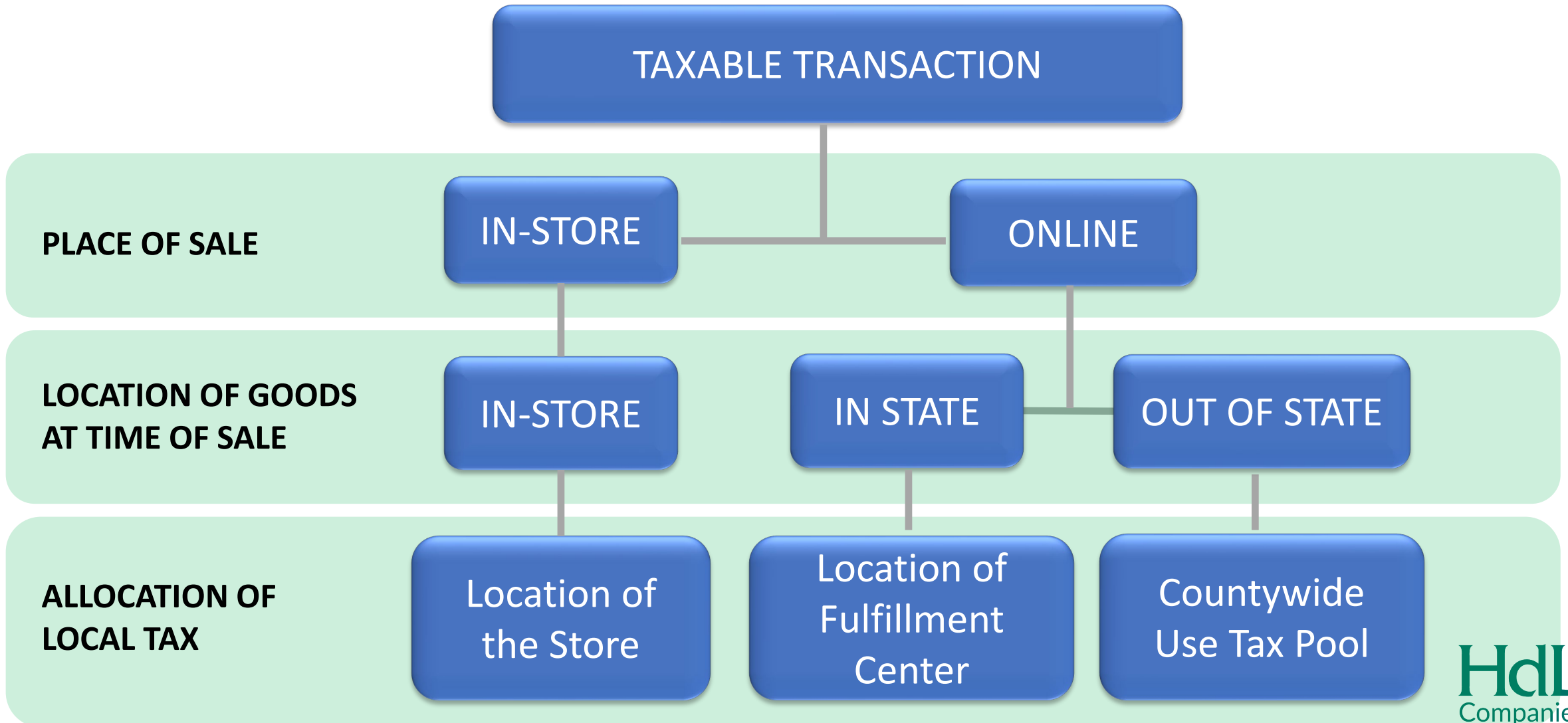
Based on Adjusted Data

ALLOCATION OF COUNTYWIDE USE TAX POOL





HOW ONLINE SALES ARE ALLOCATED





Direct To Consumer – Auto Sales

Prior to AB 147 (2019) – California’s implementation of the Supreme Court’s ‘Wayfair’ Decision:

- Sales tax allowed to be allocated to where the sales process began (point of first contact)

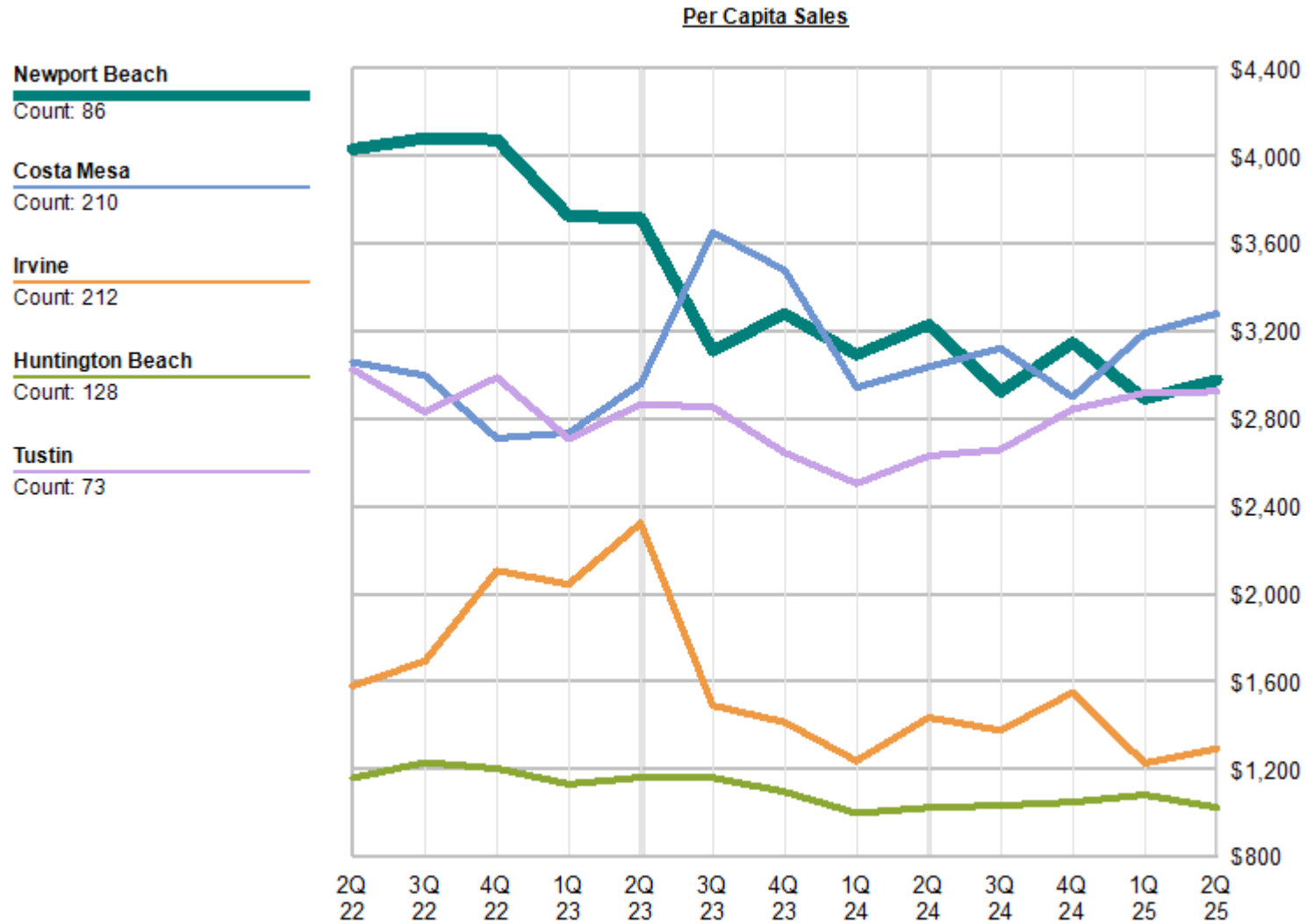
Post AB 147 Implementation:

- Sales tax allocated to where there is participation relative to ‘preparation for delivery’



NEWPORT BEACH

AUTO SALES & LEASES COMPARISON - QUARTERLY TREND



Q&A

WHO? WHAT? WHERE? WHEN? HOW? Why?

An aerial photograph of a coastal city, likely San Diego, taken during the "golden hour" of sunset. The sky is a gradient of blue, orange, and pink. The city's skyline is visible in the distance, with mountains in the background. The foreground shows a dense urban area with a large body of water, a sandy beach, and a pier extending into the ocean.

Thank you!

Bobby Young, Director of Client Services
byoung@hdlcompanies.com

HdL Companies



CITY OF NEWPORT BEACH FINANCE COMMITTEE STAFF REPORT

Agenda Item No. 6C
November 13, 2025

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Jason Al-Imam, Finance Director / Treasurer
949-644-3126, jalimam@newportbeachca.gov

SUBJECT: FIRST QUARTER BUDGET UPDATE

SUMMARY:

The Finance Department prepares quarterly financial reports to review the status of revenues and expenditures for the City's General Fund and to monitor budgetary trends across other City funds. This report presents information on revenues, expenditures, and the estimated fund balance for the first quarter of Fiscal Year 2025–26.

The first quarter financial report for FY 2025–26 provides an analysis of the City's financial activity from July through September 2025. Based on information available through the end of the first quarter, an unrestricted General Fund operating surplus of \$10.3 million is projected for FY 2025–26.

RECOMMENDED ACTION:

Review and discuss this report and provide any recommendations for consideration by the City Manager and City Council.

DISCUSSION:

Economic Overview

The City's assessed property values continue to rise, strengthening the City's largest revenue source. Property tax revenue increased by 5.5% in FY 2024–25 and is projected to grow by 5.8% in FY 2025–26, driven primarily by strong property sales and rising median home prices.

Sales tax, the City's second largest revenue source and approximately 15% of General Fund revenues, grew 5.7% in FY 2024–25 and is projected to increase 3.0% in FY 2025–26, reflecting a resilient local economy.

Transient Occupancy Tax (TOT), the City's third largest revenue source, is experiencing slower growth following several years of strong post-pandemic recovery.

Overall, the City's diverse and stable revenue base, coupled with prudent fiscal management, positions it well to maintain long-term financial sustainability.

General Fund Revenues

Most revenue categories performed at or above their budgeted levels last year due to more favorable economic conditions than originally anticipated in the adopted budget. Growth in many areas has led to a projected \$4.5 million increase in General Fund revenues compared with the budgeted estimates. Projections for key revenue categories have been updated based on current economic conditions and revenue forecasts.

The table below summarizes the changes to projected General Fund revenues compared with the revised budget for FY 2025–26. Details explaining the reasons for the material variances follow.

FY 2025-26 Projected General Fund Revenues

Revenues by Category	A	B	C = B - A Variance	D = C/A % Variance
	Revised Budget	Q1 Projected Actuals		
Property Taxes	159,980,466	163,128,525	3,148,059	1.97%
Sales Tax	47,301,344	48,091,080	789,736	1.67%
Transient Occupancy Tax*	33,994,371	33,747,971	(246,400)	-0.72%
Other Taxes	10,318,398	10,318,398	-	0.00%
Service Fees & Charges	26,121,476	26,569,121	447,645	1.71%
Parking Revenue	8,976,102	8,976,102	-	0.00%
Licenses and Permits	5,598,575	5,757,997	159,422	2.85%
Property Income	9,544,279	9,544,279	-	0.00%
Fines & Penalties	4,169,867	4,324,224	154,357	3.70%
Intergovernmental	4,684,876	4,684,876	-	0.00%
Investment Earnings	1,577,249	1,577,249	-	0.00%
Misc Revenues	588,354	660,554	72,200	12.27%
Operating Transfers In	20,753,116	20,753,116	-	0.00%
Total Revenues	333,608,473	338,133,491	4,525,019	23.45%

*Gross TOT revenues are projected at approximately \$41.0 million, consisting of \$31.6 million in hotel TOT and \$9.4 million in residential TOT. Effective January 1, 2025, VNB's share increased to 23% of hotel TOT and 0% of residential TOT. VNB is projected to receive about \$7.3 million, resulting in net TOT revenues of \$33.7 million.

Property Tax - Property taxes are the City's single largest General Fund revenue and represent approximately 50% of all General Fund revenues. When the original property

tax forecast for the current year was developed eight months ago, the City's total assessed valuation was projected at \$83.3 billion. The final property tax roll, finalized in July, reflected total assessed values of \$84.4 billion—approximately 1.3% higher than originally forecasted. Accordingly, secured and unsecured property tax revenues are projected to be about 1.3% higher, resulting in roughly \$1.5 million in additional revenue. Supplemental property tax revenues are also projected to exceed prior estimates by approximately \$1.5 million.

The forecast was revised upward primarily to reflect this stronger-than-expected performance in assessed values and prior-year activity. Overall, property tax revenue is now projected to increase by 5.8% compared to the prior year, driven by continued strength in the local real estate market.

Sales Tax - The second largest funding source for the General Fund is sales tax revenue, making up more than 15% of General Fund revenues. The City's sales tax base is largely generated from three industry groups — autos and transportation; general consumer goods; and restaurants/hotels. In FY 2024-25 the City saw a 5.7% increase in sales tax revenue compared to FY 2023-24. Sales tax revenues are projected to increase by approximately 3.0% over FY 2024-25 levels, consistent with the City's sales tax consultant's forecast. The updated projection represents a \$0.7 million increase over the original forecast for the current year to align the City's estimates with the consultant's outlook. An updated projection provided by the City's sales tax consultant reflects a \$0.7 million increase over the revised budget. A major contributor to overall sales tax growth is the automobiles and transportation sector, which is projected to be \$1.7 million higher—an increase of 16% compared to the prior year. Approximately \$1 million of this growth was already reflected in the original forecast, which is why only a \$0.7 million adjustment is needed to align the City's overall sales tax projection with the consultant's outlook.

Transient Occupancy Tax – The third largest funding source for the General Fund is TOT, making up more than 10% of General Fund revenues. The City is experiencing slower growth compared to FY 2024-25, largely due to softening demand, particularly from international travel and tourism. A decrease of approximately \$0.25 million (0.7%) is required to adjust the forecast for TOT revenue from hotels, reflecting this softening demand.

All Other Revenue – This category includes all other revenue sources other than the top three (property tax, sales tax and TOT). All other revenue is made up of other taxes, service fees and charges, parking revenue, licenses and permits, property income, fines and penalties, intergovernmental revenues, investment earnings, and miscellaneous revenues. Changes in projected amounts are proposed in the following categories:

- Service Fees and Charges – plan check fees, recreation classes, emergency medical services fees and numerous other cost-of-service fees. This category is projected to be \$0.4 million or 1.71% higher than the revised budget. Contributing factors include an increase in police emergency response, fire annual and special permits, and Oasis Center and aquatics program enrollment.

- Licenses and Permits include fees for processing building-related permits, street closure permits, dog licenses, and police tow franchise fees. Budget projections indicate an increase of \$0.2 million, or 2.85%, above the revised budget. This variance is primarily attributed to higher building permit activity, reflecting an overall increase in residential and commercial development projects.
- Fines & Penalties include parking citation fines collected by the City, administrative citation fines, fines remitted to the City from the County for vehicle code violations, and false alarm penalties.
- Miscellaneous Revenues – restricted revenue, damage to City property, bad debt, donations and contributions, non-operating revenues such as proceeds from the sale of materials and equipment, and other miscellaneous revenues. Staff's analysis shows revenues for the special lighting district projected to come in \$23,903 over the revised budget.

General Fund Expenditures

The FY 2025-26 General Fund revised expenditure budget totals \$348.0 million. Spending trends in FY 2025-26 are generally consistent with prior years and do not indicate any cause for concern. Total expenditure savings of \$3.2 million are projected at this time largely due to year-to-date savings from vacancies.

The following table compares the revised expenditure budget for FY 2025-26 to projected amounts based on data through the first quarter. Details highlighting the reasons for the material variances follow.

FY 2025-26 Projected General Fund Expenditures

Expenses by Category	A Revised Budget	B		C = A - B Variance	D = C/A % Variance
		Q1 Projected	Actuals		
Salary & Benefits	195,325,260	193,425,260		1,900,000	0.97%
Contract Services	42,841,524	42,485,199		356,325	0.83%
Grant Operating	1,570,592	1,108,329		462,264	29.43%
Utilities	4,722,621	4,654,138		68,484	1.45%
Supplies & Materials	5,162,258	4,945,456		216,801	4.20%
Maintenance & Repair	6,653,479	6,518,171		135,308	2.03%
Travel & Training	874,770	872,569		2,201	0.25%
General Expenses	4,661,079	4,709,539		(48,460)	-1.04%
Internal Svc Charge	29,444,147	29,444,147		-	0.00%
Capital Expenditures	1,572,389	1,504,462		67,926	4.32%
Operating Transfers Out	55,166,279	55,166,279		-	0.00%
Total Expenditures	347,994,399	344,833,549		3,160,850	0.91%

Significant expenditure budget variances are as follows:

- The revised salary and benefits budget totals \$195.3 million, an increase of \$10.1 million over the adopted budget. An analysis of salary and benefit activity for quarter one indicates that \$1.9 million in personnel savings have been captured to date.
- The grant operating budget shows savings of \$0.5 million, largely due to delays in disbursements from the Public Provider Ground Emergency Medical Transport Intergovernmental Transfer Program (PP-GEMT-IGT). Staff will continue to assess the nature of the delay and provide updates as more information becomes available.
- The contract services budget is expected to have \$0.4 million in savings. As of the first quarter, the variance is primarily due to timing of projects. As these savings are preliminary, staff will continue to monitor activity to refine projections as additional data becomes available.
- The supplies & materials and maintenance & repair budgets show savings of \$0.4 million based on projected spending trends. However, staff will continue to monitor expenditures in subsequent quarters to confirm actual savings.
- The general expense budget shows a 1.04% or \$0.04 million overage mainly attributed to the Fire Department's need to replace uniform personal protective equipment (PPE). This overage is expected to be more than offset by savings in other categories within each department and is not a cause for concern.

General Fund Sources, Uses, and Projected Surplus

The City continues to maintain a strong and stable financial position. Conservative budgeting practices and adherence to sound financial policies have supported consistent General Fund operating surpluses and healthy reserve levels over the past several years. These practices position the City to sustain current service levels and strategically allocate surplus resources toward key community priorities. Unrestricted General Fund resources are currently projected to total \$10.3 million at the end of FY 2025–26. As in prior years, staff anticipate that additional budget savings will be realized in subsequent quarters as the fiscal year progresses.

FY 2025-26 Projected General Fund Sources, Uses, and Budget Surplus

Category	A Revised Budget	B Q1 Projection	C=B-A Variance	D=C/A % Variance
Beginning Fund Balance Reserves	\$ 25,714,088	\$ 25,714,088	\$ -	0.00%
Operating Resources:				
Operating Revenues	312,855,357	317,380,375	4,525,019	1.43%
Prior Year Resources Carried Forward	3,785,541	3,785,541	-	0.00%
Transfers In from Other Funds	20,753,116	20,753,116	-	0.00%
Repayment of Advances	1,250,000	1,250,000	-	0.00%
Total Operating Resources	\$ 338,644,014	\$ 343,169,032	\$ 4,525,019	1.32%
Operating Uses:				
Operating Expenditures	292,828,120	289,667,270	3,160,850	1.09%
Transfers Out	43,229,779	43,229,779	-	0.00%
Total Operating Uses	\$ 336,057,899	\$ 332,897,049	\$ 3,160,850	0.95%
Net Operating Surplus	\$ 2,586,115	\$ 10,271,983	\$ 7,685,868	74.82%
Non-Operating Resources & Uses				
Use of FY 2024-25 Surplus:				
Purchase of Real Property on Campus Drive	(11,936,500)	(11,936,500)	-	0.00%
Transfers out to the FFP	(13,777,588)	(13,777,588)	-	0.00%
Total Non-Operating Resources & Uses	\$ (25,714,088)	\$ (25,714,088)	\$ -	0.00%
Net Change in Fund Balance	(23,127,973)	(15,442,105)	7,685,868	-49.77%
Ending Fund Balance Reserves	\$ 2,586,115	\$ 10,271,983	\$ 7,685,868	74.82%

Major Funds

Staff have evaluated the fiscal condition of other major operating funds. An analysis of the budget performance for other major operating funds indicates that a budget adjustment is not necessary and variances between budgeted and actual amounts are within reason.

Conclusion

Staff recommends that the Finance Committee review and discuss this report and provide any recommendations for City Manager and City Council consideration.

Prepared and Submitted by:

/s/ Jessica Nguyen

Jessica Nguyen
Budget Manager

FISCAL YEAR 2025-26 FIRST QUARTER FINANCIAL REPORT

November 13, 2025

Finance Committee

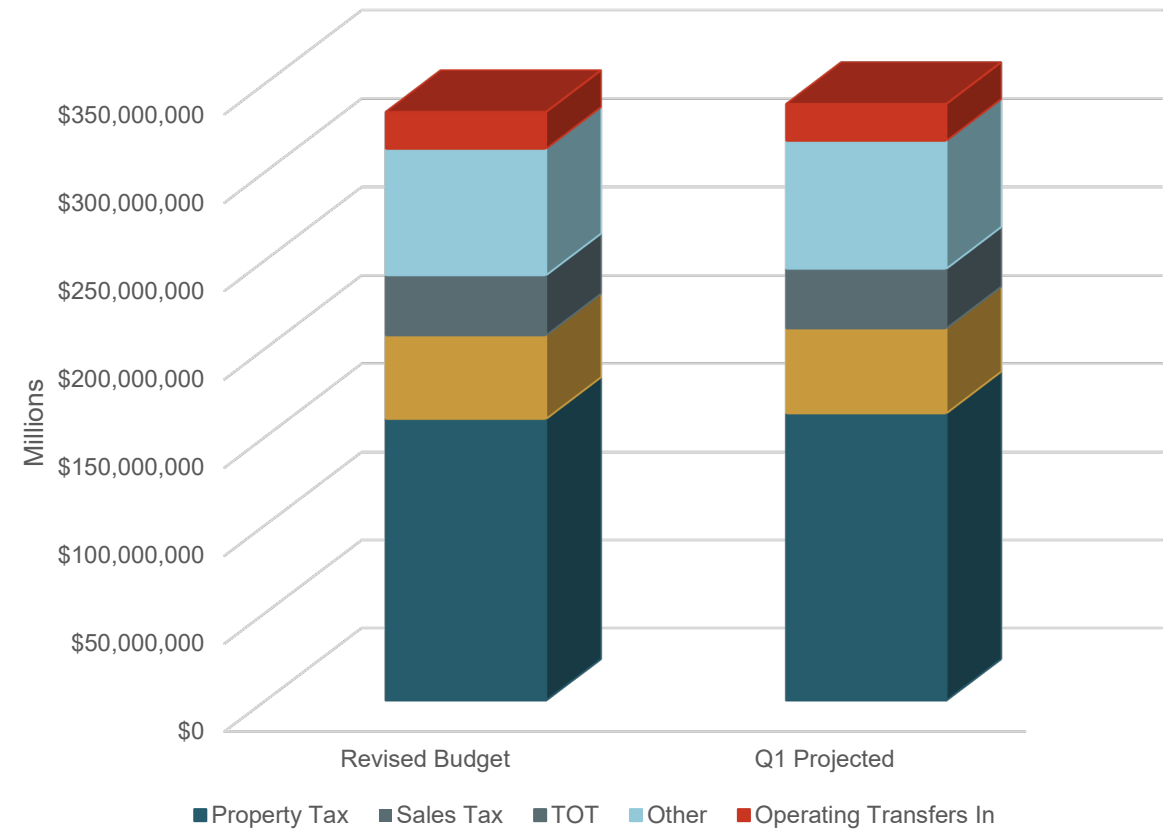


PROJECTED GENERAL FUND REVENUES

Revised Budget \$ 333.6 million

First Quarter Projection \$ 338.1 million

- Revenues are projected to be \$4.5 million higher, primarily due to increases in property tax revenue (\$3.1 million) and sales tax revenue (\$0.8 million).

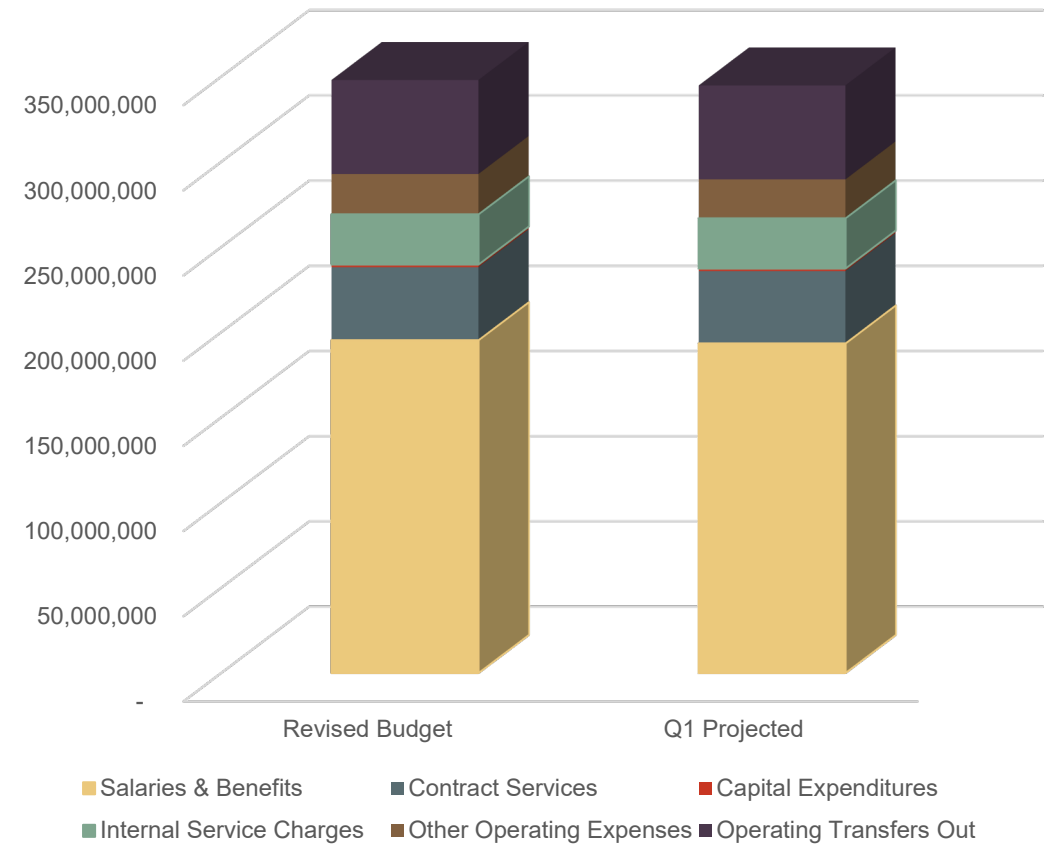


PROJECTED GENERAL FUND EXPENDITURES

Revised Budget \$ 348.0 million

First Quarter Projection \$ 344.8 million

- Projected savings of \$3.2 million are primarily attributable to vacancy savings (\$1.9 million), grant expenditures (\$0.5 million), contract services (\$0.4 million), and supplies and materials (\$0.2 million).



GENERAL FUND SOURCES AND USES

- \$10.3 million unrestricted General Fund surplus currently projected.
- Staff anticipate that additional budget savings will be realized in subsequent quarters as the fiscal year progresses.

Category	A Revised Budget	B Q1 Projection	C=B-A Variance	D=C/A % Variance
Beginning Fund Balance Reserves	\$ 25,714,088	\$ 25,714,088	\$ -	0.00%
Operating Resources:				
Operating Revenues	312,855,357	317,380,375	4,525,019	1.43%
Prior Year Resources Carried Forward	3,785,541	3,785,541	-	0.00%
Transfers In from Other Funds	20,753,116	20,753,116	-	0.00%
Repayment of Advances	1,250,000	1,250,000	-	0.00%
Total Operating Resources	\$ 338,644,014	\$ 343,169,032	\$ 4,525,019	1.32%
Operating Uses:				
Operating Expenditures	292,828,120	289,667,270	3,160,850	1.09%
Transfers Out	43,229,779	43,229,779	-	0.00%
Total Operating Uses	\$ 336,057,899	\$ 332,897,049	\$ 3,160,850	0.95%
Net Operating Surplus	\$ 2,586,115	\$ 10,271,983	\$ 7,685,868	74.82%
Non-Operating Resources & Uses				
Use of FY 2024-25 Surplus:				
Purchase of Real Property on Campus Drive	(11,936,500)	(11,936,500)	-	0.00%
Transfers out to the FFP	(13,777,588)	(13,777,588)	-	0.00%
Total Non-Operating Resources & Uses	\$ (25,714,088)	\$ (25,714,088)	\$ -	0.00%
Net Change in Fund Balance	(23,127,973)	(15,442,105)	7,685,868	-49.77%
Ending Fund Balance Reserves	\$ 2,586,115	\$ 10,271,983	\$ 7,685,868	74.82%



RECOMMENDED ACTION

- Review and discuss this report
- Provide any recommendations for consideration by the City Manager and the City Council.



Questions?



Newport Beach Finance Committee Work Plan

Scheduled Date	Agenda Title	Report Type	Agenda Description
January 2026			
Thursday, January 15, 2026			
	Financial Statement Audit Results and Related Communication for the Fiscal Year Ending June 30, 2025	Presentation	Davis Farr, an independent public accounting firm of licensed public accountants, has completed its audit for the fiscal year ending June 30, 2025. Marc Davis, the audit partner, will meet with the Finance Committee to discuss the results of the audit.
	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.
	Internal Audit Program Update	Presentation	Presentation of internal audit reports, findings, and recommendations from the Fiscal Year 2024-25 audit program.
	General Fund and Tideland Fund Long Range Financial Forecast Update	Presentation	Staff will brief the Committee regarding the results of the updated LRFF.
	Budget Amendments for Quarter Ending December 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.
February 2026			
Thursday, February 12, 2026			
	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 2025-26 budget performance.
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
March 2026			
Thursday, March 12, 2026			
	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 2026-27 budget preparation process.
	Fiscal Year 2025-26 Fee Study Update	Presentation	Review and discuss the proposed fee updates for Fiscal Year 2025-26
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
April 2026			
Thursday, April 9, 2026			
	Proposed FY 2026-27 Budget Overview of Expenditures	Presentation	Staff will provide the Committee with an overview of the expenditure budget for Fiscal Year 2026-27 that will be presented to the City Council in May.
	Budget Amendments for Quarter Ending March 31, 2026	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 2026			
Thursday, May 14, 2026			
	Follow-Up Discussion of Proposed FY 2026-27 Budget	Discussion	Staff will provide the Committee with a copy of the Fiscal Year 2026-27 proposed budget document. Should the Committee wish to continue April's discussion of the Fiscal Year 2026-27 budget, this is also an opportunity to do so.
	Financial Statement Auditor's Communication with the Finance Committee acting as the City's Audit Committee	Presentation	The City's external auditors will discuss with the Audit Committee the planned scope and timing of the financial statement audit for the Fiscal Year Ending June 30, 2026.
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.

Newport Beach Finance Committee Work Plan

Scheduled Date	Agenda Title	Report Type	Agenda Description
Tuesday, May 26, 2026	Joint City Council and Finance Committee Study Session	Presentation	Staff will present the Fiscal Year 2026-27 proposed budget to the City Council and Finance Committee.
Thursday, May 28, 2026	Committee Recommendation to Council for the FY 2026-27 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 2025-26 budget performance.
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
June 2026			
<i>Committee Recess</i>			
July 2026			
<i>Committee Recess</i>			
August 2026			
<i>Committee Recess</i>			
September 2026			
Thursday, September 10, 2026	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, 2026.
	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, 2026	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 2026			
Thursday, October 15, 2026	Budget Amendments for Quarter Ending September 30, 2026	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 2025-26 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 2026			
Thursday, November 12, 2026	First Quarter Budget Update	Presentation	Staff will provide a presentation regarding the year-to-date and projected Fiscal Year 2026-27 budget performance.
	OPEB Actuarial Valuation Report Update	Presentation	Staff will provide the Committee with an overview of the Fiscal Year 2025-26 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 2025-26 audit program.
	Work Plan Review	Receive and File	Staff will report on the upcoming Finance Committee items.
December 2026			
<i>Committee Recess</i>			