



**CITY OF**

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# **NEWPORT BEACH**

## **PUBLIC FACILITIES CORPORATION STAFF REPORT**

August 26, 2025  
Agenda Item No.3

**TO:** HONORABLE CHAIRPERSON AND MEMBERS OF THE BOARD OF DIRECTORS

**FROM:** Jason Al-Imam, Finance Director/Treasurer - 949-644-3126  
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**TITLE:** Review of Annual Financial Statements

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**ABSTRACT:**

The bylaws of the Newport Beach Public Facilities Corporation (Corporation) call for an annual meeting of its board of directors. The bylaws also specify that the chief financial officer shall maintain adequate financial records concerning the receipts and disbursements of the Corporation and the board of directors is entitled to inspect the associated financial records upon request. The attached financial statements represent the financial position and financial activities of the Corporation for the year ended June 30, 2025.

**RECOMMENDATIONS:**

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and
- b) Receive and file the annual financial statements for the year ended June 30, 2025.

**DISCUSSION:**

The Corporation was created on March 9, 1992, by the City of Newport Beach under the authority of California law. The purpose of the Corporation is to assist the City in the financing of public improvements. This type of nonprofit corporation is utilized to facilitate the issuance of public financing instruments called Certificates of Participation (COPs). COPs are a common California public financing instrument utilized for the acquisition or construction of public facilities and/or equipment. They are structured as a type of lease purchase that requires a third party, the Corporation, as a party to the lease transaction along with the City. The Corporation assigns all of the rights, obligations and financial transactions associated with the COPs' issuance to a trustee bank to facilitate the debt issuance.

The Corporation is governed by a board of directors which has historically been comprised of the seven members of the Newport Beach City Council. Normally, the mayor serves as the board chairperson, with the mayor pro tem serving as vice chairperson. Under the Corporation's bylaws, the city manager serves the Corporation as president, the city clerk serves as secretary, and the finance director serves as chief financial officer.

In 1992, the City issued \$7.5 million of COPs to finance the construction of the Central Library and subsequently refinanced this obligation in 1998. In 2010, the City issued approximately \$126.7 million of new COPs. Of this financing, \$122.8 million was used for the Civic Center project and \$3.9 million was used to refinance the remaining balance of the Central Library COPs. In 2020, the City issued \$7.9 million of new COPs to finance the construction of Fire Station No. 2. The Corporation's financial data and transactions are included in the Debt Service Fund in the City's financial statements. The City's Debt Service Fund is used solely to account for the activities of the Corporation and contains no other City debt financing activities. Even though the Corporation is a separate legal entity, it is considered a component unit of the City and is included in the City's Annual Comprehensive Financial Report and its transactions are reviewed as part of the City's annual financial statement audit.

The main sources of revenues of the Corporation are lease payments from the City and Federal Build America Bond (BAB) interest subsidy payments for the Civic Center COPs, both of which are pledged exclusively to pay interest and principal on the outstanding COPs. The Corporation has assigned its rights to receive and collect these payments to a trustee bank who makes the semi-annual debt service payments to the bondholders. Therefore, the lease and BAB subsidy payments are received directly by the trustee bank. While the outstanding debt has been issued by the Corporation, ultimately it is an obligation of the City, not the Corporation. The City owns the properties that are encumbered through the COPs' lease transactions. They remain encumbered until such time as the outstanding debt has been repaid in full.

During the year, the trustee bank received lease payments from the City totaling \$8.6 million and Federal Build America Bond (BAB) interest subsidy payments totaling \$2.0 million. Together with investment earnings and any restricted funds already on hand with the trustee bank, there were sufficient resources available to satisfy the annual debt service payments totaling \$10.6 million. The following table illustrates the remaining combined debt service payment schedule and principal balance outstanding on the Civic Center and Fire Station No. 2 COPs:

Year Ending June 30	COP Debt Service			Total	Balance
	Principal	Interest	BAB Subsidy		
2026	\$ 4,430,000	\$ 6,074,260	\$ (1,954,507)	\$ 8,549,753	84,860,000
2027	4,635,000	5,777,615	(1,856,041)	8,556,574	80,225,000
2028	4,840,000	5,467,189	(1,764,147)	8,543,042	75,385,000
2029	5,060,000	5,142,526	(1,667,983)	8,534,543	70,325,000
2030	5,285,000	4,802,926	(1,567,317)	8,520,609	65,040,000
2031-2035	26,135,000	18,642,474	(6,146,908)	38,630,566	38,905,000
2036-2040	31,660,000	8,476,519	(2,797,675)	37,338,844	7,245,000
2041	7,245,000	259,661	(85,701)	7,418,960	-
	<u>\$ 89,290,000</u>	<u>\$ 54,643,170</u>	<u>\$ (17,840,279)</u>	<u>\$ 126,092,891</u>	

The combined outstanding principal of the obligations was \$89.3 million as of June 30, 2025. Of that amount, \$84.3 million was related to the 2010 COPs which are payable through 2041, and \$5.0 million was related to the 2020 COPs which are payable through 2031. The remaining interest of \$54.6 million does not yet reflect the remaining expected BAB subsidy of \$17.8 million, so the remaining interest net of the BAB subsidy totals \$36.8 million.

**FISCAL IMPACT:**

There is no fiscal impact related to this item.

**ENVIRONMENTAL REVIEW:**

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

**NOTICING:**

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

**ATTACHMENT:**

Attachment A – Financial Statements