



CITY OF

NEWPORT BEACH

City Council Staff Report

October 12, 2021
Agenda Item No. 14

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: Scott Catlett, Finance Director – 949-644-3123,
scatlett@newportbeachca.gov

PREPARED BY: Steve Montano, Deputy Finance Director,
smontano@newportbeachca.gov

PHONE: 949-644-3240

TITLE: Annual Review of Visit Newport Beach Audited Financial Statements
and Expenditure Report

ABSTRACT:

In accordance with Sections 6(d) and 6(e) of the City of Newport Beach's agreement with Visit Newport Beach (VNB), originally entered into on September 27, 2011, and amended on August 5, 2015, VNB's audited financial statements, management letters, and compliance expenditure report are attached for the City Council's review.

RECOMMENDATION:

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

DISCUSSION:

The following reports are subject to review by the City Council:

Audited Financial Statements and Management Letters

VNB shall submit to the City of Newport Beach audited financial statements for its most recently ended year, including any management letter associated with the audited financial statements. The City Council shall review the audited financial statements and management letters.

Expenditure Report

VNB shall submit an expenditure report, which shall be certified by VNB and a Certified Public Accountant to the effect that the funds received pursuant to the Agreement were expended in accordance with the Agreement in the previous fiscal year for purposes authorized by the Agreement. This report shall include reasonable detail in support of the certification, including expenditures for or contributions to special events and not-for-profit organizations in Newport Beach.

The audited financial statements and expenditure report were reviewed by the audit firm of KMJ Corbin & Company. Their review indicated that the financial statements of both Newport Beach & Company and Visit Newport Beach presented fairly, in all material respects, the financial position of each entity. In other words, the audit of both entities was clean with no audit findings. The firm's review of the required expenditure report indicated that they concurred with the assertion by VNB's management that they complied with the applicable provisions of the Agreement with the City relative to expenditures.

FISCAL IMPACT:

Under its agreement with the City, VNB receives 18% of all Transient Occupancy Tax revenue collected by the City to fund destination marketing services and activities. Additionally, VNB receives revenue from the Newport Beach Tourism Business Improvement District (TBID), which is funded by a levy of 3% of most revenues from short-term stays at participating lodging businesses within the City. The TBID funds are dedicated to meeting and event sales promotion and marketing programs. Total revenues from these sources, as outlined in the attached financial statements, amounted to approximately \$4.8 million in 2021, down from \$9.4 million in 2020 due to the impacts of the COVID-19 pandemic.

ENVIRONMENTAL REVIEW:

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

NOTICING:

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

ATTACHMENTS:

- Attachment A – Visit Newport Beach Audited Financial Statements for the Year Ended June 30, 2021, and Accompanying Management Letter Dated September 30, 2021 (Exhibit 1)
- Attachment B – Newport Beach and Company Audited Financial Statements for the Year Ended June 30, 2021, and Accompanying Management Letter Dated September 30, 2021 (Exhibit 2)
- Attachment C – Visit Newport Beach Expenditure Compliance Report for the Year Ended June 30, 2021