

## November 4, 2021, Finance Committee Agenda Comments

These comments on an item on the Newport Beach [Finance Committee agenda](#) are submitted by: Jim Mosher ( [jimmosher@yahoo.com](mailto:jimmosher@yahoo.com) ), 2210 Private Road, Newport Beach 92660 (949-548-6229)

### Item IV.A. MINUTES OF OCTOBER 14, 2021

Changes to the [draft minutes](#) passages shown in *italics* are suggested in ~~strikeout~~ underline format.

**Page 2** ([agenda packet](#) page 6), Item B, paragraph 5, sentence 4: *"He noted there are some very large projects in the long-term Harbor ~~and~~ Beaches Master Plan that are coming up down the road such as ~~sea-wall~~ seawall repair and dredging, so \$14 million has been allocated in the FY 2021-22 budget."*

**Page 2** ([agenda packet](#) page 6), Item B, paragraph 6, sentence 1: *"In response to Chair O'Neill's inquiry regarding the Tidelands Operating Fund and Tidelands Capital Fund, Finance Director/Treasurer Catlett confirmed **the Tidelands Operating Fund never has a balance.**"*

[?? I am unable to remember what was said, but this does not make sense as presented. The PowerPoint slides preserved in the October 14 [meeting archive](#) show only Tidelands expenses, not fund balances. And the Tidelands Operating Fund, like all funds, obviously does always have a balance, either positive or negative. Indeed, the [Tide & Submerged Lands Annual Financial Report](#) indicates it maintains a positive balance. I assume the inquiry and confirmation had something to do with the fund being able to maintain that positive balance only through an injection of General Fund revenues. In other words, **the inquiry may have sought confirmation that the tidelands operating expenses exceed the revenues attributed directly to those tidelands operations.** Whatever, describing this as the "fund" not having a "balance" is extremely confusing when the City's own documentation indicates it does have one.]

**Page 4** ([agenda packet](#) page 8), paragraph 2, sentence 3: *"He noted that even with the COVID-19 ~~delta~~ Delta variant staff is optimistic about TOT and believes there is still room for growth in the future."*

**Page 4** ([agenda packet](#) page 8), paragraph 5, last sentence: *"He advised the bottom line is that only \$7 million of ~~is~~ the surplus was generated from current year operating revenues"*

**Page 6** ([agenda packet](#) page 10), last paragraph, sentence 2: *"Chair O'Neill reported he has spoken offline with ~~former state~~ Senator John Moorlach about the issue repeatedly."*

**Page 7** ([agenda packet](#) page 11), paragraph 1, sentence 1: *"Ms. Curran reported as a CalPERS retiree they could not tell ~~what~~ her potential qualification threshold was until she retired."*

**Page 7** ([agenda packet](#) page 11), paragraphs 4 and 5: I am unable to follow what these two paragraphs are trying to say. For example, *"He advised by the time the City Manager begins working on the budget which is at the start of the fourth quarter and presents it to the Finance Committee and eventually to the City Council it is close to the end of the budget year"* is confusing since I thought the City Manager has been said to begin work on the budget in October, which is the start of the fourth *calendar* year quarter and *not* "close to the end of the budget year." But in the previous sentence the Chair seems to be speaking of the fourth *fiscal* year quarter, which *is* close to the end of the budget year.

**Page 8** (agenda packet page 12), full paragraph 1, sentences 1 and 3: “Mr. Klobe noted in the last few years and even with the pandemic the City had a budget surplus. ... Chair O’Neill noted it is possible to have a surplus at the end of the fiscal year.”

**Page 8** (agenda packet page 12), paragraph 6, sentence 2: “Chair O’Neill advised in that case \$15.5 million would be allocated for pension liability and \$15.5 million would be allocated to CIP.”

**Page 12** (agenda packet page 16), first (partial) paragraph, last sentence: “He advised due to the pandemic there were some operators who shut down last year and failed to file or filed late.”

**Page 12** (agenda packet page 16), (full) paragraph 1, last sentence: “He advised they have conducted two-thirds of the 30 total audits and noted a new finding is that Solid Waste Haulers are incorrectly reporting gross receipts.”

**Page 13** (agenda packet page 17), paragraph 2: “Mr. Klobe advised he would support a policy that requires everyone to be audit audited every few years.”

## **~~Item V.A. OVERVIEW OF HISTORICAL FUNDING PROVIDED TO VISIT NEWPORT BEACH~~**

1. Especially in view of its title, the staff report is misleading in saying (on page 2 = page 20 of agenda packet) that “*The City’s agreement with VNB originally dates back to May 2004 and was subsequently amended in March 2009.*”

VNB is in fact a relatively recent ([2009](#)) rebranding, at the behest of its current CEO, of what was formerly known as the Newport Beach Conference and Visitors Bureau, originally a self-funded membership trade organization of Newport Beach businesses in the tourism field – and still (erroneously?) referred to by the old name on the City’s [home page for visitors](#).

The City’s involvement with the CVB/VNB dates back to the enactment, at the behest of an earlier CVB CEO, and by a slim 4:3 vote in early 1987, of [Ordinance No. 86-5](#), which created Municipal Code [Chapter 3.28](#), adding a “Visitor’s Service Fee” to the TOT, the proceeds from which were to be [used](#) such that “*The City, or an entity under contract to the City, shall develop, plan, carry out and supervise a program to serve the needs of visitors to, and promote tourism in, the City of Newport Beach*” (see 1/26/1987 [staff report](#) and Council discussion from minutes of [3/24/86](#), [7/28/86](#), [8/11/86](#), [1/12/87](#), [1/26/87](#) and [2/9/87](#)).

In short, it seems the CVB was having trouble collecting enough revenue from its members to sustain its operations in the manner it wished, so it sought assistance from the City. A narrow majority of Council agreed to help, although several thought it was improper role for government to subsidize businesses. Needless to say, membership revenues declined to zero after the City agreed to pay the organization’s bills.

2. The staff report is correct in observing in the summary that “VNB also serves as the owners’ association to the Newport Beach [Tourism Business Improvement District](#) (TBID).” It is, however, again a bit misleading in saying “*The expenditure of an additional \$1.7 million of TBID funds was overseen by VNB during FY 2020-21.*”