

~~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.”

Under [Section 36612](#) of the California Streets and Highways Code, which allowed the City Council to create the TBID, the board of the designated owner's association is required to comply with the Brown Act (that is, provide public notice and allow public participation) whenever it meets to discuss BID matters. To avoid this requirement exposing the organization's activities to public scrutiny, the TBID expenditures are overseen not by the [VNB board](#), but rather by a committee consisting, it appears, of the general managers of the TBID "member" hotels.

3. It is good to see in the Discussion at the top of page 2 that the staff report reports TOT to be a tax *"imposed on travelers when they rent accommodations in a hotel, motel, or other short-term lodging for a period of **30 days or less**"* – consistent with California Revenue and Taxation Code [Section 7280](#).

That seems straightforward enough, but in its planning documents and short term lodging ordinances, from which TOT is also collected, the City insists (see, for example, NMBC [Sec. 5.95.010](#)) on defining "short term" as *"a period of **less than thirty (30) consecutive calendar days,**"* which does not seem quite the same.

4. Questions:
 - a. How common is it for cities to subsidize visitors bureaus as compared to them being privately-funded trade organizations as the Newport Beach CVB once was?
 - b. What, if any, measure exists to confirm or deny that visitation to Newport Beach is greater as a result of the VNB subsidy (or as a result of VNB's operations in general) than it would be without it?
 - c. Since 2011, the City has, for oversight purposes, required a Council-designated City representative, currently [Sharon Wood](#), to sit on the VNB Executive Board.
 - i. Has Ms. Wood reported back to the City or expressed any concerns about VNB?
 - ii. Was Ms. Wood invited to provide her insights to the Finance Committee, instead of relying entirely on VNB's own, possibly self-serving spokespeople?
 - d. Is the VNB subsidy being used to promote the short-term lodging industry that many residents feel is detrimental to their quality of life?
 - e. Is the VNB subsidy being used to promote air travel to John Wayne Airport, again something many residents feel is detrimental to their quality of life?
 - f. Is the compensation of the VNB CEO too high? According to page 17 of the [NB&Co 2018 Form 990](#) and [VNB 2018 Form 990](#), Mr. Sherwin's compensation for what I believe is 7/1/2018-6/30/2019 was $\$311,782 + \$55,201 = \$366,983$, not counting the perks that may be available to him as a travel executive. That seems similar too, if not more than, the cost of the Newport Beach City Manager, who oversees a much larger organization and budget. Is anything wrong with that?
 - g. If subsidizing VNB makes sense because it increases TOT to the City, why would it not make sense for the City to create and subsidize organizations promoting other business sectors? For example, diverting a portion of sales tax to promote auto sales, since auto sales tax is a greater revenue source to the City than TOT?