

DUE DECEMBER 31 Pursuant to Public Resources Code § 6306

Fiscal/Calendar Year: FY 2021-2022

Grantee Name: City of Newport Beach

Contact Person: Jason Al-Imam, Finance Director/Treasurer

Mailing Address: 100 Civic Center Dr. Newport Beach, CA 92660

1. Funds

a. Is a separate fund maintained for trust assets, liabilities, revenues and expenditures?

YES NO

If “Yes”, please list the name(s) of the fund(s).

- 1) Tide and Submerged Lands Operating Fund (includes a restricted amount for Upper Newport Bay Restoration Fund)
- 2) Tide and Submerged Lands Harbor Capital Fund

If “No”, under what fund are they accounted for?

N/A

b. Are separate financial statements prepared for the trust?

YES NO

If “Yes,” describe the organization of the separate financial statement.

City of Newport Beach - Tide and Submerged Lands Annual Financial Report for the Year Ending June 30, 2022 (pages 9-13)

If “No,” in which financial statements are they included? (Name of the document(s) and the applicable page number(s)).

N/A

2. Revenue

a. What was the gross revenue received or generated from trust land or trust assets during the past fiscal year?

Gross revenues for FY 2021-2022 were \$18,175,285 (page 10).

b. Please list all sources of revenue and the amount of revenue generated from each source (e.g., permits, rentals, percentage of lease, etc.).

Please see attached report (page 10).

GRANTED PUBLIC TRUST LANDS STANDARDIZED REPORTING FORM

SLC 150 (formerly Form 12.26)

3. Expenses

- a. What was the total expenditure of funds received or generated from trust land or assets during the past fiscal year?

Total expenditures for FY 2021-2022 were \$23,182,707 (page 11).

- b. What expenses were allocated or charged directly to the trust? Please list the source of the expenditure and the amount expended.

Please see attached report (page 11).

- c. Have there been any capital improvements over \$250,000 within the current fiscal year? Are any capital improvements over \$250,000 expected in the next fiscal year?

Yes, capital improvements during FY 2021-2022 amounted to \$1,977,646 (page 11).

For next fiscal year, \$16,347,366 in capital improvements are expected.

- d. Describe any other disposition of trust funds or assets or any other disposition of the trust lands or trust assets themselves. Include any internal funds that were transferred to other grantees, to the management of entity or under the management of another political subdivision of the grantee under an agreement, settlement, or memorandum of understanding.

N/A

4. Beginning and Ending Balance

Please list the beginning and ending balances for the tidelands trust fund(s) for this past fiscal year.

Tide and Submerged Lands Operating Fund: Beginning Balance - \$4,312,757; Ending Balance - \$4,547,800

Reserve for Upper Newport Bay Restoration Fund: Beginning Balance - \$1,161,905; Ending Balance - \$1,318,126

Tide and Submerged Lands Harbor Capital Fund: Beginning Balance - \$23,607,996; Ending Balance - \$31,534,472

CITY OF NEWPORT BEACH
Tide and Submerged Lands
Balance Sheet
June 30, 2022

	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Tide and Submerged Land Total Funds
Assets			
Cash and investments	\$ 4,745,087	\$ 39,666,573	\$ 44,411,660
Receivables:			
Accounts (net of allowance)	1,972,271	-	1,972,271
Interest	50,387	107,649	158,036
Lease Receivables (note 2)	176,798,702	-	176,798,702
Total assets	<u>\$ 183,566,447</u>	<u>\$ 39,774,222</u>	<u>\$ 223,340,669</u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,710,218	\$ 63,091	\$ 1,773,309
Accrued payroll	38,725	-	38,725
Deposits payable	192,589	-	192,589
Unearned Revenue	757,105	-	757,105
Advance from other funds (note 3)	-	8,176,659	8,176,659
Total liabilities	<u>2,698,637</u>	<u>8,239,750</u>	<u>10,938,387</u>
Deferred Inflows of Resources:			
Deferred amount from leases (note 2)	176,320,010	-	176,320,010
Total deferred inflows of resources	<u>176,320,010</u>	<u>-</u>	<u>176,320,010</u>
 Fund balances:			
Restricted:			
Upper Newport Bay Restoration	1,318,126	-	1,318,126
Other	2,429,674	31,534,472	33,964,146
Committed:			
Oil and Gas Liabilities	800,000	-	800,000
Total fund balances	<u>4,547,800</u>	<u>31,534,472</u>	<u>36,082,272</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 183,566,447</u>	<u>\$ 39,774,222</u>	<u>\$ 223,340,669</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Tide and Submerged Lands
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2022

	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Tide and Submerged Land Total Funds
Revenues:			
Licenses, permits, and fees	\$ 121,046	\$ -	\$ 121,046
Charges for services	30,430	-	30,430
Fines and forfeitures	37,365	-	37,365
Investment income	127,362	416,225	543,587
Net decrease in fair value of investments	(515,127)	(1,434,907)	(1,950,034)
Income from the use of property and money			
Parking			
Balboa Lot	2,296,881	-	2,296,881
Other parking	1,937,368	-	1,937,368
Total Parking	4,234,249	-	4,234,249
Leases			
Balboa Yacht Basin Slips (net of increment)	653,171	600,292	1,253,463
Balboa Yacht Basin Garages (net of increment)	35,344	36,042	71,386
Balboa Yacht Basin Apartments (net of increment)	30,456	3,183	33,639
Balboa Yacht Basin Offices	17,930	-	17,930
Balboa Yacht Basin Electricity	8,605	-	8,605
Balboa Bay Club	3,011,162	2,246,724	5,257,886
Beacon Bay	1,543,443	-	1,543,443
Other Leases	1,312,058	217,036	1,529,094
Total Leases	6,612,169	3,103,277	9,715,446
Rent			
Moorings Off-Shore (net of increment)	617,608	548,624	1,166,232
Moorings On-Shore (net of increment)	69,546	94,642	164,188
Moorings Guest (net of increment)	-	331,810	331,810
Moorings Transfers (net of increment)	-	76,424	76,424
Residential Piers Rent (net of increment)	118,000	155,911	273,911
Commercial Piers Rent (net of increment)			
Large Com Marina Rent	248,441	541,278	789,719
Medium Com Marina Rent	-	85,465	85,465
Small Com Marina Rent	47,662	96,365	144,027
Vessel Charter Bus Rent	26,833	31,475	58,308
Vessel Rental Facility Rent	20,560	25,547	46,107
HOA NONMEM <13,000 sqf	5,693	14,672	20,365
HOA NONMEM 13K-30K sqf	6,927	7,746	14,673
Yacht Club Guest Slip Rent	13,471	1,296	14,767
Restaurant Rent	7,873	1,774	9,647
Shipyard Rent	6,559	10,084	16,643
Other Rent - Bldg over Tld	5,325	5,903	11,228
Fuel Dock - Base/Plus Rent	4,710	5,522	10,232
Sport Fishing Charter Rent	4,446	5,212	9,658
Total Commercial Piers Rent	398,500	832,339	1,230,839
Total Rent	1,203,654	2,039,750	3,243,404
Sale of Oil	1,679,870	-	1,679,870
Other	519,922	-	519,922
Total property income	14,249,864	5,143,027	19,392,891
Total Revenues	\$ 14,050,940	\$ 4,124,345	\$ 18,175,285

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Tide and Submerged Lands
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2022

Continued

	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Tide and Submerged Land Total Funds
Expenditures:			
General government:			
City council - Indirect	\$ 34,265	\$ -	\$ 34,265
City clerk - Indirect	10,684	-	10,684
City attorney - Indirect	216,454	-	216,454
City manager - Indirect	143,810	-	143,810
Finance - Indirect	144,242	-	144,242
Human resources - Indirect	44,752	-	44,752
Building use - Indirect	171,331	-	171,331
Parking operations - Indirect	816,627	-	816,627
Total General government	<u>1,582,165</u>	<u>-</u>	<u>1,582,165</u>
Public safety:			
Police - Indirect	3,346,380	-	3,346,380
Fire - Indirect	2,350,445	-	2,350,445
Marine safety - Indirect	6,957,463	-	6,957,463
Total Public safety	<u>12,654,288</u>	<u>-</u>	<u>12,654,288</u>
Public works:			
Public works - Indirect	10,006	-	10,006
Public works - Utilities - Direct	1,479,786	-	1,479,786
Public works - Utilities - Indirect	3,344,447	-	3,344,447
Public works - Tidelands management - Direct	356,413	-	356,413
Total Public works	<u>5,190,652</u>	<u>-</u>	<u>5,190,652</u>
Community development:			
Community development - Direct	3,543	-	3,543
Total Community development	<u>3,543</u>	<u>-</u>	<u>3,543</u>
Community services:			
Harbor operations - Direct	1,774,413	-	1,774,413
Total Community services	<u>1,774,413</u>	<u>-</u>	<u>1,774,413</u>
Capital improvement projects: - All are Direct			
Abandoned Watercraft Abatement	-	12,715	12,715
Abandoned Watercraft Grant	239	-	239
American Legion Bulkhead	-	54,256	54,256
Arches Storm Drain Diversion	-	26,111	26,111
Beach and Bay Sand Management	466,399	-	466,399
Big Canyon Restoration - Phase 2A	7,975	-	7,975
Bilge Pumpout/Oil Collection	-	5,833	5,833
Harbor Bulkheads and Seawall Repair	65,281	-	65,281
Harbor Dredging/Planning	-	73,046	73,046
Harbor Maintenance/Minor Improv	-	8,079	8,079
Harbor Piers Rehabilitation	2,066	76,079	78,145
Newport Bay Water Wheel	266,466	-	266,466
Newport Pier Building Platform/Piles	-	44,996	44,996
Newport Pier Platform and Piles	191,503	-	191,503
Ocean Piers Inspect/Maintenance	-	365,192	365,192
Ocean Piers Inspection & Maint	279,848	-	279,848
Tide Valve Replacement Program	-	315	315
TMDL Compliance/Water Quality Imp	-	21,567	21,567
Vessel Pumpouts Replacement	-	9,680	9,680
Total Capital improvement projects	<u>1,279,777</u>	<u>697,869</u>	<u>1,977,646</u>
Total Expenditures	<u>\$ 22,484,838</u>	<u>\$ 697,869</u>	<u>\$ 23,182,707</u>
Other financing sources (uses):			
Transfers in	8,668,941	4,500,000	13,168,941
Total other financing sources (uses)	<u>8,668,941</u>	<u>4,500,000</u>	<u>13,168,941</u>
Net change in fund balance	235,043	7,926,476	8,161,519
Fund balance, beginning	<u>4,312,757</u>	<u>23,607,996</u>	<u>27,920,753</u>
Fund balance, ending	<u>\$ 4,547,800</u>	<u>\$ 31,534,472</u>	<u>\$ 36,082,272</u>

See accompanying notes to basic financial statements

NOTES

1) Basis of Accounting and Measurement Focus

The basic financial statements of the Newport Beach, CA Tide and Submerged Lands are comprised of fund financial statements and notes to the financial statements.

The fund financial statements utilize the current financial resources measurement focus and thus have a short-term focus measuring inflows of current spendable assets. The resulting net difference between current financial assets, deferred outflows of resources, current financial liabilities, and deferred inflows of resources is otherwise known as fund balance. Fund balance is similar to net working capital in the private sector, a measure of the entity's ability to finance activities in the near term.

Tidelands are accounted for in two Special Revenue funds. These Special Revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for the Tide and Submerged Lands. Fund descriptions are:

Tide and Submerged Land – Operating Fund is a Special Revenue fund used to account for revenues related to the operation of the City's tidelands, including beaches and marinas, and the related expenditures. Revenue from tideland operations includes, but is not limited to, rents from moorings, piers, and leases, as well as income from parking lots, meters, and the sale of oil.

Tide and Submerged Land – Harbor Capital Fund is used to account for incremental increases in revenue from certain property leases, piers, and mooring rentals that exceed Council designated base year revenue amounts, as well as other designated revenues and the related expenditures for capital projects, maintenance, and servicing of loan advances from the General fund.

These funds are presented using the *modified accrual basis of accounting*. Their revenues are recognized when they become measurable and available as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days for all revenues in the Tidelands fund.

2) Leases

In FY 2021-22, the City implemented GASB Statement No. 87 – “Leases”, effective for periods beginning after June 15, 2021. This statement changed the calculation and presentation of lease related amounts in the City's financial statements.

Lease liabilities and receivables are estimated present values of future lease payments. Estimating present values involves various related estimates, including lease terms and interest rates. The estimated lease term is the time period that the lease is noncancelable, plus extension and termination time periods if based on the lease agreement it is reasonable that the extensions will be exercised and the terminations will not be exercised. When a lease's implicit interest rate is not known, estimates are made of either the City's incremental borrowing rate or the rate the City may charge a lessee. Non-lease components of lease agreements have been treated as separate non-lease agreements when practicable, and are excluded from the City's estimated lease liabilities and receivables. Leases that do not meet the Governmental Accounting Standards Board's definition of a lease liability or receivable (e.g. short-term leases, etc.) also are excluded from the City's estimated lease liabilities and receivables.

Lease agreements that meet the requirements of GASB 87 for which the City is lessor are disclosed as lease receivables on the City's financial statements. GASB 87 excludes certain inflows (e.g. certain variable payments, etc.) from the measurement of lease receivables. For the fiscal year ending

June 30, 2022, both Tidelands Funds accounted for the succeeding amounts associated with GASB 87. Variable payments related to the lease receivables that were excluded from the measurement of the lease receivables amounted to \$3,178,278. Lease inflows, including inflows excluded from GASB 87, are included on the City's financial statements as property income. Lease inflows for interest revenue from amortization of the GASB 87 lease receivables totaled \$1,196,247. Lease inflows for lease revenue from amortization of the related GASB 87 deferred inflows of resources from leases was \$4,755,058.

3) Advances

Advances from the General Fund to the Tide and Submerged Land – Harbor Capital Fund are primarily for the purpose of funding expenditures for dredging, seawall repairs and maintenance, and other high impact projects within the City's tidelands, specifically within, or benefitting the Newport Harbor. Over the years, the General Fund has advanced \$15.8 million to the Tide and Submerged Land – Harbor Capital Fund. The balance of advance due to the General Fund as of June 30, 2022 is \$8.2 million.

	<u>Advance from</u>	<u>Advance to</u>
General Fund	\$ 8,176,659	\$ -
Tide and Submerged Land - Harbor Capital Fund	-	8,176,659
Total	<u>\$ 8,176,659</u>	<u>\$ 8,176,659</u>

The advances will be paid back to the General Fund from incremental revenue increases generated from certain leases, mooring rents, and commercial and residential pier rents. Below is the repayment schedule:

Harbor Capital Fund Advance - Repayment Terms (Zero Interest Advance)			
	Advance #1 Dredging Projects	Advance #2 Marina Park Project	Total
Fiscal Year	Repayment	Repayment	Repayment
2023	750,000	500,000	1,250,000
2024	750,000	500,000	1,250,000
2025	750,000	500,000	1,250,000
2026	750,000	500,000	1,250,000
2027	750,000	500,000	1,250,000
2028	426,659	500,000	926,659
2029	-	500,000	500,000
2030	-	500,000	500,000
Total	\$ 4,176,659	\$ 4,000,000	\$ 8,176,659

4) Revenue

In some instances, governmental accounting standards permit revenues in governmental funds to be reported net of certain costs. Accordingly, parking meter revenues and other property income are reported net of credit card service costs, refunds, rebates, and bad debt.