

MAY 2019

Economic Contribution of Newport Beach to the Orange County Economy



City of Newport Beach | Newport Beach, CA

Executive Summary

Orange County is one of the wealthiest, most vibrant communities in the United States. With a population of 3.2 million, it is the sixth largest county in the nation and the third largest in California. In terms of GDP, the county ranks eighth nationally. In the State of California, only Los Angeles and Santa Clara Counties generate more economic output. Orange County accounts for approximately one in every 10 jobs in California. The county's economy is strong in high-technology, finance, healthcare and tourism, highly prized sectors throughout the nation.

Orange County's economic strength is rooted in the performance of its 34 cities, each one of which contributes to the county's economic ecosystem, with its unique set of industries, workers, amenities, and other assets. Within this county setting, the coastal City of Newport Beach stands out as a key component in the county's economic engine.

In this study, Beacon Economics identifies the role that the City of Newport Beach plays in Orange County's economy. It finds that Newport Beach is home to a number of the county's leading industries and companies. It is a job-rich community, to which many county residents from outside of the city commute. It also draws visitors from the county and beyond, attracted by recreational opportunities and a number of popular shopping destinations, which generate millions of dollars in taxes for the city and county.

This report finds that the performance and achievements of the city's industries and residents make valuable contributions to the vitality of the Orange County economy. As such, the city and county have a vested interest in maintaining their mutual success and prosperity.

Highlights:

- Orange County is home to a number of Fortune 500 companies, including Ingram Micro, First American Corporation, Broadcom, and Western Digital. As the presence of these companies suggests, the county boasts relative strength in the sought-after sectors of high-technology, finance, healthcare and tourism. In that vein, firms such as Hoag Memorial Hospital Presbyterian, PIMCO, and Pacific Life have chosen to make Newport Beach their home base.
- With a population of 87,000, Newport Beach is the eleventh largest city in Orange County. By employment, it is the county's seventh largest with nearly 76,000 payroll workers. While the city population accounts for 3% of the county total, its payroll jobs account for 5% of the county total.
- While the city has 6,500 payroll employers, its business community is much larger. The city has nearly 20,000 licensed businesses, including 12,400 local businesses.
- Newport Beach is an important contributor to Orange County's economy and, accordingly, makes a significant fiscal contribution to the county's finances. In 2017, the properties in Newport Beach

had an assessed value of \$50.2 billion, second among the county's cities. Newport Beach generated nearly \$76 million in property taxes, of which \$4.5 million was channeled to the county government.

- Newport Beach accounts for 15% of all property tax revenue generated by the county's incorporated cities, making it the largest property tax revenue generator among the county's cities.
- Newport Beach is also the fifth largest sales tax revenue generator among Orange County cities, generating \$34 million in 2017. Of this amount, nearly \$1.1 million was received by the Orange County Transportation Authority for county-related projects.
- In per capita terms, which accounts for differences in size across cities, Newport Beach was the second largest contributor to property taxes at \$879 per person, compared to an average of \$168 per person across all 34 of the county's cities. Similarly, Newport Beach was the third largest contributor to sales tax revenues at \$394 per person, more than double the average of \$179 for all incorporated cities.
- The healthcare sector accounts for the largest share of jobs in the city's economy. With total employment of 12,100 jobs, the sector represents 16% of the city's payroll jobs.
- Fifteen percent (around 11,000 jobs) of the city's employment is found in Accommodation and Food Services, which is both a byproduct of the City's tourism industry and a manifestation of the purchasing power of Newport Beach residents and those of nearby communities.
- Finance and Insurance – a particularly high-paying sector of the economy – is the third largest industry in the city, accounting for 11% of jobs, which equates to 8,600 positions.
- The city's employers accounted for 8% of countywide job gains over the period 2010 through 2018, including 36% of the jobs added in Finance and Insurance, 28% of the jobs added in Manufacturing, and 18% of the jobs added in Retail Trade.
- With two-thirds of its residents holding a bachelor's degree or higher, Newport Beach contributes to the county's valuable labor pool. Thirty-nine percent of the county's residents hold a bachelor's degree or higher, compared to the state-wide average of 32% and the nation-wide average of 33%.
- One way to determine Newport Beach's contribution to countywide economic activity is an economic impact analysis, which measures the multiplier, or ripple effect, of spending by the city's businesses, households and tourists. Beacon Economics estimated that Newport Beach has the following impacts on the Orange County economy. The city:
 - Generates over \$42 billion in economic output
 - Supports 270,230 jobs (full- and part-time positions)
 - Generates nearly \$16 billion in labor income

Introduction

Orange County is one of the wealthiest, most vibrant communities in the United States. With a population of 3.2 million residents, the county is the sixth largest in the nation and the third largest in California. In terms of GDP, the county ranks eighth nationally. In the State of California, only Los Angeles and Santa Clara Counties generate more economic output than Orange County. Thirty-nine percent of Orange County residents hold a bachelor's degree or better, which is higher than the statewide average of 32%. The County's economy has a relative strength in high-technology, finance, healthcare and tourism sectors, all sought after industries throughout the nation.

Orange County's strength lies in the performance of its cities, which are pillars upon which the county's economy rests. In this study, Beacon Economics identifies the role that the City of Newport Beach plays in Orange County's economy.

The City of Newport Beach is a coastal community in Orange County, California. In 2018, the City of Newport Beach was the 11th largest city in Orange County with over 87,000 residents. For decades, it has ranked among California's most visited tourist spots. It is renowned for its miles of coastline and well-maintained beaches, its busy harbor and piers, fine dining, a wide array of retail shopping experiences, its high-end automotive dealerships, and its surfing community. In 2018, Newport Beach was home to roughly 76,000 private sector jobs, ranking it seventh among all cities in Orange County. It is home to two of the county's largest employers: Hoag Memorial Hospital Presbyterian and Pacific Life.

This study finds that Newport Beach is a job-rich community, to which many county residents from outside of the city commute. The city also draws visitors to Orange County from across the nation and beyond, generating taxes for the county as well as the city.

The City of Newport Beach

People, Economy, Amenities

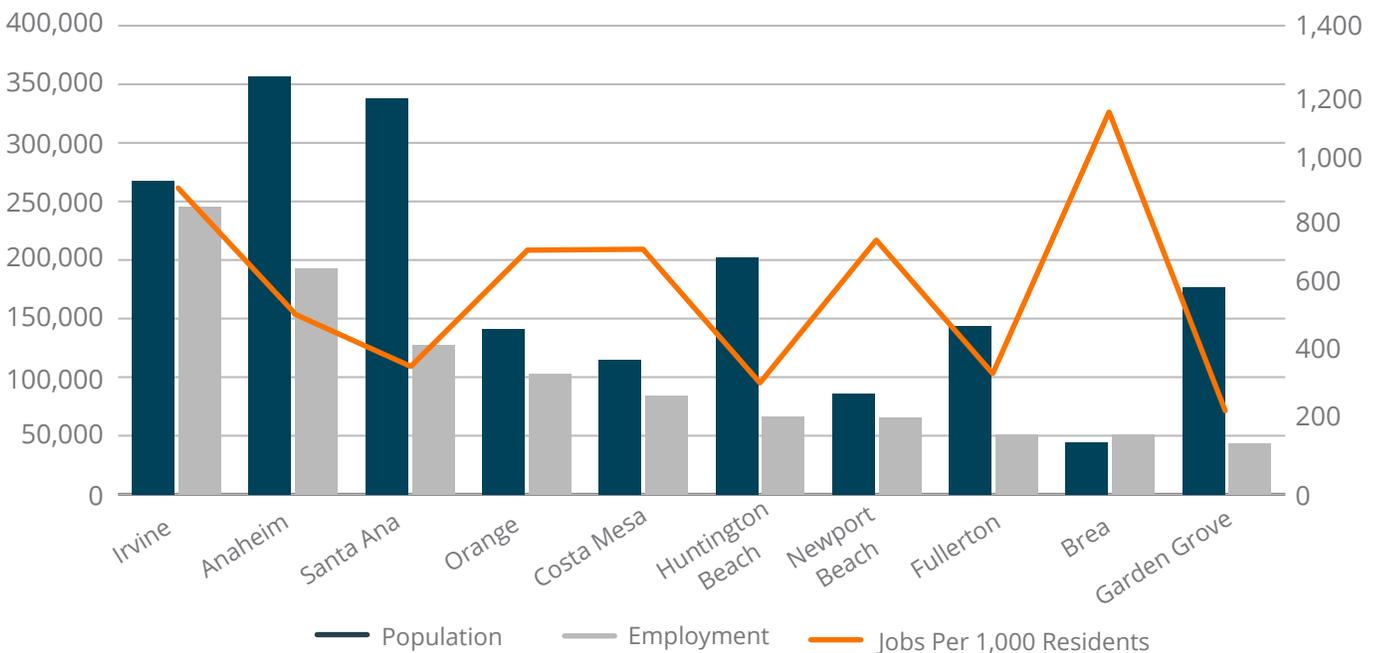
People and Jobs

- In 2018, the City of Newport Beach had 87,128 residents, making it the 11th most populous city in Orange County. The city accounts for around 3% of the county's total population. Its population has grown by about 2% since 2010, slightly slower than the Orange County average. As an established city, Newport Beach has a slower growth rate than newly developed parts of the county.
- In 2018, there were nearly 76,000 workers in the City of Newport Beach, working at approximately 6,500 private payroll establishments. Newport Beach ranks seventh among all cities in Orange County in terms of payroll jobs.
- The city has nearly 20,000 licensed businesses, including 12,400 local businesses within the city and 5,600 located elsewhere.
- Newport Beach is a job-rich community, meaning that it has a high number of jobs relative to its population. Among the largest cities in Orange County, it has the second highest number of jobs per resident.

ORANGE COUNTY CITIES WITH LARGEST EMPLOYMENT

Population, Jobs, and Jobs Per Thousand Residents, 2016

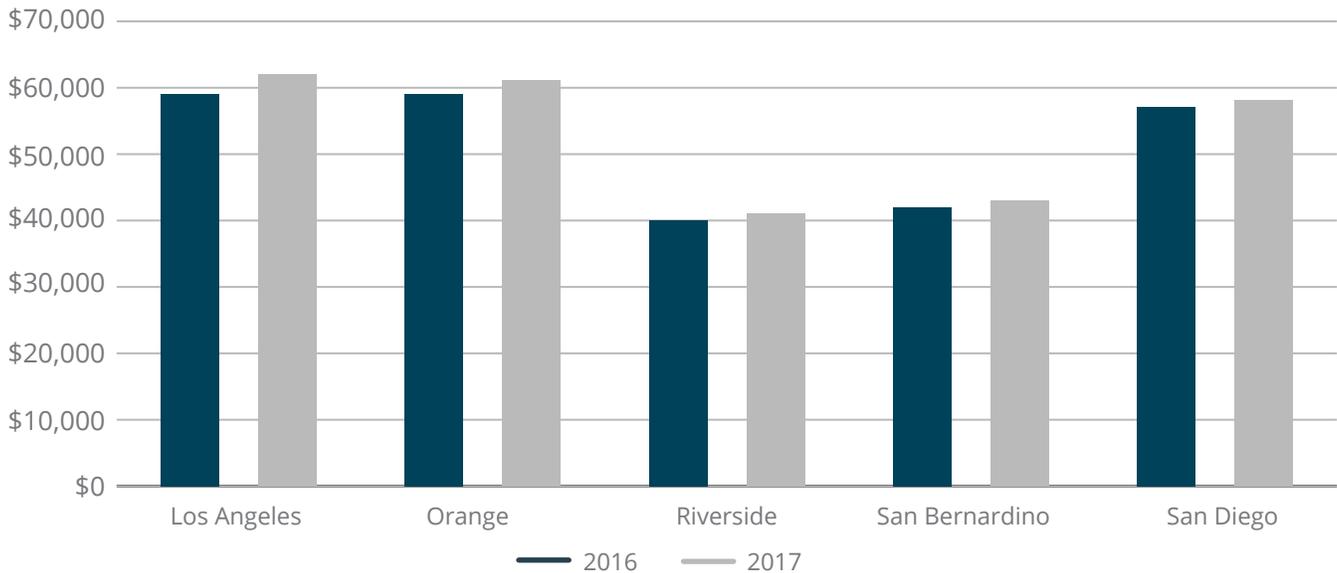
Source: U.S. Census Bureau Business Patterns, California Department of Finance Demographic Research Unit, Analysis by Beacon Economics



- Orange County employers pay the second highest wages in the region, \$61,000 per year, and within the county, employers in Newport Beach pay higher wages, \$84,000 per year in 2016, than in any other city in the county.

AVERAGE PRIVATE INDUSTRY WAGE BY COUNTY

Source: US Bureau of Labor Statistics Analysis by Beacon Economics



- These high-paying jobs are of significant benefit to the Orange County economy. Newport Beach residents account for only 7.6% of the positions filled by employers in the city. Based on city-specific commuting data from 2015, 58% of positions were filled by residents from other Orange County communities, meaning that thousands of workers find employment in Newport Beach, then spend their earnings in residential communities elsewhere in the county and the broader region.

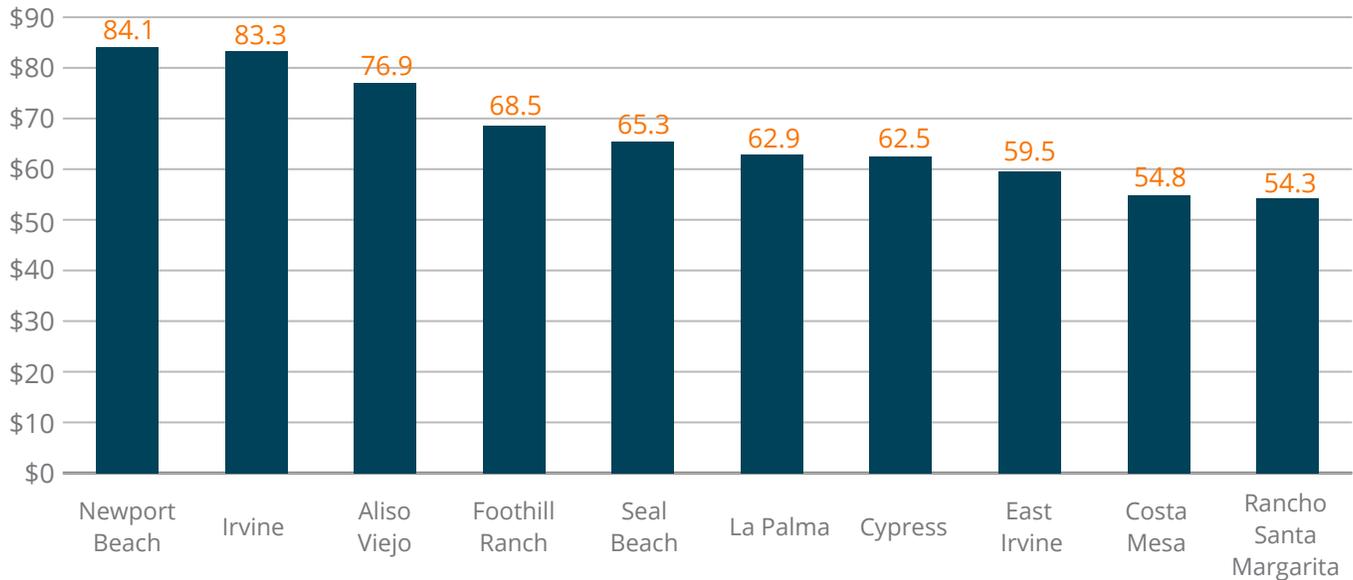
NEWPORT BEACH WORKERS LIVE IN... (2015)

Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Analysis by Beacon Economics

Location	% of Total
Newport Beach	7.6%
Elsewhere in OC	57.8%
Rest of Southern CA	11.9%
Other (includes telecommuting)	22.6%
Total	100.0%

AVERAGE ANNUAL WAGE (000S) Top Cities in Orange County (2016)

Source: U.S. Bureau of the Census, Zip Code Business Patterns, Analysis by Beacon Economics



Key Industries

A number of Orange County's leading industries are well-represented in Newport Beach, each making contributions to the city and county. Among them are local-population-serving industries such as Health Care; external facing industries such as Finance and Insurance; and industries such as Accommodation and Food Services which serve both the local population and the many tourists who visit Orange County and, in particular, Newport Beach.

- The healthcare sector accounts for the largest share of jobs in the city's economy, contributing 16% of total employment of 12,100 jobs.
- Hoag Hospital accounts for much of the city's relative strength in the healthcare sector. It treats 30,000 inpatients and 425,000 outpatients annually, as well as the 113,070 people who visit the hospital's E.R. One of the leading hospitals in California, it is ranked eighth in the state by US News and World Report, and is the highest ranked hospital in Orange County. Nationally, the Hoag is among the top 50 hospitals for treatment of gastroenterology & GI surgery, orthopedics, urology and geriatrics.
- Fifteen percent (around 11,000 jobs) of the city's employment is found in Accommodation and Food Services, which is both a byproduct of the City's tourism industry and a manifestation of the purchasing power of Newport Beach residents and those of nearby communities.
- Finance and Insurance - a particularly high-paying sector of the economy - is the third largest industry in the city, accounting for 11% of jobs, which equates to 8,600 positions.

PRIVATE EMPLOYMENT AND AVERAGE WAGE BY INDUSTRY IN NEWPORT BEACH

Source: Employment Development Department of California, Analysis by Beacon Economics

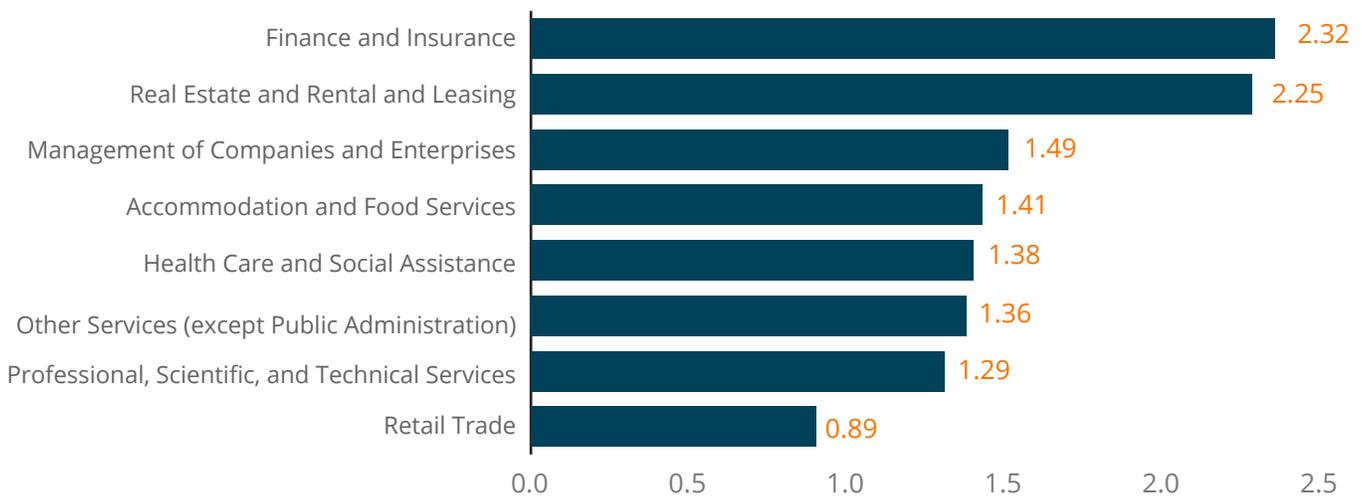
Industry	Industry Employment 2018	Share of Total	Annual Wages 2018
Health Care and Social Assistance	12,132	16%	\$68,378
Accommodation and Food Services	11,191	15%	\$29,295
Finance and Insurance	8,653	11%	\$202,205
Professional, Scientific, and Technical Services	7,623	10%	\$96,426
Retail Trade	6,266	8%	\$44,453
Manufacturing	5,203	7%	\$57,186
Administrative Services	4,949	7%	\$51,389
Real Estate and Rental and Leasing	4,097	5%	\$117,481
Other Services (except Public Administration)	2,954	4%	\$39,078
Construction	2,828	4%	\$85,040
Management of Companies and Enterprises	2,482	3%	\$203,538
Arts, Entertainment, and Recreation	1,407	2%	\$36,043
Educational Services	1,066	1%	\$52,460
Wholesale Trade	857	1%	\$90,455
Information	846	1%	\$85,153
Transportation and Warehousing	751	1%	\$65,901
Agriculture, Forestry, Fishing and Hunting	10	0%	\$35,354
Total	73,315	100%	\$83,817

Some of the county's leading industries have a particularly large presence in Newport Beach. This may be represented by industry location quotients, which measure the city's concentration of industry employment relative to that of the county. Location quotients are an industry specific measure. For a particular industry, a location quotient compares the city's share of employment found in an industry to the county's share. So if a location quotient is 1 for a particular industry, this means the industry makes up the same share of employment in city as it does in the county. By contrast, if a location quotient is greater than 1, this means a higher share of the city's employment is found in an industry compared to the county and the opposite is true if the number is less than one.

- Finance and Insurance, along with its closely related counterpart, Real Estate and Rental and Leasing, have the two largest location quotients: 2.32 and 2.25 respectively, meaning that the concentration of employment for these two industries is more than twice that of the county as a whole.
- Newport Beach also has a significant presence of Accommodation and Food Services (1.41); Professional Scientific and Technical Services jobs, which have a location quotient of 1.29; and Management of Companies and Enterprises, 1.49.

EMPLOYMENT CONCENTRATION OF SELECTED NEWPORT BEACH INDUSTRIES (Relative to Orange County)

Source: Employment Development Department of California, Analysis by Beacon Economics



- Newport Beach’s relative industrial specialization does much to explain the high wages earned by the city’s wage and salary workers relative to other locations. Finance and Insurance, Real Estate and Leasing, and Management of Enterprises, in which the city specializes, are very high-paying sectors of the economy.
- Over the period 2010-2018, employers in California added close to 2.9 million jobs. Orange County added 257,000 jobs over the same period, accounting for 9% of statewide employment growth. In turn, the City of Newport Beach add about 21,000 jobs and accounted for about 5% of all job growth in Orange County.
- Employers in the City of Newport Beach have benefited from overall growth of the county and national economy. At the same time, the city has been a significant contributor to the performance of some sectors in the county’s economy.

JOB CHANGES BY INDUSTRY, 2010- 2018

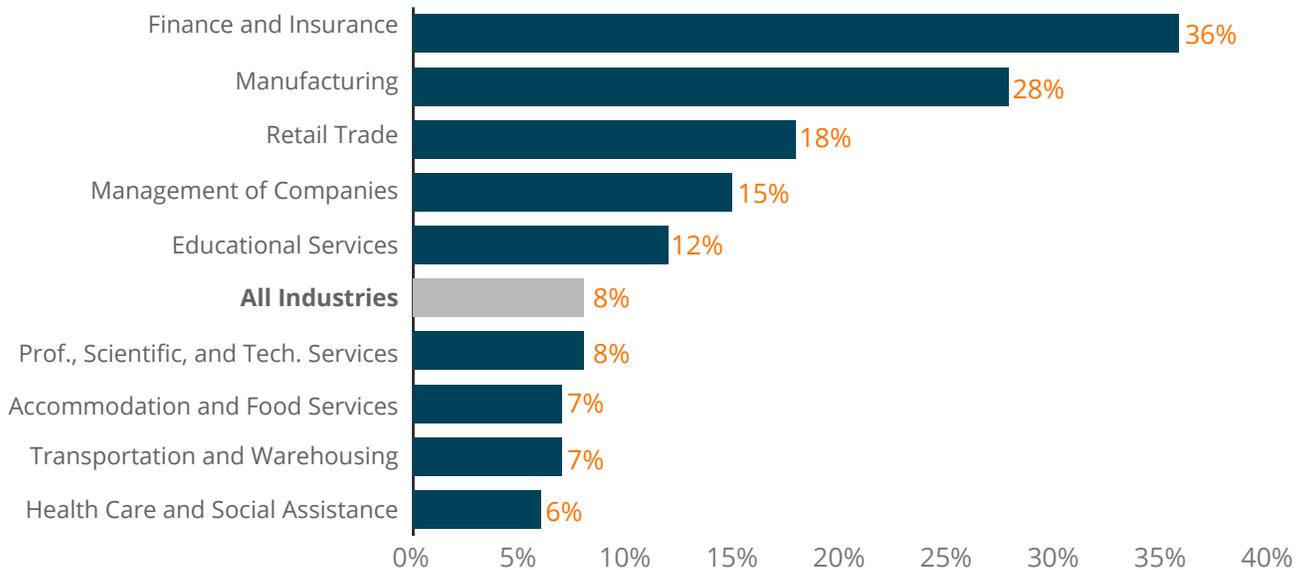
Source: California Employment Development Department, Analysis by Beacon Economics

Industry	Newport Beach		Orange County	
	Employment Change	Percentage Change	Employment Change	Percentage Change
	2010-2018		2010-2018	
Finance and Insurance	3,879	81%	10,731	16%
Health Care and Social Assistance	3,518	41%	58,065	44%
Accommodation and Food Services	2,694	32%	37,943	28%
Retail Trade	1,849	42%	10,349	7%
Manufacturing	1,992	62%	7,031	5%
Management of Companies and Enterprises	1,932	351%	12,954	57%
Administrative Services	1,866	61%	32,601	29%
Professional, Scientific, and Technical Services	1,534	25%	19,762	19%
Other Services (except Public Administration)	1,449	96%	-1,503	-3%
Construction	1,014	56%	37,537	56%
Educational Services	628	143%	5,248	22%
Arts, Entertainment, and Recreation	252	22%	14,666	41%
Transportation and Warehousing	215	40%	3,298	15%
Agriculture, Forestry, Fishing and Hunting	3	43%	-2,541	-55%
Information	-451	-35%	1,305	5%
Transportation and Warehousing	-524	-38%	1,971	3%
Real Estate and Rental and Leasing	-730	-15%	4,525	13%
Total	21,120		257,290	

- For example, as the table above reveals, finance and Insurance added 3,879 jobs in Newport Beach, more than any other sector over the period 2010-2018. The city accounted for approximately 36% of the county's job gains in the industry over that period.
- The next fastest growing sectors were Healthcare and Social Assistance, where employers in Newport Beach added 3,518 jobs over the same period, followed by Accommodation and Food Services where 2,694 jobs were added.
- While job counts in Retail Trade have experienced pressure from online retailers and distribution, Orange County destinations have bucked the trend, with employment growing by 53% in Newport Beach, around 1,800 jobs.
- Manufacturing has a relatively low-key presence in Newport Beach, but the city is home to 5,200 jobs, accounting for 7% of total payroll employment. This sector added 2,000 jobs between 2010 and 2018, an increase of 65%, and an absolute increase equivalent to around one quarter of countywide gains in the industry.

NEWPORT BEACH SHARE OF OC JOBS ADDED-SELECTED INDUSTRIES, 2010-18
 (Relative to Orange County)

Source: Employment Development Department of California, Analysis by Beacon Economics



Amenities

Orange County is home to a number of the most envied resources in California, some of which are located in Newport Beach. The City's maintenance and stewardship of these resources is a significant boon for the residents of Orange County and attract visitors from around the world.

- Newport Beach is also home to a harbor, two piers, and a 10.5 mile Back Bay loop trail which is popular with cyclists and runners. In addition to the hundreds of thousands of visitors to the Back Bay each year, educational programs offered by Newport Bay Conservancy attract over 50,000 visitors per year. Newport Beach's preservation of this amenity attracts people to Orange County from across Southern California and beyond. Of the community's two ocean view golf courses, Pelican Hill was ranked the ninth best public golf course in California by golf.com in 2016.
- In addition to its beachfront attractions, Newport Beach is also home to a number of world-class retail and dining destinations. Fashion Island has 150 tenants, and features upscale retailers, and fashionable new eateries that attract over 16 million visitors per year.
- The city hosts a number of exciting events, including the annual Newport Beach Film Festival, annual Newport Beach Boat Show, and the Newport Beach Wine and Food Festival, all of which draw visitors to Orange County from across the world.
- These amenities attract millions of visitors to Newport Beach every year. In 2016, of the 48.2 million visitors to Orange County, 7.3 million people visited Newport Beach. These out-of-town visitors spent a combined \$1.2 billion in the city, which equates to \$3.2 million per day¹.
- Taken together, these attractions generate millions of dollars in taxes for the city and the county, which will be examined in greater detail below.
- Next to Anaheim, Newport Beach generates the county's second highest level of Transient Occupancy Tax collections, a tax levied on travelers who rent accommodation. Based on this, the city is the second most visited place by overnight visitors who tent to spend more than day visitors.

¹ <https://www.latimes.com/socal/daily-pilot/news/tn-dpt-me-newport-tourism-20170929-story.html>

Fiscal Contribution of City to County

The ability of the county and its elected officials to serve the interests of their constituents depends on the resources at their disposal. In the state of California, counties rely heavily on property and sales taxes. They use these funds to support county programs while working to provide services for the county's residents.

- Orange County generates income from a variety of sources, primarily from property tax and sales tax.
- In 2017, the assessed value of Newport Beach property stood at \$50.2 billion, second only to Irvine.
- This equated to \$75.8 million in property taxes for the city, which is equivalent to almost 15% of the \$514.9 million generated in property taxes across the county's 34 incorporated cities, the largest of all incorporated cities in the county.
- On average, 6% of the property tax revenue generated by a city is channeled into a county's general fund. This means that Newport Beach's high property values directly benefit Orange County. Based on the property tax revenues generated in the city, in 2017 \$4.6 million in property tax revenue was generated for the County's general fund.

TOP CITIES BY PROPERTY TAX REVENUE

Source: State Controller's Office, Analysis by Beacon Economics

City	Amount \$	Pct. of OC	Contribution to County (6%)	Per Capita	Per Sq. Mile
Newport Beach	\$75,793,698	14.7%	\$4,547,622	\$879	\$2,915,142
Huntington Beach	\$48,936,441	9.5%	\$2,936,186	\$242	\$1,773,059
Anaheim	\$38,090,742	7.4%	\$2,285,445	\$107	\$746,877
Irvine	\$33,546,620	6.5%	\$2,012,797	\$126	\$508,282
Santa Ana	\$32,403,883	6.3%	\$1,944,233	\$96	\$1,182,623
Laguna Beach	\$27,943,244	5.4%	\$1,676,595	\$1,202	\$3,139,690
Fullerton	\$25,034,973	4.9%	\$1,502,098	\$174	\$1,117,633
Costa Mesa	\$24,137,059	4.7%	\$1,448,224	\$210	\$1,527,662
San Clemente	\$21,909,091	4.3%	\$1,314,545	\$337	\$1,190,711
Mission Viejo	\$21,248,820	4.1%	\$1,274,929	\$221	\$775,504
Balance of County Cities	\$165,819,957	32.2%	\$9,949,197	\$120	\$711,368
Total-Incorporated OC Cities	\$514,864,528	100.0%	\$30,891,872	\$168	\$982,566

TOP CITIES IN ORANGE COUNTY BY ASSESSED VALUE

Source: Orange County, Assessor Analysis by Beacon Economics

City	Amount \$	Pct. of OC	Per Sq. Mile
Irvine	\$65,533,602,712	13.2%	\$992,933,374
Newport Beach	\$50,248,667,001	10.1%	\$1,932,641,039
Anaheim	\$41,135,508,038	8.3%	\$808,163,223
Huntington Beach	\$35,835,108,563	7.2%	\$1,298,373,499
Santa Ana	\$23,730,884,541	4.8%	\$866,090,677
Orange	\$19,435,751,948	3.9%	\$753,323,719
Fullerton	\$17,887,384,481	3.6%	\$798,543,950
Costa Mesa	\$17,433,298,559	3.5%	\$1,103,373,327
Mission Viejo	\$15,701,835,879	3.2%	\$872,324,216
San Clemente	\$15,190,871,569	3.1%	\$825,590,846
Balance of County Cities	\$193,799,258,603	39.1%	\$859,420,216
Total Incorporated	\$495,932,171,894	100.0%	\$946,796,815

- Newport Beach's attractiveness to retail shoppers, car buyers, and tourists generates a large amount of taxable sales and sales tax revenues. This is a direct benefit to the public revenues of the county as well as the city. In 2017, the city's establishments generated \$33.9 million in sales tax revenues, sixth highest among the county's cities and equivalent to 6.2% of the \$551.4 in sales tax revenues generated by the county's cities.
- Due to Measure M, 0.25% of a city's taxable sales revenue is passed on to the Orange County Transportation Authority. In 2017, this meant \$1.1 million was generated for county transportation projects due to sales generated in Newport Beach.
- In per capita terms, Newport Beach generated the second highest property tax revenue and third highest sales tax revenue among the county's 34 cities.
- Newport Beach ranked first in the county in terms of assessed value per square mile, second in terms of property tax per square mile, and third in terms of sales tax per square mile.

TOP CITIES BY SALES TAX REVENUE

Source: State Controller's Office, Analysis by Beacon Economics

City	Amount \$	Pct. of OC	Contribution to County	Per Capita
Anaheim	\$67,386,247	12.2%	\$2,173,750	\$189
Irvine	\$53,236,455	9.7%	\$1,717,305	\$199
Costa Mesa	\$46,772,382	8.5%	\$1,508,787	\$407
Santa Ana	\$39,160,532	7.1%	\$1,263,243	\$116
Orange	\$34,050,309	6.2%	\$1,098,397	\$242
Newport Beach	\$33,937,986	6.2%	\$1,094,774	\$394
Huntington Beach	\$33,890,155	6.2%	\$1,093,231	\$168
Tustin	\$19,753,923	3.6%	\$637,223	\$240
Brea	\$18,581,617	3.4%	\$599,407	\$415
Fullerton	\$18,343,169	3.3%	\$591,715	\$128
Balance of Cities	\$186,241,602	33.8%	\$6,007,794	\$144
Total-Incorporated OC Cities	\$551,354,377	100.0%	\$17,785,625	\$179

Economic Impact Contribution of Newport Beach to the Orange County Economy

Orange County is among the top 10 largest county economies in the country, generating over \$260 billion dollars in annual gross county product.² To what extent does Newport Beach contribute to countywide economic activity? One way to approach this question is an economic impact analysis, which measures the multiplier, or ripple effect, of spending by the city's businesses, households and tourists.

As an example, a business that operates in Newport Beach hires workers and purchases goods and services. Its workers and suppliers may be located in the city, elsewhere in the county, or outside the county altogether. In turn, the suppliers themselves patronize their own set of firms and have their own employees. Therefore, when a firm makes a purchase from a supplier, it triggers a ripple of economic activity in the local economy and beyond. Similarly, when workers at these businesses spend their earnings, they trigger additional ripple effects on the local economy and beyond, ultimately generating a total economic impact that is much larger than the initial spending. The size of the impact on the local, or Orange County, economy depends on the extent to which expenditures on goods, services, and payroll stay local. The more links to local businesses and local labor pools, the greater the economic impact.

This pattern of expenditures and impacts on the local economy can be described in terms of three effects:

- First, there is a direct effect on the industry itself, resulting from the initial increase in spending on goods and services.
- Second, the direct effects trigger indirect effects in the form of expenditures by suppliers tapping into their supply chains.
- Third, there are induced effects that arise when employees in the target industry and in those supplying it workers earn wages that are spent on goods and services, both locally and elsewhere. The total economic impact is obtained by combining these individual impacts.

This section estimates the economic impact of the City of Newport Beach on the Orange County economy. Beacon Economics estimated spending by Newport Beach businesses and residents, and the tourists who visit the city, and then analyzed the economic impact of this activity on the county as a whole:

- Business spending was inferred from job counts for the Newport Beach industries that were obtained from the California Employment Development Department.
- Household spending was derived from estimated city household income and spending based upon the U.S. Bureau of the Census American Community.

²Based on the latest data (2015) from the US Bureau of Economic Analysis, measured in nominal (current-dollar) terms.

- Tourism figures were derived from a study of tourism in Newport Beach that was completed in late 2018³.

The combined impact of the city's business activity, household spending, and tourism expenditures was measured in terms of job creation, generation of earnings for workers, and increases in regional economic output. ⁴ Beacon Economics used the above data as inputs to an economic impact model of Orange County, and estimated that Newport Beach has the following impacts on the Orange County economy:

- Generates over \$42 billion in economic output
- Supports 270,230 jobs (full- and part-time positions)
- Generates nearly \$16 billion in labor income

TOP CITIES BY SALES TAX REVENUE

Source: State Controller's Office, Analysis by Beacon Economics

Type	Output (\$B)	Employment	Labor Income (\$B)
Direct Effect	26.615	163,370	10.034
Indirect Effect	11.210	60,260	4.303
Induced Effect	4.485	46,600	1.633
Total Impact	\$42.310	270,230	\$15.971

- Of the \$42.3 billion in economic output generated in Orange County by the city's business activity, household spending, and tourism expenditures, \$26.6 billion represents direct spending, \$11.2 billion represents secondary spending by businesses via the indirect effect, and \$4.5 billion represents worker-related spending.
- Of the 270,230 jobs supported in Orange County by the business, household, and tourist spending in Newport Beach, 163,370 are jobs directly associated with Newport Beach economic activity, 60,260 are associated with secondary job creation by businesses via the indirect effect, and 46,600 are due to worker-related spending.
- Of the \$16 billion in labor income generated in Orange County as a result of the city's business, household, and tourist spending, \$10 billion corresponds to direct wages, \$4.3 billion correspond to indirect wages, and \$1.6 billion is generated as a result of worker-related spending.

³ The Economic Impact of Tourism in Newport Beach, California, by Tourism Economics, September 2018.

⁴ Beacon Economics used the IMPLAN model of the Orange County economy, which is described in more detail in the corresponding report appendix. Adjustments were made to the individual components of this analysis (industry, household, and visitor) to avoid double-counting.

While the city's industries employ over 75,000 workers as noted earlier in the report, jobs are also created elsewhere in Orange County because of spending on the part of Newport Beach residents and tourists. Specifically, while 75,930 of the 163,370 jobs in the direct impact were wage and salary jobs in the City of Newport Beach, the remaining 88,370 direct jobs were generated elsewhere in the county. These jobs were mainly tied to expenditures by Newport Beach residents and visitors and accounted for \$3.6 billion of the \$10.0 billion in direct wages. Put simply, spending on the part of Newport Beach residents and visitors takes place throughout the county, creating more jobs in other Orange County communities than in Newport Beach itself.

■ Conclusion

- Newport Beach benefits greatly from its location in one of the largest counties in the United States.
- The city is not a closed economy. Just as Newport Beach gains value from the economic strength of its neighbors, it is also a significant contributor to the county's economy.
- The City of Newport Beach is immersed in the Orange County economic ecosystem, and contributes to its strength in high-technology, finance and insurance, healthcare and tourism.
- Newport Beach is also a significant revenue generator for the county, accounting for significant shares of property tax and sales tax revenue countywide. Newport Beach accounts for 15% of the property tax revenues and 6.2% of all sales tax revenues generated by the county's incorporated cities.
- In addition, the city is an amenity-rich community that serves Orange County residents and visitors, making contributions culturally and recreationally as well as economically.
- Ultimately, there is a powerful relationship between the City of Newport Beach and Orange County. The continued success of both city and county depends on maintaining that relationship and leveraging their relative strengths for the continued improvement of the local economy, thus benefiting the county's residents, businesses, and visitors.

Appendix

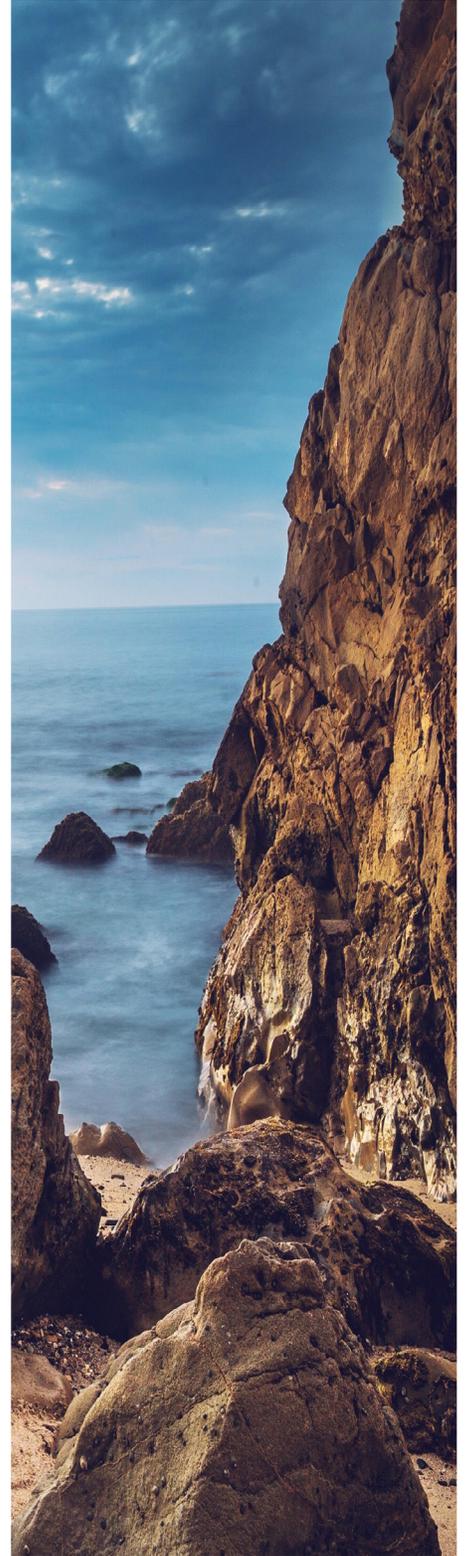
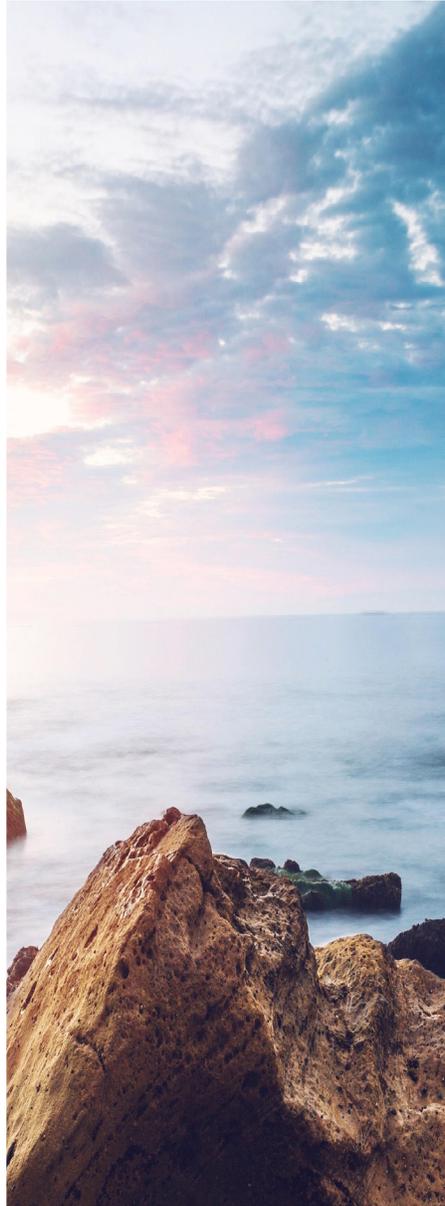
Implan Economic Impact Model

The economic contribution of Newport Beach to the Orange County economy was estimated using a regional Input-Output model. Beacon Economics employed Version 3 of Minnesota IMPLAN Group's Impacts for Planning (IMPLAN) input-output model, because it uses the most up-to-date underlying data and is highly customizable. This model has been in use for years and is a generally accepted tool by researchers on all sides of the political spectrum. It is recognized by government evaluators and commonly used in the private sector.

Impact studies assume that any increase in spending has three effects. First, a direct effect on the industry itself results from the additional output of goods or services. Second, indirect effects are made on all the industries whose outputs are used by the industry under observation. These are the impacts generated by a business's supply chain. Third, induced effects arise when employment increases and household spending patterns expand. These impacts follow from the additional income earned in producing this output, both by employees in the target industry and by those supplying it. Using the IMPLAN modeling system, Beacon Economics estimated the direct, indirect and induced impact of economic activity in Newport Beach on the Orange County economy.

The direct, indirect, induced and total economic impacts were measured in terms of the following economic indicators:

- **Employment:** The number of full-time-equivalent jobs created in connection with construction activities and operations, including their allocation across several broad industry clusters.
- **Output:** The increase in economic activity for Orange County, measured in value (dollar) terms.
- **Earnings:** The increased income generated in connection with construction and operations; a component of value added.



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