



MINUTES FINANCE COMMISSION

Wednesday, May 24, 2023 - 5:00 p.m.
City of Huntington Beach
Council Chambers
Huntington Beach, CA 92648

For the audio recording of the May 24, 2023 Finance Commission Meeting, please visit the City's website at: <https://huntingtonbeach.legistar.com/Calendar.aspx>

Chair Frank Lo Grasso called the meeting to order at 5:00 p.m., and led the Pledge of Allegiance.

MEMBERS
PRESENT: Frank Lo Grasso, Chair
Billy Hamilton, Vice-Chair
David Cicerone, Commissioner
Jamie Craver, Commissioner
Janet Michels, Commissioner
Robert Sternberg, Commissioner

MEMBERS ABSENT: Kelly Gates, Commissioner

STAFF PRESENT Travis Hopkins, Assistant City Manager
Sunny Han, Acting Chief Financial Officer
Serena Bubenheim, Acting Assistant Chief Financial Officer
Thuy Vi, Management Aide, Finance
Shari Saraye, Senior Administrative Assistant, Finance

PUBLIC COMMENTS

None

CONSENT ITEMS

Approval of Meeting Minutes

Motion: Moved by Commissioner Michels and seconded by Commissioner Hamilton to approve the Finance Commission Meeting Minutes dated April 26, 2023, as presented

The motion carried by the following votes: 5-1-0-1

Ayes: Cicerone; Craver; Lo Grasso; Michels; Sternberg

Noes: None

Abstain: Hamilton

Absent: Gates

DISCUSSION ITEMS AND POTENTIAL RECOMMENDATIONS

Acting Chief Financial Officer Sunny Han introduced Lieutenant Brian Smith of the Huntington Beach Police Department. Smith gave a presentation on Homeless Services in the City of

Huntington Beach. He stated that the homeless issue is affecting the entire nation, the State and in the City as a whole. Our current population at the last point in time count was 330 individuals, which represents 0.204% of the State homeless population, whereas the population of Huntington Beach represents just under .5% of the population. The State of California has a majority of individuals experiencing homelessness throughout the country, which makes a significant impact on the communities in multiple of ways. In California, Huntington Beach is faring very well as compared to the other cities and jurisdictions, but we still recognize that it needs a focus and attention because it impacts every individual. In Huntington Beach, we have 17 individuals experiencing homelessness per 10,000 residents, whereas countywide, the average is 22. Humboldt County leads the State with 126 individuals experiencing homelessness per 10,000, and Los Angeles County is at 69. If we were on par with the countywide average, we would be expected to have 433 individuals experiencing homelessness. If our number was directly correlated to the State average of individuals experiencing homelessness as compared to the population, we would be expected to have over 800 individuals experiencing homelessness within our communities. Lo Grasso asked if we really know if these people do not have homes, or if they have been kicked out. Smith stated that if they are on the streets and lack permanent structure, they are considered homeless. Lo Grosso asked if we have done a study to find out why they are homeless. Smith stated that the number is based upon the point in time count that is done and required by the Federal government. Standards are set in a standard questionnaire and asked of the individuals to ascertain the data that is used in the point in time count. Our social workers and Homeless Task Force officers ask the questions, which is part of determining eligibility for the Navigation Center. The questions that are used at the point time count are to determine what their current housing situation is at that very that point in time, which is why it is a point in time count. If they lack permanent and regular housing or structure at that moment, if they are living in vehicle or hotel rooms, then they would be considered homeless. Cicerone asked if we know what percentage of these people are afflicted with mental health or drug issues. Smith stated that there are various studies available that come back with varying results. We are looking at identifying a case management system to help us get our own data so we can provide accurate information and planning to address those resources in the future. Cicerone stated that when they are brought into the Navigation Center, dialogue would indicate there is either a mental health or a drug issue. Smith stated that it is part of the intake, but there are various factors where some might not feel comfortable with being honest with an officer and admitting to an addiction, and with mental health, a lot of it is undiagnosed. People may not recognize it, or may not want to admit that they are suffering from addictions or mental health issues. Sternberg asked if the data includes Huntington Beach State Beach or just the City of Huntington Beach. Smith stated that the point in time count is all areas within our jurisdiction, which would include State beaches. He noted that is very difficult to come out with an actual number or figure on the impact on an individual community. In 2017, the University of Irvine conducted a study to look at the overall fiscal impact of homelessness on Orange County by looking at private businesses and the different entities between municipalities, nongovernmental organizations, hospital systems and county governments. Over the 12-month period, from 2014/2015, it was estimated that \$299M was spent to address homelessness. This includes direct costs and indirect costs, such as hospitals, clinics and clean up services. \$23M of the costs were related to the criminal justice contacts, and \$121M was spent providing health care. That also included health care that was provided through the justice system, and systems such as our Orange County jail, which is one of our larger medical and mental health facilities in the County.

The estimated average of somebody experiencing homelessness costs all these entities as a whole approximately \$45,000 a year. Individuals who are chronically homeless for years cost over \$100,000 per year to provide services. The numbers are based on a 2014/2015 study, so costs have gone up as the markets have changed. There are different available services that we draw from within the City, County, State, and other governmental and nongovernmental organizations. The entire City is part of our Homeless Task Force and provides services that assist our community in dealing with homelessness. Our focused efforts are done through our Homeless Task Force, our social workers, and our BeWell Mobile Crisis Response Team. Smith emphasized that BeWell is not just a homeless response team; they are here for our entire community, although half of their calls usually involve dealing with individuals experiencing homelessness. We have the Navigation Center, HB CARES volunteer program, Tenant-Based Rental Assistance Programs and the Youth Shelter operated by Way Makers. The County provides many services, and we are meeting with them to try to expand the services that they provide to the City. We just entered into an agreement with the County where they will provide us with an additional clinician to ride with officers. Currently, they were only doing one day a week, and now they are going to expand that to two days a week.

Smith stated that we have been utilizing a wide variety of City, County, State, and Federal funding as funding sources for our homeless services. We have utilized the Low and Moderate Income Housing Asset Fund (LMIHAF) funds, which were established in 2011 pursuant to AB 26 and AB 1484 to conduct the dissolution operations related to housing assets and activities for the former Redevelopment Agency. LMIHAF revenue is generated from repayment of affordable housing development loans. We use the Infrastructure Fund, which the City Charter requires that 15% of General Fund revenue be transferred to the Infrastructure Fund for infrastructure improvements and maintenance. We also use Community Development Block Grant (CDBG) funds that the Department of Housing and Urban Development (HUD) provides to local jurisdictions to administer programs for improvements in infrastructure, housing programs and public services. We also utilize Police Department Impact Fees that are collected at the time building permits are issued for mitigating the impact caused by new developments on the City's infrastructure, and our General Fund, which are revenues from taxes, fees interest earnings, and other sources that can be used for the City's general operations. We have several sources of CARES Act grants (the Coronavirus Aid Relief Economic Securities Act Grant), which provided trillions of dollars to the country related to the COVID-19 response. The County allocated \$1.7M to the City of Huntington Beach, and an additional \$3M was provided to assist with the Sprung structure, or the Navigation Center.

Hamilton asked if some of the money from the City's Infrastructure Fund is used for homeless services. Lo Grasso asked for examples of what funds from the Infrastructure Fund is used for. Smith stated that we use the CDBG, CARES Act/Entitlement Funding, which also includes Federal CARES Act for COVID-19 pandemic. In 2020, Huntington Beach was notified that its total share of the CARES Act funding, CDBG 1 and 3 would be just over \$2M. We also have permanent local housing allocation money, the SB-2 Grant, which was signed in 2017 to address the State's housing shortage and high cost of housing. SB-2 established a \$75 recording fee on real estate documents to increase the supply of affordable homes in California. These fees are collected and distributed to counties and cities to increase the supply of affordable housing, and to assist persons experiencing or at risk of experiencing homelessness. We have a Health and Human Services (HHS-SAMHSA) Grant, sponsored by Senator Feinstein, where the City received \$500,000 for services. The

Department of Health Care Services Grant, sponsored by Assemblywoman Cottie Petrie-Norris, provided us with \$1.5M, and the Federal Emergency Management Agency (FEMA) public assistance grant funds and HOME American Rescue Plan Act (HOME-ARPA) grants, where the City received \$2.24M for eligible activities. Michels asked if these have been the current sources of funding and if they are continuing sources. Smith confirmed these sources are how we have funded these projects from when the Navigation Center/Homeless and Behavioral Health was started up to where we are now, but they are not continuing sources.

Smith stated that the City's Homeless Task Force (HTF) involves our entire City. Fire, Police, Marine Safety, Public Works, Park Trees and Landscape, Community and Library Services all work together to address the issues that are impacting our community. One of the more visible elements is our law enforcement assets and a law enforcement component of it, which is our Police Department. In 2022, 7.8% of our calls involved homelessness, which is based upon the data we received at the time of the call, or what officers put in the call dispositions to quantify if that call is somebody experiencing homelessness. It is likely higher than that, because we may not have captured all those elements as we do not have a way to track specifically if somebody is homeless. We do not ask that question unless it is part of an ongoing investigation, or if they are recognized as being homeless. Craver asked if in the data that is being collected, there is a specific tag for every encounter that police have where a person is experiencing homelessness, and if we are actually extrapolating the collected data and expecting it to be higher. Smith confirmed and stated that on every call that officers are on, they supply a disposition with codes, however there are a lot of individuals in our community that are homeless that you will not know they are homeless. They do not match the physical attributes or the stereotypical image of homelessness that most people envision. That is evident when people walk through the Navigation Center. You will not recognize many people as homeless, so we cannot capture that unless we have that interaction with them. The officers will not know that unless that information is brought out. Craver asked that in seeking to collect better data, if that something that the police are thinking about ways to do, or if it is too intrusive. Smith stated that we have to collect information as related to calls. As a police entity, we cannot collect information without reason or cause, but we are in the process of getting a new computer aided dispatch records management system that will require certain entries and certain data to be put in that will make it easier for us to track issues like this.

Smith stated that our HTF staffing consist of four officers and one sergeant who do the primary outreach, enforcement and engagement with the homeless community, which really helps build bonds. Having a dedicated team creates a knowledgeable unit that is aware of current case law, ensures that rights are not violated, and are acting in the City's best interest. There is a lot of litigation out there changing case law, so it is nice to have a specialized unit that can be aware of that, and not open the City to any future litigation. Our HTF officers go out, make contact and enforce encampments and certain regulations. All officers will respond to calls for service and engage with the homeless, but the HTF unit is for handling the specialized problems. They have a great relationship within the community, and they hold people accountable. The relationships are not adversarial and people are still willing to accept assistance from them. Cicerone asked and Smith confirmed that they are uniformed police officers, all of varying experiences. They work varying 11.5-hour shifts depending on what projects they are working on, and adjust their schedule to meet the needs of the community and their projects. In 2022, the four HTF officers made 3,588

contacts, 181 referrals to the Navigation Center and handled 696 MyHB submissions regarding homelessness, which is amazing for a unit that size. Through all that, they had zero reportable uses of force. Smith stated that he is confident that they were one of the most productive units in the Police Department. Smith clarified that the MyHB is the system that the community uses to report things like encampments, shopping carts, where subjects are loitering, and where they might need assistance. The 481 referrals are the individuals that met the criteria to enter the Navigation Center. Meeting the criteria means they have local connections, had no felony warrants and were not a registered sex offender. Others either did not want to accept referrals, did not want assistance or were not eligible for the Navigation Center. We will assist them if they want shelter, helping them get into the County's coordinated entry system to get assistance through other opportunities or means. The 3,588 contacts are made when our HTF officers go out either proactively or in response to radio calls. When we have a community of 330 homeless based on point in time count, we are contacting people multiple times throughout the year. It is not just one encounter that counts as one, but how many contacts we made.

Cicerone asked how the police would establish contact if they received a complaint about a homeless person in downtown Huntington Beach who was not bothering anyone. Smith stated that we have to be respectful of everyone's constitutional rights and civil liberties. If they are not doing anything wrong, and have not exhibited anything that would allow us to do an involuntary mental health evaluation, we will try to build a rapport and relationship. Our BeWell Mobile Crisis Response Team will get involved to try to see if they can calm them down, engage them, and build that relationship from a non-police identification. The BeWell team wears a different uniform than the police, and will try to convince or work with them on getting a plan set up to get help. It takes a lot of time, which is why the multiple contacts are needed for those that are just boisterous or unsightly. Officers have to go and make contact, and do not give up, because we understand that it makes an impact on the community. Cicerone asked if police dispatch is called to report homeless people. Smith stated that to make it easier for the community to be able to report incidents, they can call dispatch for everything. Whether it is someone who is suspicious or someone who needs the BeWell Mobile Crisis Response, call the Police Department first. Our dispatchers are trained and well versed to ask questions to determine what the immediate need is. The important part is getting somebody on it immediately to address it. They will dispatch either patrol officers or a BeWell Mobile Crisis Response Team, or the Fire Department if it appears to be a medical aid, or a combination of any of those resources. It is key to call dispatch if you see something and not assume that somebody else is going to call. While we have the MyHB system and email systems in place, those slow down our responses. The transient community is just that, transient, and they do not have a fixed place and will move around. For us to take action and do something to have the best chance of success, it must be immediately as it is occurring, especially if there is some other issues going on like a psychosis moment, mental health issues or substance abuse. With our finite resources, we need to be directed to some of those areas, because we are all over the City. If residents are seeing something unusual, call us and get us down there.

Lo Grasso asked of the 481 referrals to the Navigation Center, if there is a one to one correlation of those 481 actually going to the Navigation Center. Smith stated it is not, as we make referrals but people do not show up at the meet locations to get transported. It is not a walk-on, walk-off facility, so they have to be transported there. We have those that just change their mind after getting the

referral and do not want to go. Since it is a voluntary program, we do not hold them to that. Craver asked if referral means that you have offered help and they have accepted it, at least on the premise that you have an agreement. Smith stated that was correct. Smith stated that currently, there are six people that can make referrals in the City, which are the four HTF officers and two social workers. That mechanism is to ensure that services are appropriate for them, because it is not going to be appropriate for everybody, and we need to link people up to the right services so that they have a chance for success. That is why the Navigation Center is not a shelter. If we ran a true shelter, it would be just a bed where you put people in to stay off the streets. We run a Navigation Center because we want to have the foundational resources in place to help them get out of and change the situation so they do not end up back on the streets. That is a work in progress. Sternberg asked how long it takes for someone to meet at the location and get into the Navigation Center. Smith stated that there are instances where we can get them in there almost immediately after doing an intake questionnaire. We will take them to the Navigation Center, where they do an additional intake process, put them into the County's coordinated entry system and link them up to the services that are available through the Navigation Center. There are times where there are no beds available and they have to come back in the morning. When a bed becomes available, we will be able to get them in there. If they are not eligible for the Navigation Center, or if there is no room, we will look outside to the other County-sponsored facilities within the Central Service Provider area.

Smith stated that within the Division of Homeless and Behavioral Services, there is currently one allocated position for a Director of Homeless and Behavioral Services, which is vacant and he is filling in as an interim role. We have a Social Services Supervisor, and two Social Worker positions, of which one is currently vacant, and a vacancy for a part-time Social Worker. We also have a Volunteer Services Coordinator, which is filled and very active. We have various administrative support staff and various units of the City that assist with grant reporting requirements and securing the funding for our operations. Lo Grasso stated that we have one Social Worker Supervisor reporting to one Director of Homeless and Behavioral Health Services. Smith stated that is correct, and as part of the 90-Day Plan presented to the City Council in March 2023, we are reviewing that structure to see if a Director is needed or to downgrade the position to a Manager, who would then report to a department head. We should be reporting back shortly to the City Council. Cicerone asked Smith what he did prior to his current role as interim Director of Homelessness and Behavioral Health. Smith stated that as a Police Lieutenant, he is the Community Outreach Bureau Commander and oversees and manages the Police Department's Homeless Task Force, which he has been involved in since the beginning. The Police Department first started its efforts about 12-13 years ago, and he and a squad of officers started engaging and doing directed outreach engagement enforcement in response to complaints in the downtown area, which is his assigned beat. We started looking at ways to address homelessness, and to lessen the impact on the community. At that time, there were about over a dozen individuals living inside of the parking structure. We started working to address the problem, and arresting them did not solve anything, because the individuals ended up right back there later on. It created an adversarial relationship, which made it hard for us to do jobs and risked everyone's safety. It has fully developed over those 12-13 years to what it is now, with the separation of units. It is important to keep a separation between the social services aspect and the law enforcement aspect for many of reasons, but mainly to keep everybody focused on what their primary mission is. Law enforcement is a policing

organization, yet we are out there 24/7 doing the outreach and interacting with the homeless community. We also need to be experts on dealing with the homeless, have resources in place to make those contacts, and then refer to the City's social services side. Cicerone asked what we are doing right, what we are doing wrong, and what we can do differently to address this problem. Smith stated that he thinks we are doing an amazing job. We frequently have outside cities coming in to see what we are doing. This week, the City of Escondido is coming in to see what we have done, and two weeks ago, it was the City of Palm Springs. We have had cities from Northern California, Central California and all over Los Angeles County coming to see what we are doing, and a lot of them are taking from how we are operating in our system and applying it in their cities. Smith believes we are doing a good job at leading the way, but more personnel would be very valuable. During the presentation made to the City Council, the Chief of Police and the City Council agreed that we need to expand our Homeless Task Force to at least eight officers. However, we need to first make sure that we have appropriate patrol resources available to meet the needs of our entire community of 200,000 residents. On the social services side, we have lot of community members that are at risk of being homeless and we can continue to grow and develop our services. It is still a new program and we need to make sure we can meet the needs of our senior community and of the youth that are coming up, to provide preventative efforts to adjust the growing need. The needs are ever changing and we need to adapt to it.

Craver asked when other cities are coming to look at us as a model, if they are looking at things created like the Navigation Center, BeWell, and the Task Force as opposed to the enforcement or the way our officers are doing those basic things. Smith stated that they are looking at the entire program, including our Community Prosecutor program in the City's Attorney's Office, which provides us the opportunity to handle local issues locally. This includes creative prosecution, such as with a person who had a trespassing citation that went to warrant, and is now getting services and being housed. Through the Community Prosecutor program, that problem gets resolved, and does not happen again because it will be taken care of through the program. They are looking at how our team works together between the social workers, law enforcement and BeWell. With BeWell, we were the first program of that type in Orange County. BeWell recently picked up Laguna Beach, and they are looking at further expanding. They are building a second campus in Irvine, and this is all based upon the fundamental foundations that we started in working with them. It is exciting to see that growth and to see other agencies looking at us. We are always looking at opportunities to improve and modify what we are doing and to see if it works. Hamilton asked if the homeless program employees are part of the Police headcount. Smith stated that Homeless and Behavioral Services falls under the City Manager's Office and comes out of that budget. The Police Department operational budget pays for the Homeless Task Force officers, the sergeant and his position. BeWell did not impact staffing numbers and has been a benefit for public safety as a whole, because they are handling many of the calls that there was no one to handle except for Police, Fire and Marine Safety. Now, when there is that person laying on the bus bench or talking to themselves, instead of sending two police officers, a fire engine with a firefighter, paramedic engineer and ambulance, we are able to send a van with two crisis counselors that can engage with the person to see if they need any of those other resources, or if they can refer them to their sober and detox center, or if any other services that are out there. That keeps public safety officers available to respond to emergencies within our community, because when they are tied up on the

call, whether or not it ends up being an emergency, that resource was tied up. It has not decreased any of our operating budgets or our personnel staffing numbers.

Smith shared a breakdown of the HTF staffing financials and funding sources. The sworn police officers comprise the largest financial cost. Questions have been asked about what a .5 full-time employee (FTE) represents, and that is the lieutenant position, which is a management position, and how much they have been involved with the homeless services. In 2020-2021, the then-lieutenant was assisting with the startup of the Navigation Center and our social workers, so a lot of his time was focused on homelessness. At that time, we had case managers instead of social workers, and they reported to the Police lieutenant. In 2021-2022, we moved forward with hiring a Director of Homelessness, so the lieutenant position dealt less with homeless issues, but it still occupied about 50% of his time. Our Social Workers, Volunteer Coordinator and Program Management Staff are funded mostly out of General Funds, where some of the funding has come from LMIHAF or CDBG grant funding to cover those costs. The BeWell Mobile Crisis Response Program is currently operating 6 days a week, 21 hours/day, from 6:00 a.m. to 3:00 a.m., and on Wednesdays, from 10:00 a.m. to 10:00 p.m. We are hopeful that by January 1, 2024, it will be operating 7 days a week, 21 hours/day, 6:00 a.m. to 3:00 a.m. That time range was selected by looking at our calls for service and the distribution of calls with mental health calls, which showed that was when we need the resources. We did not want to go to a 24-hour operation and have a team sitting idly, to make sure they are working, and we are getting our value or return on the investment. The contract goes up to \$1.5M, but we have yet to reach that point. A lot of that is due to staffing as they have been growing and trying to fill the vans. We have not had full staffing yet. For 2022-2023, our projections will be just under the \$1M mark for the cost of their operations throughout the year, and next year is included in the budget. Initially, 48% of the operations came out of the General Fund, and the rest were out of the State funds and restricted local funds. It went up to 65.1%, but once we got the Earmark \$1.5M, that offset the cost. We anticipate 2023-2024 will be fully funded through the Federal Earmark Grand Fund, and then some of that money will carry over to the next year. We are still working on identifying sources for future funding so that it does not impact General Funds. Our Councilmembers have stated that they will use their legislative action to gain support from State and Federal entities to continue to support programs like our BellWell Mobile Crisis Response Team.

Smith stated that since the program started in August of 2021, BeWell has responded to 3,793 calls. Approximately 41% are housed, and 59% are unhoused. The calls are not just for our homeless program. They help our schools, community centers, hospitals, are available for everyone that is in a moment of crisis, and have helped deescalate many situations when a uniform presence might escalate or change the dynamics. So far, it has been very successful at helping our community. They have access to our sober and detox facility, where all the services are free of charge, and are funded through County funds and donations. There are no additional charges to the City or to the person receiving the services. We have had great success within our homeless community. We have agreements with BeWell and Mercy House, who operates the Navigation Center, where if somebody has a substance abuse or mental health issue at the Navigation Center, we give them the opportunity to go and receive voluntary services through the BeWell campus, and hold their bed for 90 days. Initially, if they broke rules, they would be exited, which would push the problem back out on the streets. If they complete the programs, they have a place to come back to, and not go

back out on the streets. That does not cost the City anything and is included in our contract. As of today, the Navigation Center is 100% occupied with 174 beds occupied by someone with local ties. The Navigation Center provides shelter, clothing, laundry, personal care, housing navigation, employment assistance, educational opportunities, documentation preparation, activities, substance abuse recovery along with health care clinics and resources that come to the site to provide services. Our volunteers are coming in to teach life skills classes. We had six computers recently donated and will be able to start teaching computer courses, giving the individuals opportunities to look for employment and look for housing on their own without relying on staff to assist. Sternberg asked what the average length of stay was, and Smith stated that it is around 80 days. Smith stated that one of the features we are looking at is how we keep people in longer, because it is taking over 180 days on average to get people housed. Some of the factors are the lack of housing programs out there that are willing to accept people that might have foreclosures, bankruptcies or may not have a fixed income. There is fear of accepting somebody that is homeless, or if they have mental health or drug issues. We are working hard with our County partners try to identify those properties that will accept people into those programs, but it is a work in progress. It is also a change for individuals in the Navigation Center, and especially those that have been on the streets for long term. It takes a lot to get them into the Navigation Center, and then it takes longer to break through those barriers and make them feel comfortable to go into a fixed structure. It sounds odd to all those that have a house, but when they are out there, they are used to freedoms, a certain lifestyle, and it becomes second nature. They almost forget the skills that we have all learned over the years to get back under and be self-supportive.

Smith reviewed the Navigation Center startup and operating costs. The land acquisition was just over \$6M for two parcels of land that we use for the facility, which was purchased with LMIHAF funds. We also received CARES Act funds and County donations to offset the cost for the land acquisition, site preparation and the structure. Funding for the Navigation Center startup from the General Fund was .4%, which came from the Infrastructure Fund. Mercy House operates the Navigation Center, and the average cost is \$44 per bed, per night to provide all those services to each individual. For the first year, 0% of General Funds were used. Last year, 26.4% were used, and the current fiscal year is estimated that 1.4% of the funding will be General Funds, meaning 98.6% is from restricted County, State or Federal funds. Lo Grasso asked and Han confirmed that in the initial startup, .4% or \$520,000 came from the Infrastructure Fund. Lo Grasso asked how much of the General Fund is used for the continuing operation costs, and if the 1.4% is also coming out of the Infrastructure Fund. Han stated that the Infrastructure Fund was used for the construction of the Navigation Center, such as site preparation and grading. With the current year costs, those are actually used for operating. Smith stated that the 1.4% represents the \$40,000 that is used for maintenance from Public Works. Lo Grasso stated that he did not understand why \$520,000 from the Infrastructure Fund were used for the Navigation Center purchase, because the fund was created for repairs to our streets. Cicerone asked if the City owned 4% of the land purchased for the Navigation Center. Han stated that the City owns the entire property. Smith stated that the land was purchased with LMIHAF funding, which has to be used for low and modern-income housing projects. We will be bringing the issue to the City Council to talk about future development of that land, because it has to be used for a low, modern-income housing project in the future. That is what the land was purchased for, but was chosen as the temporary site of the Navigation Center to afford us protections from being enjoined in the lawsuit of *Orange County Catholic Worker vs. County of*

Orange, referred to as the Riverbed lawsuit, where numerous Orange County cities were sued to set a standard of care for dealing with individuals experiencing homelessness in the County. There was an agreement between Judge Carter and the City that we would not be enjoined if we opened the Navigation Center, or a shelter facility, and that site was chosen as being the most appropriate for a temporary facility. Hamilton asked if temporary for the site means five years. Smith stated that there is no set deadline for when the property has to be converted into a low, moderate-income housing project, but he understands that the general rule is that five years is when the project needs to move forward. Hamilton asked if we were depreciating the structure over five years in our financials and Han confirmed. Han pointed out that the Sprung structures, like the Navigation Center, were actually donated by the County. They were purchased by the County and given to us as part of the \$3M grant agreement. In addition to the \$3M in CARES Act funding that we received from the County to build out the temporary Navigation Center, we also received various donated items such as the Sprung structures, bathroom trailers, showers.

Cicerone asked if the Navigation Center is included in our capital assets. Han confirmed and stated that the land would be a separate asset, non-depreciable, and the actual Navigation Center would be largely in two separate buckets; one for FF&E, and one for the Sprung structures. Sternberg stated that he read that the Navigation Center was temporary because the land needs remediation to put up a permanent structure. Smith stated that the surveys and inspections have all been done, and Jamboree Housing, the developer, will develop that site in the future. Smith stated that we are working with them to determine what the uses will be for that site, and will be seeking City Council direction. Hamilton asked if there are contaminants on the land. Smith stated that the project developer would handle the site remediation and its funding. Michels asked if when that property is developed for long-term housing purposes, if we would have another Navigation Center location. Smith stated that there will have to be a temporary site, but one of the ideas will be to develop a permanent Navigation Center facility along with permanent supportive housing options or low and modern-income housing in there. It would be a mixed-use site, taking advantage of the resources that we have in the location. If we do put a permanent facility there, we will have to find a temporary alternate location, which we will work with the developers on once we get guidance from the City Council on what direction they want to go.

Smith stated that the County of Orange Initiative, HB Oasis Project Home Key Site, is operated by American Family Housing. This is not a City-operated facility or City-owned facility. It came from the State Home Key Grant funding that provided \$17M to the County and American Family Housing to convert hotels or under-utilized properties into permanent supportive housing. As part of an agreement to get it in the City, they offered to use \$2.4M LMIHAF funds in the initial construction for the site, and \$1.8M HOME ARPA funds for fifth year support services, if needed. They are changing a 64-room hotel into 62 housing units. The initial phase is for the interim, and then it can be developed into a permanent supportive housing. The project is going to move a lot faster than initially anticipated, so we do not foresee any of our funds being drawn upon with the progress that it is making. Those funds were just commitments and not actually utilized for anything at this time. Cicerone asked if the City was responsible for the operating expenses associated with this facility. Smith stated that the City is not because it is a County program, and it is open to the County service provider area so it has individuals from the Central Spa, which is Huntington Beach, Westminster, Garden Grove and Santa Ana. Cicerone asked where the other closest facility the County operates

is located. Smith stated that the County has locations in Santa Ana, Fullerton and Anaheim. Newport Beach contracts with Costa Mesa to utilize their shelter. There is a new tri-cities facility getting ready to open in Garden Grove for the cities of Garden Grove, Westminster and Fountain Valley. Once the County operates it, it has to be open to everybody within the service area, which is why we have our own so we can control and set guidelines on entry requirements. Lo Grasso asked if any of the other cities have their own navigation center that also have the County facility. Smith stated that the City of Stanton has one, and Anaheim has a couple. In the Home Key Sites there are additional sites, and there will be additional funding for more Home Key sites throughout the County.

Smith provided an overall summary of the annual cost to address homelessness, and the operational expenditures from Restricted Funds and General Funds. The General Fund pays for employees' salaries and benefits, many of which were already in existence before Homeless and Behavioral Health Services. The officer positions existed before our Homeless Services. For the last fiscal year, just under .1% of the General Fund budget is used for Homeless and Behavioral Health Services and our homeless response, including the Police Department.

Hamilton asked how many homeless there were in the City last year from the 330 number. Smith stated that we were one of the only jurisdictions in Orange County in the Central Spa that had a decrease in total homelessness and an increase in a sheltered homeless. In 2019, at the point time count, we had 349 and we went down to 330. The number fluctuates because there are so many factors such as weather and environmental conditions. When we compare year to year, from 2019 to 2022, our unsheltered population went down 101, and sheltered population went up 82. The point in time count was taken during Covid, so our Navigation Center had much lower numbers. That number of sheltered individuals has gone up, and is about over 200 now, meaning that our unsheltered number has also likely gone down. Out of the Central Spa, which is Costa Mesa, Fountain Valley, Garden Grove, Huntington Beach, Newport Beach, Santa Ana, Seal Beach, Tustin, Westminster, and unincorporated areas of the County, we are the only city that went down for unsheltered, increased in sheltered, with a total overall decrease.

Sternberg asked if there is an issue with people in sober living homes that have insurance, but then their insurance stops, they have nowhere to go and end up on the streets. Smith stated it is a factor, and we will try to get them assistance, but they would not be eligible for the Navigation Center. We do not get the data from them as to why they are there, but we have encountered individuals recently that went to sober living, their insurance runs out, and they are on the streets. We work with nonprofits and Great Park Community Partners that will help reunite individuals that are in that position to get them back to where they have foundation and family. Sternberg asked if we have an issue with people that come from out of state and want to go live at the beach for a while. Smith stated that we do have that issue in being a destination city, and we expect an influx during the summer when everybody comes here for the special events. Our social workers and officers will provide assistance and do outreach and engagement, but only those with ties to Huntington Beach, having worked, lived, or went to school here, will have access to our complete continuum of care, which includes the Navigation Center.

Cicerone stated that the total numbers for 2021/22 comes to over \$7,276,000, and when dividing that number by 330-340 homeless, would cost us \$21,400 each person. Smith stated that is not accurate, because the police officer positions would exist regardless of if we had one homeless individual or a thousand. When you take out the \$3M in salaries over those years, there is a significant reduction in the General Fund expenditures. The BeWell cost is for the full program, which is for every community member, just like the police officers and their responses for every community member, so the full cost is not just attributed towards the homeless community. Sternberg stated that one of the presentation slides stated that the estimated average cost was \$45,000 per person experiencing homelessness per year. Smith stated that information was based upon the UCI United Way report from 2017, looking at 2014-2015 numbers, and the average of total services and the impact on the community, including health care systems and public safety. Hamilton asked and Han confirmed that these expenses include the depreciation of \$1.4M a year.

Cicerone discussed the CalPERS presentation follow up. He had concern regarding the information contained on slide 12, Pension Outlook Projected UAL Payments, from the April 26, 2023 CalPERS Update presentation. He stated that as the Finance Commission, we should be concerned. He asked for thoughts about how to approach advising the City Council in dealing with the pension obligation. Craver stated that she had previously expressed her concern about the CalPERS UAL and believes it is a very large structural issue. We are renegotiating employee contracts all the time so that we can afford public safety costs for Police, Fire and Marine Safety, which are the largest part of our budget and our pension liability. We need to be able to attract employees, but also be able to afford these costs. Lo Grasso agreed that the problem is structural, and stated that without outsourcing and changing the pension system, we would have to cut services, close libraries and repave the streets half as many times as usual. Hamilton stated that it is a very difficult and unpopular decision and takes a very strong leadership team to address. Discussion ensued regarding possible solutions to the pension obligation problems. Lo Grasso suggested that the Finance Commission provide the City Council with details of what could possibly happen if the pension liability is not dealt with. Craver asked Han if the Finance Department forecasts the worst-case scenarios. Han stated that we forecast using the most current data available to us, such as the most current data from CALPERS contained in the presentation slide. Han noted that this is a point in time count at 5.5%, then 6.8% thereafter. It also includes a -7.5% return, but we know that we are not going to achieve 6.8% every single year. Interest rates will ebb and flow, this number will go up and down, and we will continue to monitor and update. Even with changing benefit plans or reducing benefit plans, we still have a large, unfunded pension liability that exists for all of our current and future retirees that are on the books today. Even if we exited CalPERS tomorrow, we would still have what is known as a hypothetical termination liability, which that number can vary, and from looking at a valuation report that is over a year old, that number would be over \$2B.

Lo Grasso stated that the City started with CalPERS in the 1950s, and over the 70 years, has contributed a number of dollars. We have experienced a return on this investment that went to pay for retirements, and currently still have contributed money in CalPERS. He asked if the \$2B would be coming back to us. Han stated that the money contributed is net of that amount, and includes the current assets that we have on the books. On our annual actuarial valuation reports, CalPERS shows the value of our assets for both our Miscellaneous and Safety Plans. The hypothetical termination liability net of that amount, including assets, is over \$2B. Lo Grasso asked if the \$2B

covers everybody that is retired as of today until their termination period, and we continue paying until their actuarial date or until their death. Han confirmed and stated that it also includes existing employees that are currently enrolled in the plan that will retire in the future, because we cannot take away a benefit retroactively. Hamilton asked and Han confirmed that compared to other Orange County cities, we are doing very well. Han stated that in the past, we were super funded for a point in time, as we were last year. At that time, most agencies elected to eliminate employee contributions. In order to attract and retain talent in the organization, they also enhanced the retirement formulas, and the vast majority of cities followed suit. Decisions were made to offer those benefits to stay competitive, attract quality public safety officers, and retain staff and quality team members. Those decisions made decades ago contributed to the liability that we have today. That change in the benefit formula was actually retroactive. Hamilton stated that the cities on the presentation slide list are now underfunded, which is telling of pensions. Han stated that this is a challenge that most agencies are facing. Newer agencies that are smaller, established in the 1990s, with 20-30 employees and no public safety have less of a liability. The older, more established cities are all grappling with the same issue and addressing it in a number of different ways, whether it is issuing a pension obligation bond, refinancing debt, contributing additional discretionary payments to CALPERS, or contributing more to a Section 115. One of the key points is to retain quality staff. It would be challenging to withdraw from a pension system when the surrounding agencies have pension plans, whether it be CalPERS or OCERS. Hamilton asked and Han confirmed that debt service payment on the POB is \$22M a year. Han stated that when PEPR was first introduced, there was a point when cities could put in a second tier, reducing the benefits for classic employees that were hired after a certain date, which was around 2013. Huntington Beach did not elect to do that at that time, and part of that decision was that we wanted to continue to attract staff. That method has largely worked, because otherwise, we would have to pay them more upfront. Lo Grasso asked the Commission to think about whether they wanted to proceed with providing a document or presentation to the City Council about what the future could look like. He stated that we could agendaize this issue for further discussion next month and Cicerone was in support.

Lo Grasso discussed the Finance Commission Subcommittee findings and progress. At the last meeting, a subcommittee was formed which included himself, Cicerone and Hamilton to look at how the City purchases property. The City has had a few missteps in the last three to four years, and we thought it would be good idea to have a subcommittee to look at that process. As they were researching, they found it to be a very involved process. They met twice, two hours each time and since many items came up, they will continue to meet at least one more month. They have another meeting scheduled for the first week in June. For the four hours that they met, the purchase of the Elan and Breakwater apartment complexes took the entire discussion. They came up with eight questions that they were hoping to be answered by the proper party. Cicerone stated that he was particularly interested in Item No. 4 regarding receipt of the annual regulatory report, and had asked the question at last Friday's Citizens Academy. Craver noted that at the Citizens Academy, it was stated that Community Development received the report. Cicerone wanted to know if they were in compliance with the 30% for low-income occupancy and 40% for middle-income occupancy. Craver stated that it was a great question, but her focus would be related to the process such as when one of these agreements are approved and has regulatory pieces, who is summarizing the regulatory piece for the City's employees, and designating who should be receiving and monitoring that

compliance to make sure that the agreement is being honored over time. She stated at a City Council meeting, Councilmember McKeon brought up an item seeking more information related to this program, and those are part of the questions that Cicerone is asking. The Council decided that they are going to have somebody create a comprehensive report answering these questions, and return to the City Council with that information. Some of the questions the subcommittee is asking may be answered in the report that is coming to the City Council. Lo Grasso stated that McKeon's questions are taking a different path. Question No. 3 asks for a hypothetical closing statement if we were to close the transaction with this building, and he wants to see where the proceeds are going. His question is when the property was sold as an investment, what the City receives on the return. McKeon's question is similar to Number 5, if we are following all the rules. Craver stated that the list of questions tend to be legal, and the City has a City Attorney's Office that would be the proper party to delineate the City's investors rights, to explain the benefit received from the contracts, what happened to tenants, who covers the outstanding balance under the legal agreement, the amortization schedule, and the bonds is something that comes in the regulatory report. Cicerone agreed that the questions should be directed to City Attorney Michael Gates. He stated that if the purchase was an investment, it would be under Finance's purview. Han stated that the purchase was not considered an investment, and that the primary purpose of this transaction was to provide middle income housing, or workforce housing. The benefit that would occur, should the City force a sale between years 15 to 30, is an added benefit, but was not the driving reason for conducting this transaction. Lo Grasso stated that according to the 2021 staff report, there were two public benefits that were defined; one was creation of the middle income housing, the second benefit was public equity, which was the investment of this property. He believes that the transaction was the investment on this property. Han noted that the investment was an ancillary benefit and not the primary purpose for conducting this transaction. Cicerone stated that in reference to the questions, they are making a proposal in a letter to the City Council with the Commission's blessing. Lo Grasso stated that in looking at the City's purchase of real estate, they reviewed the Elan and Breakwater project, and this purchase was used as an investment for the City. It was used as an opportunity to create workforce housing, but also as an investment. The City Treasurer's web page explains the City's investment policies. One of their investment policies is to "achieve a reasonable rate of return within the parameters of prudent risk management while minimizing the potential for capital losses arising from market changes or issuer default." A real estate investment is the definition of market changes. When they went through this process to purchase these two properties, they violated their policy on investment. It was the subcommittee's opinion that other City Councils can continue take the City property taxes and risk them on real estate investments. Cities have a fiduciary duty to their citizens not to risk their monies in risky investments. Lo Grasso stated that they put together a Request for Action and would like the Commission to vote to send it to the City Council. Discussion ensued regarding the Request for Action letter, the City's purchase of real estate, the ad hoc committee questions and establishing policies and procedures for real estate transactions. After discussion, Lo Grasso moved the item to next month for the subcommittee to come back with a proposal for policies and procedures for the City to purchase real estate.

Motion: Moved by Lo Grasso and seconded by Hamilton to table the ad hoc committee findings for further discussion at the June 28, 2023 Finance Commission meeting

The motion carried by the following votes: 6-0-1

Ayes: Cicerone; Craver; Hamilton; Lo Grasso; Michels; Sternberg

Noes: None

Absent: Gates

COMMISSIONER COMMENTS

Sternberg stated that he would like to have policies and procedures in place for the purchase and sale of real estate, and that all transactions should go through the City Attorney's Office for review. He stated he was disappointed that the increase in parking rates and additional parking meters were put on the City Council Agenda and voted through, but did not come to the Finance Commission. He thought it was a perfect project for the Finance Commission to receive and review because it was a \$2.7M of additional revenue.

Cicerone stated that he would like to review the permits and parking fees, and what the City currently charges. Michels stated that there was a fee review in June 2022, which had not been done since 2016, and at that time the parking fees had been increased, so there is good data available. She requested that the City Attorney come to the next meeting for a discussion and to answer the real estate transaction questions.

Craver stated that she would like to understand the long-term financial impact on the City of the recent settlement regarding the Airshow and our future obligations to them. She requested that the item be agendaized for the next meeting.

ADJOURNMENT

Motion: Moved by Hamilton and seconded by Craver to adjourn the meeting at 7:40 p.m.

The motion carried by the following votes: 6-0-1

Ayes: Cicerone; Craver; Hamilton; Lo Grasso; Michels; Sternberg

Noes: None

Absent: Gates

Submitted by:

Sunny Han, Acting Chief Financial Officer

By: Thuy Vi, Finance Management Aide

U.S. Inflation Rates

Year	Low	High	Annual Average
2016	0.8% - July	2.1% - Dec.	1.3%
2017	1.6% - June	2.7% - Feb.	2.1%
2018	1.9% - Dec.	2.9% - June/July	2.4%
2019	1.5% - Feb.	2.3% - Dec.	1.8%
2020	0.1% - May	2.5% - Jan.	1.2%
2021	1.4% - Jan.	7% - Dec.	4.7%
2022	6.5% - Dec.	9.1% - June	8%
2023	5% - Mar.	6.4% - Jan	TBD

Source: U.S. Inflation Calculator.com

Key Issues/Questions: Elan & Breakwater Apt. Complexes

1. Delineate the city's investor rights, if any.
2. What benefit does the city receive from these contracts?
What happened to the previous tenants?
3. In an assumed sale, today, what is the estimated payout to the city?
Provide a hypothetical closing statement.
4. Have we received the required annual regulatory report due January 31, 2023?

Key Issues/Questions: Elan & Breakwater Apt. Complexes

5. Has the regulatory rental requirement for 30% low income & 40% middle income residents been met?
6. If, after 15 years, the property sale does not cover the outstanding bond balance, who is responsible for the short sale?
7. Provide the amortization schedule of the bonds and the current outstanding balance on both.
8. Is Council's relinquishment of \$370,00 - \$500,000 in annual property tax (over 30 years) a breach of fiduciary responsibility?

Request for Action

From: City of Huntington Beach Finance Commission

To: City of Huntington Beach City Council

In reviewing the recent transactions that converted the properties Elan and Breakwater from privately owned residential income properties to “workforce housing”, the Finance Commission has determined that the scope of these real estate investments is outside of the city’s primary investment objectives.

According to the Huntington Beach Treasurer’s invest policy, the investment practices and policies of the City of Huntington Beach are based upon state law and prudent money management. The primary goals of these practices are:

- 1) To assure compliance with all Federal, State, and local laws governing the investment of public funds under the control of the City Treasurer.
- 2) To protect the principal moneys entrusted to this office.
- 3) Achieve a reasonable rate of return within the parameters of prudent risk management while minimizing the potential for capital losses arising from market changes or issuer default.

Elected and Appointed Public Officials owe a fiduciary duty to their citizens with regard to the officials’ handling of the public’s money. In accepting a fiduciary duty, the City Council accepts a legal commitment to act in the best interests of their beneficiary, the citizens. It is the conclusion of the Finance Commission that Real Estate investments that require the city to forgo property tax collection for any particular property does not represent the “best interest” of the citizens of Huntington Beach, nor does it show prudent money management or prudent risk management.

The City of Huntington Beach Finance Commission, therefore, respectfully requests the City of Huntington Beach City Council to consider proposing an amendment to the City Charter that would restrict this and future City Councils from contracting with any entity for any real estate investment that would require the City of Huntington Beach to forgo regularly collected property taxes on investment property, unless those purchases are approved by the voters of the City of Huntington Beach.

Thank you for your consideration in this matter

City of Huntington Beach Finance Commission