



FY 2022/23 Year-End Budget Adjustments for City's Unfunded Liabilities and Year-End Audit Entries

City Council Meeting
November 7, 2023

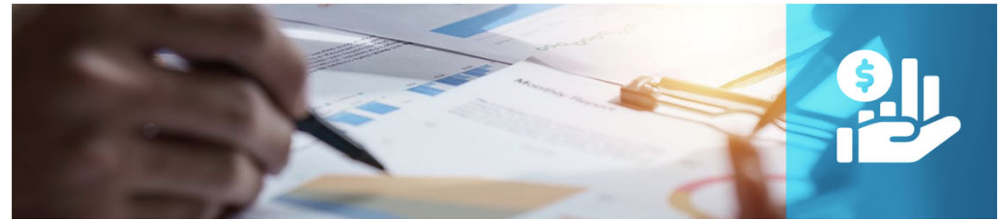
Background

- Finance Department is working on the year-end closing process
- Year-End Budget adjustments for FY 2022/23 are required to close FY 2022/23
- FY 2022/23 is projected to end with a \$16.2M General Fund surplus primarily due to one-time spikes in natural gas prices during Winter 2022-23 and increased Natural Gas and Electric rates resulting in higher Utility Tax and Franchise Fees, as well as Transient Occupancy Tax and Emergency Management Services (EMS) revenues performing better than anticipated
- Opportunity to fund the City's unfunded liabilities –aligning with the City Council's Strategic goal of Fiscal Stability

Description	Unfunded Liabilities as of 6/30/2023	Funded Status as of 6/30/2023
Workers' Compensation	\$24.4M	45%
General Liability	\$7.2M	65%
Retiree Supplemental	\$8.8M	88%
CalPERS UAL	<u>\$168.3M</u>	89%
Total	\$208.7M	

Strategic Plan Goals

- FY 2023-27 Strategic Plan adopted by City Council on October 3, 2023
- Eight Overarching Goals to achieve over the next four years
- Additional financial resources are required to successfully implement unfunded Plan Goals
 - One Stop Shop
 - World-Class Beach Facilities
 - Fleet Capital Replacement Plan
 - Mobility Master Plan
 - 311 System Implementation
 - Community-wide Risk Reduction Program
 - PCH Relinquishment
 - LA28 as Host City/Olympic Village
 - Public Safety Infrastructure Improvements
 - Comprehensive Homeless Response Plan
 - Infrastructure Report Card



FISCAL STABILITY

Success Indicator: Available funding to support a high-quality level of programs, services and capital investments and to build a structural surplus.

Workers' Compensation

- California Workers' Compensation law provides state mandated benefits to employees for work-related illness or injury
- City is self-insured up to \$1 million per claim.
- Benefits may include payments for medical treatment, salary continuation, Total Temporary Disability (TTD) benefits, and permanent disability benefits.
- \$1.3 million increase in Worker's Compensation liability primarily due to claims driven by rising medical costs and an expanded list of injuries that are presumed to be work related under California law, such as post-traumatic stress.
- Recommended Transfer: \$1.5M

Description	\$ / %
Total WC Liability 6/30/2023	\$44.1M
<i>Increase in WC Liability FY 2022/23</i>	\$1.3M
Funded Status without Transfer (\$19.7M)	45%
Funded Status with Transfer (\$21.0M)	48%
Recommended Transfer	\$1.5M

General Liability

- City is self-insured up to \$1 million per claim with \$25M in excess coverage per claim/occurrence
- \$7.1 million increase in General Liability primarily due to liability adjustments made to two large claims
- Recommended Transfer: \$4.5M

Description	\$ / %
Total General Liability 6/30/2023	\$20.6M
<i>Increase in Liability FY 2022/23</i>	\$7.1M
Funded Status without Transfer (\$13.4M)	65%
Funded Status with Transfer (\$17.9M)	87%
Recommended Transfer	\$4.5M

Retiree Supplemental

- The City administers a supplemental single-employer defined benefit retirement plan for employees hired prior to 1997
- The plan pays a supplemental retirement benefit in addition to benefits from CalPERS
- Investment held separately in the Supplemental Retirement Trust (SRT) and is managed by the City's Investment Custodian and subject to Investment Policy set by the SRT board
- Recommended Transfer: \$4.62M –minimum required to avoid drawing funds from Trust

Date	Funded Status	SRT Liab	SRT Asset	Net SRT Liab (Asset)
6/30/2022	79.6%	\$74.2M	\$59.0M	\$15.2M
6/30/2023 w/o Transfer	87.9%	\$72.6M	\$63.8M	\$8.8M
6/30/2023 w/Transfer	94.3%	\$72.6M	\$68.4M	\$4.2M

Central Library Transformer Replacement

- The electrical equipment at the Central Library failed as of April 14, 2023 resulting in the Library's closure to staff and patrons.
- Temporary power is being supplied through rental equipment while design for custom built switchgear and permanent replacement equipment is ordered and delivered.
- The preliminary cost for the replacement and installation of the new transformer is estimated to be \$2M. Due to increased cost of labor and materials, the final cost may be higher.
- During FY 2022/23, Council authorized the use of \$3.2M in HB Recovery funding for emergency repairs, infrastructure cost increases, and unscheduled replacement of park equipment.
- To preserve the remaining HB Recovery balance of \$10.9M, a transfer of \$2M from the General Fund to the Infrastructure Fund is recommended to fund the library transformer replacement.

General Fund Adjustments Summary

- Recommended transfers totaling \$12.62M from the General Fund in FY 2022/23 to fund the City's unfunded liabilities as listed below – aligning with the City Council Strategic goal of Fiscal Stability.
- Estimated FY 2022/23 surplus after appropriation \$3.6M (subject to change)

Fund	Amount
Worker's Compensation	\$1,500,000
General Liability	4,500,000
Retiree Supplemental	4,620,000
Infrastructure Fund	2,000,000
Total	\$12,620,000

Other Fund Adjustments

Hotel/Motel Business Improvement District Fund (709)

- **\$102k** to align budget with actual FY 2022/23 revenues and expenditures. The Hotel/Motel BID Fund is a pass-thru fund in which the City collects self-assessed revenues of 4% from the participating hotels and motels and submits them to Visit Huntington Beach per the BID's agreement.

Downtown Business Improvement District Fund (710)

- **\$9k** to align budget with actual FY 2022/23 revenues and expenditures. The Downtown BID Fund is a pass-thru fund in which the City collects self-assessed revenues from all Downtown merchants and remits the funds back to the District per the BID's agreement.

Other Fund Adjustments

Bella Terra Parking Structure (711)

- **\$8k** to align budget with actual FY 2022/23 expenditures. The City owns the parking structure in the Bella Terra retail center. The City collects a maintenance fee from the owners of the center through a special assessment which is used to fund maintenance and operation expenditures for the structure.

Community Development

- **\$64k** Revolving Loan Fund transfer to CDBG Fund to properly code funding & **\$217K** HOME Fund transfer to the proper grant year

Questions?

