

CITY OF HUNTINGTON BEACH

California

Annual Comprehensive Financial Report

*For The Fiscal
Year Ended
June 30, 2022*



CITY OF HUNTINGTON BEACH, CALIFORNIA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2022**

Prepared by the Finance Department

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INTRODUCTORY SECTION

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**City of Huntington Beach
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022**

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CITY OF HUNTINGTON BEACH

December 21, 2022

Honorable Mayor, City Council and Citizens of the City of Huntington Beach:

In accordance with the requirements of the City Charter, and the City of Huntington Beach's ongoing commitment to transparent financial reporting, I am pleased to present the Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2022.

As required by the City Charter, and to ensure the reliability of the information contained herein, the City of Huntington Beach (the City) contracted with the independent auditing firm of Davis Farr LLP. The goal of the audit was to provide reasonable assurance that the City's financial statements are free from material misstatement. In addition, Davis Farr LLP audits the City's major program expenditures of federal grants for compliance with Title 2 of the United States Code of Federal Regulations Part 200 (Uniform Guidance). The report of the Single Audit is published separately from this ACFR and may be obtained upon request from the City's Finance Department.

This report consists of management's representations concerning the City's finances. As such, management assumes full responsibility for the completeness and accuracy of the information presented in this document and that it is reported in a manner that fairly presents the financial position and operations of the various funds of the City. To provide a reasonable basis for making these representations, and assurance that the financial statements will be free from material misstatement, management has established a comprehensive internal control framework that is designed to both protect the government's assets from theft, loss, or misuse and to compile sufficient reliable information for financial statement conformity with GAAP. As the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement.

We are pleased to report that Davis Farr LLP granted the City an unmodified (clean) opinion for the financial statements of the City for the year ended June 30, 2022. The auditor's opinion can be found in the Financial Section of this report. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This transmittal letter is designed to complement and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

Profile of the City of Huntington Beach

The City of Huntington Beach is home to a thriving beach community, located on the Orange County coast, 35 miles south of Los Angeles and 90 miles north of San Diego. With a population of 197,437 residents, it is known as Surf City due to its abundance of beaches; the year-round sunny and warm Mediterranean climate; and its casual lifestyle. With over 10 miles of coastline and iconic pier spanning 1,856 foot in length- the longest pier on the West Coast- Huntington Beach plays host to over 16 million visitors annually.

As the fourth largest city in Orange County, and the 23rd largest in California by population, Huntington Beach is recognized as a prime location to live, work and play, ranking #1 in the nation for “Quality of City Services” and #1 for “Best-Run City” in the State of California by WalletHub (June 2022). Huntington Beach was also ranked #1 and #18 in the state and country, respectively, for “Best City for People with Disabilities” by WalletHub (September 2022). The City boasts an annual median household income of \$91,318, 51 percent higher than the median household income for the United States, 28 percent higher than the State of California and 6 percent higher than Orange County. In addition, more than half of its residents, or 53 percent, have a college education. There are over 104,300 people employed by public and private entities in Huntington Beach.

Founded in the late 1880s, Huntington Beach was incorporated as a Charter City in 1909. Huntington Beach has a Council/Manager form of government wherein seven City Council members are elected to four-year terms, and the Mayor is filled on a rotating basis from the incumbent Council Members. The City Attorney, City Clerk and City Treasurer positions are also elected and serve four-year terms. The City of Huntington Beach is a full-service city including police, fire, public works, and other key functional departments with a dedicated and talented team of over 980 full-time equivalent employees.

In 2011, the unincorporated oceanfront community of Sunset Beach was officially annexed by the City of Huntington Beach. Sunset Beach is a small beachfront community with approximately 1,000 residents and 1.5 square miles of land. Beachfront properties with high property values make this community a valuable addition to the City. Sunset Beach features one of the widest and most pristine beaches in Southern California and is home to the historic Sunset Beach Arts Festival.

A thriving beach community, Huntington Beach is home to numerous events, including the Great Pacific Airshow – the only beachfront airshow on the West Coast featuring the U.S. Air Force Thunderbirds, U.S. Navy F-35C Demo Team, PACAF F-16 Viper Demo Team, and many others. This unique airshow, which first premiered in October 2016, has gained tremendous popularity and attracts visitors from all over the world to view the three-day event.

The City’s century-old traditional Fourth of July Fireworks Show and Parade, known nationally as “the largest Fourth of July Parade west of the Mississippi,” spans a four-day period that includes the Pier Plaza Festival with live music, carnival rides, and other family-friendly activities, Surf City 5K Run, and spectacular fireworks show overlooking the pier.

The City also hosts a variety of other exciting events for families and visitors such as the annual Concours d’Elegance, Civil War Days, and other events. In September 2022, the City hosted the International Surfing Association (ISA) World Surfing Games for the first time since 2006.

Economic Condition and Outlook

After more than two years of contending with the pandemic, the economy is showing continuing signs of recovery as seen through the major decline in COVID-19 cases and expansion of the nation's economy to 93 percent of pre-pandemic levels. While global tensions and supply chain shortages remain prevalent, the City is experiencing sustained increases to its major revenue sources, such as Sales Tax and Transient Occupancy Tax, through remarkable improvements to the local economy. However, continuing volatility in the financial and equity markets, along with the rapidly changing economic picture and the length and continuing impacts of the COVID-19 pandemic, add a layer of uncertainty to the City's financial projections.

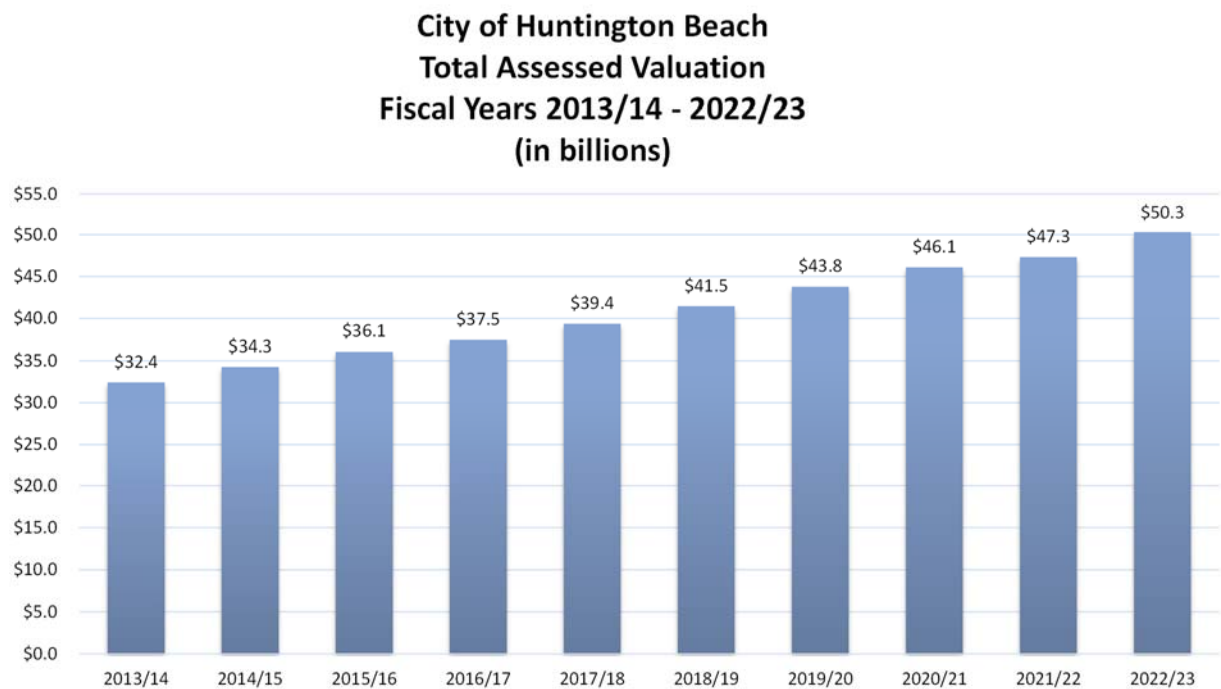
The City of Huntington Beach continues to thrive together through the motto "**OneHB.**" On November 29th, Al Zelinka presented his "100 Days Report," which included the City's commitment to the following seven key principles:

- Reaffirmation of the City's **OneHB Mission** to stay committed to being *One Team*, working together to have *One Focus*, and continuing to pursue *One Goal*, through the City's core values of humility, exceptionality, social awareness, passion, teamwork, and integrity.
- **Accountability** to the Huntington Beach community using best practices and placing the "*Triple Bottom Line*" approach of sustainability- which includes the City's environment, people, and economy- as the authentic and central platform to uphold and advance Huntington Beach's sense of community and quality of life.
- Dedication to **Transparency**, striving to continuously expand access to public information and increasing the visibility of programs, services, Boards, Committees, and Commissions as opportunities for community participation and public information.
- **Responsiveness** to the needs of the Huntington Beach community, committing to continuous all-hands training to provide exceptional customer service and diversifying communication efforts so that the City's residents can access City information, provide input, and receive needed services in a timely manner.
- Commitment to remaining **Effective & Efficient**, promoting high performance and financial responsibility to maximize the value of services provided to HB taxpayers, residents, and businesses while simultaneously working to streamline and improve the City's customer service experience and address problems effectively.
- Fostering a culture which supports **Diversity, Equity, & Inclusivity**, serving all residents, visitors, and businesses with an open mind and provide a sense of welcoming and belonging and respecting the diverse viewpoints within the community which contribute to our collective strength.
- Investment in public **Engagement & Consensus Building** to provide continuous, meaningful engagement with the community in order to establish relationships and build trust by providing a platform that facilitates inclusive civic engagement.

Property Tax

The City of Huntington Beach's assessed valuations are very strong, reflecting both new development and increased property values. The City's Fiscal Year 2022/23 assessed property value grew 6.3 percent to \$50.3 billion. This solid performance, coupled with steady year-over-year growth, reflects a stable property tax base that can weather steep declines in real estate markets. Over 60 percent of parcels have an assessed valuation (AV) base year prior to 2004,

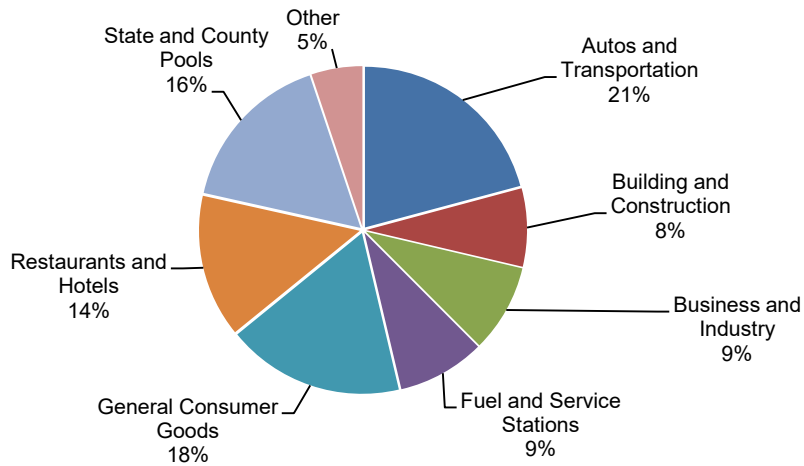
representing a significant amount of untapped AV. For Fiscal Year 2020/21, secured property tax revenue collections totaled \$61.1 million. For Fiscal Year 2021/22, secured property taxes are estimated at \$62.9 million, reflecting a 3 percent increase.



Sales Tax

Huntington Beach’s business community is well-diversified with no single industry or business dominating the local economy. Local businesses include aerospace and high technology, petroleum, manufacturing, computer hardware and software, financial and business services, hotel and tourism, automobile services, large-scale retailers, and surf apparel. The City’s diverse sales tax base makes it a stable source of revenue and mitigates the impact of industry-specific downturns as shown below.

City of Huntington Beach Composition of Sales Tax Revenue Fiscal Year 2021/22



City of Huntington Beach Historical Sales Tax Revenue



*Fiscal Year 2017/18 reflects nine months of data only due to the change in the City's fiscal year

Transient Occupancy Tax (TOT)

Transient Occupancy Tax (TOT), a 10 percent tax applied to hotel stays within the City remains strong as Huntington Beach remains a prime tourist destination and the hotel industry continues to thrive. With a full fiscal year of TOT collections since the lifting of the Shelter-in-Place orders, the City collected \$15.8M in TOT revenues during Fiscal Year 2021/22, with the \$5.4M, or 51.8 percent increase, exceeding even pre-pandemic levels.

City of Huntington Beach Transient Occupancy Tax Revenue



*Fiscal Year 2017/18 reflects nine months of data only due to the change in the City's fiscal year.

Budget Development and Monitoring

The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation at least 30 days prior to the end of the fiscal year. Pursuant to the City's Charter, the City Council must adopt the annual budget by June 30th and may amend or revise it any time at a properly noticed meeting. Budgetary control is at the Department level within each fund and a Department Head, with the Chief Financial Officer's approval, may transfer funds within like categories (operating and capital expenditures) of the same Department. The transfer of funds for salaries and benefits requires additional approval by the City Manager or his designee.

Cash Management Policies and Practices

Surplus cash is invested by the elected City Treasurer, in investments allowed by the City's Investment Policy. The Investment Policy is adopted annually by the City Council after approval by the Investment Advisory Board. It outlines guidelines to meet the daily cash flow needs of the City, maximize the efficiency of the City's cash management system, and identifies prudent investment vehicles for cash balances. The rate of return earned for the year ended June 30, 2022 was 1.19 percent. The City Treasurer, as required by California Government Code 53601, has prepared an annual Statement of Investment Policy which allows the City to meet current obligations while earning a market rate of return. Further information regarding the City's cash and investments can be found in Note 2 of the financial statements.

Long-Term Financial Planning and Major Initiatives

The Strategic Goals provides the framework for the goals and objectives of the City. The City Council held a Strategic Planning Workshop on February 4, 2022, affirming four of the five policy goals set in 2021 (excluding COVID-19 response). The five Strategic Goals for 2022 are listed below:

- Community Engagement
- Homelessness Response
- Economic Development & Housing

- Infrastructure and Parks
- Fiscal Sustainability, Public Safety, Other

The goals drive both short and long-term budgetary decisions and the daily operations of the City by ensuring everyone is consistently working to achieve the goals outlined in the Plan.

Sustainability Master Plan

The City is in the process of developing a comprehensive Sustainability Master Plan (“SMP”) that not only ties together past, current, and planned City sustainability efforts, but also outlines a bold, inclusive vision for growth that balances the co-equal values of environment, equity, and economy. The plan will define an achievable pathway to sustainability that supports the health and well-being of all residents, responsible stewardship of the natural and built environment, and long-term economic growth. Focus areas of the plan include, but are not limited to, the following areas: Water, Energy, Climate, Biodiversity, Land use and Transportation, Resource Recovery and Waste Management, and Public Health and Well-Being.

Citywide Mobility Plan

The City has adopted policies and built infrastructure to help people shift from driving alone to walking, biking, utilizing transit, and carpooling. The Mobility Implementation Plan will help us more aggressively advance these goals and will need to adhere to criteria set forth in the City’s existing and ongoing plans. The Plan will ensure a diverse set of travel options that meet the access and mobility needs for people of all ages and abilities, based in transportation justice and the idea that infrastructure should equally and equitably address the needs of all people. The Plan will provide clarity and specific, practical direction for strategies that support diverse transportation options and technological innovations, such as micromobility devices, electric vehicles, and autonomous vehicles, while ensuring that these changes do not adversely impact progress towards other City commitments related to safety, equity, vehicular traffic congestion, and GHG emissions.

Oak View Streetscape Improvements and Community Center and Library Plans

The City is working collaboratively with the Ocean View School District and the general community to prepare a master plan to redevelop the Community Center and adjacent Oak View Park, as well as expand and modernize Oak View Library to better meet the needs of this neighborhood. The City has been awarded a \$5 million grant from the California Department of Transportation to add beautification elements, trees, and art in public spaces, as well as remove litter and debris to enhance spaces for walking and recreation.

Comprehensive 311 System

The City is in the pre-planning stages of developing and implementing a robust, citywide 311 System to centralize all community requests, inquiries, information resources and engagements in one platform. This “one-stop-shop” will address non-emergency inquiries and requests for services. Establishing this one portal has the potential to improve our community’s customer service experience and improve operational efficiencies, in keeping with the City’s ongoing commitment to timely and efficient responsiveness.

Awards and Acknowledgements

The City of Huntington Beach has once again received the “Certificate of Achievement for Excellence in Financial Reporting” award bestowed by the Government Finance Officers’ Association (GFOA) of the United States and Canada for the 36th consecutive year. Receipt of the award requires government entities to publish transparent, easily readable and efficiently organized Annual Comprehensive Financial Reports, conforming to program, accounting, and legal standards.

The Certificate of Achievement earned for the fiscal year ended June 30, 2021, is valid for one year only. The City believes that this Annual Comprehensive Financial Report continues to conform to the Certificate of Achievement Program requirements and will be submitted to the GFOA for its consideration for another award.

I wish to thank the City Council, City Manager, and City Departments for their continued diligence in their role as fiscal stewards for the City of Huntington Beach. Without their leadership and support, the favorable financial results contained in this report would not have been possible. I would also like to thank the Finance Commission, a seven member body appointed by the City Council, which has been instrumental in helping the City maintain its long term goal of financial sustainability.

The preparation of this report would also not have been possible without the professional dedicated staff of the Finance Department. Specifically, I would like to thank Sunny Rief, Zack Zithisakthanakul, Ian Wuh, Tara Mukund, Ming Zhai, Leslie Zimmer, Michael Dolan, and Thuy Vi for their hard work and dedication.

Respectfully,

A handwritten signature in blue ink, appearing to read "Dahle Bulosan", is positioned above the printed name.

Dahle Bulosan
Chief Financial Officer

City of Huntington Beach

City Council

Tony Strickland, Mayor
Gracey Van Der Mark, Mayor Pro Tem

Rhonda Bolton, Councilmember
Casey McKeon, Councilmember
Dan Kalmick, Councilmember
Natalie Moser, Councilmember
Pat Burns, Councilmember

Executive Team

Al Zelinka, City Manager
Travis Hopkins, Assistant City Manager

Elected Department Heads

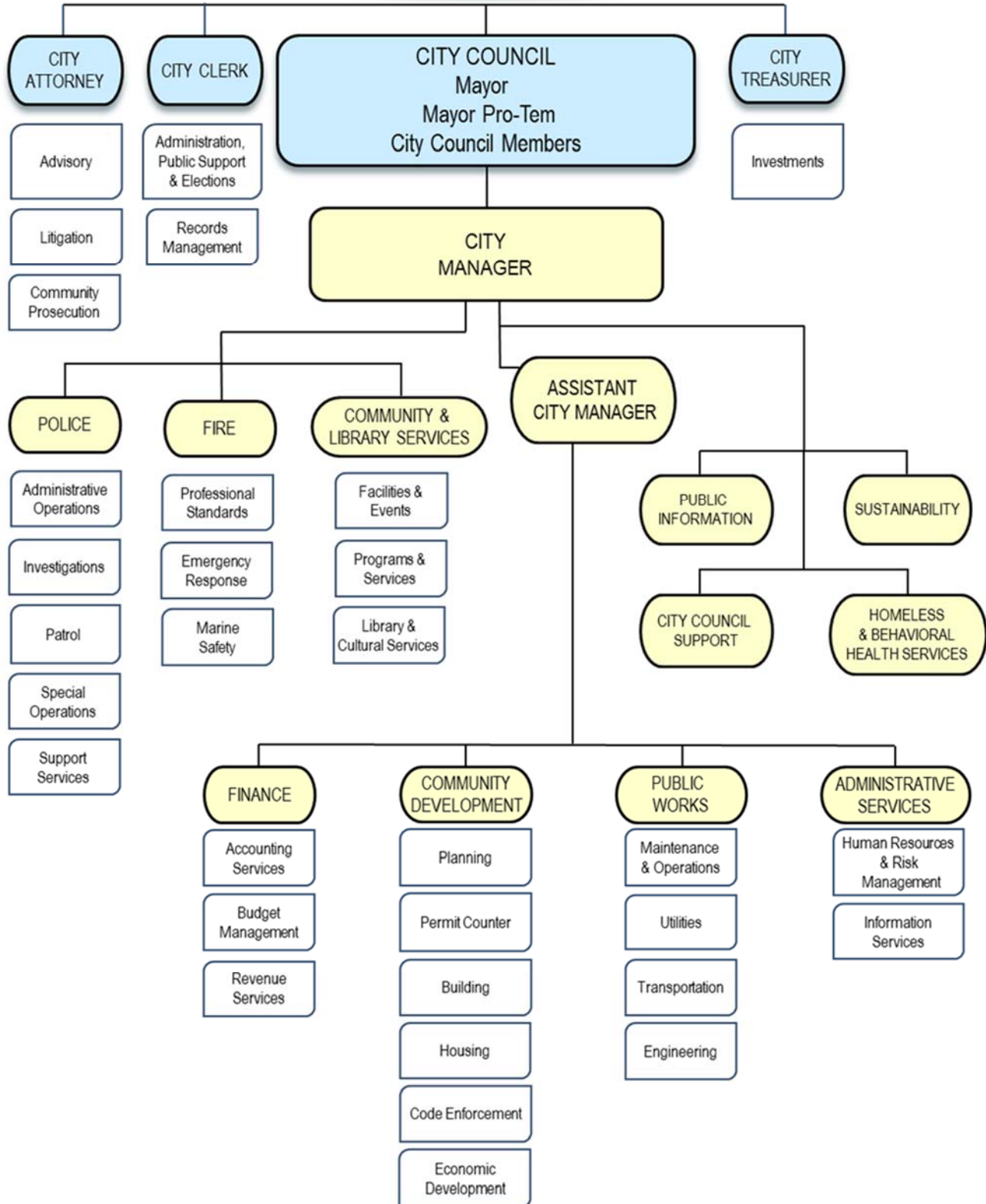
Alisa Backstrom, City Treasurer
Robin Estanislau, City Clerk
Michael Gates, City Attorney

Department Directors

Dahle Bulosan, Finance
Sean Crumby, Public Works
Chief Scott Haberle, Fire
Chief Eric Parra, Police
Ursula Luna-Reynosa, Community Development
Brittany Mello, Administrative Services
Chris Slama, Community & Library Services

City of Huntington Beach Organizational Chart Adopted Budget – FY 2022/23

THE PEOPLE





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Huntington Beach
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

Independent Auditor's Report

City Council
City of Huntington Beach
Huntington Beach, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach (City), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described further in Note 14 to the financial statements, during the year ended June 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information and pension and other post employment benefit schedules* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing

the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *combining and individual nonmajor fund financial statements* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual nonmajor fund financial statements* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Comprehensive Annual Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Irvine, California
December 21, 2022

MANAGEMENT DISCUSSION AND ANALYSIS



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

As management of the City of Huntington Beach, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Huntington Beach for the year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages iii-x of this report.

Financial Highlights

Below is a summary of the City's government-wide financial information (in thousands):

Total Governmental and Business-Type Activities				
	June 30, 2022	June 30, 2021	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 1,418,959	\$ 1,254,251	\$ 164,708	13.1%
Deferred Outflows of Resources	30,890	419,067	(388,177)	-92.6%
Liabilities	548,996	962,271	(413,275)	-42.9%
Deferred Inflows of Resources	146,115	19,317	126,798	656.4%
Total Net Position	754,738	691,730	63,008	9.1%
Unrestricted Net Position	(189,318)	(236,030)	46,712	19.8%
Long-Term Obligations	485,613	915,921	(430,308)	-47.0%
Program Revenues	154,221	136,519	17,702	13.0%
Taxes	205,853	186,787	19,066	10.2%
Other General Revenues	107	26,660	(26,553)	-99.6%
Expenses	297,173	346,399	(49,226)	-14.2%

- The City of Huntington Beach's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$754,738,000. Total net position increased by \$63,008,000 or 9.1 percent primarily as a result of the decrease in liabilities related to pension contributions made with the issuance of Pension Obligation Bonds in prior year, and the reduction of Net Pension and Other Post-Employment Benefit (OPEB) Liabilities due to strong investment returns during the fiscal year.
- Long-term obligations decreased by \$430,308,000 or 47.0 percent. This decrease is primarily due to prior year's issuance of Pension Obligation Bonds in the amount of \$363,645,000 to refinance 85 percent of the City's unfunded pension liability with CalPERS. The effects of this issuance, along with strong investment returns, reduced Net Pension Liability by \$423,225,000. In addition, the City paid down \$35,342,000 of long-term obligations but added \$31,479,000, of which \$24,271,000 is in claims payable.
- Deferred outflows of resources decreased by \$388,177,000 or 92.6 percent primarily due to the timing of prior year's pension contributions made subsequent to the June 30, 2021 measurement date. This includes the unfunded liability payment to CalPERS totaling \$362,430,000 made from proceeds of the Pension Obligation Bonds. Deferred inflows of resources increased by \$126,798,000 or 656.4 percent primarily due to the differences between projected and actual



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

earnings on Pension Plan investments used to determine the City's net pension liability.

- Program revenues increased by \$17,702,000 or 13.0 percent. The increase is primarily due to easing of COVID-19 restrictions in Fiscal Year 21/22. As of June 15, 2021, the Governor terminated the executive orders that put into place the Stay at Home Order. With businesses and events permitted to operate at full capacity, the City saw revenue increases across the board. There was a \$5,559,000 increase in Community Services revenues related to concessionaires, recreation classes, special events, and parking revenue. Parking related fees increased as of June 2, 2021. Community Development related program revenue saw an increase of \$4,073,000 which can be attributed to increase in permits issued, development projects, and grant reimbursements primarily related to Navigation Center operations. Fire saw an increase of \$4,572,000 primarily related to an increase in emergency transport fees as the number of transports rose as hospital wait times decreased due to a reduction in the number of COVID-19 patients.
- Expenses decreased by \$49,226,000 or 14.2 percent largely due to prior year's \$363,645,000 issuance of Pension Obligation Bonds to refinance 85 percent of the City's unfunded pension liability with CalPERS. The effects of this issuance reduced the overall expenses related to the City's CalPERS Unfunded Actuarial Liabilities.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of Huntington Beach's basic financial statements. The City of Huntington Beach's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains certain other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's financial condition and are prepared similarly to those in the private sector.

The Statement of Net Position presents information on all of the City's assets, liabilities, deferred outflows and inflows with the difference between them reported as net position. Over time, continued increases or decreases in net position may indicate whether the City's financial condition is improving or deteriorating.

The Statement of Activities presents information on how the City's net position changed during the most recent fiscal year. These changes are reported on the full accrual basis when the economic event occurs (not when the cash is received or paid).



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

The government-wide financial statements separate functions that are primarily supported by taxes and intergovernmental revenues (governmental activities) from functions that are supported by user fees (business-type activities). Governmental activities include the City Council, City Manager, City Treasurer, City Attorney, City Clerk, Finance, Community Development, Fire, Information Services, Police, Community Services, Library Services, and Public Works departments. Business-type activities include Water, Sewer, Refuse, and Hazmat Services.

The government-wide financial statements include the City and all of its component units that are legally separate but whose activities entirely support the City of Huntington Beach.

The government-wide financial statements can be found on pages 23-24 of this report.

Fund Financial Statements

The City separates financial activities into funds to maintain control over resources that have been legally separated. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for the same functions reported in governmental activities in the government-wide financial statements. However, the focus in the governmental fund section of these financial statements is on near-term resource inflows and outflows available for spending, as well as balances of resources available for spending at the end of the fiscal year.

It is useful to compare information presented for the governmental funds to information presented for governmental activities in the government-wide financial statements. The reconciliations indicate to the reader the differences in financial reporting between the governmental activities section and the governmental funds section.

The City maintains 24 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenue, Expenditures, and Changes in Fund Balances for the General Fund, Grants Special Revenue Fund, Low and Moderate Income Housing Asset Fund (LMIHAF) and Pension Liability Debt Service Fund, all of which are considered to be major funds. Data from the other 20 smaller funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in combining statements elsewhere in this report.

The City provides an annual appropriated budget for its governmental funds. Budgetary comparison schedules for the General Fund and Grants Special Revenue Fund are required to be presented and are included on pages 129-130. Other major governmental



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

funds (LMIHAF Capital Projects Fund and Pension Liability Debt Service Fund) are presented in the Supplementary Information section on page 156 of this report and demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 25 and 27 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds, which are used to account for the same activities as the business-type activities in the government-wide financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer Service, Refuse, and Hazmat Service activities. Internal Service funds are used in accounting as a device to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance worker's compensation activities, self-insurance general liability activities, and equipment replacement needs. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provides information for Water, Sewer Service, Refuse, Hazmat Service, Self-Insurance Workers' Compensation, Self-Insurance General Liability, and Equipment Replacement Funds.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Huntington Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 32-33 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-124 of this report.



City of Huntington Beach **Management's Discussion and Analysis** **For the Year Ended June 30, 2022**

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees and General Fund and major special revenue funds budget-to-actual comparisons. Required supplementary information can be found on pages 128-138 of this report.

The combining statements and schedules referred to earlier in connection with other governmental funds is presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 141-148 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. At the end of the current fiscal year, the City reported positive net position balances for both governmental and business-type activities, with total assets plus deferred outflows exceeding liabilities plus deferred inflows by \$754,738,000.

Below is a summary schedule of the City's net position at June 30, 2022 (in thousands):

	June 30, 2022	June 30, 2021	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities				
Current and Other Assets	\$ 331,062	\$ 276,665	\$ 54,397	19.7%
Non-Current Assets	106,219	-	106,219	N/A
Capital Assets	746,371	737,256	9,115	1.2%
Total Assets	1,183,652	1,013,921	63,512	16.7%
Deferred Outflows of Resources	28,739	393,130	(364,391)	-92.7%
Current and Other Liabilities	57,250	34,751	22,499	64.7%
Long-Term Obligations	461,797	864,784	(402,987)	-46.6%
Total Liabilities	519,047	899,535	(380,488)	-42.3%
Deferred Inflows of Resources	136,033	17,716	118,317	667.9%
Net Position:				
Net Investment in Capital Assets	712,289	699,204	13,085	1.9%
Restricted	68,460	65,755	2,705	4.1%
Unrestricted	(223,438)	(275,159)	51,721	18.8%
Total Net Position	\$ 557,311	\$ 489,800	\$ 67,511	13.8%
Business-Type Activities				
Current and Other Assets	\$ 82,651	\$ 97,861	\$ (15,210)	-15.5%
Non-Current Assets	8,658	-	8,658	N/A
Capital Assets	143,998	142,469	1,529	1.1%
Total Assets	235,307	240,330	(13,681)	-2.1%
Deferred Outflows of Resources	2,151	25,937	(23,786)	-91.7%
Current and Other Liabilities	6,133	11,599	(5,466)	-47.1%
Long-Term Obligations	23,816	51,137	(27,321)	-53.4%
Total Liabilities	29,949	62,736	(32,787)	-52.3%
Deferred Inflows of Resources	10,082	1,601	8,481	529.7%
Net Position:				
Net Investment in Capital Assets	143,998	142,469	1,529	1.1%
Restricted	19,309	20,332	(1,023)	-5.0%
Unrestricted	34,120	39,129	(5,009)	-12.8%
Total Net Position	\$ 197,427	\$ 201,930	\$ (4,503)	-2.2%



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

- Prior year's issuance of Pension Obligation Bonds in the amount of \$363,645,000 to refinance 85 percent of the City's unfunded pension liability with CalPERS and strong investment returns resulted in a decrease of Long-Term Obligations in the amount of \$402,987,000 and \$27,321,000 for Governmental Activities and Business Activities, respectively. At the same time, the refinance and strong investment returns generated a Net Pension Asset for the first time of \$100,849,000 for Governmental Activities and \$8,018,000 for Business Activities.

Analysis of the City's Net Position

Current and Other Assets: The increase in current and other assets of \$54,397,000 for governmental activities is mainly due to the increase in cash and receivables balances related to increased property, sales tax revenues, and transient occupancy tax. A majority of the increase is due to the implementation of new GASB Statement No. 87, *Leases*. Under this Statement, the lessor of a lease contract is required to recognize a lease receivable and a deferred inflow of resources. As a result, \$12,570,000 in lease receivable was recognized. The overall combined asset increase by \$63,512,000 or 16.7 percent for governmental activities.

The decrease in current and other assets of \$15,210,000 for business-type activities is primarily due to a reduced cash balance in the Water Master Plan fund due to ongoing large capital project costs in Fiscal Year 2021/22, including water main replacements and the City's share of sliplining the OC-44 imported water transmission line. The overall combined asset decrease by \$13,681,000 or 2.1 percent.

Current and Other Liabilities: Current and Other Liabilities for governmental activities increased by \$22,499,000 and decreased by \$5,466,000 for business-type activities. For governmental activities, the majority of the increase is related to the second tranche of American Rescue Plan Act (ARPA) funds totaling \$14,803,463 received in June 2022 recorded as unearned revenue. The decrease in business-type activities is due to normal fluctuations in accounts payable and payroll cycles.

Deferred Outflows and Inflows of Resources: The decrease in deferred outflows of resources of \$364,391,000 and \$23,786,000 for governmental activities and business-type activities, respectively, is mainly due to deferral of pension contributions made in prior year subsequent to the measurement date, including the unfunded liability payment to CalPERS totaling \$362,430,000 made from proceeds of the Pension Obligation Bond. The increase in deferred inflows of resources of \$118,317,000 for governmental activities and \$8,481,000 for business-type activities is primarily related to the actuarially determined amortization differences between projected and actual earnings on pension plan investments, and differences between expected and actual experience used to determine the Net Pension and Other Postemployment Benefits Liabilities. The actuarially determined amortization difference also increased Net Pension Asset and Net Other



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

Postemployment Benefits Asset. See Notes 6, 7, and 8 for additional information. In addition, the City implemented GASB Statement No. 87, *Leases*. Under this Statement, the lessee is required to recognize a lease liability. This increased Governmental Deferred Inflows of Resources by \$12,400,000. See Note 14 for additional information.

Long-Term Obligations: Long-term obligations decreased by \$402,987,000 for governmental activities and \$27,321,000 for business-type activities primarily due to the City issuing a \$363,645,000 Pension Obligation Bond in prior year to refinance 85 percent of its Unfunded Pension Liability with CalPERS. The refinance and strong investment returns resulted in a decrease in Net Pension Liability of \$396,763,000 and \$26,462,000 in Governmental Activities and Business-type Activities, respectively.

Net Investment in Capital Assets: The largest portion of the City's net position reflects investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets are reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Net position invested in capital assets, net of related debt from governmental activities increased \$13,085,000 or 1.9 percent, primarily due to street improvements and construction projects such as improvements to Bluff Top Trail, Rodger's Senior Center Repurposing, Central Park Improvements and Downtown Fiber Expansion. Net position invested in capital assets net of related debt from business-type activities increased \$1,529,000 or 1.1 percent primarily due to replacement of water and sewer pipelines throughout the City and improvements to Lift Stations on Slater/Springdale and Saybrook/Heil.

Restricted Net Position: An additional portion of the City's net position is subject to external (legally imposed or statutory) restrictions (\$68,460,000 for governmental activities, and \$19,309,000 for business-type activities). These amounts represent 12.3 percent and 9.8 percent of net position for governmental activities and business-type activities, respectively. Restricted net position from governmental activities increased \$2,705,000 or 4.1 percent, largely due to the change in restricted net position in the Pension Liability Fund largely due to revenues set aside from the voter-approved property tax override dedicated to the payment of pension costs. Restricted net position from business-type activities decreased by \$1,023,000 or 5.0 percent primarily due to an increase in restricted Water Master Plan funds available for capital projects as funds are spent.

Unrestricted Net Position: The unrestricted net position (negative \$223,438,000 for governmental activities and \$34,120,000 for business-type activities) represent negative



City of Huntington Beach **Management's Discussion and Analysis** **For the Year Ended June 30, 2022**

40.1 percent and 17.3 percent, respectively, of net position for governmental activities and business-type activities. Unrestricted net position for governmental activities increased \$51,721,000 or 18.8 percent. Unrestricted net position for business-type activities decreased by \$5,009,000 or 12.8 percent during the year due to the City having Net Pension and Other Postemployment Benefit Assets in Fiscal Year 2021/22.

A condensed summary of governmental activities (in thousands) follows:

	Governmental Activities			
	June 30, 2022	June 30, 2021	Amount Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues:				
Charges for Current Services	\$ 68,051	\$ 53,683	\$ 14,368	26.8%
Operating Grants and Contributions	9,301	6,013	3,288	54.7%
Capital Grants and Contributions	8,537	10,192	(1,655)	-16.2%
Total Program Revenues	85,889	69,888	16,001	22.9%
General Revenues:				
Property Taxes	102,539	99,958	2,581	2.6%
Sales Taxes	57,652	51,162	6,490	12.7%
Utility Taxes	19,528	18,374	1,154	6.3%
Franchise Taxes	10,380	8,040	2,340	29.1%
Transient Occupancy Tax	15,754	9,253	6,501	70.3%
Use of Money and Property (Loss)	(1,895)	4,399	(6,294)	-143.1%
From Other Agencies - Unrestricted	4,631	22,000	(17,369)	-79.0%
Gain on Sale of Property	1,699	-	1,699	N/A
Total General Revenues	210,288	213,186	(2,898)	-1.4%
Total Revenues	296,177	283,074	13,103	4.6%
Expenses:				
City Council	382	423	(41)	-9.7%
City Manager	5,412	11,163	(5,751)	-51.5%
City Treasurer	259	340	(81)	-23.8%
City Attorney	2,183	3,140	(957)	-30.5%
City Clerk	1,060	1,147	(87)	-7.6%
Finance	5,581	6,828	(1,247)	-18.3%
Community Development	11,634	19,716	(8,082)	-41.0%
Fire	52,808	65,960	(13,152)	-19.9%
Information Services	6,469	6,230	239	3.8%
Police	73,964	102,415	(28,451)	-27.8%
Community Services	11,517	11,365	152	1.3%
Library Services	5,212	6,181	(969)	-15.7%
Public Works	42,598	40,270	2,328	5.8%
Interest on Long-Term Debt	9,548	2,706	6,842	252.8%
Total Expenses	228,627	277,884	(49,257)	-17.7%
Change in Net Position Before Transfers	67,550	5,190		
Transfers	(39)	(38)		
Change in Net Position	67,511	5,152		
Net Position - Beginning of Year	489,800	478,901		
Cumulative Effect of Changes in Accounting Principles	-	5,747		
Net Position - Beginning of Year as Restated	489,800	484,648		
Net Position - End of Year	\$ 557,311	\$ 489,800		



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

The cost of all governmental activities this year was \$228,627,000. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities was \$142,738,000, as costs of \$68,051,000 were paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs with operating grants and contributions of \$9,301,000, and capital grants and contributions of \$8,537,000. Overall, the City's governmental program revenues were \$85,889,000. The City paid for the remaining "public benefit" portion of governmental activities with \$210,288,000 in taxes and general revenue (some of which may only be used for certain programs) and with other revenues, such as interest and general entitlements.

Charges for current services increased \$14,368,000, or 26.8 percent. As noted in the financial highlights section, the easing of COVID-19 restrictions has allowed the City to provide services at full capacity. The City saw revenue increases across the board, with the most significant increase from Community Development, Community Services, and Fire. There was \$5,559,000 increase in Community Services related to concessionaire, recreational, special events, and facility rental revenues as well as increase in parking fees rates. Community Development related program revenue saw an increase of \$2,600,000 which can be attributed to increase in permit issuance, fees collected for development projects such as Main Street Mixed-Use and Gisler Residential, and reimbursements received for operational cost of the Navigation Center. Fire saw an increase of \$4,524,000 due to increased billable call volume from emergency transport services.

Operating Grants and Contributions increased by \$3,288,000 or 54.7 percent and Capital Grants and Contributions have decreased by \$1,655,000 or 16.2 percent. The increase in Operating Grant and Contributions primarily due to an increase in grant funds received by Community Development, Police, and Public Works. Community Development saw an increase primarily related to reimbursements for Navigation Center operating costs. Police and Public Works had increases in Office of Traffic Safety grants and Highway Bridge Replacement and Rehabilitation grants, respectively. The decrease in Capital Grants and Contributions is related to the completion of the City's federal grant-funded Highway Safety Improvement project.

Program expenses decreased by \$49,257,000, or 17.7 percent primarily due to prior year's issuance of Pension Obligation Bonds to refinance the City's Unfunded CalPERS Pension Liability. The refinance reduced the City's required employer contribution by \$26,012,000. Additionally, Police and Fire overtime costs decreased as a result of the slowdown in COVID-19 related activities.

Total resources available during the year to finance governmental operations were \$785,977,000 consisting of net position at July 1, 2021 of \$489,800,000, program revenues of \$85,889,000, and general revenues of \$210,288,000. Total expenses for



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

governmental activities during the year were \$228,627,000 plus transfers of \$39,000. Thus, net position increased by \$67,511,000 or 13.8 percent, to \$557,311,000.

A condensed summary of business-type activities (in thousands) follows:

	Business-Type Activities			
	June 30, 2022	June 30, 2021	Amount Increase (Decrease)	Percent Increase (Decrease)
Program Revenues:				
Charges for Current Services	\$ 68,332	\$ 66,631	\$ 1,701	2.6%
Total Program Revenues	68,332	66,631	1,701	2.6%
Use of Money and Property (Loss)	(4,328)	261	(4,589)	-1758.2%
Total Revenues	64,004	66,892	(2,888)	-4.3%
Expenses:				
Water Utility	44,182	46,054	(1,872)	-4.1%
Sewer Service	10,390	9,284	1,106	11.9%
Refuse Collection	13,738	12,936	802	6.2%
Hazmat Service	236	241	(5)	-2.1%
Total Expenses	68,546	68,515	31	0.0%
Increase (Decrease) in Net Position				
Before Transfers	(4,542)	(1,623)		
Transfers	39	38		
Total Change in Net Position	(4,503)	(1,585)		
Net Position - Beginning of Year	201,930	203,515		
Net Position - End of Year	\$ 197,427	\$ 201,930		

The City's net position from business-type activities decreased by \$4,542,000 before transfers. This is mainly due to unrealized market losses in the City's investments.

The cost of all business-type activities this year was \$68,546,000. As shown in the Statement of Activities, the amount paid by users of the systems was \$68,332,000, unrealized market losses of \$4,328,000, and transfers totaling \$39,000. Beginning net position was \$201,930,000 and ending net position was \$197,427,000, a decrease of \$4,503,000, or 2.2 percent. Of the ending net position, \$143,998,000, or 72.9 percent, was invested in capital assets, \$19,309,000 or 9.8 percent was restricted for expenses for the Water Master Plan, and \$34,120,000, or 17.3 percent was unrestricted.

Transfers in for business-type activities were \$39,000 for the current year, similar to prior year.



City of Huntington Beach **Management's Discussion and Analysis** **For the Year Ended June 30, 2022**

Financial Analysis of the City's Major Governmental Funds

Below is an analysis of the City's major governmental fund activities for the year (in thousands):

	Governmental Funds			
	June 30, 2022	June 30, 2021	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	\$ 102,824	\$ 94,609	\$ 8,215	8.7%
Grants Special Revenue Fund	(4,311)	2,354	(6,665)	-283.1%
LMIHAF Capital Projects Fund	4,856	3,622	1,234	34.1%
Pension Liability Fund	20,729	16,943	3,786	0.0%
Total Fund Equity	\$ 124,098	\$ 117,528	\$ 6,570	5.6%

The General Fund Balance increased by \$8,215,000 largely due to increases in property taxes, sales taxes, other taxes revenues and charges for current services. As previously discussed, the easing of COVID-19 restrictions had an overall positive effect on revenues. Businesses reopened, which in turn resulted in increased sales tax revenue and other tax revenue. The City was able to provide services at full capacity. Many of the services and events that were not permitted during COVID are now being provided.

The Grants Special Revenue Fund Balance decreased by \$6,665,000 primarily due to the increase in COVID-19 related expenditures that are anticipated to be reimbursed with FEMA Public Assistance Disaster Relief funds, and other capital projects that have not yet been reimbursed by the granting agencies.

The LMIHAF Capital Projects Fund Balance increased by \$1,234,000 primarily due to the City restructuring their loan with Jamboree Housing Corporation. In Fiscal Year 2021/22, the City used HOME grant funds to reimburse the LMIHAF Capital Project Fund \$900,000 that was lent to Jamboree Housing Corporation.

The Pension Liability Fund increased by \$3,786,000, largely due to revenues set aside from the voter-approved property tax override dedicated to the payment of Public Safety pension costs.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

Financial Analysis of the City's Major Proprietary Funds

Below is an analysis of the fund equity of the City's proprietary funds (in thousands):

Enterprise Funds				
	June 30, 2022	June 30, 2021	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Position:				
Water Fund	\$ 118,766	\$ 121,825	\$ (3,059)	-2.5%
Sewer Fund	78,509	79,953	(1,444)	-1.8%
Refuse Fund	16	48	(32)	66.7%
Hazmat Service Fund	136	104	32	30.8%
Total Net Position	\$ 197,427	\$ 201,930	\$ (4,503)	-2.2%
Unrestricted Net Position:				
Water Fund	\$ 9,104	\$ 10,246	\$ (1,142)	-11.1%
Sewer Fund	24,977	28,865	(3,888)	-13.5%
Refuse Fund	(97)	(86)	(11)	-12.8%
Hazmat Service Fund	136	104	32	30.8%
Total Unrestricted Net Position	\$ 34,120	\$ 39,129	\$ (5,009)	-12.8%

The Water Fund total net position decreased by \$3,059,000 due to planned capital expenditures exceeding revenues in Fiscal Year 2021/22, which caused the unrestricted net position to decline by \$1,142,000. The Sewer Fund net position decreased by \$1,444,000 and unrestricted net position decreased by \$3,888,000 due to planned sewer projects during the year. In addition, all enterprise funds with the exception of the Hazmat Services Fund did not generate revenue that exceeded the expenses incurred for the current fiscal year. This is primarily a result of the fair market value adjustment to the City's investments, which generated unrealized losses in Fiscal Year 2021/22.

Long-Term Obligations

Below is a schedule of the changes to the City's long-term obligations (in thousands):

	June 30, 2021	Additions	Retirements	June 30, 2022
Governmental Activities:				
Revenue Bonds	\$ 29,545	\$ -	\$ (2,180)	\$ 27,365
Compensated Absences	13,405	5,243	(3,603)	15,045
Claims Payable	46,779	24,271	(14,619)	56,431
Pollution Remediation	2,000	-	-	2,000
LED Lighting Phase I	432	-	(118)	314
I-Bank CLEEN Loan	1,882	-	(296)	1,586
CEC Loan	2,457	-	(394)	2,063
Pension Obligation Bonds	341,501	-	(10,859)	330,642
Finance Purchase Agreement	12,753	868	(1,907)	11,714
Leases Payable	-	448	(201)	247
Total Long-Term Obligations Governmental Activities	450,754	30,830	(34,177)	447,407
Business-Type Activities:				
Compensated Absences	1,426	649	(389)	1,686
Pension Obligation Bonds	22,144	-	(776)	21,368
Business-Type Activities:	23,570	649	(1,165)	23,054
Total Long-Term Obligations	\$ 474,324	\$ 31,479	\$ (35,342)	\$ 470,461



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

Additional information on the City's long-term debt is shown in Note 11 and Note 14 to the financial statements. Note 14, Leases, provides detail related to GASB 87 related Lease Payable while Note 11 provides detail related to all other long-term debt. The City of Huntington Beach is legally restricted to issuing general obligation bonds to 12 percent of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. The City's total long-term obligations decreased by \$3,863,000 or 0.8 percent from the prior fiscal year as the reduction in total debt related to annual debt service payments was partially offset by new claims payable liabilities and lease obligations.

The City continues to maintain strong credit ratings on all of its debt issues. Most notably, on August 27, 2014 Fitch Ratings issued an AAA Implied General Obligation Bond rating to the City of Huntington Beach and that same rating was most recently reaffirmed in February 2022.

The following are the ratings as determined by Standard and Poor's and Fitch Ratings as of June 30, 2022.

<u>Debt Instrument</u>	<u>S & P</u>	<u>Fitch</u>
1999 Tax Allocation Refunding Bonds	AA-	AA
2002 Tax Allocation Refunding Bonds	AA-	N/A
2014 Lease Revenue Bonds, Series A	AA	AA+
2020(a) Lease Revenue Bonds	AA	AA+
2020(b) Lease Revenue Bonds	AA	AA+
2021 Pension Obligation Bonds	AA+	AA+

Capital Assets

The capital assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. The City has elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting. The following infrastructure networks are recorded as capital assets in the government-wide financial statements:

- Storm drain system including pump stations, drainage system and manholes.
- Streets (including land underneath streets), traffic signals, curbs, gutters, and sidewalks.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

Below is a schedule of the City's capital assets, net of accumulated depreciation (in thousands):

	June 30, 2022	June 30, 2021	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 369,538	\$ 368,795	\$ 743	0.2%
Buildings	127,310	126,122	1,188	0.9%
Machinery and Equipment	19,510	19,583	(73)	-0.4%
Construction in Progress	12,235	8,584	3,651	42.5%
Infrastructure	217,525	214,172	3,353	1.6%
Right to Use Leased Asset	253	-	253	N/A
Total Governmental Activities	746,371	737,256	9,115	1.2%
Business-Type Activities:				
Land	3,907	3,907	-	0.0%
Buildings	68,693	65,847	2,846	4.3%
Machinery and Equipment	6,863	6,786	77	1.1%
Construction in Progress	109	1,782	(1,673)	-93.9%
Infrastructure	64,426	64,147	279	0.4%
Total Business-Type Activities	143,998	142,469	1,529	1.1%
Total Capital Assets	\$ 890,369	\$ 879,725	\$ 10,644	1.2%

Capital assets from governmental activities increased \$9,115,000 or 1.2 percent. This increase is largely due to street replacement infrastructure costs and construction improvements throughout the City. Capital assets from business-type activities increased \$1,529,000 or 1.1 percent largely due to improvement to lift stations on Slater/Springdale and Saybrook/Heil. Further information on the City's capital assets can be found in Note 12 of the financial statements.

Furthermore, the newly implemented GASB Statement No. 87, *Leases*, requires a lessee to recognize a lease liability and intangible right-to-use lease asset. As noted above, the right-to-use lease asset is to be included as a capital asset. For Fiscal Year 2021/22, the City reported \$253,000 in right-to-use lease assets.

General Fund Budgetary Highlights

Changes to Original Budget

Comparing the Fiscal Year 2021/22 General Fund Original (i.e. Adopted) Budget expenditures amount of \$228,540,000 to the final budgeted amount of \$257,714,000 shows a net increase of \$29,174,000, or 12.8 percent. This overall increase is primarily due to budget carryovers of \$4,000,000, increased transfers to Emergency Operations Center Fund of \$1,000,000, Equipment Fund of \$1,037,000, Infrastructure Fund of \$2,550,000, Retiree Insurance Fund of \$1,038,000, Retirement Supplement Fund of \$4,576,000, Section 115 Trust of \$3,000,000, Self Insurance General Liability Fund of \$1,488,000, Self Insurance Worker's Compensation Fund of \$3,000,000, and personnel increase of \$5,094,000.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

Final budgeted revenues for the General Fund increased \$27,232,000 or 11.9 percent from the original (adopted) budget for the Fiscal Year ended June 30, 2022. The change from original to final budget occurred primarily as a result of adjustments made to budgeted property tax, sales tax, utility tax, other taxes, and transfers from other funds.

Variance with Final Budget

General Fund actual revenues were less than the final budget by \$269,000 for the Fiscal Year ended June 30, 2022. This budget variance is due in large part to actual investment returns underperforming budgeted amounts.

General Fund expenditures were \$8,011,000 less than the final budget. The favorable budget variance is due in large part to the following:

- The Community Services and Library Services Departments realized \$1,698,000 in savings primarily due to differences in projected versus actual cost of providing services.
- The Public Works and Community Development Departments realized \$2,649,000 in savings primarily due to differences in the projected versus actual timing of design, construction, and maintenance contracts for projects, as well as the deferral of various building and planning contracts.

Analysis of City's Other Major Governmental Funds

Grants Special Revenue Fund

The fund balance in the Grant Special Revenue Fund decreased by \$6,665,000 largely due to COVID-19 related expenditures that are expected to be reimbursed through FEMA Public Assistance funds.

LMIHAF Capital Projects Fund

The fund balance in the LMIHAF Capital Projects Fund increased by \$1,234,000 due to the City restructuring their loan with Jamboree Housing Corporation. In Fiscal Year 2021/22, the City transferred HOME grant funds to payback LMIHAF Capital Project Fund \$900,000 that was loaned to Jamboree Housing Corporation.

Pension Liability Debt Service Fund

The fund balance in the Pension Liability Debt Service Fund increased by \$3,786,000 due to revenues set-aside from the voter-approved property tax override dedicated to the payment of Public Safety pension costs.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

Economic Factors and Next Year's Budget

The Adopted Fiscal Year 2022/23 Budget is structurally balanced, totaling \$532.0 million in All Funds. This reflects a \$107.6 million, or 25.3 percent, increase from the Fiscal Year 2021/22 Adopted All Funds Budget of \$424.4 million. A significant portion of the increase is due to added investment in essential infrastructure and equipment and the restoration of COVID-19 temporary cost saving measures, as well as use of the City's ARPA funds totaling \$29.6 million for public safety personnel costs. The larger increases were due to the following funds: Infrastructure Fund (\$25.1 million), Equipment Fund (\$11.6 million), Water Fund (\$47.9 million), and Sewer Fund (\$19.4 million).

The General Fund budget, which provides the majority of public services to the community, totals \$269.0 million, reflecting a \$41.0 million, or 18.0 percent increase from the Fiscal Year 2021/22 budget of \$228.0 million. This increase is a result of the added Section 115 Trust pension liability set-aside, increased investment in infrastructure and equipment, and restoration of temporary expenditure reductions made in response to the COVID-19 pandemic. The Adopted General Fund Budget for next year has no reliance on one-time revenues to fund ongoing operations, which is critical to maintaining the City's financial viability and success. Major highlights are as follows:

Public Safety: Funding for Public Safety represents 49 cents for every dollar spent in the General fund. With approximately half of the General Fund Budget committed to the Police and Fire Departments, the City has dedicated the greatest share of its resources, or \$132.7 million to these core services.

In the Police Department, the budget includes \$1.2 million in equipment funds for the replacement of 16 police vehicles and other front line safety equipment. The CIP includes \$2,952,000 for relocation and expansion of the Police Department Communications Center and Traffic Office, Heliport Hangar improvements, updates to the women's locker room, fiber installations at the Bella Terra Police substation, and funding for a Joint Youth Training Center to be shared between the Police and Fire Departments.

In the Fire Department, the Adopted Budget includes \$1.1 million for equipment replacement comprising the replacement of two Ambulances and the purchase of self-contained breathing apparatus (SCBA) and cardiac monitors/defibrillators. The General Fund CIP includes \$1.3 million for a traffic signal at Heil Fire Station and the Fire Department's share of the Joint Youth Training Center.

The Fiscal Year 2022/23 Adopted Budget is a balanced budget. As the economy continues to bounce back and public health guidelines become less restrictive, revenue sources such as Sales Tax and Transient Occupancy Tax are anticipated to increase considerably in the coming year. The Fiscal Year 2022/23 Adopted Budget includes the continuation of Citywide restructuring measures implemented during Fiscal Year 2020/21,



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2022

restores a number of operating cuts made in response to the COVID-19 pandemic, includes mandated savings along with the debt service payment for the City's recently issued Pension Obligation Bonds, and prioritizes improvements to the City's facilities, roads and parks. The Fiscal Year 2022/23 budget remains committed to improving the quality of life for our residents, businesses, and visitors by increasing funding for core services such as public safety, community & library service programs, and improving the City's infrastructure.

General Fund Revenue

General Fund revenue is projected to be \$283.2 million, a \$55.2 million or 24.2 percent increase from the Fiscal Year 2021/22 Adopted Budget resulting from projected positive economic impacts resulting from widespread COVID-19 vaccinations, loosening public health orders, and the re-opening of businesses for indoor dining and shopping.

- Property Taxes are estimated at \$98.3 million, reflecting an increase of 5.5 percent due to the housing market boom leading to accelerated growth in assessed valuations and Employee Retirement Override revenues being transferred to the Pension Liability Fund and no longer being budgeted in the General Fund.
- Sales Tax revenues are projected to be \$53.3 million, an increase of 19.5 percent from Fiscal Year 2021/22. Transient Occupancy Taxes are anticipated to increase \$3.8 million, or 35.5 percent. The increases in these two revenue sources is attributable to the projected positive economic impacts resulting from widespread COVID-19 vaccinations, loosening public health orders, re-opening of businesses and an increase in visitors to the City's beaches and downtown businesses.
- Licenses and Permits, estimated at \$8.2 million, reflect a 5.1 percent increase, as economic and development activity are anticipated to increase in the coming year. Franchise Taxes are anticipated at \$8.6 million, a 21.1 percent increase. Use of Money & Property, which includes parking revenues and lease concessions, is projected to increase \$0.7 million, or 4.3 percent, due to business re-openings and expected increases in visitors to our beach and downtown areas, especially as international travel continues to become less restrictive.

Contacting the City's Financial Management Team

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Finance Department at 2000 Main Street, Huntington Beach, California, 92648-2702, phone (714) 536-5630 or email tvi@surfcity-hb.org.

BASIC FINANCIAL STATEMENTS

CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
JUNE 30, 2022
(In Thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 261,867	\$ 72,717	\$ 334,584
Cash and Investments with Fiscal Agent	9,838	-	9,838
Receivables, Net	43,348	6,674	50,022
Advances to Successor Agency	1,363	-	1,363
Lease Receivable	12,570	-	12,570
Inventories	-	1,444	1,444
Prepays	1,877	-	1,877
Joint Venture	199	1,816	2,015
Total Current Assets	331,062	82,651	413,713
Non-Current Assets:			
Net Pension Asset	100,849	8,018	108,867
Net Other Postemployment Benefits Asset	5,370	640	6,010
Total Non-Current Assets	106,219	8,658	114,877
Capital Assets:			
Non-Depreciable	381,773	4,016	385,789
Depreciable, Net	364,598	139,982	504,580
Total Capital Assets	746,371	143,998	890,369
Total Assets	1,183,652	235,307	1,418,959
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	24,515	1,647	26,162
Deferred Outflows Related to Other Postemployment Benefits	4,224	504	4,728
Total Deferred Outflows of Resources	28,739	2,151	30,890
LIABILITIES			
Current Liabilities:			
Accounts Payable	18,309	3,825	22,134
Accrued Payroll	5,702	766	6,468
Unearned Revenue	31,157	-	31,157
Accrued Interest Payable	587	22	609
Deposits	1,495	1,520	3,015
Total Current Liabilities	57,250	6,133	63,383
Long-Term Obligations:			
Long-Term Obligations Due Within One Year	35,611	1,348	36,959
Long-Term Obligations Due in More than One Year	411,796	21,706	433,502
Net Pension Liability	14,390	762	15,152
Total Long-Term Obligations	461,797	23,816	485,613
Total Liabilities	519,047	29,949	548,996
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	113,840	8,916	122,756
Deferred Inflows Related to Other Postemployment Benefits	9,793	1,166	10,959
Deferred Inflows Lease Related	12,400	-	12,400
Total Deferred Inflow of Resources	136,033	10,082	146,115
NET POSITION			
Net Investment in Capital Assets	712,289	143,998	856,287
Restricted for:			
Debt Service	4,432	-	4,432
Capital Projects	19,024	19,309	38,333
Public Works and Community Services Projects	45,004	-	45,004
Total Restricted Net Position	68,460	19,309	87,769
Unrestricted	(223,438)	34,120	(189,318)
Total Net Position	\$ 557,311	\$ 197,427	\$ 754,738

See Notes to the Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Current Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
City Council	\$ 382	\$ 162	\$ -	\$ -	\$ (220)	\$ (220)
City Manager	5,412	4,131	56	13	(1,212)	(1,212)
City Treasurer	259	149	-	-	(110)	(110)
City Attorney	2,183	5	-	-	(2,178)	(2,178)
City Clerk	1,060	269	-	-	(791)	(791)
Finance	5,581	3,036	-	-	(2,545)	(2,545)
Community Development	11,634	10,953	3,993	586	3,898	3,898
Fire	52,808	13,401	73	-	(39,334)	(39,334)
Information Services	6,469	604	-	-	(5,865)	(5,865)
Police	73,964	6,687	1,838	-	(65,439)	(65,439)
Community Services	11,517	21,117	854	95	10,549	10,549
Library Services	5,212	302	492	-	(4,418)	(4,418)
Public Works	42,598	7,235	1,995	7,843	(25,525)	(25,525)
Interest on Long-Term Debt	9,548	-	-	-	(9,548)	(9,548)
Total Governmental Activities	228,627	68,051	9,301	8,537	(142,738)	(142,738)
Business-type Activities:						
Water Utility	44,182	43,590	-	-	(592)	(592)
Sewer Service	10,390	10,791	-	-	401	401
Refuse Collection	13,738	13,675	-	-	(63)	(63)
Hazmat Service	236	276	-	-	40	40
Total Business-Type Activities	68,546	68,332	-	-	(214)	(214)
Total Governmental and Business Type Activities	\$ 297,173	\$ 136,383	\$ 9,301	\$ 8,537	\$ (142,738)	\$ (142,952)
General Revenues:						
Taxes:						
Property Taxes				\$ 102,539	\$ -	\$ 102,539
Sales Taxes				57,652	-	57,652
Utility Taxes				19,528	-	19,528
Franchise Taxes				10,380	-	10,380
Transient Occupancy Tax				15,754	-	15,754
Total Taxes				205,853	-	205,853
Other:						
Use of Money and Property (Loss)				(1,895)	(4,328)	(6,223)
From Other Agencies - Unrestricted				4,631	-	4,631
Gain on Sale of Property				1,699	-	1,699
Total General Revenues				210,288	(4,328)	205,960
Transfers				(39)	39	-
Total General Revenues and Transfers				210,249	(4,289)	205,960
Change in Net Position				67,511	(4,503)	63,008
Net Position - Beginning of Year				489,800	201,930	691,730
Net Position - End of Year				\$ 557,311	\$ 197,427	\$ 754,738

See Notes to the Financial Statements

CITY OF HUNTINGTON BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022
(In Thousands)

	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Pension Liability	Other Governmental Funds	Total
ASSETS						
Cash and Investments	\$ 99,943	\$ 26,669	\$ 3,484	\$ 20,551	\$ 73,211	\$ 223,858
Cash and Investments with Fiscal Agent	-	-	-	-	9,838	9,838
Taxes Receivable	14,026	-	-	118	1,942	16,086
Other Receivables, Net	9,833	8,446	8,210	62	609	27,160
Lease Receivable	12,570	-	-	-	-	12,570
Advances to Successor Agency	-	-	1,363	-	-	1,363
Prepays	82	-	-	-	1,000	1,082
Total Assets	136,454	35,115	13,057	20,731	86,600	291,957
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	11,707	1,396	-	2	4,539	17,644
Accrued Payroll	5,380	74	2	-	227	5,683
Unearned Revenue	1,217	29,940	-	-	-	31,157
Deposits Payable	1,495	-	-	-	-	1,495
Total Liabilities	19,799	31,410	2	2	4,766	55,979
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows Lease Related	12,400	-	-	-	-	12,400
Unavailable Revenue	1,431	8,016	8,199	-	65	17,711
Total Deferred Inflows of Resources	13,831	8,016	8,199	-	65	30,111
FUND BALANCES						
Nonspendable						
Prepays	82	-	-	-	-	82
Restricted						
Underground Utilities	364	-	-	-	-	364
Restitution	296	-	-	-	-	296
Donations	777	-	-	-	-	777
Section 115 Trust	12,427	-	-	-	-	12,427
Pollution Remediation	-	-	-	-	355	355
Debt Service	-	-	-	20,729	4,432	25,161
Highways, Streets and Transportation	-	-	-	-	13,637	13,637
Low Income Housing	-	-	4,856	-	5,816	10,672
Air Quality	-	-	-	-	1,214	1,214
Other Capital Projects	-	-	-	-	22,769	22,769
Other Purposes	759	-	-	-	1,966	2,725
Committed						
Economic Uncertainties	26,114	-	-	-	-	26,114
Parks	-	-	-	-	1,257	1,257
Other Capital Projects	551	-	-	-	23,474	24,025
Other Purposes	-	-	-	-	3,828	3,828
Assigned						
Litigation Reserves	3,650	-	-	-	-	3,650
AES Reserve	4,900	-	-	-	-	4,900
Capital Improvement Reserve	8,597	-	-	-	3,021	11,618
Equipment Replacement	8,295	-	-	-	-	8,295
General Plan Maintenance	1,143	-	-	-	-	1,143
General Liability Plan Migration	2,801	-	-	-	-	2,801
Pension Rate Stabilization	2,206	-	-	-	-	2,206
Cityview Replacement	1,028	-	-	-	-	1,028
Section 115 Trust	3,500	-	-	-	-	3,500
Triple Flip	109	-	-	-	-	109
Strategic Initiatives	16,536	-	-	-	-	16,536
Housing Agreement	1,657	-	-	-	-	1,657
Year-End Fair Value	1,983	-	-	-	-	1,983
Other Purposes	5,049	-	-	-	-	5,049
Unassigned	-	(4,311)	-	-	-	(4,311)
Total Fund Balances	102,824	(4,311)	4,856	20,729	81,769	205,867
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 136,454	\$ 35,115	\$ 13,057	\$ 20,731	\$ 86,600	\$ 291,957

See Notes to the Financial Statements

CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022
(In Thousands)

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balances Governmental Funds	\$	205,867
Net Pension Asset is not available to pay in the current period and therefore are not reported in the funds.		
Net Pension Asset	100,461	
Net Other Postemployment Benefits Asset	<u>5,341</u>	105,802
Net Capital Assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. Amounts exclude Net Capital Assets of the Internal Service Funds.		
Capital Assets	1,132,022	
Accumulated Depreciation	<u>(392,130)</u>	
Total Capital Assets		739,892
Joint Venture		199
Right to Use Leased Assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Right to Use Assets	448	
Accumulated Amortization	<u>(195)</u>	
Total Right to Use Assets		253
Internal Service Funds are used by management to charge the cost of various city activities to individual governmental and business-like funds. The assets and liabilities of the Internal Service Fund must be added to the Statement of Net Position.		
		(13,052)
Revenues that are measurable but not available are not recognized as revenue in governmental funds. Such amounts are recorded as Unavailable Revenue under the modified accrual basis of accounting.		
		17,711
Deferred Outflows Related to Pensions		24,437
Deferred Outflows Related to Other Postemployment Benefits (OPEB)		4,201
Governmental Funds report all pension contributions as expenditures; however, in the Statement of Net Position, the excess of the total pension liability over the plan Fiduciary Net Position is reported as a Net Pension Liability.		
		(14,356)
Deferred Inflows Related to Pensions		(113,411)
Deferred Inflows Related to Other Postemployment Benefits (OPEB)		(9,740)
Other long-term liabilities are not due in the current period and, therefore, are not recorded in the governmental funds.		
Accrued Interest Payable		(586)
Long-term liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Amounts exclude Long-Term Obligation of the Internal Service Fund.		
Long-Term Obligations Due in One Year		(22,118)
Long-Term Obligations Due in More than One Year		<u>(367,788)</u>
Net Position of Governmental Activities	\$	<u>557,311</u>

See Notes to the Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Pension Liability	Other Governmental Funds	Total
REVENUES						
Property Taxes	\$ 94,627	\$ -	\$ -	\$ 7,912	\$ -	\$ 102,539
Sales Taxes	53,362	-	-	-	4,290	57,652
Utility Taxes	19,528	-	-	-	-	19,528
Other Taxes	26,136	-	-	-	7,584	33,720
Licenses and Permits	8,666	-	-	-	930	9,596
Fines and Forfeitures	5,144	-	-	-	-	5,144
Use of Money and Property (Loss)	12,215	96	614	192	1,248	14,365
Intergovernmental	5,130	5,682	-	-	2,248	13,060
Charges for Current Services	29,364	-	-	16,764	3,774	49,902
Other	2,882	-	-	-	25	2,907
Total Revenues	257,054	5,778	614	24,868	20,099	308,413
EXPENDITURES						
Current:						
City Council	426	-	-	-	-	426
City Manager	4,616	13	-	-	636	5,265
City Treasurer	326	-	-	-	-	326
City Attorney	2,995	-	-	-	-	2,995
City Clerk	1,295	-	-	-	-	1,295
Finance	6,869	359	-	2	29	7,259
Community Development	10,716	2,716	56	-	924	14,412
Fire	60,643	2,164	-	-	73	62,880
Information Services	7,389	7	-	-	475	7,871
Police	91,970	1,856	-	-	150	93,976
Community Services	11,133	714	-	-	6,608	18,455
Library Services	6,014	202	-	-	84	6,300
Public Works	24,285	2,405	-	-	23,468	50,158
Debt Service:						
Principal	2,917	-	-	10,821	2,180	15,918
Interest	260	-	-	10,259	780	11,299
Total Expenditures	231,854	10,436	56	21,082	35,407	298,835
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,200	(4,658)	558	3,786	(15,308)	9,578
OTHER FINANCING SOURCES (USES)						
Transfers In	416	1,104	900	-	19,222	21,642
Lease (as Lessee)	448	-	-	-	-	448
Issuance of Finance Purchase Agreement	-	-	-	-	868	868
Transfers Out	(17,849)	(3,111)	(224)	-	(497)	(21,681)
Total Other Financing Sources (Uses)	(16,985)	(2,007)	676	-	19,593	1,277
Net Change In Fund Balances	8,215	(6,665)	1,234	3,786	4,285	10,855
Fund Balances - Beginning of Year	94,609	2,354	3,622	16,943	77,484	195,012
Fund Balances - End of Year	\$ 102,824	\$ (4,311)	\$ 4,856	\$ 20,729	\$ 81,769	\$ 205,867

See Notes to the Financial Statements

CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 10,855
Capital expenditures - governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.	
Depreciable Assets Purchased	20,294
Depreciable Assets Disposition	(208)
Non-Depreciable Assets Purchased	8,285
Non-Depreciable Assets Disposition	(3,891)
Capital Asset Depreciation	(16,287)
Joint Venture	14
Accrual of revenues - certain revenues in the Statement of Activities do not meet the "availability" criteria for revenue recognition in the governmental funds and are not reported in the governmental funds as revenue.	
Current Year Grant and Other Revenue Accrual	7,311
Prior Year Grant and Other Revenue Accrual	(3,010)
Repayments on long-term receivables provide current financial resources to governmental funds, while loans provided consume the current financial resources of governmental funds. These transactions, however, have no effect on net position.	
	(1,350)
Pension income reported in the statement of activities includes the change in the the net pension liability and related changes in pension amounts for deferred outflows and deferred inflows of resources.	
	33,027
Other Postemployment Benefits Payments - Expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (expenses).	
	2,372
Internal Service Funds are used by management to charge the costs of certain activities, such as self insurance workers' compensation charges. The net revenue of this internal service fund is reported as governmental activities.	
	(4,611)
Internal Service Funds repayment of long-term debt is not reported as governmental activities.	
	37
Liabilities not liquidated with current resources - some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Current Year Interest Accrual	(586)
Prior Year Interest Accrual	2,337
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
	15,918
The issuance of long-term debt provides current financial resources to governmental funds.	
	(1,316)
The repayment of some expenses such as compensated absences, claims, and pension expenses, reported in the statement of activities, do not require the use of current resources, and therefore are not reported as expenditures in the governmental funds.	
	(1,680)
Change in Net Position of Governmental Activities	\$ 67,511

See Notes to the Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022
(In Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Funds
ASSETS						
Current Assets:						
Cash and Investments	\$ 21,744	\$ 30,957	\$ 246	\$ 461	\$ 53,408	\$ 38,009
Restricted Cash and Investments	19,309	-	-	-	19,309	-
Other Receivables, Net	2,808	579	771	10	4,168	102
Prepays	-	-	-	-	-	795
Joint Ventures	1,816	-	-	-	1,816	-
Inventories	1,444	-	-	-	1,444	-
Unbilled Receivables	1,562	412	532	-	2,506	-
Total Current Assets	48,683	31,948	1,549	471	82,651	38,906
Non-Current Assets:						
Net Pension Asset	5,608	2,098	188	124	8,018	388
Net Other Postemployment Benefits Asset	460	157	16	7	640	29
Total Non-Current Assets	6,068	2,255	204	131	8,658	417
Capital Assets:						
Land	3,907	-	-	-	3,907	-
Buildings and Improvements	57,933	47,690	-	-	105,623	-
Machinery and Equipment	17,576	4,597	215	-	22,388	8,598
Infrastructure	106,236	45,432	-	-	151,668	-
Construction in Progress	-	109	-	-	109	-
Less Accumulated Depreciation	(95,299)	(44,296)	(102)	-	(139,697)	(2,372)
Total Capital Assets	90,353	53,532	113	-	143,998	6,226
Total Assets	145,104	87,735	1,866	602	235,307	45,549
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows Related to Pensions	1,155	432	38	22	1,647	78
Deferred Outflows Related to Other Postemployment Benefits	362	124	13	5	504	23
Total Deferred Outflows of Resources	1,517	556	51	27	2,151	101
Total Assets and Deferred Outflows of Resources	146,621	88,291	1,917	629	237,458	45,650
LIABILITIES						
Current Liabilities:						
Accounts Payable	2,057	688	1,080	-	3,825	665
Accrued Payroll	519	214	21	12	766	19
Deposits Payable	1,520	-	-	-	1,520	-
Interest Payable	15	6	1	-	22	1
Current Portion of Claims Payable	-	-	-	-	-	13,439
Current Portion of Compensated Absences	321	125	11	2	459	11
Total Current Liabilities	4,432	1,033	1,113	14	6,592	14,135
Non-Current Liabilities:						
Compensated Absences	857	335	30	5	1,227	30
Long-Term Obligations Due Within One Year	622	233	21	13	889	43
Long-Term Obligations Due in More than One Year	14,330	5,360	481	308	20,479	986
Net Pension Liability	537	200	18	7	762	34
Claims Payable	-	-	-	-	-	42,992
Total Non-Current Liabilities	16,346	6,128	550	333	23,357	44,085
Total Liabilities	20,778	7,161	1,663	347	29,949	58,220
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows Related to Pensions	6,239	2,334	209	134	8,916	429
Deferred Inflows Related to Other Postemployment Benefits	838	287	29	12	1,166	53
Total Deferred Inflows of Resources	7,077	2,621	238	146	10,082	482
NET POSITION						
Investment in Capital Assets	90,353	53,532	113	-	143,998	6,226
Restricted for:						
Capital Projects	19,309	-	-	-	19,309	-
Unrestricted	9,104	24,977	(97)	136	34,120	(19,278)
Total Net Position	118,766	78,509	16	136	197,427	(13,052)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 146,621	\$ 88,291	\$ 1,917	\$ 629	\$ 237,458	\$ 45,650

See Notes to the Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Funds
OPERATING REVENUES						
Sales	\$ 39,245	\$ -	\$ -	\$ -	\$ 39,245	\$ -
Fees and Charges for Service	-	10,719	13,606	276	24,601	22,081
Other	4,345	72	69	-	4,486	152
Total Operating Revenues	43,590	10,791	13,675	276	68,332	22,233
OPERATING EXPENSES						
Water Purchases	17,291	-	-	-	17,291	-
Supplies and Operations	8,359	7,904	13,704	228	30,195	3,499
Engineering	1,982	-	-	-	1,982	-
Production and Distribution	8,744	-	-	-	8,744	-
Maintenance	564	-	-	-	564	-
Water Meters	1,757	-	-	-	1,757	-
Water Quality	809	-	-	-	809	-
Water Use Efficiency	247	-	-	-	247	-
Claims and Judgments	-	-	-	-	-	22,113
Depreciation	4,053	2,345	21	-	6,419	1,012
Total Operating Expenses	43,806	10,249	13,725	228	68,008	26,624
Operating Income (Loss)	(216)	542	(50)	48	324	(4,391)
NON-OPERATING REVENUES (EXPENSES)						
Investment Income (Loss)	(2,468)	(1,845)	(20)	5	(4,328)	(1,890)
Interest Expense	(376)	(141)	(13)	(8)	(538)	(29)
Proceeds from Sale of Equipment	-	-	-	-	-	1,699
Total Non-Operating Revenues (Expenses)	(2,844)	(1,986)	(33)	(3)	(4,866)	(220)
Income (Loss) Before Transfers	(3,060)	(1,444)	(83)	45	(4,542)	(4,611)
TRANSFERS						
Transfers In	1	-	51	-	52	-
Transfers Out	-	-	-	(13)	(13)	-
Total Transfers	1	-	51	(13)	39	-
Change in Net Position	(3,059)	(1,444)	(32)	32	(4,503)	(4,611)
Net Position - Beginning of Year	121,825	79,953	48	104	201,930	(8,441)
Net Position - End of Year	\$ 118,766	\$ 78,509	\$ 16	\$ 136	\$ 197,427	\$ (13,052)

See Notes to the Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers and Users	\$ 43,551	\$ 10,820	\$ 13,537	\$ 275	\$ 68,183	\$ 22,227
Cash Paid to Employees for Services	(9,113)	(1,585)	(149)	(93)	(10,940)	(378)
Cash Paid to Suppliers of Goods and Services	(38,443)	(7,034)	(13,561)	(179)	(59,217)	(15,502)
Net Cash and Investment Provided (Used) by Operating Activities	(4,005)	2,201	(173)	3	(1,974)	6,347
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	1	-	51	-	52	-
Transfers Out	-	-	-	(13)	(13)	-
Debt Service	(544)	(203)	(17)	(12)	(776)	(37)
Interest Paid	(452)	(170)	(15)	(10)	(647)	(32)
Net Cash and Investments Provided (Used) by Noncapital Financing Activities	(995)	(373)	19	(35)	(1,384)	(69)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(3,159)	(4,789)	-	-	(7,948)	(1,934)
Proceeds from Sale of Plant, Property, and Equipment	-	-	-	-	-	1,699
Net Cash and Investments Provided (Used) by Capital and Related Financing Activities	(3,159)	(4,789)	-	-	(7,948)	(235)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment Income (Loss)	(2,468)	(1,845)	(20)	5	(4,328)	(1,890)
Net Cash and Investments Provided (Used) by Investing Activities	(2,468)	(1,845)	(20)	5	(4,328)	(1,890)
Net Increase (Decrease) in Cash and Investments	(10,627)	(4,806)	(174)	(27)	(15,634)	4,153
Cash and Investments - Beginning of Year	51,680	35,763	420	488	88,351	33,856
Cash and Investments - End of Year	\$ 41,053	\$ 30,957	\$ 246	\$ 461	\$ 72,717	\$ 38,009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (216)	\$ 542	\$ (50)	\$ 48	\$ 324	\$ (4,391)
Adjustments to Reconcile Operating Income (Loss) to Net Cash and Investments Provided (Used) by Operating Activities						
Depreciation	4,053	2,345	21	-	6,419	1,012
(Increase) in Other Receivables, Net	(233)	-	(165)	(1)	(399)	(6)
Decrease in Unbilled Receivables	165	29	27	-	221	-
Decrease in Prepaids	-	-	-	-	-	282
(Increase) in Joint Ventures	(244)	-	-	-	(244)	-
(Increase) in Inventory	(2)	-	-	-	(2)	-
(Increase) in Net Pension Asset	(5,608)	(2,098)	(188)	(124)	(8,018)	(388)
(Increase) in Net Other Postemployment Benefits Asset	(460)	(157)	(16)	(7)	(640)	(29)
Increase (Decrease) in Accounts Payable	(5,573)	(5)	57	-	(5,521)	(50)
Increase in Accrued Payroll	86	40	7	2	135	3
Increase in Deposits Payable	29	-	-	-	29	-
Increase in Claims Payable	-	-	-	-	-	9,652
Increase (Decrease) in Compensated Absences	173	82	7	(2)	260	(3)
Decrease in Deferred Pension Outflow	16,770	6,273	562	364	23,969	1,156
Increase in Deferred Pension Inflow	5,316	1,989	178	119	7,602	368
(Decrease) in Net Pension Liability	(18,516)	(6,926)	(621)	(399)	(26,462)	(1,275)
(Increase) in Deferred Other Postemployment Benefits Outflow	(131)	(45)	(5)	(2)	(183)	(8)
Increase in Deferred Other Postemployment Benefits Inflow	632	216	22	9	879	40
(Decrease) in Net Other Postemployment Benefits Liability	(246)	(84)	(9)	(4)	(343)	(16)
Net Cash and Investments Provided by Operating Activities	\$ (4,005)	\$ 2,201	\$ (173)	\$ 3	\$ (1,974)	\$ 6,347
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES						

There were no noncash investing, capital, or financing activities during the year ended June 30, 2022.

See Notes to the Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022
(In Thousands)

	Custodial Funds	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ASSETS			
Current Assets:			
Cash and Investments	\$ 4,725	\$ -	\$ 6,500
Cash and Investments with Fiscal Agent	3,268	-	2,587
Mutual Funds	-	58,101	-
Money Market Funds	-	898	-
Accounts Receivable, Net	760	2	-
Interest Receivable	-	-	25
Total Assets	8,753	59,001	9,112
LIABILITIES			
Current Liabilities:			
Accounts Payable	2,070	-	393
Accrued Payroll	-	-	8
Advances from City of Huntington Beach	-	-	1,363
Total Current Liabilities	2,070	-	1,764
Long-Term Obligations:			
Long-Term Obligations Due Within One Year	-	-	4,505
Long-Term Obligations Due in More than One Year	-	-	20,793
Total Long-Term Obligations	-	-	25,298
Total Liabilities	2,070	-	27,062
NET POSITION			
Restricted for Pension Benefits	-	59,001	-
Held in Trust For Other Purposes	-	-	(17,950)
Restricted for Individuals and Organizations	6,683	-	-
Total Net Position	\$ 6,683	\$ 59,001	\$ (17,950)

CITY OF HUNTINGTON BEACH
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

	Custodial Funds	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ADDITIONS			
Employer Contributions	\$ -	\$ 6,005	\$ -
Special Assessments or Special Taxes			
Collected from Property Owners	1,542	-	6,008
Business Improvement District Taxes	6,355	-	-
Parking Assessments	2,433	-	-
Other Income	-	-	10
Total Additions Before Investment Income	10,330	6,005	6,018
Investment Income:			
Investment Income (Loss)	19	(11,226)	75
Less: Investment Expense	-	(136)	-
Net Investment Income (Loss)	19	(11,362)	75
Total Additions	10,349	(5,357)	6,093
DEDUCTIONS			
Benefits	-	5,668	-
Administrative Costs	20	338	-
Payments to Other Organizations	7,022	-	-
Economic Development	-	-	250
Interest and Fiscal Agency Expenses	1,435	-	1,525
Principal	1,715	-	-
Total Deductions	10,192	6,006	1,775
Change in Net Position	157	(11,363)	4,318
Net Position - Beginning of Year	6,526	70,364	(22,268)
Net Position - End of Year	\$ 6,683	\$ 59,001	\$ (17,950)



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

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City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The City of Huntington Beach is the primary government. It was incorporated in 1909 as a charter, full-service city. The form of government is Council-Manager. Component units are legally separate organizations for which the City Council is financially accountable, or organizations that if excluded from the accompanying financial statements, would make them misleading. The component units described below are blended (presented as if they are part of the primary government) or presented as a fiduciary trust fund with the primary government for financial reporting purposes. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. A legally separate, tax exempt organization should be reported as a blended component unit of the City if all of the following criteria are met:

1. The governing board is substantively the same as the primary government and there is a financial benefit or burden relationship between the primary government and the component unit;
2. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it; and
3. The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with the resources of the primary government.

Based on the application of the criteria listed above, the following component units have been included.

Huntington Beach Housing Authority

The Housing Authority (the Authority) was established in March 2011 pursuant to Housing Authority Laws of California to provide rental assistance programs to low-income families and senior citizens, and to operate a Housing Rehabilitation Loan Program and other approved programs. The Authority is governed by a commission of seven members comprised of the City Council, which appoints management and has full accountability for the Authority's fiscal affairs. The Authority's financial data and transactions are included within the capital projects Low and Moderate Income Housing Asset Fund (LMIHAF). On January 9, 2012, the City adopted a resolution designating the Housing Authority of the City of Huntington Beach to serve as the Housing Successor Agency. The Housing Successor Agency's financial data and transactions are included within the LMIHAF Capital Projects Fund. There is no separate Component Unit Financial Report (CUFR) prepared for the Authority.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Huntington Beach Public Financing Authority (Public Financing Authority) – This Corporation was formed in March 1988 to issue debt to finance public improvements and other capital purchases for the City and the former Redevelopment Agency. The Public Financing Authority's governing body is the City Council, which also adopts its annual budget. The Public Financing Authority is financially dependent on the City. There are no separately issued financial statements available for the Public Financing Authority.

The City of Huntington Beach Supplemental Retirement Plan and Trust (Supplemental Retirement Plan and Trust) – The Trust was formed to provide a supplemental retirement plan for all employees hired prior to 1997 (exact dates differed for various associations). The governing board of the Supplemental Retirement Plan consists of the City Treasurer, Chief Financial Officer, and the City Manager (or designee). The Retirement Board is responsible for supervising all investments, resolving benefit disputes, and ensuring that contributions are made in order to pay the required benefits. There are no separate financial statements for this plan and trust.

b. Government-wide Financial Statements

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred inflows/outflows of resources, and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated to the various functions based on a proportionate use of services. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for current services; 2) operating grants and contributions; and, 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported as general revenues. As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Financial Statement Classification

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position – This category presents restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The government-wide Statement of Net Position reports \$68,460,000 of governmental activities restricted net position, of which \$40,364,000 is restricted by enabling legislation. The government-wide Statement of Net Position reports \$19,309,000 of business-type activities restricted net position, of which all is restricted by enabling legislation. This category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Position – This category represents the net position of the City, not restricted for any project or other purpose. The government-wide Statement of Net Position reports a deficit unrestricted net position of \$223,438,000 of governmental activities unrestricted net position, which is largely a result of the issuance of Pension Obligations Bonds to pay down the City's CalPERS Unfunded Accrued Liability. The City's Long-Term Obligations at June 30, 2022 is \$485,613,000, of which, \$461,797,000 is payable from Governmental Activities. The government-wide Statement of Net Position reports \$34,120,000 of business-type activities unrestricted net position.

c. Fund Financial Statements

Separate fund financial statements are prepared for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Only current assets, current liabilities, and deferred inflows are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, use of money and property, intergovernmental revenues, charges for current services, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims are recorded only when payment is due.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds Financial Statements

Governmental Funds Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Accompanying schedules are presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City presents all major funds that meet those qualifications.

The City's Governmental Fund Balances are comprised of the following components:

- Nonspendable fund balance includes amounts that are not in spendable form and typically includes inventories, prepaid items, and other items that by definition cannot be appropriated.
- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has authority to establish, modify, or rescind a fund balance commitment by formal action as specified by the City's Fund Balance Policy. Commitments to fund balance are made through adoption of a resolution by City Council.
- Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Manager or designee has the authority to establish, modify, or rescind a fund balance assignment as specified by the City's Fund Balance Policy.
- Unassigned fund balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance in other governmental funds is limited to any negative residual fund balance after fund balance has been classified as restricted, committed, or assigned.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the government-wide statements, the City considers restricted funds to be spent first then unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. In the governmental fund statements, when expenditures are incurred, the City uses the most restrictive funds first. The City would use the appropriate funds in the following order: committed, assigned, and lastly unassigned amounts.

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted or assigned fund balance.

Encumbrances outstanding as of June 30, 2022, by major fund (in thousands):

General Fund	\$ 5,100
Grants Special Revenue	3,024
Other Governmental Funds	<u>32,979</u>
Total Encumbrance All Funds	<u>\$ 41,103</u>

Economic Uncertainties Reserve

The City Council established an Economic Uncertainties Reserve in the General Fund through a resolution with a goal to commit the value of two months of the General Fund expenditure adopted budget amount. Appropriations from the Economic Uncertainties Reserve commitments can only be made by formal City Council action. Generally, appropriations and access to these funds will be reserved for emergency situations. Examples of such emergencies include, but are not limited to:

- An unplanned, major event such as catastrophic disaster requiring expenditures over 5% of the General Fund adopted budget;
- Budgeted revenue in excess of \$1 million taken by another government entity;
- Drop in projected/actual revenue of more than 5% of the General Fund adopted revenue budget; and,
- Should the Economic Uncertainties Reserve be used, and its level falls below the minimum amount of two months of General Fund expenditures adopted budget, the goal is to replenish the fund within three fiscal years.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements

The City's enterprise and internal service funds are proprietary funds. Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred inflows/outflows, and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The internal service funds, which provide services to the other funds of the City, are presented in a single column in the proprietary funds financial statements. Because the principal users of the internal services funds are the City's governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Position. The costs of the internal service fund services are spread to the appropriate function or program on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling effect of these revenues and expenses.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds Financial Statements

Fiduciary Funds Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position for Custodial and Trust Funds. The City's fiduciary funds include Custodial and Trust Funds. Custodial Funds report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The Custodial funds present results of operations and include net position. Custodial funds are accounted for on the accrual basis of accounting. Trust Funds present results of operations and include net position. The Retirement Supplemental Trust Fund accounts for the activities of the Supplemental Retirement Plan for all employees hired prior to 1997, which accumulates resources for pension benefits to qualified employees. Contributions are made to the Supplemental Plan based on the City's policy to fund the required contributions as determined by the Plan's actuary and are recognized when they are made. The Retiree Medical Insurance Trust Fund accounts for the activities of the City's Other Post-Employment Benefits plans, which provide postemployment medical insurance to retirees.

The Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund accounts for the Successor Agency for the former Redevelopment Agency pursuant to Assembly Bill X1 26. Fiduciary funds are not presented in the government-wide financial statements because these funds do not represent net position available to the City.

The City reports the following major funds:

Governmental Funds

General Fund – accounts for activity not required to be accounted for in another fund.

Grants Special Revenue – accounts for grant revenues received from federal, state, and local agencies restricted for related project expenditures.

LMIHAF Capital Projects – accounts for the activity related to the development of affordable housing.

Pension Liability Debt Service – accounts for the City's contribution to its pension plan obligations, as provided by the voter-approved property tax override and other sources of revenue, including the allocable share from Enterprise Funds and Other Governmental Funds.

Proprietary Funds

Water Fund – used to account for water sales to customers.

Sewer Service Fund – accounts for user fees charged to residents and businesses for sewer service.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refuse Fund – used to account for activities related to refuse collection and disposal.

Hazmat Service Fund – accounts for user fees charged for the City's hazardous waste material program.

The City's fund structure also includes the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Internal Service Funds

Self Insurance Workers' Comp Fund – accounts for the City's self insurance workers' compensation program in an internal service fund.

Self Insurance General Liability Fund – accounts for the City's self insurance general liability program in an internal service fund.

Equipment Replacement Fund – accounts for the City's equipment replacement needs in an internal service fund.

Fiduciary Funds

Custodial Funds – are used to account for debt service activities related to the Parking Structure – Bella Terra and Community Facilities District conduit debt issues, in which the City acts as an agent, not as a principal. The Business Improvement District fund is used to account for taxes received and held until disbursement.

Pension Trust Fund – Retirement Supplemental Fund - accounts for the City's supplemental retirement plan.

Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund – accounts for the Successor Agency of the former Redevelopment Agency in accordance with the State's Dissolution Act.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Cash and Investments

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of daily needs is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity, or yield of the portfolio. Interest earnings are apportioned among funds based on month-end cash and investment balances. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments, such as money market funds, and any investment with a maturity of 90 days or less at the time of purchase.

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair value and the carrying amount is material.

Changes in fair value that occur during the fiscal year are recognized as investments income reported for that fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State Treasurer of the State of California. LAIF has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk. In addition, these structured notes and asset-backed securities are subject to interest rate risk as a result of changes in interest rates. In June 2020, the City Council adopted a resolution authorizing the deposit and investment of excess funds in the Orange County Investment Pool (OCIP). The investments in OCIP are managed by the County Treasurer. The City's investment policy is further discussed in Note 2 on page 53.

The City pools all non-restricted cash for investment purchases and allocates interest income to the funds based on month-end cash balances. Funds that have restricted cash record interest income in the respective fund.



City of Huntington Beach

Notes to Financial Statements

For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets have an acquisition cost of \$50,000 or greater (\$100,000 for infrastructure) and a useful life of one year or more.

The City records all purchased capital assets at historical cost (where historical records are available) and at estimated historical cost where no historical records exist. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

In the government-wide and proprietary funds financial statements, tangible and intangible property, plant, equipment, the right to use leased assets, and infrastructure are depreciated/amortized using the straight-line method over the estimated useful life of the assets as shown below and charged to the respective activity or fund. Land and construction in progress are not depreciated. No depreciation is recorded in the governmental funds of the fund financial statements.

Buildings	20 to 50 years
Machinery and Equipment	5 to 30 years
Infrastructure	50 Years

f. Leases

The City is a lessee for a noncancellable lease of equipment and property. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The City is a lessor for a noncancellable lease of a building, land, and infrastructure. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

g. Unearned Revenue

In the government-wide and the fund-level financial statements, unearned revenues are those where the asset recognition (availability criteria) has been met, but the revenue recognition criteria have not been met.

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pensions and OPEB which are the result of the implementation of GASB Statement Nos. 68 and 75.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reported the following in this category:

1. Unavailable revenues (which include revenues, notes, and long-term receivables) measured under the modified accrual basis of accounting reported in governmental funds. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.
2. Changes in the net pension liability not included in pension expense.
3. Changes in the net other postemployment benefits liability not included in OPEB expense.
4. Lease related deferrals



City of Huntington Beach

Notes to Financial Statements

For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Inventories

Proprietary fund inventories are valued at weighted-average cost and consist of expendable supplies and repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

j. Interfund Transactions

As a general rule, interfund transactions have been eliminated from the government-wide financial statements. Exceptions to this rule are payments in-lieu or charges for current service between the City's enterprise activities and the City's governmental activities. Elimination of these transactions would distort the direct costs and program revenues for the various functions. Certain eliminations have been made regarding interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Numerous transactions occur between funds of the City resulting in transfers and amounts due to or from other funds. Amounts due to or from are the current (due within one year) portion of monies that are to be paid or to be received from other funds.

k. Long-Term Obligations

In the government-wide and proprietary funds financial statements, long-term obligations are recorded as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt. In the governmental fund financial statements, bond discounts and premiums are recognized as another financing source or use. Issuance costs are recorded as a current year debt service expenditure.

l. Employee Compensated Absences

The City records the cost of all accumulated and unused leave time (vacation, sick, and comp) as a liability when earned in the government-wide and proprietary funds financial statements. In the governmental funds financial statements these amounts are recorded as expenditures when due and payable.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Property Tax Revenue

Property tax in California is levied according to Article 13-A of the California Constitution. The basic levy is a countywide-levy of one percent of total assessed valuation and is allocated to county governments, school districts, cities and special districts. Additional levies require two-thirds approval by voters and are allocated directly to the specific government.

In the government-wide financial statements, property tax is recorded when earned, regardless of when levied, due, or received. City property tax revenues are recognized when levied in the governmental funds to the extent that they result in current receivables collectible within 60 days after year-end.

The County acts as a collection agent for property tax for all of the local governmental units. Property taxes are normally collected twice per year. The property tax calendar is as follows:

- Lien Date, January 1 - Prior Fiscal Year
- Levy Date, July 1 - Levy Fiscal Year
- Due Date, First Installment - November 1
- Due Date, Second Installment - February 1
- Delinquent Date, First Installment - December 10
- Delinquent Date, Second Installment - April 10



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Redevelopment Property Tax Trust Funds

Under ABX1 26, revenues that were previously distributed to redevelopment agencies (prior to their dissolution) in the form of property tax increment will no longer be received. Instead, revenues are deposited by County Auditors into Redevelopment Property Tax Trust Funds (RPTTF) created in the County Treasury for each Successor Agency. The County Auditor administers the RPTTF and disburses twice annually from this fund pass-through payments to affected taxing entities, an amount equal to the total of obligation payments that are required to be paid from tax increment as denoted on the Recognized Obligation Payment Schedules (ROPS) to Recognized Obligation Retirement Funds (RORF) established in the treasury of the Successor Agencies, and various allowed administrative fees and allowances. Any remaining balance is then distributed by the County Auditor back to affected taxing entities under a prescribed method that accounts for pass-through payments.

The calendar for distribution of RPTTF funds is as follows:

- Annual ROPS submission due to Department of Finance, February 1
- Distribution of RPTTF to Successor Agencies for the July-December ROPS period, June 1
- Distribution of RPTTF to Successor Agencies for the January-June ROPS period, January 2

o. Cash Flow Statements

For purposes of the Statement of Cash Flows, the Proprietary Funds consider all cash and investments to be cash equivalents, as these funds participate in the citywide cash and investment pool.

p. Estimates

The accompanying financial statements require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Pensions and OPEB

For purposes of measuring the net pension liability, net OPEB liability, related deferred outflows of resources and deferred inflows of resources, pension/OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS' Financial Office and the City's Defined Benefit Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement Nos. 68 and 75 require reported results to pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

	Supplemental Employee Retirement Plan	CalPERS Pension Plans	Other Post-Employment Benefit Plan
Valuation Date (VD)	June 30, 2021	June 30, 2020	June 30, 2021
Measurement Date (MD)	June 30, 2022	June 30, 2021	June 30, 2021
Measurement Period (MP)	July 1, 2021 to June 30, 2022	July 1, 2020 to June 30, 2021	July 1, 2020 to June 30, 2021



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

2. CASH AND INVESTMENTS

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code Section 53601 (or the City's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO / MAXIMUM PER ISSUER	MINIMUM RATING REQUIREMENTS
Bankers' Acceptances	180 days	25% (up to 40% with Council approval) / 10%	A1/P1, "A" Rating
Negotiable Certificates of Deposit	3 years (Up to 5 years with Council approval)	30% / 10%	A1/P1, "A" Rating
Commercial Paper	270 days	25% / 10%	A1, "A" Rating
State Obligations-- CA And Others	5 years	None / 10%	"A" Rating
City/Local Agency of CA Obligations	5 years	None / 10%	"A" Rating
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Obligations	5 years	None	None
Supranationals: IBRD, IFC, IDB	5 years	10%	"AA" Rating
Repurchase Agreements	3 Months	None	None
Reverse Repurchase Agreements	92 days	20% of the base value of the portfolio. Requires City Council Approval	None
Medium-Term Corporate Notes	5 years	30% / 10%	"A" Rating
Non-negotiable Certificates of Deposit	3 years	None / 10%	A1/P1, "A" Rating
Money Market Mutual Funds	60 days	15% / 10%	"AAA" Rating
Local Agency Investment Fund (LAIF)	N/A	Up to \$75,000,000	None
Orange County Investment Pool (OCIP)	N/A	Up to \$75,000,000	None
Joint Powers Authority	N/A	None / \$20,000,000	None



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

2. CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by a bond trustee, but bond indentures do allow for other forms of investments if approved in writing by the bond insurer that are not identified below. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Securities	5 Years	No Limit	No Limit
Federal Agency Securities	5 Years	No Limit	No Limit
Bankers' Acceptances	180 Days	No Limit	No Limit
Time CDs	360 Days	No Limit	No Limit
Negotiable CDs	360 Days	No Limit	No Limit
LAIF	N/A	No Limit	No Limit
Commercial Paper	270 Days	No Limit	No Limit
Municipal Bonds from Any State	Life of Bond	No Limit	No Limit
Money Market Funds	N/A	No Limit	No Limit
Investment Agreements	Life of Bond	No Limit	No Limit
Corporate Bonds	5 Years	No Limit	No Limit
California Asset Mgmt. Program	N/A	No Limit	No Limit
Forward Purchase/Delivery Agreements	Life of Bond	No Limit	No Limit



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

2. CASH AND INVESTMENTS (Continued)

Investment of the Pension Trust Fund – Retirement Supplemental Fund

The Investment Policy Statement (IPS) of the Huntington Beach Supplemental Pension Trust is established in accordance with the assignment of fiduciary duties by the State of California Constitution and State and Local Government Codes. The purpose of the Investment Policy is to set guidelines for a prudent investment-making process. The policy was established with the assumption that the longer-term nature of the portfolio provides for higher risk tolerance and short-term volatility, but more potential for capital growth. The Investment Manager will be responsible for carrying out the activities related to the portfolio in accordance with the IPS to meet the goals of an agreed upon risk/return profile, and in accordance with the mix of parameters outlined below:

Authorized Investment Type	Minimum Allocation	Target Asset Allocation	Maximum Allocation
Cash or Equivalents	0%	0%	10%
Money Market	0%	0%	10%
Fixed Income	30%	40%	50%
Intermediate Bond	30%	40%	50%
Short-Term Bond	0%	0%	10%
Long-Term Bond	0%	0%	10%
High Yield Bond	0%	0%	10%
Inflation Protected Bond	0%	0%	10%
World Bond	0%	0%	10%
Domestic Equity	17%	27%	37%
Large Cap Equity (Value, Blend, Growth)	8%	18%	28%
Mid Cap Equity (Value, Blend, Growth)	0%	6%	16%
Small Cap Equity (Value, Blend, Growth)	0%	3%	13%
Foreign Equity	11%	21%	31%
Foreign Large Equity (Value, Blend, Growth)	7%	17%	27%
Foreign Sm / Mid Equity (Value, Growth)	0%	0%	10%
Emerging Markets	0%	4%	14%
Real Estate	0%	10%	20%
Real Estate	0%	10%	20%
Commodities	0%	2%	12%
Natural Resources	0%	2%	12%



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

2. CASH AND INVESTMENTS (Continued)

At year-end, the City had the following deposits and investments (amounts in thousands):

Primary Government:	
Cash and Investments	\$ 334,584
Cash and Investments with Fiscal Agent	<u>9,838</u>
Total Primary Government	<u>344,422</u>
Fiduciary Funds:	
Cash and Investments	11,225
Cash and Investments with Fiscal Agent	<u>64,854</u>
Total Fiduciary Funds	<u>76,079</u>
Total Deposits and Investments	<u>\$ 420,501</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments, including investments held by bond trustees, to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity (in thousands).

INVESTMENTS:	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	
US Treasuries	\$ 74,943	\$ 2,975	\$ 47,848	\$ 24,120	\$ -	\$ 74,943
US Agency Securities*	140,790	35,962	51,389	53,439	-	140,790
Mutual Funds	58,101	58,101	-	-	-	58,101
Commercial Paper	4,967	4,967	-	-	-	4,967
Money Market Funds	2,007	2,007	-	-	-	2,007
Medium Term Notes - IADB	33,552	5,965	13,831	13,756	-	33,552
Corporate Bonds	26,063	7,992	18,071	-	-	26,063
Local Agency Investment Fund	28,417	28,417	-	-	-	28,417
Orange County Investment Pool	10,447	10,447	-	-	-	10,447
California Asset Mgmt Program	2,776	2,776	-	-	-	2,776
PARS Pension Rate Stabilization Program	12,427	12,427	-	-	-	12,427
Total Investments	<u>\$ 394,490</u>	<u>\$ 172,036</u>	<u>\$ 131,139</u>	<u>\$ 91,315</u>	<u>\$ -</u>	<u>394,490</u>
						Total Deposits <u>26,011</u>
						Total Deposits and Investments <u>\$ 420,501</u>

* Security is callable, but classified above according to original maturity date



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

2. CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below are the minimum ratings required by, where applicable, the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type (in thousands):

INVESTMENTS:	Minimum Legal Rating	Total	Remaining as of Year End				
			AAA	AA	A	BBB+	Not Rated
US Treasuries	N/A	\$ 74,943	\$ 74,943	\$ -	\$ -	\$ -	\$ -
US Agency Securities*	N/A	140,790	140,790	-	-	-	-
Mutual Funds	N/A	58,101	-	-	-	-	58,101
Commercial Paper	A	4,967	-	-	4,967	-	-
Money Market Funds	AAA	2,007	2,007	-	-	-	-
Medium Term Notes - IADB	AA	33,552	33,552	-	-	-	-
Corporate Bonds	A	26,063	-	6,992	16,165	2,906	-
Local Agency Investment Fund	N/A	28,417	-	-	-	-	28,417
Orange County Investment Pool	N/A	10,447	-	-	-	-	10,447
California Asset Mgmt Program	N/A	2,776	2,776	-	-	-	-
PARS Pension Rate Stabilization Program	N/A	12,427	-	-	-	-	12,427
Total Investments		\$ 394,490	\$ 254,068	\$ 6,992	\$ 21,132	\$ 2,906	\$ 109,392

Note: All US Agencies are rated AAA by Moody's and AA by S&P

Concentration of Credit Risk

The City's investment policy limits investments in any one issuer, except for U.S. Treasury Securities, U.S. Government Agencies and the Local Agency Investment Fund, to no more than 10% of the portfolio. In addition, no more than 50% can be invested in a single security type or with a single financial institution and every security type has a specific limit. This is in addition to the limits placed on investments by State law. Investments in any one issuer (other than U.S. Treasury Securities, external investment pools, or Money Market Funds) that represent 5% or more of the City's total investments are as follows (in thousands):

Issuer	Investment Type	Fair Value Amount
Federal Home Loan Bank	U.S. Agency Securities	\$ 112,472
Intl Bk Recon & Development	Medium Term Notes	\$ 18,596
US Treasury Notes	Obligations of the United States Treasury	\$ 74,943



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2022, the City's deposits with financial institutions were covered by FDIC up to \$250,000, and the remaining amounts were collateralized as described above. None of the City's investments were subject to custodial credit risk. Per the Investment Policy's statement, the City of Huntington Beach is the registered owner of all investments in the portfolio.

Investment in State Investment Pool

The City is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Currently, LAIF does not have an investment rating.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

2. CASH AND INVESTMENTS (Continued)

Investment in the Orange County Investment Pool

The City is a participant in the County Treasurer's Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2022 is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the OCIP, refer to the County of Orange Annual Comprehensive Financial Report.

Investment in California Asset Management Program Pool

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Trust's activities are directed by a Board of Trustees, all of whom are employees of the California public agencies which are participants in the Trust. The City reports investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. The Pool is managed to maintain a dollar-weighted average portfolio maturity of 60 days or less and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool invests in obligations of the United States Government and its agencies, high-quality, short-term debt obligations of U.S. companies and financial institutions. The Pool is a permitted investment for all local agencies under California Government Code Section 53601(p). CAMP is rated AAAM by Standard & Poor's.

Investment in Public Agency Retirement Services Pension Rate Stabilization Program

The City established a Section 115 pension trust account within the Public Agency Retirement Services Pension Rate Stabilization Program (PARS PRSP) to hold assets that are legally restricted for use in administering the City's defined benefit pension plan. The pension trust fund's specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the City.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

2. CASH AND INVESTMENTS (Continued)

Fair Value Measurement

The City categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2022 (in thousands):

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
INVESTMENTS:				
U.S. Treasuries	\$ -	\$ 74,943	\$ -	\$ 74,943
U.S. Agency Securities	-	140,790	-	140,790
Commercial Paper	-	4,967	-	4,967
Medium Term Notes - IADB	-	33,552	-	33,552
Corporate Bonds	-	26,063	-	26,063
Total Investments	\$ -	\$ 280,315	\$ -	\$ 280,315

3. OTHER RECEIVABLES

A summary of Other Receivables as of June 30, 2022 is as follows (in thousands):

Description	FY2021-22 Amount
Developer Loans Receivable	\$ 39,316
Emerald Cove Loan Receivable	6,569
Housing Rehabilitation Loans Receivable	2,201
First Time Homebuyers Receivable	1,630
Emergency Medical Fee Receivable	2,214
CDBG Program Receivable	554
Affordable Housing In-Lieu Receivable	152
Other Grants Receivable	3,347
Other Receivable	10,493
Total Other Receivables	66,476
Allowance for Uncollectible Developer Loans	(39,316)
Net Other Receivables on Governmental Fund Financial Statements	\$ 27,160
<u>Other Receivables Reconciliation</u>	
Net Receivable on Government-wide Financial Statements	\$ 43,348
Taxes Receivable on Governmental Fund Financial Statements	(16,086)
Other Receivables on Internal Service Fund	(102)
Net Other Receivables on Governmental Fund Financial Statements	\$ 27,160



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

3. OTHER RECEIVABLES (Continued)

a. Developer Loans

Loans made to developers to construct or rehabilitate certain facilities under deferred loan agreements total \$39,316,000 at year-end. These loans are allowed until a future event occurs. Loans to the Low and Moderate Income Housing Asset Fund total \$20,207,000, loans made under the Home Program total \$14,167,000 and loans made under the Affordable Housing In-Lieu Program total \$4,942,000. Interest rates on these loans range from 0% to 10%. The allowance for uncollectible developer loans is \$39,316,000 due to the terms of the agreement to forgive the balance of loans after a specified time period if all the conditions of loan forgiveness are met.

b. Emerald Cove Loan

On June 15, 2010, the former Redevelopment Agency loaned Emerald Cove, LP \$8,000,000 to acquire and rehabilitate Emerald Cove Senior Apartments. The loan has an interest rate of 3% and is to be repaid annually from residual receipts over 60 years. The loan was transferred to the Low and Moderate Income Housing Asset Fund in Fiscal Year 2011/12. The loan balance as of June 30, 2022 is \$6,569,000.

c. Housing Rehabilitation Loans

Loans made to qualified homeowners and landlords in the City of Huntington Beach to rehabilitate certain single-family homes or multifamily rental housing under deferred loan agreements total \$2,201,000 at year-end. These loans are deferred until a future event occurs. The interest rates on these loans range from 0% to 6%.

d. Deferred Loans – First Time Homebuyers and Down Payment Assistance

Loans made for down payment assistance of qualified first time homebuyers under deferred loan agreements total \$1,630,000 at year-end. These loans are deferred until a future event occurs.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022

4. UNEARNED REVENUE

Governmental and enterprise funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned (unearned revenue). The amounts are as follows (in thousands):

	General Fund	Grants Special Revenue	Total Unearned Revenue
Community Services Unearned Revenue (Classes)	\$ 1,217	\$ -	\$ 1,217
Grants	-	29,940	29,940
Total	\$ 1,217	\$ 29,940	\$ 31,157

5. UNAVAILABLE REVENUE

Certain revenues in governmental funds are considered unavailable revenue until received. All revenues including property and sales tax are recognized in the year earned or levied in the government-wide financial statements, but are recorded as unavailable revenue in the fund financial statements to the extent they are not collected within 60 days after year-end. The amounts are as follows (in thousands):

	General Fund	Grants Special Revenue	LMIHAF	Other Governmental Funds	Total Unavailable Revenue
Grants	\$ -	\$ 5,815	\$ -	\$ -	\$ 5,815
Deferred Loans:					
Emerald Cove	-	-	6,569	-	6,569
Housing Rehabilitation	-	2,201	-	-	2,201
First Time Homebuyers	-	-	1,630	-	1,630
Other Unavailable Revenue	1,431	-	-	65	1,496
Total	\$ 1,431	\$ 8,016	\$ 8,199	\$ 65	\$ 17,711

Deferred Loans to developers and qualified individuals for housing rehabilitation and to first time homebuyers are discussed in Note 3.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

6. RETIREMENT PLAN – NORMAL

a. Summary

Net Pension Liability/(Asset)

Net Pension Liability/(Asset) is reported in the accompanying statement of net position as follows:

	Net Pension Liability/(Asset)
CalPERS Miscellaneous Plan	\$ (51,599)
CalPERS Safety Plan	(57,268)
Supplemental Plan (Note 7)	15,152
Total	\$ (93,715)

Deferred Outflows of Resources

Deferred Outflows of Resources are reported in the accompanying statement of net position as follows:

	Change to Net Difference Between Projected and Actual Investment Earnings	Deferred employer pension contributions made after measurement date	Total
CalPERS Miscellaneous Plan	\$ -	\$ 6,951	\$ 6,951
CalPERS Safety Plan	-	13,578	13,578
Supplemental Plan (Note 7)	5,633	-	5,633
Total	\$ 5,633	\$ 20,529	\$ 26,162

Deferred Inflows of Resources

Deferred Inflows of Resources are reported in the accompanying statement of net position as follows:

	Change to Net Difference Between Projected and Actual Investment Earnings	Differences between Expected and Actual Experience	Total
CalPERS Miscellaneous Plan	\$ 52,113	\$ 1,534	\$ 53,647
CalPERS Safety Plan	63,641	5,468	69,109
Total	\$ 115,754	\$ 7,002	\$ 122,756



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

6. RETIREMENT PLAN – NORMAL (Continued)

Pension expenses for the measurement period ending June 30, 2021 (the measurement date), are included in the accompanying financial statements as follows:

	Net Pension Expense/(Income)
CalPERS Miscellaneous Plan	\$ (7,825)
CalPERS Safety Plan	(2,508)
Supplemental Plan (Note 7)	880
Total	\$ (9,453)

b. Plan Description

Substantially all City employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Safety Plan and Miscellaneous Plan Agent multiple-employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee's Retirement Law. Following the passage of AB340, Public Employees' Pension Reform Act (PEPRA) by the California Legislature, employees hired on or after January 1, 2013, who were not previously enrolled in the PERS system elsewhere, or who have had a break in service of at least six months are required to be enrolled in this retirement program which provides a benefit level that is lower than the benefits provided for CalPERS employees that do not meet the PEPRA qualifications previously described. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

6. RETIREMENT PLAN – NORMAL (Continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Benefit provisions and all other requirements are established by State statute and may be amended by city contracts with employee bargaining groups.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

Industrial disability benefits are not offered to miscellaneous employees. The City provides industrial disability retirement benefit to safety employees. The industrial disability retirement benefit is a monthly allowance equal to 50 percent of final compensation.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

6. RETIREMENT PLAN – NORMAL (Continued)

The Plans' provisions and benefits in effect at June 30, 2022 are summarized as follows:

Miscellaneous Agent Plans		
	Classic	PEPRA
	Prior to January 1, 2013	January 1, 2013 and after
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 years	minimum 52 years
	2.0% - 2.5%, 50 years - 63+ years, respectively	1.0% - 2.5%, 52 years - 67+ years, respectively
Monthly benefits, as a % of eligible compensation		
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates		
July 1, 2021 - June 30, 2022	41.790%	41.790%
Safety Agent Plans		
	Classic	PEPRA
	Prior to January 1, 2013	January 1, 2013 and after
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 years	minimum 52 years
		2.0% - 2.7%, 50 years - 57+ years, respectively
Monthly benefits, as a % of eligible compensation	3%, 50+ years	
Required employee contribution rates	9.000%	11.75%/13.00% (Fire PEPRA)
Required employer contribution rates		
July 1, 2021 - June 30, 2022	64.400%	64.400%



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

6. RETIREMENT PLAN – NORMAL (Continued)

c. Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2021, miscellaneous participants under the Classic and PEPRA plans are required to contribute 8% and 6.25% of their annual covered salary, respectively. Safety participants under the Classic and PEPRA plans are required to contribute 9% and 11.75% of their annual covered salary, respectively. Fire PEPRA participants are now required to contribute 13%. In addition, the City is required to make employer contributions at the actuarially determined rates of 41.790% and 64.400% for the miscellaneous and safety plans, respectively, for the period July 1, 2021 through June 30, 2022.

At June 30, 2020, the valuation date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Active members	600	380
Transferred members	446	72
Terminated members	350	57
Retired members and beneficiaries	1024	622



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

6. RETIREMENT PLAN – NORMAL (Continued)

d. Net Pension Asset

The City's net pension asset is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension asset of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is illustrated below:

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation, rolled forward to June 30, 2021 using standard update procedures, were determined using the following actuarial assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

*The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and projected mortality improvement using Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

6. RETIREMENT PLAN – NORMAL (Continued)

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class ¹	Current Target Allocation	Real Return Years 1-10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹ In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period

³ An expected inflation of 2.92% used for this period.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

6. RETIREMENT PLAN – NORMAL (Continued)

Discount Rate – The discount rate used to measure the total pension liability at June 30, 2021 was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events – On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for Fiscal Year 2020/21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

6. RETIREMENT PLAN – NORMAL (Continued)

e. Changes in the Net Pension Liability/(Asset)

The following table shows the changes in net pension liability/(asset) recognized over the measurement period:

Miscellaneous Plan			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2020 (Valuation Date)	\$ 604,027	\$ 443,586	\$ 160,441
Changes in the year:			
Service cost	8,005	-	8,005
Interest on the total pension liabilities	42,217	-	42,217
Differences between expected and actual experience	(891)	-	(891)
Benefit payments, including refunds of members contributions	(33,392)	(33,392)	-
Contributions - employer	-	150,917	(150,917)
Contributions - employee	-	3,450	(3,450)
Net investment income	-	107,447	(107,447)
Administrative expenses	-	(443)	443
Net changes	15,939	227,979	(212,040)
Balance at June 30, 2021 (Measurement Date)	<u>\$ 619,966</u>	<u>\$ 671,565</u>	<u>\$ (51,599)</u>

Safety Plan			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2020 (Valuation Date)	\$ 804,181	\$ 532,653	\$ 271,528
Changes in the year:			
Service cost	13,386	-	13,386
Interest on the total pension liabilities	56,114	-	56,114
Differences between expected and actual experience	(3,882)	-	(3,882)
Benefit payments, including refunds of members contributions	(44,362)	(44,362)	-
Contributions - employer	-	257,381	(257,381)
Contributions - employee	-	4,395	(4,395)
Net investment income	-	133,170	(133,170)
Administrative expenses	-	(532)	532
Net changes	21,256	350,052	(328,796)
Balance at June 30, 2021 (Measurement Date)	<u>\$ 825,437</u>	<u>\$ 882,705</u>	<u>\$ (57,268)</u>



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

6. RETIREMENT PLAN – NORMAL (Continued)

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate - The following presents the City's net pension liability, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan	\$ 26,963	\$ (51,599)	\$ (116,560)
Safety Plan	49,752	(57,268)	(145,461)
Aggregate Total	<u>\$ 76,715</u>	<u>\$ (108,867)</u>	<u>\$ (262,021)</u>

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Income and Deferred Outflows/Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2020), the net pension liability was \$160,441,000 for the Miscellaneous Plan and \$271,528,000 for the Safety Plan. For the measurement period ending June 30, 2021 (the measurement date), the City earned pension income of \$7,825,000 and \$2,508,000 for the Miscellaneous and Safety Plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022

6. RETIREMENT PLAN – NORMAL (Continued)

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years of active employees by the total number of plan participants (active, inactive, and retired) in the risk pool. For the 2020-21 measurement period, the EARSL for each plan is as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Expected Average Remaining Service Lifetime	2.4	3.9

At June 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>	
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (52,113)
Difference between expected and actual experience	-	(1,534)
Contributions made subsequent to the measurement date	<u>6,951</u>	<u>-</u>
Total	<u>\$ 6,951</u>	<u>\$ (53,647)</u>

	<u>Safety Plan</u>	
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (63,641)
Difference between expected and actual experience	-	(5,468)
Contributions made subsequent to the measurement date	<u>13,578</u>	<u>-</u>
Total	<u>\$ 13,578</u>	<u>\$ (69,109)</u>



City of Huntington Beach

Notes to Financial Statements

For the Year Ended June 30, 2022

6. RETIREMENT PLAN – NORMAL (Continued)

For the Miscellaneous Plan and Safety Plan, \$6,951,000 and \$13,578,000, respectively, was reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Periods Ended June 30,	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous	Safety
2022	\$ (14,571)	\$ (18,533)
2023	(12,266)	(16,911)
2024	(12,508)	(16,195)
2025	(14,302)	(17,470)
	<u>\$ (53,647)</u>	<u>\$ (69,109)</u>

7. RETIREMENT PLAN – SUPPLEMENTAL

a. Plan Description and Benefits

The City administers a supplemental single-employer defined benefit retirement plan (Supplemental Plan) for all employees hired prior to 1997 (exact dates are different for various associations). The Plan is governed by a three-member Supplemental Employee Retirement Plan and Trust Board consisting of the City Treasurer, Chief Financial Officer, and the City Manager, or his/her designee. The Board has the authority, under the terms of the Trust agreement, to control and manage the operation and administration of the Plan. Benefit provisions are established and may be amended through negotiations between the City and employee bargaining associations during each bargaining period, which are then approved through resolutions of the City Council. In Fiscal Year 2008/09, the City established the Supplemental Employee Retirement Plan and Trust, and transferred \$24,918,000 to an irrevocable trust from the prefunded amounts. The plan and trust are reported as a pension trust fund in the City's financial statements on a full accrual basis.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

The Supplemental Plan will pay the retiree an additional amount to his or her CalPERS retirement benefit for life. In order to be eligible for the benefit, the retiree must retire from the City. The amount that is computed as a factor of an employee's normal retirement allowance is computed at retirement and remains constant for his or her life. This benefit is payable by the City for the duration of the life of the member, and shall cease upon the employee's death. As of June 30, 2021, the date of the Plan's most recent actuarial valuation, the average monthly benefit received by inactive plan members and beneficiaries receiving benefits is \$626. Effective in 1998 (exact dates are different for various associations), new City employees are ineligible to participate in the Supplemental Employee Retirement Plan.

Employees Covered: At June 30, 2022, the measurement date, the following employees were covered by the benefit terms for the Plan:

Inactive employees receiving benefits	742
Active employees	59
Total	<u>801</u>

c. Employer Contributions

The City's policy is to make required contributions as determined by the Supplemental Plan's actuary. The required contributions were determined as part of the June 30, 2019 actuarial valuation. The City is required to contribute the actuarially determined rate of 2.9% of total payroll for all permanent employees for the year ended June 30, 2022. There are no employee contributions required for the plan. Survivor and termination benefits are not included in the plan. Administrative costs of this plan are financed through investment earnings.

For the year ended June 30, 2022, the contributions were (in thousands):

Contributions - employer	\$ 6,006
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**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

c. Investments

Investments of the Supplemental Plan are held separately from those of other City funds by investment custodians. The Supplemental Employee Retirement Plan and Trust Board is responsible for supervising all investments. Changes to the Investment Policy require approval by the Board. The policy remained the same as last fiscal year. The most recent policy was reviewed in June 2022 with an effective date of July 1, 2022. Please refer to Note 2 for a detailed description of the Supplemental Plan's Investment Policy. The major asset class allocation for the Supplemental Plan as of June 30, 2022 is listed below:

Asset Class	Strategic Allocation	Allocation as of June 30, 2022	Long-Term Expected Rate of Return
Fixed Income	40.00%	40.72%	1.55%
Equities	27.00%	51.86%	5.35%
Real Estate	10.00%	5.90%	0.00%
Commodities	2.00%	0.00%	0.00%
Cash and Equivalents	0.00%	1.52%	0.45%
Total	79.00%	100.00%	

Quoted market prices have been used to value investments as of June 30, 2022. These investments are held by the Trust or by an agent in the Trust's name. A portion of these investments is subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk. The Governmental Accounting Standards Board (GASB) Statement No. 40 requires the disclosure of such risk. Please see below for a list of investments held in any one organization that represents five percent or more of the Plan's investment portfolio at June 30, 2022:

Concentration of Investments Equaling or Exceeding 5%

Vanguard Ftse Developed Etf	11.96%
Vanguard Equity Income Fund Admiral Shares	7.97%
Parnassus Core Equity Fund	7.41%
Fidelity US Bond Index	7.16%
Baird Aggregate Bond Fd Instl	7.16%
Doubleline Total Ret Bd I	7.14%
Pgim Return Bond CI R6	7.13%
Tiaa Cref	7.09%
Harbor Capital Appreciation Inst	6.76%
Ishares Core US Reit Etf	5.90%
Federated Inst High Yield Bond Fund	5.04%



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

All Supplemental Plan investments are reflected in the schedule included in Section c of the Note, with the exception of amounts held in the City's investment pool account. The City maintains an investment pool account for City funds. Monthly contributions for the Plan are held in the City's investment pool account and are used to pay recurring expenditures. Refer to Note 2 for a description of the City's investments.

For the Fiscal Year ended June 30, 2022, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was -15.97%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

d. Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the City's net pension liability is shown on the following page.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 actuarial valuations for the June 30, 2022 measurement date were determined using the following actuarial assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Actuarial Assumptions:	
Discount Rate	5.50%
Inflation	2.50%
Salary Increases	CalPERS 1997-2015 Experience Study plus 2.75% aggregate increase
Investment Rate of Return	5.50% Net of Investment Expenses
Mortality Rate Table	CalPERS 1997-2015 Experience Study, mortality projected fully generational with Scale MP-2021
Retirement, Disability, Withdrawal	CalPERS 1997-2015 Experience Study plus 23% load on future service retirement liability added to reflect recent benefits experience.

The changes in actuarial assumptions include the following:

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality, and retirement rates. The future service retirement liabilities load increased from 15% to 23% to reflect recent experience of benefits being larger than anticipated.

e. Discount Rate & Sensitivity

The discount rate is used in the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employee contributions, benefit payments, expenses, and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount is used. For this valuation, the discount rate is 5.50%, based on the inflation assumption of 2.50% and a long-term asset allocation of 70% equities and 30% fixed income. The geometric real rates of return were assumed to be 5.35% for equities and 1.55% for fixed income. The long-term expected rate of return is applied to all future projected benefit payments.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. An investment return excluding administrative expenses would have been 5.50 percent.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations were taken into account along with expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period (in thousands):

	Supplemental Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2021	\$ 76,769	\$ 70,361	\$ 6,408
Changes in the year:			
Service cost	299	-	299
Interest on the total pension liabilities	3,897	-	3,897
Differences between expected and actual experience	492	-	492
Changes of Assumptions	(1,638)	-	(1,638)
Benefit payments, including refunds of members contributions	(5,668)	(5,668)	-
Contributions - employer	-	6,006	(6,006)
Net investment income	-	(11,362)	11,362
Administrative expenses	-	(338)	338
Net changes	(2,618)	(11,362)	8,744
Balance at June 30, 2022	\$ 74,151	\$ 58,999	\$ 15,152

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's net pension liability, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
(in thousands)		
	Current	
Discount Rate -	Discount Rate	Discount Rate +
1% (4.50%)	(5.50%)	1% (6.50%)
\$ 22,488	\$ 15,152	\$ 8,904



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

f. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the City recognized pension expense in the amount of \$880,000 for the Supplemental Plan.

At June 30, 2022, the City reported deferred outflows of resources related to the supplemental pension plan from the following source (in thousands):

	<u>Deferred Outflows of Resources</u>
Difference between projected and actual earnings on pension plan investments	\$ 5,633

For the Supplemental Plan, \$5,633,000 was reported as deferred outflows of resources related to pensions which will be recognized in pension expense as follows (in thousands):

<u>Year Ended June 30,</u>	<u>Deferred Outflows / (Inflows) of Resources</u>
2023	\$ 1,103
2024	914
2025	604
2026	3,012
	<u>\$ 5,633</u>



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

8. OTHER POST EMPLOYMENT BENEFITS

a. Plan Description

The City administers the following two other post employment benefit (OPEB) plans:

Postemployment Medical Insurance

The City agreed, via contract, with each employee association to provide postemployment medical insurance to retirees. These Other Postemployment Benefits (OPEB) are based on years of service and are available to all retirees who meet all three of the following criteria:

- At the time of retirement, the employee is employed by the City.
- At the time of retirement, the employee has a minimum of ten years of service credit or is granted a service connected disability retirement.
- Following official separation from the City, CalPERS grants a retirement allowance.

The City's obligation to provide the benefits to a retiree ceases when either of the following occurs:

- During any period the retiree is eligible to receive health insurance at the expense of another employer; and/or
- The retiree becomes eligible to enroll automatically or voluntarily in Medicare.

The subsidy a retiree is entitled to receive is based on the retiree's years of service credit and is limited to \$344 per month after 25 years of service. If a retiree dies, the benefits that would be payable for his or her insurance are provided to the spouse or family for 12 months. The retiree may use the subsidy for any of the medical insurance plans that the City's active employees may enroll in. Employees hired on or after October 1, 2014 are not eligible for this benefit.

PEMHCA

The City provides an agent multiple-employer defined benefit healthcare plan to retirees through CalPERS under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. The PEMHCA benefits are applied to all safety employee groups, based on retirement plan election. The benefits continue to the surviving spouse for one year. The Huntington Beach Firefighters' Association (HBFA) joined PEMHCA in 2011. All other safety groups - Fire Management Association (FMA), Marine Safety Management Association (MSOA), Police Management Association (PMA), and Police Officers' Association (POA) - joined in 2004.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

Safety employees are eligible for PEMHCA benefits if they retire from the City on or after age 50 with at least five years of service or disability, and are eligible for a PERS pension.

As of the June 30, 2021 measurement date, the following current and former employees were covered by the benefit terms under the plan:

	Postemployment Medical Insurance	PEMHCA
Retirees and beneficiaries receiving benefits	308	212
Inactive employees not yet receiving benefits	315	-
Active Plan Members	810	391
Total Plan Participants	1,433	603

b. Accounting and Funding

The City utilizes the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan, for the postemployment medical insurance benefit. Benefits paid from the CERBT were \$955,000 for year ended June 30, 2022. The assets of the CERBT are excluded from the accompanying financial statements since they are in an irrevocable trust administered by CalPERS. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814 or on their website: www.calpers.ca.gov. The City's policy is to make 100% of each year's ARC, with an additional amount to prefund benefits as determined annually by City Council in order to improve the funded status of the plan.

For PEMHCA, the City selected the "unequal" method for the contribution. Under this method, the City offered a lesser contribution for retirees than for active employees. The City paid the PEMHCA minimum for actives (\$139 in 2020, \$143 in 2021 and \$149 in 2022). Beginning in 2008, Assembly Bill 2544 changed the computation for annual increases to annuitant health care under the unequal method. Under the new provisions, the City increases annuitant health care contributions equal to an amount not less than five percent of the active employee contributions, multiplied by the number of years in PEMHCA. The City's contribution for retirees is \$81.95 per employee for the Huntington Beach Firefighter's Association (HBFA) and \$134.10 for all other Safety groups in 2022. The annual increase in minimum PEMHCA contribution to CalPERS will continue until the time that the City contribution for retirees equals the City contribution paid for active employees.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

The City's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021, based on the following actuarial methods and assumptions:

- Actuarial Cost Method – Entry Age Normal
- Discount rate – 5.50%
- Projected salary increases for covered employees due to inflation – aggregate increases of 2.75% per annum
- Investment Rate of Return – 5.50%, assuming actuarially determined contributions funded into CERBT Investment Strategy 2
- Mortality Rate¹ – Derived using CalPERS' membership data for all funds
- Pre-Retirement Turnover² – Derived using CalPERS' membership data for all funds
- PEMHCA minimum increases for actives - \$149 in 2022, with 4.00% annual increases thereafter
- Healthcare Trend Rate – The medical trend rate represents the long-term expected growth of medical benefits paid by the plan, due to non-age-related factors such as general medical inflation, utilization, new technology, and the like. The following table sets forth the inflation trend assumption used for the valuation:

Calendar Year	Annual Rate		Calendar Year	Annual Rate	
	Non-Medicare	Medicare		Non-Medicare	Medicare
2022	7.00%	6.10%	2030	4.95%	4.45%
2023	6.50%	5.65%	2031-35	4.80%	4.35%
2024	6.25%	5.45%	2036-45	4.65%	4.25%
2025	6.00%	5.25%	2046-55	4.50%	4.20%
2026	5.75%	5.05%	2056-65	4.35%	4.15%
2027	5.55%	4.90%	2066-75	4.05%	3.95%
2028	5.35%	4.75%	2076+	3.75%	3.75%
2029	5.15%	4.60%			

¹ Mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2017, which may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications. Post-retirement mortality rates include mortality projected fully generational with Scale MP-21.

² The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERBT Strategy 2	
	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	4.56%
Fixed Income	43%	0.78%
Treasury Inflation-Protected Securities ("TIPS")	5%	-0.08%
Commodities	4%	1.22%
Real Estate Investment Trusts ("REITS")	8%	4.06%
Total	100%	

* Long-term expected rate of return is 5.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

The changes in the net OPEB Liability/(Asset) for the plan are as follows (in thousands):

	Increase / (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability / (Asset) (c) = (a) - (b)
Balance at June 30, 2021	\$ 33,859	\$ 30,639	\$ 3,220
(Measurement Date June 30, 2020)			
Changes recognized for the measurement period:			
Service Cost	1,120	-	1,120
Interest	2,119	-	2,119
Actual vs. Expected Experience	(6,296)	-	(6,296)
Assumption Changes	1,603	-	1,603
Contributions - Employer	-	1,882	(1,882)
Net Investment Income	-	6,025	(6,025)
Benefit Payments	(2,129)	(2,129)	-
Administrative Expenses	-	(131)	131
Net Changes	(3,583)	5,647	(9,230)
Balance at June 30, 2022	\$ 30,276	\$ 36,286	\$ (6,010)
(Measurement Date June 30, 2021)			

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2021 (in thousands):

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB Liability	\$ (2,124)	\$ (6,010)	\$ (9,197)



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2021 (in thousands):

	1% Decrease (6.25% Non-Medicare / 5.30% Medicare, decreasing to 3.0% Non-Medicare / 3.0% Medicare)	Current Trend (7.25% Non-Medicare / 6.30% Medicare, decreasing to 4.0% Non-Medicare / 4.0% Medicare)	1% Increase (8.25% Non-Medicare / 7.30% Medicare, decreasing to 5.0% Non-Medicare / 5.0% Medicare)
Net OPEB Liability	\$ (9,234)	\$ (6,010)	\$ (1,909)

OPEB Plan Fiduciary Net Position

The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94429-2703.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amount are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
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City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

As of June 30, 2022, the City recognized OPEB income of \$173,000. As of June 30, 2022, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions subsequent to the measurement date	\$ 2,499	\$ -
Difference between expected and actual experience	832	5,489
Changes in Assumptions	1,397	2,198
Net difference between projected and actual earnings on OPEB Plan Investments	-	3,272
	<u>\$ 4,728</u>	<u>\$ 10,959</u>

The \$2,499,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows (in thousands):

Measurement Periods Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2023	\$ (1,725)
2024	(1,766)
2025	(1,680)
2026	(1,729)
2027	(718)
Thereafter	(1,112)
	<u>\$ (8,730)</u>



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

9. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City records the liability claims as expenditures in the Self Insurance General Liability Internal Service Fund and the workers' compensation claims in the Self Insurance Workers' Compensation Internal Service Fund.

BICEP was created in 1988 by a joint powers agreement between the City of Huntington Beach and four other local entities including Oxnard, Ventura, Santa Ana, and West Covina, for the purpose of providing joint insurance coverage and related risk management services for member cities. BICEP allows member entities to finance a claims payment pool for certain liability claims in excess of \$1,000,000 to a maximum coverage limit of \$27,000,000 for claims incurred through June 30, 2015, and \$24,000,000 thereafter.

Effective July 1, 2019, the member agencies of BICEP agreed to dissolve the Joint Powers Authority. BICEP continues to exist for the purpose of disposing of all claims, the distribution of assets, and any other functions necessary to conclude the affairs of BICEP as provided in the Bylaws of the Authority. Upon dissolution of BICEP, the City purchased liability insurance in the open marketplace, which provides insurance for claims costs exceeding the City's self-insured retention of \$1,000,000. The maximum coverage limit is \$30,000,000, which is inclusive of the self-insured retention. Claims that exceed the maximum limit of liability are covered by the City's Self-Insurance General Liability Internal Service Fund.

There were no liability claims in the past three years that exceeded the coverage limit. Although, there is a claim that exceeds the self-insured retention of \$1,000,000 and is not covered under the City's liability insurance plan. Refer to note 18b. for further details.

Liability Claims

Claims up to \$1,000,000 are paid from the City's Self Insurance General Liability Internal Service Fund. Payments for claims from \$1,000,000 to the maximum limit discussed above are covered by the excess liability coverage purchased by the City. Any claims exceeding the maximum limit are covered by the Self Insurance General Liability Internal Service Fund. The liability for these claims is recorded as part of long-term obligations in the Self Insurance General Liability Fund and government-wide financial statements. Liabilities include amounts incurred, but not reported.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

9. RISK MANAGEMENT (Continued)

Workers' Compensation Claims

Workers' compensation claims of up to \$1,000,000 per claim are paid from the Self Insured Workers' Comp Internal Service Fund. Excess workers' compensation coverage is purchased through the CSAC/Prism-Excess Insurance Authority. Payments for claims from \$1,000,000 to statutory limits are covered by CSAC/Prism-Excess Insurance Authority.

The Self Insurance Workers' Comp Internal Service Fund has a \$26.7 million deficit at year-end at the 55 percent confidence level. The City has established plans to help reduce the deficit in this fund. This will be accomplished by additional transfers from the General Fund, Proprietary funds, and other governmental funds in which employees are charged over the next nine years.

Claims activity and liabilities relating to the current and prior year are (in thousands):

	Workers' Compensation	General Liability	Total
Balance June 30, 2020	\$ 29,606	\$ 7,549	\$ 37,155
Additions	12,200	11,058	23,258
Reductions	(7,012)	(6,622)	(13,634)
Net Increase (Decrease)	5,188	4,436	9,624
Balance June 30, 2021	34,794	11,985	46,779
Additions	16,278	7,993	24,271
Reductions	(8,309)	(6,310)	(14,619)
Net Increase (Decrease)	7,969	1,683	9,652
Balance June 30, 2022	\$ 42,763	\$ 13,668	\$ 56,431



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

10. INTERFUND TRANSACTIONS

a. Advances to/from Other Funds

The amounts at year-end were (in thousands):

	Advances to (Payable):
	<u>Redevelopment Agency Private Purpose Trust</u>
Advances from (Receivable):	
Major Governmental Funds	
LMIHAF Capital Projects	\$ <u>1,363</u>

There is a \$1,363,000 advance from the LMIHAF Capital Projects Fund to the Redevelopment Agency Private Purpose Trust Fund as of June 30, 2022 for Main Pier property acquisitions prior to the dissolution of the Redevelopment Agency on February 1, 2012. No set interest rates or fixed repayment terms have been established.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022

10. INTERFUND TRANSACTIONS (Continued)

b. Transfers In/Out

The amounts at year-end were (in thousands):

Transfers In	Transfers Out						Total Transfers In
	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total Governmental Funds	Hazmat Service Fund	
General Fund	\$ -	\$ 3	\$ -	\$ 400	\$ 403	\$ 13	\$ 416
Grants Special Revenue	1,011	-	-	93	1,104	-	1,104
LMIHAF	-	900	-	-	900	-	900
Other Governmental Funds	16,787	2,207	224	4	19,222	-	19,222
Total Governmental Funds	17,798	3,110	224	497	21,629	13	21,642
Water Fund	-	1	-	-	1	-	1
Refuse Fund	51	-	-	-	51	-	51
Total Enterprise Funds	51	1	-	-	52	-	52
Total Transfers Out	\$ 17,849	\$ 3,111	\$ 224	\$ 497	\$ 21,681	\$ 13	\$ 21,694

The following is a summary of the significant transfers:

- \$16,787,000 was transferred from the General Fund to Other Governmental Funds for debt service payments of \$2,737,000 and infrastructure related projects including road repairs and enhancement, equipment and other capital improvement projects totaling \$14,050,000.
- \$51,000 was transferred from the General Fund to the Refuse Enterprise Fund to fund the senior citizen rate reduction on refuse charges.
- \$1,011,000 was transferred from the General Fund to the Grants Special Revenue Fund to cover payments not reimbursed by the grant program. \$1,005,000 was provided to fund COVID-related expenditures. The remaining \$6,000 was provided to cover HOME program expenditures.
- \$224,000 was transferred from the LMIHAF Fund to Other Governmental Funds for debt service payments.
- \$900,000 was transferred from HOME Fund to LMIHAF Fund to restructure a developer loan originally issued from the LMIHAF fund.
- \$13,000 was transferred from the Hazmat Service Enterprise Fund to the General Fund to cover administrative and overhead expenditures.
- \$2,207,000 was transferred from Grant Special Revenue Funds to Other Governmental Funds to reimburse the funds for grant eligible expenditures paid out of Other Governmental Funds. \$1,930,000 of the transfer is related to use of HOME funds to pay back a developer loan originally issued Affordable Housing Funds.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

11. LONG-TERM OBLIGATIONS

Below is a schedule of changes in long-term governmental obligations for the year (in thousands):

	June 30, 2021	Additions	Retirements	June 30, 2022	Accrued Interest	Due Within One Year
Governmental Activities:						
Public Financing Authority:						
2014(a) Lease Revenue Bonds	\$ 11,880	\$ -	\$ (665)	\$ 11,215	\$ 132	\$ 685
2020(a) Lease Revenue Bonds	4,835	-	-	4,835	36	-
2020(b) Lease Revenue Bonds	12,830	-	(1,515)	11,315	23	1,520
Total Public Financing Authority	29,545	-	(2,180)	27,365	191	2,205
Other Long-Term Obligations:						
Compensated Absences	13,405	5,243	(3,603)	15,045	-	4,432
Claims Payable	46,779	24,271	(14,619)	56,431	-	13,439
Pollution Remediation	2,000	-	-	2,000	-	-
LED Lighting Phase I	432	-	(118)	314	2	122
I-Bank CLEEN Loan	1,882	-	(296)	1,586	15	303
CEC Loan	2,457	-	(394)	2,063	-	266
Pension Obligation Bonds	341,501	-	(10,859)	330,642	349	12,637
Finance Purchase Agreement	12,753	868	(1,907)	11,714	30	2,068
Leases Payable	-	448	(201)	247	-	139
Total Other Long-Term Obligations	421,209	30,830	(31,997)	420,042	396	33,406
Total Long-Term Obligations - Governmental Activities	\$ 450,754	\$ 30,830	\$ (34,177)	\$ 447,407	\$ 587	\$ 35,611



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

11. LONG-TERM OBLIGATIONS (Continued)

a. Public Financing Authority

(1) 2014(a) Public Financing Authority Lease Revenue Bonds

Year of Issuance	2014
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$15,295,000
Security	Lease with City
Interest Rates	3.0% to 5.0%
Interest Payment Dates	March 1 st , September 1 st
Principal Payment Dates	September 1 st
Purpose of Debt	Finance the construction of a new Senior Center

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ 685	\$ 384	\$ 1,069
2024	720	352	1,072
2025	750	319	1,069
2026	785	289	1,074
2027	810	265	1,075
2028-2032	4,440	931	5,371
2033-2035	3,025	181	3,206
Total	\$ 11,215	\$ 2,721	\$ 13,936



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

11. LONG-TERM OBLIGATIONS (Continued)

(2) 2020(a) Public Financing Authority Lease Revenue Bonds

Year of Issuance	2020
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$4,835,000
Security	Lease with City
Interest Rates	4.0% to 5.0%
Interest Payment Dates	May 1 st , November 1 st
Principal Payment Dates	May 1 st
Purpose of Debt	Defease 2010(a) Lease revenue Bonds which Defeased 1997 Leasehold Revenue Bonds (Construct Pier Plaza and Purchase 800 MHZ system), 2000 Lease Revenue Bonds (Capital Improvements and defeasance of Emerald Cove Certificate of Participation)

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ -	\$ 223	\$ 223
2024	-	224	224
2025	-	224	224
2026	-	224	224
2027	-	224	224
2028-2032	4,835	902	5,737
Total	\$ 4,835	\$ 2,021	\$ 6,856



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

11. LONG-TERM OBLIGATIONS (Continued)

(3) 2020(b) Public Financing Authority Lease Revenue Bonds

Year of Issuance	2020
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$14,440,000
Security	Lease with City
Interest Rates	0.329% to 1.831%
Interest Payment Dates	May 1 st , November 1 st
Principal Payment Dates	May 1 st
Purpose of Debt	Defease 2011(a) Lease revenue Bonds which Defeased 2001(a) Leasehold Revenue Bonds (Construct Sports Complex and South Beach Phase II Improvements) and 2001(b) Lease Revenue Bonds (Defeased Civic Improvement Corporation Certificates)

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,520	\$ 138	\$ 1,658
2024	1,530	129	1,659
2025	1,545	117	1,662
2026	1,560	103	1,663
2027	1,575	83	1,658
2028-2030	3,585	103	3,688
Total	\$ 11,315	\$ 673	\$ 11,988



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

11. LONG-TERM OBLIGATIONS (Continued)

b. Other Long-Term Obligations

(1) Compensated Absences

There is no repayment schedule to pay the compensated absences amount of \$15,045,000 relating to governmental operations. The General Fund typically liquidates the vacation and sick leave liability.

(2) Claims Payable

There is no repayment schedule for the claims payable for governmental activities of \$56,431,000 described in Note 9. The City pays the claims upon final settlement. The General Fund typically liquidates the claims payable liability.

(3) Pollution Remediation

The City plans to remediate hazardous materials contamination of land located within Huntington Central Park used as a gun range facility prior to its close in 1997. The City is voluntarily planning to remediate the site in order to use the area for park purposes. The cost of the gun range remediation is estimated to be \$2,000,000 and is reported as a long-term liability in the government-wide financial statements. The liability was measured by estimating a reasonable range of potential outlays and multiplying those outlays by their probability of occurring.

(4) LED Lighting Phase I

Year of Issuance	2014
Type of Debt	Leaseback from Capital One Public Funding, LLC
Principal Amount	Original \$1,062,924
Security	Loan Agreement with Capital One Public Funding, LLC
Interest Rate	2.32%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	To purchase and upgrade street, area and pole lighting to energy efficient LED light sources



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

11. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ 123	\$ 10	\$ 133
2024	126	5	131
2025	65	1	66
Total	\$ 314	\$ 16	\$ 330

(5) I-Bank CLEEN Loan

Year of Issuance	2016
Type of Debt	CLEEN Loan from the California Infrastructure and Economic Development Bank (I-Bank)
Principal Amount	Original \$3,000,000
Security	Edwards Fire Station
Interest Rate	2.32%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	To purchase and upgrade street pole lighting to energy efficient LED light sources

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ 303	\$ 33	\$ 336
2024	310	26	336
2025	317	19	336
2026	324	11	335
2027	332	4	336
Total	\$ 1,586	\$ 93	\$ 1,679



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

11. LONG-TERM OBLIGATIONS (Continued)

(6) California Energy Commission (CEC) Loan

Year of Issuance	2016
Type of Debt	Loan from the California Energy Commission (CEC)
Principal Amount	Original \$3,000,000
Security	Loan Agreement with CEC
Interest Rate	1.00%
Interest Payment Dates	June 22 nd and December 22 nd
Principal Payment Dates	June 22 nd and December 22 nd
Purpose of Debt	To upgrade street pole lighting to energy efficient LED light sources

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ 266	\$ 20	\$ 286
2024	269	17	286
2025	272	13	285
2026	274	12	286
2027	277	9	286
2028-2030	705	11	716
Total	\$ 2,063	\$ 82	\$ 2,145



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

11. LONG-TERM OBLIGATIONS (Continued)

(7) Pension Obligation Bonds

Year of Issuance	2021
Type of Debt	Pension Obligation Bonds
Principal Amount	Original \$341,501,000
Interest Rates	0.221% to 3.376%
Interest Payment Dates	June 15 th and December 15 th
Principal Payment Dates	June 15 th
Purpose of Debt	Pay 85% of CalPERS UAL as of the June 30, 2019 valuation report.

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ 12,637	\$ 8,511	\$ 21,148
2024	12,683	8,463	21,146
2025	12,768	8,385	21,153
2026	12,898	8,248	21,146
2027	13,076	8,074	21,150
2028-2032	69,360	36,379	105,739
2033-2037	78,712	27,020	105,732
2038-2042	91,848	13,896	105,744
2043-2044	26,660	1,357	28,017
Total	\$ 330,642	\$ 120,333	\$ 450,975



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

11. LONG-TERM OBLIGATIONS (Continued)

(8) Finance Purchase Agreement

Year of Issuance	2021
Type of Debt	Capital Purchase Agreement
Principal Amount	Various
Security	Master Lease Agreement
Interest Rates	1.249% and 1.775%
Interest Payment Dates	Semi-Annually
Principal Payment Dates	Semi-Annually
Purpose of Debt	Public Safety Equipment Financing

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ 2,068	\$ 195	\$ 2,263
2024	2,100	163	2,263
2025	1,441	131	1,572
2026	1,199	108	1,307
2027	1,220	87	1,307
2028-2031	3,686	165	3,851
*Total	\$ 11,714	\$ 849	\$ 12,563

(9) Lease Payable

On July 1, 2021, the City of Huntington Beach entered into a 16 month lease as a lessee for the use of Ricoh copiers. An initial lease liability was recorded in the amount of \$81,195. As of June 30, 2022, the value of the lease liability is \$20,325. The City of Huntington Beach is required to make monthly fixed payments of \$5,084. The lease has an interest rate of 0.308%. The estimated useful life was 16 months as of the contract commencement. The value of the right to use asset as of June 30, 2022, was \$81,195 with accumulated amortization of \$60,896.

On July 1, 2021, the City of Huntington Beach entered into a 19 month lease as a Lessee for the use of Ricoh copiers. An initial lease liability was recorded in the amount of \$93,080. As of June 30, 2022, the value of the lease liability is \$34,359. The City of Huntington Beach is required to make monthly fixed payments of \$4,916. The lease has an interest rate of 0.435%. The estimated useful life was 19 months as of the contract commencement. The value of the right to use asset as of June 30, 2022, was \$93,080 with accumulated amortization of \$57,774.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

11. LONG-TERM OBLIGATIONS (Continued)

On July 1, 2021, the City of Huntington Beach entered into a 39 month lease as a lessee for the use of land with Tank Farms, LLC as the lessor. An initial lease liability was recorded in the amount of \$273,597. As of June 30, 2022, the value of the lease liability is \$191,965. The City of Huntington Beach is required to make monthly fixed payments of \$6,918. The lease has an interest rate of 0.648%. The Land estimated useful life was 39 months as of the contract commencement. The value of the right to use asset as of June 30, 2022, was \$273,597 with accumulated amortization of \$84,184.

The future principal and interest lease payment as of June 30, 2022, were as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 139	\$ 1	\$ 140
2024	86	-	86
2025	22	-	22
Total	\$ 247	\$ 1	\$ 248

c. Long-Term Obligations – Business-Type Activities

Below is a schedule of the long-term obligations of business-type activities (in thousands):

Long-Term Obligations - Business-Type Activities:	June 30, 2021	Additions	Retirements	June 30, 2022	Accrued Interest	Due Within One Year
Compensated Absences	\$ 1,426	\$ 649	\$ (389)	\$ 1,686	\$ -	\$ 460
Pension Obligation Bonds	22,144	-	(776)	21,368	22	888
Total Long-Term Obligations - Business-Type Activities	\$ 23,570	\$ 649	\$ (1,165)	\$ 23,054	\$ 22	\$ 1,348

(1) Compensated Absences

There is no repayment schedule for the compensated absences amount of \$1,686,000 relating to business-type activities. The balance for the outstanding business-type compensated absences is predominately related to the Water and Sewer funds.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022

11. LONG-TERM OBLIGATIONS (Continued)

(2) Pension Obligation Bond

Year of Issuance	2021
Type of Debt	Pension Obligation Bonds
Principal Amount	Original \$22,144,000
Interest Rates	0.221% to 3.376%
Interest Payment Dates	June 15 th and December 15 th
Principal Payment Dates	June 15 th
Purpose of Debt	Pay 85% of CalPERS UAL as of the June 30, 2019 valuation report.

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ 888	\$ 535	\$ 1,423
2024	892	531	1,423
2025	897	527	1,424
2026	907	518	1,425
2027	919	504	1,423
2028-2032	4,875	2,241	7,116
2033-2037	5,533	1,583	7,116
2038-2042	6,457	660	7,117
Total	\$ 21,368	\$ 7,099	\$ 28,467

d. Long-Term Conduit Debt Obligations

Below is a schedule of the conduit debt obligations for which the City is not liable in any manner (in thousands):

	June 30, 2021	Additions	Retirements	June 30, 2022
Community Facilities Districts:				
Community Facilities District No. 2000-1				
2013 Special Tax Refunding Bonds	\$ 9,050	\$ -	\$ (645)	\$ 8,405
Community Facilities District No. 2002-1				
Special Assessment Tax Bonds	3,785	-	(180)	3,605
Community Facilities District No. 2003-1				
2013 Special Tax Refunding Bonds	15,560	-	(890)	14,670
Total Community Facilities Districts	28,395	-	(1,715)	26,680
Total Obligations Not Recorded in Financial Statements	\$ 28,395	\$ -	\$ (1,715)	\$ 26,680



City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022

12. CAPITAL ASSETS

a. Changes in Capital Assets

Capital asset activity for the year was (in thousands):

	June 30, 2021	Additions	Dispositions	June 30, 2022
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	\$ 368,795	\$ 841	\$ (98)	\$ 369,538
Construction in Progress	8,584	7,444	(3,793)	12,235
Total Capital Assets -Not Depreciated	377,379	8,285	(3,891)	381,773
Capital Assets Being Depreciated				
Buildings	215,506	6,253	-	221,759
Machinery and Equipment	76,536	4,373	(5,811)	75,098
Infrastructure	451,001	11,494	(505)	461,990
Right to Use Leased Asset	-	448	-	448
Total Capital Assets Being Depreciated	743,043	22,568	(6,316)	759,295
Less Accumulated Depreciation:				
Buildings	(89,384)	(5,065)	-	(94,449)
Machinery and Equipment	(56,953)	(3,898)	5,263	(55,588)
Infrastructure	(236,829)	(8,141)	505	(244,465)
Right to Use Leased Asset	-	(195)	-	(195)
Total Accumulated Depreciation	(383,166)	(17,299)	5,768	(394,697)
Total Depreciated - Net	359,877	5,269	(548)	364,598
Total Capital Assets	1,120,422	30,853	(10,207)	1,141,068
Total Accumulated Depreciation	(383,166)	(17,299)	5,768	(394,697)
Capital Assets of Governmental Activities - Net	\$ 737,256	\$ 13,554	\$ (4,439)	\$ 746,371



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

12. CAPITAL ASSETS (Continued)

	June 30, 2021	Additions	Dispositions	June 30, 2022
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 3,907	\$ -	\$ -	\$ 3,907
Construction in Progress	1,782	109	(1,782)	109
Total Capital Assets -Not Depreciated	5,689	109	(1,782)	4,016
Capital Assets Being Depreciated				
Buildings	100,082	5,541	-	105,623
Machinery and Equipment	21,596	1,331	(539)	22,388
Infrastructure	149,304	2,749	(385)	151,668
Total Capital Assets Being Depreciated	270,982	9,621	(924)	279,679
Less Accumulated Depreciation:				
Buildings	(34,235)	(2,695)	-	(36,930)
Machinery and Equipment	(14,810)	(1,254)	539	(15,525)
Infrastructure	(85,157)	(2,470)	385	(87,242)
Total Accumulated Depreciation	(134,202)	(6,419)	924	(139,697)
Total Depreciated - Net	136,780	3,202	-	139,982
Total Capital Assets	276,671	9,730	(2,706)	283,695
Total Accumulated Depreciation	(134,202)	(6,419)	924	(139,697)
Capital Assets of Business Activities - Net	\$ 142,469	\$ 3,311	\$ (1,782)	\$ 143,998

b. Depreciation Expense

Depreciation in governmental activities was charged to the following functions/programs in the Statement of Activities (in thousands):

Department:	
City Manager	\$ 23
Finance	30
Community Development	123
Fire	268
Information Services	25
Police	120
Community Services	2,605
Library Services	335
Public Works	12,758
Internal Service Fund depreciation charged to functions	1,012
Total	\$ 17,299

Depreciation in business-type activities was charged to the following functions/programs in the Statement of Activities (in thousands):

Fund:	
Water	\$ 4,053
Sewer Service	2,345
Refuse	21
Total	\$ 6,419



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

13. INVESTMENT IN JOINT VENTURES

The City participates in a firefighter training center called Central Net Operations Authority (CNOA) through a joint powers agreement with the City of Fountain Valley. The City of Huntington Beach records 76 percent of CNOA net assets as Joint Venture Investments.

14. LEASES

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On July 1, 2021, the City of Huntington Beach entered into a 67 month lease as a lessor for the use of a building with Shor (Hyatt) as the lessee. An initial lease receivable was recorded in the amount of \$75,163. As of June 30, 2022, the value of the lease receivable is \$62,670. The lessee is required to make monthly fixed payments of \$1,104 in addition to variable payments based on percentage of revenue. The percentage of revenue fluctuates based on the months of the year. The rates are 5% during November-February, 10% during March, April, and October and 12% during May-September. The lease has an interest rate of 1.138%. The value of the deferred inflow of resources as of June 30, 2022, was \$61,735, and the City of Huntington Beach recognized lease revenue of \$12,651 and interest revenue of \$778 during the fiscal year. No percentage rent was received in Fiscal Year 2021/22. The lessee has two extension options, each for 60 months.

On July 1, 2021, the City of Huntington Beach entered into a 187 month lease as a lessor for the use of land with Huntington Harbour Yacht Club as the lessee. An initial lease receivable was recorded in the amount of \$537,872. As of June 30, 2022, the value of the lease receivable is \$511,095. The lessee is required to make monthly fixed payments of \$3,067 or 10% of gross receipts from facility rental and boat docking rental and 6% of gross receipts from food, beverage and carting sales, whichever is greater. The lease has an interest rate of 1.942%. The value of the deferred inflow of resources as of June 30, 2022, was \$503,491, and Huntington Beach recognized lease revenue of \$24,222 and interest revenue of \$10,159 during the fiscal year. The City did not receive revenue related to percentage of gross receipts in the current fiscal year.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

14. LEASES (Continued)

On July 1, 2021, the City of Huntington Beach entered into a 74 month lease as a Lessor for the use of a building located along the beach with Kokomo's Surfside Grill as the lessee. An initial lease receivable was recorded in the amount of \$74,526. As of June 30, 2022, the value of the lease receivable is \$63,381. The lessee is required to make monthly fixed payments of \$1,648. The lease has an interest rate of 1.138%. The value of the deferred inflow of resources as of June 30, 2022, was \$62,462, and Huntington Beach recognized lease revenue of \$11,288 during the fiscal year and interest revenue of \$776. The lessee has one extension option for 60 months.

On July 1, 2021, the City of Huntington Beach entered into a 96 month lease as a lessor for the use of a building located in Huntington Central Park with Kathy May's Lakeview Café as the lessee. An initial lease receivable was recorded in the amount of \$170,485. As of June 30, 2022, the value of the lease receivable is \$150,177. The lessee is required to make monthly fixed payments of \$1,875. The lease has an interest rate of 1.372%. The value of the deferred inflow of resources as of June 30, 2022, was \$149,277, and Huntington Beach recognized lease revenue of \$19,015 and interest revenue of \$2,192 during the fiscal year.

On July 1, 2021, the City of Huntington Beach entered into a 72 month lease as a lessor for the use of a building with Meadowlark Golf Course as the lessee. An initial lease receivable was recorded in the amount of \$3,160,906. As of June 30, 2022, the value of the lease receivable is \$2,682,427. The lessee is required to make monthly fixed payments of \$44,314 and percentage of gross sales of green fees, cart rentals, driving range, food and beverages. The lease has an interest rate of 0.308%. The value of the deferred inflow of resources as of June 30, 2022, was \$2,635,305, and Huntington Beach recognized lease revenue of \$516,626 and interest revenue of \$8,975 during the fiscal year. The City received variable payments of \$649,993 in the current fiscal year.

On July 1, 2021, the City of Huntington Beach entered into an 88 month lease as a lessor for the use of infrastructure located at Warner Fire Station with Verizon as the lessee. An initial lease receivable was recorded in the amount of \$180,802. As of June 30, 2022, the value of the lease receivable is \$156,761. The lessee is required to make monthly fixed payments of \$2,064. The lease has an interest rate of 0.435%. The value of the deferred inflow of resources as of June 30, 2022, was \$156,250, and Huntington Beach recognized lease revenue of \$23,825 and interest revenue of \$728 during the fiscal year. The lessee has five extension options, each for 60 months.

On July 1, 2021, the City of Huntington Beach entered into a 25 month lease as a lessor for the use of infrastructure with Zenith Energy West Coast Terminals LLC as the lessee. An initial lease receivable was recorded in the amount of \$81,023. As of June 30, 2022, the value of the lease receivable is \$54,133. The lessee is required to make annual fixed payments of \$27,135. The lease has an interest rate of 0.435%.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

14. LEASES (Continued)

The value of the deferred inflow of resources as of June 30, 2022, was \$42,132, and Huntington Beach recognized lease revenue of \$38,647 and interest revenue of \$244 during the fiscal year.

On July 1, 2021, the City of Huntington Beach entered into a 78 month lease as a lessor for the use of a building located at Edwards Fire Station with T-Mobile as the lessee. An initial lease receivable was recorded in the amount of \$268,831. As of June 30, 2022, the value of the lease receivable is \$232,723. The lessee is required to make monthly fixed payments of \$3,039. The lease has an interest rate of 0.435%. The value of the deferred inflow of resources as of June 30, 2022, was \$227,683, and Huntington Beach recognized lease revenue of \$40,065 and interest revenue of \$1,082 during the fiscal year. The lessee has one extension option for 60 months.

On July 1, 2021, the City of Huntington Beach entered into a 58 month lease as lessor for the use of land located at Central Library with T-Mobile as the lessee. An initial lease receivable was recorded in the amount of \$127,289. As of June 30, 2022, the value of the lease receivable is \$101,001. The lessee is required to make monthly fixed payments of \$2,246. The lease has an interest rate of 0.980%. The value of the deferred inflow of resources as of June 30, 2022, was \$100,954, and Huntington Beach recognized lease revenue of \$25,229 and interest revenue of \$1,107 during the fiscal year.

On July 1, 2021, the City of Huntington Beach entered into a 63 month lease as lessor for the use of infrastructure at the Civic Center Rooftop with T-Mobile as the lessee. An initial lease receivable was recorded in the amount of \$259,600. As of June 30, 2022, the value of the lease receivable is \$214,417. The lessee is required to make monthly fixed payments of \$3,849. The lease has an interest rate of 0.237%. The value of the deferred inflow of resources as of June 30, 2022, was \$210,152, and Huntington Beach recognized lease revenue of \$48,891 and interest revenue of \$556 during the fiscal year.

On July 1, 2021, the City of Huntington Beach entered into a 287 month lease as lessor for the use of land located at Murdy Park with T-Mobile as the lessee. An initial lease receivable was recorded in the amount of \$1,090,068. As of June 30, 2022, the value of the lease receivable is \$1,052,770. The lessee is required to make monthly fixed payments of \$4,180. The lease has an interest rate of 0.814%. The value of the deferred inflow of resources as of June 30, 2022, was \$1,044,585, and Huntington Beach recognized lease revenue of \$36,801 and interest revenue of \$8,682 during the fiscal year. The lessee has four extension options, each for 60 months.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

14. LEASES (Continued)

On July 1, 2021, the City of Huntington Beach entered into an 85 month lease as lessor for the use of land located at Edwards Fire Station with Verizon as the lessee. An initial lease receivable was recorded in the amount of \$395,925. As of June 30, 2022, the value of the lease receivable is \$347,702. The lessee is required to make monthly fixed payments of \$4,003. The lease has an interest rate of 0.435%. The value of the deferred inflow of resources as of June 30, 2022, was \$340,421, and Huntington Beach recognized lease revenue of \$53,898 and interest revenue of \$1,606 during the fiscal year. The lessee has three extension options, each for 60 months.

On July 1, 2021, the City of Huntington Beach entered into a 322 month lease as lessor for the use of land located at Warner Fire Station with American Tower as the lessee. An initial lease receivable was recorded in the amount of \$823,137. As of June 30, 2022, the value of the lease receivable is \$794,239. The lessee is required to make monthly fixed payments of \$2,700. The lease has an interest rate of 0.435%. The value of the deferred inflow of resources as of June 30, 2022, was \$792,534, and Huntington Beach recognized lease revenue of \$27,101 and interest revenue of \$3,501 during the fiscal year. The lessee has five extension options, each for 60 months.

On July 1, 2021, the City of Huntington Beach entered into a 78 month lease as lessor for the use of land located at Greer Park with T-Mobile as the lessee. An initial lease receivable was recorded in the amount of \$353,458. As of June 30, 2022, the value of the lease receivable is \$304,639. The lessee is required to make monthly fixed payments of \$4,214. The lease has an interest rate of 0.435%. The value of the deferred inflow of resources as of June 30, 2022, was \$299,079, and Huntington Beach recognized lease revenue of \$52,957 and interest revenue of \$1,421 during the fiscal year. The lessee has one extension option for 60 months.

On July 1, 2021, the City of Huntington Beach entered into a 58 month lease as lessor for the use of infrastructure located at Bushard Fire Station with T-Mobile as the lessee. An initial lease receivable was recorded in the amount of \$159,632. As of June 30, 2022, the value of the lease receivable is \$127,252. The lessee is required to make monthly fixed payments of \$2,817. The lease has an interest rate of 0.980%. The value of the deferred inflow of resources as of June 30, 2022, was \$126,604, and Huntington Beach recognized lease revenue of \$31,639 and interest revenue \$1,388 during the fiscal year.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

14. LEASES (Continued)

On July 1, 2021, the City of Huntington Beach entered into an 87 month lease as lessor for the use of infrastructure located at Main Street Parking with Verizon as the lessee. An initial lease receivable was recorded in the amount of \$172,296. As of June 30, 2022, the value of the lease receivable is \$149,748. The lessee is required to make monthly fixed payments of \$2,051. The lease has an interest rate of 1.296%. The value of the deferred inflow of resources as of June 30, 2022, was \$148,649, and Huntington Beach recognized lease revenue of \$21,580 and interest revenue of \$2,067 during the fiscal year. The lessee has five extension options, each for 60 months.

On July 1, 2021, the City of Huntington Beach entered into a 360 month lease as lessor for the use of infrastructure located at Edwards Fire Station with AT&T as the lessee. An initial lease receivable was recorded in the amount of \$1,296,802. As of June 30, 2022, the value of the lease receivable is \$1,296,092. The lessee is required to make monthly fixed payments of \$3,500. The lease has an interest rate of 2.678%. The value of the deferred inflow of resources as of June 30, 2022, was \$1,293,200, and Huntington Beach recognized lease revenue of \$812 and interest revenue of \$2,790 during the fiscal year. The lessee has four extension options, each for 60 months.

On July 1, 2021, the City of Huntington Beach entered into a 61 month lease as a lessor for the use of a building with Oceanside Properties LLC as a lessee. An initial lease receivable was recorded in the amount of \$223,865. As of June 30, 2022, the value of the lease receivable is \$178,557. The lessee is required to make annual fixed payments of \$48,073. The lease has an interest rate of 1.525%. The value of the deferred inflow of resources as of June 30, 2022, was \$179,826, and Huntington Beach recognized lease revenue of \$41,274 and interest revenue of \$2,765 during the fiscal year.

On July 1, 2021, the City of Huntington Beach entered into a 102 month lease as a lessor for the use of a building with Chevron USA INC. An initial lease receivable was recorded in the amount of \$312,544. As of June 30, 2022, the value of the lease receivable is \$278,413. The lessee is required to make annual fixed payments of \$35,333. The lease has an interest rate of 0.435%. The value of the deferred inflow of resources as of June 30, 2022, was \$275,774, and Huntington Beach recognized lease revenue of \$35,567 and interest revenue of \$1,203 during the fiscal year.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

14. LEASES (Continued)

On July 1, 2021, the City of Huntington Beach entered into a 31 month lease as a lessor for the use of infrastructure with Cardinal Pipeline L.P. as the lessee. An initial lease receivable was recorded in the amount of \$336,607. As of June 30, 2022, the value of the lease receivable is \$225,131. The lessee is required to make annual fixed payments of \$113,294. The lease has an interest rate of 0.648%. The value of the deferred inflow of resources as of June 30, 2022, was \$208,174, and Huntington Beach recognized lease revenue of \$126,686 and interest revenue of \$1,818 during the fiscal year.

On July 1, 2021, the City of Huntington Beach entered into 293 month lease as a lessor for the use of land with Hyatt as the lessee. An initial lease receivable was recorded in the amount of \$327,310. As of June 30, 2022, the value of the lease receivable is \$314,147. The lessee is required to make annual fixed payments of \$14,146. The lease has an interest rate of 0.308%. The value of the deferred inflow of resources as of June 30, 2022, was \$313,937, and Huntington Beach recognized lease revenue of \$12,390 and interest revenue of \$983 during the fiscal year.

On July 1, 2021, the City of Huntington Beach entered into an 86 month lease as a lessor for the use of infrastructure located at Booster Pump Station with DCOR LLC as the lessee. An initial lease receivable was recorded in the amount of \$63,583. As of June 30, 2022, the value of the lease receivable is \$55,498. The lessee is required to make annual fixed payments of \$8,823. The lease has an interest rate of 1.296%. The value of the deferred inflow of resources as of June 30, 2022, was \$54,766, and Huntington Beach recognized lease revenue of \$8,079 and interest revenue of \$738 during the fiscal year. The lessee has one extension option for 60 months.

On July 1, 2021, the City of Huntington Beach entered into a 79 month lease as a lessor for the use of infrastructure with DCOR LLC as the lessee. An initial lease receivable was recorded in the amount of \$238,884. As of June 30, 2022, the value of the lease receivable is \$205,199. The lessee is required to make annual fixed payments of \$34,647. The lease has an interest rate of 0.435%. The value of the deferred inflow of resources as of June 30, 2022, was \$202,871, and Huntington Beach recognized lease revenue of \$35,050 and interest revenue of \$962 during the fiscal year.

On July 1, 2021, the City of Huntington Beach entered into a 72 month lease as a lessor for the use of a building with HB Employee Credit Union as the lessee. An initial lease receivable was recorded in the amount of \$215,913. As of June 30, 2022, the value of the lease receivable is \$184,573. The lessee is required to make monthly fixed payments of \$3,020. The lease has an interest rate of 0.237%. The value of the deferred inflow of resources as of June 30, 2022, was \$179,927, and Huntington Beach recognized lease revenue of \$35,521 and interest revenue of \$465 during the fiscal year. The lessee has one extension option for 60 months.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

14. LEASES (Continued)

On July 1, 2021, the City of Huntington Beach entered into an 88 month lease as a lessor for the use of a building with Duke's Surf City Restaurant as the lessee. An initial lease receivable was recorded in the amount of \$1,764,623. As of June 30, 2022, the value of the lease receivable is \$1,544,901. The lessee is required to make monthly fixed payments of \$37,265 and variable payments based on a percentage of gross sales. The percentage rent is on a tiered system. The first 4% is collected on the first \$8 million. Then 5% on all gross sales above \$8 million. The lease has an interest rate of 0.237%. The value of the deferred inflow of resources as of June 30, 2022, was \$1,525,262, and Huntington Beach recognized lease revenue of \$235,493 and interest revenue of \$3,868 during the fiscal year. The lessee has two extension options, each for 240 months. The City received variable payments of \$236,572 in the current fiscal year.

On July 1, 2021, the City of Huntington Beach entered into a 131 month lease as a lessor for the use of a building located on Huntington Beach Pier with Ruby's Huntington Beach Restaurant, Ltd as the lessee. An initial lease receivable was recorded in the amount of \$1,392,508. As of June 30, 2022, the value of the lease receivable is \$1,282,852. The lessee is required to make monthly fixed payments of \$10,984.47. The lease has an interest rate of 1.594%. The value of the deferred inflow of resources as of June 30, 2022, was \$1,264,950, and the City of Huntington Beach recognized lease revenue of \$106,400 and interest revenue of \$21,160 during the fiscal year.

15. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH

a. General Discussion

On December 29, 2011, the California Supreme Court upheld ABX1 26 that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Huntington Beach that was previously reported as a Redevelopment Agency within the City as a blended component unit.

ABX1 26 provides that upon dissolution of a Redevelopment Agency, either the City or another unit of local government will agree to serve as the "Successor Agency" to hold the assets until they are distributed to other units of state and local government. On January 9, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with ABX1 26 as part of City resolution number 2012-01.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

15. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH (Continued)

After enactment of the law, effective June 28, 2011, Redevelopment Agencies in the State of California generally cannot enter into new projects, obligations or commitments. Subject to the control of a newly established Oversight Board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, Successor Agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior Redevelopment Agency have been paid in full and all assets have been liquidated.

ABX1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between Redevelopment Agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as of successor agency by ABX1 26.

b. Long-Term Debt

Below is a schedule of changes in long-term obligations of the Successor Agency for the year (in thousands):

Successor Agency:	June 30, 2021	Additions	Retirements	June 30, 2022	Accrued Interest	Due Within One Year
Bonds Payable						
1999 Tax Allocation Refunding Bonds	\$ 1,570	\$ -	\$ (380)	\$ 1,190	\$ 25	\$ 405
2002 Tax Allocation Bonds	3,415	-	(840)	2,575	54	875
Total Bonds Payable	4,985	-	(1,220)	3,765	79	1,280
Other Long-Term Obligations						
Mayer DDA	1,254	-	(628)	626	10	626
Bella Terra OPA (Parking)	4,985	-	(1,504)	3,481	6	1,504
Bella Terra AHA (Phase II)	12,867	-	(749)	12,118	12	749
CIM DDA (Parking & Infrastructure)	5,279	-	(308)	4,971	260	330
CIM DDA (Additional Parking)	351	-	(14)	337	25	16
Total Other Long-Term Obligations	24,736	-	(3,203)	21,533	313	3,225
Total Long-Term Obligations	\$ 29,721	\$ -	\$ (4,423)	\$ 25,298	\$ 392	\$ 4,505



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

**15. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER
REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH (Continued)**

(1) 1999 Tax Allocation Refunding Bonds

Year of Issuance	1999
Type of Debt	Tax Allocation Refunding Bonds
Original Principal Amount	\$10,835,000
Security	Tax Increment
Interest Rates	3.00% to 5.05%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	Prepay Agency's 1992 Loans to Public Financing Authority

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ 405	\$ 49	\$ 454
2024	425	29	454
2025	360	9	369
Total	\$ 1,190	\$ 87	\$ 1,277



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

15. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH (Continued)

(2) 2002 Tax Allocation Refunding Bonds

Year of Issuance	2002
Type of Debt	Tax Allocation Refunding Bonds
Original Principal Amount	\$20,900,000
Security	Tax Increment
Interest Rates	2.00% to 5.00%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	Prepay Agency's 1992 Loans to Public Financing Authority and fully defease 1992 Public Financing Authority bonds

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ 875	\$ 107	\$ 982
2024	920	62	982
2025	780	20	800
Total	\$ 2,575	\$ 189	\$ 2,764

Pledged Revenues

The Successor Agency will repay a total of \$4,041,000, principal and interest, for the outstanding 1999 and 2002 Tax Allocation Refunding Bonds as of June 30, 2022 from semi-annual Redevelopment Property Tax Trust Fund (RPTTF) revenue allocations.

The 1999 and 2002 Tax Allocation Refunding Bonds are not a debt of the City of Huntington Beach, the State of California, nor any of its political subdivisions, and neither the City, the State nor any of its political subdivision is liable therefore, not in any event shall the bonds be payable out of funds or properties other than those of the Redevelopment Agency as set forth in the bond indenture.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

15. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH (Continued)

(3) Mayer Disposition and Development Agreement

In Fiscal Year 1996/97, the Agency entered into a disposition and development agreement (DDA) with Robert Mayer Corporation (Corporation) concerning additional development adjacent to the Waterfront Hotel. Under the agreement, the Corporation would advance payments for the project costs with the Agency reimbursing up to \$16,750,000 of the costs. As of year-end, the Successor Agency obligation under the agreement amounted to \$626,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.32%. The DDA has been approved as an enforceable obligation by the DOF.

(4) Bella Terra Parking Structure

In Fiscal Year 2005/06, the Agency entered into an owner participation agreement with Bella Terra Associates, LLC (formerly Huntington Center Associates, LLC). Under the agreement, the Corporation would construct various public improvements, including a parking structure, which would then be deeded to the City. The Agency would reimburse \$15,000,000 of the costs of the public improvements. As of year-end, the Successor Agency obligation under the agreement amounted to \$3,481,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.94%. The agreement has been approved as an enforceable obligation by the DOF.

(5) Bella Terra Phase II

In Fiscal Year 2010/11, the Agency entered into an affordable housing agreement with BTDJM Phase II Associates (DJM). The agreement would facilitate the construction of a 467 unit mixed use project, including 43 moderate units and 28 very low units. Under the terms of the agreement, the Agency would reimburse DJM for the construction of the affordable units up to \$17,000,000. DJM has transferred the site to UDR, and as of year-end, the Successor Agency obligation under the agreement amounted to \$12,118,000. Reimbursement of the affordable units will be based upon the site-generated tax increment for the mixed use project as well as the 20% housing fund from the site-generated Bella Terra I. The interest rate of this obligation is 4.00%. The agreement has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

15. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH (Continued)

(6) CIM/Huntington Disposition and Development Agreement – Strand Parking Structure and Infrastructure

Year of Issuance	2009
Type of Debt	Loan from CIM Group, LLC
Original Principal Amount	\$7,900,000
Security	Tax Increment
Interest Rates	7.00%
Interest Payment Dates	September 30 th
Principal Payment Dates	September 30 th
Purpose of Debt	Strand Parking Structure and Infrastructure

As of year-end, the Successor Agency obligation under the agreement amounted to \$4,971,000. Repayment shall be made solely from Redevelopment Property Tax Trust Fund (RPTTF) revenues received by the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund in the amounts included in the Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF). The DDA has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

15. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH (Continued)

(7) CIM/Huntington Disposition and Development Agreement – Additional Strand Parking

Year of Issuance	2009
Type of Debt	Loan from CIM Group, LLC
Original Principal Amount	\$950,000
Security	Tax Increment
Interest Rates	10.00%
Interest Payment Dates	September 30 th
Principal Payment Dates	September 30 th
Purpose of Debt	Additional Strand Parking Structure and Infrastructure

As of year-end, the Successor Agency obligation under the agreement amounted to \$337,000. Repayment shall be made solely from Redevelopment Property Tax Trust Fund (RPTTF) revenues received by the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund in the amounts included in the Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF). The DDA has been approved as an enforceable obligation by the DOF.

c. Advances from the City Housing Fund

The Successor Agency has recorded advances from the City Housing Fund totaling \$1,363,000 from the Low-Income Housing Fund to the Redevelopment Agency Capital Projects Fund for Main Pier property acquisitions.

16. COMMITMENTS AND CONTINGENCIES

a. Legal Actions

There are legal actions pending against the City resulting from normal operations. In the opinion of management and the City Attorney, the financial resolution of these actions should not have a significant impact on these financial statements.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

16. COMMITMENTS AND CONTINGENCIES (Continued)

b. Sales Tax Sharing Agreements

City Council has agreed to provide sales tax rebates to various companies, based upon various factors such as increased job-base or new sales tax to the City. The sales tax rebates serve to attract and retain various companies in the City of Huntington Beach. The City of Huntington Beach has four sales tax sharing agreements that extend until 2024, 2033, and 2038. Sales tax rebates totaled \$1,414,320 for the year ended June 30, 2022. Sales tax sharing agreements include an agreement with Surf City Auto Group II, Inc. wherein the sales tax sharing is a 50%/50% Auto Group/City split with base sales of \$1,681,797 (Jeep sales for 2016) and increases by 1% each year. The other sales tax sharing agreements are with Pinnacle Petroleum through 2024, with base sales of \$100,000, and McKenna Subaru Huntington Beach through 2033 with a 45%/55% McKenna/City split with base sales of \$150,800.

c. Cooperation and Owner Participation Agreements

On September 2, 2003, the Redevelopment Agency Approved a Cooperation Agreement Regarding Capital Improvements in the Southeast Coastal Redevelopment Project with the City. This agreement commits the Redevelopment Agency to reimburse the City for a number of capital improvement projects to be undertaken as part of the Five Year Capital Improvement Program in the Southeast Redevelopment project area starting in FY 2003/04 as they are undertaken. The Successor Agency received its Finding of Completion notice from the Department of Finance on May 13, 2014. The Oversight Board (to the Successor Agency) have approved and reauthorization of the loans between the City and former Redevelopment Agency in FY 2016/17. The State Department of Finance (DOF) has denied the validity of the loans and the City has filed suit against the State. On April 22, 2022, the Superior Court of California issued a Proposed Judgment stating that the agreement did not constitute an enforceable obligation and that repayment was not required. The City has requested a hearing with the Court to appeal this determination.

d. Redevelopment Successor Agency Debt to City

The City has advanced money to the Redevelopment Agency for major capital improvements, economic development projects, and operations. In January 2011, the City Council and Redevelopment Agency Board approved a revised Cooperation Agreement, which included a Promissory Note that memorialized indebtedness previously incurred by the Agency and owed to the City from a series of loans made from the City to the Agency from 1982 to present.



City of Huntington Beach **Notes to Financial Statements** **For the Year Ended June 30, 2022**

16. COMMITMENTS AND CONTINGENCIES (Continued)

The City and Successor Agency have not recorded the advances in the accompanying financial statements due to uncertainties related to Health and Safety Code Section 34191.4, which establishes certain restrictions and limitations on the repayment of city-agency loans. In accordance with Health and Safety Code Section 34191.4(b)(3), all other loans between the city and former Redevelopment Agency will begin to be repaid, at a 3% interest rate, as determined by SB 107 upon approval of the Oversight Board and the Department of Finance. The Oversight Board (to the Successor Agency) have approved and reauthorized the loans between the City and former Redevelopment Agency in FY 2016/17. The State Department of Finance has denied the validity of the loans and the City has filed suit against the State. On April 22, 2022, the Superior Court of California issued a Proposed Judgment stating that the majority of the agreements between the City and the former Redevelopment Agency were not considered enforceable obligations and that repayment was not required, with the exception of the \$22,400,000 loan for the purchase of the Waterfront property. The DOF denied this obligation in a follow up letter to the City dated August 24, 2022. The City has requested a hearing with the Court to appeal this determination.

Below is a schedule of the activity for the year (in thousands):

	June 30, 2021	Additions	Reductions	June 30, 2022
General Fund				
Direct Advances	\$ 2,312	\$ -	\$ -	\$ 2,312
Indirect Advances	6,567	-	-	6,567
Land Sales	32,833	-	-	32,833
Interest	30,884	279	-	31,163
Total General Fund	72,596	279	-	72,875
Sewer Fund				
Direct Advances	300	1	-	301
Deferred Development Fees	187	1	-	188
Total Sewer Fund	487	2	-	489
Drainage Fund				
Direct Advances	724	3	-	727
Deferred Development Fees	200	1	-	201
Total Drainage Fund	924	4	-	928
Park Acquisition and Development Fund				
Direct Advances	5,960	23	-	5,983
Deferred Development Fees	442	2	-	444
Total Park Acquisition and Development Fund	6,402	25	-	6,427
Water Fund				
Direct Advances	4,486	17	-	4,503
Total Water Fund	4,486	17	-	4,503
Total All Funds	\$ 84,895	\$ 327	\$ -	\$ 85,222



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

16. COMMITMENTS AND CONTINGENCIES (Continued)

e. Low Moderate Income Housing Asset Fund Debt to City

In May 2009, a Promissory Note was issued by the Redevelopment Agency to the City to pay for outstanding bonded debt related to the Emerald Cove Housing Project. The note is secured by a pledge of Set-Aside Funds. Based on the Promissory Note, the interest rate for the loan is 0% and the loan was scheduled to be repaid by 2021. The City has not recorded the advances in the accompanying financial statements due to uncertainties surrounding ABX1 26 and Assembly Bill 1484 and related litigation (see note 16f). On April 22, 2022, the Superior Court of California issued a Proposed Judgment stating that this loan is considered an enforceable obligation to be paid on the FY 2023-24 Recognized Obligation Payment Schedule (ROPS). Below is a schedule of the activity for the year (in thousands):

	June 30, 2021	Additions	Reductions	June 30, 2022
General Fund				
Emerald Cove	\$ 3,245	\$ -	\$ -	\$ 3,245

f. Successor Agency Litigation

Until 2012, the Huntington Beach Redevelopment Agency existed and received property tax increment from property within the "City Redevelopment Project Area." In 2012, the State Legislature dissolved all redevelopment agencies, and all tax increment was returned to the County for payment to other taxing entities. The only exception was that tax increment would continue to be paid to the Successor Agency to the City Redevelopment Agency to pay any pre-dissolution, legally binding obligations established prior to the dissolution of the agencies. Further, the City transferred the former Redevelopment Agency's housing obligations to the Huntington Beach Housing Authority pursuant to Health and Safety Code section 34176.

The Successor Agency contended that its payments to retire the former Redevelopment Agency's portion of the 2010 Lease Revenue Bonds used to finance the Emerald Cove low income housing project were such an obligation. The annual payment on these bonds is approximately \$400,000 a year. The amount that the City contends to be due to pay the former Redevelopment Agency's share of the bonds is \$3,245,000.

The Successor Agency also contended that the 2012 Pacific City Development Agreement was a pre-dissolution, legally binding obligation. Pacific City is a development project that was conditioned on providing 77 affordable housing units, of which the Successor Agency now was obliged to construct 26 units off-site, at a cost of \$6,500,000. This would not be a City General Fund obligation.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

16. COMMITMENTS AND CONTINGENCIES (Continued)

On April 22, 2022, the Superior Court of California issued a Proposed Judgment stating that the majority of the agreements between the City and the former Redevelopment Agency were not considered enforceable obligations and that repayment was not required, with the exception of the \$22,400,000 loan for the purchase of the Waterfront property and the Promissory Note related to the Emerald Cove Housing Project. The DOF denied this obligation in a follow up letter to the City dated August 24, 2022. The City has requested a hearing with the Court to appeal this determination.

The State Department of Finance rejected the City's "Recognized Obligation Payment Schedule" ("ROPS") to establish these two obligations as entitled to be funded through tax increment. In response, the City sued the Department of Finance.

All post-redevelopment matters are being heard in Sacramento before a select panel of judges. On January 29, 2014, the Superior Court held that the Emerald Cove Bonds and the Pacific City housing were not preexisting Authority obligations payable with tax increment. The Successor Agency appealed the judgment. The appellate decision was received in 2018 and the Successor Agency lost the appeal.

The Housing Authority is reviewing options on meeting the affordable housing requirements for Pacific City with other projects. The City itself does not require a reserve for either case.

In addition, as stated above in section (c) and (d), the City of Huntington Beach has filed suit against the State of California regarding the Department of Finance's denial of loans which were between the Redevelopment Agency and the City of Huntington Beach.

g. Orange County Oil Spill Response

On October 2, 2021, the United State Coast Guard notified the City of a possible oil spill in the area of Huntington Beach, which was classified as a major spill later in the day. The oil spill was originally estimated to be 5.8 nautical miles long, running from the Huntington Beach Pier down to Newport Beach. Given the oil spill impacts, a decision was made by the City and State to close the ocean from the Pier to the Santa Ana River jetty. Additionally, a decision was made by City leadership to cancel the third day of the Pacific Airshow on October 3rd. The oil spill was declared a State emergency by the Governor on October 4th, with a local emergency declaration following the same day. The oil spill has significantly affected the City, with substantial ecological impacts occurring at the beach and at the Huntington Beach Wetlands. In response, Huntington Beach Fire and Marine Safety personnel were deployed to implement oil containment efforts.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2022

16. COMMITMENTS AND CONTINGENCIES (Continued)

The U.S. Coast Guard, acting as the lead agency, formed an Incident Management Team (comprised of federal, state and regional agencies) to respond to the oil spill incident and coordinate clean-up efforts. A Unified Command Team that includes the U.S. Coast Guard, California Department of Fish and Wildlife, and Amplify Energy Corporation was established to investigate the oil spill incident.

The City has submitted a claim for \$653,259 with Amplify for lost revenues and expenditures incurred for response efforts. The claim is still under review with Amplify at this time.

h. Kennedy Commission v. Huntington Beach

The Kennedy Commission case arises from an amendment to City's Beach and Edinger Corridors Specific Element Plan to limit the development of multifamily housing. The case, filed by the Kennedy Commission in July 2015 stating that the amendment was in violation of California's Housing Element laws, was tried in Superior Court and ruled in favor of the Plaintiff.

The City appealed the trial court decision and prevailed upon appeal. The Kennedy Commission then appealed the decision with the Supreme Court, which upheld the Court of Appeal's decision in favor of the City. In February 2020, the City adopted a revised Housing Element to comply with clarifying language in Senate Bill 1333 regarding the applicability of key provisions of state planning and zoning laws to charter cities which was certified by the California Department of Housing and Community Development as compliant with Housing Element Law. In response, the Kennedy Commission requested its remaining claims against the City be dismissed and filed a motion for attorney's fees. In July 2021, the Superior Court awarded the Kennedy Commission \$3.5 million in attorney's fees, which is currently under appeal.

17. OTHER INFORMATION

Fund and Accumulated Deficits

The following funds have total fund deficits at year-end (in thousands):

Governmental Fund:

Grant Special Revenue	\$ 4,311
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Internal Service Fund:

Self Insurance Workers' Comp	\$ 26,708
Self Insurance General Liability	\$ 3,807



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2022**

17. OTHER INFORMATION (Continued)

The Grant Special Revenue fund has a deficit due to expenditures incurred in response to the COVID-19 pandemic that are currently under review for reimbursement by the Federal Emergency Management Agency (FEMA). The Self Insurance Workers' Compensation fund has a deficit due to increases in statutory benefits related to workers' compensation claims and rising healthcare costs. The Self Insurance General Liability fund has a deficit due to increases in claims judgements, cost of litigation and rising number of lawsuits against the City. As such, the City has set aside \$3,650,000 in litigation reserve for general liability claims in the General Fund.

The City has established plans to reduce and eliminate the deficits in these funds. Additional transfers will be made over the next ten to twenty years from the General Fund, Proprietary funds, and other governmental funds to address the deficits in the Self Insurance Workers' Compensation and General Liability Internal Service Funds.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Huntington Beach Notes to Required Supplementary Information For the Year Ended June 30, 2022

Budgetary Information

The City Council must annually adopt a budget by June 30 of the prior fiscal year. The budgeted expenditures become the appropriations to the various departments. The budget includes estimates for revenue that, along with the appropriations, compute the budgetary fund balance. The appropriated budget covers substantially all governmental fund expenditures with the exception of capital improvement projects (capital projects funds) carried forward from prior years, which constitute a legally authorized non-appropriated budget. The City Council may amend the budget at any time. The City Manager may transfer funds from between object purposes (personal services, operating expenditures, or capital outlay expenditures) within the same department without changing the total departmental budget. Department heads, with the Chief Financial Officer's approval, may transfer funds from like object categories of the same department. The City Council must approve any changes to departmental budgets. Expenditures may not exceed appropriations at the departmental level. All unused appropriations lapse at year-end. During the year, the City Council made several supplemental appropriations which included carryovers of prior year encumbrances, all of which were within available fund balance and estimated revenue amounts.

The City Council adopts governmental fund budgets consistent with generally accepted principles as legally required. There are no significant non-budgeted financial activities. Revenues for special revenue funds are budgeted by entitlements, grants and estimates of future development and economic growth. Expenditures and transfers are budgeted based upon available financial resources.

On or before February 28th of each year, each department submits data to the City Manager for budget preparation. Staff prepares the budget by fund, function, and activity. The budget includes information on past years, current year estimates and requested appropriations for the next fiscal year. Before May 1st, the City Council receives the proposed budget. The City Council holds public hearings and may amend the budget by a majority vote. Changes to the budget must be within the available revenues and reserves.

These financial schedules show budgetary data for the General and Grants Special Revenue. The original budget, revised budget, actual expenditures, and variance amounts are shown.

The City uses an encumbrance system as an aid in controlling expenditures. When the City issues a purchase order for goods or services, it records an encumbrance until the vendor delivers the goods or performs the service. At year-end, the City reports all outstanding encumbrances as restricted, committed, or assigned fund balance in governmental fund types. The City reappropriates these encumbrances into the new fiscal year.

The following pages present schedules of budget to actual comparison of the General and Grants Special Revenue Fund's Revenues, and Expenditures and Changes in Fund Balance (in thousands).

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 93,213	\$ 94,627	\$ 94,627	\$ -
Sales Taxes	44,641	53,362	53,362	-
Utility Taxes	16,884	19,528	19,528	-
Other Taxes	17,813	26,133	26,136	3
Licenses and Permits	7,779	8,668	8,666	(2)
Fines, Forfeitures and Penalties	3,794	5,144	5,144	-
Use of Money and Property	16,282	12,357	12,215	(142)
Intergovernmental	2,427	5,103	5,130	27
Charges for Current Service	24,502	29,533	29,364	(169)
Other	908	2,837	2,882	45
Total Revenues	228,243	257,292	257,054	(238)
EXPENDITURES				
Current:				
City Council	392	451	426	25
City Manager	3,673	5,423	4,616	807
City Treasurer	260	326	326	-
City Attorney	2,500	3,114	2,995	119
City Clerk	817	1,549	1,295	254
Finance	5,798	7,714	6,869	845
Community Development	9,075	12,702	10,716	1,986
Fire	47,192	60,643	60,643	-
Information Services	6,970	8,881	7,389	1,492
Police	75,659	91,970	91,970	-
Community Services	8,942	12,114	11,133	981
Library Services	4,864	6,731	6,014	717
Public Works	20,348	24,948	24,285	663
Debt Service:				
Principal	1,750	2,946	2,917	29
Interest	158	324	260	64
Total Expenditures	188,398	239,836	231,854	7,982
Excess of Revenues Over Expenditures	39,845	17,456	25,200	7,744
OTHER FINANCING SOURCES (USES)				
Transfers In	2,264	447	416	(31)
Leases (as Lessee)	-	-	448	448
Transfers Out	(40,142)	(17,878)	(17,849)	29
Total Other Financing Sources (Uses)	(37,878)	(17,431)	(16,985)	446
Net Change In Fund Balance	1,967	25	8,215	8,190
Fund Balance - Beginning of Year	94,609	94,609	94,609	-
Fund Balance - End of Year	\$ 96,576	\$ 94,634	\$ 102,824	\$ 8,190

See Accompanying Notes to Required Supplementary Information

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

Grants Special Revenue

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Use of Money and Property	\$ -	\$ -	\$ 96	\$ 96
Intergovernmental	4,540	11,848	5,682	(6,166)
Total Revenues	4,540	11,848	5,778	(6,070)
EXPENDITURES				
Current:				
City Manager	6	32	13	19
City Clerk	-	10	-	10
Finance	-	370	359	11
Community Development	3,358	7,237	2,716	4,521
Fire	-	2,353	2,164	189
Information Systems	-	11	7	4
Police	742	3,242	1,856	1,386
Community Services	427	758	714	44
Library Services	69	294	202	92
Public Works	374	4,853	2,405	2,448
Total Expenditures	4,976	19,160	10,436	8,724
Excess of Revenues Over (Under)				
Expenditures	(436)	(7,312)	(4,658)	2,654
OTHER FINANCING USES				
Transfers In	-	1,966	1,104	(862)
Transfers Out	(54)	(4,391)	(3,111)	1,280
Total Other Financing Sources (Uses)	(54)	(2,425)	(2,007)	418
Net Change In Fund Balance	(490)	(9,737)	(6,665)	3,072
Fund Balance - Beginning of Year	2,354	2,354	2,354	-
Fund Balance - End of Year	\$ 1,864	\$ (7,383)	\$ (4,311)	\$ 3,072

See Accompanying Notes to Required Supplementary Information

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios During the Measurement Period
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Miscellaneous Plan - 99

Measurement Period	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Total Pension Liability								
Service cost	\$ 8,005	\$ 7,779	\$ 8,327	\$ 8,314	\$ 8,084	\$ 7,436	\$ 7,102	\$ 7,263
Interest on total pension liability	42,217	41,058	40,150	38,769	37,749	37,194	35,653	34,412
Differences between expected and actual experience	(891)	(6,087)	(183)	(2,042)	(9,148)	1,072	(2,900)	-
Changes in assumptions	-	-	-	(3,634)	30,762	-	(8,565)	-
Benefit payments, including refunds of employee contributions	(33,392)	(30,321)	(28,508)	(26,685)	(25,312)	(24,316)	(23,377)	(22,444)
Net change in total pension liability	15,939	12,429	19,786	14,722	42,135	21,386	7,913	19,231
Total pension liability - beginning	604,027	591,598	571,812	557,090	514,955	493,569	485,656	466,425
Total pension liability - ending (a)	\$ 619,966	\$ 604,027	\$ 591,598	\$ 571,812	\$ 557,090	\$ 514,955	\$ 493,569	\$ 485,656
Plan Fiduciary Net Position								
Contributions - employer	\$ 150,917	\$ 16,879	\$ 14,816	\$ 13,495	\$ 12,316	\$ 10,982	\$ 9,747	\$ 9,066
Contributions - employee	3,450	3,630	3,779	3,649	3,869	3,736	3,790	3,909
Investment income	107,447	21,485	27,288	32,963	40,328	1,856	8,230	56,429
Administrative Expense	(443)	(609)	(296)	(614)	(536)	(226)	(418)	(472)
Benefit payments	(33,392)	(30,321)	(28,508)	(26,685)	(25,312)	(24,316)	(23,377)	(22,444)
Plan to Plan Resource Movement	-	-	(13)	1	-	-	-	-
Other	-	-	1	(1,166)	-	-	2	-
Net change in plan fiduciary net position	227,979	11,064	17,067	21,643	30,665	(7,968)	(2,026)	46,488
Plan fiduciary net position - beginning	443,586	432,522	415,455	393,812	363,147	371,115	373,141	326,653
Plan fiduciary net position - ending (b)	\$ 671,565	\$ 443,586	\$ 432,522	\$ 415,455	\$ 393,812	\$ 363,147	\$ 371,115	\$ 373,141
Net pension liability - beginning	160,441	159,076	156,357	163,278	151,808	122,454	112,515	139,771
Net pension liability (asset) - ending (a)-(b)	\$ (51,599)	\$ 160,441	\$ 159,076	\$ 156,357	\$ 163,278	\$ 151,808	\$ 122,454	\$ 112,515
Plan fiduciary net position as a percentage of the total pension liability (asset)	108.32%	73.44%	73.11%	72.66%	70.69%	70.52%	75.19%	76.83%
Covered payroll	\$ 45,740	\$ 45,952	\$ 45,419	\$ 45,431	\$ 44,848	\$ 44,365	\$ 44,233	\$ 41,142
Net pension liability as a percentage of covered payroll	N/A	349.15%	350.24%	344.16%	364.07%	342.18%	276.84%	273.48%

Notes to Schedule:

Benefit changes: the figures above include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes in assumptions: None in 2019 or 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2013/14 was the first year of implementation, therefore only eight years are shown.

* For covered employee payroll, the measurement period of July 1, 2020 to June 30, 2021 was used.

City of Huntington Beach
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios During the Measurement Period
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Safety Plan - 100

Measurement Period	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Total Pension Liability								
Service cost	\$ 13,386	\$ 13,226	\$ 13,644	\$ 13,509	\$ 13,657	\$ 12,159	\$ 11,119	\$ 11,096
Interest on total pension liability	56,114	54,597	53,048	51,223	49,350	48,390	46,160	44,246
Differences between expected and actual experience	(3,882)	(4,721)	(1,220)	2,584	(10,819)	2,678	(820)	-
Changes in assumptions	-	-	-	(3,657)	40,352	-	(11,054)	-
Benefit payments, including refunds of employee contributions	(44,362)	(41,247)	(38,958)	(37,128)	(34,222)	(32,116)	(30,535)	(29,540)
Net change in total pension liability	21,256	21,855	26,514	26,531	58,318	31,111	14,870	25,802
Total pension liability - beginning	804,181	782,326	755,812	729,281	670,963	639,852	624,982	599,180
Total pension liability - ending (a)	\$ 825,437	\$ 804,181	\$ 782,326	\$ 755,812	\$ 729,281	\$ 670,963	\$ 639,852	\$ 624,982
Plan Fiduciary Net Position								
Contributions - employer	\$ 257,381	\$ 25,848	\$ 23,063	\$ 21,058	\$ 20,629	\$ 18,703	\$ 17,791	\$ 15,152
Contributions - employee	4,395	4,355	4,337	4,164	4,570	4,058	4,110	3,850
Investment income	133,170	25,784	32,776	39,336	48,413	2,144	9,661	66,805
Administrative Expense	(532)	(731)	(355)	(736)	(640)	(270)	(497)	(555)
Benefit payments	(44,362)	(41,247)	(38,958)	(37,128)	(34,222)	(32,116)	(30,535)	(29,540)
Net Plan to Plan Resource Movement	-	-	13	(3)	-	(29)	-	-
Other	-	-	1	(1,398)	-	-	-	-
Net change in plan fiduciary net position	350,052	14,009	20,877	25,293	38,750	(7,510)	530	55,712
Plan fiduciary net position - beginning	532,653	518,644	497,767	472,474	433,724	441,234	440,704	384,992
Plan fiduciary net position - ending (b)	\$ 882,705	\$ 532,653	\$ 518,644	\$ 497,767	\$ 472,474	\$ 433,724	\$ 441,234	\$ 440,704
Net pension liability - beginning	271,528	263,682	258,045	256,807	237,239	198,618	184,278	214,188
Net pension liability (asset) - ending (a)-(b)	\$ (57,268)	\$ 271,528	\$ 263,682	\$ 258,045	\$ 256,807	\$ 237,239	\$ 198,618	\$ 184,278
Plan fiduciary net position as a percentage of the total pension liability (asset)	106.94%	66.24%	66.30%	65.86%	64.79%	64.64%	68.96%	70.51%
Covered payroll	\$ 45,665	\$ 43,783	\$ 43,684	\$ 43,371	\$ 43,283	\$ 42,619	\$ 42,252	\$ 38,397
Net pension liability as a percentage of covered payroll	N/A	620.17%	603.61%	594.97%	593.32%	556.65%	470.08%	479.93%

Notes to Schedule:

Benefit changes: the figures above include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes in assumptions: None in 2019 or 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2013/14 was the first year of implementation, therefore only eight years are shown.

* For covered employee payroll, the measurement period of July 1, 2020 to June 30, 2021 was used.

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios During the Measurement Period
(in Thousands)

Last Ten Fiscal Years*
Supplemental Retirement Plan

Total Pension Liability	2021-22	2020-21	2019-20	2018-19	2017-18**	2016-17	2015-16	2014-15	2013-14
Service cost	\$ 299	\$ 350	\$ 338	\$ 398	\$ 344	\$ 487	\$ 552	\$ 495	\$ 544
Interest on total pension liability	3,897	4,292	3,954	3,990	2,964	3,976	3,945	3,919	3,828
Differences between expected and actual experience	492	-	4,594	-	(794)	-	982	-	-
Changes in assumptions	(1,638)	6,547	1,756	-	2,115	1,515	2,928	-	-
Benefit payments, including refunds of employee contributions	(5,668)	(5,494)	(5,012)	(4,771)	(3,388)	(4,144)	(3,773)	(3,588)	(3,548)
Net change in total pension liability	(2,618)	5,695	5,630	(383)	1,241	1,834	4,634	826	824
Total pension liability - beginning	76,769	71,074	65,444	65,827	64,586	62,752	58,118	57,292	56,468
Total pension liability - ending (a)	\$ 74,151	\$ 76,769	\$ 71,074	\$ 65,444	\$ 65,827	\$ 64,586	\$ 62,752	\$ 58,118	\$ 57,292
Plan Fiduciary Net Position									
Contributions - employer	\$ 6,006	\$ 1,435	\$ 3,506	\$ 4,962	\$ 3,507	\$ 5,346	\$ 7,277	\$ 4,678	\$ 4,539
Investment income	(11,362)	15,717	2,114	2,582	2,128	6,373	4,282	(1,313)	3,465
Administrative Expense	(338)	(314)	(444)	(191)	(145)	(182)	(189)	(170)	(176)
Benefit payments	(5,668)	(5,494)	(5,012)	(4,771)	(3,388)	(4,144)	(3,773)	(3,588)	(3,548)
Section 115 Trust Segregation	-	-	-	-	(3,788)	-	-	-	-
Other	-	-	-	-	-	-	-	3,183	258
Net change in plan fiduciary net position	(11,362)	11,344	164	2,582	(1,686)	7,393	7,597	2,790	4,538
Plan fiduciary net position - beginning	70,361	59,017	58,853	56,271	57,957	50,564	42,967	40,177	35,639
Plan fiduciary net position - ending (b)	\$ 58,999	\$ 70,361	\$ 59,017	\$ 58,853	\$ 56,271	\$ 57,957	\$ 50,564	\$ 42,967	\$ 40,177
Net pension liability - beginning	6,408	12,057	6,591	9,556	6,629	12,188	15,151	17,115	20,829
Net pension liability - ending (a)-(b)	\$ 15,152	\$ 6,408	\$ 12,057	\$ 6,591	\$ 9,556	\$ 6,629	\$ 12,188	\$ 15,151	\$ 17,115
Plan fiduciary net position as a percentage of the total pension liability	79.57%	91.65%	83.04%	89.93%	85.48%	89.74%	80.58%	73.93%	70.13%
Covered payroll	\$ 6,670	\$ 7,684	\$ 8,469	\$ 12,863	\$ 10,890	\$ 17,167	\$ 19,517	\$ 22,069	\$ 22,004
Net pension liability as a percentage of covered payroll	227.17%	83.39%	142.37%	51.24%	87.75%	38.61%	62.45%	68.65%	77.78%

* Fiscal year 2013/14 was the first year of implementation, therefore only nine years are shown.

** The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30, 2018.

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Measurement Periods Ended June 30
(in Thousands)

Last Ten Fiscal Years*
Other Post Employment Benefits Plan

Measurement Period	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 1,120	\$ 1,096	\$ 1,241	\$ 1,205	\$ 877
Interest on the total OPEB liability	2,119	2,064	1,859	1,787	1,293
Actual and expected experience difference	(6,296)	-	1,411	-	-
Changes in assumptions	1,603	(298)	(3,358)	-	-
Benefit payments	<u>(2,129)</u>	<u>(1,848)</u>	<u>(1,742)</u>	<u>(1,683)</u>	<u>(1,036)</u>
Net change in total OPEB liability	(3,583)	1,014	(589)	1,309	1,134
Total OPEB liability - beginning	33,859	32,845	33,434	32,125	30,991
Total OPEB liability - ending (a)	\$ 30,276	\$ 33,859	\$ 32,845	\$ 33,434	\$ 32,125
Plan Fiduciary Net Position					
Contribution - employer**	\$ 1,882	\$ 1,959	\$ 2,270	\$ 4,191	\$ 1,036
Net investment income	6,025	1,580	1,901	1,126	471
Benefit payments	(2,129)	(1,848)	(1,742)	(1,683)	(1,036)
Administrative expense	<u>(131)</u>	<u>(245)</u>	<u>(61)</u>	<u>(131)</u>	<u>(9)</u>
Net change in plan fiduciary net position	5,647	1,446	2,368	3,503	462
Plan fiduciary net position - beginning	30,639	29,193	26,825	23,322	22,860
Plan fiduciary net position - ending (b)	\$ 36,286	\$ 30,639	\$ 29,193	\$ 26,825	\$ 23,322
 Net OPEB liability (asset) - ending (a)-(b)	 \$ (6,010)	 \$ 3,220	 \$ 3,652	 \$ 6,609	 \$ 8,803
 Plan fiduciary net position as a percentage of the total OPEB liability (asset)	 119.85%	 90.49%	 88.88%	 80.23%	 72.60%
 Covered employee payroll	 \$ 70,881	 \$ 76,521	 \$ 79,682	 \$ 81,458	 \$ 60,985
 Net OPEB liability as a percentage of covered employee payroll	 N/A	 4.21%	 4.58%	 8.11%	 14.43%

Notes to Schedule:

* Fiscal year 2017/18 was the first year of implementation, therefore only five years of information are shown.

**Contributions to the OPEB plan are not based on employee pay.

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2022
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Miscellaneous Plan - 99

	2021-22 ¹	2020-21 ¹	2019-20 ¹	2018-19 ¹	2017-18 ^{1,2}	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially determined contribution	\$ 6,951	\$ 18,086	\$ 16,878	\$ 14,819	\$ 9,734	\$ 11,921	\$ 11,238	\$ 10,510	\$ 8,685
Contributions in relation to the actuarially determined contributions	(6,951)	(18,086)	(16,878)	(14,819)	(9,734)	(11,921)	(11,238)	(10,510)	(8,685)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 46,824	\$ 45,740	\$ 45,952	\$ 45,419	\$ 33,210	\$ 45,118	\$ 44,253	\$ 46,337	\$ 43,327
Contributions as a percentage of covered payroll	14.84%	39.54%	36.73%	32.63%	29.31%	26.42%	25.39%	22.68%	20.05%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30, 2018.

Notes to Schedule

Valuation date: 6/30/2012 through 06/30/2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see Miscellaneous Plan of the City of Huntington Beach Annual Valuation Report as of June 30, 2021.
Asset valuation method	For 10/1/14-6/30/15, 15 Year Smoothed Market (for details, see June 30, 2012 Funding Valuation Report). For 7/1/15-6/30/21, Fair Value (for details, see the Funding Valuation Reports for the years ended June 30, 2013-2021).
Inflation	2.75% for 10/1/2013-6/30/2019, 2.50% for 7/1/2019-6/30/2020, and 2.80% for 7/1/2020-6/30/2021.
Salary increases	Varies by entry age and service
Payroll growth	2.75% for 10/1/2013-6/30/2020, and 2.80% for 7/1/2020-6/30/2021.
Discount Rate	The prescribed discount rate assumption, adopted by the board on November 17, 2021, is 6.80 percent compounded annually (net of investment and administrative expenses) as of June 30, 2021.
Retirement age	For 10/1/13-6/30/16, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2007. For 7/1/16-6/30/19, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2011. For 7/1/19-6/30/20, the probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	For 10/1/13-6/30/16, the probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. For 7/1/16-6/30/19, the probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. For 7/1/16-6/30/18, Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. For 7/1/18-6/30/19, Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. For 7/1/19-6/30/21, the probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

*Beginning with the June 30, 2013 valuations, CalPERS employed an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

Note: The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2022
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Safety Plan - 100

	2021-22 ¹	2020-21 ¹	2019-20 ¹	2018-19 ¹	2017-18 ^{1,2}	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially determined contribution	\$ 13,579	\$ 27,691	\$ 25,847	\$ 23,062	\$ 15,223	\$ 19,468	\$ 19,129	\$ 18,125	\$ 14,759
Contributions in relation to the actuarially determined contributions	(13,579)	(27,691)	(25,847)	(23,062)	(15,223)	(19,468)	(19,129)	(19,125)	(14,759)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,000)	\$ -
Covered payroll	\$ 48,023	\$ 45,665	\$ 43,783	\$ 43,684	\$ 31,943	\$ 43,269	\$ 42,607	\$ 44,055	\$ 41,167
Contributions as a percentage of covered payroll	28.28%	60.64%	59.03%	52.79%	47.66%	44.99%	44.90%	43.41%	35.85%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30, 2018.

Notes to Schedule

Valuation date: 6/30/2012 through 06/30/2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see Safety Plan of the City of Huntington Beach Annual Valuation Report as of June 30, 2021.
Asset valuation method	For 10/1/14-6/30/15, 15 Year Smoothed Market (for details, see June 30, 2012 Funding Valuation Report). For 7/1/15-6/30/21, Fair Value (for details, see the Funding Valuation Reports for the years ended June 30, 2013-2021).
Inflation	2.75% for 10/1/2013-6/30/2019, 2.50% for 7/1/2019-6/30/2020, and 2.80% for 7/1/2020-6/30/2021.
Salary increases	Varies by entry age and service.
Payroll growth	2.75% for 10/1/2013-6/30/2020, and 2.80% for 7/1/2020-6/30/2021.
Discount Rate	The prescribed discount rate assumption, adopted by the Board on December 21, 2016, is 7.00 percent compounded annually (net of investment and administrative expenses) as of June 30, 2021.
Retirement age	For 10/1/13-6/30/16, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2007. For 7/1/16-6/30/19, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2011. For 7/1/19-6/30/20, the probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	For 10/1/13-6/30/16, the probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. For 7/1/16-6/30/19, the probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. For 7/1/16-6/30/18, Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. For 7/1/18-6/30/19, Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. For 7/1/19-6/30/21, the probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

*Beginning with the June 30, 2013 valuations, CalPERS employed an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

Note: The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2022
(in Thousands)

Last Ten Fiscal Years*
Supplemental Retirement Plan

	2021-22 ¹	2020-21 ¹	2019-20 ¹	2018-19 ¹	2017-18 ^{1, 2}	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially determined contribution	\$ 889	\$ 933	\$ 1,689	\$ 2,258	\$ 2,879	\$ 3,895	\$ 3,576	\$ 3,634	\$ 4,534
Contributions in relation to the actuarially determined contributions	(6,006)	(1,435)	(3,506)	(4,962)	(3,507)	(5,346)	(7,277)	(4,678)	(4,539)
Contribution deficiency (excess)	\$ (5,117)	\$ (502)	\$ (1,817)	\$ (2,704)	\$ (628)	\$ (1,451)	\$ (3,701)	\$ (1,044)	\$ (5)
Covered payroll	\$ 6,670	\$ 7,684	\$ 8,469	\$ 12,863	\$ 10,890	\$ 17,167	\$ 19,517	\$ 22,069	\$ 22,004
Contributions as a percentage of covered payroll	90.04%	18.68%	41.40%	38.58%	32.20%	31.14%	37.29%	21.20%	20.63%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30, 2018.

Notes to Schedule

Valuation date: 6/30/2021 6/30/2019 6/30/2019 9/30/2017 9/30/2017 9/30/2015 9/30/2013 9/30/2013 9/30/2011

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal, Level Percentage of Payroll
Amortization method/period	9/30/12 UAAL: fixed 10-year period, Gains/Losses: fixed 15-year period, Discount rate change loss: 10-year period, 6/30/18 UAAL: fixed 5-year period fresh start. 19-year closed period for 2021/2022. Level dollar amortization.
Asset valuation method	Investment gains/losses spread over a 5-year rolling period.
Inflation	3% for 10/1/2013-6/30/2020 and 2.50% per annum for 7/1/2020-6/30/2022.
Salary increases	Aggregate - 2.75% annually. Merit - CalPERS 1997-2015 Experience Study.
Payroll growth	Merit - CalPERS 1997-2011 Experience Study plus 3.25% aggregate increase for the October 1, 2013 to June 30, 2018 measurement period. 3% aggregate increase for the July 1, 2018 - June 30, 2019 measurement period. Merit - CalPERS 1997-2015 Experience Study plus 2.75% annually increase for the July 1, 2021 - June 30, 2022 period.
Investment rate of return	6.5%, net of pension plan investment and administrative expenses, including inflation for the October 1, 2013 to June 30, 2018 measurement period. 6.25%, net of pension plan investment and administrative expenses, for the July 1, 2019 - June 30, 2022 measurement period.
Retirement age	The probabilities of retirement are based on the CalPERS 1997-2015 Experience Study.
Mortality	The probabilities of mortality are based on the CalPERS 1997-2015 Experience Study. Pre-retirement and Post-retirement mortality rates include mortality projected fully generational with Scale MP-2019, modified to converge to ultimate improvement rates in 2022 for the October 1, 2013 to June 30, 2018 measurement period. Mortality projected fully generational with Scale MP-2019 for the July 1, 2021 to June 30, 2022 measurement period.

Schedule of Money Weighted Rate of Return

	2022	2021	2020	2019	2018 ²	2017	2016	2015	2014
Annual Money Weighted Rate of Return, net of investment expense	-15.97%	26.88%	3.79%	4.79%	4.04%	12.87%	10.20%	-2.82%	9.20%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2022
(in Thousands)

Last Ten Fiscal Years*
Other Post Employment Benefits Plan

Fiscal Year Ended June 30	2022	2021	2020	2019	2018**
Actuarially Determined Contribution (ADC)	\$ 1,401	\$ 1,364	\$ 1,793	\$ 1,746	\$ 2,022
Contributions in relation to the ADC***	(2,499)	(1,882)	(1,959)	(2,270)	(4,192)
Contribution deficiency (excess)	<u>\$ (1,098)</u>	<u>\$ (518)</u>	<u>\$ (166)</u>	<u>\$ (524)</u>	<u>\$ (2,170)</u>
Covered-employee payroll**	\$ 72,524	\$ 70,881	\$ 76,521	\$ 79,682	\$ 59,589
Contributions as a percentage of covered-employee payroll	3.45%	2.66%	2.56%	2.85%	7.03%

Notes to Schedule:

Valuation date:	6/30/2021	6/30/2019	6/30/2017	6/30/2017	6/30/2015
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Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a 19-year fixed period
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period.
Inflation	3% for 10/1/17-6/30/18 and 2.75% per annum for the measurement period 7/1/2018 to 6/30/2022.
Payroll Growth	3.00% per annum, in aggregate.
Investment Rate of Return	6% for the October 1, 2017 - June 30, 2018 period. 6.25% for the July 1, 2018 - June 30, 2020. 5.50% for the July 1, 2020 - June 30, 2021 period. Assumes investing in California Employers' Retiree Benefit Trust asset allocation Strategy 3, moving to Strategy 2 beginning March 2019.
Healthcare cost-trend rates	7.0% initial, 1.0% - 2.0% near term increase then decreasing 0.5% per year to trend rate that reflects medical price inflation to an ultimate rate of 4.0% in 2076.
Retirement Age	Tier 1 employees - 2.5% @55 and Tier 2 employees - 2.0% @62. The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997-2011. Tier 1 employees - 2.5% @55 and Tier 2 employees - 2.0% @ 62. The probabilities of retirement are based on the CalPERS 1997-2015 experience Study for Measurement period as of 6/30/21.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS. Mortality based on CalPERS 1997-2015 Experience Study covering participants in CalPERS.

*Historical information is required only for measurement periods for which GASB 75 is applicable.
Future years' information will be displayed up to 10 years as information becomes available.

**For the nine-month period ending June 30, 2018. The City changed its fiscal year effective October 1, 2017.

***Contributions to the OPEB plan are not based on employee pay.

SUPPLEMENTARY INFORMATION



City of Huntington Beach Other Governmental Funds

Special Revenue Funds account for revenues and expenditures legally constrained to a specific purpose.

- The **Air Quality Fund** accounts for revenues from the local agencies used to improve local air quality.
- The **Development Impact Fee Fund** accounts for fees collected for new developments to be used for transportation, park land acquisition and development, library and other public facilities in an effort to mitigate the impacts of those new developments.
- The **Disability Access Fund** accounts for the State Mandated Disability Access Fee (SB 1186) to fund increased training certified access specialist (CASP) services for the public and to facilitate compliance with construction related accessibility requirements.
- The **Drainage Fund** accounts for fees received from developers to construct and maintain the City's drainage system.
- The **Strand Parking Structure Fund** accounts for the activities of the Strand Parking Structure.
- The **Gas Tax Fund** accounts for monies allocated under the Streets and Highways Code of California. Expenditures may be made for any street related purpose allowed under the code.
- The **Housing Residual Receipt Fund** accounts for residual receipts received for housing activities.
- The **Park Acquisition and Development Fund** accounts for fees received from developers to develop and maintain the City's park system.
- The **Surf City "3" Fund** accounts for revenues and expenditures related to a 1% fee on cable television and other video subscription services to fund the purchase and acquisition of capital equipment and facilities necessary to program and broadcast PEG (public, education and government) events on the City's cable channel.
- The **ELM Automation Fund** accounts for automation fee revenues and Enterprise Land Management (ELM) replacement costs and maintenance expenditures.
- The **Traffic Congestion Relief Fund** accounts for moneys allocated for roadway maintenance as established by Assembly Bill 2928.
- The **Traffic Impact Fee Fund** accounts for moneys received from the traffic impact fee levied on new developments in the City.
- The **Transportation Fund** accounts for moneys received from the countywide half cent sales tax and other specific sources to be spent on transportation related expenditures.

Debt Service Funds account for the receipts for and payment of general long-term debt.

- The **Public Financing Authority** accounts for the activity of the Huntington Beach Public Financing Authority.

Capital Projects Funds account for the acquisition and construction of capital assets other than those financed by proprietary fund types.

- The **Affordable Housing In-Lieu Fund** accounts for the Affordable Housing In-Lieu Fee from developers of housing projects who have elected to pay the fee in-lieu of building the affordable housing in their project.
- The **Infrastructure Fund** records activity for certain designate infrastructure related expenditures.
- The **Lease Capital Project Fund** records activity for capital lease project expenditures.
- The **Parking In-Lieu Fund** records construction activity from developers who pay fees in-lieu of directly providing parking facilities to the City.
- The **Sewer Development Fund** accounts for fees received from developers to construct and maintain sewer facilities.
- The **Technology Fund** accounts for technology infrastructure project expenditures.

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2022
(In Thousands)**

SPECIAL REVENUE FUNDS						
	Air Quality	Development Impact Fee	Disability Access	Drainage	Strand Parking Structures	Gas Tax
ASSETS						
Cash and Investments	\$ 1,148	\$ 10,615	\$ 342	\$ 3,476	\$ 3,970	\$ 5,964
Taxes Receivable	-	-	-	-	-	963
Other Receivables	69	32	1	11	12	18
Prepays	133	-	-	-	-	-
Total Assets	1,350	10,647	343	3,487	3,982	6,945
LIABILITIES						
Accounts Payable	71	991	2	1	154	1,300
Accrued Payroll	-	-	-	-	-	48
Total Liabilities	71	991	2	1	154	1,348
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	65	-	-	-	-	-
Total Deferred Inflows of Resources	65	-	-	-	-	-
FUND BALANCES						
Restricted						
Pollution Remediation	-	-	-	-	-	-
Highways, Streets and Transportation	-	-	-	-	-	5,597
Low Income Housing	-	-	-	-	-	-
Air Quality	1,214	-	-	-	-	-
Other Capital Projects	-	9,656	-	3,486	-	-
Other Purposes	-	-	341	-	-	-
Committed						
Parks	-	-	-	-	-	-
Other Purposes	-	-	-	-	3,828	-
Total Fund Balances	1,214	9,656	341	3,486	3,828	5,597
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,350	\$ 10,647	\$ 343	\$ 3,487	\$ 3,982	\$ 6,945

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2022
(In Thousands)
(continued)**

SPECIAL REVENUE FUNDS							
Housing Residual Receipt	Park Acquisition and Development	Surf City "3"	ELM Automation Fund	Traffic Congestion Relief	Traffic Impact Fee	Transportation	Total Special Revenue Funds
\$ 1,271	\$ 1,455	\$ 1,245	\$ 274	\$ 2,246	\$ 2,651	\$ 2,692	\$ 37,349
-	-	131	-	99	-	749	1,942
4	183	4	1	7	8	8	358
-	-	-	-	-	-	-	133
1,275	1,638	1,380	275	2,352	2,659	3,449	39,782
-	26	22	-	175	12	162	2,916
-	-	-	8	-	-	71	127
-	26	22	8	175	12	233	3,043
-	-	-	-	-	-	-	65
-	-	-	-	-	-	-	65
-	355	-	-	-	-	-	355
-	-	-	-	2,177	2,647	3,216	13,637
1,275	-	-	-	-	-	-	1,275
-	-	-	-	-	-	-	1,214
-	-	-	-	-	-	-	13,142
-	-	1,358	267	-	-	-	1,966
-	1,257	-	-	-	-	-	1,257
-	-	-	-	-	-	-	3,828
1,275	1,612	1,358	267	2,177	2,647	3,216	36,674
\$ 1,275	\$ 1,638	\$ 1,380	\$ 275	\$ 2,352	\$ 2,659	\$ 3,449	\$ 39,782

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2022
(In Thousands)
(continued)**

	DEBT SERVICE FUNDS		CAPITAL PROJECT FUNDS	
	Public Financing Authority	Total Debt Service Fund	Affordable Housing In-Lieu	Infrastructure
ASSETS				
Cash and Investments	\$ 3,347	\$ 3,347	\$ 4,376	\$ 21,524
Cash and Investments with Fiscal Agent	1,087	1,087	-	-
Taxes Receivable	-	-	-	-
Other Receivables	-	-	165	58
Prepays	-	-	-	-
Total Assets	4,434	4,434	4,541	21,582
LIABILITIES				
Accounts Payable	2	2	-	997
Accrued Payroll	-	-	-	100
Total Liabilities	2	2	-	1,097
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Restricted				
Pollution Remediation	-	-	-	-
Debt Service	4,432	4,432	-	-
Highways, Streets and Transportation	-	-	-	-
Low Income Housing	-	-	4,541	-
Air Quality	-	-	-	-
Other Capital Projects	-	-	-	-
Other Purposes	-	-	-	-
Committed				
Parks	-	-	-	-
Other Capital Projects	-	-	-	20,485
Other Purposes	-	-	-	-
Assigned				
Capital Improvement Reserve	-	-	-	-
Total Fund Balances	4,432	4,432	4,541	20,485
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,434	\$ 4,434	\$ 4,541	\$ 21,582

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2022
(In Thousands)
(continued)**

CAPITAL PROJECT FUNDS					
Lease Capital Project	Parking In-Lieu	Sewer Development	Technology	Total Capital Projects Funds	Total Other Governmental Funds
\$ 3	\$ 720	\$ 2,880	\$ 3,012	\$ 32,515	\$ 73,211
8,751	-	-	-	8,751	9,838
-	-	-	-	-	1,942
6	3	9	10	251	609
867	-	-	-	867	1,000
9,627	723	2,889	3,022	42,384	86,600
-	4	619	1	1,621	4,539
-	-	-	-	100	227
-	4	619	1	1,721	4,766
-	-	-	-	-	65
-	-	-	-	-	65
-	-	-	-	-	355
-	-	-	-	-	4,432
-	-	-	-	-	13,637
-	-	-	-	4,541	5,816
-	-	-	-	-	1,214
9,627	-	-	-	9,627	22,769
-	-	-	-	-	1,966
-	-	-	-	-	1,257
-	719	2,270	-	23,474	23,474
-	-	-	-	-	3,828
-	-	-	3,021	3,021	3,021
9,627	719	2,270	3,021	40,663	81,769
\$ 9,627	\$ 723	\$ 2,889	\$ 3,022	\$ 42,384	\$ 86,600

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

	SPECIAL REVENUE FUNDS					
	Air Quality	Development Impact Fee	Disability Access	Drainage	Strand Parking Structures	Gas Tax
REVENUES						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	7,066
Licenses and Permits	-	-	70	-	-	-
Use of Money and Property (Loss)	12	101	2	(198)	1,529	-
Intergovernmental	189	-	-	-	-	46
Charges for Current Service	-	733	-	963	-	-
Other	-	-	-	-	-	-
Total Revenues	201	834	72	765	1,529	7,112
EXPENDITURES						
Current:						
City Manager	-	-	-	-	-	-
Community Development	-	-	-	-	917	-
Fire	-	73	-	-	-	-
Finance	-	-	22	-	-	-
Information Systems	-	-	-	-	-	-
Police	-	150	-	-	-	-
Community Services	-	5,171	-	-	-	-
Library Services	-	84	-	-	-	-
Public Works	505	-	-	1	-	4,271
Total Expenditures	505	5,478	22	1	917	4,271
Excess Of Revenues Over (Under) Expenditures	(304)	(4,644)	50	764	612	2,841
Other Financing Sources (Uses):						
Transfers In	-	-	-	-	-	157
Transfers Out	-	-	-	-	(400)	(70)
Total Other Financing Sources (Uses)	-	-	-	-	(400)	87
Net Change in Fund Balances	(304)	(4,644)	50	764	212	2,928
Fund Balances - Beginning of Year	1,518	14,300	291	2,722	3,616	2,669
Fund Balances - End of Year	\$ 1,214	\$ 9,656	\$ 341	\$ 3,486	\$ 3,828	\$ 5,597

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)
(continued)

SPECIAL REVENUE FUNDS							
Housing Residual Receipt	Park Acquisition and Development	Surf City "3"	ELM Automation Fund	Traffic Congestion Relief	Traffic Impact Fee	Transportation	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,290	\$ 4,290
-	-	518	-	-	-	-	7,584
-	-	-	-	-	-	-	70
12	(89)	13	(17)	16	19	30	1,430
-	-	-	-	1,557	-	-	1,792
-	1,157	-	411	-	143	-	3,407
14	-	-	-	-	-	-	14
<u>26</u>	<u>1,068</u>	<u>531</u>	<u>394</u>	<u>1,573</u>	<u>162</u>	<u>4,320</u>	<u>18,587</u>
-	-	636	-	-	-	-	636
2	-	-	-	-	-	-	919
-	-	-	-	-	-	-	73
-	-	-	-	-	-	-	22
-	-	-	394	-	-	-	394
-	-	-	-	-	-	-	150
-	1,200	-	-	-	-	-	6,371
-	-	-	-	-	-	-	84
-	-	-	-	1,447	507	3,928	10,659
<u>2</u>	<u>1,200</u>	<u>636</u>	<u>394</u>	<u>1,447</u>	<u>507</u>	<u>3,928</u>	<u>19,308</u>
<u>24</u>	<u>(132)</u>	<u>(105)</u>	<u>-</u>	<u>126</u>	<u>(345)</u>	<u>392</u>	<u>(721)</u>
-	-	3	-	16	97	7	280
-	-	-	-	-	(27)	-	(497)
-	-	3	-	16	70	7	(217)
<u>24</u>	<u>(132)</u>	<u>(102)</u>	<u>-</u>	<u>142</u>	<u>(275)</u>	<u>399</u>	<u>(938)</u>
<u>1,251</u>	<u>1,744</u>	<u>1,460</u>	<u>267</u>	<u>2,035</u>	<u>2,922</u>	<u>2,817</u>	<u>37,612</u>
<u>\$ 1,275</u>	<u>\$ 1,612</u>	<u>\$ 1,358</u>	<u>\$ 267</u>	<u>\$ 2,177</u>	<u>\$ 2,647</u>	<u>\$ 3,216</u>	<u>\$ 36,674</u>

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)
(continued)

	DEBT SERVICE FUNDS		CAPITAL PROJECT FUNDS	
	Public Financing Authority	Total Debt Service Funds	Affordable Housing In-Lieu	Infrastructure
REVENUES				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Licenses and Permits	-	-	794	-
Use of Money and Property (Loss)	3	3	134	32
Intergovernmental	-	-	235	209
Charges for Current Service	-	-	-	-
Other	-	-	-	11
Total Revenues	3	3	1,163	252
EXPENDITURES				
Current:				
City Manager	-	-	-	-
Community Development	-	-	-	-
Fire	-	-	-	-
Finance	7	7	-	-
Information Systems	-	-	-	-
Police	-	-	-	-
Community Services	-	-	-	237
Library Services	-	-	-	-
Public Works	-	-	-	10,645
Debt Service:				
Principal	2,180	2,180	-	-
Interest	780	780	-	-
Total Expenditures	2,967	2,967	-	10,882
Excess Of Revenues Over (Under) Expenditures	(2,964)	(2,964)	1,163	(10,630)
Other Financing Sources (Uses):				
Transfers In	2,961	2,961	1,931	14,050
Issuance of Long-Term Debt	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	2,961	2,961	1,931	14,050
Net Change in Fund Balances	(3)	(3)	3,094	3,420
Fund Balances - Beginning of Year	4,435	4,435	1,447	17,065
Fund Balances - End of Year	\$ 4,432	\$ 4,432	\$ 4,541	\$ 20,485

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)
(continued)

CAPITAL PROJECT FUNDS					
Lease Capital Project	Parking In-Lieu	Sewer Development	Technology	Total Capital Projects Funds	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,290
-	-	-	-	-	7,584
-	66	-	-	860	930
6	-	(179)	(178)	(185)	1,248
-	-	12	-	456	2,248
-	-	367	-	367	3,774
-	-	-	-	11	25
6	66	200	(178)	1,509	20,099
-	-	-	-	-	636
-	5	-	-	5	924
-	-	-	-	-	73
-	-	-	-	-	29
-	-	-	81	81	475
-	-	-	-	-	150
-	-	-	-	237	6,608
-	-	-	-	-	84
-	-	2,164	-	12,809	23,468
-	-	-	-	-	2,180
-	-	-	-	-	780
-	5	2,164	81	13,132	35,407
6	61	(1,964)	(259)	(11,623)	(15,308)
-	-	-	-	15,981	19,222
868	-	-	-	868	868
-	-	-	-	-	(497)
868	-	-	-	16,849	19,593
874	61	(1,964)	(259)	5,226	4,285
8,753	658	4,234	3,280	35,437	77,484
\$ 9,627	\$ 719	\$ 2,270	\$ 3,021	\$ 40,663	\$ 81,769

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

Air Quality

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 12	\$ 12
Intergovernmental	250	250	189	(61)
Total Revenues	250	250	201	(49)
EXPENDITURES:				
Current:				
Public Works	532	1,099	505	594
Total Expenditures	532	1,099	505	594
Net Change in Fund Balance	(282)	(849)	(304)	545
Fund Balance - Beginning of Year	1,518	1,518	1,518	-
Fund Balance - End of Year	\$ 1,236	\$ 669	\$ 1,214	\$ 545

Development Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 101	\$ 101
Charges for Current Service	356	356	733	377
Total Revenues	356	356	834	478
EXPENDITURES:				
Current:				
Fire	-	900	73	827
Police	1,124	1,607	150	1,457
Community Services	3,782	8,812	5,171	3,641
Library Services	300	422	84	338
Debt Service:				
Principal	11	11	-	11
Total Expenditures	5,217	11,752	5,478	6,274
Net Change in Fund Balance	(4,861)	(11,396)	(4,644)	6,752
Fund Balance - Beginning of Year	14,300	14,300	14,300	-
Fund Balance - End of Year	\$ 9,439	\$ 2,904	\$ 9,656	\$ 6,752

Disability Access

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ 84	\$ 84	\$ 70	\$ (14)
Use of Money and Property	-	-	2	2
Total Revenues	84	84	72	(12)
EXPENDITURES:				
Current:				
Finance	84	84	22	62
Total Expenditures	84	84	22	62
Net Change in Fund Balance	-	-	50	50
Fund Balance - Beginning of Year	291	291	291	-
Fund Balance - End of Year	\$ 291	\$ 291	\$ 341	\$ 50

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

Drainage

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property (Loss)	\$ -	\$ -	\$ (198)	\$ (198)
Charges for Current Service	200	200	963	763
Total Revenues	200	200	765	565
EXPENDITURES:				
Current:				
Public Works	825	989	1	988
Total Expenditures	825	989	1	988
Net Change in Fund Balance	(625)	(789)	764	1,553
Fund Balance - Beginning of Year	2,722	2,722	2,722	-
Fund Balance - End of Year	\$ 2,097	\$ 1,933	\$ 3,486	\$ 1,553

Strand Parking Structure

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 1,450	\$ 1,450	\$ 1,529	\$ 79
Total Revenues	1,450	1,450	1,529	79
EXPENDITURES:				
Current:				
Community Development	1,093	1,205	917	288
Total Expenditures	1,093	1,205	917	288
OTHER FINANCING SOURCES (USES):				
Transfers Out	(400)	(400)	(400)	-
Total Other Financing Sources (Uses)	(400)	(400)	(400)	-
Net Change in Fund Balance	(43)	(155)	212	367
Fund Balance - Beginning of Year	3,616	3,616	3,616	-
Fund Balance - End of Year	\$ 3,573	\$ 3,461	\$ 3,828	\$ 367

Gas Tax

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Other Taxes	\$ 7,257	\$ 7,257	\$ 7,066	\$ (191)
Intergovernmental	-	-	46	46
Total Revenues	7,257	7,257	7,112	(145)
EXPENDITURES:				
Current:				
Public Works	8,748	9,916	4,271	5,645
Total Expenditures	8,748	9,916	4,271	5,645
OTHER FINANCING SOURCES (USES):				
Transfers In	-	157	157	-
Transfers Out	(128)	(70)	(70)	-
Total Other Financing Sources (Uses)	(128)	87	87	-
Net Change in Fund Balance	(1,619)	(2,572)	2,928	5,500
Fund Balance - Beginning of Year	2,669	2,669	2,669	-
Fund Balance - End of Year	\$ 1,050	\$ 97	\$ 5,597	\$ 5,500

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

Housing Residual Receipt

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 12	\$ 12
Other	32	32	14	(18)
Total Revenues	32	32	26	(6)
EXPENDITURES:				
Current:				
Community Development	32	32	2	30
Total Expenditures	32	32	2	30
Net Change in Fund Balance	-	-	24	24
Fund Balance - Beginning of Year	1,251	1,251	1,251	-
Fund Balance - End of Year	\$ 1,251	\$ 1,251	\$ 1,275	\$ 24

Park Acquisition and Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property (Loss)	\$ -	\$ -	\$ (89)	\$ (89)
Charges for Current Service	268	268	1,157	889
Total Revenues	268	268	1,068	800
EXPENDITURES:				
Current:				
Community Services	260	1,626	1,200	426
Total Expenditures	260	1,626	1,200	426
Net Change in Fund Balance	8	(1,358)	(132)	1,226
Fund Balance - Beginning of Year	1,744	1,744	1,744	-
Fund Balance - End of Year	\$ 1,752	\$ 386	\$ 1,612	\$ 1,226

Surf City "3"

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Other Taxes	\$ 510	\$ 510	\$ 518	\$ 8
Use of Money and Property	-	-	13	13
Total Revenues	510	510	531	21
EXPENDITURES:				
Current:				
City Manager	501	787	636	151
Total Expenditures	501	787	636	151
OTHER FINANCING SOURCES (USES):				
Transfers In	-	3	3	-
Total Other Financing Sources (Uses)	-	3	3	-
Net Change in Fund Balance	9	(274)	(102)	172
Fund Balance - Beginning of Year	1,460	1,460	1,460	-
Fund Balance - End of Year	\$ 1,469	\$ 1,186	\$ 1,358	\$ 172

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

ELM Automation Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property (Loss)	\$ -	\$ -	\$ (17)	\$ (17)
Charges for Current Service	360	360	411	51
Total Revenues	360	360	394	34
EXPENDITURES:				
Current:				
Information Systems	410	437	394	43
Total Expenditures	410	437	394	43
OTHER FINANCING SOURCES (USES):				
Transfers Out	(18)	-	-	-
Total Other Financing Sources (Uses)	(18)	-	-	-
Net Change in Fund Balance	(68)	(77)	-	77
Fund Balance - Beginning of Year	267	267	267	-
Fund Balance - End of Year	\$ 199	\$ 190	\$ 267	\$ 77

Traffic Congestion Relief

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 16	\$ 16
Intergovernmental	1,800	1,800	1,557	(243)
Total Revenues	1,800	1,800	1,573	(227)
EXPENDITURES:				
Current:				
Public Works	1,840	3,465	1,447	2,018
Total Expenditures	1,840	3,465	1,447	2,018
OTHER FINANCING SOURCES (USES):				
Transfers In	-	16	16	-
Total Other Financing Sources (Uses)	-	16	16	-
Net Change in Fund Balance	(40)	(1,649)	142	1,791
Fund Balance - Beginning of Year	2,035	2,035	2,035	-
Fund Balance - End of Year	\$ 1,995	\$ 386	\$ 2,177	\$ 1,791

Traffic Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 19	\$ 19
Charges for Current Service	100	100	143	43
Total Revenues	100	100	162	62
EXPENDITURES:				
Current:				
Public Works	1,690	2,149	507	1,642
Total Expenditures	1,690	2,149	507	1,642
OTHER FINANCING SOURCES (USES):				
Transfers In	-	97	97	-
Transfers Out	-	(27)	(27)	-
Total Other Financing Sources (Uses)	-	70	70	-
Net Change in Fund Balance	(1,590)	(1,979)	(275)	1,704
Fund Balance - Beginning of Year	2,922	2,922	2,922	-
Fund Balance - End of Year	\$ 1,332	\$ 943	\$ 2,647	\$ 1,704

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

Transportation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Sales Taxes	\$ 3,016	\$ 3,016	\$ 4,290	\$ 1,274
Use of Money and Property	-	-	30	30
Total Revenues	3,016	3,016	4,320	1,304
EXPENDITURES:				
Current:				
Public Works	2,128	6,500	3,928	2,572
Total Expenditures	2,128	6,500	3,928	2,572
OTHER FINANCING SOURCES (USES):				
Transfers In	-	7	7	-
Transfers Out	(191)	-	-	-
Total Other Financing Sources (Uses)	(191)	7	7	-
Net Change in Fund Balance	697	(3,477)	399	3,876
Fund Balance - Beginning of Year	2,817	2,817	2,817	-
Fund Balance - End of Year	\$ 3,514	\$ (660)	\$ 3,216	\$ 3,876

Public Financing Authority

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 3	\$ 3
Total Revenues	-	-	3	3
EXPENDITURES:				
Current:				
Finance	12	12	7	5
Debt Service:				
Principal	2,180	2,180	2,180	-
Interest	780	780	780	-
Total Expenditures	2,972	2,972	2,967	5
OTHER FINANCING SOURCES (USES):				
Transfers In	3,376	3,376	2,961	(415)
Total Other Financing Sources (Uses)	3,376	3,376	2,961	(415)
Net Change in Fund Balance	404	404	(3)	(407)
Fund Balance - Beginning of Year	4,435	4,435	4,435	-
Fund Balance - End of Year	\$ 4,839	\$ 4,839	\$ 4,432	\$ (407)

Affordable Housing In-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ 873	\$ 873	\$ 794	\$ (79)
Use of Money and Property	-	-	134	134
Intergovernmental	-	-	235	235
Total Revenues	873	873	1,163	290
OTHER FINANCING SOURCES (USES):				
Transfers In	-	1,931	1,931	-
Total Other Financing Sources (Uses)	-	1,931	1,931	-
Net Change in Fund Balance	873	2,804	3,094	290
Fund Balance - Beginning of Year	1,447	1,447	1,447	-
Fund Balance - End of Year	\$ 2,320	\$ 4,251	\$ 4,541	\$ 290

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

Infrastructure

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 32	\$ 32
Intergovernmental	-	-	209	209
Other	-	-	11	11
Total Revenues	-	-	252	252
EXPENDITURES:				
Current:				
Community Services	158	533	237	296
Public Works	17,285	27,420	10,645	16,775
Total Expenditures	17,443	27,953	10,882	17,071
OTHER FINANCING SOURCES (USES):				
Transfers In	11,500	14,050	14,050	-
Transfers Out	(222)	-	-	-
Total Other Financing Sources (Uses)	11,278	14,050	14,050	-
Net Change in Fund Balance	(6,165)	(13,903)	3,420	17,323
Fund Balance - Beginning of Year	17,065	17,065	17,065	-
Fund Balance - End of Year	\$ 10,900	\$ 3,162	\$ 20,485	\$ 17,323

Lease Capital Project

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Use of Money and Property	\$ -	\$ -	\$ 6	\$ 6
Total Revenues	-	-	6	6
EXPENDITURES:				
Current:				
Fire	-	9,618	-	9,618
Total Expenditures	-	9,618	-	9,618
OTHER FINANCING SOURCES (USES):				
Issuance of Long-Term Debt	-	868	868	-
Total Other Financing Sources (Uses)	-	868	868	-
Net Change in Fund Balance	-	(8,750)	874	9,624
Fund Balance - Beginning of Year	8,753	8,753	8,753	-
Fund Balance - End of Year	\$ 8,753	\$ 3	\$ 9,627	\$ 9,624

Parking In-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ 67	\$ 67	\$ 66	\$ (1)
Total Revenues	67	67	66	(1)
EXPENDITURES:				
Current:				
Community Development	60	90	5	85
Total Expenditures	60	90	5	85
Net Change in Fund Balance	7	(23)	61	84
Fund Balance - Beginning of Year	658	658	658	-
Fund Balance - End of Year	\$ 665	\$ 635	\$ 719	\$ 84

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

Sewer Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property (Loss)	\$ -	\$ -	\$ (179)	\$ (179)
Intergovernmental	12	12	12	-
Charges for Current Service	88	88	367	279
Total Revenues	100	100	200	100
EXPENDITURES:				
Current:				
Public Works	700	4,063	2,164	1,899
Total Expenditures	700	4,063	2,164	1,899
Net Change in Fund Balance	(600)	(3,963)	(1,964)	1,999
Fund Balance - Beginning of Year	4,234	4,234	4,234	-
Fund Balance - End of Year	\$ 3,634	\$ 271	\$ 2,270	\$ 1,999

Technology

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property (Loss)	\$ -	\$ -	\$ (178)	\$ (178)
Total Revenues	-	-	(178)	(178)
EXPENDITURES:				
Current:				
Information Systems	-	2,176	81	2,095
Total Expenditures	-	2,176	81	2,095
Net Change in Fund Balance	-	(2,176)	(259)	1,917
Fund Balance - Beginning of Year	3,280	3,280	3,280	-
Fund Balance - End of Year	\$ 3,280	\$ 1,104	\$ 3,021	\$ 1,917

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)**

LMIHAF Capital Projects Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 600	\$ 600	\$ 614	\$ 14
Total Revenues	600	600	614	14
EXPENDITURES:				
Current:				
Community Development	167	187	56	131
Total Expenditures	167	187	56	131
Excess of Revenues Over (Under) Expenditures	433	413	558	145
OTHER FINANCING SOURCES (USES):				
Transfers In	-	900	900	-
Transfers Out	(414)	(406)	(224)	182
Total Other Financing Sources (Uses)	(414)	494	676	182
Net Change in Fund Balance	19	907	1,234	327
Fund Balance - Beginning of Year	3,622	3,622	3,622	-
Fund Balance - End of Year	\$ 3,641	\$ 4,529	\$ 4,856	\$ 327

Pension Liability Debt Service Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property Taxes	\$ 6,126	\$ 6,126	\$ 7,912	\$ 1,786
Use of Money and Property	-	-	192	192
Charges for Current Service	-	16,446	16,764	318
Total Revenues	6,126	22,572	24,868	2,296
EXPENDITURES:				
Current:				
Finance	-	2	2	-
Debt Service:				
Principal	11,635	11,635	10,821	814
Interest	10,937	10,935	10,259	676
Total Expenditures	22,572	22,572	21,082	1,490
Excess of Revenues Over (Under) Expenditures	(16,446)	-	3,786	3,786
OTHER FINANCING SOURCES (USES):				
Transfers In	16,446	-	-	-
Total Other Financing Sources (Uses)	16,446	-	-	-
Net Change in Fund Balance	-	-	3,786	3,786
Fund Balance - Beginning of Year	16,943	16,943	16,943	-
Fund Balance - End of Year	\$ 16,943	\$ 16,943	\$ 20,729	\$ 3,786

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City of Huntington Beach Internal Service Funds

Internal Services Funds are used to accumulate and allocate costs internally among the City's various functions.

- The **Self Insurance Workers' Comp Fund** accounts for the City's self insurance workers' compensation program.
- The **Self Insurance General Liability Fund** accounts for the City's self insurance general liability program.
- The **Equipment Replacement Fund** accounts for the City's equipment replacement needs.

CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2022
(In Thousands)

	Governmental Activities			
	Self Insurance Workers' Comp	Self Insurance General Liability	Equipment Replacement Fund	Internal Service Fund Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 17,110	\$ 9,860	\$ 11,039	\$ 38,009
Other Receivables, Net	46	27	29	102
Prepays	600	-	195	795
Total Current Assets	17,756	9,887	11,263	38,906
Non-Current Assets:				
Net Pension Asset	388	-	-	388
Net Other Postemployment Benefits Asset	20	9	-	29
Total Non-Current Assets	408	9	-	417
Capital Assets:				
Machinery and Equipment	-	-	8,598	8,598
Less Accumulated Depreciation	-	-	(2,372)	(2,372)
Total Capital Assets	-	-	6,226	6,226
Total Assets	18,164	9,896	17,489	45,549
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	78	-	-	78
Deferred Outflows Related to Other Postemployment Benefits	16	7	-	23
Total Deferred Outflows of Resources	94	7	-	101
Total Assets and Deferred Outflows of Resources	18,258	9,903	17,489	45,650
LIABILITIES				
Current Liabilities:				
Accounts Payable	613	26	26	665
Accrued Payroll	19	-	-	19
Interest Payable	1	-	-	1
Current Portion of Claims Payable	6,993	6,446	-	13,439
Current Portion of Compensated Absences	11	-	-	11
Total Current Liabilities	7,637	6,472	26	14,135
Non-Current Liabilities:				
Compensated Absences	30	-	-	30
Long-Term Obligations Due Within One Year	43	-	-	43
Long-Term Obligations Due in More than One Year	986	-	-	986
Net Pension Liability	34	-	-	34
Claims Payable	35,770	7,222	-	42,992
Total Non-Current Liabilities	36,863	7,222	-	44,085
Total Liabilities	44,500	13,694	26	58,220
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	429	-	-	429
Deferred Inflows Related to Other Postemployment Benefits	37	16	-	53
Total Deferred Inflows of Resources	466	16	-	482
NET POSITION				
Net Investment in Capital Assets	-	-	6,226	6,226
Unrestricted	(26,708)	(3,807)	11,237	(19,278)
Total Net Position	(26,708)	(3,807)	17,463	(13,052)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 18,258	\$ 9,903	\$ 17,489	\$ 45,650

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)

	Governmental Activities			
	Self Insurance Workers' Comp	Self Insurance General Liability	Equipment Replacement Fund	Internal Service Fund Total
OPERATING REVENUES				
Fees and Charges for Service	\$ 9,806	\$ 6,238	\$ 6,037	\$ 22,081
Other	26	126	-	152
Total Operating Revenues	9,832	6,364	6,037	22,233
OPERATING EXPENSES				
Supplies and Operations	1,528	253	1,718	3,499
Claims and Judgments	14,556	7,557	-	22,113
Depreciation	-	-	1,012	1,012
Total Operating Expenses	16,084	7,810	2,730	26,624
Operating Income (Loss)	(6,252)	(1,446)	3,307	(4,391)
NON-OPERATING REVENUES (EXPENSES)				
Investment Income (Loss)	(843)	(527)	(520)	(1,890)
Interest Expense	(29)	-	-	(29)
Proceeds from Sale of Equipment	-	-	1,699	1,699
Total Non-Operating Revenues (Expenses)	(872)	(527)	1,179	(220)
Income (Loss) Before Transfers	(7,124)	(1,973)	4,486	(4,611)
Change in Net Position	(7,124)	(1,973)	4,486	(4,611)
Net Position - Beginning of Year	(19,584)	(1,834)	12,977	(8,441)
Net Position - End of Year	\$ (26,708)	\$ (3,807)	\$ 17,463	\$ (13,052)

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(In Thousands)**

	Governmental Activities			
	Self Insurance Workers' Comp	Self Insurance General Liability	Equipment Replacement Fund	Internal Service Fund Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers and Users	\$ 9,834	\$ 6,367	\$ 6,026	\$ 22,227
Cash Paid to Employees for Services	(370)	(8)	-	(378)
Cash Paid to Suppliers of Goods and Services	(7,639)	(6,309)	(1,554)	(15,502)
Net Cash and Investment Provided (Used) by Operating Activities	1,825	50	4,472	6,347
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Debt Service	(37)	-	-	(37)
Interest Paid	(32)	-	-	(32)
Net Cash and Investments Provided (Used) by Noncapital Financing Activities	(69)	-	-	(69)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	-	-	(1,934)	(1,934)
Proceeds from Sale of Plant, Property, and Equipment	-	-	1,699	1,699
Net Cash and Investments Provided (Used) by Capital and Related Financing Activities	-	-	(235)	(235)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment (Loss)	(843)	(527)	(520)	(1,890)
Net Cash and Investments Provided (Used) by Investing Activities	(843)	(527)	(520)	(1,890)
Net Increase in Cash and Investments	913	(477)	3,717	4,153
Cash and Investments - Beginning of Year	16,197	10,337	7,322	33,856
Cash and Investments - End of Year	\$ 17,110	\$ 9,860	\$ 11,039	\$ 38,009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (6,252)	\$ (1,446)	\$ 3,307	\$ (4,391)
Adjustments to Reconcile Operating Income (Loss) to Net Cash and Investments Provided (Used) by Operating Activities				
Depreciation	-	-	1,012	1,012
Decrease (Increase) in Other Receivables, Net	2	3	(11)	(6)
Decrease in Prepaids	-	-	282	282
(Increase) in Net Pension Asset	(388)	-	-	(388)
(Increase) in Net Other Postemployment Benefits Asset	(20)	(9)	-	(29)
Increase (Decrease) in Accounts Payable	254	(186)	(118)	(50)
Increase in Accrued Payroll	3	-	-	3
Increase in Claims Payable	7,969	1,683	-	9,652
(Decrease) in Compensated Absences	(3)	-	-	(3)
Decrease in Deferred Pension Outflow	1,156	-	-	1,156
Increase in Deferred Pension Inflow	368	-	-	368
(Decrease) in Net Pension Liability	(1,275)	-	-	(1,275)
(Increase) in Deferred Other Postemployment Benefits Outflow	(6)	(2)	-	(8)
Increase in Deferred Other Postemployment Benefits Inflow	28	12	-	40
(Decrease) in Net Other Postemployment Benefits Liability	(11)	(5)	-	(16)
Net Cash and Investments Provided (Used) by Operating Activities	\$ 1,825	\$ 50	\$ 4,472	\$ 6,347
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				

There were no noncash investing, capital, or financing activities during the year ended June 30, 2022.

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City of Huntington Beach Fiduciary Funds

Fiduciary Funds account for assets held by the City as a custodian for other organizations or individuals.

- The **Community Facilities Districts Funds** accounts for the debt service activity of the City's three community facilities districts.
- The **Huntington Beach Business Improvement District Fund** accounts for the activities of the City's business improvement district.
- The **Bella Terra Parking Structure Fund** accounts for the activities of the Bella Terra Parking Structure.

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2022

	Custodial Funds			
	Community Facilities Districts	Business Improvement Districts	Parking Structure - Bella Terra	Total Custodial Funds
ASSETS:				
Current Assets:				
Cash and Investments	\$ 1,321	\$ 1,409	\$ 1,995	\$ 4,725
Cash with Fiscal Agent	1,586	-	1,682	3,268
Accounts Receivable, Net	3	751	6	760
Total Assets	2,910	2,160	3,683	8,753
LIABILITIES:				
Current Liabilities:				
Accounts Payable	-	1,849	221	2,070
Total Liabilities	-	1,849	221	2,070
NET POSITION				
Restricted for:				
Restricted for Individuals and Organizations	2,910	311	3,462	6,683
Total Net Position	\$ 2,910	\$ 311	\$ 3,462	\$ 6,683

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Custodial Funds			
	Community Facilities Districts	Business Improvement Districts	Parking Structure - Bella Terra	Total Custodial Funds
ADDITIONS				
Special Assessments or Special Taxes				
Collected from Property Owners	\$ 1,542	\$ -	\$ -	\$ 1,542
Business Improvement District Taxes	-	6,355	-	6,355
Parking Assessments	-	-	2,433	2,433
Interest Income	7	-	12	19
Total Additions	1,549	6,355	2,445	10,349
DEDUCTIONS				
Administrative Costs	20	-	-	20
Payments to other Organizations	-	6,211	811	7,022
Interest and Fiscal Agency Expenses	664	-	771	1,435
Principal	825	-	890	1,715
Total Deductions	1,509	6,211	2,472	10,192
Change in Net Position	40	144	(27)	157
Net Position - Beginning of Year	2,870	167	3,489	6,526
Net Position - End of Year	\$ 2,910	\$ 311	\$ 3,462	\$ 6,683

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City of Huntington Beach Statistical Section

This part of the City of Huntington Beach's Annual Comprehensive Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

Financial Trends – contains trend information to help the reader understand how the City's financial performance has changed over time.
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Revenue Capacity – contains information to help the reader assess the City's most significant local revenue source, the property tax.
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Debt Capacity – presents information to assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information – offers information to help the reader understand the environment within which the City's financial activities take place.

Operating Information – contains service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs.

Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF HUNTINGTON BEACH
NET POSITION BY COMPONENT - LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended				
	2022	2021	June 30, 2020	2019	2018***
Governmental Activities					
Net investment in capital assets	\$ 712,289	\$ 699,204	\$ 673,498	\$ 664,281	\$ 650,466
Restricted	68,460	65,755	79,926	66,089	58,537
Unrestricted	(223,438)	(275,159)	(274,523)	(251,022)	(254,528)
Total Governmental Activities Net Position	\$ 557,311	\$ 489,800	\$ 478,901	\$ 479,348	\$ 454,475
Business-Type Activities					
Net investment in capital assets	\$ 143,998	\$ 142,469	\$ 142,785	\$ 145,696	\$ 143,954
Restricted	19,309	20,332	22,248	21,153	25,886
Unrestricted	34,120	39,129	38,482	36,747	27,492
Total Business-Type Activities Net Position	\$ 197,427	\$ 201,930	\$ 203,515	\$ 203,596	\$ 197,332
Primary Government					
Net investment in capital assets	\$ 856,287	\$ 841,673	\$ 816,283	\$ 809,977	\$ 794,420
Restricted	87,769	86,087	102,174	87,242	84,423
Unrestricted	(189,318)	(236,030)	(236,041)	(214,275)	(227,036)
Total Primary Government Net Position	\$ 754,738	\$ 691,730	\$ 682,416	\$ 682,944	\$ 651,807

CITY OF HUNTINGTON BEACH
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended				
	2022	2021	June 30, 2020	2019	2018***
Expenses:					
Governmental Activities:					
City Council	\$ 382	\$ 423	\$ 405	\$ 360	\$ 218
City Manager	5,412	11,163	3,328	4,501	2,063
City Treasurer	259	340	317	246	101
City Attorney	2,183	3,140	3,136	2,886	1,536
City Clerk	1,060	1,147	949	976	475
Finance	5,581	6,828	6,661	6,245	3,455
Human Resources*****	-	-	-	6,261	4,760
Community Development*	11,634	19,716	15,722	6,144	4,301
Fire	52,808	65,960	62,840	56,494	26,688
Information Services	6,469	6,230	8,643	7,530	4,375
Police	73,964	102,415	97,204	87,355	42,109
Economic Development**	-	-	-	-	-
Community Services	11,517	11,365	12,539	13,369	6,768
Library Services	5,212	6,181	5,776	5,206	2,890
Public Works	42,598	40,270	45,834	40,803	23,898
Non-Departmental****	-	-	-	-	18,164
Interest on Long-Term Debt	9,548	2,706	1,686	1,823	1,467
Total Governmental Activities	228,627	277,884	265,040	240,199	143,268
Business-Type Activities					
Water Utility	44,182	46,054	44,463	43,405	28,414
Sewer Service	10,390	9,284	9,828	9,442	6,127
Refuse Collection	13,738	12,936	12,609	12,051	8,916
Hazmat Service	236	241	235	234	117
Total Business-Type Activities	68,546	68,515	67,135	65,132	43,574
Total Business and Government Type Activities	\$ 297,173	\$ 346,399	\$ 332,175	\$ 305,331	\$ 186,842

* Planning and Building departments were combined in Fiscal Year ended September 30, 2011. The combined department was later renamed to Community Development in Fiscal Year ended September 30, 2016.

** Economic Development was combined with Community Development in Fiscal Year ended June 30, 2020. Previously, it was combined with the City Manager's Office as of Fiscal Year ended September 30, 2014.

*** The 2018 period reflects nine months of activity only as the fiscal year change resulted in reporting period from October 1, 2017 to June 30, 2018.

CITY OF HUNTINGTON BEACH
NET POSITION BY COMPONENT - LAST TEN FISCAL YEARS
(In Thousands)
(continued)

	Fiscal Year Ended				
	September 30,				
	2017	2016	2015	2014	2013
Governmental Activities					
Net investment in capital assets	\$ 646,336	\$ 624,180	\$ 615,512	\$ 618,825	\$ 617,267
Restricted	41,888	41,555	52,270	34,018	51,867
Unrestricted	(262,874)	(222,863)	(222,787)	89,524	54,076
Total Governmental Activities Net Position	\$ 425,350	\$ 442,872	\$ 444,995	\$ 742,367	\$ 723,210
Business-Type Activities					
Net investment in capital assets	\$ 140,478	\$ 142,566	\$ 142,616	\$ 140,770	\$ 145,886
Restricted	30,444	32,049	28,096	27,951	27,488
Unrestricted	22,228	21,997	28,476	53,166	65,595
Total Business-Type Activities Net Position	\$ 193,150	\$ 196,612	\$ 199,188	\$ 221,887	\$ 238,969
Primary Government					
Net investment in capital assets	\$ 786,814	\$ 766,746	\$ 758,128	\$ 759,595	\$ 763,153
Restricted	72,332	73,604	80,366	61,969	79,355
Unrestricted	(240,646)	(200,866)	(194,311)	142,690	119,671
Total Primary Government Net Position	\$ 618,500	\$ 639,484	\$ 644,183	\$ 964,254	\$ 962,179

CITY OF HUNTINGTON BEACH
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)
(continued)

	Fiscal Year Ended				
	September 30,				
	2017	2016	2015	2014	2013
Expenses:					
Governmental Activities:					
City Council	\$ 347	\$ 321	\$ 270	\$ 258	\$ 271
City Manager	4,691	3,849	3,302	3,878	1,583
City Treasurer	216	208	158	169	132
City Attorney	3,307	2,598	2,284	2,321	2,221
City Clerk	889	806	855	747	797
Finance	6,201	5,765	5,208	5,314	4,825
Human Resources*****	5,693	6,814	5,169	4,616	5,032
Community Development*	7,576	7,208	6,605	7,091	6,155
Fire	52,941	47,965	42,162	43,194	36,323
Information Services	7,047	6,852	6,552	6,456	6,096
Police	84,786	74,943	64,048	66,681	60,466
Economic Development**	-	-	-	-	8,395
Community Services	15,558	9,935	13,809	12,509	15,521
Library Services	5,064	4,611	4,246	4,024	3,873
Public Works	35,373	31,791	27,979	31,691	28,500
Non-Departmental****	29,368	35,240	24,080	21,602	25,563
Interest on Long-Term Debt	2,063	2,119	2,245	1,946	2,289
Total Governmental Activities	261,120	241,025	208,972	212,497	208,042
Business-Type Activities					
Water Utility	45,940	41,643	38,614	41,499	38,446
Sewer Service	9,351	8,729	8,192	9,712	7,253
Refuse Collection	10,821	11,277	11,308	11,145	10,882
Hazmat Service	224	244	204	231	220
Total Business-Type Activities	66,336	61,893	58,318	62,587	56,801
Total Business and Government Type Activities	\$ 327,456	\$ 302,918	\$ 267,290	\$ 275,084	\$ 264,843

**** Beginning with Fiscal Year ended June 30, 2019, non-departmental expenditures are no longer presented separately but are included as part of functional expenditures.

***** Human Resources was combined with the City Manager's Office in Fiscal Year ended June 30, 2020.

CITY OF HUNTINGTON BEACH
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended				
	2022	2021	June 30, 2020	2019	2018***
Program Revenues:					
Governmental Activities:					
Charges for Services					
City Council	\$ 162	\$ 162	\$ 177	\$ 149	\$ 91
City Manager	4,131	4,208	5,315	3,300	2,374
City Treasurer	149	149	163	135	81
City Attorney	5	6	7	7	4
City Clerk	269	30	220	327	229
Finance	3,036	3,055	3,302	2,899	1,746
Human Resources****	-	-	-	751	373
Community Development*	10,953	8,353	10,037	7,459	5,448
Fire	13,401	8,877	10,122	9,831	9,104
Information Services	604	610	636	628	381
Police	6,687	6,477	5,329	6,044	4,703
Economic Development**	-	-	-	-	-
Community Services	21,117	15,558	17,631	23,530	19,245
Library Services	302	153	266	308	237
Public Works	7,235	6,045	6,614	6,368	4,392
Non-Departmental****	-	-	-	-	916
Total Charges for Services	<u>68,051</u>	<u>53,683</u>	<u>59,819</u>	<u>61,736</u>	<u>49,324</u>
Operating Grants	9,301	6,013	8,141	6,644	3,976
Capital Grants	8,537	10,192	14,483	8,361	6,055
Total Governmental Activities Program Revenue	<u>85,889</u>	<u>69,888</u>	<u>82,443</u>	<u>76,741</u>	<u>59,355</u>
Business-Type Activities:					
Water Utility	43,590	42,523	40,518	43,958	29,530
Sewer Service	10,791	10,828	10,900	11,868	8,362
Refuse Collection	13,675	13,014	12,573	12,022	8,820
Hazmat Service	276	266	279	276	25
Total Business-Type Activities Program Revenues	<u>68,332</u>	<u>66,631</u>	<u>64,270</u>	<u>68,124</u>	<u>46,737</u>
Total Primary Government Program Revenue	<u>154,221</u>	<u>136,519</u>	<u>146,713</u>	<u>144,865</u>	<u>106,092</u>
Net (Expense) Revenue:					
Governmental Activities	(142,738)	(207,996)	(182,597)	(163,458)	(83,913)
Business-Type Activities	(214)	(1,884)	(2,865)	2,992	3,163
Total Net (Expense) Revenue	<u>(142,952)</u>	<u>(209,880)</u>	<u>(185,462)</u>	<u>(160,466)</u>	<u>(80,750)</u>
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	102,539	99,958	94,263	89,124	61,185
Sales Taxes	57,652	51,162	44,616	47,437	33,844
Utility Taxes	19,528	18,374	18,149	18,788	14,014
Other Taxes	26,134	17,293	18,635	20,227	14,883
Use of Money and Property	(1,895)	4,399	3,208	8,746	2,158
From Other Agencies	4,631	22,000	3,317	4,046	2,263
Gain on Sale of Property	1,699	-	-	-	-
Other	-	-	-	-	2,811
Transfers	(39)	(38)	(38)	(37)	(332)
Total Governmental Activities General Revenues	<u>210,249</u>	<u>213,148</u>	<u>182,150</u>	<u>188,331</u>	<u>130,826</u>
Business-Type Activities:					
Use of Money and Property	(4,328)	261	2,746	3,235	279
Transfers	39	38	38	37	332
Total Business-Type Activities General Revenues	<u>(4,289)</u>	<u>299</u>	<u>2,784</u>	<u>3,272</u>	<u>611</u>
Total General Revenues and Transfers	<u>205,960</u>	<u>213,447</u>	<u>184,934</u>	<u>191,603</u>	<u>131,437</u>
Extraordinary Gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Position - Governmental Activities	<u>67,511</u>	<u>5,152</u>	<u>(447)</u>	<u>24,873</u>	<u>46,913</u>
Changes in Net Position - Business-Type Activities	<u>(4,503)</u>	<u>(1,585)</u>	<u>(81)</u>	<u>6,264</u>	<u>3,774</u>
Total Changes in Net Position	<u>63,008</u>	<u>3,567</u>	<u>(528)</u>	<u>31,137</u>	<u>50,687</u>
Net Position - Beginning of Year	<u>691,730</u>	<u>682,416</u>	<u>682,944</u>	<u>651,807</u>	<u>618,500</u>
Prior Period Adjustment - Governmental Activities	<u>-</u>	<u>5,747</u>	<u>-</u>	<u>-</u>	<u>(17,788)</u>
Prior Period Adjustment - Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>408</u>
Net Position - Beginning of Year as restated	<u>691,730</u>	<u>688,163</u>	<u>682,944</u>	<u>651,807</u>	<u>601,120</u>
Net Position - End of Year	<u>\$ 754,738</u>	<u>\$ 691,730</u>	<u>\$ 682,416</u>	<u>\$ 682,944</u>	<u>\$ 651,807</u>

* Planning and Building departments were combined in the Fiscal Year ended September 30, 2011. The combined department was later renamed to Community Development in Fiscal Year ended September 30, 2016.

** Economic Development was combined with Community Development in the Fiscal Year ended June 30, 2020. Previously, it was combined with the City Manager's Office as of Fiscal Year ended September 30, 2014.

CITY OF HUNTINGTON BEACH
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)
(continued)

	Fiscal Year Ended				
	2017	2016	September 30, 2015	2014	2013
Program Revenues:					
Governmental Activities:					
Charges for Services					
City Council	\$ 108	\$ 116	\$ 71	\$ 68	\$ 66
City Manager	3,515	3,029	2,994	2,835	134
City Treasurer	100	101	639	621	602
City Attorney	5	4	143	139	135
City Clerk	257	201	199	321	248
Finance	2,047	2,277	1,353	1,313	1,275
Human Resources****	654	513	1,263	2,499	1,236
Community Development*	7,448	9,252	10,670	9,357	9,411
Fire	10,296	9,894	8,625	8,672	9,482
Information Services	501	521	834	809	786
Police	4,968	5,958	5,512	5,170	4,653
Economic Development**	-	-	-	-	2,505
Community Services	21,693	18,853	18,569	18,055	17,832
Library Services	476	408	495	434	634
Public Works	5,392	5,733	6,474	6,367	7,315
Non-Departmental****	1,116	1,290	327	318	306
Total Charges for Services	<u>58,576</u>	<u>58,150</u>	<u>58,168</u>	<u>56,978</u>	<u>56,620</u>
Operating Grants	7,329	4,723	7,458	7,958	7,303
Capital Grants	3,408	5,939	9,809	5,486	7,191
Total Governmental Activities Program Revenue	<u>69,313</u>	<u>68,812</u>	<u>75,435</u>	<u>70,422</u>	<u>71,114</u>
Business-Type Activities:					
Water Utility	39,938	35,765	35,350	36,944	38,679
Sewer Service	10,854	11,280	11,239	10,665	12,267
Refuse Collection	11,282	11,215	11,221	11,006	10,950
Hazmat Service	287	235	222	183	278
Total Business-Type Activities Program Revenues	<u>62,361</u>	<u>58,495</u>	<u>58,032</u>	<u>58,798</u>	<u>62,174</u>
Total Primary Government Program Revenue	<u>131,674</u>	<u>127,307</u>	<u>133,467</u>	<u>129,220</u>	<u>133,288</u>
Net (Expense) Revenue:					
Governmental Activities	(191,807)	(172,213)	(133,537)	(142,075)	(136,928)
Business-Type Activities	(3,975)	(3,398)	(286)	(3,789)	5,373
Total Net (Expense) Revenue	<u>(195,782)</u>	<u>(175,611)</u>	<u>(133,823)</u>	<u>(145,864)</u>	<u>(131,555)</u>
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	82,925	87,128	82,615	81,355	74,795
Sales Taxes	43,551	34,289	33,063	29,243	30,276
Utility Taxes	19,303	19,482	20,229	20,621	20,764
Other Taxes	17,991	17,313	16,464	15,601	14,568
Use of Money and Property	3,370	3,618	5,551	3,725	2,816
From Other Agencies	3,896	4,397	5,653	4,279	6,003
Gain on Sale of Property	-	-	-	-	-
Other	2,438	5,693	4,440	6,903	5,240
Transfers	(51)	(38)	35	(38)	(38)
Total Governmental Activities General Revenues	<u>173,423</u>	<u>171,882</u>	<u>168,050</u>	<u>161,689</u>	<u>154,424</u>
Business-Type Activities:					
Use of Money and Property	462	939	1,281	1,015	137
Transfers	51	38	(35)	38	38
Total Business-Type Activities General Revenues	<u>513</u>	<u>977</u>	<u>1,246</u>	<u>1,053</u>	<u>175</u>
Total General Revenues and Transfers	<u>173,936</u>	<u>172,859</u>	<u>169,296</u>	<u>162,742</u>	<u>154,599</u>
Extraordinary Gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,669)</u>
Changes in Net Position - Governmental Activities	(18,384)	(331)	34,513	19,614	12,827
Changes in Net Position - Business-Type Activities	(3,462)	(2,421)	960	(2,736)	5,548
Total Changes in Net Position	(21,846)	(2,752)	35,473	16,878	18,375
Net Position - Beginning of Year	<u>639,484</u>	<u>642,236</u>	<u>964,254</u>	<u>962,179</u>	<u>935,283</u>
Prior Period Adjustment - Governmental Activities	862	-	(333,677)	(457)	719
Prior Period Adjustment - Business-Type Activities	-	-	(23,814)	(14,346)	7,802
Net Position - Beginning of Year as restated	<u>640,346</u>	<u>642,236</u>	<u>606,763</u>	<u>947,376</u>	<u>943,804</u>
Net Position - End of Year	<u>\$ 618,500</u>	<u>\$ 639,484</u>	<u>\$ 642,236</u>	<u>\$ 964,254</u>	<u>\$ 962,179</u>

*** The 2018 period reflects nine months of activity only as the fiscal year change resulted in reporting period from October 1, 2017 to June 30, 2018.

**** Beginning with the Fiscal Year ended June 30, 2019, non-departmental expenditures are no longer presented separately but are included as part of functional expenditures.

***** Human Resources was combined with the City Manager's Office in the Fiscal Year ended June 30, 2020.

CITY OF HUNTINGTON BEACH
FUND BALANCES - GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

Fiscal Year Ended June 30,					
	2022	2021	2020	2019	2018
General Fund:					
Nonspendable	\$ 82	\$ 115	\$ 120	\$ 23	\$ 41
Restricted	14,623	13,561	9,320	8,154	6,384
Committed	26,665	25,565	25,010	25,011	25,011
Assigned	61,454	55,368	45,638	45,825	34,464
Unassigned	-	-	-	-	2,734
Total General Fund	\$ 102,824	\$ 94,609	\$ 80,088	\$ 79,013	\$ 68,634
Other Governmental Funds:					
Nonspendable	\$ -	\$ 105	\$ 50	\$ 64	\$ 726
Restricted	75,774	70,161	71,671	59,213	52,742
Committed	28,559	26,857	21,735	20,308	20,800
Assigned	3,021	3,280	3,527	3,614	2,701
Unassigned	(4,311)	-	-	-	-
Total Other Governmental Funds	\$ 103,043	\$ 100,403	\$ 96,983	\$ 83,199	\$ 76,969

Fiscal Year Ended September 30,					
	2017	2016	2015	2014	2013
General Fund:					
Nonspendable	\$ -	\$ -	\$ 4,479	\$ 4,378	\$ 4,040
Restricted	2,671	2,637	2,871	2,070	1,878
Committed	25,011	25,011	25,011	25,011	24,011
Assigned	33,498	35,199	32,431	29,595	24,578
Total General Fund	\$ 61,180	\$ 62,847	\$ 64,792	\$ 61,054	\$ 54,507
Other Governmental Funds:					
Restricted	\$ 40,588	\$ 40,293	\$ 45,515	\$ 27,214	\$ 27,425
Committed	17,686	21,368	21,659	16,447	11,098
Assigned	826	838	161	151	316
Unassigned	-	-	-	-	(210)
Total Other Governmental Funds	\$ 59,100	\$ 62,499	\$ 67,335	\$ 43,812	\$ 38,629

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**CITY OF HUNTINGTON BEACH
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS
(In Thousands)**

(Modified Accrual Basis of Accounting)

	Fiscal Year Ended				
	2022	2021	June 30, 2020	2019	2018*
REVENUES:					
Property Taxes	\$ 102,539	\$ 99,958	\$ 94,263	\$ 89,367	\$ 80,614
Sales Taxes	57,652	51,162	44,616	47,437	33,844
Utility Taxes	19,528	18,374	18,149	18,788	14,014
Other Taxes	33,720	25,745	24,578	27,196	18,409
Licenses and Permits	9,596	8,213	11,266	8,574	6,293
Fines and Forfeitures	5,144	4,619	3,403	4,300	3,048
From Use of Money and Property	14,365	19,163	27,863	23,276	11,600
From Other Agencies	13,060	29,836	11,309	13,072	10,384
Charges for Current Service/Other Revenue	52,809	27,428	34,772	33,787	30,216
TOTAL REVENUES	308,413	284,498	270,219	265,797	208,422
EXPENDITURES					
Current:					
City Council	426	1,043	394	369	279
City Manager	5,265	15,976	4,342	6,598	3,143
City Treasurer	326	837	297	248	134
City Attorney	2,995	7,714	2,898	2,874	2,037
City Clerk	1,295	2,810	886	981	602
Finance	7,259	16,173	6,200	6,484	4,376
Human Resources*****	-	-	-	6,362	5,323
Community Development**	14,412	39,212	14,692	8,138	5,554
Fire	62,880	149,726	56,477	54,431	36,347
Information Systems	7,871	19,095	8,473	8,342	5,385
Police	93,976	232,438	87,682	83,546	57,916
Economic Development***	-	-	-	-	-
Community Services	18,455	25,064	14,429	11,720	7,958
Library Services	6,300	14,099	5,199	4,944	3,436
Public Works	50,158	88,007	47,655	46,878	30,357
Non-Departmental*****	-	-	-	-	22,432
Capital Outlay****	-	-	-	-	-
Debt Service:					
Principal	15,918	3,983	5,122	5,346	311
Interest	11,299	937	1,748	1,890	965
TOTAL EXPENDITURES	298,835	617,114	256,494	249,151	186,555
EXCESS (DEFICIENCY) OF					
REVENUES OVER (UNDER) EXPENDITURES	9,578	(332,616)	13,725	16,646	21,867
OTHER FINANCING SOURCES (USES):					
Transfers In	21,642	13,058	10,009	11,190	13,261
Issuance of Long-Term Debt	-	372,010	1,172	-	-
Issuance Premium	-	1,743	-	-	-
Issuance Discount	-	(649)	-	-	-
Payments to Escrow	-	(28,256)	-	-	-
Lease (as Lessee)	448	-	-	-	-
Issuance of Finance Purchase Agreement	868	-	-	-	-
Transfers Out	(21,681)	(13,096)	(10,047)	(11,227)	(13,593)
TOTAL OTHER FINANCING SOURCES (USES)	1,277	344,810	1,134	(37)	(332)
Extraordinary Item - Dissolution of RDA	-	-	-	-	-
INCREASE (DECREASE) IN FUND BALANCES	\$ 10,855	\$ 12,194	\$ 14,859	\$ 16,609	\$ 21,535
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES	10.1%	0.9%	3.0%	3.3%	0.7%

* The 2017/18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

** Planning and Building departments were combined in Fiscal Year ended September 30, 2011. The department was later renamed to Community Development in Fiscal Year ended September 30, 2016.

*** Economic Development was combined with Community Development in Fiscal Year ended June 30, 2020. Previously, it was combined with the City Manager's Office as of the Fiscal Year ended September 30, 2014.

CITY OF HUNTINGTON BEACH
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS
(In Thousands)
(continued)
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended				
	September 30,				
	2017	2016	2015	2014	2013
REVENUES:					
Property Taxes	\$ 80,826	\$ 86,382	\$ 82,472	\$ 79,460	\$ 74,442
Sales Taxes	43,551	39,305	32,234	30,454	29,763
Utility Taxes	19,303	19,482	20,229	20,621	20,764
Other Taxes	17,991	17,313	16,464	15,601	14,568
Licenses and Permits	8,812	9,820	9,270	7,976	9,880
Fines and Forfeitures	3,995	5,144	4,746	4,392	4,058
From Use of Money and Property	17,210	18,055	17,473	16,695	16,046
From Other Agencies	15,293	13,712	18,634	16,804	18,237
Charges for Current Service/Other Revenue	32,351	32,506	35,869	33,886	34,150
TOTAL REVENUES	239,332	241,719	237,391	225,889	221,908
EXPENDITURES					
Current:					
City Council	333	318	278	258	260
City Manager	4,116	3,092	2,703	3,040	1,574
City Treasurer	201	204	167	169	132
City Attorney	3,052	2,539	2,425	2,321	2,221
City Clerk	830	790	895	747	797
Finance	5,763	5,659	5,452	5,314	4,825
Human Resources*****	5,535	6,776	4,606	4,298	5,661
Community Development**	6,963	7,062	6,954	7,091	6,155
Fire	46,831	46,200	45,008	42,602	35,920
Information Systems	6,603	6,742	6,846	6,456	6,096
Police	75,015	72,612	68,940	66,628	60,460
Economic Development***	-	-	-	-	7,012
Community Services	14,124	10,768	10,223	10,040	13,952
Library Services	4,422	4,247	4,146	3,739	3,588
Public Works	38,635	23,659	23,820	22,872	22,169
Non-Departmental*****	28,396	24,670	20,067	21,033	19,684
Capital Outlay****	-	27,269	14,986	10,729	10,745
Debt Service:					
Principal	5,091	5,933	5,454	4,797	9,381
Interest	2,066	2,138	2,226	1,987	2,321
TOTAL EXPENDITURES	247,976	250,678	225,196	214,121	212,953
EXCESS (DEFICIENCY) OF					
REVENUES OVER (UNDER) EXPENDITURES	(8,644)	(8,959)	12,195	11,768	8,955
OTHER FINANCING SOURCES (USES):					
Transfers In	6,692	9,034	12,158	9,832	9,501
Issuance of Long-Term Debt	2,767	10,197	-	-	-
Issuance Premium	-	-	-	-	-
Issuance Discount	-	-	-	-	-
Payments to Escrow	-	-	-	-	-
Lease (as Lessee)	-	-	-	-	-
Issuance of Finance Purchase Agreement	-	-	-	-	-
Transfers Out	(6,743)	(17,053)	(14,238)	(9,870)	(10,339)
TOTAL OTHER FINANCING SOURCES (USES)	2,716	2,178	(2,080)	(38)	(838)
Extraordinary Item - Dissolution of RDA	-	-	-	-	(4,669)
INCREASE (DECREASE) IN FUND BALANCES	\$ (5,928)	\$ (6,781)	\$ 10,115	\$ 11,730	\$ 3,448
DEBT SERVICE AS A PERCENTAGE OF					
NON-CAPITAL EXPENDITURES	3.2%	3.6%	3.7%	3.3%	5.8%

**** Beginning with the Fiscal Year ended September 30, 2017, capital outlay expenditures are no longer presented separately but are included as part of functional expenditures. However, capital outlay expenditures are excluded in the calculation of debt service as a percentage of non-capital expenditures.

***** Beginning with the Fiscal Year ended June 30, 2019, non-departmental expenditures are no longer presented separately but are included as part of functional expenditures.

***** Human Resources was combined with the City Manager's Office in Fiscal Year ended June 30, 2020.

**CITY OF HUNTINGTON BEACH
ASSESSED AND ACTUAL VALUATION
OF ALL TAXABLE PROPERTY (EXCLUDING REDEVELOPMENT AGENCY)
LAST TEN FISCAL YEARS
(In Thousands)**

Fiscal Year	Common Property	Public Utilities	Total Secured	Unsecured	Total Assessed Valuation	Total Direct Tax Rate
2012-2013	26,927,738	60,802	26,988,540	1,056,938	28,045,478	0.17082
2013-2014	28,005,989	53,702	28,059,691	1,106,038	29,165,729	0.17082
2014-2015	29,723,274	74,102	29,797,376	989,809	30,787,185	0.17082
2015-2016	31,193,211	66,802	31,260,013	1,132,728	32,392,741	0.17082
2016-2017	32,540,317	55,802	32,596,119	1,067,760	33,663,879	0.17082
2017-2018	34,199,035	41,102	34,240,137	1,100,077	35,340,214	0.17082
2018-2019	35,941,648	61,202	36,002,850	1,117,879	37,120,729	0.17082
2019-2020	37,741,095	518	37,741,613	1,145,838	38,887,451	0.17082
2020-2021	39,449,688	518	39,450,206	1,111,018	40,561,224	0.17082
2021-2022	40,789,946	518	40,790,464	1,041,429	41,831,893	0.17082

Source: County of Orange Auditor Controller

**PROPERTY TAX RATES
ALL DIRECT AND
OVERLAPPING GOVERNMENTS
TAX RATE 04-001
LARGEST AREA IN CITY
LAST TEN FISCAL YEARS**

Fiscal Year	Direct		Overlapping			Total Direct and Overlapping
	City Basic Rate (1), (2)	City Other	School Districts	Metro Water District	Others	
2012-2013	0.15582	0.01500	0.60412	0.00350	0.30798	1.08642
2013-2014	0.15582	0.01500	0.59841	0.00350	0.31444	1.08717
2014-2015	0.15582	0.01500	0.62448	0.00350	0.29444	1.09324
2015-2016	0.15582	0.01500	0.07615	0.00350	0.84418	1.09465
2016-2017	0.15582	0.01500	0.07786	0.00350	0.83599	1.08817
2017-2018	0.15582	0.01500	0.09970	0.00350	0.84418	1.11820
2018-2019	0.15582	0.01500	0.09246	0.00350	0.84418	1.11096
2019-2020	0.15582	0.01500	0.08788	0.00350	0.84418	1.10638
2020-2021	0.15582	0.01500	0.07983	0.00350	0.84418	1.09833
2021-2022	0.15582	0.01500	0.07541	0.00350	0.84418	1.09391

Note: Rates are per \$100 of assessed valuation

Source: County of Orange Auditor Controller

(1) Excludes rates associated with Mello-Roos Districts

(2) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides. In 1986, the State Constitution was amended to allow rates over the 1% base rate for voter approved general obligation debt. Valuations of real property are frozen at the value of the property in 1975, with an allowable adjustment up to 2% per year for inflation. However, property is assessed to its current value when a change of ownership occurs. New construction, including tenant improvements, is assessed at its current value.

**CITY OF HUNTINGTON BEACH
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(In Thousands)**

Fiscal Year	Total Levy	Collected within the Fiscal			Total Collections			Delinquent Taxes Receivable	Delinquency Percent
		Year of the Levy		Delinquent Tax Collections	Percentage				
		Amount	Percentage of Levy		Amount	of Levy			
<u>Secured Taxes</u>									
2012-2013	47,162	45,722	96.9%	855	46,577	98.8%	565	1.2%	
2013-2014	49,808	48,452	97.3%	656	49,108	98.6%	545	1.1%	
2014-2015	52,188	50,759	97.3%	576	51,335	98.4%	519	1.0%	
2015-2016	55,886	53,916	96.5%	546	54,462	97.5%	1,263	2.3%	
2016-2017	58,258	56,481	96.9%	525	57,006	97.9%	1,253	2.2%	
2017-2018	62,418	59,731	95.7%	474	60,205	96.5%	2,073	3.3%	
2018-2019	63,934	62,222	97.3%	622	62,844	98.3%	920	1.4%	
2019-2020	66,411	64,767	97.5%	496	65,263	98.3%	1,092	1.6%	
2020-2021	69,341	67,887	97.9%	626	68,513	98.8%	926	1.3%	
2021-2022	72,014	69,871	97.0%	714	70,585	98.0%	1,510	2.1%	
<u>Unsecured Taxes</u>									
2012-2013	1,882	1,653	87.8%	23	1,676	89.1%	62	3.3%	
2013-2014	1,922	1,693	88.1%	33	1,726	89.8%	76	4.0%	
2014-2015	2,016	1,839	91.2%	37	1,876	93.1%	69	3.4%	
2015-2016	1,925	1,740	90.4%	35	1,775	92.2%	39	2.0%	
2016-2017	1,899	1,692	89.1%	23	1,715	90.3%	34	1.8%	
2017-2018	1,964	1,829	93.1%	28	1,857	94.6%	26	1.3%	
2018-2019	1,964	1,804	91.9%	20	1,824	92.9%	29	1.5%	
2019-2020	2,038	1,906	93.5%	15	1,921	94.3%	43	2.1%	
2020-2021	2,143	1,955	91.2%	26	1,981	92.4%	82	3.8%	
2021-2022	2,267	2,059	90.8%	46	2,105	92.9%	90	4.0%	
<u>Community Facilities Districts</u>									
2012-2013	4,093	4,077	99.6%	4	4,081	99.7%	4	0.1%	
2013-2014	3,968	3,957	99.7%	6	3,963	99.9%	-	0.0%	
2014-2015	3,981	3,967	99.6%	1	3,968	99.7%	2	0.1%	
2015-2016	4,121	4,106	99.6%	9	4,115	99.9%	2	0.0%	
2016-2017	4,098	4,085	99.7%	2	4,087	99.7%	-	0.0%	
2017-2018	4,141	4,128	99.7%	5	4,133	99.8%	-	0.0%	
2018-2019	4,099	4,086	99.7%	3	4,089	99.8%	1	0.0%	
2019-2020	4,053	4,027	99.4%	2	4,029	99.4%	14	0.3%	
2020-2021	3,949	3,937	99.7%	-	3,937	99.7%	-	0.0%	
2021-2022	3,987	3,975	99.7%	-	3,975	99.7%	-	0.0%	

Source: County of Orange Auditor Controller's Office

Note:

The levy and tax year is for July 1st through June 30th and does not include the Redevelopment Agency.

2012/2013 to current fiscal year includes the following:

Secured: includes supplemental, st lty reorg, nuisance abatement, weed abatement, retirement override, tax admin charges, and community interest. Does not include Community Facilities District CFDs.

Unsecured: includes aircraft unsecured tax. Does not include CFDs.

Miscellaneous: excluded from all tables.

Delinquency Amount: reflects the "unpaid" amounts as stated in the OC Auditor-Controller website.

**CITY OF HUNTINGTON BEACH
TOP TEN PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

	2021-2022	
	Taxable Assessed Value (In Thousands)	Percent of Total TAV
AES Huntington Beach Energy, LLC	\$ 731,070	1.75%
Bella Terra Associates LLC	392,816	0.94%
CMFA Special Finance Agency VII	267,496	0.64%
PCH Beach Resort LLC	225,699	0.54%
DCO Pacific City LLC	223,353	0.53%
Huntington Gateway Industrial LLC	160,803	0.38%
The Waterfront Hotel LLC	147,232	0.35%
Monogram Residential Huntington Beach	139,068	0.33%
MC Donnell Douglas/Boeing	137,448	0.33%
One Pacific Plaza Owner LLC	128,867	0.31%
Total Top Ten	2,553,852	6.11%
All Other Property Taxpayers	39,278,041	93.89%
City Total	\$ 41,831,893	100.00%

	2012-2013	
	Taxable Assessed Value (In Thousands)	Percent of Total TAV
OXY USA Inc	\$ 552,425	1.97%
The Boeing Company/McDonnell Douglas	350,678	1.25%
Bella Terra Associates LLC	202,718	0.72%
Mayer Financial LP	201,668	0.72%
CIM Huntington LLC	154,351	0.55%
21002 HB LLC	89,155	0.32%
Pacific Sands LLC	84,093	0.30%
United Dominion Realty LP	70,059	0.25%
Harbour Lights LP	66,024	0.24%
Seacliff Village Shopping Center Inc	65,842	0.23%
Total Top Ten	1,837,013	6.55%
All Other Property Taxpayers	26,208,465	93.45%
City Total	\$ 28,045,478	100.00%

Source: County of Orange Auditor Controller's Office

Note: Information provided for the period from July 1st through June 30th.

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CITY OF HUNTINGTON BEACH
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended				
	2022	2021	June 30, 2020	2019	2018***
Long-Term Indebtedness					
Governmental Activities:					
Judgement Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Public Financing Authority:					
2010(a) Lease Revenue Bonds	-	-	7,410	8,235	9,030
2011(a) Lease Revenue Bonds	-	-	15,725	17,770	19,735
2014(a) Lease Revenue Bonds	11,215	11,880	12,530	13,145	13,740
2020(a) Lease Revenue Bonds	4,835	4,835	-	-	-
2020(b) Lease Revenue Bonds	11,315	12,830	-	-	-
Total Public Financing Authority	27,365	29,545	35,665	39,150	42,505
Other Long-Term Obligations:					
Finance Purchase Agreement	11,714	12,753	5,241	5,083	6,079
Leases Payable	247	-	-	-	-
PARS Payable	-	-	-	-	-
Section 108 Loan City	-	-	-	-	430
LED Lighting Phase I	314	432	546	656	762
CEC	2,063	2,457	2,588	2,818	3,000
I-Bank	1,586	1,882	2,171	2,454	2,730
Pension Obligation Bonds	330,642	341,501	-	-	-
Total Other Long-Term Obligations	346,566	359,025	10,546	11,011	13,001
Total Long-Term Obligations - Governmental Activities	373,931	388,570	46,211	50,161	55,506
Long-Term Obligations - Business-Type Activities:					
Pension Obligation Bonds	21,368	22,144	-	-	-
Total Long-Term Obligations - Business-Type Activities	21,368	22,144	-	-	-
Total Long Term Obligations - Governmental Activities and Business-Type Activities	\$ 395,299	\$ 410,714	\$ 46,211	\$ 50,161	\$ 55,506
	2022	2021	2020	2019	2018***
Population	197,437	198,039	200,748	202,265	201,761
Debt Per Capita	\$ 2,002	\$ 2,074	\$ 230	\$ 248	\$ 275
Total Personal Income (In Thousands)*	\$ 9,995,248	\$ 9,659,154	\$ 9,450,814	\$ 9,222,677	\$ 8,849,843
Per Capita Personal Income*	\$ 50,625	\$ 48,774	\$ 47,078	\$ 45,597	\$ 43,863
Unemployment Rate**	2.80%	4.70%	8.60%	2.60%	2.70%
Total Employment**	104,300	100,700	96,200	107,700	106,900

* Source: Claritas, Inc.

** Source: State of California Employment Development Department

*** The 2017/18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

CITY OF HUNTINGTON BEACH
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended				
	2017	2016	September 30, 2015	2014	2013
Long-Term Indebtedness					
Governmental Activities:					
Judgement Obligation Bonds	\$ -	\$ 659	\$ 1,634	\$ 2,574	\$ 3,474
Public Financing Authority:					
2010(a) Lease Revenue Bonds	9,030	9,795	10,525	11,230	11,910
2011(a) Lease Revenue Bonds	19,735	21,650	24,985	28,165	31,195
2014(a) Lease Revenue Bonds	13,740	14,315	14,865	-	-
2020(a) Lease Revenue Bonds	-	-	-	-	-
2020(b) Lease Revenue Bonds	-	-	-	-	-
Total Public Financing Authority	42,505	45,760	50,375	39,395	43,105
Other Long-Term Obligations:					
Finance Purchase Agreement	6,286	4,130	-	-	-
Leases Payable	-	-	-	-	-
PARS Payable	-	-	-	29	56
Section 108 Loan City	430	625	805	975	1,135
LED Lighting Phase I	866	966	1,063	-	-
CEC	3,000	3,000	-	-	-
I-Bank	2,730	3,000	-	-	-
Pension Obligation Bonds	-	-	-	-	-
Total Other Long-Term Obligations	13,312	11,721	1,868	1,004	1,191
Total Long-Term Obligations - Governmental Activities	55,817	58,140	53,877	42,973	47,770
Long-Term Obligations - Business-Type Activities:					
Pension Obligation Bonds	-	-	-	-	-
Total Long-Term Obligations - Business-Type Activities	-	-	-	-	-
Total Long Term Obligations - Governmental Activities and Business-Type Activities	\$ 55,817	\$ 58,140	\$ 53,877	\$ 42,973	\$ 47,770
	2017	2016	2015	2014	2013
Population	202,413	201,919	198,389	195,999	193,616
Debt Per Capita	\$ 276	\$ 288	\$ 272	\$ 219	\$ 247
Total Personal Income (In Thousands)*	\$ 8,878,441	\$ 8,880,801	\$ 8,725,545	\$ 8,278,410	\$ 7,839,899
Per Capita Personal Income*	\$ 43,863	\$ 43,982	\$ 43,982	\$ 42,237	\$ 40,492
Unemployment Rate**	2.80%	3.90%	3.90%	3.60%	3.60%
Total Employment**	103,200	107,200	104,000	120,200	120,200

**CITY OF HUNTINGTON BEACH
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(In Thousands)**

Fiscal Year	Assessed Valuation	Debt Limit - 12% of Assessed Valuation	Debt Applicable to Limit	Legal Debt Margin
2012-2013	28,045,478	3,365,457	-	3,365,457
2013-2014	29,165,729	3,499,887	-	3,499,887
2014-2015	30,787,185	3,694,462	-	3,694,462
2015-2016	32,392,741	3,887,129	-	3,887,129
2016-2017	33,663,879	4,039,665	-	4,039,665
2017-2018	35,340,214	4,240,826	-	4,240,826
2018-2019	37,120,729	4,454,487	-	4,454,487
2019-2020	38,887,451	4,666,494	-	4,666,494
2020-2021	40,561,224	4,867,347	-	4,867,347
2021-2022	41,831,893	5,019,827	-	5,019,827

**CITY OF HUNTINGTON BEACH
STATEMENT OF DIRECT AND
OVERLAPPING BONDED DEBT
JUNE 30, 2022**

2021-22 Assessed Valuation: \$45,858,082,541

Debt Repaid with Property Taxes (Tax and Assessment Debt):

Overlapping Tax and Assessment Debt	Percent Applicable*	Debt Applicable to City
Metropolitan Water District	1.350%	272,363
Coast Community College District	28.354%	268,171,969
Huntington Beach Union High School District	73.071%	119,584,344
Fountain Valley School District	27.085%	15,740,448
Huntington Beach City School District	99.958%	151,575,274
Ocean View School District	93.573%	121,298,680
Westminster School District	23.889%	29,936,404
Los Alamitos Unified School District Facilities District No. 1	1.163%	2,300,824
City of Huntington Beach Community Facilities Districts (1990-1, 2000-1, 2002-1, 2003-1)	100.000%	26,680,000
Total Overlapping Tax and Assessment Debt		\$ 735,560,306

Direct and Overlapping General Fund Debt

Orange County General Fund Obligations	6.728%	25,349,758
Orange County Pension Obligations	6.728%	35,105,628
Orange County Board of Education Certificates of Participation	6.728%	781,794
North Orange County Regional Occupation Program Certificates of Participation	0.086%	7,052
Coast Community College District General Fund Obligations	28.354%	528,802
Coast Community College District Pension Obligation Bonds	28.354%	517,461
Huntington Beach Union High School District Certificates of Participation	73.071%	42,677,914
Los Alamitos Unified School District Certificates of Participation	1.046%	362,251
Huntington Beach School District General Fund Obligations	99.958%	16,285,129
Ocean View School District Certificates of Participation	93.573%	15,261,756
Westminster School District General Fund Obligations	23.889%	7,085,477
City of Huntington Beach General Fund Obligations:	100.000%	45,298,393
City of Huntington Beach Pension Obligation Bonds	100.000%	352,010,000
Total Direct and Overlapping General Fund Obligation Debt		\$ 541,271,415

Overlapping Tax Increment Debt (Successor Agency)	100.000%	3,765,000
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Total Direct Debt	\$ 397,308,393
Total Overlapping Debt	883,288,328
Combined Total Debt	\$ 1,280,596,721

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and non-bonded capital lease obligations.

Ratios to Adjusted Assessed Valuations

Combined Direct Debt (\$397,308,393)	0.87%
Combined Total Debt	2.79%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$3,810,829,132)

Total Overlapping Tax Increment Debt	0.10%
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* The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

Source: California Municipal Statistics and City of Huntington Beach Finance Department

**CITY OF HUNTINGTON BEACH
PRINCIPAL PRIVATE EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

	2022	% of total
The Boeing Company	3,112	2.98%
Safran Cabin Inc	884	0.85%
Hyatt Regency Huntington Beach	641	0.61%
Boardriders Wholesale LLC	600	0.58%
Cambro Manufacturing	550	0.53%
Huntington Beach Hospital	527	0.51%
Wal-Mart	462	0.44%
Waterfront Hilton Beach Resort	450	0.43%
No Ordinary Moments	440	0.42%
Home Depot USA Inc	436	0.42%
Total of top 10	8,102	7.77%
All others	96,198	92.23%
Total employment (public and private)	104,300	100.00%

	2013	% of total
Boeing	5,178	4.33%
Cambro MFG Co.	1,137	0.95%
Quiksilver	955	0.80%
Ensign United States Drilling	925	0.77%
Hyatt Regency Huntington Beach	641	0.54%
C & D Aerospace	555	0.46%
Huntington Beach Hospital	527	0.44%
Wal-Mart	462	0.39%
Rainbow Disposal	408	0.34%
Huntington Beach Healthcare	381	0.32%
Total of top 10	11,169	9.34%
All others	108,431	90.66%
Total employment (public and private)	119,600	100.00%

Source: Finance Department, City of Huntington Beach

CITY OF HUNTINGTON BEACH
FULL-TIME ACTUAL AND BUDGETED CITY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Actual									
	2022	2021	2020	2019	2018***	2017	2016	2015	2014	2013
General Government:										
City Council	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Manager	26.00	20.00	18.00	12.50	12.50	11.50	11.50	11.50	11.50	7.00
City Treasurer	1.50	1.50	1.50	2.00	2.00	2.00	1.50	1.50	1.50	1.50
City Attorney	11.00	11.00	11.00	11.00	11.00	12.00	11.00	11.00	11.00	11.00
City Clerk	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Finance	34.50	32.50	31.50	33.00	33.00	33.00	32.50	31.50	31.50	29.50
Human Resources **	-	-	-	15.00	15.00	15.00	15.00	15.00	15.00	14.50
Community Development	57.50	57.50	54.00	44.00	44.00	44.00	43.50	44.00	43.00	42.75
Information Systems	26.00	26.00	22.00	30.00	30.00	30.00	30.00	30.00	30.00	29.50
Economic Development *	-	-	-	-	-	-	-	-	-	4.50
Library Services	29.25	29.25	23.25	28.25	28.25	28.25	28.25	28.25	28.25	27.75
Fire	201.00	201.00	200.00	198.00	198.00	198.00	198.00	198.00	196.50	176.50
Police	353.00	357.00	356.00	365.50	364.50	364.50	364.50	361.50	360.50	358.50
Community Services	33.00	33.00	37.00	36.00	36.00	44.00	44.00	43.00	43.00	56.00
Public Works	211.00	207.00	199.00	207.00	207.00	199.00	199.00	198.00	196.00	196.00
	989.75	980.75	958.25	987.25	986.25	986.25	983.75	978.25	972.75	960.00

Source: Finance Department, City of Huntington Beach

* Economic Development was combined with Community Development in the year ended June 30, 2020. Previously, it was combined with the City Manager's Office as of the year ended September 30, 2014.

** Human Resources was combined with City Manager's Office in the year ended June 30, 2020.

*** The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

**CITY OF HUNTINGTON BEACH
OPERATING INDICATORS BY FUNCTION/ACTIVITY
LAST TEN FISCAL YEARS**

Function/Program	2022	2021	2020	2019	2018***
Finance:					
Water Bills Processed	637,956	637,920	636,708	639,245	476,290
Active Business Licenses	18,849	19,011	20,910	21,414	21,782
Accounts Receivable Billings Processed	12,437	20,183	25,687	30,217	25,000
City Clerk:					
Passports Issued ****	5,721	418	4,579	7,024	5,757
Planning:					
Entitlements Processed	154	112	162	221	206
Plan Reviews	606	1,955	1,358	1,542	1,466
Field Inspection Complaints	7,403	11,899	11,610	8,183	7,005
Code Violation Cases	5,051	4,473	3,260	4,786	4,219
Building:					
Number of Permits Issued	10,292	9,075	8,855	9,807	7,490
Number of Inspections Completed	31,080	26,710	32,859	36,562	30,501
Value of Construction Permits (Thousands of Dollars)	237,945	166,000	169,393	135,910	109,462
Processed Number of Certificate of Occupancies*	641	655	515	686	523
Completed Plan Reviews	5,701	4,673	3,469	3,491	2,771
Counter Visits	14,289	115	14,922	21,409	16,498
Fire:					
Inspections	7,311	4,008	5,965	6,140	3,963
Responses	22,076	20,428	21,068	20,354	14,490
Ocean Rescues	4,160	4,116	2,487	4,953	3,530
Estimated Beach Visitors	8,345,139	7,910,293	6,712,125	10,577,290	12,522,640
Police:					
Physical Arrests	5,585	5,363	5,785	5,979	4,614
Parking Violations	97,299	95,753	59,484	79,069	54,500
Traffic Violations	8,869	10,920	12,105	13,314	11,869
Community Services:					
Park/Open Space Acreage	1,072	1,072	1,066	1,066	1,065
Enrollment in Recreation Classes	34,616	15,511	28,952	37,978	27,152
Public Works:					
Water Sold (Acre Feet)**	26,459	27,731	25,966	26,251	19,777
Gallons of Sewage Pumped Per Day**	19 million	19 million	19 million	19 million	19 million
Library:					
Items in Collection	290,351	291,444	294,849	293,995	292,037
Items Borrowed	796,882	481,523	779,124	942,821	655,626

* Beginning the 2013/14 Fiscal Year, the Building Department no longer processes Certificate of Occupancies.

** Reduction of estimate is the result of the Governor's executive order to reduce water consumption.

*** The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

**** Passport acceptance was closed to the public from June 2020 through May 2021 due to COVID-19. It was reopened on June 15, 2021.

Source: Various departments of the City of Huntington Beach

**CITY OF HUNTINGTON BEACH
OPERATING INDICATORS BY FUNCTION/ACTIVITY
LAST TEN FISCAL YEARS**

Function/Program	(Continued)				
	2017	2016	2015	2014	2013
Finance:					
Water Bills Processed	632,997	635,052	536,684	630,240	628,207
Active Business Licenses	22,074	21,420	21,424	20,450	21,127
Accounts Receivable Billings Processed	34,963	30,826	38,594	42,360	45,422
City Clerk:					
Passports Issued	7,408	5,623	5,121	4,598	4,220
Planning:					
Entitlements Processed	216	221	280	204	231
Plan Reviews	1,376	1,653	1,595	1,466	1,575
Field Inspection Complaints	8,459	7,951	8,233	7,030	7,301
Code Violation Cases	3,981	4,324	4,710	2,545	2,385
Building:					
Number of Permits Issued	9,728	10,981	10,670	9,348	8,970
Number of Inspections Completed	38,796	39,380	38,320	36,142	33,962
Value of Construction Permits (Thousands of Dollars)	216,252	283,910	234,946	216,343	248,246
Processed Number of Certificate of Occupancies*	740	n/a	n/a	n/a	477
Completed Plan Reviews	4,172	4,172	3,815	3,148	n/a
Counter Visits	21,731	23,492	21,893	21,326	20,854
Fire:					
Inspections	2,758	5,132	6,499	6,641	5,087
Responses	20,555	20,279	19,562	15,815	15,608
Ocean Rescues	3,639	3,977	5,371	6,426	4,195
Estimated Beach Visitors	13,339,518	12,272,030	11,803,943	12,035,134	11,016,615
Police:					
Physical Arrests	5,298	5,112	4,854	4,303	4,237
Parking Violations	70,846	90,361	83,453	74,668	72,347
Traffic Violations	19,916	17,639	17,596	16,330	13,016
Community Services:					
Park/Open Space Acreage	1,065	1,062	1,062	1,062	1,062
Enrollment in Recreation Classes	37,968	34,424	30,228	30,184	30,218
Public Works:					
Water Sold (Acre Feet)**	25,944	24,505	24,763	29,279	28,354
Gallons of Sewage Pumped Per Day**	22 million	19 million	19 million	22 million	22 million
Library:					
Items in Collection	288,599	285,814	343,655	332,092	385,901
Items Borrowed	943,642	921,105	908,656	937,533	892,543

**CITY OF HUNTINGTON BEACH
CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY
JUNE 30, 2022**

Library Services	One Main Library and Four Branches
Fire:	
Fire Stations	8
Police:	
Stations	One Main Station and Three Substations
Community Services:	
Acreage of Parks	1,066
Community Centers	6
Public Works:	
Centerline Square Miles of Streets Maintained	451
Miles of Beach Maintained	4.7
Miles of Storm Drains Maintained	120
Miles of Sewer Maintained	362

Source: Various departments of the City of Huntington Beach