



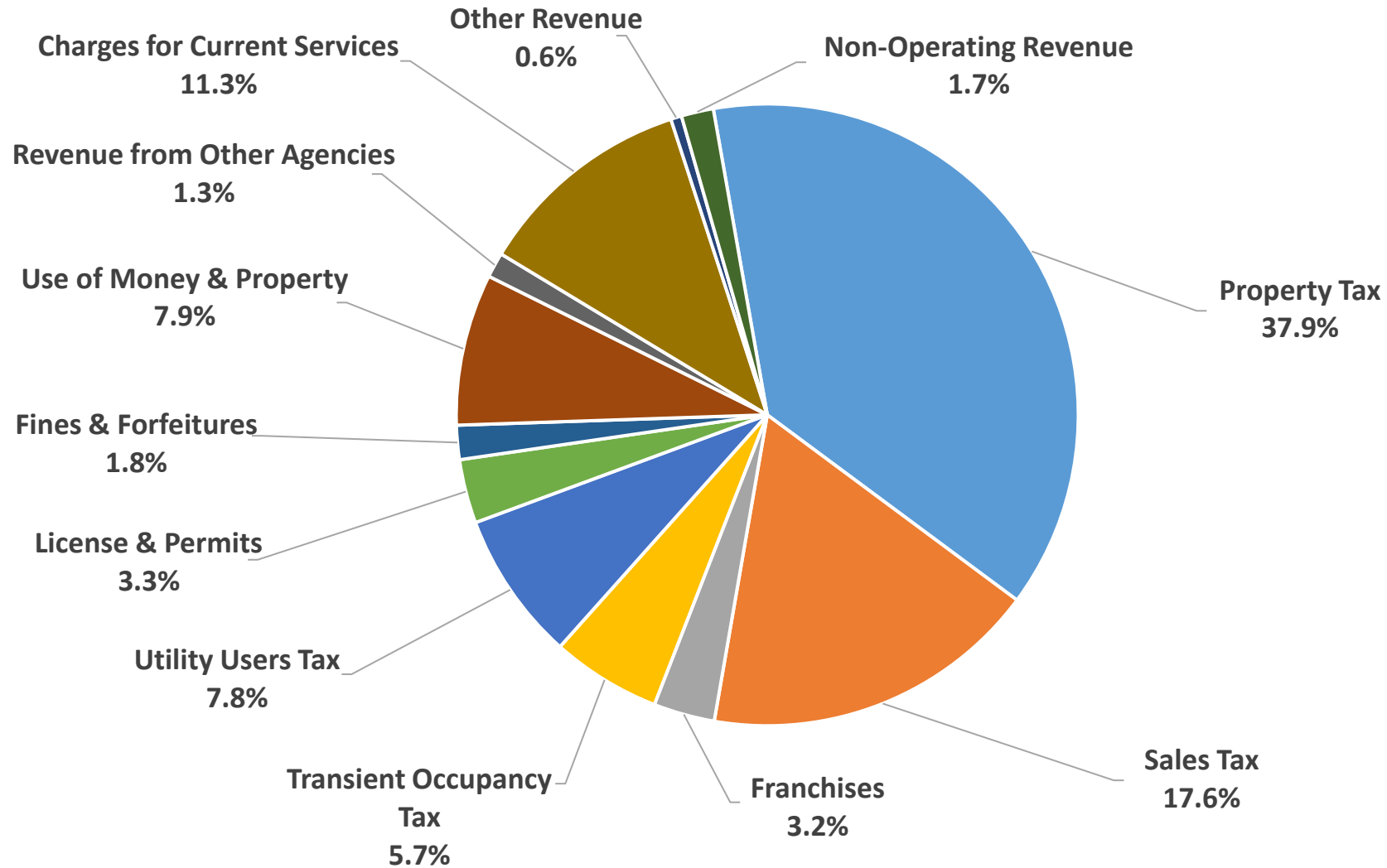
City of Huntington Beach Proposed FY 2025/26 Budget Overview

- **General Fund**
- **CIP**
- **Pension Overview**
- **Fiscal Sustainability Strategies**

FY 2025/26 All Funds Proposed Budget Review \$554.9M

Department / Fund	General Fund	Capital Projects Funds	Debt Service Funds	Enterprise Funds	Special Revenue Funds	Internal Service Fund	Trust and Agency Funds	Other Funds	TOTAL
City Council	468,951								468,951
City Manager	3,101,687				100,000			35,000	3,236,687
City Attorney	4,223,414								4,223,414
City Clerk	1,196,874								1,196,874
City Treasurer	2,194,073								2,194,073
Community Development	10,618,628				2,334,861			129,000	13,082,489
Community & Library Services	16,663,318				2,615,383			1,334,000	20,612,701
Finance	5,870,337				110,000	7,677,672			13,658,009
Fire	64,520,419			332,916	893,400		466,315		66,213,050
Human Resources	2,516,074					26,955,484			29,471,558
Information Services	8,546,183				549,044				9,095,227
Non-Departmental	58,485,785	8,200,000	25,541,969		104,000		25,916,664		118,248,418
Police	96,249,310				2,304,000			50,000	98,603,310
Public Works	24,339,119	12,249,413		100,508,770	35,862,266		1,644,300		174,603,868
Grand Total	298,994,172	20,449,413	25,541,969	100,841,686	44,872,954	34,633,156	28,027,279	1,548,000	554,908,629

FY 2025/26 All Funds Proposed Expenditures - \$554.9M



FY 2025/26 General Fund Proposed Budget Review

- **Proposed FY 2025/26 General Fund Budget is structurally balanced, with a projected \$1.1M surplus**

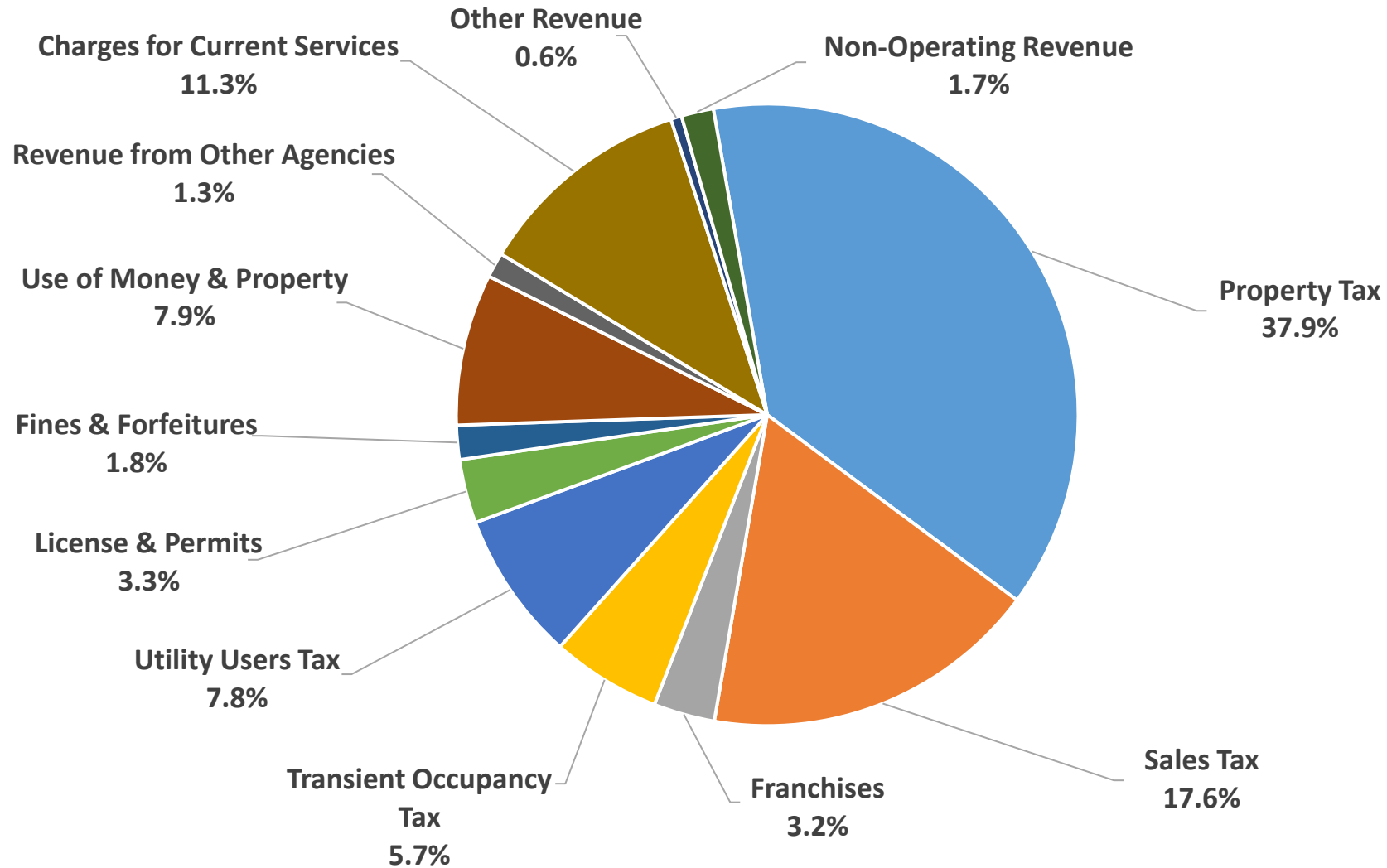
General Fund (Fund 100) (in thousands)	Proposed FY 25/26
Revenues (recurring)	\$295,089
Revenues (one-time) *	5,013
Total Revenues	300,102
Personnel Costs	189,647
Operating Costs	54,518
Non-Operating Costs **	54,829
Total Expenditures	298,994
Surplus / (Deficit)	\$1,108

- Portion of Waterfront allocation with the remaining \$4.3M set side in reserves.

** Includes Debt Service, Capital Expenditures, and Transfers

- **Continued Infrastructure Investments in FY 2025/26**
 - General Fund transfer to the Infrastructure Fund totals \$14.5M
 - CIP budget totals \$63.6M (increase from prior year of \$28.3M) includes \$7.9M in General Funds

FY 2025/26 General Fund Proposed Revenues - \$300.1M



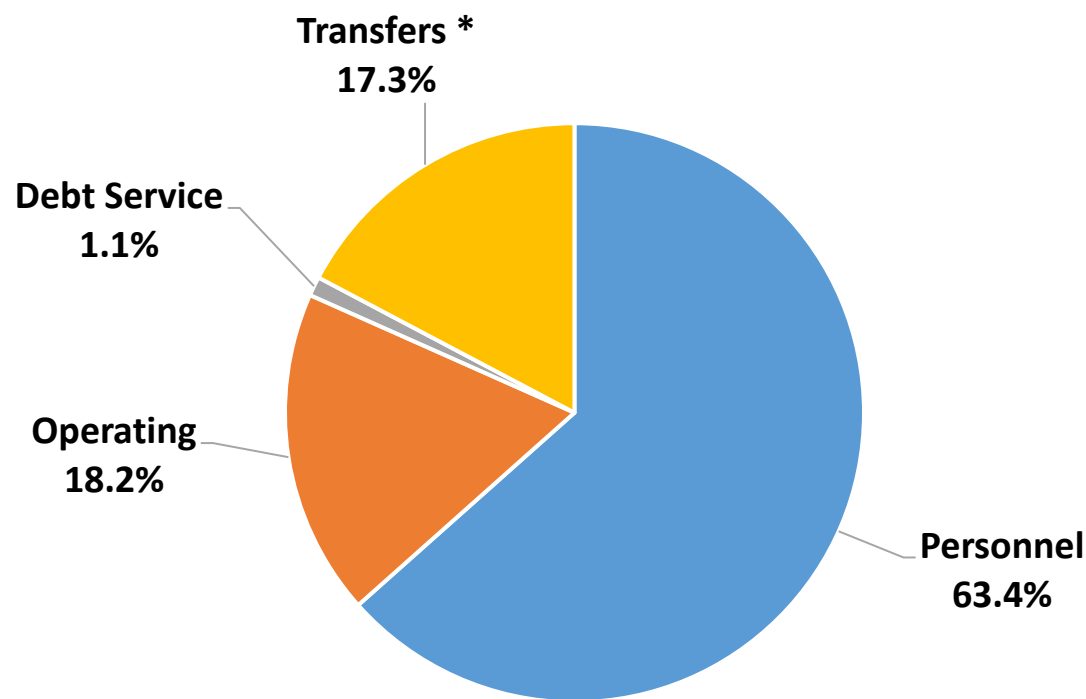
FY 2025/26 General Fund Proposed Revenues - \$300.1M

- **Major revenue variances include:**

- **Property Tax:** \$113.9M (5.0% or \$5.7M increase)
 - Higher assessed valuations as of January 1, 2025 versus prior fiscal year
- **Other Local Taxes:** \$102.7M (1.19% or \$1.2M net decrease)
 - Sales Taxes: \$49.6M (1.4% or \$0.7M decrease)
 - Prop 172: \$3.1M (0.7% or 22k decrease)
 - Utility Users Tax (UUT): \$23.3M (1.27% or \$0.3M increase)
 - Franchises: \$9.5M (11% or \$1.1M decrease)
 - Others: \$17.1M (1.80% or \$0.3M increase)
- **Revenue from other Agencies:** \$1.7M (16.1% or \$4.5M decrease)
 - Expected reimbursement of \$1.7M from participation in the Voluntary Rate Range Intergovernmental Transfer (VRRP IGT) Program. These revenues are partially offset by \$0.7M of expenditures related to program participation, for anticipated net revenues of approximately \$1.0M.

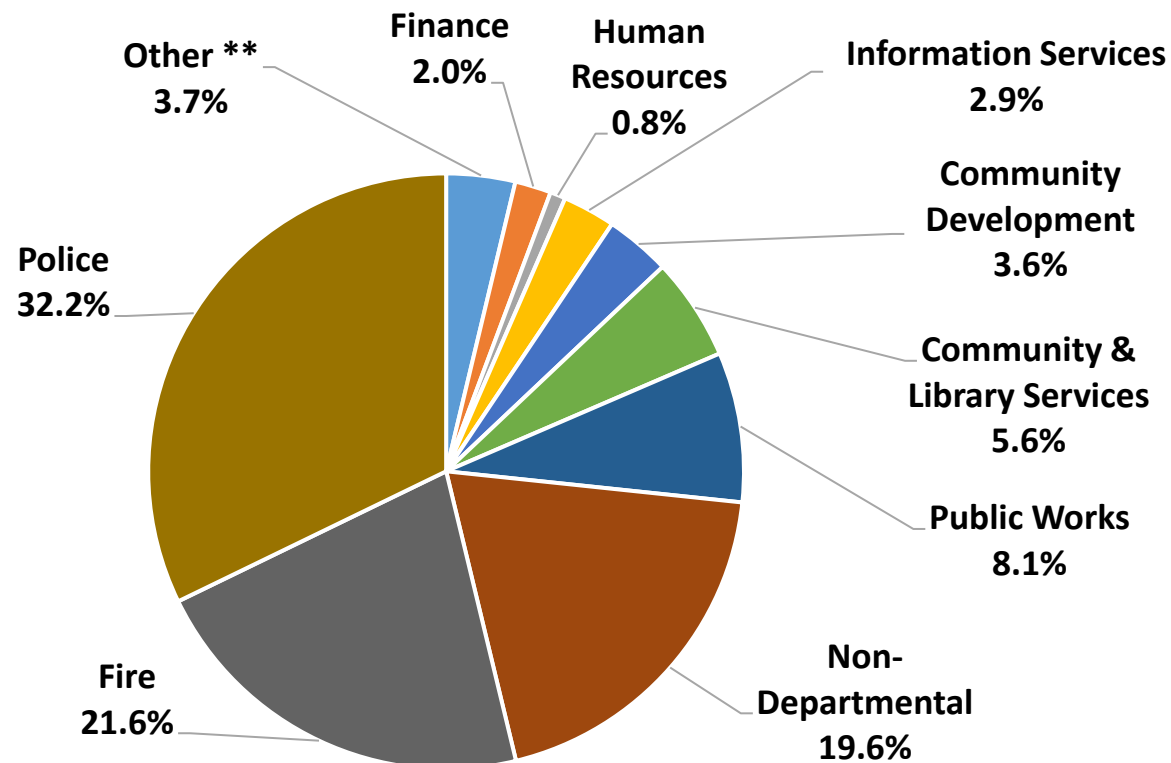
FY 2025/26 General Fund Proposed Expenditures - \$299.0M

BY CATEGORY



* Transfers include Infrastructure, Equipment, General Liability & Section 115 Trust Transfers

BY DEPARTMENT



** Other includes City Council, City Manager, City Attorney, City Clerk, and City Treasurer

FY 2025/26 General Fund Proposed Expenditures - \$299.0M

- **Major expenditure variances include:**

- **Personnel Services:** \$189.7M (6.88% or \$13.1M increase)
 - Renegotiated Memoranda of Understanding (MOU) during FY 24/25 including Minimum Wage, Base Salaries, Public Safety Overtime and Leave Buyout: \$9.0M increase
 - CalPERS UAL Safety Contribution: \$3.5M increase
 - CalPERS UAL Misc Contribution: \$1.6M increase
 - Increase Vacancy Attrition: \$1.0M net expense decrease

FY 2025/26 General Fund Proposed Expenditures - \$299.0M

- **Major expenditure variances include:**

- **Operating Expenses:** \$54.5M (\$2.9M net decrease)
 - Voluntary Rate Range Intergovernmental Transfer (VRRP IGT) Program: (\$2.6M decrease) expenditures related to program participation.
 - Metro Cities JPA: (\$0.6M increase)
 - Water Purchases: (\$0.2M increase)
 - Contracts for Repairs and Maintenance: (\$0.3M decrease)
 - Other Professional Services: (\$0.4M decrease)
 - Equipment and Supplies: (\$0.4M increase)

FY 2025/26 Budget Balancing Strategy

1. Operating Reductions - Personnel

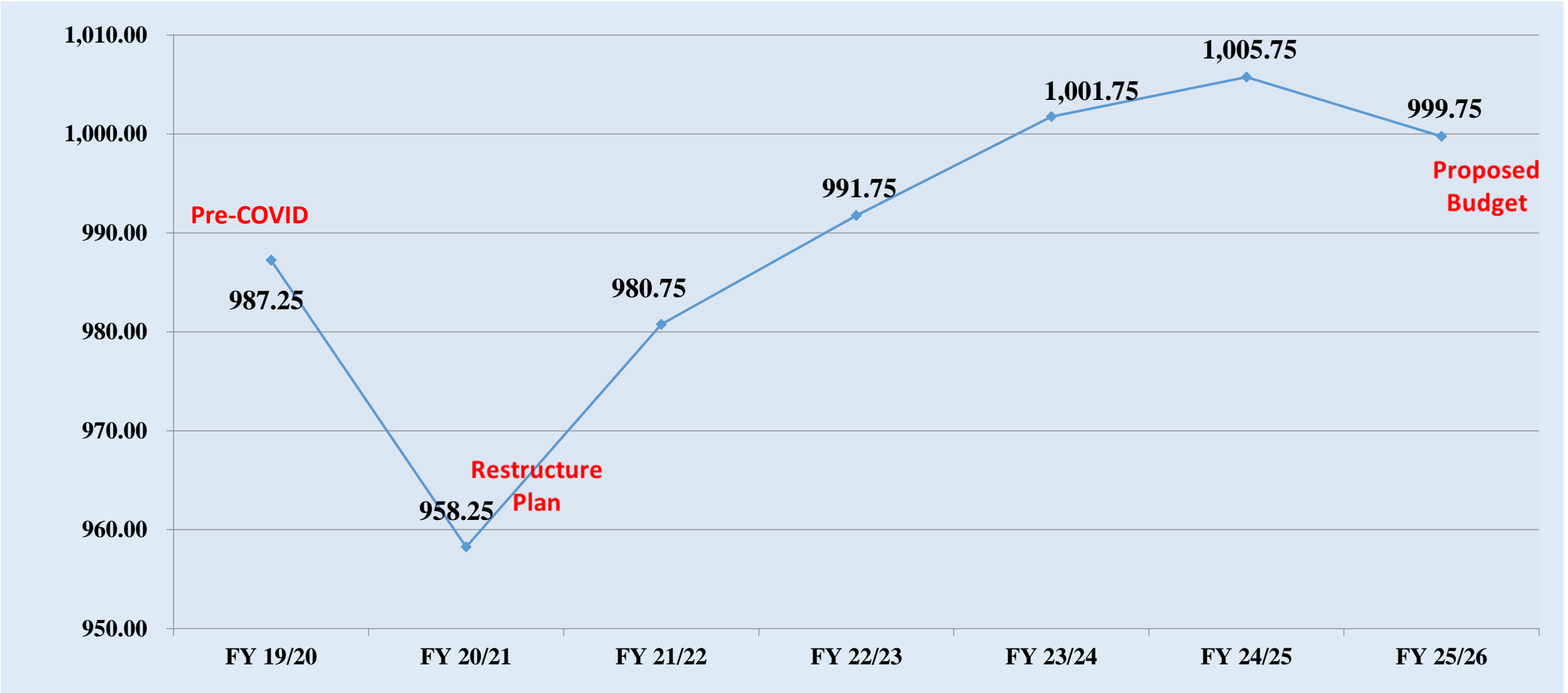
➤ Personnel: \$1.98M

- Eliminate 6 positions - \$0.96M
 - Deputy City Manager
 - Senior Deputy City Attorney
 - Human Resources Manager
 - Principal Management Analyst (Fire)
 - Office Assistant II – Permit Center (Community Development)
 - Office Assistant II – Maintenance Administration (Public Works)
- Downgrade 1 position - \$13K
 - Public Affairs Manager to Public Affairs Officer (City Manager's Office)
- Increase Vacancy Attrition by \$1.0M

FY 2025/26 FTEs by Department

Department	2024/25	2025/26	Variance	Description
City Council	1.00	1.00		
City Attorney	15.00	14.00	(1.00)	Eliminate 1.00 Senior Deputy City Attorney
City Clerk	6.00	6.00		
City Treasurer	9.50	9.50		
City Manager	16.00	15.00	(1.00)	Eliminate 1.00 Deputy City Manager
Community Development	61.50	62.00	.50	Eliminate 1.00 Office Asst II (Permit Center), Transfer 1.50 FTE from Public Works (Real Estate Services)
Comm & Library Services	62.25	63.25	1.00	Transfer 1.00 Capital Projects Admin from Public Works
Finance	28.50	28.50		
Fire	202.00	202.00		Eliminate 1.00 Principal Management Analyst, Upgrade 3.00 PT to 4.00 FTE Marine Safety Specialists: 1.00 FTE
Human Resources	15.00	14.00	(1.00)	Eliminate 1.00 Human Resources Manager
Information Services	26.00	26.00		
Police	351.00	350.00	(1.00)	2.00 Police Officers exchanged for 1.0 Police Sergeant
Public Works	212.00	208.50	(3.50)	Eliminate 1.00 Office Asst II (Maint), Transfer 1.50 to Community Development & 1.00 to Comm & Library Srvs
	1005.75	999.75	(6.00)	

FY 2025/26 Full Time Equivalent – All Funds



FY 2025/26 Budget Balancing Strategy

2. Operating Reductions – Non-Personnel \$2.9M

Object Account	Amount
Professional and Contract Services (includes \$1.5M for Mind OC – Be Well)	\$2,010,000
Conference and Training	\$201,000
Equipment Repairs	\$150,000
Liability Reserves	\$150,000
General Supplies	\$125,000
Clothing/Uniforms	\$90,000
Sales Tax Rebate	\$50,000
Cellular Wireless Data	\$46,000
Overtime	\$20,000
Miscellaneous	\$9,000
Total	\$2,851,000

FY 2025/26 Budget Balancing Strategy

3. Interfund Transfers

- Withdrawal from Section 115 Trust for FY2025-26 UAL Expense: \$1.5M
- Reduce General Fund transfer to Self Insurance Workers' Compensation Fund: \$2.0M
- Reduce General Fund transfer to Self Insurance General Liability Fund: \$2.5M
- Transfer of \$2.4M to the General Fund for second repayment related to the Waterfront Loan Superior Court Judgement

4. Use of Reserves

- Equipment Replacement Reserves - \$3.3 M

5. Revenue Increases

- Community and Library Services - \$0.5 M
- Fire Department - \$0.5 M

General Fund Reserves

Type	Description	Amount Thousands	Sub Total
GF Fund Reserves	As of 6/30/2024	(Thousands)	Sub Total

Nonspendable			
	Prepays	\$148	\$148
Restricted			
	Underground	\$364	
	Restitution	\$317	
	Donations	\$777	
	Section 115 Trust Funded	\$20,212	\$21,670
Committed			
	Economic Uncertainties	\$49,090	
	Other Capital Projects	\$1,379	
	Other Purposes	\$1,554	\$52,023

Type	Description	Amount Thousands	Sub Total
GF Fund Reserves	As of 6/30/2024	(Thousands)	Sub Total
Assigned			
	Litigation Reserves	\$3,650	
	Capital Improvement Reserve	\$9,425	
	Equipment Replacement	\$8,295	
	General Plan Maintenance	\$1,651	
	HB Recovery Fund	\$10,886	
	Oceanview Estates	\$641	
	General Liability Plan Migration	\$2,801	
	Pension Rate Stabilization	\$5,517	
	Section 115 Trust Reserves	\$4,211	
	Year-end Fair Value	\$3,025	
	Other Purposes	\$8,376	\$58,478
	Total		\$132,319
FY 2025/26:	Waterfront Settlement	\$4,370	
	Revised Total		\$136,689



FY 2025/2026 Capital Improvement Program (CIP)



FY 2025/26 CIP BUDGET

➤ Budget

➤ New Appropriations:	\$ 63.6 Million
➤ Continuing Appropriations:	<u>\$ 7.3 Million</u>
Total	\$ 70.9 Million

➤ Funding sources proposed:

- General/Infrastructure Fund (\$38M requested - \$7.9M recommended)
- Enterprise Funds (*Water and Sewer*)
- Special Revenue Funds (*Measure M, Gas Tax, Prop 42, RMRA, Park/PD DIF, Quimby, TIF*)
- Grants/Other (*CDBG, OCTA*)

2025/26 PROJECT SUMMARY

• Drainage and Stormwater	1 projects	\$600K
• Facilities	10 projects	\$3.6M
• Neighborhood	3 projects	\$6.8M
• Parks and Beaches	10 projects	\$3.3M
• Sewer	3 projects	\$7M
• Streets and Transportation	17 projects	\$28.6M
• Water	6 projects	\$13.7M

CIP 25/26 PROJECTS TOTAL \$63.6M

DRAINAGE \$600,000

Local Storm Channel Repair C6-SC1 (INFR & DRAINAGE FUND)



FACILITIES \$3.6M

- City Gym & Pool Flooring Replacement \$155k (INFR FUND)
- HB Art Center Electrical & Lighting Rehabilitation \$270k (INFR FUND)
- Helen Murphy Branch Foundation Design \$80k (INFR FUND)
- Main Promenade Parking Structure Anti-Slip Tile \$80k (INFR FUND)
- Fire Department Remodel at City Hall \$100k (INFR FUND)
- Fuel Station Canopies \$500k (INFR FUND)
- Partial Re-Roof City Gym and Pool \$385k (INFR FUND)
- City Yard Admin Building Roof \$187k (INFR FUND)
- Replace R22 Air Conditioning \$150k (INFR FUND)
- PD South Sub Station \$1.7M (PD DIF)



NEIGHBORHOOD \$6.8M

- Residential Curb Ramps \$750k (Measure M, CDBG FUND)
- Residential Overlay/Slurry \$5.45M (Gas, Measure M, Prop 42, Sewer and Water Fund)
- Residential Alley Rehab \$600k (Measure M)



PARKS AND BEACHES \$3.3M

- Arevalos Park Playground \$190k (Park)
- Drew Park Playground \$467k (Park)
- Edison Park Reconfiguration \$1M (Park)
- South Beach Lots Booth Roof & Rehab \$121k (INF)
- Bluff Top Park Irrigation Controller Replacement \$100k (INF)
- Central Park Electrical Switchgear Replacement \$525k (INF)
- Sunset Beach Restroom Restoration \$85k (INFR FUND)
- Beach Restroom Renovations \$300k (INFR FUND)
- Bluff Top Slope Stabilization Repair \$310k (INFR FUND)
- Harbour Bulkhead \$250k (INFR FUND)



SEWER IMPROVEMENTS \$7M

- Sewer Lining – Various Locations \$2.5M (Sewer Fund)
- Gilbert Sewer Lift Station Improvements (Design) \$500k (Sewer Fund)
- Davenport Sewer Lift Station Improvements \$4M (Sewer Fund)



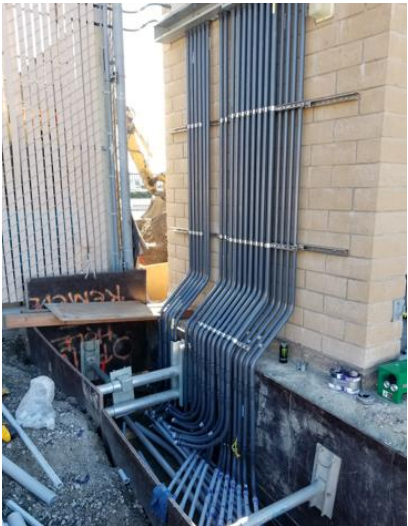
STREETS & TRANSPORTATION \$28.6M

• Arterial Rehabilitation	\$6.6M (RMRA, Prop 42)
• ADA Improvement Program	\$250k (Measure M)
• Banning Roundabout and SE Corridor Improvements	\$5.6M (OCTA/AES)
• Hamilton Avenue Corridor Improvements	\$4.5M (OCTA/AES)
• Magnolia Street Corridor Improvements (Design)	\$416K (OCTA/AES)
• Humboldt Bridge Rehabilitation	\$5.3M (Caltrans HBP/Measure M)
• Bridge Preventative Maintenance (Bolsa)	\$655k (MEAS M)
• Driveway Sports Complex	\$400k (INFR FUND)
• Traffic Signal Mod Bolsa at Amazon (Design)	\$40k (TIF)
• Bushard Fire Station Signal and Fiber Optics (Design)	\$40k (TIF)
• Traffic Signal Goldenwest and Norma/Lydia (Design)	\$40k (TIF)
• Traffic Signal Goldenwest and Rio Vista (Design)	\$30k (TIF)
• CCTV Camera Installation	\$90k (TIF)
• Downtown Street Lighting	\$3.8M (INFR FUND/GRANT)
• Citywide Safe Route to School Evaluation	\$625k (Measure M/TIF)
• Citywide Mobility and Corridor Improvements	\$150k (TIF)
• Graham and Springdale Street Reconfiguration	\$70k (TIF)



WATER IMPROVEMENTS \$13.6M

- | | |
|--|----------------|
| • Annual Water Main Replacement | \$1.5M (WATER) |
| • Well 14 Drilling and Casing Project | \$2M (WATER) |
| • Well 14 Storm Drain | \$2M (WATER) |
| • Well 9 GAC Replacement | \$400k (WATER) |
| • On Site Gas Generation Wells 4,7, and 13 | \$7.1M (WATER) |
| • Well 15 Drilling and Casing Project | \$650k (WATER) |





City of Huntington Beach Pension Overview

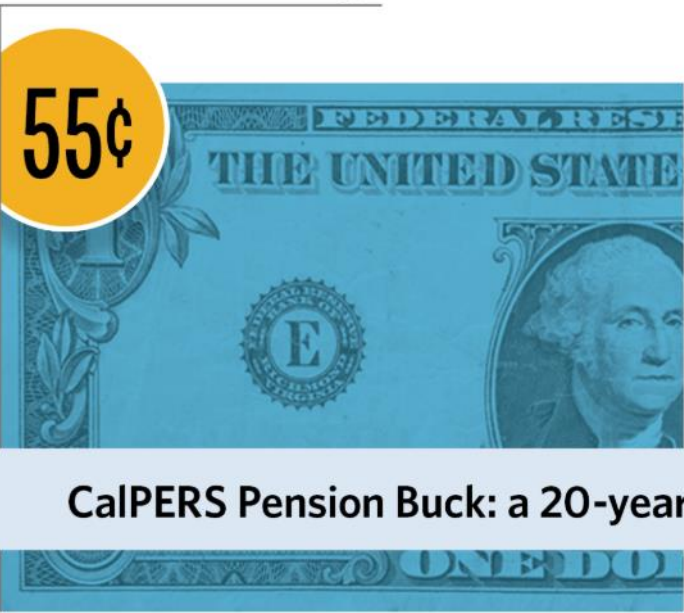
City of Huntington Beach Unfunded Accrued Liability

- **UAL is the difference between estimated value cost of retirement benefits earned & expected to be paid to current employees and retirees in the future, and the market value of investments held by CalPERS.**
- The City's most recent CalPERS report of assets, liabilities and funded status are measured as of the valuation date of June 30, 2023.
- Employer contributions determined by the 6/30/23 valuation are imposed in FY 2025-26.
- This 2-year lag is due to the time needed by CalPERS to extract and test the membership and financial data.
- The UAL must be rolled forward two years from the valuation date.

\$ millions	Miscl	Safety	Total
Liability	\$693	\$943	\$1,636
Assets	\$607	\$805	\$1,412
UAL	\$86	\$138	\$224
Funded Ratio	87.5%	85.4%	86.3%

How Are Pension Costs Determined?

CalPERS
investment earnings



CalPERS
employers



CalPERS
members



CalPERS Pension Buck: a 20-year Average (as of June 30, 2024)

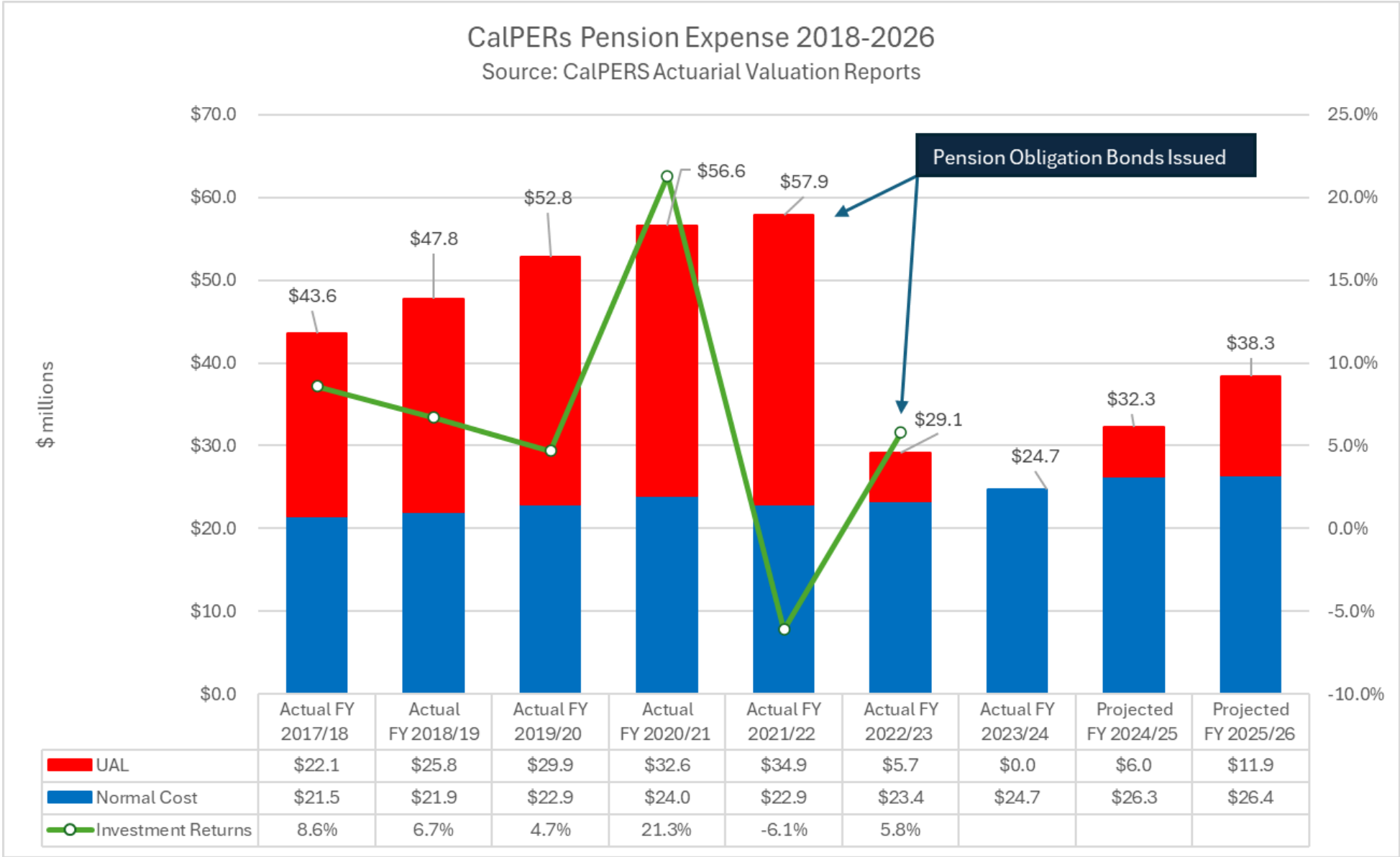
Funding a Pension Plan



What drives PERS Costs?

- Change in mortality assumptions (increased life expectancy)
- Increases in number of employees
- Increases in “PERS-able” salaries & wages
- PERS amortization policy (20 years)
- Changes by CalPERS in the assumed investment earnings/discount rate – currently 6.8%
 - ✓ Assumed discount rate assessed against UAL
 - ✓ Investment earnings below assumed 6.8% rate increases the UAL
- Any action by City to pay down the UAL results in savings

City of Huntington Beach – Annual CalPERS Pension Costs

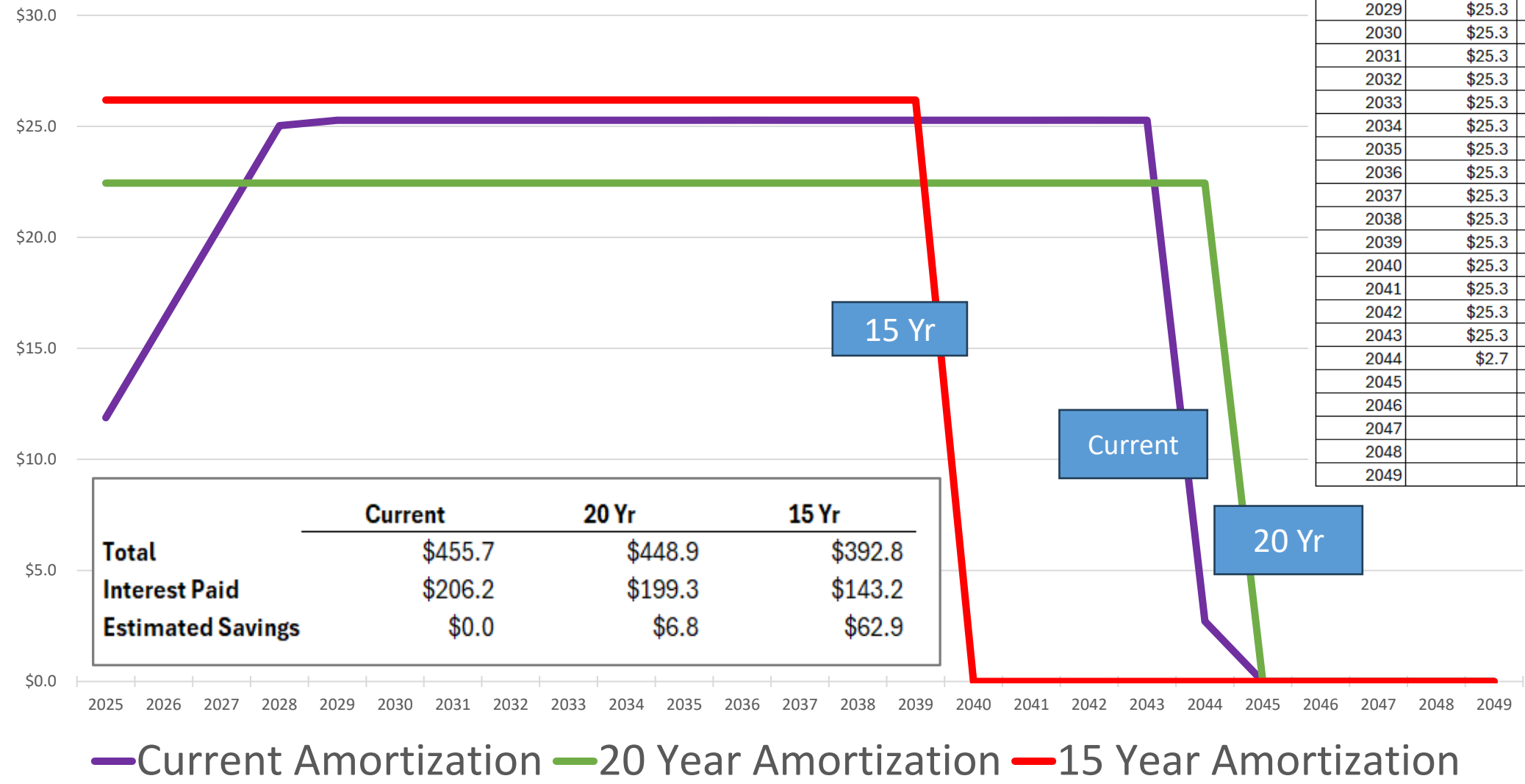


Options to reduce UAL status

- **Timely Payments:** Make required monthly contributions in full and on time.
- **Pre-pay Annual Contributions:** Make each year's full payment/contribution in July to reduce interest cost (3% discount)
- **Additional Discretionary Payments (ADP):** Employers can make additional payments above the required contributions to reduce their unfunded liabilities.
- **Understand Impact of Interest Costs:** Make ADPs when investment returns are stable or growing and in advance of when payments are due to avoid negative amortization.
- **Establish a UAL Funding Target:** Targeting anywhere from 90%-95% allows room for investment performance or pension trust assets to make up the 5%-10% difference.
- **Use Section 115 Pension Trust:** Established by Council policy for use in offsetting pension cost volatility (Increases).
- **Cost Sharing with Employees:** Increasing employee contributions to share the burden of funding the employees own pension cost.
 - ✓ Employees investment in their own future

Accelerated UAL Payment Schedule

Funding Schedule Options (millions)



Fiscal Year Ending	Current Amortization	20 Year Amortization	15 Year Amortization
2025	\$11.9	\$22.4	\$26.2
2026	\$16.3	\$22.4	\$26.2
2027	\$20.7	\$22.4	\$26.2
2028	\$25.0	\$22.4	\$26.2
2029	\$25.3	\$22.4	\$26.2
2030	\$25.3	\$22.4	\$26.2
2031	\$25.3	\$22.4	\$26.2
2032	\$25.3	\$22.4	\$26.2
2033	\$25.3	\$22.4	\$26.2
2034	\$25.3	\$22.4	\$26.2
2035	\$25.3	\$22.4	\$26.2
2036	\$25.3	\$22.4	\$26.2
2037	\$25.3	\$22.4	\$26.2
2038	\$25.3	\$22.4	\$26.2
2039	\$25.3	\$22.4	\$26.2
2040	\$25.3	\$22.4	
2041	\$25.3	\$22.4	
2042	\$25.3	\$22.4	
2043	\$25.3	\$22.4	
2044	\$2.7	\$22.4	
2045			
2046			
2047			
2048			
2049			



Proposed Financial Policy Amendments

Need for Policy Changes

- Current financial policies constrain ability to use surplus and other available funds to balance the budget during economic downturns.
- Proposed changes allow for the allocation of surplus funds on a case-by-case basis by the City Council, with input from the City Manager each year.
- Commitments to Economic Uncertainties Reserve and annual transfer of \$1 million to the Section 1115 Pension Trust are maintained.

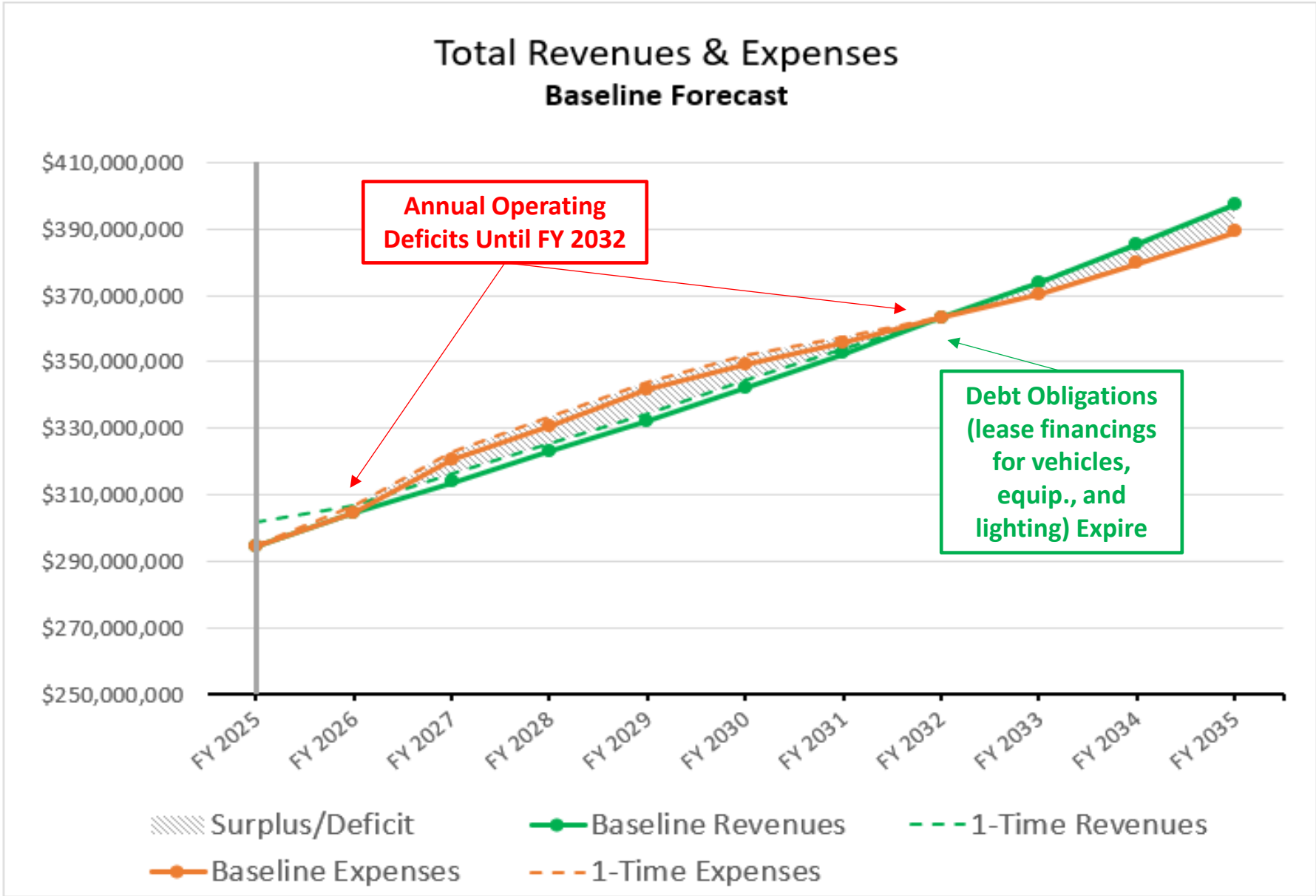
Policy	Adopted	Proposed
General Fund Surplus Utilization	<ul style="list-style-type: none"> • 50% of Economic Uncertainties Reserve commitment • 25% for Infrastructure Fund • 25% to Capital Improvement Reserve (CIR) commitment <p>After Economic Uncertainties Reserve commitment, unassigned fund balance to allocated as follows:</p> <ul style="list-style-type: none"> • 50% for Infrastructure Fund • 25% to Capital improvement Reserve (CIR) Commitment • 25% to Equipment Replacement commitment <p>Unassigned revenues received during the FY added to GF fund balance</p> <p>Minimum of 25% of the unrestricted one-time transferred to Section 115 Trust</p>	<ul style="list-style-type: none"> • Approximately 50% used to address long-term obligations pension, liabilities, other post-employment benefits, bonded debt, lease obligations and other long-term needs. • Approximately 50% used to address infrastructure or neighborhood capital improvements. <p>Allocation to be made on a case-by-case basis by the CC, with input from the CM after all discretionary fund reserve balances and one-time monies reviewed by Staff.</p> <p>Based on budgetary constraints or needs, an assessment shall be coordinated to determine the cost/benefit of utilizing methodology described.</p>

Policy	Adopted	Proposed
Unfunded Accrued Liability Pension Funding Policy	<ul style="list-style-type: none"> • Annual \$1M contributed to Section 115 Trust. • Perpetual set aside of 50% of Pension Refinance Savings. • Annual set-aside of an additional 50% of General Fund surplus at year-end. • Establishment of accelerated UAL payment schedule. • Annual assessment of Additional Discretionary Payments (“ADP”) to be made to CalPERS. 	<ul style="list-style-type: none"> • Annual \$1M contribution to the Section 115 Trust. Allow to be used for discretionary purposes based on funding availability. • Annual Prepayment of UAL Payment. (currently doing) • Allocation of Liabilities Across Funds. (currently doing) • Cost Sharing & Contract/MOU Provisions. • Examine Medical Benefit Levels and Eligibility Criteria. • Use and Allocation of One-Time Monies. • Synthetic Fresh Start. • Annual assessment of Additional Discretionary Payments (“ADP”) to be made to CalPERS.

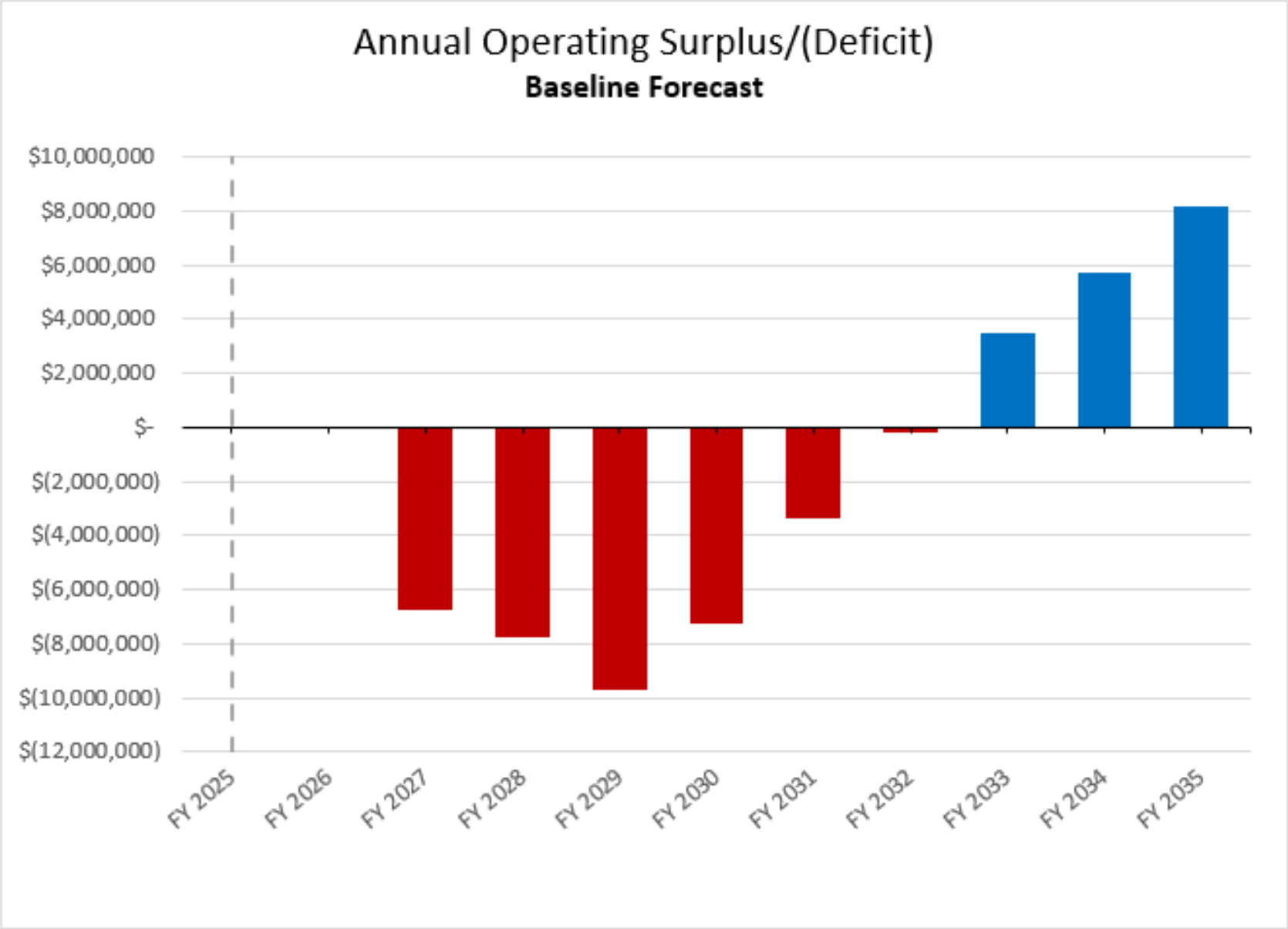


City of Huntington Beach Fiscal Sustainability Planning

Baseline Forecast – Revenue & Expenses Trends



Baseline Forecast – Annual Surplus/(Deficit)



Scenario Forecast – Potential Bridge Solutions

Expenditures

1. Continue increased vacancy savings by \$1 million (representing increase in vacant positions from 40 to 45).
2. With Reserve Policy revisions, suspend annual transfer of \$1.5 million from General Fund to Section 115 Trust between 2026 and 2030 (current trust balance = \$25 million, investment returns will largely make up the difference).
3. Department Efficiencies: Procure America; Increased Collections through program audits (STRs, TOT, UUT)

Scenario Forecast – Potential Bridge Solutions

Revenues

1. Annual transfer in of \$1.2 million from Section 115 Trust funds to General Fund between 2026 and 2030 to offset pension expense, as per Council policy.
2. Adopt new Business License Tax (change from flat tax to tax on gross receipts and CPI escalation every year) on the November 2026 ballot. Approximate impact = \$1 million per year, but could likely be much higher (~\$2 to \$3 million per year).
3. Adopt new ¼ cent Transaction & Use Tax (TUT) on the November 2026 ballot.
4. Continue event pricing for enhanced Parking Revenue
5. Expand Short Term Vacation Rental Program

Long Term Fiscal Sustainability Strategies

Control Personnel Costs

- Wage freeze
- Hiring freeze
- Increase part-time labor
- Reduce hours and pay
- Close facilities
- Layoffs or reductions in force
- Offer early retirement
- Increase employee contributions to pensions or OPEB

Reduce Near-Term Capital Spending, Equipment Costs, and Annual Debt Costs

- Defer or cancel capital projects, maintenance, and/or replacement
- Defer noncapital special projects
- Use short term debt to pay for vehicles
- Reduce general fund support to other funds (reduce interfund transfers out)

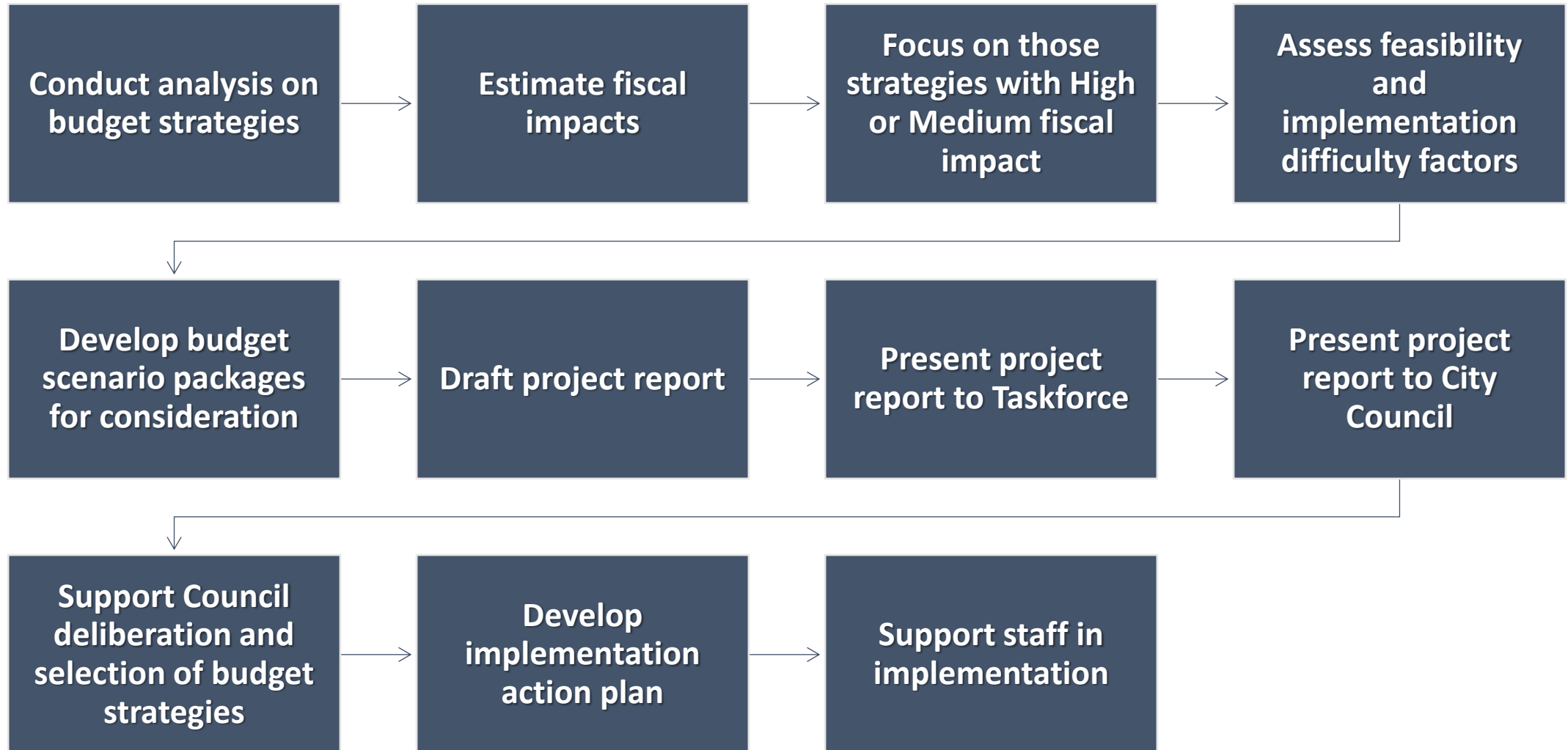
Organizational Strategies

- Small and/or temporary across the board budget cuts
- Reorganization – centralize financial management
- Contract or implement shared services model for select programs
- Divest (eliminate programs)

Sourcing Strategies

- Outsource
- Insource
- Increase Taxes
- Create special district with its own taxing authority
- Audit tax revenue sources
- Improve billing and collection methods
- Examine fees for service
- Audit routine expenditures (zero based budget)

Fiscal Sustainability Planning Steps (12-24 months)



FY 2025/26 Budget Next Steps

- Based on City Council feedback tonight, staff will make requisite adjustments to the proposed FY 2025-26 Budget
- Revised budget will be brought back for formal City Council consideration/adoption on June 3rd

Questions?

