

**From:** Barthold, Skyler  
**Sent:** Wednesday, July 23, 2025 2:07 PM  
**Cc:** Torrez, Robert; Hopkins, Travis; Zithisakthanakul, Zack; Saraye, Shari; Cole, Chris; Holtz, Steve  
**Subject:** Finance Commission Follow Up - June 25, 2025 Inquiry  
**Attachments:** Sports Complex Staff VS Contracted Program.pdf; Sports Complex 2005 Overview Memo.pdf; Sports Complex Bond History.pdf

Dear Finance Commission,

Below is a list of your inquiries and any responses we have prepared regarding them while in the 6/25/2025 Finance Commission meeting. We are continuing to strive to answer your questions and will respond to unanswered questions as the information is provided.

**1. Commissioner Billy Hamilton:**

- How does the City define a lease, particularly when it involves non-profit organizations?

**2. Commissioner Billy Hamilton:**

- Would like to work on consolidating leases and clarifying how a "lease" is defined.

**RESPONSE:** The Real Estate Division is actively consolidating the City's lease portfolio to centralize oversight and improve management. The final group of leases (beach and park concessions, the Equestrian Center, Yacht Club, and Meadowlark Golf Course) is scheduled to transfer from the Community and Library Services Department to the Real Estate Division by the end of July 2025. Once complete, all City leases will be housed within the Real Estate Division, enabling a more coordinated approach to lease compliance, revenue tracking, and property management. As part of this transition, the City has implemented a new hybrid structure for lease management. Under this model, Real Estate Division staff are responsible for maintaining the master lease portfolio, ensuring rent is paid on time and in the right amount, conducting compliance reviews, leading lease negotiations, and supporting legal and policy decisions. Public-facing department staff (e.g., Community and Library Services and Economic Development) will continue to serve as liaisons for day-to-day tenant communication, site oversight, and collaborating with Real Estate staff on matters affecting compliance or business terms.

For purposes of the Real Estate Division, we define a lease as: "A contractual agreement that grants a person or entity the right to use City-owned real property for a specified term in exchange for rent or other consideration. Real property includes land, buildings, and other physical improvements. Lease agreements outline use rights, maintenance obligations, and financial terms." This definition focuses on the legal and operational use of real property and may differ from accounting definitions such as those used by GASB for financial reporting purposes.

- Also wants to review bond obligations and evaluate whether early payoff makes financial sense.

**RESPONSE:** In addition, each year in July, the City prepays its current fiscal year portion of its Unfunded Accrued Liability in one lump sum payment, instead of making 26 post pay period payments, and receives a discount for prepaying the current year portion of the UAL. For FY 26, the UAL payment is approximately \$12 million. In adopting the FY 26 City budget, the City Council authorized staff to draw down \$1.5 million from its Section 115 Trust reserves to make a portion of this prepayment. Prepayment savings will total \$384,488. Funds are included in the City budget to make the balance of the \$12 million prepayment.

Staff is exploring the option of further use of available reserves to pay down a portion of the long-term outstanding UAL. By exercising this option the City would avoid paying the 6.8% interest CalPERS is charging the City on the City's UAL, but would also forgo the interest earnings from the investment of the reserve funds. The Section 115 Trust reserve is fully invested and over the 12-month period ending May 31, 2025 earned 10.4% and for the prior 3-month period earned an average of 0.70%. Beyond that, City funds are also invested, until needed. The average investment earnings rate on the City's pooled investments as of the end of March 2025 was 3.2%.

Most of the City's outstanding bonds were issued in relatively low interest rate environments and there may not be much savings from prepaying the outstanding principal. It is common for bond covenants to allow early payoffs after 8 or 10 years but it's difficult/complex/potentially costly to pay bonds off prior to the 8-10 year period. The City's Interim CFO did in April contact an investment banking firm to request they review the City's debt profile to determine the potential for a current refunding (refinancing) and the response was that there were none. Should bond interest rates drop significantly, there could perhaps be an opportunity to refund some City bonds. Finance staff will continue to monitor bond market conditions for potential early payoff or refunding opportunities.

### **3. Commissioner Billy Hamilton + Commissioner Scott Dowds:**

- Requested quarterly updates on the lease management progress; however, it was recommended to do biannually.

**RESPONSE:** Real Estate Division staff will provide biannual updates to the Commission highlighting efforts to strengthen lease revenue compliance and ensure market-based rents.

### **4. Statement by Travis:** All presentations should clearly state their source, including the organization and individuals responsible.

### **5. Commissioners:**

1. The City Manager's Office, Community Development, and the Finance Department review the financials for the Sports Complex.

The Commissioners request a comparison of revenue:

- How much was generated when the City operated the Sports Complex in-house vs. How much is being generated currently?

**RESPONSE:** Please see the above attachment **"Sports Complex Staff VS Contracted Program."**

We agreed to evaluate the situation and assess our position regarding the City lease.  
The City will evaluate and come back with a recommendation. No specific timeline was set.

We have also attached a historical background regarding the Sports Complex Phase II. The document is titled **"Sports Complex 2005 Overview Memo."**

#### **6. Vice-Chair Frank Lo Grasso:**

- Requested an audit of the Friends of the Library.
  - i. It was noted that the City Manager is already working on this. There is currently no agreement in place with the Friends of the Library, but we are reaching out to them.
- Cicerone asked how long this process might take and what the consequences would be if they don't respond.

#### **7. Commissioner Cicerone:**

- Cicerone asked about the Lifeguard Headquarters, South Beach enhancements, and the Sports Complex. He wants to know the costs, project details, and whether these were grouped into one bond, which was later refinanced twice.
- He's questioning why multiple projects were combined and wants clarity on the reasoning.
  - i. Bob stated that we will inform the Finance Commission on what the projects were.
- Cicerone wants to know the original bond cost and what was added during refinancing.
  - i. Travis asked for clarification on what Cicerone's end result would be for this request.
    - 1. Cicerone said his goal is to better understand how the system worked in the past and improve it going forward.

**RESPONSE:** The attached spreadsheet is in response to your request for information regarding the original bonds issued to finance the Sports Complex and subsequent bond refunding's. Note that the original 2001 bond issue included a series A to fund the Sports Complex and the South Beach Phase II projects; and also included a Series B to defease the Civic Center Corporation Certificates. Most likely the City chose to structure the bond issue as a Series A and B to take advantage of low interest rates and also as a cost savings strategy to avoid paying bond issuance costs on three separate bond issues. This is a common practice.

Please see the attached **"Sports Complex Bond History"**

#### **8. Commissioners:**

- The City will evaluate the operating agreement, financial performance, bond structure, and to provide the Finance Commission with an assessment for the Sport Complex.

Status Update: Sent communication to the City Attorney's Office to understand why the City Attorney's Office redacted the Arcis Reconciliation 2024 report since in previous years we did not redact the information.

Thank you,



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