



## MINUTES FINANCE COMMISSION MEETING

Wednesday, January 22, 2025 - 5:00 p.m.  
City of Huntington Beach  
Council Chambers  
Huntington Beach, CA 92648

For the audio recording of the January 22, 2025, Finance Commission Special Meeting, please visit the City's website at: <https://huntingtonbeach.legistar.com/Calendar.aspx>

Chair Kelly Gates called the meeting to order at 5:00 p.m. and Commissioner Paul Geery led the Pledge of Allegiance.

MEMBERS  
PRESENT: Kelly Gates, Chair  
Frank Lo Grasso, Vice-Chair  
David Cicerone, Commissioner  
Scott Dowds, Commissioner  
Paul Geery, Commissioner  
Billy Hamilton, Commissioner

MEMBERS  
ABSENT: None

STAFF PRESENT Travis Hopkins, Acting City Manager  
David Cain, Interim Chief Financial Officer  
Serena Bubenheim, Assistant Chief Financial Officer  
Thuy Vi, Management Aide, Finance  
Shari Saraye, Buyer  
Jessica Castro, Accounting Technician

### **PUBLIC COMMENTS**

None

### **CONSENT ITEMS**

Approval of Meeting Minutes

**Motion: Moved by Commissioner Scott Dowds and seconded by Commissioner Billy Hamilton to approve the Finance Commission Special Meeting Minutes dated January 15, 2025, as presented**

The motion carried by the following votes: 6-0

Ayes: Cicerone; Dowds; Gates; Geery; Hamilton; Lo Grasso

Noes: None

## **DISCUSSION ITEMS AND POTENTIAL RECOMMENDATIONS**

### D1. Brown Act Review by City Attorney Michael Gates

City Attorney Michael Gates provided an overview of the Brown Act, emphasizing that meeting agendas must be posted at least 72 hours in advance and that only agenda items may be deliberated or acted upon during the meeting. He clarified the guidelines for public comment procedures, ensuring that all discussion remains transparent and compliant with the law.

### D2. HB Sustainable Budget Objectives - Cain

Interim Chief Financial Officer David Cain outlined the City's sustainable budget objectives, noting a projected structural deficit of approximately \$9 million for FY 25/26. He distinguished between balancing the budget with one-time revenues versus achieving long-term fiscal sustainability, discussing key revenue drivers and challenges such as unfunded pension liabilities.

### D3. Review of Commission Purpose, Duties and 2025 Calendar - Cain

Cain reviewed the Finance Commission's advisory role, clarifying that while the Commission provides analysis and recommendations, policy decisions remain solely with the City Council. He also reviewed the proposed 2025 meeting calendar and recommended that agenda items be submitted two weeks in advance to allow for proper preparation and compliance with legal requirements.

### D4. The Marisol Senior Living Project Financing - Cain

Cain presented the financing proposal for the Marisol Senior Living project, explaining that the developer plans to convert the project into a nonprofit entity to secure tax-exempt bond financing from the State, with an agreement to compensate the City for the resulting loss of property tax revenue: a Payment in Lieu of Taxes (PILOT) program. Commissioners raised questions regarding the financial structure and indemnification provisions.

### D5. Meadowlark Golf Course Task Force - Cicerone

David Cicerone updated the Commission on the task force's initial meeting, which included representatives from the Southern California Golf Association (SCAG), to reexamine the current lease arrangement for the Meadowlark Golf Course. A facility tour is scheduled for February 6, 2025, and the task force will prepare a detailed report with recommendations to better maximize the asset's value and address concerns about revenue underreporting.

### D6. City Leases - Gates

Chair Gates proposed the review of City-owned lease agreements by the City's lease officer at a future meeting, emphasizing the need for a comprehensive assessment to ensure favorable terms and timely revenue collection.

### **COMMISSIONER COMMENTS**

Gates opened the comments by expressing her appreciation for the extensive amount of information provided by staff and thanking everyone involved for their hard work.

Dowds expressed support for the newly proposed initiatives, particularly highlighting his positive view of the Meadowlark Task Force.

LoGrasso thanked staff for the information provided.

Cicerone proposed forming two ad hoc committees: one to review the City's financial reporting and publications; and another to design a financial dashboard for improved transparency.

### **ADJOURNMENT**

**Motion: Moved by Chair Gates and seconded by Commissioner Hamilton to adjourn the meeting at 8:03 p.m.**

The motion carried by the following votes: 6-0

Ayes: Cicerone; Dowds; Gates; Geery; Hamilton; Lo Grasso

Noes: None

Submitted by:

David Cain, Interim Chief Financial Officer

By: Jessica Castro, Accounting Technician



# **HB Sustainable Budget Balancing Update**

January 2025

# Executive Summary

- *The City continues to face challenges related to matching ongoing revenues which are needed to fund prioritized City services and programs.*
- For FY 2025/26 the GF structural deficit is projected to be approximately \$8.8M and growing annually.

*There is no magic wand . . . . available to solve for this challenge*

**Difficult funding decisions need to be made based on agreed upon HB community service priorities & city goals and strategic initiatives.**



# Agenda

- High Level Policy Overview
- Long Term Projections
- Overview of Cost and Revenue Drivers
- Reserves / Cash Balances
- Recurring and Non-recurring Expenditures and Revenues
- Revenue and Expenditure Options
- Next Steps



# Balanced vs Sustainable Budget

- A balanced budget isn't always a healthy one.
- A sustainable operating budget is one where ***“normally occurring revenues are equal to your normally occurring expenditures.”***
- Steps to identify key items related to structural balance include evaluating recurring and non-recurring revenues, recurring and non-recurring expenditures, and reserves.



# HB Strategic Plan Objectives

## City Priority: **FISCAL STABILITY**

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

## **Fiscal Stability Strategy**

- “Consider new revenue sources and opportunities to support the City’s priority initiatives and projects.”



# HB Adopted Budget Policies

- The City will maintain a balanced budget for all funds with estimated revenues being equal to, or greater than, estimated expenditures.
- On-going revenues will support on-going expenditures.
- ***Revenues from one-time or limited duration sources will not be used to balance the annual operating budget.***



# Long-Term Budget Projections

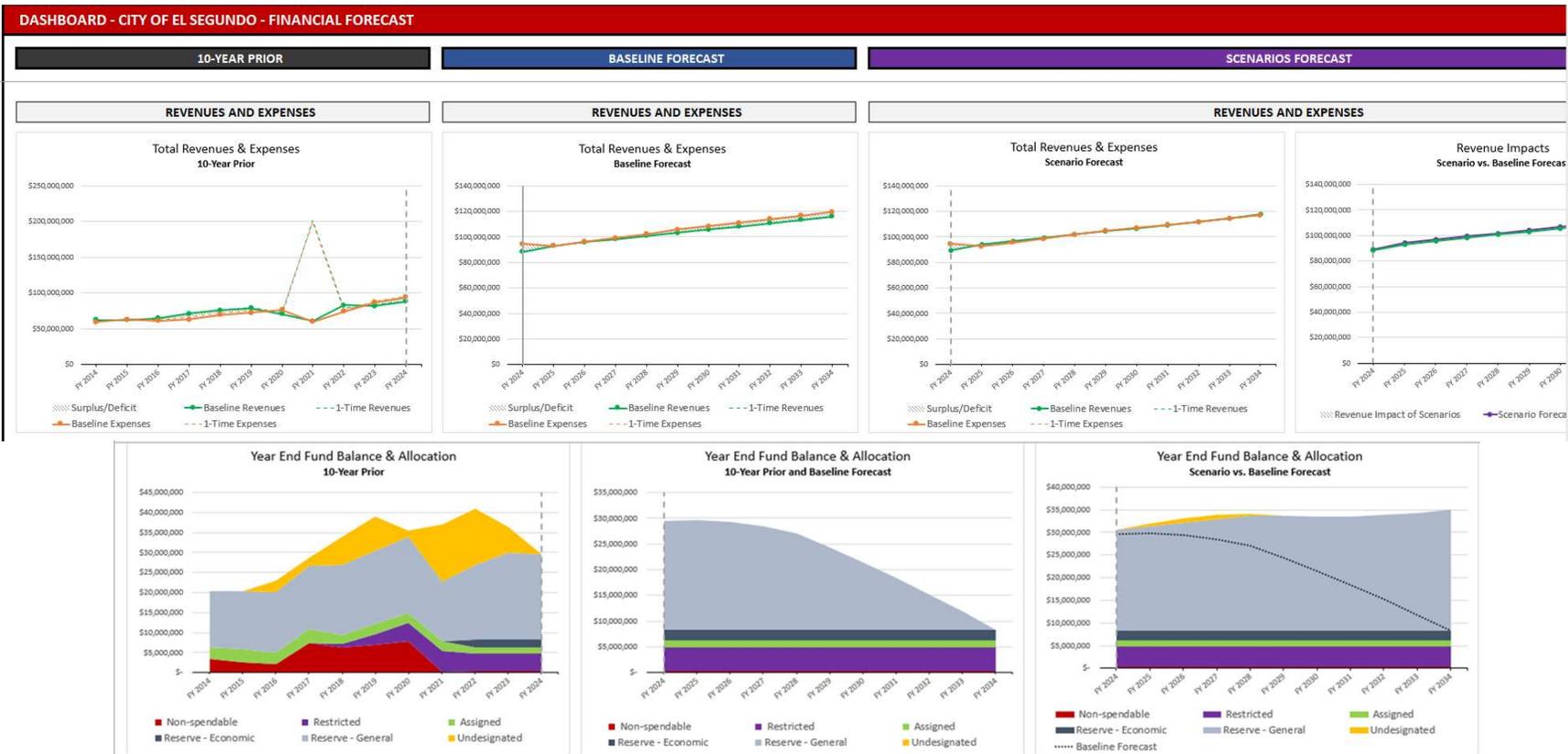
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Revenue (One-Time)*	35,648	2,276	6,877*	-	-
Planned Use of Reserves	-	8,804	-	-	-
<b>Total Sources of Funds</b>	<b>312,717</b>	<b>294,049</b>	<b>301,695</b>	<b>296,455</b>	<b>303,967</b>
Expenditures less UAL	254,720	264,960	274,797	282,175	290,563
CalPERS UAL **	4,891	5,000	5,215	10,305	13,290
POB Payment	13,663	13,276	13,106	12,750	12,537
One-Time Expenditures	18,721	8,804	6,877*	-	-
<b>Total Expenditures</b>	<b>291,995</b>	<b>292,040</b>	<b>299,995</b>	<b>305,230</b>	<b>316,390</b>
Restricted Reserves	16,978	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>\$3,744</b>	<b>\$2,009</b>	<b>\$1,700</b>	<b>(\$8,775)</b>	<b>(\$12,423)</b>

\*24/25 – One Time is Waterfront ROPS Payment



# Long Range Financial Plan

Updated LRFP platform – Improved decision-making tool using key economic data and analytics for future year projections



# Overview – Costs / Revenues

The increased cost drivers are:

- Personnel and benefits costs related to retaining quality staff
- Inflationary increases in construction and material costs
- Unfunded and ongoing normal pension costs
- Costs related to workers comp / general liability exposure
- Not fully funding equipment / vehicle replacement
- ROPS Admin & Navigation Center costs reverted to GF

Revenue challenges:

- Prop 13 caps property tax / State take-away for ERAF
- Sales tax subject to economic conditions
- Voter approval required for most tax revenue opportunities

# Overview – Reserves / Other

- City has prudent reserve levels – allowing for AAA bond rating
- City has made wise choices related to funding the ISF and vehicle and equipment replacement funds and other related funds
- City has approved MOUs for both public safety groups which has allowed for the hiring and retention of key staff
- City master user fees have been reviewed and adjusted to cover costs
- Water and Sewer rates have been approved to cover operational costs –
  - Need funds to fully cover all infrastructure cost



# General Fund Reserves

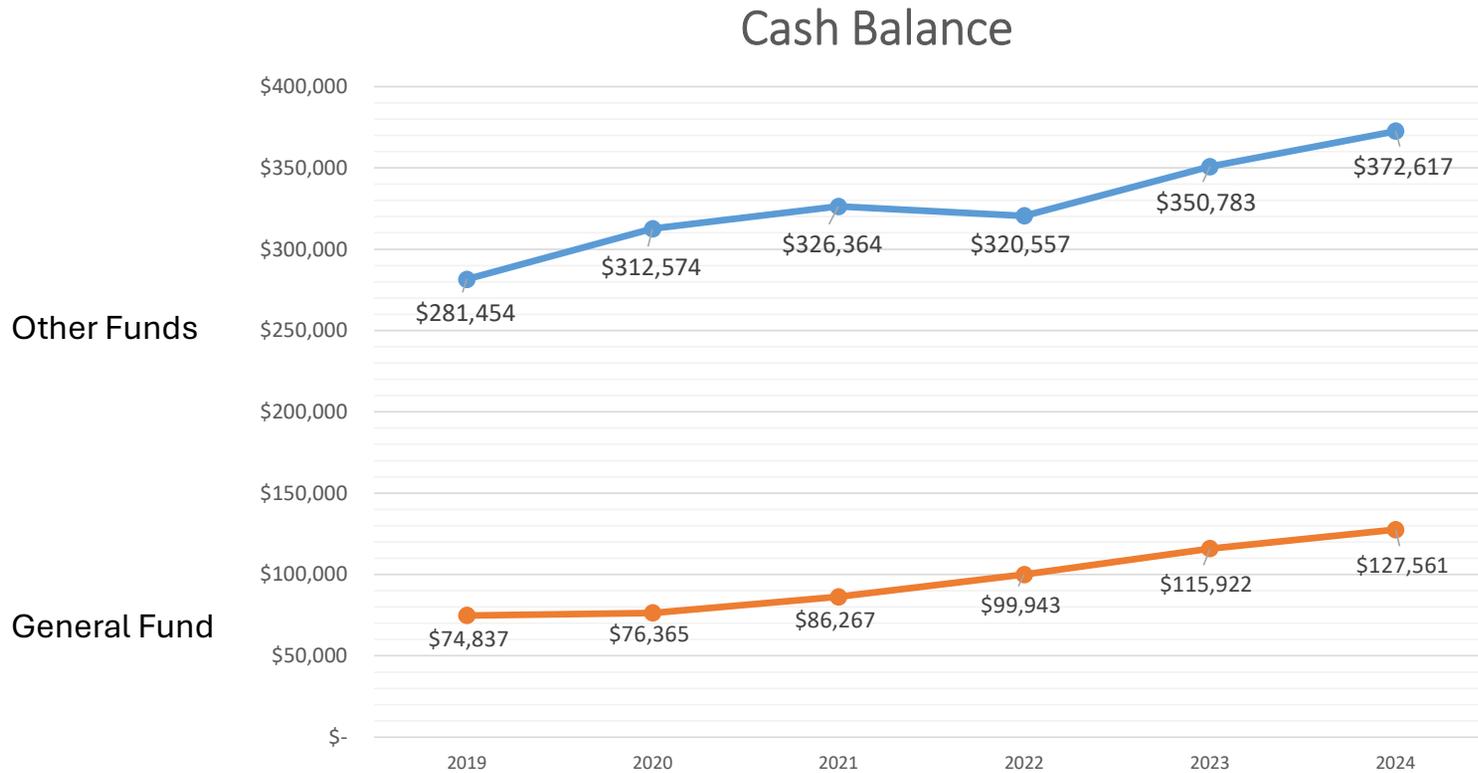
Type	Description	Amount Thousands	Sub Total
GF Fund Reserves	As of 6/30/2024	(Thousands)	Sub Total

<b>Nonspendable</b>			
	Prepays	\$148	\$148
<b>Restricted</b>			
	Underground	\$364	
	Restitution	\$317	
	Donations	\$777	
	Section 115 Trust Funded	\$20,212	\$21,670
<b>Committed</b>			
	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

<b>Assigned</b>			
	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
<b>Total</b>			<b>\$132,319</b>

# Cash Balances For All Funds



# Cash Balance – Fund Type

FUNDS	2024
General Fund	\$132,319
Infrastructure Funds	\$33,015
Enterprise Total	\$82,380
ISF Total	\$52,707
Restricted Funds Total	\$85,339
Fiduciary Funds Total*	\$119,176
<b>TOTAL CASH</b>	<b>\$504,936</b>

\*Include Pension (Supplemental & 115 / OPEB Funds



# Non-recurring Revenues and Expenditures

- One-time funds from HB Recovery - \$8.2M not budgeted
- ROPS - Waterfront Recovery - \$31.1M – less 20% to LM housing
- Amplify - \$5.25M – less attorney fees for net of \$4M – recommend funds be placed in Liability Fund
  
- GF operating expense reductions of \$1.8M for FY 24/25 from FY 23/24 levels
- Continued funding of pension Section 115 Trust, ISF activities
- One-time costs for decommission of oil well sites - \$1.9M to date
- Funding for capital and infrastructure needs (Report Card)



# Operational Activities

## Operational Implementations:

- Managed Hiring Program - \$6.2M – 40 vacant positions
- Re-established annual audits of TOT. (UUT, Business License revenues – TBA)
- Improved collections of outstanding AR / Reimplemented late fees and interest charges on late payments this FY
- Evaluating new business license platform to improve customer service experience and improved collections / Streamline Surf City
- Procure America - Utility cost savings review (SCE/SCG) – \$500k annually



# Recurring Revenues and Expenditures

- GF revenue increases of \$9.7M from FY 23/24 to FY 24/25 for user fee adjustments and EMS transport fees / Cal Optima Agreement
- Master User Fees updated along with annual CPI adjustments
- Revised EMS Fees based on updated fee study
- Proactive parking enforcement – Data Ticket for timely collections
  
- Public Safety MOU Costs - \$11.8M over three years
- Negotiations with remaining employee groups ongoing (5) – TBD
- CalPERS UAL Increases – based on annual actuarial reports
- Ongoing Vacancy offset - \$6.2M (40) – Managed Hiring



# Expenditure Reduction Options

- Across the board cuts vs Strategic reductions to City services and programs
- Staff hiring freezes vs Deliberate workforce reductions
- Overtime reductions – Limited in Public Safety due to 24/7
- Personnel benefit cost reductions or increased cost sharing
- Intentional cuts with priority on eliminating non-priority programs and services
- Reductions or suspension of payments to ISF / 115 Trust / Other reserve accounts

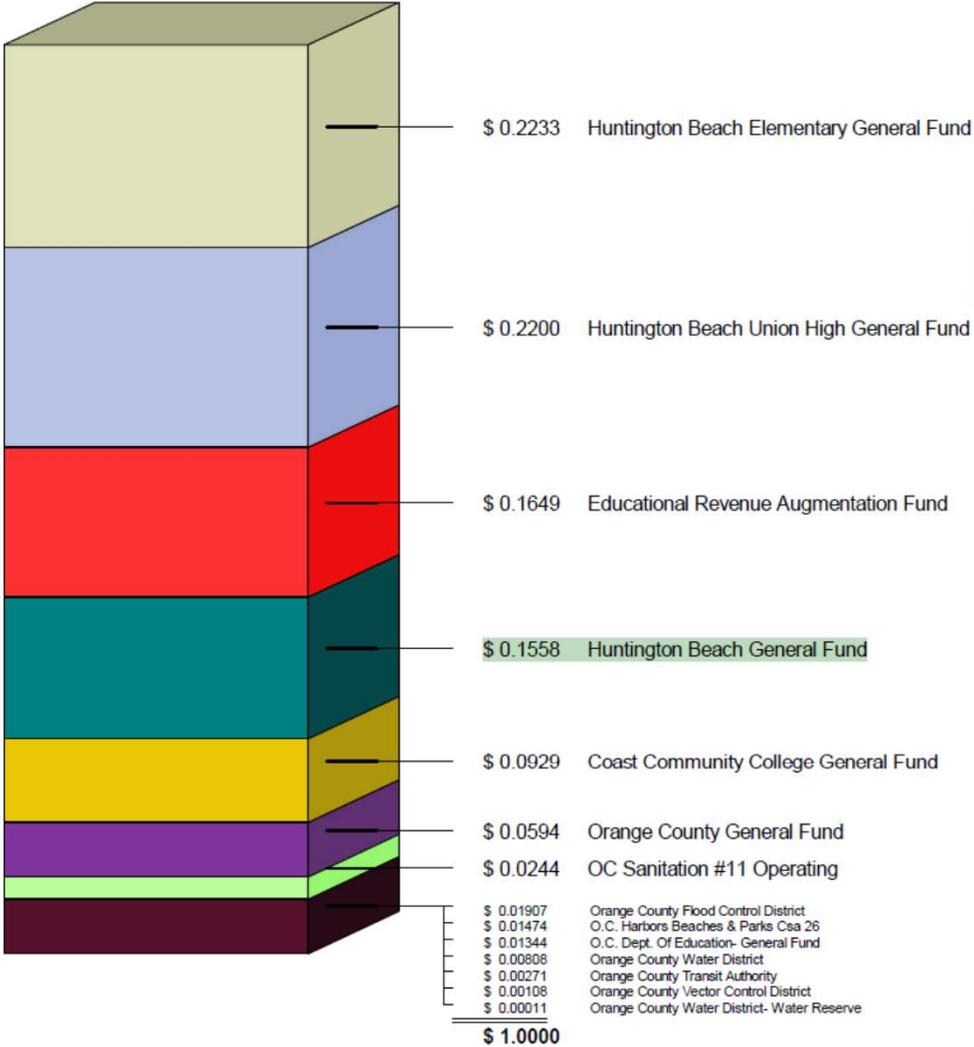


# Revenue Enhancement Opportunities

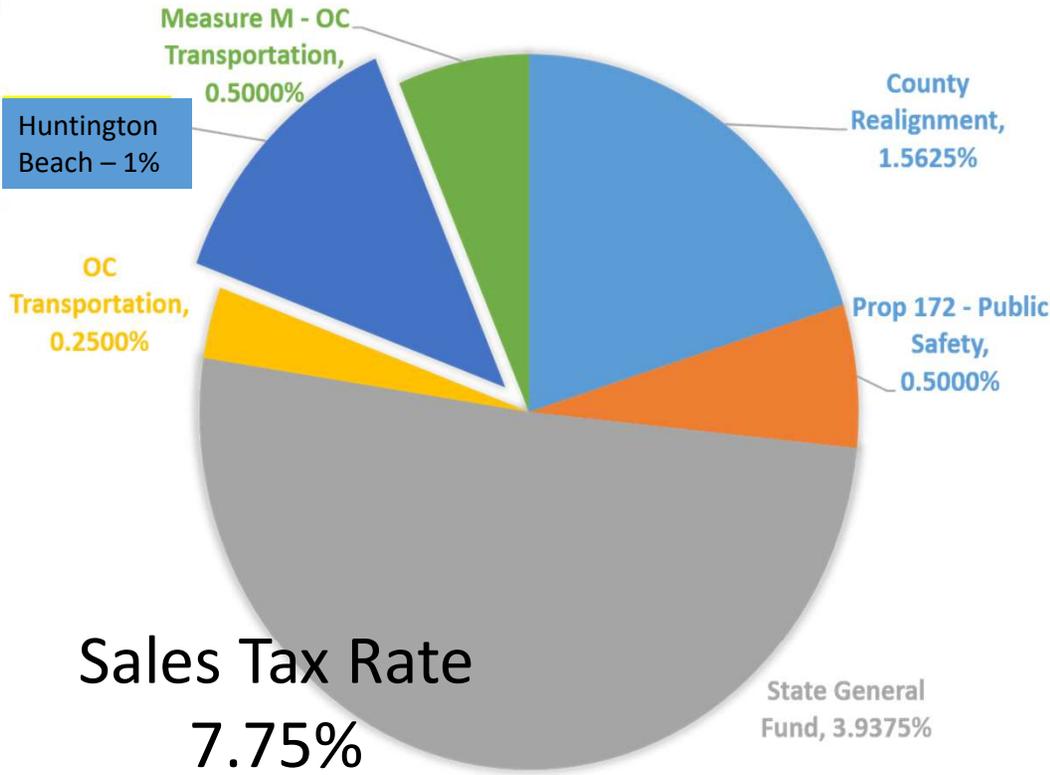
- Cannabis tax – approved by voters Nov. 2022
- Pension Tax Override  
Assessment rate adjustment
- Short-term rentals program
- Property Parcel Tax
- Property Transfer Tax
- Adjustment to existing UUT rate
- Economic Development
- TOT adjustment
- Parking Fee structure
- Business License Tax
- FireMed fee program
- Freeway signs
- Lifeguard tower advertising



**THE CITY OF HUNTINGTON BEACH  
PROPERTY TAX DOLLAR BREAKDOWN**



**Sales Tax Breakdown**



# Revenue Options

Type	Current Revenues	Additional Revenues	Notes
Transactions Tax	\$53,488,453*	Approximately \$48,400,000	Additional % - Requires Voter Approval Currently 1% goes to City of the 7.75%
UUT	\$23,000,000	Approximately \$4,600,000	Additional 1% - Requires Voter Approval Currently 5%
TOT	\$16,000,000	Approximately \$1,600,000	Additional 1% - Requires Voter Approval Currently City Rate 10% - 6% to Visit HB
Cannabis Tax	\$0	Approximately \$300,000 to \$600,000	Voters authorized up to 6% on retailers and 1% on all other businesses – Nov 2022
Short-term Rentals	\$0	TBD	Increased collection of fees related to short-term rentals – expand program

\* Bradley Burns Sales Tax

# Revenue Options

Type	Current Revenues	Additional Revenues	Notes
Business Licenses Fees	\$2,250,000	TBD	Current Base Business Fee is \$75 Increase base fees and/or expand business categories
Property Parcel Tax	\$0	TBD	Tax levied on a basis other than value – required 2/3 voter approval
Property Transfer Tax	\$0	TBD	Tax imposed when ownership of property changes hands
Pension Tax Override	\$7,412,662	Approximately \$7.4 per .015 rate adjustment	HB 1966 Tax Override – Provides ability to adjust rate / <b>Capped in 2012 – Requires voter approval to adjust</b>
Parking Fees	\$14,950,000	Depends on revised rate structure	City is currently authorized to adjust fees for special events

# Next Steps

- Staff has completed the new LRFP and will be presenting to Finance Commission and City Council in February
- LRFP tool will be used to evaluate various revenue enhancement options and cost reduction opportunities
- Communicate with internal and external stakeholders the importance of a structurally balanced budget
- Incorporate City Council feedback into LRFP and 2025-26 budget process
- The 2025-26 budget process with staff and City Council will be used identify further operational efficiencies and budget balancing opportunities – Kickoff Dec. 3
- Review of reserve policies and other financial policies including the recommendation to adopt a more comprehensive one-time revenue policy that complements a structurally balanced budget policy



**Questions?**

**Feedback**



# Adopted Reserves

## **Economic Uncertainties Reserve (EUR)**

- Funding to equal to two months GF Expenditures
- Appropriations require 6/7 vote limited to emergency situations
- Cannot fund new programs or personnel

## **Equipment Reserve (ER)**

- Used for rolling stock, equipment, and equipment to sustain city infrastructure

## **CIP Reserve (CIR)**

- Construction or improvements of city infrastructure

## **Litigation Reserve (LR)**

- Cover unforeseen litigation losses exceeding the budgeted amount

## **Unfunded Accrued Liability Pension Reserve (UALPR)**

- Cover the costs to reduce volatility and offset unexpected pension rate changes



# Reserve Level Funding

- Initial allocation of unassigned fund balance will go to Unfunded Accrued Liability Pension per adopted policy, long term debt, and improving City infrastructure.
- Remaining allocation if EUR is not fully funded:
  - 50% to EUR / 25% Infrastructure / 25% to CIR
- Remaining allocation if EUR is fully funded:
  - 50% Infrastructure / 25% to CIR / 25% Equipment Replacement
- A minimum of 25% of unrestricted one-time GF revenues transferred to Section 115 Trust



# Sample One-Time Revenue Policy

## Purpose of Policy

The City of HB (hereinafter “City”) strives to attain and maintain a structurally sound, thoughtful, and sustainable balanced budget within statutory and local government requirements. The purpose of this policy is to specify the uses of one-time revenues to help the City spend within its means and preserve its long-term fiscal health.

## Policy – One Time Revenue

The City shall not use one-time revenues to finance ongoing programs. To the extent feasible, one-time revenues shall be applied only towards one-time expenditures. Furthermore, one-time revenues shall not be used for non-recurring expenses that may result in future year obligations such as debt service payments, staffing, and other anticipated operating cost expenditures.



# Economic Development Focus

RETAIN AND GROW LOCAL BUSINESSES



ATTRACT NEW BUSINESSES



MARKET BUSINESS OPPORTUNITIES



PROMOTE A YEAR-ROUND ECONOMY



CONDUCT RESEARCH AND MAKE RECOMMENDATIONS



# Updated LRF Version November 2024

(in thousands)	Actual FY22/23	Projected FY23/24	Proposed FY24/25	Projected FY25/26	Projected FY26/27	Projected FY27/28	Projected FY28/29	Projected FY29/30
Revenue (Recurring)	277,069	282,969	294,818	296,455	303,967	311,720	320,019	328,389
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Expenditures less UAL	254,720	264,960	274,797	282,175	290,563	297,958	304,813	310,065
CalPERS UAL **	4,891	5,000	5,215	10,305	13,290	16,262	19,222	18,592
POB Payment	13,663	13,276	13,106	12,750	12,537	12,384	12,229	12,229
One-Time Expenditures	18,721	8,804	6,877	-	-	-	-	-
<b>Total Expenditures</b>	<b>291,995</b>	<b>292,040</b>	<b>299,995</b>	<b>305,230</b>	<b>316,390</b>	<b>326,604</b>	<b>336,264</b>	<b>340,886</b>
Restricted Reserves	16,978	-	-	-	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>\$3,744</b>	<b>\$2,009</b>	<b>\$1,700</b>	<b>(\$8,775)</b>	<b>(\$12,423)</b>	<b>(\$14,884)</b>	<b>(\$16,245)</b>	<b>(\$12,497)</b>

# LRFP Version Shared with CC June 2024

General Fund Long-Term Financial Plan								
with Proposed Master Fee and EMS Fee Changes								
(in thousands)	Actual FY22/23	Projected FY23/24	Proposed FY24/25	Projected FY25/26	Projected FY26/27	Projected FY27/28	Projected FY28/29	Projected FY29/30
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CalPERS UAL **	4,891	5,000	5,215	8,981	12,727	16,458	20,171	20,291
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Restricted Reserves	16,978	-	-	-	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>\$3,744</b>	<b>\$2,009</b>	<b>\$1,700</b>	<b>(\$7,451)</b>	<b>(\$11,860)</b>	<b>(\$15,080)</b>	<b>(\$17,193)</b>	<b>(\$14,195)</b>

# Recommendations

- Engage in long-term financial planning knowing that there is no single option to get to a structurally balanced budget
- Use the 2025-26 budget process to work through and identify further operational efficiencies and budget balancing strategies
- Communicate with internal and external stakeholders about the importance of a structural balanced budget
- Commitment to long-term financial sustainability by adhering to the City's **structurally** balanced budget policy
- Adopt a one-time revenue policy that complements a structurally balanced budget policy





## **Review of Commission Purpose, Duties, and Future Agenda Items**

Finance Commission Meeting  
January 22, 2025

# Finance Commission

- § 2.109.030 Purpose.
- The Finance Commission shall act in an advisory capacity to the City Council in matters pertaining to financial planning.



# Finance Commission

## § 2.109.040 Duties.

The Finance Commission may review and may make recommendations to the City Council on its citizen-driven oversight, deemed necessary. Matters may include, but not be limited to:

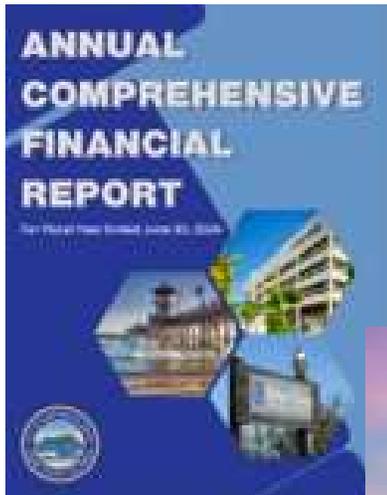
- A. Fiscal policies, financial planning and funding;
- B. Annual adopted budget;
- C. Proposals related to financial matters;
- D. Fiscal impacts of major projects;
- E. Service contracts on an as-needed basis; and/or
- F. Proposed State and Federal Legislation which impacts the City's finances.

The Finance Commission also will perform such other duties or studies as may be directed by the City Council.



# Key City Financial Documents

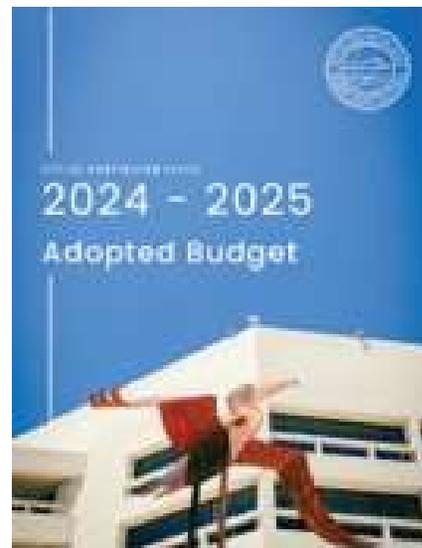
## PAST



ACFR /  
PAFR

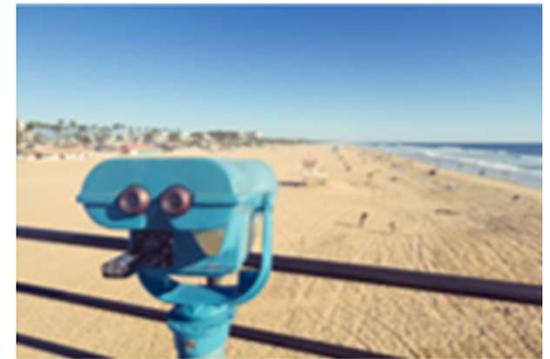


## PRESENT



Budget

## FUTURE



Long-Range  
Financial Plan

# Finance Commission - - 2025 Calendar

1. **January** – Fiscal Year End Audit / Review of ACFR
2. **February** - Mid-Year Budget Review / Budget Adjustments / LRFP Overview
3. **March** – City Service Priorities
4. **April** - Proposed Budget Review
5. **May** – Proposed CIP and Infrastructure Projects and Report Card
6. **June** - Single Audit, and overview of new GASB Standard Requirements
7. **July** - Adopted Budget Review / Long Range Plan Review
8. **August** – Investment Review
9. **September** - Economic Development Review
10. **October** – Pension Update / Debt and Refinancing Opportunities
11. **November** - Finance / Budget Policy Review / Reserves
12. **December** – Legislative Update / Review and Update on CIP Projects



# TENTATIVE BUDGET CALENDAR

Date	Event
January 31, 2025	All Budget Forms Due back from Departments
February 2025	Department Meetings with the CFO / Budget Team
February 2025	Mid-Year Budget Review by Finance Commission
March 2025	Department Meetings with the City Manager
April 2025	Proposed Budget Review by Finance Commission
May 20, 2025	FY 2025/26 Proposed Budget Study Session
May 2025	Proposed CIP / Infrastructure Projects review by Finance Commission
June 3, 2025	FY 2025/26 Budget City Council Public Hearing
June 17, 2025	FY 2025/26 Budget Adoption (Tentative)
July 1, 2025	Fiscal Year Begins
July 2025	Adopted Budget Review by Finance Commission



# Finance Commission Recommended Agenda Timeline

- Agenda Items or requests are due to city staff by Monday two weeks prior to the commission meeting date.
- The Commission Chair and CFO will review and finalize the agenda one week prior to the meeting each month.
- City Managers office reviews agenda prior to the public posting.
- Agenda must be publicly posted by Friday prior to the regular commission meeting date on Wednesday.



# Finance Commission Staff Proposed Future Agenda Items\*

## February –

- Presentation of the City’s Long-Range Financial Plan
- Mid-Year Budget Review & Budget Adjustments
- Commission Items:

- **Note: City Council study session on LRFP – Feb. 4, 2025**

## March –

- Presentation by Operating Departments -- Programs and Department Service Priorities
- Commission members discussion of their top Community Service Priorities
- Report out on Meadowlark Golf Course Task Force February 2025 meeting
- Commission Items:



# Finance Commission

## Recurring / Requested / Parking Lot

### Recurring

- Friends of the Library – Sub Committee Update
- Meadowlark Golf – Task Force Update (Meets Quarterly)

### Requested Items for Future Agenda

- Citywide Leases – Presentation by City Staff

### Parking Lot Items – Future Meeting Items

- Pension Overview
- PAFR Review



**Questions?**





**The Marisol**  
**Huntington Beach City Council Study Session**  
**January 21, 2025**



# Overview

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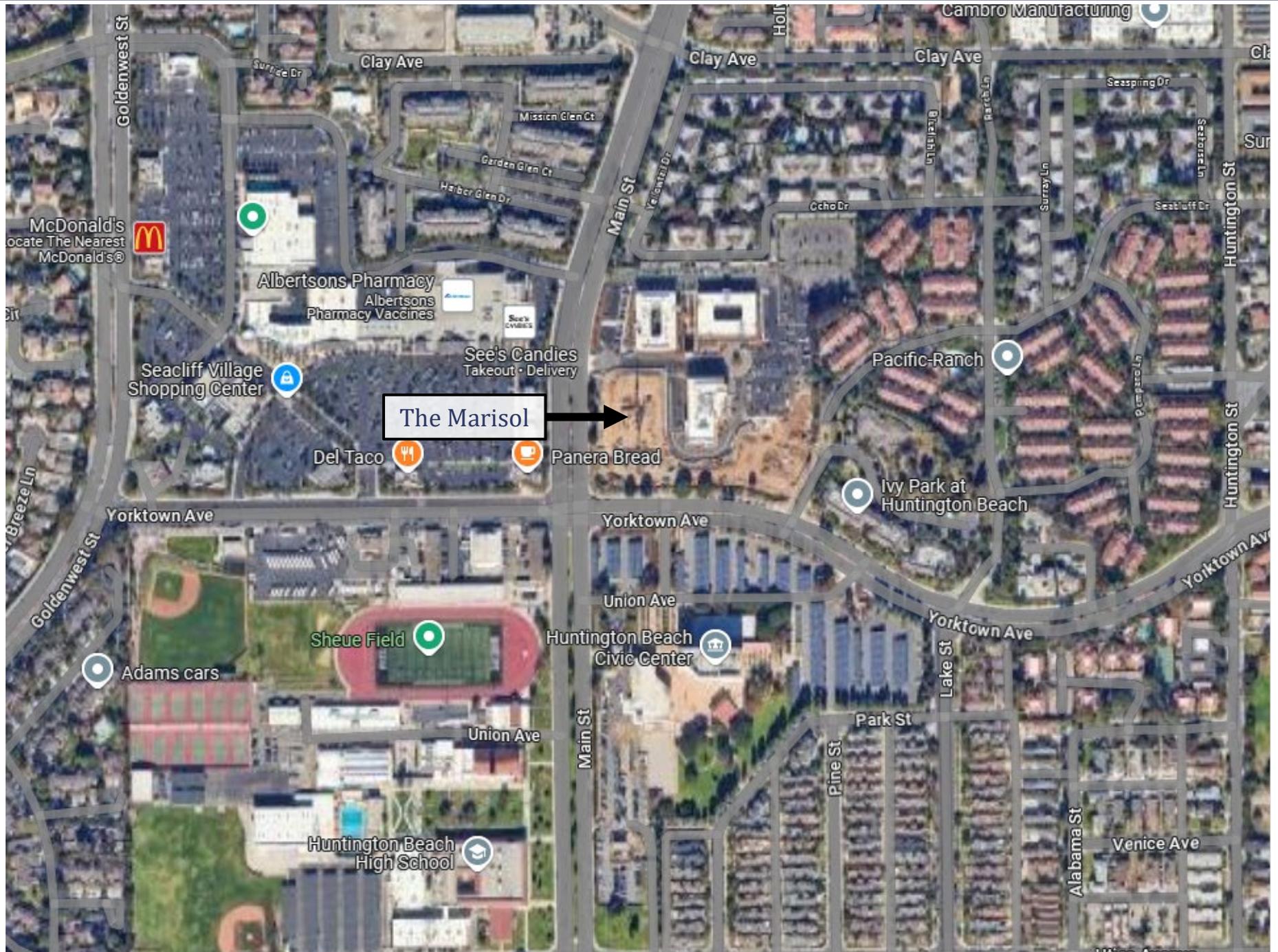
- The Marisol will be a 214-unit senior living project located at the NE corner of Main St and Yorktown Ave
- Already fully entitled and approved
- The building department for the City of Huntington Beach (the “City”) has approved the construction drawings, subject to the completion of the oil well re-abandonment; target is to pull a permit in late 1Q or early 2Q 2025
- A nonprofit owner will develop the project (subsidiary of The Bluhm Family Foundation, a 501(c)(3) trust)
- Projected 130 full-time FTE’s at stabilization and 800 construction jobs
- To be financed with tax-exempt bonds issued by the California Public Finance Authority (CalPFA), which requires the City’s approval
- The City will have no liability with respect to the bonds

# PILOT Agreement

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- PILOT = Payment in Lieu of Taxes
- Under the PILOT agreement, to the extent the project is tax-exempt, the project will pay to the City what the City otherwise would have received
- Applies to property taxes and other taxes
- City currently collects \$22,335 per year in property taxes (16% of the Basic Levy Rate of \$139,592)
- Forecast is for the City to collect over \$240,000 per year in property taxes upon project stabilization
- In addition, the project owner agrees to comply with the City's ordinances, rules and regulations, even if the owner would have been exempt due to its nonprofit status

# Aerial





# Rendering



# Renderings (Continued)



# Renderings (Continued)



# Renderings (Continued)

