

INTRODUCTION TO VISIT HUNTINGTON BEACH

APRIL 2025





OVERVIEW

- + ABOUT VISIT HUNTINGTON BEACH
- + COMPETITION IN TOURISM
- + STATE OF TOURISM
- + OUR PROGRAM OF WORK
- + HOW TO GET INVOLVED



ABOUT VISIT HUNTINGTON BEACH



ABOUT VISIT HUNTINGTON BEACH

WHO ARE WE

Visit Huntington Beach (VHB) is the official Destination Management Organization for Huntington Beach, California.

A **private, non-profit 501(c)(6)** organization,
VHB promotes tourism to Huntington Beach to **increase overnight stays** in Huntington Beach hotels.



ABOUT VISIT HUNTINGTON BEACH

MISSION

VHB supports and advocates for the **economic vitality and quality of life** for our Huntington Beach community through **inspirational destination marketing and brand management.**



TRANSPARENCY AND ACCOUNTABILITY

Visit Huntington Beach is fully **Accredited with Distinction by Destinations International.**

- Exceeded 100+ mandatory and voluntary performance standards
- Fewer than 10% of 200+ DMOs worldwide achieve this level
- Demonstrates a proactive, strategic, community-focused approach
- Committed to transparency and accountability in DMO operations

BROWN ACT

Over 10 years ago, VHB voluntarily agreed to be subject to the California Brown Act.

- All regular Board of Directors and committee meeting agendas are noticed at least 72 hours prior to the meeting.
- All meetings are open to the public, with a public comment period available at the start of each meeting.
- All agendas and minutes are posted on SurfCityUSA.com.



TRANSPARENCY AND ACCOUNTABILITY

FINANCIAL STATEMENTS AND AUDITS

- **Monthly financial statements** are presented at each VHB Board of Directors meeting.
- VHB also undergoes an **annual financial audit using the same audit firm** as the City of Huntington Beach.
- The final audit report and audited annual financial statements are presented at a Spring Board of Directors meeting and sent to City staff.

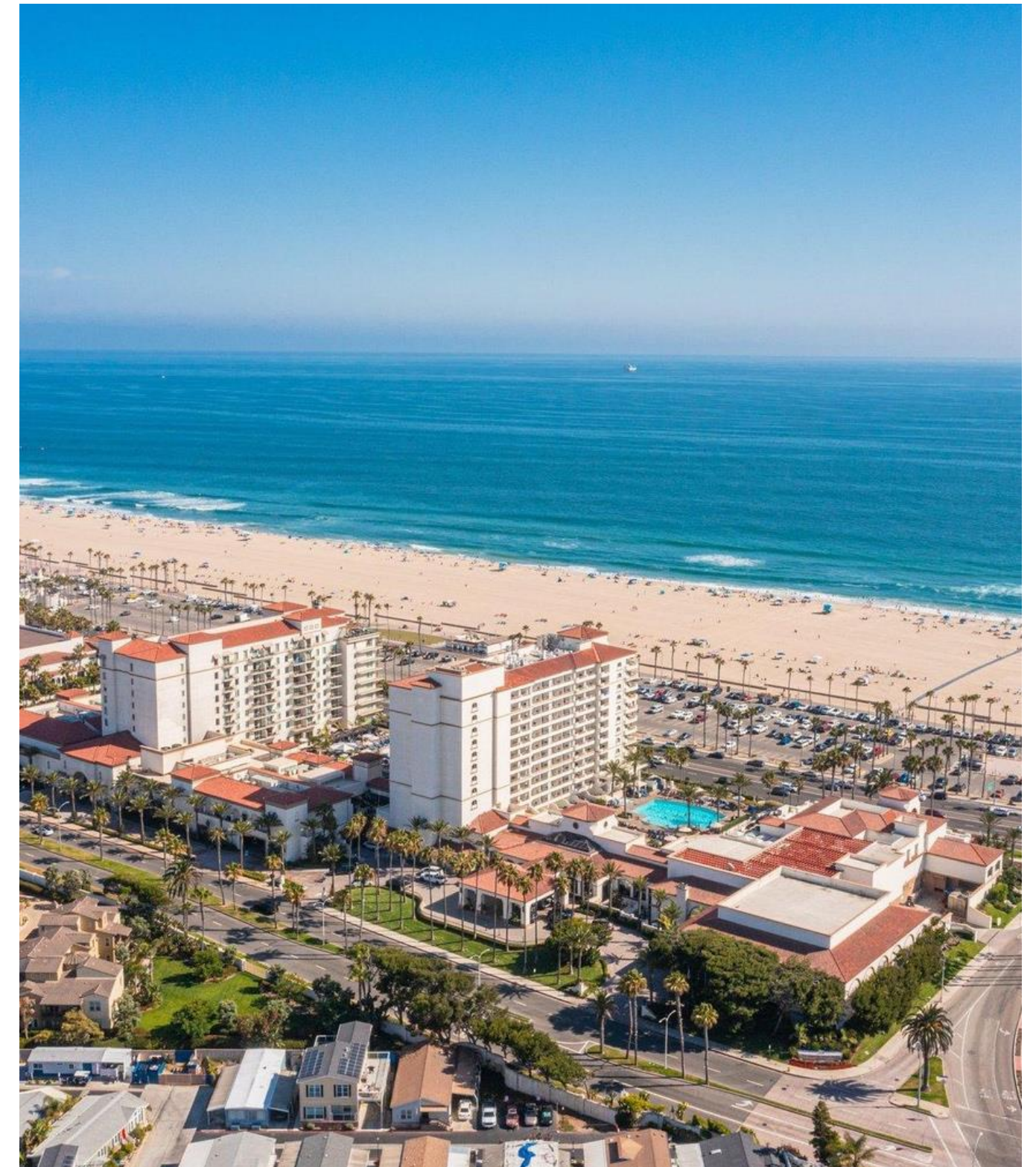
BOARD GOVERNANCE

- VHB is governed by **a Board of Directors**, which provides strategic direction for the organization and supervises VHB's President & CEO.
- VHB's Board meets at least quarterly throughout the year. The Executive Committee meets monthly.
- **City Council appoints two liaisons** each year who attend Board meetings and receive regular updates on VHB programs.

ABOUT VISIT HUNTINGTON BEACH

WHO FUNDS VISIT HUNTINGTON BEACH?

- VHB is funded by **visitors, not local residents**
- A small **6% overnight assessment** is added to guests' overnight hotel and Short-Term Vacation Rental (STVR) stays in HB's Tourism Business Improvement District (TBID)
 - 21 hotels, 200+ STVRs
- **This is NOT a tax on local residents** – it's a visitor-driven contribution



ABOUT VISIT HUNTINGTON BEACH

WHAT IS AN OVERNIGHT ASSESSMENT?

- A per-night **fee paid by guests** staying in HB hotels and short-term rentals
- By law, it must be used to promote tourism, events, and local attractions that benefit hotels and STVRs
- Helps bring more visitors, which boosts businesses and jobs



ABOUT VISIT HUNTINGTON BEACH

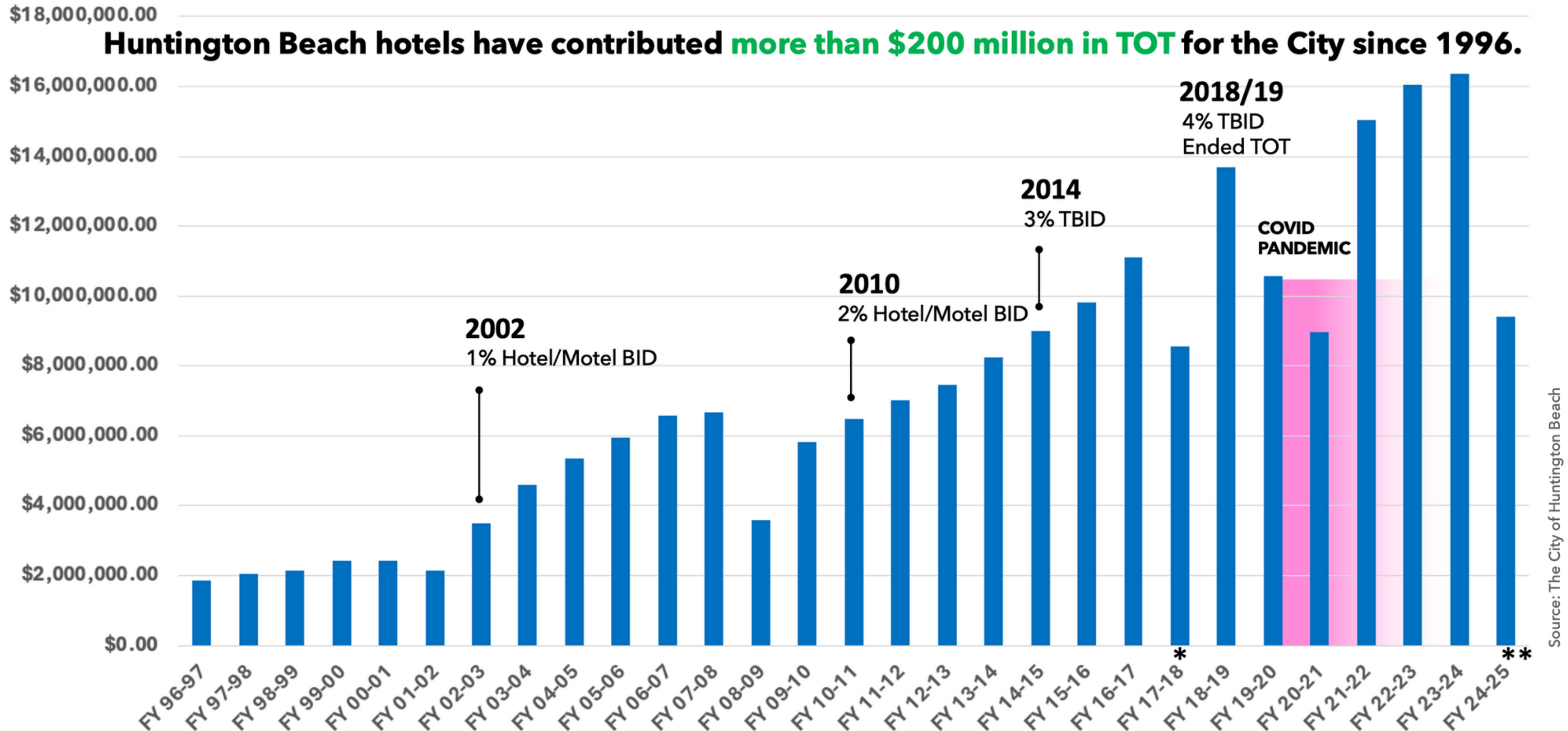
HOW HOTELS SUPPORT THE LOCAL ECONOMY

- Hotels and STVRs also generate a **10% transient occupancy tax (TOT)**
- **100% of this tax goes directly to the City of HB's general fund** (e.g., road, public safety, infrastructure, public bathrooms, potholes)
- More visitors = more funds for the City of HB government
- Since 1996, HB's tourism industry and hotels generated **\$200+ million** in TOT for the City's general fund



HISTORICAL TOT COLLECTION

Transient Occupancy Tax (TOT)



*FY 17-18 was a 9-month fiscal year to align VHB's fiscal year with the City's fiscal year (which is July 1 through June 30)

** Fiscal Year to Date FY 24-25 as of January 2025

Source: The City of Huntington Beach

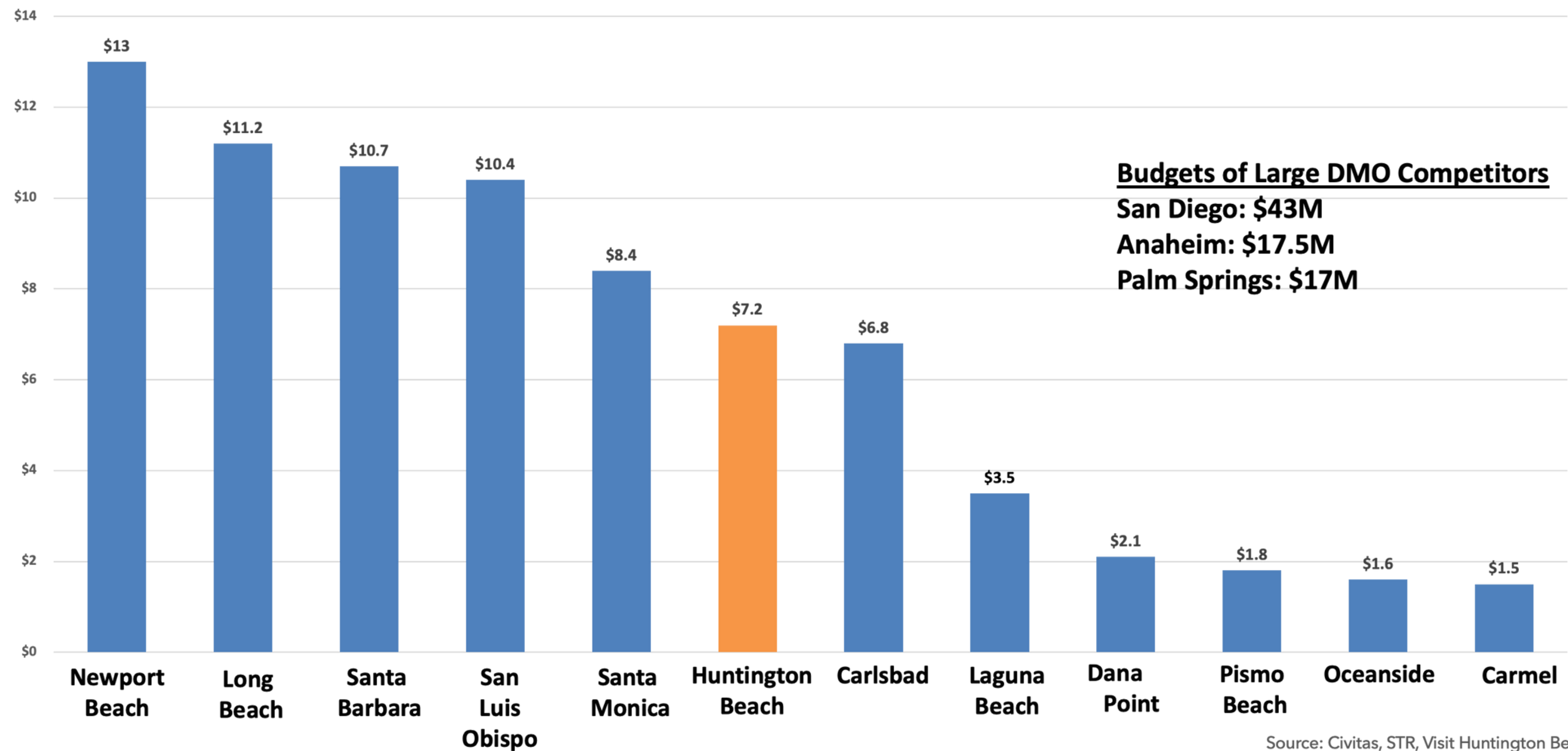


COMPETITION IN TOURISM



VHB COMPARATIVE SET - DMO BUDGETS

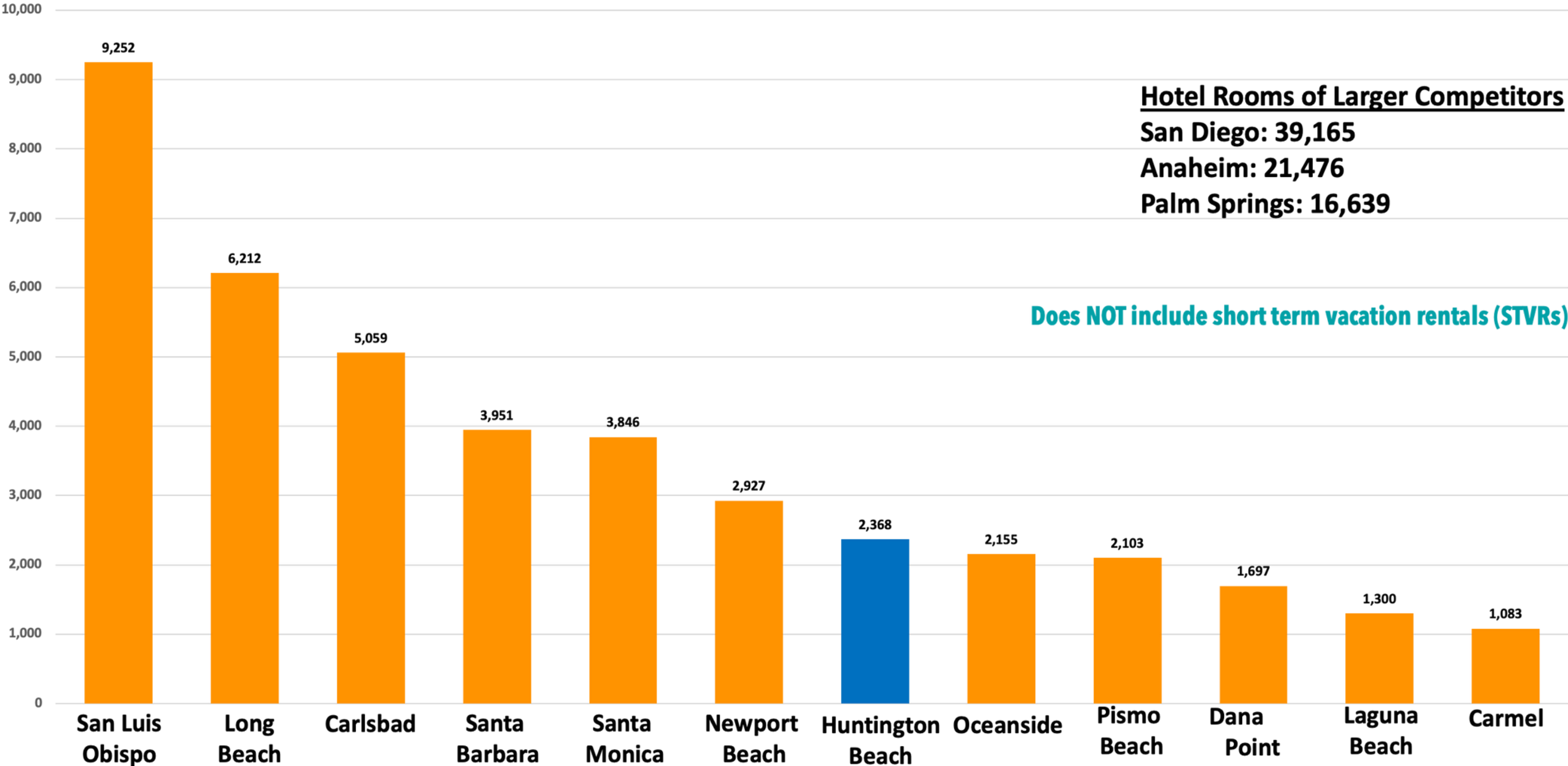
*Comparative set of “similar” beachside destinations was per request of City of Huntington Beach



Source: Civitas, STR, Visit Huntington Beach
Updated April 2024

VHB COMPARATIVE SET - HOTEL ROOMS

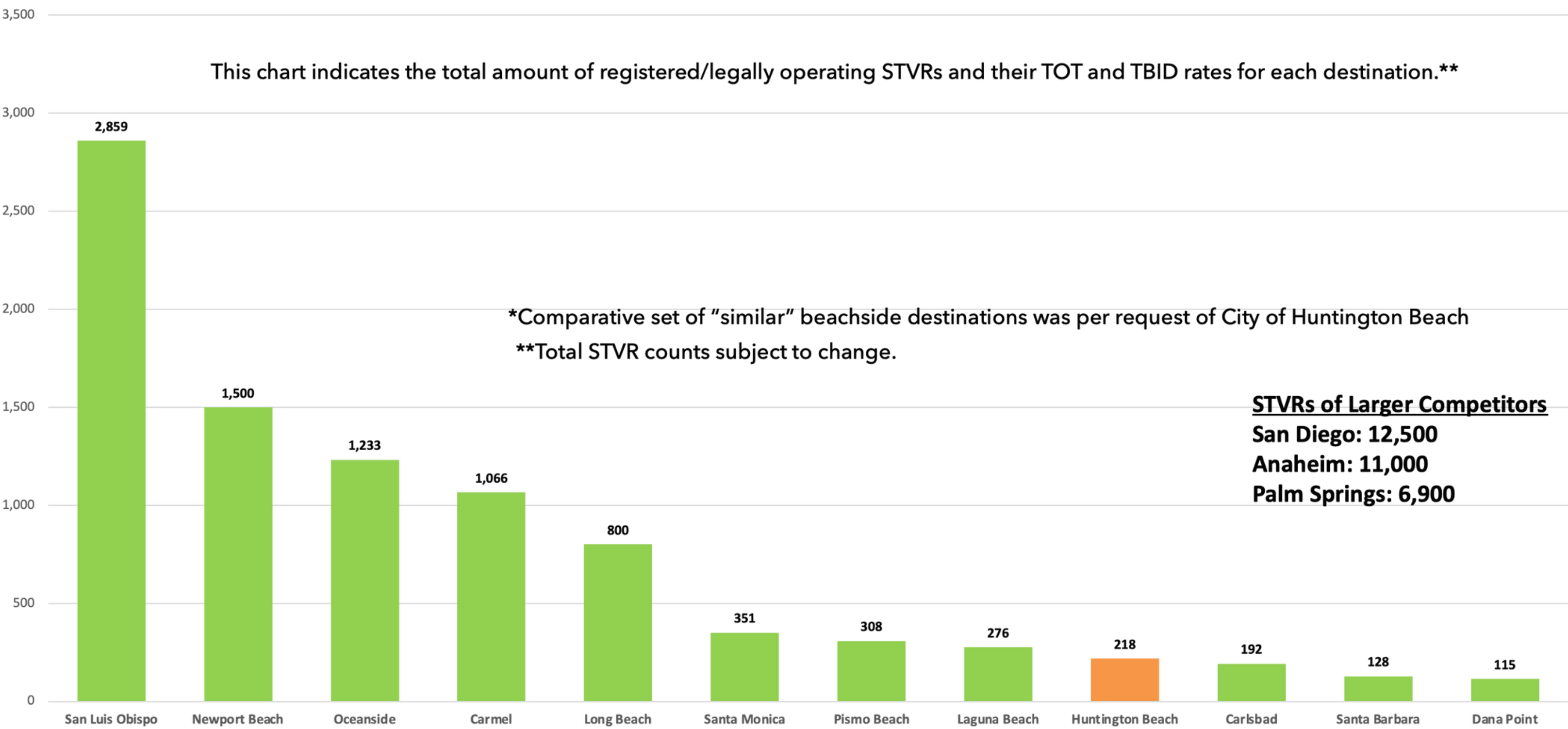
*Comparative set of "similar" beachside destinations was per request of City of Huntington Beach



Source: Civitas, STR, Visit Huntington Beach

VHB COMPARATIVE SET - STVRs

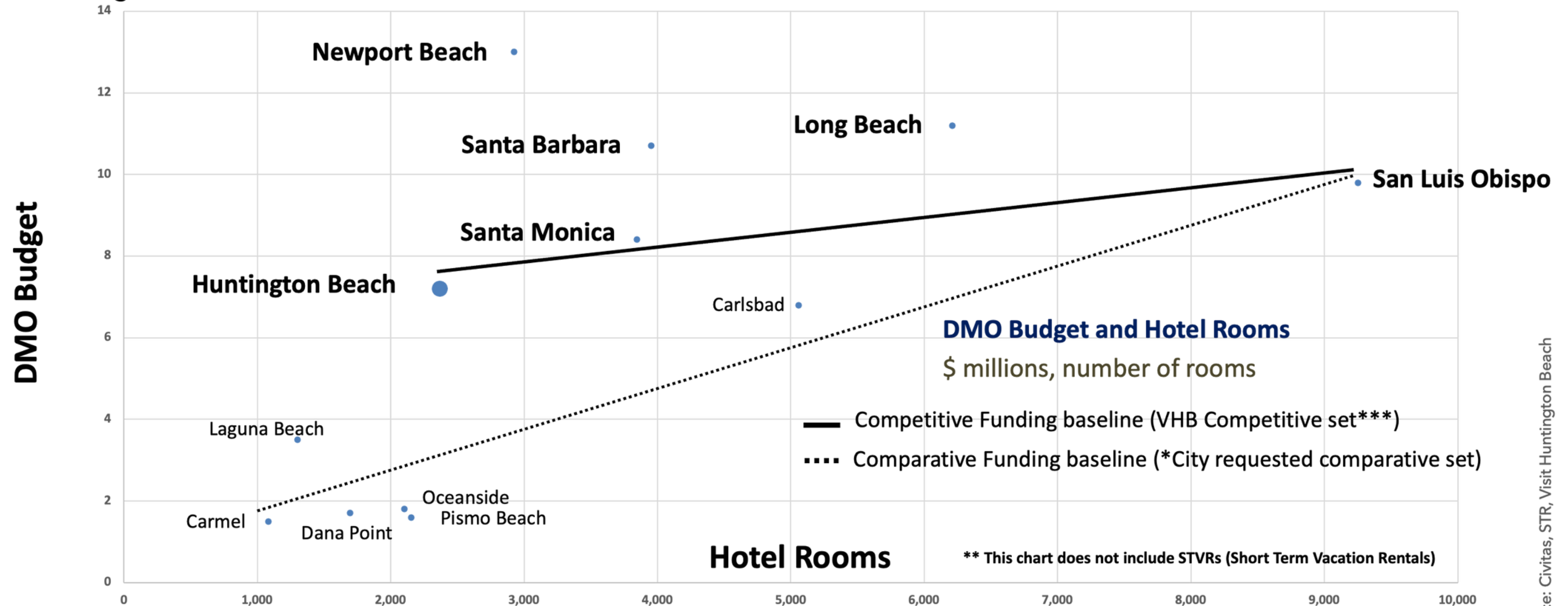
REGISTERED INVENTORY AND TBID, TOT & TBID/TOT RATES



Sources: Air DNA, Airbnb, Civitas, Visit Huntington Beach

VHB COMPARATIVE SET - BUDGET & ROOMS

When looking at a DMO's funding level in relation the number of hotel rooms in the destination that it serves, this comparative chart shows that, compared to its competitive set, Huntington Beach currently falls the lowest below the competitive funding line and stands to gain market share.



Source: Civitas, STR, Visit Huntington Beach

***Competitive Set: Destination whose amenities, assets, and group of hotel properties compete directly against Huntington Beach hotel properties for business.

Updated April 2024

TBID ASSESSMENT MODIFICATION

- A TBID increase was **approved** by VHB and affirmed by City Council in June 2024.
- All the major hotels **support** the TBID increase because they understand HB will **lose** substantial visitor industry market share without additional marketing & sales funds and new products.
- Losing visitor market share to other cities will severely impact the City of HB's revenues generated by visitors.
- Any **increase in TOT (a tax) requires a public vote.**



BENEFITS OF TBID MODIFICATION

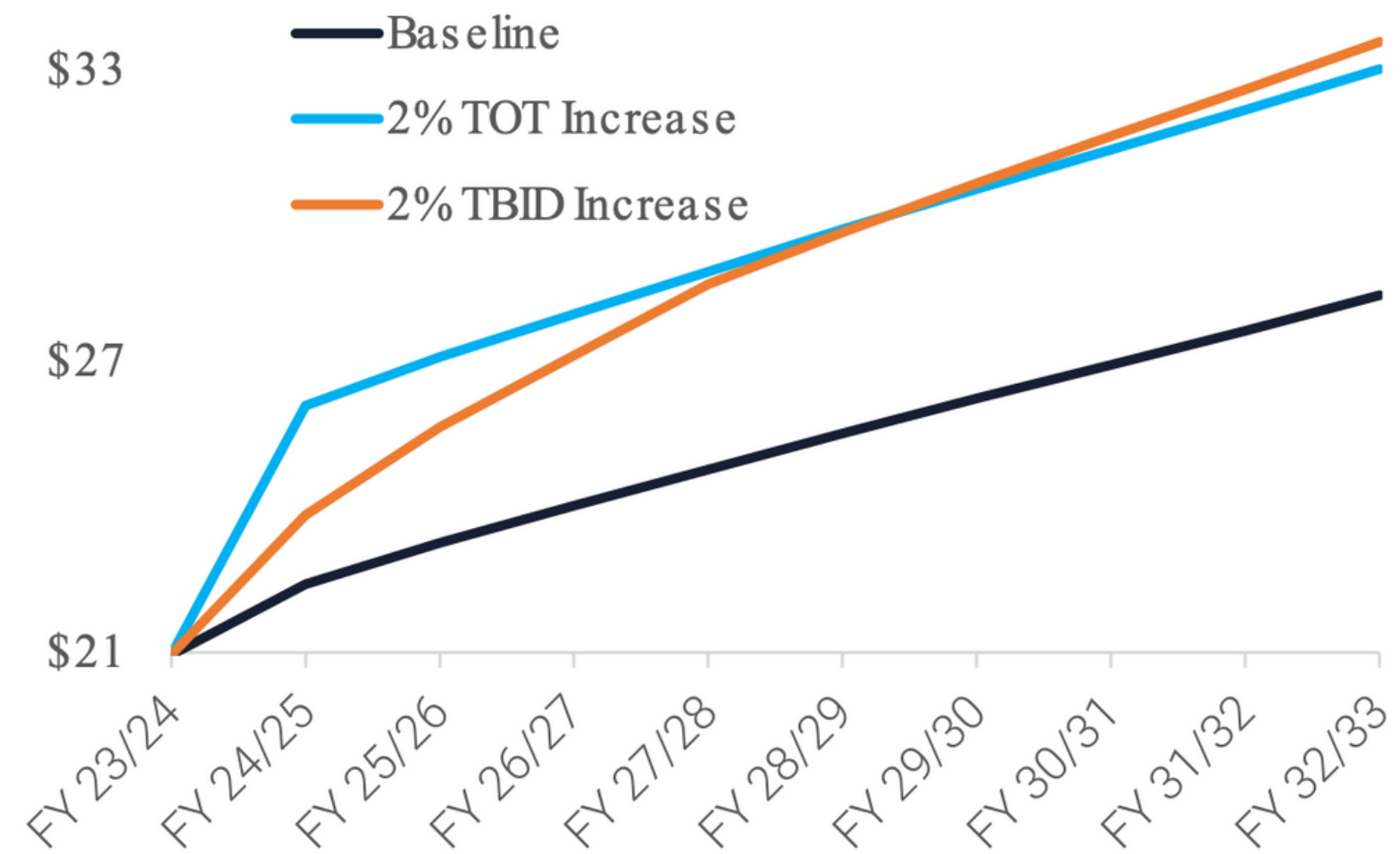
- City of HB will start realizing **additional General Fund revenues in FY 2024-2025 and beyond** (TOT, sales tax, parking revenues) due to targeted marketing, sales, and PR efforts funded by the increase in TBID assessment.
- There will also be a substantial number of **new jobs** created over the next decade.
- Over 10 years, the City makes **more revenue** from sales taxes and fees **by approving a 2% TBID increase** vs. a 2% TOT increase.



LOCAL TAX REVENUE PROJECTION

Projected local tax revenues, by scenario (including TOT revenue)

\$ millions



Each year, over the remainder of the decade, the **proposed 2% TBID assessment** begins to outpace the benefits of a **2% TOT increase**. This gap will continue to widen in a positive direction should the proposed TBID increase continue beyond the 10-year mark.

The main reason for this is the **regenerative effect** that occurs with the **TBID assessment**. These **additional impacts are not generated through equivalent TOT increases**.

Without the proposed TBID modification, the City will not receive this new projected revenue.



STATE OF TOURISM



STATE OF TOURISM IN 2024



Visitors spent
\$580 Million in HB
at local businesses &
overnight lodging

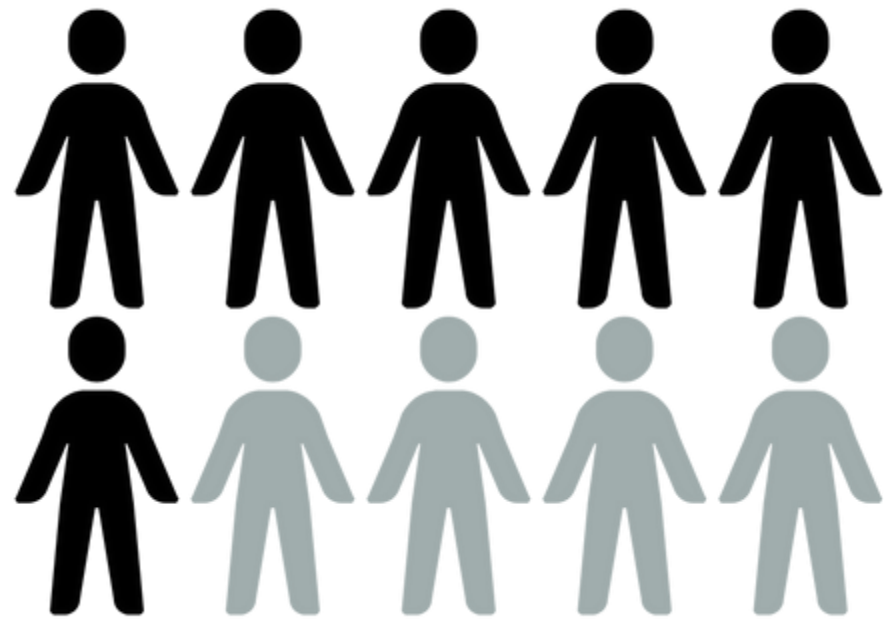


Generated **\$21 Million**
in Local Tax Revenue



5,604 Jobs
Sustained by tourism in HB

STATE OF TOURISM IN 2024



2.34 million visitors* in 2024

4.4% increase from 2023

Stays for two nights on average

**A visitor is defined as someone visiting Huntington Beach for the day or overnight, who resides outside the geographic boundaries of Orange County."*

Top US markets

Los Angeles

Phoenix

Las Vegas

San Diego

Bay Area

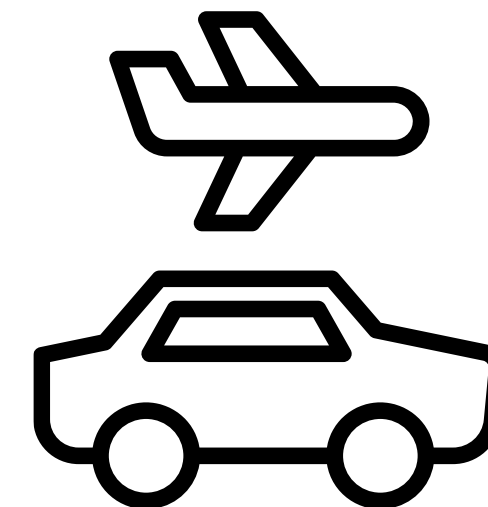
Salt Lake City

Denver

Seattle

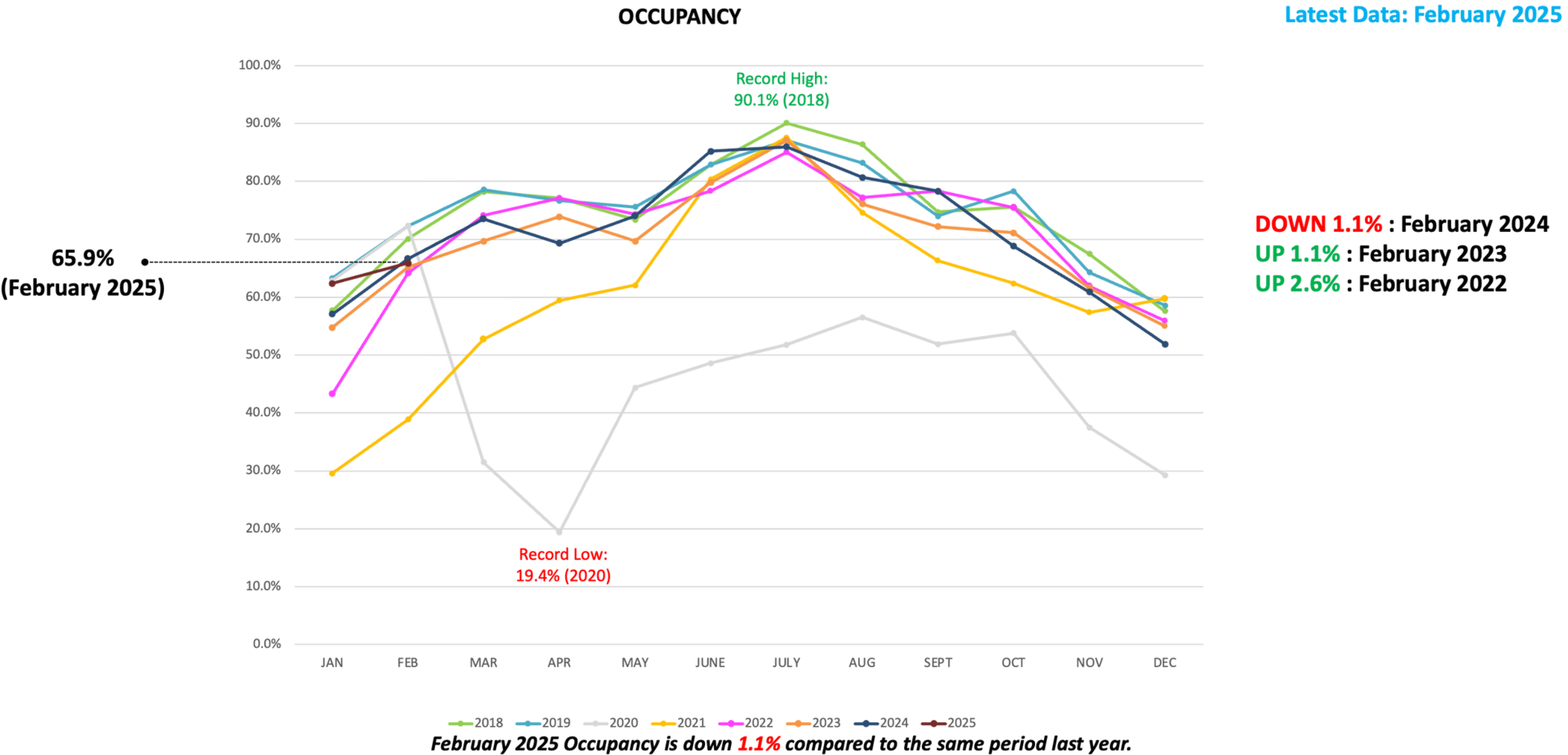
Dallas

New York

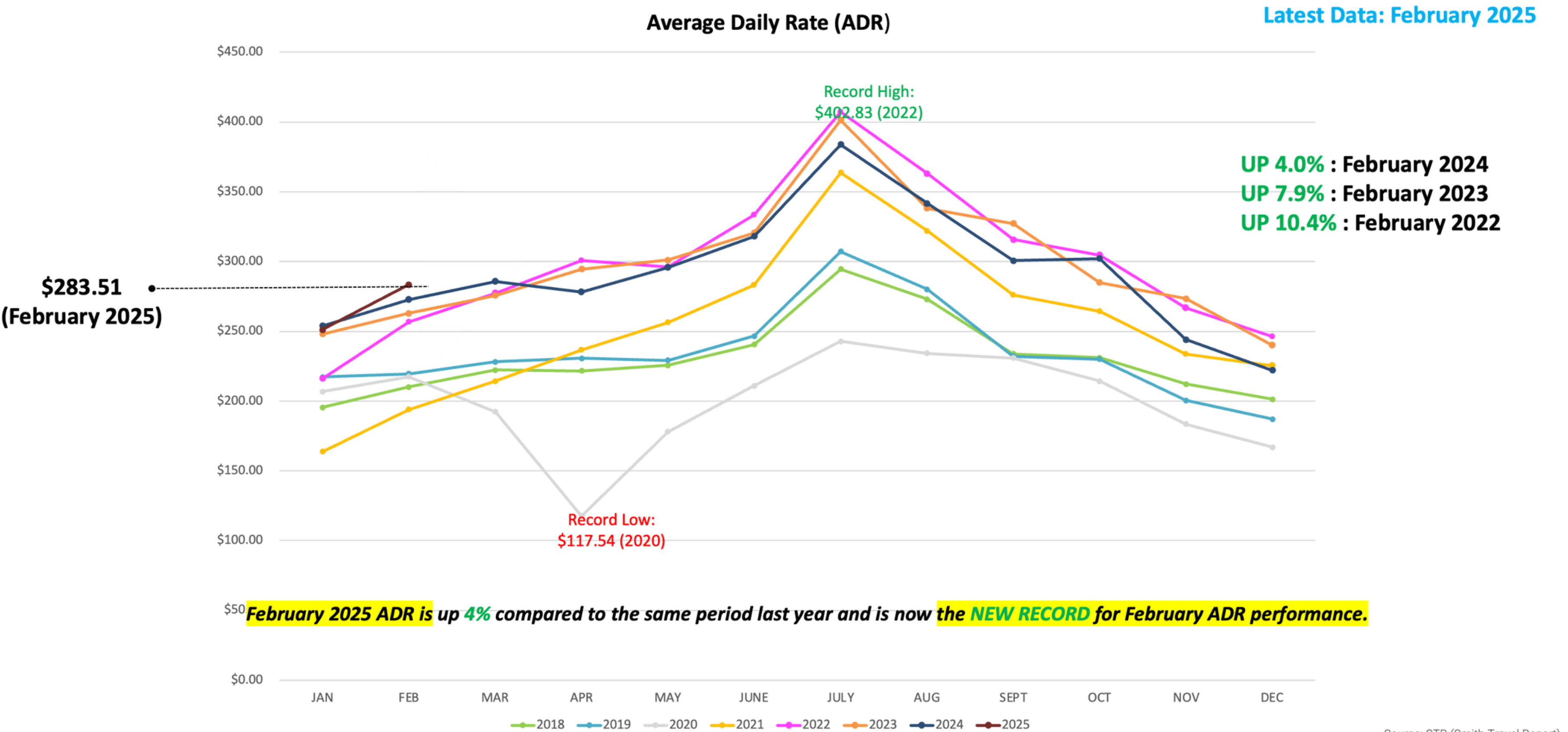


HB OCCUPANCY: JAN-DEC (2018-2025 MoM)

Latest Data: February 2025

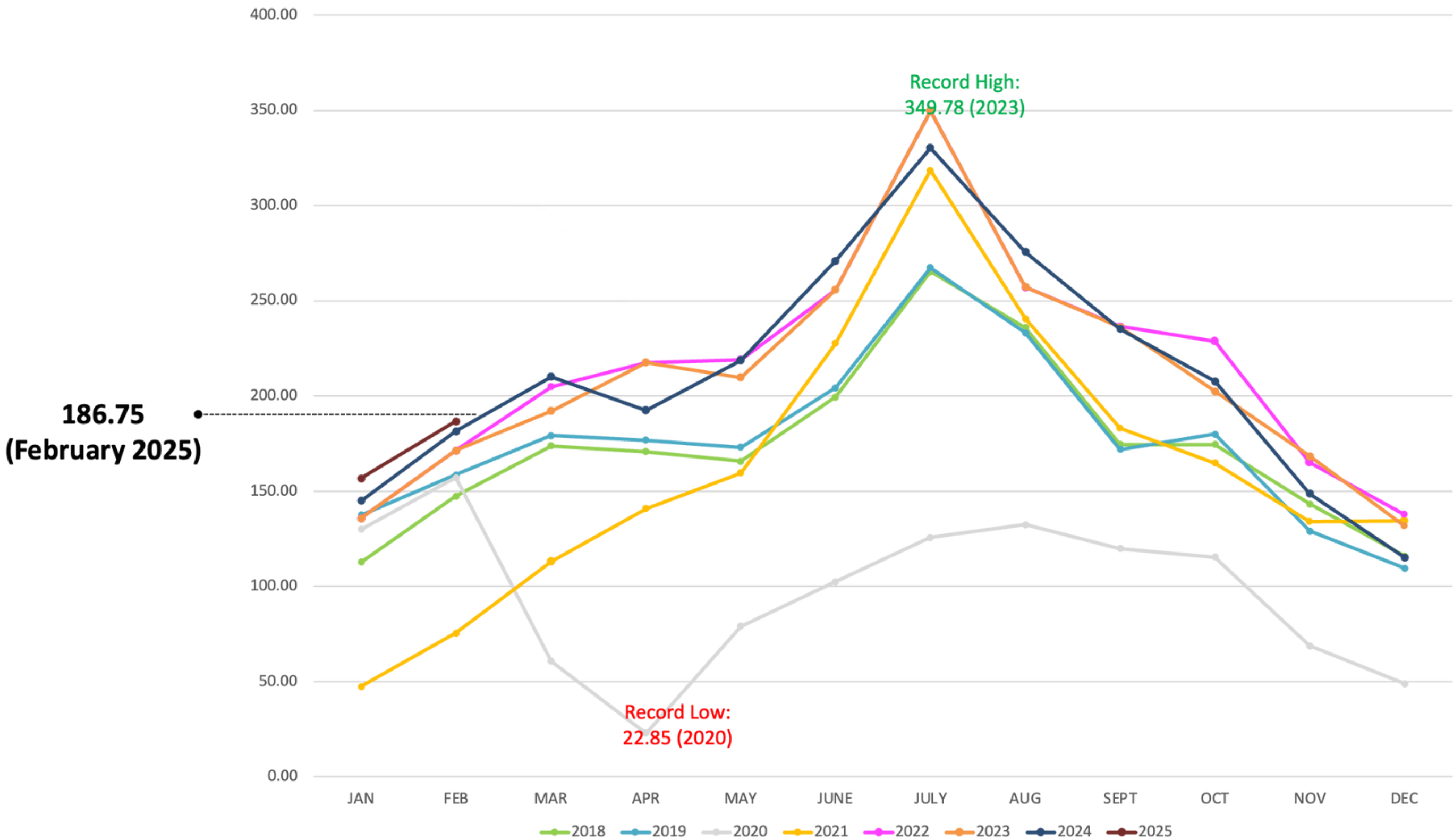


HB ADR: JAN-DEC (2018-2025 MoM)



HB RevPAR: JAN-DEC (2018-2025 MoM)

Latest Data: February 2025



UP 2.9% : February 2024
UP 9.0% : February 2023
UP 13.8% : February 2022

186.75
(February 2025)

February 2025 RevPAR is up 2.9% compared to the same period last year and is now the **NEW RECORD** for February RevPAR performance (and the second consecutive month of record-breaking monthly RevPAR performance)



OUR WORK 2024-2025



OUR WORK



MARKETING

Data Research
Surf City USA Blog
Website
E-newsletters
Social Media
Public Relations
Advertising
Travel Trade
Film Commission

GROUP SALES

Meetings / Events
Conventions

'One Stop Shop' For
Meeting Planners

Sports Commission

TOURISM ENHANCEMENTS

Accessibility
Wayfinding Signage
Summer Beach Restrooms
Event Sponsorships
Big Board
Ambassador Program

VISITOR & PARTNER SERVICES

Info Booths at Events
Visitor Info Kiosk
Partner Education Series
Visitors Guide
Event Calendar
Surf City USA® Gift Shop

ADVOCACY

Community Outreach

Downtown BID, HB
Chamber, City Of HB
Engagement

Industry/Local Boards &
Committees

TOURISM ENHANCEMENT PROGRAMS - VHB

VHB Tourism Enhancement Programs FY 24-26	
Wayfinding	New HB Pier sign. Fabrication and installation of ten gateway signs and vehicular directional signs along major arteries. Annual maintenance and Pier Plaza digital kiosk software renewal.
Walkability & Connectivity	Improve the walkable connectivity of hotels to Pacific City and to Main Street with enhanced crosswalks and lighting.
Temporary Beach Restrooms	Seasonal beach restrooms and porter service at the HB Pier and adaptive playground locations.
Nighttime Ambassador Program	Support of long-term ambassador program with trained staff to supplement nighttime police presence with hospitality and de-escalation services.
Accessibility	Install projects for greater pathway mobility and accessibility to the beach.
Bike Valet	Infrastructure branding and marketing of bike valet in downtown or under HB Pier.
Beach Event Infrastructure	Third-party assessment of beach event infrastructure needs, including electrical, wi-fi, and removable light poles in beach parking lots.
Improved HBISM in Preparation for LA28	Support of legacy project to improve HBISM in preparation for LA28.
TOTAL	10% of Annual TBID Assessment Budget

TOURISM ENHANCEMENT PROGRAMS - CITY

City Tourism Enhancement Programs FY 24-26*	
Infrastructure Improvements	Replacement of elevators/stairs to the City's downtown parking structure (Main Street Promenade).
Downtown Specific Plan	Planning and design of downtown specific plan improvements.
Mobility	Support of CIRCUIT, downtown electric shuttle.
Accessibility	Pedestrian Path at PCH and 6 th Street.
Park Upgrades	All-inclusive playground upgrades (Pirate Park).
Lighting	Bluff Top Park Lighting.
Maintenance	Enhanced downtown maintenance.
TOTAL	Matching Commitment to VHB (10% of Annual TBID Assessment Budget)

**These projects may be funded from a variety of sources including, but not limited to: City funds, grants, and other collaborative partners and agencies.*



HOW TO GET INVOLVED



VOLUNTEER PROGRAM

Join our VHB Volunteer Program and help support special events in HB

Contact

Heather Saez

Director of Visitors & Partner Services

heather@surfcityusa.com



BOARD MEETINGS

- Held at VHB's offices at 155 5th Street, Suite 111, Huntington Beach.
- Board meets at least quarterly throughout the year.
- Executive Committee meets monthly.



THANK YOU



CITY OF HUNTINGTON BEACH

California

A silhouette of a lifeguard stand on a beach at sunset. The sun is low on the horizon, creating a warm orange and yellow glow. The ocean is visible in the background, with a few small structures or oil rigs on the horizon. The lifeguard stand is on the right side of the image, and a person is sitting on the platform. The number '20' is visible on the side of the stand.

Popular Annual Financial Report

***For The Year Ended
June 30, 2024***

REPORT CONTENTS

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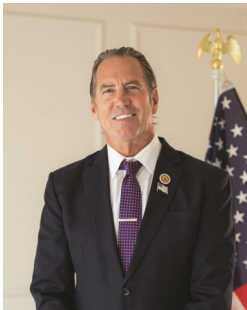
CITY OF HUNTINGTON BEACH, CALIFORNIA ELECTED OFFICIALS



Mayor
Pat Burns



Mayor Pro Tem
Casey McKeon



Council Member
Don Kennedy



Council Member
Tony Strickland



Council Member
Butch Twining



Council Member
Gracey Van Der Mark



Council Member
Chad Williams



City Attorney
Michael Gates



City Treasurer
Alisa Backstrom



City Clerk
Lisa Lane Barnes

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Dear Reader:

I am pleased to share with you the City of Huntington Beach (City) Popular Annual Financial Report (PAFR) for the year ended June 30, 2024. The PAFR, also referred to as the "Citizens' Report", summarizes the complex financial information reported in the City's Annual Comprehensive Financial Report (ACFR) into a simplified, easy to read format. This report provides an overview of the City's financial position, including sources of revenues and expenditures. In addition to key financial data, the PAFR also includes information regarding our local economy, the City's major initiatives, new business development, and outstanding debt structure. My hope is that this year's PAFR reflects our prudent and effective use of your tax dollars as to continue providing a safe environment for our businesses and citizens to thrive.

I would like to take this opportunity, on behalf of the City of Huntington Beach, to thank the citizens of this City for their ongoing commitment and dedication. It has been challenging to navigate the ever-changing landscape of our daily lives, but I have seen the resilience of our community. Your contributions to this City inspire us to serve you to the best of our abilities.

I would also like to thank the City Council, City Manager, and City Departments. Under their tremendous leadership and support, I consistently witness the excellence and hard work displayed by each member of the City's team. Together, we strive to fulfill our "commitment to responsive and exceptional public service for all." I am confident that Huntington Beach will continue to be one of the greatest cities in which to live, work, and play.

David Cain
Interim Chief Financial Officer

Huntington Beach by the Numbers

Property Tax Rate	1.10013% (varies by tax rate area)
Unemployment Rate	3.90%
Fitch Bond Rating	AAA, AA, and AA+
S&P Bond Rating	AA, AA+, and AA -
Property Tax Revenue	\$114,630,000
Total City Debt	\$449,103,000
City Net Position	\$896,784,000
Median Age	43.03 Years Old
Average Household Size	2.51
Average Home Value	\$1,047,300



POPULAR ANNUAL FINANCIAL REPORT

This report provides an overview of the City's financial position, including sources of revenues and expenditures, as well as economic information about the community. The PAFR of the City of Huntington Beach is published to increase public awareness about the City's financial condition. It is our goal that this report is easy to understand.

The PAFR summarizes the financial activities of the City of Huntington Beach's governmental and proprietary funds and draws its information from the Fiscal Year 2023/24 ACFR. The ACFR was prepared in conformance with generally accepted accounting principles (GAAP) and includes financial statements audited by Davis Farr LLP, Certified Public Accountants. The City received an unmodified (or clean) opinion that the 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. The amounts within the ACFR were arrived at by employing accrual and modified accrual basis accounting techniques as prescribed by the Governmental Accounting Standards Board (GASB).



Government-wide data on pages 12-14 is presented similarly to a consolidated financial statement for a private business (accrual basis). Governmental funds financial information on pages 15-17 is presented under standard governmental accounting rules (modified accrual basis). Modified accrual accounting is a governmental accounting method based on revenues being recognized in the period when they become available and measurable (known).

This PAFR is unaudited and is presented on a non-GAAP basis. The differences between the GAAP basis presentation in the ACFR and the non-GAAP presentation in the PAFR are as follows: the use of prescribed accounting methods and financial statement formats; the presentation of segregated funds; and the disclosure of all material financial and non-financial matters in notes to the financial statements. Individuals who desire to review the audited GAAP-based, full disclosure financial statements should refer to the City's ACFR, which is available on the City's website at <https://www.huntingtonbeachca.gov/departments/finance/>, or by contacting the Finance Department at 2000 Main Street, Huntington Beach, California, 92648, by phone at (714) 536-5630, or by e-mail at tvi@surfcity-hb.org.

ABOUT HUNTINGTON BEACH

CITY PROFILE

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 192,129 residents, it is known as Surf City due to its abundance of beaches; the year-round sunny, warm Mediterranean climate; and its casual lifestyle. With over 10 miles of coastline and iconic pier spanning 1,850 feet in length – one of the longest piers on the West Coast – Huntington Beach plays host to millions of visitors annually. In addition to its internationally recognized beaches, Huntington Beach is recognized as a prime location to live, work and play, ranking #2 in the nation for “Quality of City Services” and #65 for “Best-Run City in America” by WalletHub (June 2024). Huntington Beach was also ranked #1 in the state and #9 in the nation for “Best City for People with Disabilities” by WalletHub (September 2024).



A thriving beach community, Huntington Beach is home to numerous events, including the Great Pacific Airshow. 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 over a five-day period that includes a Main Street Block Party with free live music, carnival rides, and other family-friendly activities, Surf City 5K Run, and a 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, International Surfing Association (ISA) World Surfing Games, and other events. In November 2023, the inaugural Darker Waves beachfront music festival featuring New Order, Tears for Fears, the B-52s, and others, performed to a sold-out crowd of 30,000.

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 1,000 full-time equivalent employees.

Demographically, the City benefits from higher education levels, median incomes, and home values as compared with the State. The City boasts an annual median household income of \$119,885, 34.0 percent higher than the United States, 20.0 percent higher than the State of California, and 5.0 percent higher than Orange County.



LOCAL ECONOMY

Huntington Beach is one of the leading commercial and industrial centers in Southern California. It is the fourth largest city in Orange County and the 23rd largest in California in terms of population. The City's unemployment rate had a modest increase from 3.6 percent to 3.9 percent, which is still well below the national and state levels. The City's labor force continues to be positioned to maintain the City's strong tax base.

Huntington Beach has numerous demographic factors in its favor:

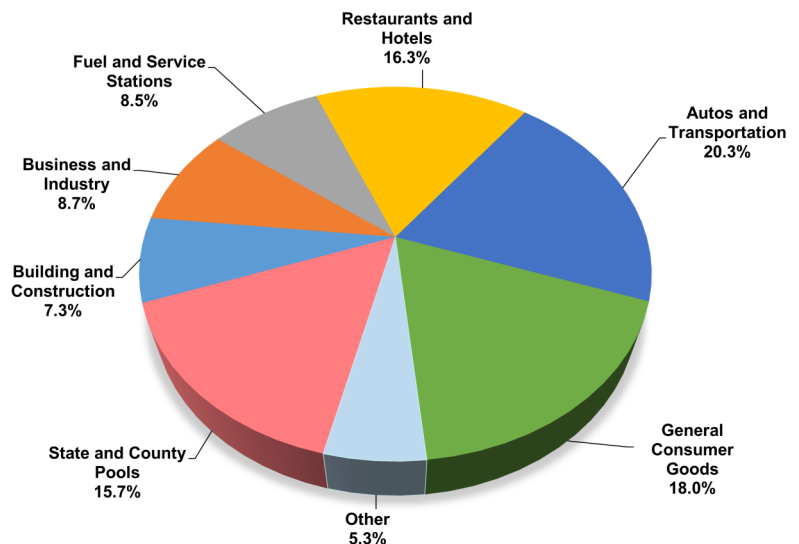
- Personal median incomes greater than State and County averages
- A stable property tax base
- A diversified sales tax base

The Huntington Beach 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, and large-scale retailers. The top five principal employers in the City are Boeing, Cambro Manufacturing, Hyatt Regency Huntington Beach, Huntington Beach Hospital, and Walmart Inc.



There are several reasons to reflect on the measures taken over the past couple of years to protect the City's finances. Through the leadership and support of the City Council, the City has implemented significant cost-saving measures, including a Citywide Separation Incentive Program and reorganization plan, refinancing the City's pension debt, and a proactive Budget Balancing Plan. Looking ahead, economic indicators point to a potential recession. Home sales have resulted in a \$3.2 Billion increase in assessed property valuations for Fiscal Year 23-24. However, supply chain shortages and inflationary pressures on normal business activities continue to influence economic conditions. Increases in utility rates, such as electricity and gas, contribute to a rise in projected Franchise and Utility Users Tax revenues, which help to balance the overall economic impact.

CITY OF HUNTINGTON BEACH Composition of Sales Tax Revenue Fiscal Year 2023/24



STRATEGIC GOALS

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 June 8, 2023, establishing eight goals to achieve over the next four years. The 2023-2027 Strategic Plan, approved by City Council, includes the eight Strategic Goals listed below to achieve over the next four years:

- **Economic Development** — Greater business retention, investment, and job growth in the City.
- **Fiscal Stability** — Available funding to support a high-quality level of programs, services and capital investments to build a structural surplus.
- **High Performing Organization** — An engaged City workforce committed to responsive and exceptional public service for all.
- **Homelessness** — A continuum of care that reduces homelessness and maintains quality of life for the entire community.
- **Housing** — Proactive programs to address diverse housing needs within the City's jurisdiction
- **Infrastructure Investment** — Maintain and upgrade infrastructure that supports the community's day-to-day needs in accordance with the City's Infrastructure Report Card.
- **Public Engagement** — A community that has easy access to clear, accurate, and timely City information and expresses increased awareness and involvement in City activities.
- **Public Safety** — Ensure the safety and protection of all community members, both efficiently and effectively.

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 Strategic Plan.



MAJOR INITIATIVES

The City of Huntington Beach continues to thrive together through the motto “OneHB,” which reflects the City’s commitment to facing the potential upcoming recession created by inflationary conditions and supply chain shortages guided by the following principles: One Team, One Focus, and One Goal to ensure HB continually improves its standing as a premier coastal community measured through the health of our organization, infrastructure and community.



Infrastructure Report Card

Infrastructure provides essential services and affects quality of life for all Huntington Beach residents; to sustain these critical systems, it is important to routinely assess them. The City is preparing an Infrastructure Report Card (IRC) that will serve as a high-level summary to highlight the current condition of the City’s Infrastructure. This report card will assign grades (A–F) to various infrastructure categories, communicating the status of each and identifying priorities for improvement. The project structure is made up of three separate committees including the Outreach and Communications Committee. The Outreach and Communications Committee is comprised of approximately 100 Huntington Beach residents appointed by the City Council and/or are recognized members of the community who will act as ambassadors of this process through their networks. This will promote resident participation, education, and awareness of the project both during the assessments and after the final report is released. Assessments began in August 2023 and the final report was presented to City Council on January 2025.

“One Stop Shop”

The City is continuing the process of implementing a “One Stop Shop” to facilitate the permitting process. The “One Stop Shop” streamlines permitting process and provides applicants with a comprehensive checklist to complete the necessary steps to obtain permits. The “One Stop Shop” approach aims to make the permitting process more efficient so that businesses and residents experience quicker and easier access to obtain permits for business licenses, short-term rentals, and building permits.



KEY FINANCIAL INFORMATION







CITY DEBT

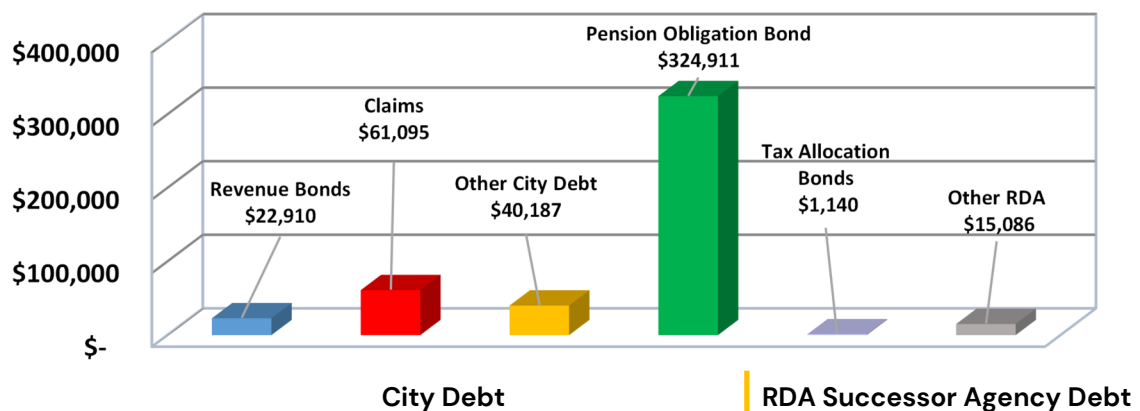
Debt Instrument	Fitch	S & P
1999 Tax Allocation Refunding Bonds	AA	AA-
2002 Tax Allocation Refunding Bonds	N/A	AA-
2014 Lease Revenue Bonds, Series A	AA+	AA
2020(a) Lease Revenue Bonds	AA+	AA
2020(b) Lease Revenue Bonds	AA+	AA
2021 Pension Obligation Bonds	AAA	AA+

The City of Huntington Beach is legally restricted to issuing general obligation bonds to 12.0 percent of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. The chart on the left shows the latest ratings as determined by Fitch and Standard & Poor's as of June 30, 2024. The City continues to maintain strong credit ratings on all of its other debt issues which signals a relatively low risk of default and the benefits of reduced interest rates and borrowing costs. Most notably, in February 2024, Fitch Ratings reaffirmed the City's AAA Implied General Obligation Bond rating. The high ranking puts the City in an elite group of cities not only in California, but in the entire country, with AAA ratings.

TOTAL CITY DEBT AS OF JUNE 30, 2024

(In Thousands)

-  **Revenue Bonds** – Long-term bond issues used to finance civic improvements. The bonds are repaid from revenues generated from the lease on the buildings that were improved.
-  **Claims Payable**– Workers' Compensation and Liability Insurance claims made to the City.
-  **Other City Debt** – Miscellaneous long-term debts that include loans, leases, subscriptions, pollution remediation liabilities, and compensated absences.
-  **Pension Obligation Bond** – Debt used to pay the City's CalPERS unfunded pension liability.
-  **Tax Allocation Bonds** – Debt used for the former Redevelopment Agency's project improvements. This debt is repaid by property tax revenues from the former Redevelopment Agency.
-  **Other Redevelopment Successor Agency Debt** – Primarily loans taken by the former Redevelopment Agency.



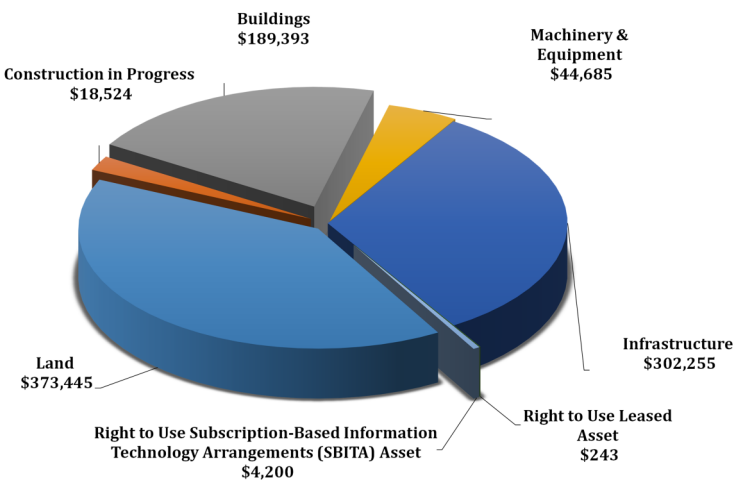
CITY OF HUNTINGTON BEACH CAPITAL ASSETS

As of June 30, 2024, the City’s total capital assets balance is \$932,745,000. This total amount is comprised of Infrastructure, Land, Construction in Progress, Building, Machinery and Equipment, Right to Use Leased Asset, and Right to Use Subscription-Based Information Technology Arrangements (SBITA) Asset as displayed in the chart below. The amounts shown are net of depreciation.

Depreciation is the reduction in the value of an asset with the passage of time. In the financial statements for the entire government, or for the government’s business-like activities, the City records depreciation on the straight-line method (equal annual amounts) over the estimated useful life of the assets.



CAPITAL ASSETS BY CATEGORY
AS OF JUNE 30, 2024
(In Thousands)



INVESTMENT PORTFOLIO

The City's cash and investment practices and policies as of June 30, 2024, are based upon State law and prudent investor rules. Totals also include investments for the Supplemental Pension Retirement Trust Fund. The primary goals of these investment practices and policies are:

- To protect principal and maintain liquidity to meet expected operating expenses;
- To ensure compliance with all Federal, State, and local laws governing the investment of public funds under the control of the elected City Treasurer; and
- Achieve a reasonable rate of return within the parameters of prudent risk management while minimizing the potential for capital losses arising from market changes or issuer default.



MARKET VALUE OF THE CITY'S CASH AND INVESTMENTS As of JUNE 30, 2024 (In Thousands)

INVESTMENTS:	Investment Maturities (In Years)				
	Fair Value	Less than 1	1 to 3	3 to 5	Total
US Treasuries	\$ 90,539	\$ 36,803	\$ 39,094	\$ 14,642	\$ 90,539
US Agency Securities*	159,594	55,523	84,507	19,564	159,594
Mutual Funds	65,477	65,477	-	-	65,477
Money Market Funds	14,737	14,737	-	-	14,737
Medium Term Notes - IADB	48,681	4,968	14,126	29,587	48,681
Corporate Bonds	50,093	8,749	36,339	5,005	50,093
California Asset Mgmt Program	36,586	36,586	-	-	36,586
PARS Pension Rate Stabilization Program	20,212	20,212	-	-	20,212
Total Investments	\$ 485,919	\$ 243,055	\$ 174,066	\$ 68,798	485,919
		Total Deposits			12,426
		Total Deposits and Investments			\$ 498,345

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

CITY FINANCIALS

STATEMENT OF NET POSITION

The following financial summary is based upon a condensed view of the City's assets and liabilities for all funds as of June 30, 2024 and June 30, 2023.

- Total **Current and Other Assets** increased by \$69,163,000 for governmental activities mainly due to the increase in cash balances related to increased property tax, utility users tax, and transient occupancy tax revenues. The increase in current and other assets of \$2,914,000 for business-type activities is primarily due to increased cash balance in the Water Master Plan fund as there was strong economic growth in Fiscal Year 2023/24 as well as increased water rates.
- **Deferred Outflows and Deferred Inflows** decreased by 12.6 percent and decreased by 10.6 percent, respectively. The changes in deferred outflows and inflows is the result of 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.
- Total **Current and Other Liabilities** increased by 3.3 percent due to normal fluctuations in the accounts payable and payroll cycles.
- Total **Long-Term Obligations** for governmental activities increased by 2.4 percent primarily due to the GASB 68 adjustments resulting in an increase of \$32,963,000 in net pension liability at the same time long-term obligations decreased by \$18,697,000 due to regular debt obligations being paid.
- Total **Restricted Net Position** increased by 18.0 percent largely due to the change in restricted net position in the Pension Liability Fund. The Pension Liability Fund increased due to revenues from the voter-approved property tax override dedicated to the payment of pension costs being set aside as well as increases in property tax being collected based on rising home values. Other Governmental Funds saw decrease in Highway, Street and Transportation related expenditure which resulted in an increase of restricted net position.
- Total **Unrestricted Net Position** decreased by 8.5 percent primarily due to changes in Net Pension Liability and Other Postemployment Benefits.

CITY OF HUNTINGTON BEACH STATEMENT OF NET POSITION

As of June 30, 2024 and June 30, 2023

(In Thousands)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2024	2023	Change	2024	2023	Change	2024	2023	Change
Assets									
Current and Other Assets	\$ 429,299	\$ 360,136	19.2%	\$ 94,226	\$ 91,312	3.2%	\$ 523,525	\$ 451,448	16.0%
Non-Current Assets	4,653	1,809	157.2%	554	215	157.7%	5,207	2,024	157.3%
Capital Assets	791,511	772,038	2.5%	141,234	141,583	-0.2%	932,745	913,621	2.1%
Total Assets	<u>1,225,463</u>	<u>1,133,983</u>	8.1%	<u>236,014</u>	<u>233,110</u>	1.2%	<u>1,461,477</u>	<u>1,367,093</u>	6.9%
Deferred Outflows of Resources	<u>126,835</u>	<u>144,205</u>	-12.0%	<u>8,255</u>	<u>10,389</u>	-20.5%	<u>135,090</u>	<u>154,594</u>	-12.6%
Liabilities									
Current and Other Liabilities	61,903	61,970	-0.1%	14,066	11,600	21.3%	75,969	73,570	3.3%
Long-Term Obligations	572,492	559,315	2.4%	32,454	31,635	2.6%	604,946	590,950	2.4%
Total Liabilities	<u>634,395</u>	<u>621,285</u>	2.1%	<u>46,520</u>	<u>43,235</u>	7.6%	<u>680,915</u>	<u>664,520</u>	2.5%
Deferred Inflows of Resources	<u>17,935</u>	<u>20,322</u>	-11.7%	<u>933</u>	<u>786</u>	18.7%	<u>18,868</u>	<u>21,108</u>	-10.6%
Net Position									
Net Investment in Capital Assets	751,578	727,051	3.4%	141,232	141,581	-0.2%	892,810	868,632	2.8%
Restricted	127,535	107,546	18.6%	24,394	21,213	15.0%	151,929	128,759	18.0%
Unrestricted	(179,145)	(173,034)	-3.5%	31,190	36,684	-15.0%	(147,955)	(136,350)	-8.5%
Total Net Position	<u>\$ 699,968</u>	<u>\$ 661,563</u>	5.8%	<u>\$ 196,816</u>	<u>\$ 199,478</u>	-1.3%	<u>\$ 896,784</u>	<u>\$ 861,041</u>	4.2%

See page 19 for an explanation of accounting terms.

STATEMENT OF ACTIVITIES

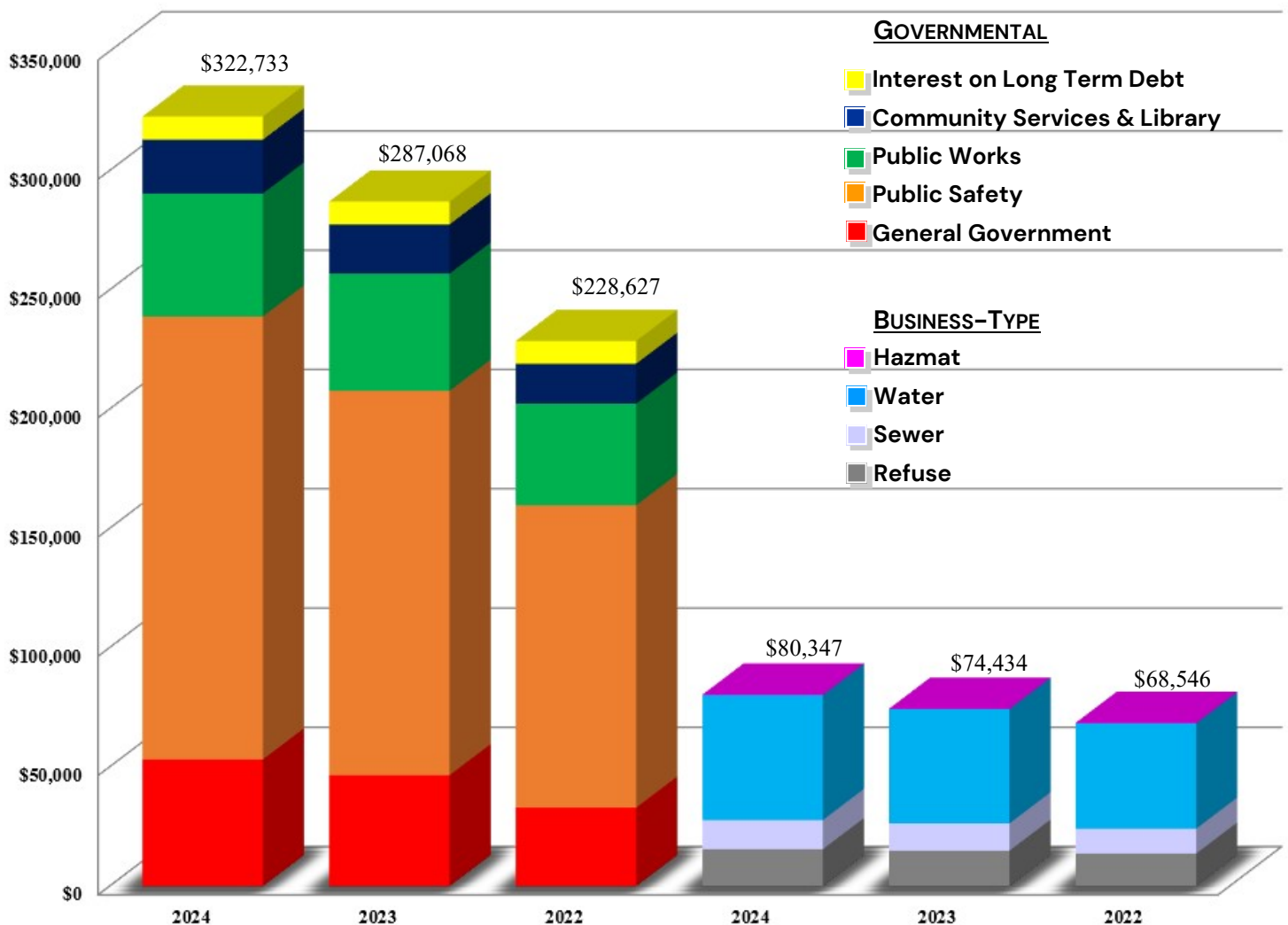
The following graphs show Revenues and Expenses for Governmental and Business-type activities as they relate to the program category in which the funds were collected or expended. Governmental activities include the General Fund, Debt Service Funds, Capital Projects Funds, and Special Revenue Funds. Business-type activities include the Water Fund, Sewer Fund, Refuse Fund, and Hazmat Fund.

CITY OF HUNTINGTON BEACH PROGRAM EXPENSES

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30, 2024, JUNE 30, 2023 AND JUNE 30, 2022

(In Thousands)



Governmental expenses increased by \$35,665,000, or 12.4 percent primarily due to increase funding in support of public safety, i.e. Police and Fire.

STATEMENT OF ACTIVITIES (CONTINUED)

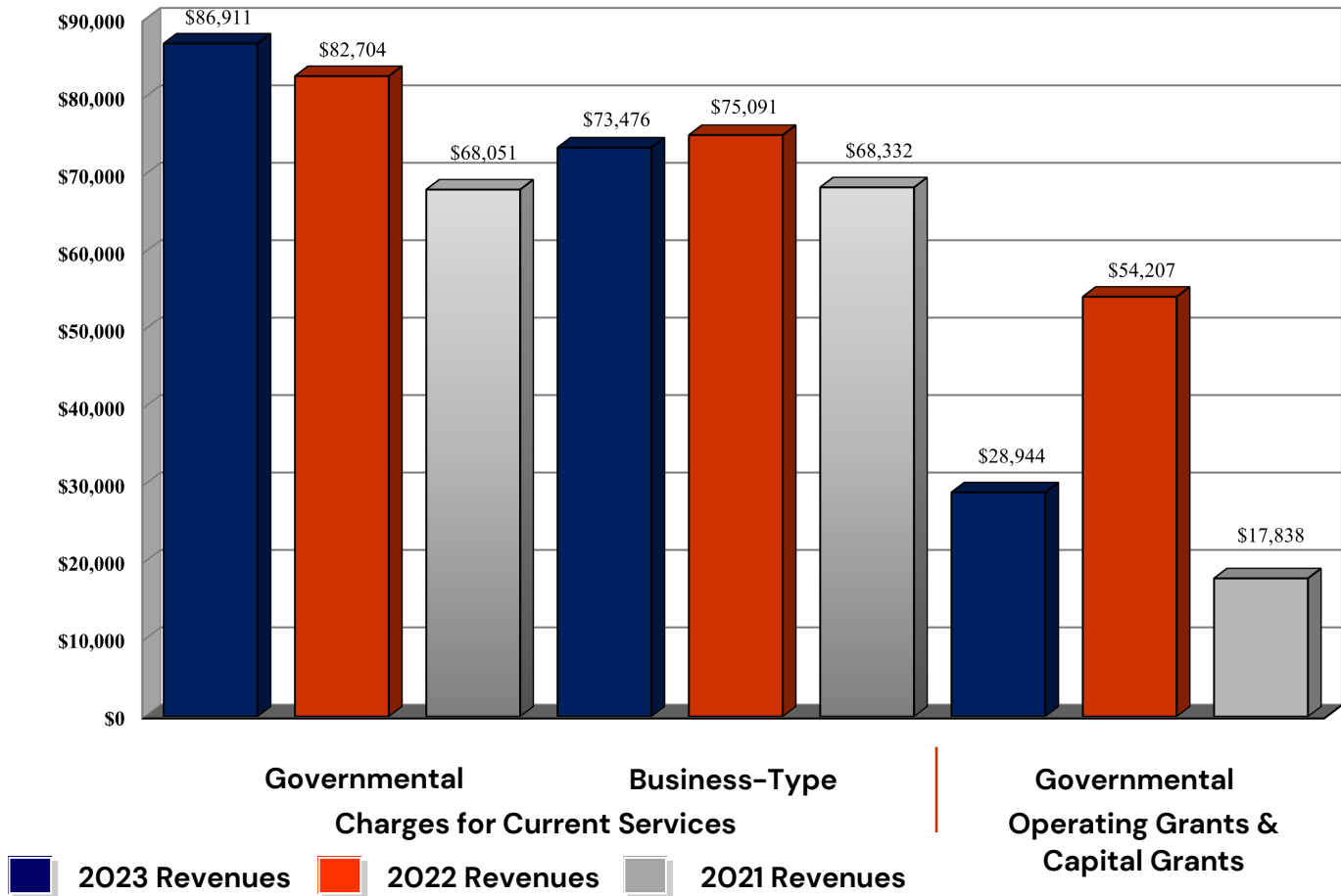
CITY OF HUNTINGTON BEACH PROGRAM REVENUES

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30, 2024, JUNE 30, 2023 AND JUNE 30, 2022

(In Thousands)

Definition of Program Revenues: Revenues that derive directly from the program itself, such as user fees and charges, which reduce the cost of the function to be financed from the government's general revenues.



Charges for Current Services increased \$4,207,000, or 5.1 percent. This increase is mainly from reimbursement of liability claim paid out by the City. Other note worthy increases in revenue were in Community Services, and Fire. Community Services saw an increase of \$2,168,000 due to concessionaire, recreational, special events, and facility rental revenues as well as increase in parking fee rates as tourism increased. Fire saw an increase of \$6,062,000 due to the City participating in Voluntary Rate Range Intergovernmental Transfer (VRRP IGT) Program. Community Development related program revenue saw a decrease of \$7,715,000 which can be attributed to a decrease in fees collected for developmental projects as there were no new major development projects for the year.

Operating Grants and Capital Grants decreased by \$25,263,000 or 46.6 percent primarily due to a one-time revenue stream of \$29,67,000 for the American Rescue Plan Act (ARPA) Grant the City recognized in the prior year.

GOVERNMENTAL FUNDS

The City maintains 24 individual governmental funds. Governmental funds are used to account for tax-supported activities such as: public safety, public works, general government, and community-related services. The major governmental funds are the General Fund, Grants Special Revenue Fund, the Low-Moderate Income Housing Asset Fund (LMIHAF) Capital Projects Fund, Pension Liability Debt Service Fund, and Infrastructure Fund.

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

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources.

Infrastructure Fund accounts for expenditures related to designated infrastructure projects.

Debt Service Funds are used to account for the receipts for and payments of general long-term debt.

Capital Projects Funds are used to account for and report financial resources for capital outlays.

REVENUE/RESOURCES (WHERE THE MONEY COMES FROM)

CITY OF HUNTINGTON BEACH

STATEMENT OF REVENUES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEARS ENDED JUNE 30, 2024

AND JUNE 30, 2023

(In Thousands)

REVENUE BY SOURCE	2024	2023
Property Taxes	\$ 114,630	\$ 109,467
Sales Taxes	56,003	57,164
Utility Taxes	23,283	22,558
Other Taxes	27,465	40,738
Licenses and Permits	10,593	15,688
Fines and Forfeitures	3,666	3,945
Use of Money and Property	37,769	22,726
Other Agencies	38,922	47,426
Charges for Services	56,283	60,010
Other	3,213	6,353
Total	\$ 371,827	\$ 386,075

The largest source of operating revenues for the City is **Property taxes**. Property taxes are levies collected from property within the City based on assessed value and tax rate.

Sales taxes are imposed on retail transactions and are collected and administered by the State. Huntington Beach receives 1.0 percent of the total taxable sales generated within the City.

A **Utility tax** of 5.0 percent is imposed on consumers of electricity, gas, water, and cable television services and 4.9 percent for telephone services within the City.

The “**Other taxes**” category is comprised of the following:

- **Franchise fees** – negotiated fee revenue received from local utilities.
- **Transient occupancy tax** – imposed on lodging facilities such as hotels and motels. The City’s tax rate is set at 10.0 percent.

Licenses and permits represent revenues generated from a variety of activities, such as business licenses and building-related permits.

Revenue from **fines and forfeitures** are generated from various sources, such as court and traffic fines, parking violations, and library fines.

Revenue from the **use of money and property** includes interest on City investments, leases, parking fees, and concessions.

Revenue from **other agencies** is primarily reimbursements from Federal, State, and County sources.

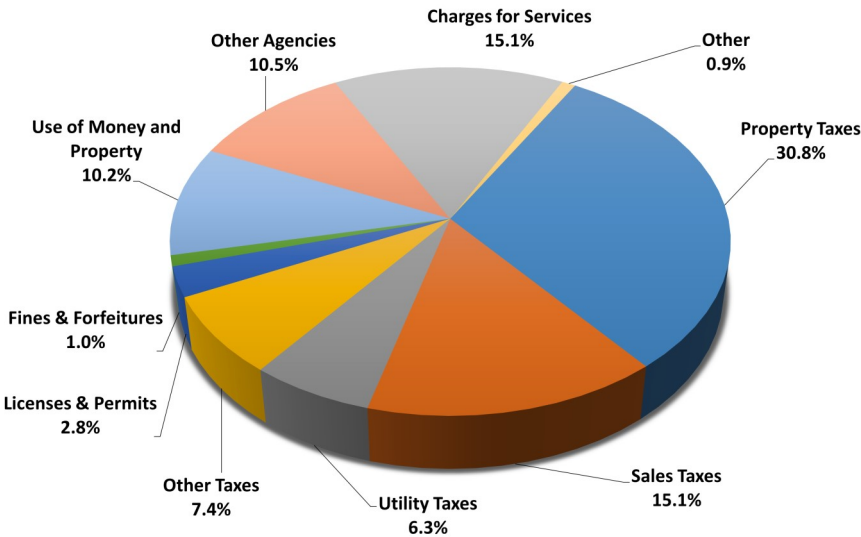
Charges for current services are revenues collected for services rendered to the public such as recreational classes.

Other revenues are revenues that do not fall into designated categories, such as refunds, donations or other financing sources.

GOVERNMENTAL FUNDS

Governmental Fund Revenues decreased by \$14,248,000 or 3.7 percent from the prior fiscal year. The following details the significant changes from the prior fiscal year:

- **Property Taxes** increased by \$5,163,000 or 4.7 percent due to growth in assessed valuations.
- **Charges for Services** decreased by \$3,727,000 or 6.2 percent due to decreased demand for services, including recreation classes and building and planning services.
- **Licenses and Permits** decreased by \$5,095,000 or 32.5 percent primarily due to a decrease in permits and licenses issued compared to the previous fiscal year. The prior year oversaw large development projects such as the Gisler Residential and Delaware Housing Projects causing a decrease of revenues by comparison in the current fiscal year.
- **Use of Money and Property** increased by \$15,043,000 or 66.2 percent predominantly due to an increase in city investments earnings.



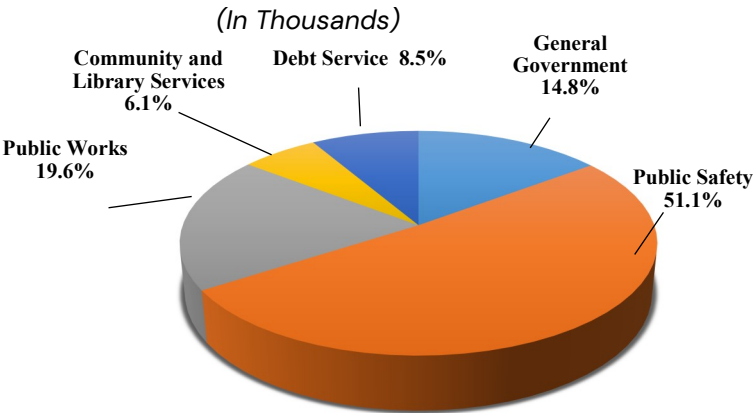
EXPENDITURES/SERVICES (WHERE THE MONEY GOES)

The City incurs expenditures to meet the diverse needs of the community. As a full service city, Huntington Beach provides fire and police services, as well as recreational and cultural opportunities. For the period July 1, 2023 to June 30, 2024, the total expenditures incurred by the City were \$352,651,000 (excluding transfers and other financing sources).

CITY OF HUNTINGTON BEACH
STATEMENT OF EXPENDITURES
GOVERNMENTAL FUNDS

FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND JUNE 30, 2023

EXPENDITURES	2024	2023
General Government	\$ 52,250	\$ 49,769
Public Safety	179,715	169,499
Public Works	69,169	62,161
Parks, Recreation, & Library	21,414	23,854
Debt Service	30,103	28,341
Total	\$ 352,651	\$ 333,624



Expenditures increased by \$19,027,000 or 5.7 percent primarily due to additional funding for fire and police to departments to ensure residence safety.

GOVERNMENTAL FUNDS

General Government expenditures are those incurred by the administrative function, including the City Council, City Manager, City Attorney, City Clerk, City Treasurer, Finance, Human Resources, Community Development, and Information Services.

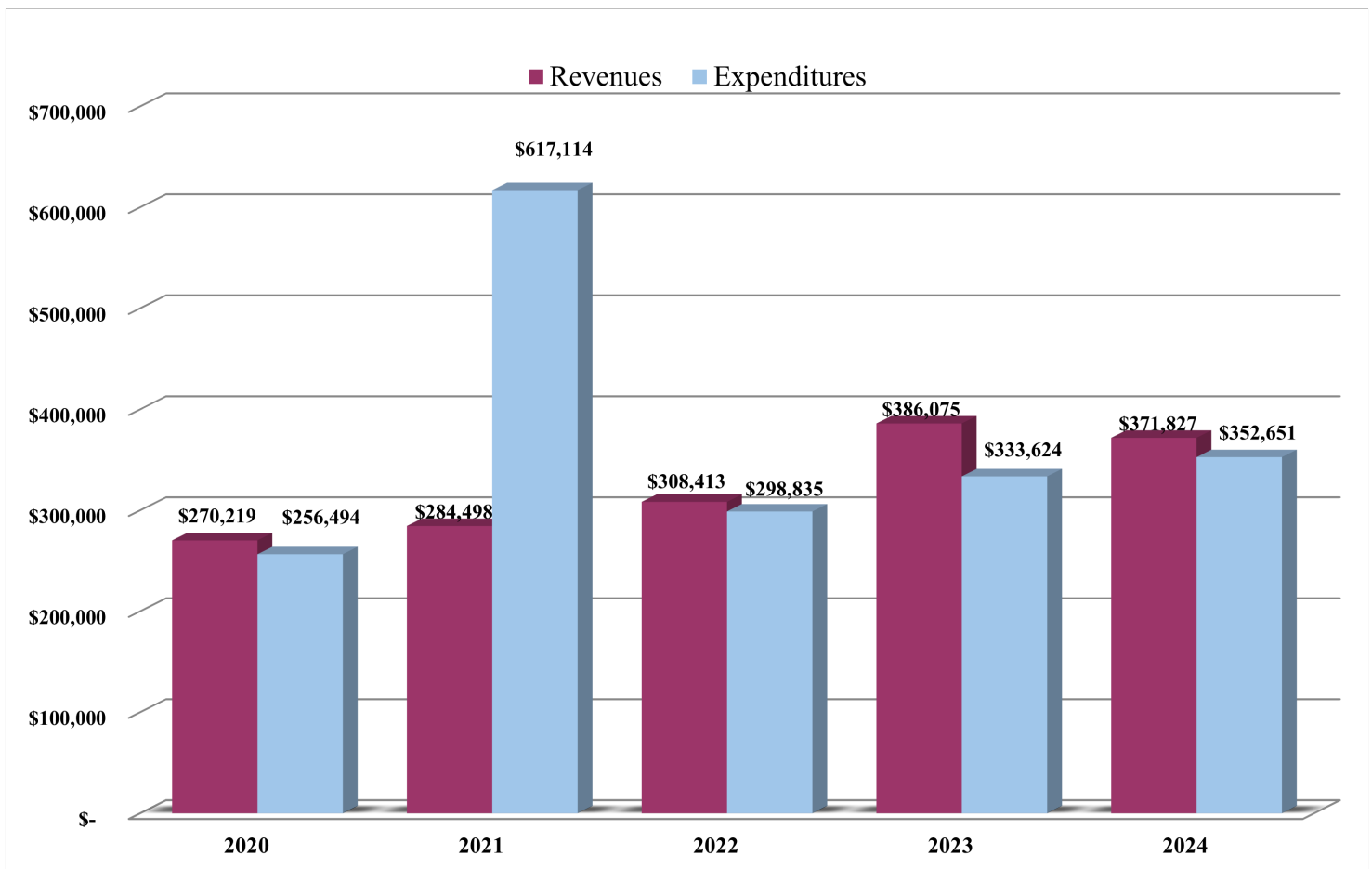
Public Works expenditures are those related to the design, construction, maintenance, and operation of public facilities and infrastructure within the City.

Debt service expenditures are used to retire the City's debt.

Public Safety expenditures reflect the costs associated with providing police, fire, and marine safety services to residents, businesses, and visitors.

Community and Library Services expenditures are those incurred by the City to enrich the quality of life in Huntington Beach through recreational and cultural activities, as well as to support the educational and informational needs of residents and visitors.

GOVERNMENTAL FUNDS REVENUES AND EXPENDITURES – FIVE YEAR TREND (In Thousands)



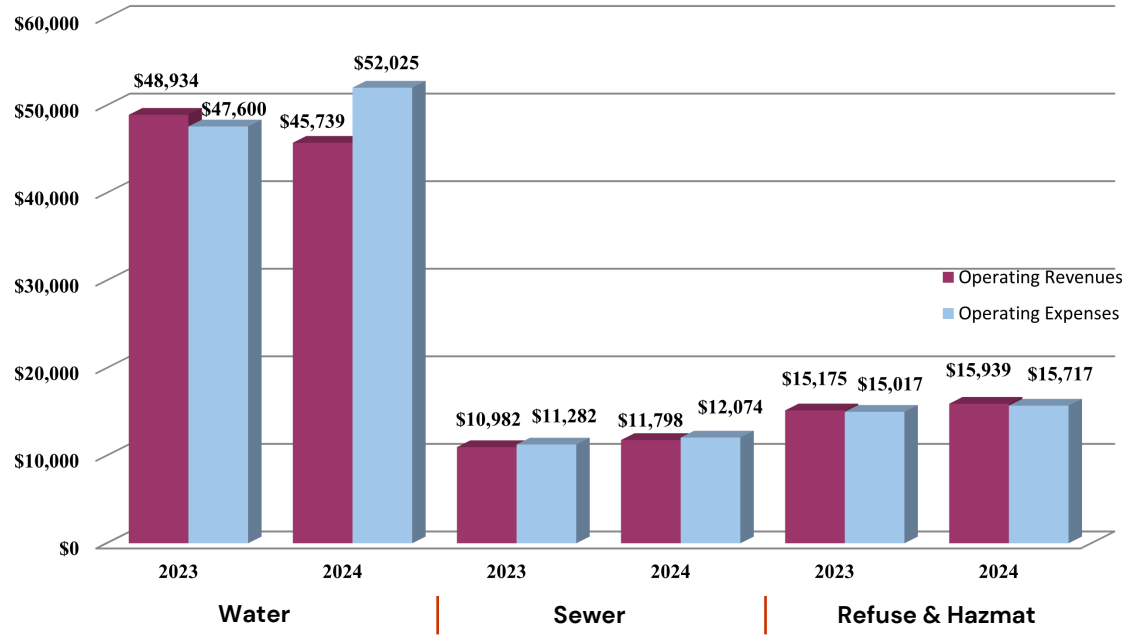
BUSINESS-TYPE FUNDS

Business-type funds are used to report any activity for which a fee is charged to users for goods or services, similar to private business. Over time, these funds generate enough revenue to cover the costs of their operating expenses. The City maintained four business-type funds as of June 30, 2024.

The **Water Fund** accounts for water sales to customers and costs incurred to maintain its infrastructure. The **Refuse Fund** accounts for the activities of the City’s refuse collection program.

The **Sewer Service Fund** accounts for user fees charged to residents and businesses for sewer services. The **Hazmat Service Fund** accounts for user fees charged for the City’s hazardous materials program.

BUSINESS-TYPE FUNDS
(In Thousands)

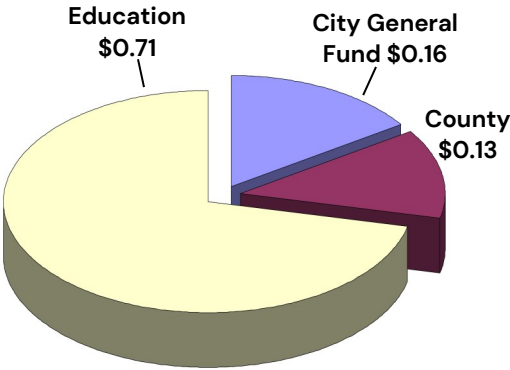


WHERE DO THE TAXES GO?

PROPERTY TAXES The largest source of revenue for the City of Huntington Beach is property taxes. Personal property in California is subject to a basic levy equal to 1.0 percent of assessed value. The California Constitution, after passage of Proposition 13 in 1978, fixed valuations of real property at 1975 levels, with a maximum adjustment of 2.0 percent per year based on inflation. When a change of ownership or new construction occurs, the property is reassessed to its current value.

The basic levy 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.

The chart above shows how each dollar paid in property tax in the City of Huntington Beach is distributed to local school districts, County operations, and the City’s General Fund.



EXPLANATION OF ACCOUNTING TERMS

Current and Other Assets – Assets that one can reasonably expect to convert to cash, sell, or consume within one year.

Capital Assets – The City's long-term investments in land, buildings, equipment, improvements, infrastructure, and construction in progress. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Net Investment in Capital Assets – This represents the City's investment in its capital assets less accumulated depreciation and any outstanding debt attributable to the acquisition, construction, or improvement of these assets. It should be noted that the resources needed to repay this debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Deferred Outflows of Resources – Represents a consumption of net assets that is applicable to a future reporting period.

Deferred Inflows of Resources – Represents an acquisition of net assets that is applicable to a future reporting period.

Current and Other Liabilities – These are primarily debts that can be paid off in one year or less. This includes accounts payable, accrued payroll and accrued interest payable.

Long-Term Obligations – Represents mainly debt obligations of the City. The proceeds from these various debt issues are typically used to finance large project costs such as building construction and renovations, major equipment purchases, and roadway construction.

Net Position – This represents the City's total assets and deferred outflows of resources less the total liabilities and deferred inflows of resources.

Restricted Net Position – Resources whose use is subject to externally imposed restrictions. The City has resources set aside for debt service, public works projects, and community services programs as established by the City Council.

Unrestricted Net Position – These are resources that are accessible to the City to provide services to the residents of Huntington Beach if there were no additional revenues or resources available.



AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Huntington Beach for its Popular Annual Financial Report for the fiscal year ended June 30, 2023. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Huntington Beach has received a Popular Award for the last seventeen consecutive years (fiscal years ended 2006-2023). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Huntington Beach
California**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrell

Executive Director/CEO



**City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648
(714) 536-5630
www.huntingtonbeachca.gov**

Popular Annual Financial Report - Update

For the Year Ended June 30, 2024

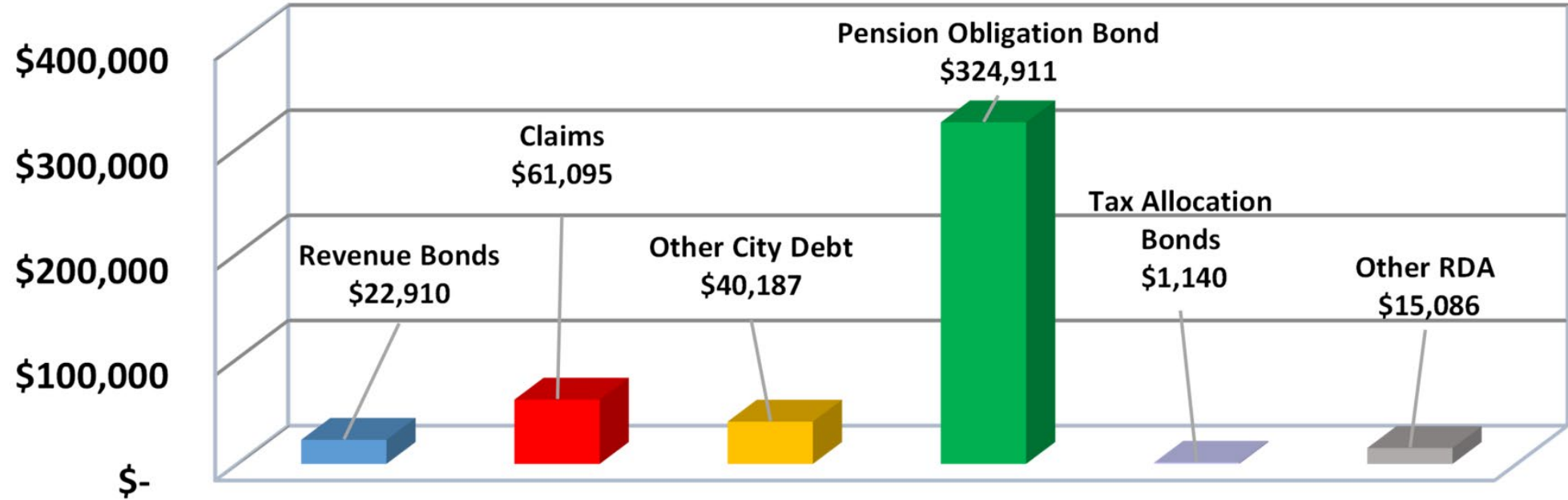
Huntington Beach By the Numbers

For the Year Ended June 30, 2024

- Property Tax up 0.047% from Prior Year (PY)
 - Unemployment up 0.30% from PY
- Property Tax Revenue up \$5,163,000 from PY
 - Total City Debt down \$23,522,000 from PY

Property Tax Rate*	1.10013% (varies by tax rate area)
Unemployment Rate	3.90%
Fitch Bond Rating	AAA, AA, and AA+
S&P Bond Rating	AA, AA+, and AA -
Property Tax Revenue	\$114,630,000
Total City Debt	\$449,103,000
City Net Position	\$896,784,000
Median Age	43.03 Years Old
Average Household Size	2.51
Average Home Value	\$1,047,300

* Property Tax Rate is 1%; plus other assessments



Huntington Beach Debt Breakdown

(In thousands)

- City Debt decreased in all 6 obligations from 2023 to 2024
 - A Majority of Debt is due to the City's issued Bonds.
 - Remainder being broken down among Claims, Long Term Debt, and loans take by the former Redevelopment Agency.

Market Value of the City's Cash and Investments

As of June 30, 2024

(In thousands)

Investment Maturities (In Years)						
INVESTMENTS:	Fair Value	Less than 1	1 to 3	3 to 5	Total	
US Treasuries	\$ 90,539	\$ 36,803	\$ 39,094	\$ 14,642	\$ 90,539	
US Agency Securities*	159,594	55,523	84,507	19,564	159,594	
Mutual Funds	65,477	65,477	-	-	65,477	
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Corporate Bonds	50,093	8,749	36,339	5,005	50,093	
California Asset Mgmt Program	36,586	36,586	-	-	36,586	
PARS Pension Rate Stabilization Program	20,212	20,212	-	-	20,212	
Total Investments	<u>\$ 485,919</u>	<u>\$ 243,055</u>	<u>\$ 174,066</u>	<u>\$ 68,798</u>	485,919	
		Total Deposits			<u>12,426</u>	
		Total Deposits and Investments			<u>\$ 498,345</u>	

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

Huntington Beach Revenue Breakdown

(In thousands)

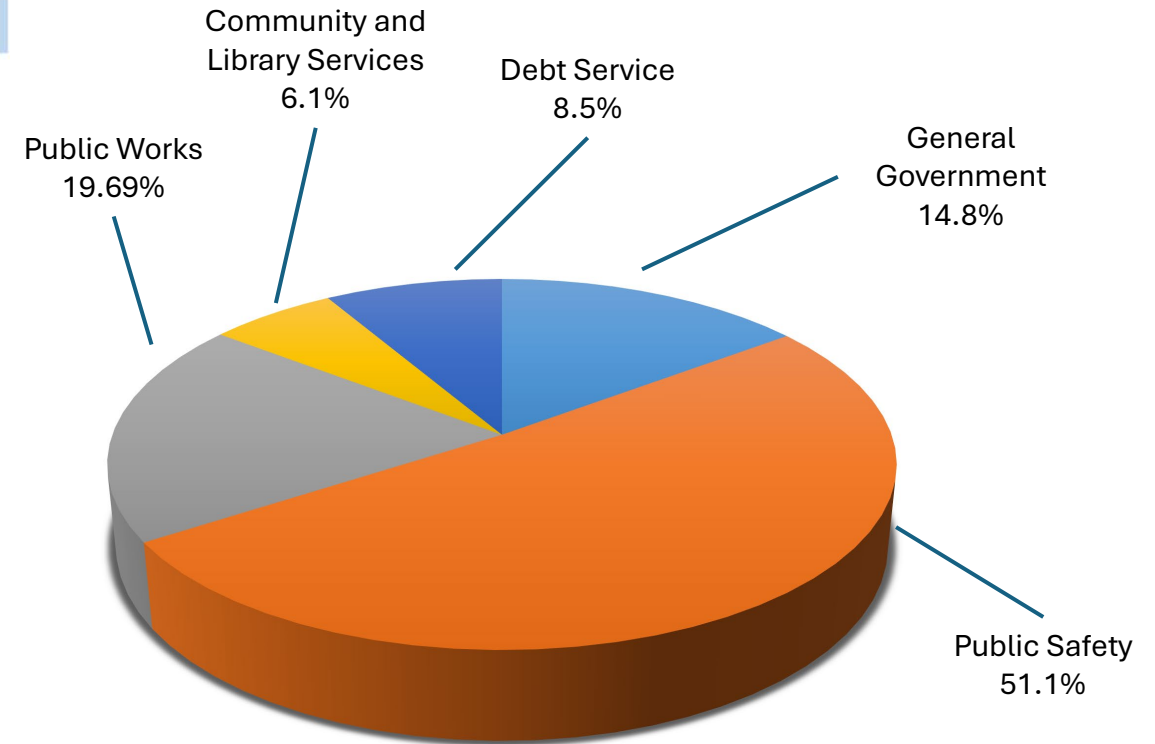
REVENUE BY SOURCE	2024	2023
Property Taxes	\$ 114,630	\$ 109,467
Sales Taxes	56,003	57,164
Utility Taxes	23,283	22,558
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Use of Money and Property	37,769	22,726
Other Agencies	38,922	47,426
Charges for Services	56,283	60,010
Other	3,213	6,353
Total	\$ 371,827	\$ 386,075

Huntington Beach Expense Breakdown

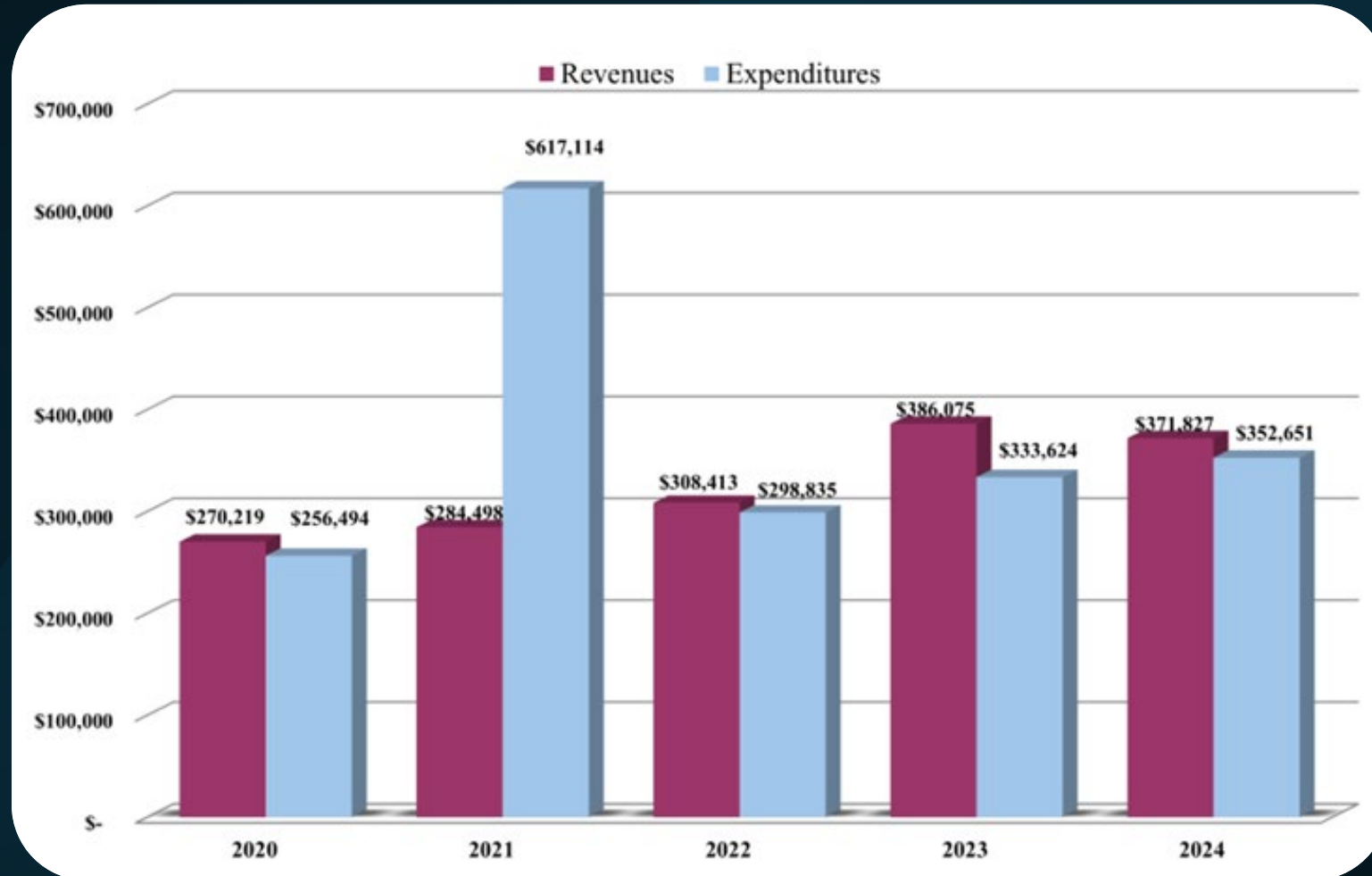
(In thousands)

EXPENDITURES	2024	2023
General Government	\$ 52,250	\$ 49,769
Public Safety	179,715	169,499
Public Works	69,169	62,161
Parks, Recreation, & Library	21,414	23,854
Debt Service	30,103	28,341
Total	\$ 352,651	\$ 333,624

- Expenditures increased by \$19,027,000 or 5.7% primarily due to additional funding required for continued public safety

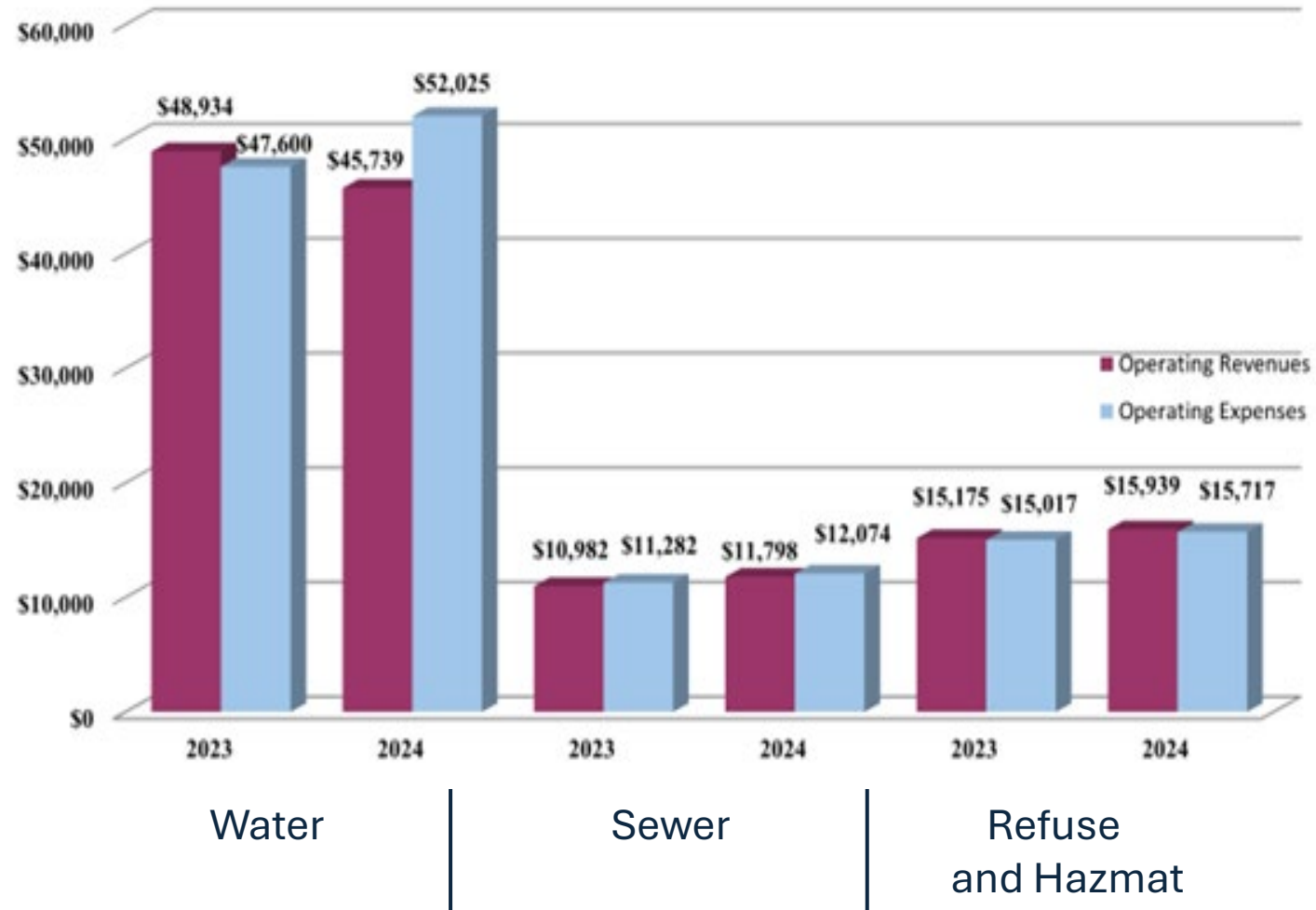


Five Year Trend of Revenues and Expenditures (in Thousands)



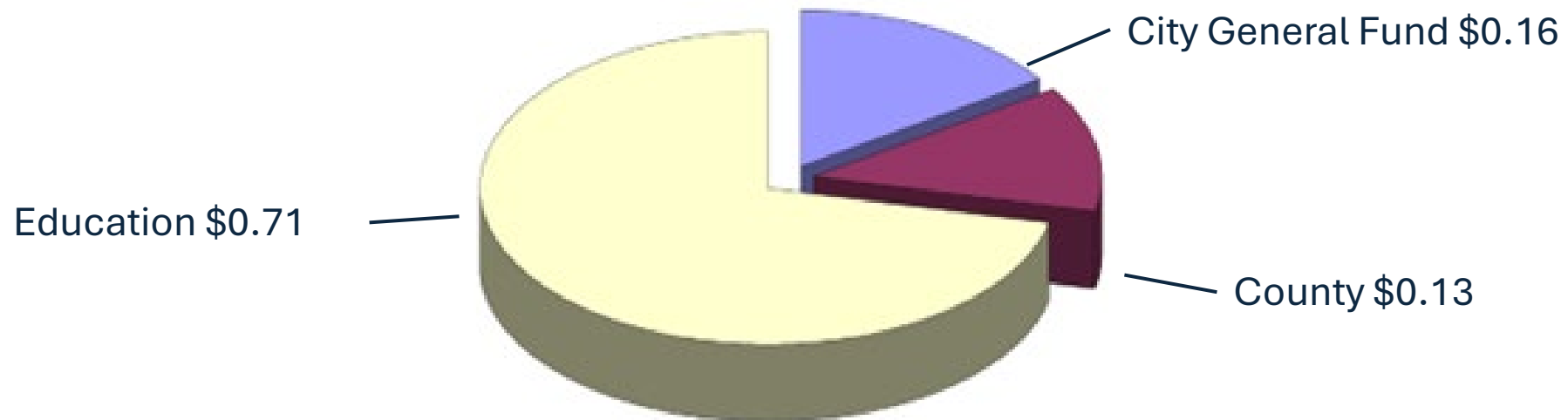
Overview of Business-Type Funds

(in Thousands)



Where Do the Taxes Go?

- The largest source of revenue for the city is property taxes
- Each dollar collected from property taxes are broken down as follows;



1 – Rent Payments – Missing and Late Fees

- Lease Section Regarding Late Rent Fees

8.3 Late Payment Charge. If any payment of rent or any other sum due is not received on or postmarked as of the due date, a late charge of ten percent (10%) of the payment due will

11

be added to the payment obligation and the total sum shall be immediately due and payable to LESSOR. An additional charge of ten percent (10%) of said payment, excluding late charges, shall accrue for each additional month that said payment remains unpaid; provided, however, that in the event that LESSEE contests the obligation to pay a sum allegedly due and it is ultimately determined that the sum is not owed, LESSEE shall not be required to pay late charges pursuant to this subsection.

1 – Rent Payments – Missing and Late Fees

- Davis Farr report found Arcis owes the city over \$400K in late fees and non payment of rent between 2018 - 2023



Davis Farr LLP
2301 Dupont Drive | Suite 200 | Irvine, CA 92612
Mon: 949.434.2020 | Fax: 949.263.5520

INDEPENDENT ACCOUNTANT'S REPORT

Sunny Han, Chief Financial Officer
City of Huntington Beach

We have performed the procedures enumerated below, which were agreed to by the City of Huntington Beach ("City"), solely to assist the City in reviewing Arcis Golf, dba Meadowlark Golf Course ("Operator") compliance with the Lease between the City of Huntington Beach and Arcis Golf ("Agreement") dated July 6, 1992 for the five years ended December 31, 2023. The Operator's management is responsible for maintaining the Operator's accounting records and other documentation to support the information reported to the City.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of reviewing the lease between the City and the agreement. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The report includes the following information:

- Total Operating Lease revenues reported for the January 1, 2019 – December 31, 2023 lease period totaled \$23,688,224.
- Total Rent generated for the same period totaled \$4,980,246, of which \$12,998 is currently outstanding.
- Rent abatement was granted by the City for the period March 2020 through April 2021 due to the Covid-19 pandemic.
- Various fixed and variable rent payment were submitted late, which resulted in a calculation of penalties totaling \$400,970 due to the City.



1 – Rent Payments – Missing and Late Fees

- Arcis Sent an Invoice on 7/17/24 for \$413,968



City of Huntington Beach
Accounts Receivable
PO BOX 711
Huntington Beach, CA 92648-0711
www.huntingtonbeachca.gov/payments

INVOICE

Date: 07/15/2024
Account: 41084
Page: Page 1 of 1

BILLING ADDRESS:

CUSTOMER ADDRESS:

ARCIS GOLF
ATTN JENNIFER SAWYER
8343 DOUGLAS AVE STE 200
DALLAS TX 75225-5887

MEADOWLARK GOLF COURSE - ARCIS
16782 GRAHAM ST
HUNTINGTON BEACH CA 92645-3754

Invoice Date	Number	Type	Item	Due Date	Remark	Amount
07/15/2024	619916	Miscellaneous	001	08/14/2024	LAND LEASE - AUP RESULT	\$12,968.00
			002	08/14/2024	LAND LEASE - AUP LATE CHARGE	\$400,970.00

ful with your payment to ensure timely credit to your account Do not staple or clip payment Please do not send cash

FOR PAYMENT OPTIONS:

GO TO

ACCOUNTS RECEIVABLE

RETURN WITH PAYMENT

www.huntingtonbeachca.gov/payments

DUE BY: 08/14/2024

ACCOUNT: 41084

Please pay total amount due **\$ 413,968.00**

ARCIS GOLF
ATTN JENNIFER SAWYER
8343 DOUGLAS AVE STE 200
DALLAS TX 75225-5887

Payment Stub Please detach at perforation and return this stub with your payment to ensure timely credit to your account Do not staple or clip payment Please do not send cash

FOR PAYMENT: QUESTIONS CALL 714-374-5887 or 714-374-5885

FOR PAYMENT: RETURN WITH PAYMENT: QUESTIONS CALL 714-374-5887 or 714-374-5885

ACCOUNTS RECEIVABLE DUE BY: 08/14/2024

For billing questions call:

False Alarm Fees	714-960-8805
Fire Inspection/Permits	714-536-5411
HazMat Incidents	714-374-1561
Storm Water Permits	714-536-5431
All Other Receivables	714-374-1554

Payments can be made online. Go to

ACCOUNT: 41084

Please pay total amount due **\$ 413,968.00**

ARCIS GOLF
ATTN JENNIFER SAWYER
8343 DOUGLAS AVE STE 200
DALLAS TX 75225-5887

1 – Rent Payments – Missing and Late Fees

- Arcis General Counsel Responds on 8/15/24

From: Scott Siddons <ssiddons@arcisgolf.com>
Sent: Thursday, August 15, 2024 2:07 PM
To: Han, Sunny <Sunny.Han@surfcity-hb.org>
Cc: Jennifer Sawyer <jsawyer@arcisgolf.com>; Keiko Kozak <kkozak@arcisgolf.com>
Subject: RE: Agreed-Upon Procedures engagement results

Sunny,

Per our discussion the other day I wanted to provide you with our proposal to resolve the rent audit. As you know, we contest the City's calculation of the late fees and penalties related to the late payment of rent during the audit period. We do not contest the amount of rent the audit found owing from the end of the four year term (\$12,998). However, we find the \$400,970 assessed in late fees to be excessive.

I have attached a spreadsheet showing what we believe should be paid. In short, we believe the proper measure of late fees and penalties should reflect a one-time 10% late fee as liquidated damages to the city for each month we did not pay minimum rent and/or percentage rent timely. We also took out the late penalties on the minimum rent payments from August of 2021 until April of 2022 due to the fact that the communication from the City regarding the Covid rent abatements was unclear and did not notify us of when minimum rents resumed. A fact you admitted to us during our call. When the City finally contacted us we worked to resolve the payment of these minimum rents that culminated in us making a large payment in April of 2022 for these months.

As a result, we are offering the total sum of \$114,449 to resolve all claims of the City related to rent payments during the audit period. This sum consists of the \$12,998 in rent found due by the audit and late fees on minimum rent in the amount of \$48,745 and late fees on percentage rent of \$57,705. Details in the attached spreadsheet.

We do not believe the contract or California law support charging the late penalty multiple times for the same rent payment. See below for the legal reasons supporting our position:

- California courts have held that late fees and interest are liquidated damages under California law and are therefore

governed by California Civil Code Section 1671(b). As such, any late fees and interest proposed to be assessed by a lessor against a lessee under a lease must represent a *reasonable estimate* of the damages suffered by the lessor. We do not believe the City's calculation of late fees and interest is a *reasonable estimate* of the damages suffered by the City. Therefore, if we are forced to do so, we would seek to invalidate fees and fees on this basis; and

1 – Rent Payments – Missing and Late Fees

- **Arcis General Counsel Responds on 8/15/24**

- California courts have recognized a general principle commonly recognized in other states that a lessee may rely upon a lessor's conduct or actions in ignoring and/or not enforcing certain provisions in a lease agreement. This "course of performance" by a party to a lease constitutes what amounts to a lease amendment and may be relied upon by the other party. We believe that the City's failure to invoice us or provide any other notice of any late fees or penalties during the audit period constitutes a "course of performance" that Arcis rightfully and properly relied upon; and
- California courts have held that compounded interest may not be collected unless the underlying document expressly provides for interest to be compounded. This rule applies regardless of the terminology used to describe the obligation. The manner in which the City calculates late fees arguably can be characterized as compounded interest (even though they are called late fees by the City). Since compounded interest is not expressly authorized under the lease agreement, these charges would also be invalid under California law.

The proposal outlined above represents a reasonable and fair calculation of the amounts owing by Arcis to the City and are consistent with California law. Our goal and objective is simply to arrive at a resolution that is fair and reasonable to both parties. However, if the City continues to pursue remedies that are not permissible under California law, then we will have no choice but to pursue all of our rights and remedies.

Please direct your response to the undersigned and feel free to contact me if you have any questions



Scott Siddons

General Counsel

8343 Douglas Ave., Ste. 200
Dallas, TX 75225

Office: (214) 722-6021
ssiddons@arcisgolf.com
arcisgolf.com

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1 – Rent Payments – Missing and Late Fees

- Arcis sends Check for \$119,449 on 8/20/24

From: Jennifer Sawyer <jsawyer@arcisgolf.com>
Sent: Tuesday, August 20, 2024 3:41 PM
To: Han, Sunny <Sunny.Han@surfcity-hb.org>
Cc: Keiko Kozak <kkozak@arcisgolf.com>; Scott Siddons <siddons@arcisgolf.com>
Subject: RE: Agreed-Upon Procedures engagement results

Hi Sunny,

The tracking number for the FedEx package is 778084994626 to be delivered Wednesday, August 21st to your attention. The check is in the amount of \$119,449 per the proposal sent August 15th which Arcis believes to be a fair calculation of fees owed. We wanted to get these funds to the city by the agreed upon extension.

Thank you!



Jennifer Sawyer

VP Accounting, Controller

8343 Douglas Ave., Ste. 200
Dallas, TX 75225

Office: (214) 722-6046
Mobile: (972) 658-0065
jsawyer@arcisgolf.com
arcisgolf.com

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1 – Rent Payments – Missing and Late Fees

- 6 months later, city sends response to Arcis on late fees on 2/12/25



CITY OF
HUNTINGTON BEACH

David Cain | Interim Chief Financial Officer

February 12, 2025

VIA EMAIL AND REGULAR MAIL

Arcis Golf
Attn: Jennifer Sawyer, VP Accounting, Controller
8343 Douglas Ave., Ste. 200
Dallas, TX 75225
jsawyer@arcisgolf.com

SUBJECT: Lease Concession Agreed-Upon Procedures Report

Dear Ms. Sawyer:

This letter is in response to your request to reduce the penalties and interest on the amount owed from the results of Arcis's agree-upon-procedures report. The original amount due was \$413,968. Upon further review, we found a miscalculation which reduced the amount due to \$391,811. Of this amount, Arcis had paid \$119,449. The remaining balance due is \$272,362. Unfortunately, the City has determined the entire amount is still due. We apologize for the delay in our response.

Please pay the remaining balance of \$272,362 by March 31, 2025, otherwise, penalties will continue to accrue in accordance with the lease terms.

If you have any questions, please feel free to contact me at David.Cain@surfcity-hb.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "David Cain", with a horizontal line extending to the right.

David Cain
Interim Chief Financial Officer

Enclosure:
Amount due detail

cc: Travis Hopkins, Acting City Manager

1 – Rent Payments – Missing and Late Fees

- Arcis responds General Counsel will be out of country on 2/14/25

From: Jennifer Sawyer

Sent: Friday, February 14, 2025 7:12 AM

To: Wuh, Ian

Cc: Hopkins, Travis ; Cain, David ; Vi, Thuy

Subject: RE: Lease Concession Agreed-Upon Procedure Report Results

Hi Ian,

Confirming the letter was received. I sent this over to our General Counsel. He is leaving out of the country and will provide a response when he returns.

Thank you!



Jennifer Sawyer

VP Accounting, Controller
8343 Douglas Ave., Ste. 200
Dallas, TX 75225
Office: (214) 722-6046
Mobile: (972) 658-0065
jsawyer@arcisgolf.com
arcisgolf.com
Connect With Us:



1 – Rent Payments – Arcis Continues to Pay Late (needs review by professional outside auditor) - \$42,042 Due in Late Fees for 2024 as of 4/10/25

Here is a summary of what is owed for 2024 late fees - balance due the city for late fees is \$42,042.00 – see below

2024 Late Fee Summary

Rent Period and Type	Amount Due	Due Date	Date Received by City	Months Late	Late Fees
November 2023 Variable	\$ 66,283.34	11/30/2023	2/6/2024	3	\$ 19,885.00
June 2024 Base	\$ 44,314.00	6/30/2024	7/8/2024	1	\$ 4,431.40
June 2024 Variable (Partial late)	\$ 8,614.91	7/31/2024	8/8/2024	1	\$ 861.49
August 2024 Base	\$ 44,314.00	8/30/2024	9/4/2024	1	\$ 4,431.40
September 2024 Base	\$ 44,314.00	9/30/2024	10/23/2024	1	\$ 4,431.40
October 2024 Base	\$ 44,314.00	10/31/2024	12/2/2024	2	\$ 8,862.80
November 2024 Base	\$ 44,314.00	11/30/2024	12/2/2024	1	\$ 4,431.40
October 2024 Variable	\$ 62,285.19	11/30/2024	12/19/2024	1	\$ 6,228.52
December 2024 Base	\$ 44,314.00	12/31/2024	1/7/2025	1	\$ 4,431.40
Total Late Fees Due for 2024					\$ 57,994.81

Late Payment Received - 2024 & 2025	Date Paid				Amount Paid
June Variable Late Fee	9/4/2024				\$ 861.49
September 2024 Late Fee	11/20/2024				\$ 4,431.40
October 2024 Late Fee	11/20/2024				\$ 4,431.40
October 2024 Variable Late Fee	1/22/25				\$ 6,228.52
Total Late Fees Paid for 2024					\$ 15,952.81