



## MINUTES FINANCE COMMISSION

Wednesday, March 27, 2024 - 5:00 p.m.  
City of Huntington Beach  
Council Chambers  
Huntington Beach, CA 92648

For the audio recording of the March 27, 2024, Finance Commission Meeting, please visit the City's website at: <https://huntingtonbeach.legistar.com/Calendar.aspx>

Chair Billy Hamilton called the meeting to order at 5:05 p.m. and Commission Frank Lo Grasso led the Pledge of Allegiance.

MEMBERS PRESENT: Billy Hamilton, Chair  
Kelly Gates, Vice-Chair  
Jamie Craver, Commissioner  
Frank Lo Grasso, Commissioner  
Janet Michels, Commissioner  
Robert Sternberg, Commissioner

MEMBERS ABSENT: David Cicerone, Commissioner

STAFF PRESENT Sunny Han, Chief Financial Officer  
Serena Bubeheim, Assistant Chief Financial Officer  
Thuy Vi, Management Aide, Finance  
Shari Saraye, Buyer

### PUBLIC COMMENTS

None

### CONSENT ITEMS

Approval of Meeting Minutes

**Motion: Moved by Commissioner Lo Grasso and seconded by Commissioner Michels to approve the Finance Commission Meeting Minutes dated February 28, 2024, as presented**

The motion carried by the following votes: 5-0-1-1

Ayes: Craver; Hamilton; Lo Grasso; Michels; Sternberg

Noes: None

Abstain: Gates

Absent: Cicerone

### DISCUSSION ITEMS AND POTENTIAL RECOMMENDATIONS

D1. FY 22/23 Year-End Audit Report and FY 23/24 Mid-Year Budget Update – Han

Chief Financial Officer Sunny Han introduced Jon Foster, audit partner with the audit firm Davis Farr who performed the financial statement audit for the past fiscal year. She stated that Davis

Farr audited the City's financial statements, which included an evaluation of the internal control structure of the City. Han was pleased to report that the City received an unmodified or clean audit opinion, which is the highest audit opinion available. She noted that we are very proud of the City's award-winning Annual Comprehensive Financial Report (ACFR), which has received the Government Finance Officers Association's (GFOA) Award of Excellence in Financial Reporting Award for 37 consecutive years. The financial statement audit includes several reports: the ACFR was issued the unmodified opinion on December 21, 2023; the AU-C 260 Letter, a required audit communication; the Appropriations Limit Agreed-Upon Procedures; and AQMD reports.

Foster presented the FY 22/23 audit results. He stated that the internal control areas are reviewed as part of the audit. Prior to year-end, the audit team comes out in person to perform an interim audit and walks through internal control cycles with City staff. In each of these cycles, we ensure there is proper segregation of duties, or that key controls are in place. We reviewed the key accounting cycles which include billing and cash receipting, purchasing and cash disbursements, payroll, banking and investing, grant management and information systems. We have on staff a Certified Information Systems Auditor (CISA) who reviews the City's information systems and meets directly with the City's information technology personnel as part of that evaluation. Foster stated that there were no deficiencies in internal controls to report, nor any instances of noncompliance with laws and regulations that were direct and material to the City.

Commissioner Craver asked for the size of the audit team that performs personnel interviews and what staff levels within the organization they speak to about the controls. Foster stated that the audit team consists of himself, a manager, an in-charge auditor and one or two staff in the field. We come to the City during the interim audit in the summer prior to year-end or closely thereafter. We start with CFO Han and the Finance supervisors. When an actual key control is identified, we are required to walk through it with the personnel performing that key control. He stated that we perform interviews with supervisors and management, and those key controls are tested at the place of performance.

Foster identified the areas that they spend a significant amount of time on during the audit. For pension obligations and OPEB evaluations, we obtain third-party actuarial reports and do certain procedures over those actuarial reports. For any fiduciary net position associated with those liabilities, we also obtain audited reports for that portion of the net liability. Every year, we are required to incorporate an element of unpredictability, which means that we pick a new audit area or new audit procedure that the City has not had in the past. This year, we chose to audit potential conflicts of interest. We obtained Form 700s for the City Council members to see if they had any interest in City businesses and cross checked that against vendors paid. We did not identify any conflicts of interest with the City. Craver asked if Form 700s of board and commission members were also reviewed. Foster stated that he could follow up and provide the information to Han.

Hamilton asked for the pension obligations audit procedures. Foster stated that we obtain various reports that CalPERS issues along with their auditor's report that audits their net position. One of the reports is the actuarial valuation report that CalPERS issues as part of the City's Miscellaneous and Safety plans which gives us the total pension liability. There is a secondary report issued by CalPERS specifically for GASB 68 reporting purposes. We use both of those reports to audit the net pension liability reported by CalPERS. We do certain substantive testing, such as look at

differences from year to year in the audited financial statements. We also look at the differences from the actuarial report and investigate further within the reports.

Hamilton asked if the assumptions in the actuary report are reviewed to assess the sensitivity of their assumptions. Foster stated that we look at CalPERS' assumptions, but it is not within our scope to do any benchmarks on those assumptions and compare it to other actuaries. We do assess the expertise and qualifications of the actuary. If the qualifications of the actuary fit auditing standards, we rely on the work of a specialist to use their reports as part of the reporting of the net pension liability. Hamilton asked if an independent specialist is required, and Foster stated that it is not. Hamilton asked and Foster confirmed that the assumptions that are in the financial statements are what CalPERS provides. Foster stated that those assumptions are reported directly from the actuary.

Foster stated that in testing of capital asset activities, we obtain support from the City for the capital assets reported and select a sample of projects that are under construction and in progress. When we test capital assets, we speak directly to project managers or engineers to get the status of those projects. We know that there are sometimes gaps between what Finance understands and what a project manager understands, so we substantiate the amounts reported in the ongoing City projects with individuals outside of Finance.

Foster stated that GASB 96 SBITA (subscription-based information technology arrangements) is a new accounting standard. Last year, GASB 87 was a new standard pertaining to leases. Leases excluded subscription-based information technology arrangements. GASB issued that in a separate standard and it was implemented in the current year. Six information technology arrangements qualified. Within the financial statements under capital assets, there is a brand new SBITA asset. Under liabilities, there is a new payable as part of the similar leases, which is the long-term arrangements for these subscription-based information technology arrangements.

Foster stated that the single audit was performed, and the report is expected to be issued tomorrow. As part of a single audit, there is always at least one major program we have to audit as a single audit or a single Federal grant. This year, that grant was testing over the Coronavirus State and local recovery fund. Hamilton asked and Foster confirmed that the revenues for this grant were recognized when spent. Foster stated that that all cities received the money up front and because the grant expenditures were spent during FY 22/23, the revenues were recognized in that same fiscal year. Hamilton asked if there were any grant funds left. Han stated that the full allocation of \$29.6M was expended in FY 22/23.

Foster reviewed the upcoming accounting standards. There are big changes on the horizon, but for the next couple of years. For FY 23/24, GASB Statement No. 100, Accounting Changes and Error Corrections, the City does not have to do any changes. That simply defines what constitutes an accounting change and error correction. For FY 24/25, there are two standards that will need to be implemented. GASB 101, Compensated Absences, will require less disclosure in the financial statements and may require a slightly different calculation. There have been varying ways to calculate this liability across various governments, and GASB has now clarified how they want that calculated. Prior to the audit, the City will be evaluating their calculation and making sure it conforms to GASB 101. GASB 102, Certain Risk Disclosures, is not expected to be very material to the City and applies to smaller local government agencies. It requires government agencies to

look at themselves and evaluate if they have a concentration risk, not having a diversified stream of revenues. If you did not, you would have to footnote that within your financial statements. Considering the City has a very diversified range of revenues, he does not anticipate that being a material implementation and no footnote is expected for that upcoming GASB.

Han presented a brief overview of the City Government-wide balance sheet for the fiscal year ended June 30, 2023. She noted that the Government-wide balance sheet provides an overview of all the City's funds which include not just the General Fund, but also the infrastructure, water, sewer, and special revenue funds. We have current and other assets totaling \$451M, non-current assets of \$2M, net capital assets totaling \$913M, and total assets of \$1.37B. We have deferred outflows of resources of \$155,000, which are primarily related to pensions and other post-employment benefits. Our current liabilities are \$74M, long-term obligations of \$591M, which also includes the GASB 68 recording of net pension liability of \$161M, for total liabilities of \$665M. We also have deferred inflows of \$ 21.1M for total net position of \$836M.

Hamilton asked and Han confirmed that the bulk of the \$451M current and other assets is cash and investments. Hamilton asked and Han stated that with the long-term obligations, a large portion of it is the pension obligation bonds (POB), but we do have other bonds as well. We have other obligations such as long-term leases and other City loan debts. We also have other bonds, such as the 2014 bond that was issued to build the Senior Center, as well as our 2020A and B bonds which were refinanced for the 2010A and 2011A lease revenue bonds. Hamilton stated and Han confirmed that the POB were the majority of the \$590M.

Han provided an overview of the City's General Fund Long-Term Financial Plan, which included an overview of the prior fiscal year, a look forward at the current fiscal year, as well as an outlook into future years. In the previous fiscal year, we had a General Fund surplus of \$3.7M, which was largely attributed to revenues of one-time spikes in natural gas prices during the winter of 22/23, and increases in natural gas and electricity rates which resulted in additional Utility User Tax (UUT) and franchise fee revenues which were above our original budget projections. We also had transient occupancy tax (TOT) revenues which remained strong due to higher-than-average daily rates, as well as the full fiscal year of TOT from the City's short-term rental (STR) program. We continue to have strong demand for the City's Emergency Medical Services (EMS) program.

Craver asked if the STR program is now citywide through application to the City, and if STRs are limited by certain areas. Han stated that STRs are through application to the City, and hosted STRS are limited, except for Sunset Beach. In Sunset Beach, pre-existing, unhosted STRs were allowed to be grandfathered in for the initial stages of program. New applicants would have to have home hosted STRs. We currently have approximately 218 STRs in the City.

Sternberg asked for clarification on the increased demand for the EMS program, if it is an expenditure and if we charge for it. Han stated that the program continues to provide additional services and there is more demand on the Fire Department because we are getting more calls for service. More calls for service do not necessarily translate into additional revenues, such as with calls that do not result in transport and lift assists that require additional resources but do not result in revenues. In some cases, there can be increase in revenue.

Michels asked and Han confirmed that the CalPERS 6.8% rate of return is reflected in FY 23/24 going forward. Hamilton asked if 6.9% is used as the discount rate in the disclosures. Foster stated that CalPERS uses two different discount rates. The 6.9% discount rate is for financial reporting purposes within the financial statements to determine the liability. With the 6.8%, CalPERS issues an actuarial funding valuation three years behind to determine your contribution. They use a different discount rate to determine the liability. For 2023, it was based on the 2020 funding actuarial evaluation. The liability is based on the funding valuation of 2021 with the measurement date of 2022. There is a gap of a year between which funding valuation they use to measure the liability and what they use as your minimum required payments. Hamilton stated and Foster confirmed that the return rate for last year was -8% from that measurement date. Foster noted that as auditors, we look at the assumption and are required to look at the report to make sure they are in a reasonable window. We are not required to obtain a third-party expert to come in above us and CalPERS to look at those valuations and to do a separate evaluation as part of the audit.

Hamilton stated that between 21/22, the inflation rates was 8%, but CalPERS' inflation went down from 2.5% to 2.3%. Foster stated some cities choose to subsequent event because these assumptions are based on past valuations. For example, the assumption within your financial statements is based on the valuation of 2021, but that assumption is based in 2021. You have the option to disclose subsequent events that the inflation rate was much different. Going forward, you have the option to disclose the subsequent event where something was materially different than the assumption made by the actuary.

Han stated that in looking at the long-term financial plan, the CalPERS 6.1% return for 22/23 and the 6.8% for the out years assumptions were used in working with our CalPERS actuary to develop our estimated CalPERS UAL payments. We have a challenge in front of us going into the out years with substantial deficits. For the current fiscal year, we have one-time revenues in the General Fund portion of the Emerald Cove payment, which is factored into the 23/24 budget. For the 24/25 budget, the Waterfront loan payment has not yet been formally approved by the Department of Finance and we would have to await approval before including that into our assumptions. Michels asked what that amount would be. Han stated that we had requested approximately \$9.8M, and 20% of that is required by State statute to be set aside for housing. The remaining 80% would be allocated to the General Fund for loan repayment. Lo Grasso asked for more information about the payment. Han stated that last year, City Attorney Michael Gates won a case against the State of California for longstanding City Agency loans which had been in effect since the late 1970s or early 1980s. We had several loans that had been denied by the Department of Finance on our ROPS, which is the only formal mechanism for getting former redevelopment money approved by the State. It had been denied several times, and the only remaining course of action was to litigate against the State. The case had gone on for a number of years, and we were ultimately successful with two of our loans, the Emerald Cove property loan and the Waterfront loan for the sale of the Waterfront property. Han stated that we will ultimately know the final amount based on DOF approval. The amount that we receive each year is limited by the amount of property tax that is available through the County, and also limited by a calculation that is set by State statute. Gates asked how many years this will go out to get full payment. Han stated that it would depend on how much property tax is available and how many other enforceable obligations the City has on its ROPS, which can take several years. Han pointed out that we would continue to accrue 3% simple interest on the remaining principal balance.

Lo Grasso stated that based on these projections, between years 2025 and 2028, we are going to be \$40M short in total. He asked if there are any plans to bridge that shortcoming. Han stated that the Finance Department and City Manager's Office are working on developing plans to address the situation. We will be presenting our proposed solutions to the City Council at a future date. Lo Grasso stated that the projections stop at 2028, and asked if the number will turn around or just grow in the future. Han stated that she has projected out a couple of years, and the number does flatten out. One of the reasons why the UAL number escalates is because of the five-year ramp up period. As previously mentioned by Chair Hamilton, we did go from a year of considerably high returns at 21.3% to the -7.5% returns. We went from a net pension asset to a net pension liability, which created new UAL. Because the new UAL is so large, CalPERS phases in that UAL payment over a period of five years allowing the City some time to adjust to that new level of payment. You see that number escalating over a five-year period and it then levels off. One thing it does not take into account is any other new layers that would appear for each year that CalPERS does not meet its 6.8% target.

Hamilton asked if the change from year to year in recurring revenue is the same percentage as UAL expenditures, and Han stated that it was not. Hamilton asked and Han confirmed that expenditures are increasing faster than revenue growth.

Han stated that we have property tax projections going out to 27/28 which were provided by HdL, our property tax consultant. Sales tax only goes out approximately two years, and after that, we are conservative in our growth assumptions. Hamilton asked if the City sees approximately 5% increase in property tax a year, and Han stated that it does and, in some cases, it can be higher. Hamilton asked if we could assume that sales tax goes with inflation which would be similar to expenditures, and the main difference is being driven by property tax. Han stated that sales tax revenues do not necessarily correspond with inflation and does not grow at the same pace. We are projecting a slight decline in sales tax revenue for the current year due to the high interest rate environment that we are in. Consumers are moving away from large ticket items such as automobiles and moving towards more nontaxable items. We are experiencing less revenue in those categories.

Gates asked what it will look like for the City when we are \$40M+ in the negative. She asked if we do not get this under control with the fixes that the City Manager's Office and Finance suggest, will it result in massive layoffs and will it be noticeable. Han stated that deficit in a City our size would be noticeable and result in service level impacts to the community. We would provide a menu of options to the City Council for their consideration, and it would ultimately be their decision which options we would implement.

Craver asked for clarification on the liability structure of the Workers' Compensation Claim Fund deficit in the audited financial statements. Han stated that workers' compensation liability is assessed with a workers' compensation actuary as well as our third-party administrator, Intercare. Intercare is the new third party administrator this year and manages our workers' compensation claims. We have a running list of all our claims that are reviewed by our actuary. When developing our estimated liability, our actuary looks at our existing claims, past history of claims and takes into consideration our future estimated claims and develops estimates on what the ultimate cost might be. They build a reserve for outstanding claims as well, which impacts our

premiums. Craver asked if the cost increase is due to trends that we are seeing generally across the State, mostly related to changes in law. Han stated changes in law is one factor. We have had some large claims recently that will impact our premiums. Craver stated and Han confirmed that the a large portion of the increase is City-specific, and we are also on the same trend as others in the area.

Hamilton asked Han if the City has ever been in a deficit in the time she has worked for the City. Han stated not in the 14 years since she has been employed with the City. She stated that she started at the City during the Great Recession, when there were significant structural changes. At that time, she was a senior accountant and not involved in the budgeting or decision-making processes as far as strategy. During that time, there had been a separation incentive program where approximately 120 employees had separated from the City. There was a significant downsizing of our Finance Department where the accounting team had gone from seven to two.

Lo Grasso stated that he understood that cities cannot go into a deficit, and that they need to balance at the end of the year. Han stated that some cities will utilize reserves and look at cost-cutting measures to adopt a balanced budget. Lo Grasso stated that in looking at the \$40M deficit in the four-year period, smoothing it over in four years is approximately \$10M a year starting in 2025. Our projected revenue is approximately \$300M, which is about 3% of the -\$10M. He asked what the City would look like having to reduce spending by 3% a year to pay for that \$10M a year for those four years. Han stated that it would depend on the City Council's direction. Within the budget there are certain items that are fixed and cannot be adjusted such as 22% non-departmental, which is utilities and debt service. We also have a 15% infrastructure requirement. Lo Grasso stated that we would have to come up with \$10M out of 63% of the budget or cutting 7% from the remaining funds. Han stated that it would depend on how the cuts are allocated. Michels stated that last year, adjustments were made in part with managed hiring.

Sternberg asked that with the 15% infrastructure requirement, what is considered infrastructure. Han stated that it includes streets, roads, buildings; permanent infrastructure that does not have a separate revenue source such as our water and sewer fund. Water and sewer are proprietary funds and have their own revenue source. We do not fund water, sewer or refuse projects using infrastructure fund money.

Hamilton asked and Han confirmed that the City's net income was \$81M; government was \$79M and business type was \$2M on the Government-Wide Financial Statement of Activities.

Sternberg asked Foster to expand on internal controls relating to grant management. Foster stated that we document and test the controls of grant management. One of the controls is allowable expenses where we select a sample of expenses and make sure they are allowable specifically to that grant. One of the common deficiencies we find is that costs get slipped in that are not allowable for that grant. Another control is reporting. Each grant has unique reporting requirements. We refer to a compliance supplement that is issued by the Federal government on an annual basis that identifies almost all the individual grants out there. When we look at your grants, we look at the grant's assistance listing number, take that number and use an audit guide in the compliance supplement which contains individual compliance requirements that the City has to abide by. We then pick each compliance requirement that is direct and material to the City and test both controls for compliance. The two most common areas are reporting and allowable cost, both

nonpayroll and payroll. As a part of that, we identify who is responsible for the oversight of that grant, document the controls and test the controls over that grant.

Sternberg asked if the City has a grant management administrator or a listing of grants. Foster stated that we have a listing of grants and speak to the individual responsible for overseeing that specific grant. Han stated that we do not have a grants management administrator. Sternberg asked if the City had a good control over all the grants and nothing is missed. Han stated that the list of federal grants is compiled by the accounting department for audit purposes. This particular single audit is restricted to Federal grants, but they can come through from State agencies. Han stated that she manages grants.gov and sam.gov for the for the City. Departments have to go through Finance in order to apply for any federal grant. Sternberg asked that when the City receives help from outside consultants if the associated expenses go against the grant. Han stated that we get help with the grant writing process, but those expenses are not allowable, so it is charged to the General Fund. When applying for grants on behalf of the City, outside consultants have to use our EIN number and our workspace account, so those requests would still have to come through Finance. There are good controls in place to make sure that we are covering every single grant.

Sternberg asked Foster if the City's information reporting software is considered adequate, and if the City needs to upgrade their financial reporting systems for the future. Foster stated that would be outside the scope of his review. We look at changes or controls in security, and if it is adequate to rely on your financial reporting system. We do not look at whether it is adequate for user needs. Sternberg asked if there were any limitations in the information that was requested. Foster stated that we get unrestricted access, and the City gives us the reports that we need.

Michels stated that the chart on page 8 is not substantially different than what we saw last year, which is large deficits on the out years due in part to the CalPERS UAL. The CalPERS UAL is projected at 6.8% returns, and if they only achieve 5% next year, those numbers will increase going forward. In years 25/26 and 26/27, the growth in expenditures exceeds the growth in revenues. She asked if the expenditures are related to labor contracts with the projected increases in salaries and benefits. Han stated that the cost of our negotiated contracts is built into these projections, and labor is the largest percentage of the City's General Fund budget. Michels stated that we have a pension obligation UAL problem because we are not hitting the numbers that CalPERS projects and people are living and collecting longer, which will be the biggest risk to the City's financial health, like it is for every City that has pension obligations. The 6.8% is a false flag because we did not achieve 6.1% in this year. The market is doing pretty good right now, but we are not sure if we will end at 6.8%. At some point, the numbers will become real dollars and not just projections. Han pointed out that if CalPERS achieves another significant investment return, there is a potential that there would be another risk mitigation event that would be triggered, in which case they would reassess the investment return and lower the discount rate, which is what happened with that 21.3%. It is their way of adjusting for that one high year and will consider lowering the target rate of return for the out years. The first time that the risk mitigation event had been triggered was with the 21.3% return in 2021. A risk mitigation would be triggered if we achieved something in the range of 8.8%. Michels stated that getting a 6.1% on a 6.8% projection has the same negative impact on planning.



Hamilton asked if there was a timeframe for the 6% average. Foster stated that he recalled that when they first released the actuarial reports, it started at 30 years but is not sure where it is at now.

Han stated that the City ended FY 22/23 with a \$3.7M General Fund surplus, and that was after year-end transfers of \$12.6M to other funds to partially fund the City's unfunded liabilities such as workers' compensation, general liability, the City's retiree supplemental fund and our unmet infrastructure needs. We took the opportunity to fund some of our unfunded liabilities with the one-time revenues that we had received from the one-time spikes in natural gas prices, as well as unbudgeted increases in natural gas, electricity rates, TOT revenue and short-term rental revenue. Looking ahead into the current fiscal year, after two years of post-pandemic job growth in California, employment growth is flattening out and is beginning to decline. California consumers and businesses are spending less, and spending is shifting from taxable goods to nontaxable items. In looking at our revenues, property tax revenues, which are the City's largest General Fund revenue source at close to 37% of our revenue budget remains strong, with our revenues projected to be slightly above our adopted budget due to increases in supplemental property taxes above our original budget projections.

Sales tax revenues, which are our second largest revenue source at close to 19%, is projected to decline by approximately \$1.3M due to consumer spending shifting away from items such as new car sales due to the high interest rate environment that we are currently in. Utility tax and franchise fee revenues are lower than prior years because we do not have the one-time spikes in revenues and lower gas commodity prices. We are currently projecting to end the current fiscal year with a \$2M General Fund surplus, which is subject to change.

Lo Grasso believes that people are not buying cars because it is costing more to buy food. Hamilton asked if cars are our main driver of sales tax. Han stated that it is a large portion of our sales tax revenues. With stimulus funding that households received in the last few years, there was a large spike in auto sales where we received a very large increase in auto sales tax revenues. Gates stated that a lot of people travel to and stay in Huntington Beach, and we would get sales tax revenue from tourists. Han stated that tourism is declining from pandemic levels, and room rates are not quite as high as they were in prior years. During Covid and as we were emerging from the pandemic, people were still engaging in more local travel and there was an influx of TOT revenue. People are now more comfortable with global travel, and we are seeing a decrease. Our partners at Visit Huntington Beach see the same general trend which is not unique to our City.

Han provided a CalPERS update. In FY 21/22 we had a -7.5% return, and in FY 22/23, a 6.1% return rate which requires the City to escalate UAL payments. On June 26, 2023, the City Council approved updates to the General Fund reserve policy which requires that a minimum of 25% of any unrestricted one-time General Fund revenues be transferred to the City's Section 115 Trust to address CalPERS' unfavorable returns. This was a proactive move by the City Council to address the pension issue. As of June 30, 2023, the City's Section 115 Trust balance is at \$20.6M. The CalPERS investment policy focuses on long-term plan returns. Our POB remains financially advantageous if the long-term return remains above 2.9%, which is the rate at which we issued our POB.

Lo Grasso stated that our POB payments are approximately \$13M a year. He asked what our CalPERS UAL payment would be if we had not issued the POB. Han stated she is not able to provide that number as it is hard to assess and not something that is possible to model. She clarified that the \$13M is the principal payment and there is interest on top of that. Our total annual debt service payment for the POB is approximately \$22.5M. Our employee override tax and other funds also pay for a portion of the POB.

Han provided a snapshot of the change in the City's unfunded liabilities from FY 21/22 to FY 22/23 for workers' compensation, general liability, retiree supplemental liability, pension liability and CalPERS UAL. Insurance premiums are anticipated to increase due to rising medical costs and an expanded list of injuries which are presumed to be work-related under California law. These are an across the board increase being experienced by all agencies, and some are City-specific instances which would also increase our premiums. General liability insurance premiums are also expected to increase as additional markets withdraw from California and from writing public entity liability. The City is self-insured up to \$1M per claim with \$25M in excess coverage per claim. We continue to monitor our unfunded liabilities to identify any cost saving opportunities on an ongoing basis.

Michels asked if the workers' compensation provider we work with provides any workplace safety training and if they do workplace assessments to determine how to mitigate injuries by improving safety elements in the workplace. Han stated that she would obtain that information from Human Resources.

Hamilton stated that during the planning phase of the audit review, he and Lo Grasso met with Foster and Han and asked a question about Elan and Breakwater and the overall accounting of the Navigation Center transaction because it was a very complex transaction. Foster stated that he submitted an inquiry to GASB regarding the Elan and Breakwater arrangement. After a certain term, the City has the option to force the sale of the property and retain the proceeds in excess of costs to be paid on the remaining bond payments on that property. We spoke about whether the financial statements need to reflect that sort of arrangement. He met with a GASB project manager and went through various exercises. Foster stated that we determined that Elan and Breakwater were not investments. An investment is for the purpose of generating income, and that is not what the City entered into, nor would it be allowable for the purposes of generating income within the California Government Code. We spoke about the potential to call it a contingent receivable, meaning that something based on a future event could result in a receivable to the City. Accounting standards do not allow you to record contingent receivables. In speaking with the GASB project manager, she was familiar with these types of arrangements and mentioned it was common with housing authorities. There is a transaction if an event has occurred, and no event has occurred. Foster and the project manager agreed and concluded that an event has not happened and that there is nothing to report in the financial statements. Once an event happens, then an accounting transaction would be recorded. After the bonds are redeemed, the project debt and any additional fees are addressed, then at that point an actual sale is happening where an event has triggered this revenue recognition, and the City would know if there was surplus cash coming to the City. Hamilton asked if there is not enough cash to cover the bonds, would the City record a loss or does it have to pay out. Foster stated that he did not evaluate the agreement on that point. The agreement would have to be reviewed to see who is responsible for the shortfall. Whoever is responsible for the shortfall would then have a liability.

Lo Grasso asked if Foster looked at the bonds, and Foster stated that he did not. He looked at the agreement, what would happen upon the sale of the property, and who is entitled to what. Lo Grasso stated that after 35 years, the bonds will be paid and there will no bond debt. If the City were going to experience a loss, they would just continue on with the bond until it was paid off. Foster stated that you are legally required to pay the bondholders as they are the number one lien holder. Lo Grasso stated that once the bond is paid off, there would no negative if the property is sold. Foster stated that there is a list of certain items that must happen upon sale, and where you were on that list would determine the payout calculation. Lo Grasso asked who would be liable if there is a shortfall when rents collected do not pay for the bond for that year. Foster stated that the JPA formed would be liable. Foster stated that he cannot speak to this project but can speak to compliance and JPAs are responsible for payment to the bondholders. Lo Grasso stated that the City is part of the JPA, and asked if the City would be responsible if we do not get the annual income to cover the bond. Han stated that a JPA is a legally separate entity, and the bond documents should discuss who would be responsible if the JPA were not able to make the debt service payment.

Hamilton stated that the tax issue related to Elan and Breakwater is whether the County of Orange County will collect property tax. He asked when it will become an accounting issue for the City where we would have to recognize the liability. Foster stated that the City's reporting is directly from the County Assessor. The County would have to start including it on the tax roll and if not included, you are not overstating your revenues at year-end.

Hamilton asked if we had impairment issues regarding the land that the City purchased on Beach Boulevard that was found to be contaminated after the fact. Foster stated that he did not have this item in his notes to address but can meet with Han and provide feedback on contamination issues at the Navigation Center.

Hamilton and Lo Grasso thanked Foster for meeting with GASB.

#### D2. Proposed Water and Sewer Rate Adjustments – Sternberg

Hamilton tabled the item for the next meeting so that Commissioner Cicerone can be present to discuss it. Sternberg noted that there will be a public hearing on the Proposed Adjustments to Water and Sewer Rates and Changes on April 16, 2024, where some of Cicerone's questions would be answered.

#### D3. Vacancy Report Request to City Council – Hamilton

Hamilton stated that the subcommittee prepared a letter to the City Council regarding the vacancy report. He summarized that at the last meeting, the Commission did not receive the report that was voted on and we were going to request from the City Council to get the report that we were denied. The subcommittee of himself, Cicerone and Sternberg drafted the letter, and he asked the Commission for feedback. Sternberg stated that upon reading the letter again, he believes that a better course of action would be to meet with Chief Parra and provide clarity as to why we are asking for report, rather than going directly to the City Council. Han stated that she could ask Parra to see if she can schedule a meeting with the subcommittee. Lo Grasso suggested that we address the letter at the next meeting after the subcommittee's meeting with the Chief.

#### D4. Sales Tax – Michels

Michels stated that this item is a continuation of the pension obligations presentation that she shared with the Commission last summer. She researched what other cities are doing for ideas. The article “Westminster Measure E: What You Should Know About the Results So Far” caught her eye because it is not specific to pension obligations but is inclusive of how a city meets its obligations. The City of Westminster has pursued a couple of sales tax increases. They were very close to bankruptcy and in a critical financial situation and determined that they needed to continue on a 1% sales tax increase. They put another .5% increase on the March 2024 ballot, and now has the highest sales in tax in Orange County. She was surprised that the community approved it 61% to 39%. She stated that she is not proposing a tax increase for Huntington Beach and is only providing information that other cities are using this as a tool. Ten other Orange County cities have also increased sales tax, citing that the number one reason is that the money cannot be taken away by another entity, whether it be the County or the State. Many of them cited that the elimination of redevelopment fees was very impactful. Proposition 13 and less home sales were also impactful to city revenues in general. As we look at the City’s very large liabilities, there are only so many ways to address them. Even if we depleted our \$21M Section 115 Trust, it cannot cover that \$40M+ deficit if the return rates are not higher. We need to be forward thinking and start working on a solution now. By the time that budget comes, it will be too late, and services will have to be cut because we cannot meet all our financial obligations. She recommended going to the City of Westminster’s site which explains to the community what they are trying to do with the money that will benefit the community. Any sales tax increase must be voted on by the voters. Michels stated that she will continue to look for interesting elements, sales tax or not, as cities struggle with ways to increase their revenue in depressed times. Michels stated that she confirmed with Han that a 1/4¢ sales increase would bring in an estimated \$12.5M annually.

Gates asked if residents of cities with higher sales tax are not shopping in other cities to save money, and if that city is really getting the money from the tax increase. The core sales tax rate is 7.75% and Westminster’s is 9.25%. She questioned if the increase is noticeable on small purchases. The difference can be seen on large purchases such as a television.

Michels noted that Westminster has an oversight committee that obligates them to use that 1% and 1/4¢ tax for its purposes and there is a contract that the city must follow. Sternberg stated that Fountain Valley voted for a 1/2¢ tax increase which was used in part to add reflective traffic signals.

Lo Grasso stated that there is a dollar threshold where people will go to another location for purchases. The idea of raising a sales tax to pay for the mismanagement of our retirement system is against everything he believes in. People who are currently paying the taxes for this mismanagement should not suffer. Taxes that are earmarked for specific purposes end up going elsewhere as money is fungible. The only way to get control of the deficit is for those feeling the pain of paying taxes to say no more to negotiating employee contracts with these types of guaranteed retirements that are bankrupting us. We are going to continue to raise taxes and the number does not go anywhere.

Sternberg noted that Westminster’s first sales tax increase had an end date and they had to propose another increase.

Michels agreed with Lo Grasso and stated that once the people feel the pain, they are not getting their streets paved. Even if the pension was stopped today, the prior commitments were already made, and that we are paying for future liabilities. Lo Grasso stated that the same argument to stop the pension was made 15 years ago, and had we done so 15 years ago, we would only have five years left. Michels asked Lo Grasso if the City Council can fix the pension problem and he stated that they could not. He believes the only option is to go bankrupt. The City Council's hands are tied because our CalPERS buyout is in the billions of dollars. Michels stated that she hopes that cities have found a solution that is absent bankruptcy because those have other challenges. She stated that she will continue her research. Lo Grasso stated that raising taxes is not a solution.

### **COMMISSIONER COMMENTS**

Gates stated that we had a great meeting and thanked the Commission for their hard work, all the research and good conversation. She wished everyone a happy Easter.

Lo Grasso and Sternberg thanked the Commission for the good discussions.

Hamilton thanked Foster for his presentation. He stated that he spoke to the City Treasurer and was going to have her come to the meeting to report on return rates, but she has her own committee, the Investment Advisory Board, where she discusses how she invests our \$400M in City cash. She presents it monthly to the City Council and states her rate of return. Lo Grasso and Sternberg stated that the City is limited in what they can invest in: safety, liquidity and returns.

### **ADJOURNMENT**

**Motion: Moved by Commissioner Craver and seconded by Chair Hamilton to adjourn the meeting at 7:05 p.m.**

The motion carried by the following votes: 6-0-1

Ayes: Craver; Gates; Hamilton; Lo Grasso; Michels; Sternberg

Noes: None

Absent: Cicerone

Submitted by:

Sunny Han, Chief Financial Officer

By: Thuy Vi, Finance Management Aide



## **FY 2022/23 Audit Results and FY 2023/24 Mid-Year Budget Update**

Finance Commission  
March 27, 2024

# FY 2022/23 Audit Results

- Auditing firm of Davis Farr LLP audited the City's financial statements which included an evaluation of the internal control structure of the City
- FY 2022/23 Annual Comprehensive Financial Report (ACFR) received an Unmodified (Clean) Audit Opinion
- The City's ACFR is award winning – received the Government Finance Officers Association's (GFOA) Excellence in Financial Reporting Award for 37 years



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Huntington Beach  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morrill*

Executive Director/CEO

# Audit Results

- Reports issued:
  - Annual Comprehensive Financial Report
    - Issued “unmodified” opinion on December 21, 2023
    - This is the highest opinion possible
  - AU-C 260 Letter: Auditor Communications
  - Appropriations Limit Agreed-Upon Procedures
  - AQMD Report





# Internal Controls

- Evaluated controls over key accounting cycles:
  - Billing and Cash Receipting
  - Purchasing and Cash Disbursements
  - Payroll
  - Banking and Investing
  - Grant Management
  - Information Systems
- No deficiencies in internal controls were reported
- No instances of noncompliance of laws and regulations that auditors believe are direct and material to the financial statements reported

# Areas of Audit Focus in FY 2022/23

Pension Obligations

OPEB Obligations

Conflict of Interest  
testing over Form  
700's

Testing of Capital  
Asset Activities

GASB 96 SBITA's

Single Audit: Testing  
of Coronavirus State  
and Local Recovery  
Fund

# Upcoming Auditing Standards

- FY 2023/24 – GASB Statement No. 100, *Accounting Changes and Error Corrections*
- FY 2024/25 – GASB Statement No. 101, *Compensated Absences*
- FY 2024/25 – GASB Statement No. 102, *Certain Risk Disclosures*

# FY 2022/23 Performance (Audited)

## Government-Wide Highlights:

Description	In Thousands
<u>ASSETS</u>	
Current and Other Assets	\$451,448
Non-Current Assets	2,024
Capital Assets	913,621
<b>Total Assets</b>	<b>1,367,093</b>
Deferred Outflows – Pensions & OPEB	154,594
<u>LIABILITIES</u>	
Current and Other Liabilities	73,570
Long-Term Obligations*	590,950
<b>Total Liabilities</b>	<b>664,520</b>
Deferred Inflows – Pension & OPEB	21,108
<b>TOTAL NET POSITION</b>	<b>\$836,059</b>

\* Reflects GASB 68 recording of Net Pension Liability of \$160.8 million

# General Fund Long-Term Financial Plan

## 6.1% CalPERS Return FY22/23

(in thousands)	Actual FY22/23	Projected FY23/24	Projected FY24/25	Projected FY25/26	Projected FY26/27	Projected FY27/28
Revenue (Recurring)	281,337	282,969	287,221	294,366	301,718	309,310
Revenue (One-Time)*	31,380	2,276	-	-	-	-
Planned Use of Reserves	-	8,804	-	-	-	-
<b>Total Sources of Funds</b>	<b>312,717</b>	<b>294,049</b>	<b>287,221</b>	<b>294,366</b>	<b>301,718</b>	<b>309,310</b>
Expenditures less UAL	254,720	264,960	269,807	281,813	290,201	297,443
CalPERS UAL	4,891	5,000	5,223	8,981	12,727	16,458
POB Payment	13,663	13,276	13,010	12,750	12,537	12,537
One-Time Expenditures	18,721	8,804	-	-	-	-
<b>Total Expenditures</b>	<b>291,995</b>	<b>292,040</b>	<b>288,040</b>	<b>303,544</b>	<b>315,465</b>	<b>326,438</b>
Restricted Reserves	16,978	-	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>\$3,744</b>	<b>\$2,009</b>	<b>(\$819)</b>	<b>(\$9,178)</b>	<b>(\$13,747)</b>	<b>(\$17,128)</b>

\* FY 22/23 one-time revenue consists of \$29.6M in American Rescue Plan Act funding and \$1.8M in transfers from the Housing Agreement and Triple Flip fund. FY 23/24 one-time consists of General Fund portion of Emerald Cove settlement.

- Current forecast requires use of Section 115 Trust reserves (per UAL Policy) starting in FY 25/26.

# City Budget and Financial Position – FY 2022/23

The City ended FY 2022/23 with a \$3.7 million General Fund surplus, after year-end transfers of \$12.62M to partially fund unfunded liabilities (Workers' Compensation, General Liability, Retirement Supplemental) and Infrastructure needs.

- Revenues were available for transfers primarily due to one-time spikes in natural gas prices during Winter 2022-23, as well as increased natural gas and electricity rates, resulting in additional utility tax and franchise fee revenue above the adopted budget.
- Additionally, Transient Occupancy Tax (TOT) remained strong, mainly due to higher average daily rates and a full fiscal year of TOT from the City's Short-Term Vacation Rentals.
- Demand for emergency medical services (EMS) continues to increase.

# City Budget and Financial Position – FY 2023/24

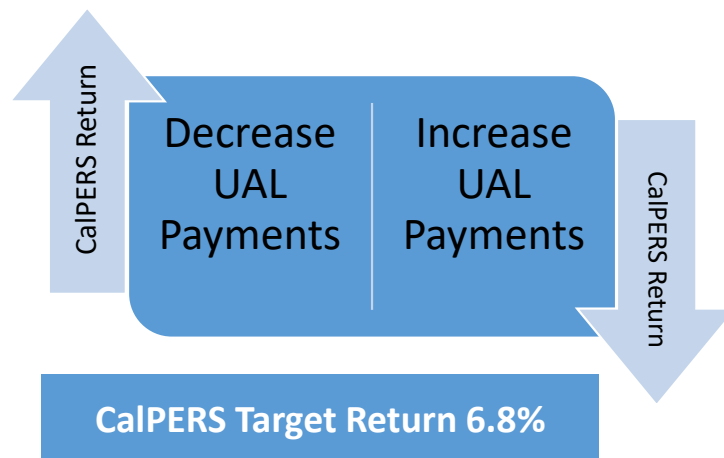
After 29 months of post-pandemic jobs growth in California, employment growth was flat in September 2023 and declined in October 2023. California consumers and businesses are spending less, and shifting from taxable goods to nontaxable items.

- Property tax revenues, the City's largest General Fund revenue source (36.7%), remains strong, with revenue projected to be slightly above the adopted budget due to increased supplemental property taxes.
- Sales tax revenues, the City's second largest General Fund revenue source (18.9%), is projected to decline by approximately \$1.3M due to a shift in consumer spending from taxable goods, such as new car sales, to nontaxable items, such as travel, leisure, and entertainment.
- Utility tax and franchise fee revenues are lower than prior year due to lower gas commodity prices.

The City is currently projecting to end FY 2023/24 with a \$2M General Fund surplus (subject to change).

# CalPERS Update

- CalPERS FY 21/22 return of -7.5% and FY 22/23 return of 6.1% requires escalating UAL payments by the City
- June 26 – City Council approved updates to the General Fund Reserve Policy requiring a minimum of 25% of unrestricted one-time revenues to be transferred to the City’s Section 115 Trust to address CalPERS’ unfavorable returns
- Section 115 Trust balance as of June 30, 2023: \$20.6M



- CalPERS’ investment policy focuses on long-term plan returns
- POB is financially advantageous as long as CalPERS long-term return is  $> 2.925\%$



# Unfunded Liabilities

- Insurance premiums are anticipated to increase due to rising medical costs and an expanded list of injuries that are presumed to be work related under California law, such as post-traumatic stress.
- General Liability insurance premiums are also expected to increase as additional markets withdraw from California and from writing public entity liability. The City is currently self-insured up to \$1 million per claim with \$25M in excess coverage per claim/occurrence.
- Staff is closely monitoring the City’s unfunded liabilities to identify cost saving opportunities on an ongoing basis.

Description	Unfunded Liabilities as of 6/30/2022	Increase/(Decrease) in Unfunded Liabilities	Unfunded Liabilities as of 6/30/2023
Workers’ Compensation	\$25.0M	(\$2.1M)	\$22.9M
General Liability	\$0.2M	\$4.5M	\$4.7M
Retiree Supplemental	\$15.2M	(\$6.4M)	\$8.8M
CalPERS UAL	(\$41.6M)	\$232.2M	\$190.6M

**Questions?**



To: Huntington Beach City Council  
From: Huntington Beach Finance Commission  
Date: March 27, 2024

The City of Huntington Beach Finance Commission (the 'Finance Commission' or 'Commission') respectfully requests the City of Huntington Beach City Council to direct the City of Huntington Beach staff (the 'Staff') to provide the Vacancy Report with associated Human Resources Data to the Finance Commission monthly (Attachment 1).

During the Finance Commission meeting on January 24, 2024, the Commission voted to obtain the Vacancy Report with the Human Resources Data on a monthly basis. This motion approved over an alternative motion providing the Vacancy Report without the Human Resources Data. See Attachments 1 and 2 that are attached to this letter. However, at the February 28, 2024 Finance Commission meeting, Staff provided the alternative report (Attachment 2) bypassing the Commission's approved motion. Staff presented the Vacancy Report without the additional Human Resources Data and omitted the Human Resources data. The Chief Financial Officer stated that the Staff was instructed to not provide this information by the Interim City Manager. The Commission understands there is an additional step to add this information to the standard Vacancy Report, but believes the monthly refresh of the Human Resources data would be a minimal effort. Therefore, the Finance Commission must request the City Council to take direct action in order to obtain the requested report.

The Commission determined that the Vacancy Report with Human Resources Data (Attachment 1) was more valuable to the Commission and the public for the following reasons:

- The report adds clarity to the public regarding the costs of unfilled city positions;
- The report enables the public to analyze possible cost savings related to the open positions;
- The report discloses the dates the positions became open and how long the positions have been open.

Thank you for your consideration in this matter.

City of Huntington Beach Finance Commission

Attachments:

1. Vacancy Report with Human Resources Data
2. Vacancy Report without Human Resources Data

# Attachment 1

## City of Huntington Beach: All Funds Vacancy Report by Department

Report as of Payroll Period Ending October 27, 2023

Department / Position	Number of Funded	General Fund	Other Funds	Date Vacated	Salary Savings	Comments
<b>City Attorney</b>						
Chief Assistant City Attorney	1.00	1.00		7/7/2023		Retired Annuitant Extra Help
Chief Litigation Counsel	1.00	1.00		2/4/2023	\$127,328	New Title
Deputy Community Prosecutor	1.00	1.00		7/1/2023	\$35,899	New Hire Started 10/30/23
Senior Deputy City Attorney	1.00	1.00		7/1/2023	\$56,174	New Position FY23/24
Senior Legal Assistant	1.00	1.00		7/1/2023	\$29,714	New Position FY23/24
<b>City Attorney Total:</b>	<b>5.00</b>	<b>5.00</b>	<b>0.00</b>			
<b>City Clerk</b>						
Assistant City Clerk	1.00	1.00		10/27/2023	\$4,029	
Municipal Records Manager	1.00	1.00		7/1/2023	\$38,328	New Hire Starts 11/27/2023
<b>City Clerk Total:</b>	<b>2.00</b>	<b>2.00</b>	<b>0.00</b>			
<b>City Manager</b>						
Graphic Designer	1.00	1.00		7/1/2023	\$22,939	New Hire Started 11/13/2023
Homeless Services Manager	1.00	1.00		7/1/2023	\$45,576	New position FY23/24
Multimedia Coordinator	1.00	1.00		7/1/2023	\$34,157	New Hire Started 11/13/2023
<b>City Manager Total:</b>	<b>3.00</b>	<b>3.00</b>	<b>0.00</b>			
<b>City Treasurer</b>						
Accounting Technician Supervisor	1.00	1.00		10/13/2023	\$6,037	
<b>City Treasurer Total:</b>	<b>1.00</b>	<b>1.00</b>	<b>0.00</b>			
<b>Community &amp; Library Services</b>						
Deputy Director of Community & Library Services	1.00	1.00		8/4/2023	\$42,829	
Librarian II	1.00	1.00		7/29/2023	\$20,922	New Hire Starts 11/27/23
Senior Community & Library Services Supervisor	1.00	1.00		7/21/2023	\$29,760	
<b>Community &amp; Library Services Total:</b>	<b>3.00</b>	<b>3.00</b>	<b>0.00</b>			
<b>Community Development</b>						
Associate Planner	1.00	1.00		8/18/2023	\$22,771	
Code Enforcement Officer	1.00	1.00		7/1/2023	\$22,262	New Hire Started 10/30/2023
Combination Inspector	2.00	2.00		7/1/2023	\$29,419	New Hires Start 11/13/2023 & 12/11/2023
Director of Community Development	1.00	1.00		8/18/2023	\$44,794	
Economic Development Project Manager	1.00	1.00		10/14/2022	\$127,098	
Plan Check Engineer	1.00	1.00		7/1/2023	\$42,516	New Position FY23/24
Planning Manager	1.00	1.00		10/13/2023	\$10,752	
Senior Code Enforcement Officer	1.00	1.00		9/29/2023	\$9,146	
<b>Community Development Total:</b>	<b>9.00</b>	<b>9.00</b>	<b>0.00</b>			

## City of Huntington Beach: All Funds Vacancy Report by Department

**Report as of Payroll Period Ending October 27, 2023**

<b>Department / Position</b>	<b>Number of Funded</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Date Vacated</b>	<b>Salary Savings</b>	<b>Comments</b>
<b>Finance</b>						
Accounting Technician	1.00	1.00		7/21/2023	\$18,829	New Hire Starts 11/27/2023
Assistant Chief Financial Officer	1.00	1.00		7/21/2023	\$48,947	
Principal Finance Analyst	1.00	1.00		5/26/2023	\$54,470	Filled eff. 11/27/2023
Senior Buyer	1.00	1.00		10/5/2023	\$6,939	
<b>Finance Total:</b>	<b>4.00</b>	<b>4.00</b>	<b>0.00</b>			
<b>Fire</b>						
Fire Deputy Chief	1.00	1.00		3/31/2023		Retired Annuitant Extra Help
Fire Captain	1.00	1.00		9/1/2023	\$21,168	
Fire Engineer	2.00	2.00		1/6/2023 6/9/2023	\$121,546	
Management Aide	1.00	1.00		12/29/2022	\$66,405	
Management Analyst	1.00		1.00	10/1/2022	\$63,974	Exchanged from Admin. Assistant
Marine Safety Specialist	0.75	0.75		6/10/2023	\$21,028	
<b>Fire Total:</b>	<b>6.75</b>	<b>5.75</b>	<b>1.00</b>			
<b>Human Resources</b>						
Director of Human Resources	1.00	1.00		1/6/2023		Retired Annuitant Extra Help
Human Resources Analyst	1.00	1.00		7/1/2023	\$27,757	New Hire Started 11/2/2023
Senior HR Technician	1.00	1.00		7/7/2023	\$25,092	New Hire Starts 11/27/2023
<b>Human Resources Total:</b>	<b>3.00</b>	<b>3.00</b>	<b>0.00</b>			
<b>Information Services</b>						
Info Tech Analyst	2.00	2.00		5/12/2023 7/1/2023	\$83,494	
Info Tech Manager	1.00	1.00		2/4/2023	\$111,888	New Title
Info Tech Supervisor	1.00	1.00		7/1/2022	\$40,046	New Position FY22/23
Principal Info Tech Analyst	2.00	2.00		3/31/2023 5/12/2023	\$139,734	
Senior Info Tech Technician	1.00	1.00		2/4/2023	\$56,880	New Title
<b>Information Services Total:</b>	<b>7.00</b>	<b>7.00</b>	<b>0.00</b>			
<b>Police</b>						
Accounting Technician	1.00	1.00		9/1/2023	\$11,768	
Communications Operator	5.00	5.00		Various		New Hire Started 11/13/2023

# City of Huntington Beach: All Funds Vacancy Report by Department

Report as of Payroll Period Ending October 27, 2023

Department / Position	Number of Funded	General Fund	Other Funds	Date Vacated	Salary Savings	Comments
Crime Scene Investigator	1.00	1.00		1/6/2023	\$62,568	
Detention Administrator	1.00	1.00		7/17/2023	\$36,314	
Detention Officer - Nurse	1.00	1.00		9/29/2023	\$9,689	New Hire Started 11/11/2023
HR Technician	1.00	1.00		6/10/2023	\$26,154	
Parking/Traffic Control Officer	3.00	3.00		Various		New Hire Started 11/13/2023
Police Officer <sup>(1)</sup>	25.00	25.00		Various		
Police Sergeant	1.00	1.00		9/29/2023	\$9,968	Filled eff. 10/26/2023
Police Services Specialist	2.00	2.00		6/9/2023 10/13/2023	\$29,994	
Principal Management Analyst	1.00	1.00		9/15/2023	\$17,277	
Senior Info Tech Technician	1.00	1.00		2/4/2023	\$56,880	New Title
Senior Police Records Specialist	2.00	2.00		7/21/2023 8/4/2023	\$31,644	New Hire Started 10/30/2023
<b>Police Total:</b>	<b>45.00</b>	<b>45.00</b>	<b>0.00</b>			
<b>Public Works</b>						
Assistant Engineer	2.00		2.00	7/1/2023 10/27/2023	\$33,680	
Capital Projects Administrator	1.00		1.00	6/14/2023	\$42,336	Exchanged to Mgmt Analyst
Deputy Director of Public Works	1.00	0.60	0.40	9/15/2023	\$26,765	
Facilities Maintenance Technician	2.00	2.00		4/27/2023 8/10/2023	\$48,016	2 New Hires Start 12/11/2023
Office Assistant II	1.00		1.00	9/15/2023	\$6,714	
Principal Civil Engineer	1.00	0.25	0.75	9/1/2023	\$26,612	
Public Works Equipment Operator	1.00	1.00		7/21/2023	\$20,390	
Senior Mechanic	1.00	0.50	0.50	10/27/2023	\$2,815	
Traffic Signal Electrician	1.00		1.00	6/9/2023	\$29,131	New Hire Starts 12/11/2023
Utility Equipment Operator	2.00		2.00	9/15/2023 9/29/2023	\$18,939	
Water Quality Specialist	1.00		1.00	9/15/2023	\$12,317	
Water Utility Crew Leader	1.00		1.00	9/15/2023	\$13,338	
Water Utility Worker	2.00		2.00	5/12/2023 10/13/2023	\$39,000	New Hire Starts 12/11/2023
<b>Public Works Total:</b>	<b>17.00</b>	<b>4.35</b>	<b>12.65</b>			
<b>GRAND TOTAL</b>	<b>105.75</b>	<b>92.10</b>	<b>13.65</b>		\$2,322,955	

**NOTES:**

(1) Includes overfill of 5 positions.

Report only reflects "true" funded vacancies and does not include "underfilled/overfilled" or "defunded" positions.

# City of Huntington Beach: All Funds Vacancy Report by Department

Report as of Payroll Period Ending February 2, 2024

Department / Position	Number of Funded Vacancies	General Fund	Other Funds
<b>City Attorney</b>			
Chief Assistant City Attorney	1.00	1.00	
Chief Litigation Counsel	1.00	1.00	
Senior Legal Assistant	1.00	1.00	
<b>City Attorney Total:</b>	<b>3.00</b>	<b>3.00</b>	<b>0.00</b>
<b>City Manager</b>			
Assistant to the City Manager	1.00	1.00	
City Manager	1.00	1.00	
Homeless Services Manager	1.00	1.00	
<b>City Manager Total:</b>	<b>3.00</b>	<b>3.00</b>	<b>0.00</b>
<b>City Treasurer</b>			
Senior Administrative Assistant	0.50	0.50	
Senior Accounting Technician	1.00	1.00	
<b>City Treasurer Total:</b>	<b>1.50</b>	<b>1.50</b>	<b>0.00</b>
<b>Community &amp; Library Services</b>			
Community & Library Services Coordinator	3.00	3.00	
Community & Library Services Manager	1.00	1.00	
Senior Community & Library Services Supervisor	2.00	2.00	
<b>Community &amp; Library Services Total:</b>	<b>6.00</b>	<b>6.00</b>	<b>0.00</b>
<b>Community Development</b>			
Associate Planner	1.00	1.00	
Code Enforcement Officer	1.00	1.00	
Deputy Director of Community Development	1.00	1.00	
Economic Development Project Manager	1.00	1.00	
Plan Check Engineer	1.00	1.00	
Principal Management Analyst	1.00	1.00	
Principal Planner	1.00	1.00	
Senior Code Enforcement Officer	1.00	1.00	
<b>Community Development Total:</b>	<b>8.00</b>	<b>8.00</b>	<b>0.00</b>
<b>Finance</b>			
Assistant Chief Financial Officer	1.00	1.00	
Principal Finance Analyst	1.00	1.00	
Senior Accountant	1.00	1.00	
Senior Administrative Assistant	0.50	0.50	
<b>Finance Total:</b>	<b>3.50</b>	<b>3.50</b>	<b>0.00</b>

# City of Huntington Beach: All Funds Vacancy Report by Department

## Report as of Payroll Period Ending February 2, 2024

Department / Position	Number of Funded Vacancies	General Fund	Other Funds
<b>Fire</b>			
Fire Captain	1.00	1.00	
Fire Deputy Chief	1.00	1.00	
Fire Engineer	2.00	2.00	
Firefighter Paramedic	2.00	2.00	
Marine Safety Specialist	0.75	0.75	
<b>Fire Total:</b>	<b>6.75</b>	<b>6.75</b>	<b>0.00</b>
<b>Human Resources</b>			
Director of Human Resources	1.00	1.00	
Deputy Director of Admin Services	1.00	1.00	
Human Resources Analyst	1.00	1.00	
Principal HR Analyst	1.00	1.00	
Senior HR Technician	1.00	1.00	
<b>Human Resources Total:</b>	<b>5.00</b>	<b>5.00</b>	<b>0.00</b>
<b>Information Services</b>			
Info Tech Analyst	2.00	2.00	
Info Tech Supervisor	1.00	1.00	
Principal Info Tech Analyst	2.00	2.00	
Senior Info Tech Technician	1.00	1.00	
<b>Information Services Total:</b>	<b>6.00</b>	<b>6.00</b>	<b>0.00</b>
<b>Police</b>			
Accounting Technician	2.00	2.00	
Communications Operator	2.00	2.00	
Communications Supervisor	1.00	1.00	
Crime Scene Investigator	1.00	1.00	
Detention Shift Supervisor	1.00	1.00	
Parking/Traffic Control Officer	2.00	2.00	
Police Officer <sup>(1)</sup>	26.00	26.00	
Police Records Specialist	1.00	1.00	
Police Services Specialist	2.00	2.00	
Senior Info Tech Technician	1.00	1.00	
Senior Police Records Specialist	2.00	2.00	
<b>Police Total:</b>	<b>41.00</b>	<b>41.00</b>	<b>0.00</b>



# City of Huntington Beach: All Funds Vacancy Report by Department

## Report as of Payroll Period Ending February 2, 2024

Department / Position	Number of Funded Vacancies	General Fund	Other Funds
<b>Public Works</b>			
Assistant Engineer	2.00		2.00
Capital Projects Administrator	1.00		1.00
Deputy Director of Public Works	1.00	0.60	0.40
Lead Water Utility Worker	1.00		1.00
Management Aide	1.00		1.00
Office Assistant II	1.00		1.00
Principal Civil Engineer	1.00	0.25	0.75
Public Works Equipment Operator	1.00	1.00	
Senior Civil Engineer	1.00		1.00
Senior Facilities Maintenance Technican	1.00		1.00
Senior Mechanic	2.00	1.00	1.00
Utility Equipment Operator	1.00		1.00
Water Quality Specialist	1.00		1.00
Water Quality Supervisor	1.00		1.00
Water Utility Crew Leader	1.00		1.00
Water Utility Worker	3.00		3.00
<b>Public Works Total:</b>	<b>20.00</b>	<b>2.85</b>	<b>17.15</b>
<b>GRAND TOTAL</b>	<b>103.75</b>	<b>86.60</b>	<b>17.15</b>

**NOTES:**

(1) Includes overfill of 5 positions.

Report only reflects "true" funded vacancies and does not include "underfilled/overfilled" or "defunded" positions.

## Sales Tax – narrowing the forecasted budget shortfalls

### Question for Finance Commission:

Given the size of projected future deficits and inability to close the gap via budget cuts, would it be fiscally prudent to review and recommend an increase to allow for continuation of same level of city services going forward, while also meeting financial obligations and reducing risk to City’s financial reputation.

### Background:

10 of 35 cities in Orange County have rates higher than the minimum. Ranging from 1% to 1.5%

Westminster received overwhelming support for an additional 1/2% increase in this election cycle to help the city with its deficit. That increase will result in \$8M annually in revenue. This is on top of a 1% tax approved several years ago, which added \$16M per year in revenue. Total sales tax rate in Westminster will be 9.25%

### 100 GENERAL FUND

	2021-22 ACTUAL	2022-23 ADJUSTED BUDGET	2022-23 ESTIMATE	DIFFERENCE FAVORABLE/ (UNFAVORABLE)	2023-24 BUDGET
<b>REVENUE</b>					
Property Taxes	3,325,604	3,342,800	3,438,449	95,649	3,401,500
Property Taxes - In Lieu of VLF	11,232,278	11,776,000	11,849,358	73,358	12,407,000
Property Taxes - Residual RDA	3,839,355	3,607,000	4,012,126	405,126	4,113,000
Sales Taxes	20,219,184	19,815,192	19,221,437	(593,755)	19,085,000
Transaction Tax	16,287,823	8,668,000	12,361,510	3,693,510	16,660,000
Property Transfer	434,294	320,000	303,849	(16,151)	320,000
Franchise	1,192,877	1,200,000	1,358,887	158,887	1,385,000

HB receives 1% of the overall 7.75% sales tax rate. This equates to just under \$54M annually. A 1¢ measure would bring in close to \$50M annually, and a 1/2¢ measure would bring in close to \$25M annually, and a 1/4¢ measure would bring in close to \$12.5M annually, and would increase over time based on normal growth.

**City of Huntington Beach**  
**Adopted Budget - FY 2023/24**  
**Revenue Summary by Object Account**  
**GENERAL FUND**

Object Account	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual	FY 2022/23 Adopted	FY 2022/23 Revised	FY 2023/24 Adopted	Percent Change From Prior Year
40060 Basic Levy	58,395,301	61,072,136	62,798,335	66,291,489	66,291,489	70,152,223	5.82%
40160 Prior Year Property Taxes	469,544	573,848	582,861	573,848	573,848	500,000	-12.87%
40305 Supp Roll Property Taxes	1,199,225	1,227,427	1,473,040	1,199,225	1,199,225	1,473,040	22.83%
40350 Other Property Taxes	27,393,862	28,765,263	29,711,585	30,156,329	30,156,329	32,010,114	6.15%
40500 Assessments	38,595	69,786	61,542	38,595	38,595	62,000	60.64%
<b>40010 PROPERTY TAXES</b>	<b>87,496,527</b>	<b>91,708,460</b>	<b>94,627,362</b>	<b>98,259,486</b>	<b>98,259,486</b>	<b>104,197,377</b>	6.04%
41100 Sales Tax	41,063,042	47,675,808	53,362,468	53,343,094	53,343,094	53,553,960	0.40%
41200 Franchises	7,861,706	8,049,736	10,379,784	8,604,349	8,604,349	11,750,000	36.56%
41400 Transient Occupancy Tax	9,637,206	10,378,662	15,375,076	14,470,600	14,470,600	16,000,000	10.57%

Impact to consumer of a ½% increase in sales tax of \$1000 purchase would be \$5.

Largest impact to residents would be for purchases of expensive items, such as vehicles. Not visible on ordinary purchases.

What % of spending resulting in sales tax in HB is by tourists? How much impact to residents?

Given the tremendous support in Westminster of 2 sales tax increases, what can we learn about presenting such an increase to residents of HB that would gain support for this on the November 2024 ballot?

Other cities are facing similar challenges:

Fountain Valley background and management of their sale stax increase (measure HH 2016) [Information on Measure HH, Essential City Services | The City of Fountain Valley](#)

More on Westminster: [Transaction Use Tax - Local Tax Dollars at Work | Westminster, CA \(westminster-ca.gov\)](#)

**Viewing rates for counties  
starting with O**

Location	Rate	County	Type	
Aliso Viejo	7.750%	Orange	City	
Anaheim	7.750%	Orange	City	
Brea	7.750%	Orange	City	
Buena Park	7.750%	Orange	City	
Costa Mesa	7.750%	Orange	City	
Cypress	7.750%	Orange	City	
Dana Point	7.750%	Orange	City	
Fountain Valley	8.750%	Orange	City	
Fullerton	7.750%	Orange	City	
Garden Grove	8.750%	Orange	City	
Huntington Beach	7.750%	Orange	City	
Irvine	7.750%	Orange	City	
La Habra	8.250%	Orange	City	
La Palma	8.750%	Orange	City	
Laguna Beach	7.750%	Orange	City	
Laguna Hills	7.750%	Orange	City	
Laguna Niguel	7.750%	Orange	City	
Laguna Woods	7.750%	Orange	City	

Lake Forest	7.750%	Orange	City	
Los Alamitos	9.250%	Orange	City	
Mission Viejo	7.750%	Orange	City	
Newport Beach	7.750%	Orange	City	
Orange	7.750%	Orange	City	
Orange County	7.750%	Orange	County	
Placentia	8.750%	Orange	City	
Rancho Santa Margarita	7.750%	Orange	City	
San Clemente	7.750%	Orange	City	
San Juan Capistrano	7.750%	Orange	City	
Santa Ana	9.250%	Orange	City	
Seal Beach	8.750%	Orange	City	
Stanton	8.750%	Orange	City	
Tustin	7.750%	Orange	City	
Villa Park	7.750%	Orange	City	
Westminster	8.750%	Orange	City	
Yorba Linda	7.750%	Orange	City	

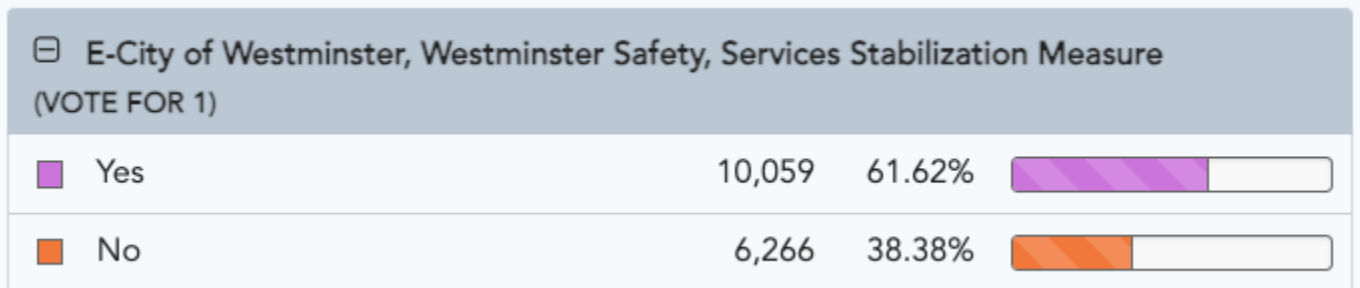
# Westminster Measure E: What You Should Know About The Results So Far

By [Gina Pollack](#)

Updated Mar 20, 2024 5:16 PM

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The results are still coming in, but Measure E, a bid to increase the sales tax in the city of Westminster, appears headed for an easy victory. The Orange County Registrar of Voters released its latest count as of 5 p.m. March 20, and here are the results:



For most races, such as this one, it's all over but the official call. So why does it take so long to make the unofficial official?

As [a recent LAist story explained](#): Californians overwhelmingly vote by mail — more than 87% of votes cast in the 2022 general election were mail-in ballots. Those ballots can be postmarked up to and including Election Day. They're counted as long as the ballot arrives within seven days (for the primary, that was Tuesday, March 12). In Orange County, there are still over 8,000 votes left to process.

Measure E's passage means that Westminster's sales tax will increase by 0.05% (*note by JBM this is presented incorrectly – should be .5%*). That tax will provide an estimated \$8 million dollars annually, the authors of the measure say, and help close a budget gap that the city is facing.

## How we got here

This isn't Westminster's first rodeo when it comes to trying to increase its sales tax. In 2016, voters passed Measure SS, which raised the local sales tax by 1%. In 2022, 70% of voters approved a measure that would keep that 1% tax increase active until March 31, 2043, to fund city services. If the 2022 measure hadn't passed, cuts to the city budget could have closed parks, caused layoffs and eliminated youth and senior centers.

The city is currently facing a nearly [\\$9 million](#) deficit for the 2023-24 fiscal year.

Over the years, other city revenue ideas such as electronic billboards, a new gas station and establishing vendor kiosks at the Civic Center have failed to gain council support.

Why is Westminster so financially unstable? Prop. 13 may be to blame, because it locked the city into lower property tax returns decades ago. Another cause could be a historic over-reliance on state redevelopment funds, according to the [Los Angeles Times](#). Critics also blame the city council for not doing a better job of managing the fiscal crisis.