

City of Huntington Beach
FISCAL YEAR 2019/20 PROPOSED BUDGET
"Shaping the Future"



June 3, 2019

Presented by the Finance Department

**SUPPLEMENTAL
COMMUNICATION**

Meeting Date: 6-3-2019

Agenda Item No.: P.H. # 26 19-606

FY 2019/20 Proposed Budget Overview

- ❑ FY 2019/20 Proposed Budget Highlights
- ❑ General Fund Overview
- ❑ CIP and Infrastructure Budget Summary
- ❑ Long-Term Financial Outlook

“Shaping the Future”

The FY 2019/20 Proposed Budget Highlights:

- ❑ Minor General Fund Budget Changes
- ❑ Flat Citywide Head Count from FY 2018/19 Revised
- ❑ Committing 55% of Budget to Public Safety
- ❑ Dedicating 15% of the General Fund to Infrastructure
- ❑ Being Proactive by Preparing for Rising Pension Costs

FY 2019/20 Proposed Budget

- ❑ The FY 2019/20 Proposed All Funds Budget totals \$381.2 million, a \$8.1 million, or 2.2% increase from the FY 2018/19 Adopted Budget
 - ✓ \$3.0 million increase Park Development Impact Fee Fund
 - ✓ \$1.3 million increase Sewer Service Fund
 - ✓ \$605,000 increase in newly established restricted Surf City "3" Cable Channel Fund
- ❑ The FY 2019/20 Proposed General Fund Budget totals \$231.8 million, a \$3.5 million, or 1.5% increase from the FY 2018/19 Adopted Budget

FY 2019/20 General Fund Highlights

Description	FY 2018/19 Adopted Budget (in millions)	FY 2019/20 Proposed Budget (in millions)	% Change
Recurring Revenues	\$226.2	\$230.8	2.1%
Use of Reserves	2.2	1.0	
Total Budget	228.4	231.8	1.5%
General Fund Expenses	228.4	231.8	1.5%
Surplus/(Deficit)	\$0.0	\$0.0	0.0%

FY 2019/20 General Fund Overview

- ❑ Structurally Balanced General Fund Budget for FY 2019/20
- ❑ Proposed Budget includes targeted budget reductions
- ❑ A vacancy factor is built into department budgets for the first time, historically in Non-Departmental budget
- ❑ A modest General Fund revenue increase of 2.1% is projected
- ❑ Essentially flat Citywide headcount from FY 2018/19
- ❑ Equipment replacement funding totals \$4.7 million
- ❑ The 15% Charter requirement for Infrastructure is met
- ❑ Strong financial and emergency reserves
- ❑ Proposed Budget includes \$1 million contribution to Section 115 Trust from prior year

General Fund Revenue Highlights

- ❑ Total General Fund projected revenue is \$230.8 million, reflecting a 2.1% increase from the current year
- ❑ Property Tax growth is projected increase \$3.8 million
- ❑ Transient Occupancy Tax is projected to grow by \$856,000
- ❑ Sales Tax is projected to decrease by \$1.8 million
- ❑ Licenses and permits are estimated to increase by \$264,000
- ❑ Utility Users' Tax revenue is projected to decrease by \$454,000

Strengthen Long-Term Financial and Economic Sustainability



Being Proactive Pays Off

- ❑ The City began pre-paying its unfunded liabilities in some of its plans as early as five years ago (FY 2012/13).
- ❑ Four years ago, in FY 2013/14, the City created formal plans.
- ❑ Those plans have improved the funded status of two of the City's three retiree benefit plans considerably.
- ❑ As a result, the unfunded liability for the Retiree Medical-Miscellaneous Plan has been paid off.
- ❑ In FY 2015/16 the City created a new Section 115 Trust, total contributions to date = \$5.5 million, plus an additional \$1 million in the Proposed Budget.
- ❑ The City's long-term planning has placed Huntington Beach in a much better position than many other cities to manage rising pensions costs.

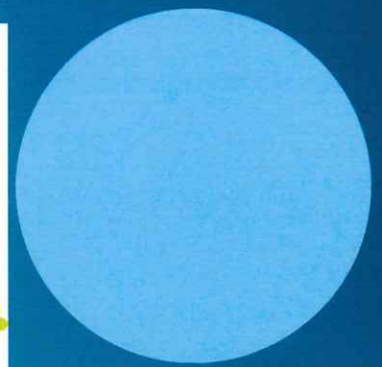
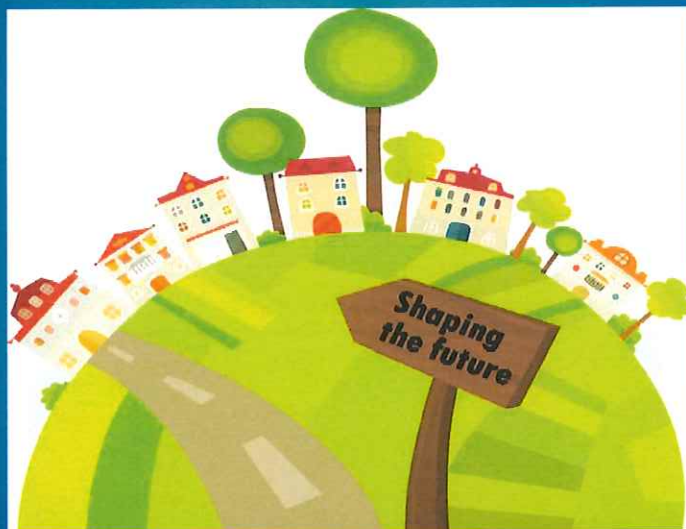
Active Management of Long-Term Liabilities

(as of 6/30/18)

Type of Liability	Amount* (000)	% Funded	Plan to Eliminate Liability	Timeline
CalPERS (Safety)	256,807	64.8 %	"1=5" Plan	20 years
CalPERS (Misc)	<u>163,278</u>	<u>70.7%</u>	Standard PERS Plan	24 years
Subtotal	420,085	67.3%		
Retiree Medical (Safety)	8,803	63.0%	"25 to 10" Plan	4 years
Retiree Medical (Misc)	-	100.0%	COMPLETE	DONE
Retiree Supplemental	3,660	94.4%	"16 to 10" Plan	2 years
TOTAL	432,548			

*Net Pension and/or Unfunded Liability amounts are not constant and are subject to annual change for market conditions, demographics and actuarial methodology. The Net Pension Liability is based on CalPERS' GASB 68 actuarial valuations as of June 30, 2017.

Enhance and Maintain Infrastructure



CIP Budget Highlights

- ❑ Street and Neighborhood Rehabilitation Projects
 - Arterial Rehabilitation (\$5,054,156)
 - Neighborhood Street Improvements (\$3,900,000)
 - Concrete Replacement (\$250,000)
- ❑ Park Improvements
 - Murdy & Edison Community Centers (\$2,000,000)
 - Central Park Restrooms & Park Improvements (\$840,000)
 - Bartlett Park and Lake Park Improvements (\$950,000)
 - Playground Equipment Improvements (\$580,000)
- ❑ Facilities Improvements
 - Fiber Expansion Program (\$765,000)
 - Central Library, City Hall, and Plants, Trees & Landscape Maintenance Yard (\$535,000)

FY 2019/20 Proposed Budget Recap

- ❑ The FY 2019/20 Proposed Budget theme “Shaping the Future” wherein we need to align our resources to meet future challenges
- ❑ FY 2019/20 Proposed Budget provides majority of funding for public safety
- ❑ Funds infrastructure improvements to roadways, parks, facilities and other capital assets
- ❑ Rising CalPERS costs will continue to strain annual budgets
- ❑ The City will continue to take a fiscally conservative, long-range approach to budgeting

FY 2019/20 PROPOSED BUDGET

