

City of Huntington Beach

Financial Update & FY 2020/21 Year End Budget Adjustments

*Huntington Beach City Council
November 2, 2021*



Overview

- **City Financial Update**
- **FY 2020/21 Year End Budget Adjustments**
- **What's on the Budget Horizon?**

**SUPPLEMENTAL
COMMUNICATION**

Meeting Date: 11/2/2021 2

Agenda Item No.: 29 (21-803)

City Financial Update



Huntington Beach Is In A Terrific Financial Position!

- As difficult as it is to believe given where we were a year ago, the City is now in an exceedingly strong fiscal position as we are transitioning into a post-COVID19 world
- The City Council made difficult decisions during the past year to pave the way for sizable projected surpluses in FY2020/21 & FY 2021/22 as the economy continues to recover from COVID
 - We are currently projecting a **\$10.7M surplus** in FY 2020/21 primarily due to increased sales tax and hotel tax
 - Our FY 2021/22 budget is **structurally balanced** and with improvements in the local economy... we are conservatively projecting a **\$7.2M surplus for the current fiscal year**
 - The General Fund transfer into the **Infrastructure Fund** for the FY 2021/22 adopted budget – which has historically been set at ~\$5 million in prior years – includes a **130% increase**, to \$11.5 million
 - The adopted **CIP budget**, which typically runs at around ~\$25M / year, is set at \$39.3M for FY 2021/22, an **increase of greater than 57%**

Current & Prior Year Surpluses Projected

(in thousands)	Projected* FY20/21	Adopted Budget FY21/22	Projected FY21/22
Revenues	\$ 236,983	\$ 227,980	\$ 235,150
Expenditures less UAL	193,100	209,037	209,037
CalPERS UAL	28,302	4,891	4,891
POB Payment	-	14,052	14,052
Total Expenditures	221,402	227,980	227,980
Restricted AES Reserves	4,900	-	-
Surplus	10,681	-	7,170

* FY 2020/21 projected numbers are subject to change as the annual audit is currently in process.

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FY 2020/21 Year End Budget Adjustments



Year End Budget Adjustment Requests

- **Year End budget adjustments are requested in 14 separate funds**

1. General Fund (100)
2. Narcotics Forfeiture Federal Fund (212)
3. Police Development Impact Fees Fund (227)
4. Narcotics Forfeiture Treasury Fund (242)
5. Retirement Supplement Fund (703)
6. Section 115 Trust Fund (716)
7. Energy Efficiency Fund (807)
8. Senior Mobility Program Fund (963)
9. Infrastructure Fund (314)
10. Equipment Replacement Fund (324)
11. Revolving Loan Fund (215)
12. Senior Center Development Fund (319)
13. HOME Fund (854)
14. Debt Service Mello Roos Fund (406)

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General Fund Adjustments

- **General Fund Adjustments requested include the following:**

- Community Development Department appropriations
- 4th of July Fund close out
- Infrastructure Fund transfer
- Equipment Fund transfer
- Litigation Reserves

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General Fund

Community Development Appropriation

- The Community Development Department is requesting a net-neutral appropriations adjustment \$135K for preparation of a Mitigated Negative Declaration for the Seacliff Senior Living & Memory Care Facility and Gisler Residential Development

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General Fund Transfer

Fourth of July Fund

- \$46K is requested to close out the Fourth of July Fund

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General Fund Transfer

Infrastructure Fund

- \$4.4M in appropriations is requested to be transferred to the Infrastructure Fund to comply with Section 617 of the City Charter that requires the City to spend 15% of General Fund revenue on infrastructure

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General Fund Transfer

Equipment Replacement Fund

- \$1.32M in appropriations is requested to be transferred to the Equipment Fund to ensure adequate funding for essential capital equipment needs

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General Fund

Litigation Reserve Funding

- Set-Aside \$3.65M in Litigation Reserves to properly fund legal claims, given unforeseen litigation losses exceeding budgeted amounts due to unfavorable legal judgements against the City related to the Kennedy Commission and SB35

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Current Year General Fund Surplus with Year End Adjustments

(in thousands)	Projected* FY20/21
Revenues	\$ 236,983
Expenditures less UAL	193,100
CalPERS UAL	28,302
POB Payment	-
Total Expenditures	221,402
Restricted AES Reserves	4,900
Surplus	10,681
Recommended Actions:	
Litigation Reserves	(3,650)
Infrastructure Transfer	(4,400)
Equipment Transfer	(1,319)
Surplus with Recommended Actions	\$ 1,312

50% of the General Fund surplus or estimated \$656K would be set-aside in a **Restricted Pension Rate Stabilization Reserve** per the City's UAL Pension Funding Policy

* FY 2020/21 projected numbers are subject to change as the annual audit is currently in process.

Other Fund Adjustments

- **Funding is available for all other budgetary requests, most of which are previously planned administrative adjustments**
 - ✓ **Police:** \$50K net-neutral adjustment for additional Federal Narcotics Forfeiture Program revenues from DOJ & \$25K Development Impact Fee to up-fit the Crisis Negotiation Team van
 - ✓ **Finance:** \$100K for Retirement Supplemental program adjustment per actuary report and \$48K for Section 115 Trust Fund administrative fees
 - ✓ **Public Works:** \$30K Energy Efficiency street light retrofit expenditures
 - ✓ **Community Services:** \$43K Senior Mobility Program net-neutral adjustment for additional Measure M revenues
 - ✓ **Community Development:** \$806K Revolving Loan Fund transfer to CDBG Fund to properly provide for code funding & \$465K HOME Fund transfer to the proper grant year
 - ✓ **Other:** \$17K Senior Center Development Fund transfer of remaining funds for eligible Police Headquarters capital project and \$21K for year end clean up of Debt Service Mello Roos Fund

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What's on the Budget Horizon?

- **The City is currently in a great and enviable financial position!**
- In February 2022, we will return to Council with a Mid-Year Update
- The following details the Budget Development Calendar for FY2022/23:

Proposed Date	Item
January – May 2022	FY 2022/23 Internal Budget Development Process
May 17, 2022	FY 2022/23 Proposed Budget Study Session with City Council
June 7, 2022	FY 2022/23 Budget Adoption: City Council Public Hearing
June 21, 2022	FY 2022/23 Budget Adoption: Alternate Date
July 1, 2022	Fiscal Year 2022/23 Begins

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Recommended Action

Approve year-end budget adjustments, transfer, and assignment to the FY 2020/21 Revised Budget.

Questions?