



MINUTES FINANCE COMMISSION

Wednesday, January 26, 2022 - 5:00 P.M.
City of Huntington Beach
Zoom Webinar

For the audio recording of the January 26, 2022 Finance Commission Meeting, please visit the City's website at: <https://huntingtonbeach.legistar.com/Calendar.aspx>

Chair Stephanie Gledhill called the meeting to order at 5:00 p.m. and led the Pledge of Allegiance.

MEMBERS PRESENT: Stephanie Gledhill, Chair
Robert Sternberg, Vice-Chair
Jamie Craver, Commissioner
Frank Lo Grasso, Commissioner
Janet Michels, Commissioner
Tony Strickland, Commissioner

MEMBERS ABSENT: Lawrence Owen, Commissioner

STAFF PRESENT Dahle Bulosan, Chief Financial Officer
Sunny Rief, Assistant Chief Financial Officer
Serena Bubenheim, Finance Manager - Budget
Linda Wine, Administrative Assistant
Thuy Vi, Administrative Aide, Finance

PUBLIC COMMENTS There were no public comments.

ELECTION OF CHAIR AND VICE CHAIR

(4:02) Motion: Moved by Stephanie Gledhill and seconded by Janet Michels to nominate Jamie Craver as Commission Chair

The motion carried by the following votes: 4-2-1

Ayes: Craver; Gledhill; Michels; Sternberg

Noes: Lo Grasso; Strickland

Absent: Owen (excused)

Motion: Moved by Frank Lo Grasso and seconded by Stephanie Gledhill to nominate Tony Strickland as Commission Chair

The motion fails by the following votes: 2-4-1

Ayes: Lo Grasso; Strickland

Noes: Craver; Gledhill; Michels; Sternberg

Absent: Owen (excused)

Motion: Moved by Stephanie Gledhill and seconded by Janet Michels to nominate Tony Strickland as Commission Vice-Chair

The motion carried by the following votes: 4-2-1

Ayes: Gledhill; Lo Grasso; Michels; Strickland

Noes: Craver; Sternberg

Absent: Owen (excused)

Motion: Moved by Stephanie Gledhill and seconded by Jamie Craver to nominate Robert Sternberg as Commission Vice-Chair

The motion fails by the following votes: 2-4-1

Ayes: Craver; Sternberg

Noes: Gledhill; Lo Grasso; Michels; Strickland

Absent: Owen (excused)

CONSENT ITEMS

Approval of Meeting Minutes

(11:35) Motion: Moved by Gledhill and seconded by Strickland to approve the Finance Commission Meeting Minutes dated November 17, 2021, as presented

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

Ayes: Craver; Gledhill; Lo Grasso; Sternberg; Strickland

Noes: None

Abstain: Michels

Absent: Owen (excused)

DISCUSSION ITEMS AND POTENTIAL RECOMMENDATIONS

(12:27) Chief Financial Officer Dahle Bulosan gave a presentation on the Fiscal Year 2021/22 Mid-Year Budget Review and Fiscal Year 2022/23 Budget Kickoff.

Bulosan discussed the City's current budget and fiscal position. He stated that the City is projecting a FY 2021/22 surplus with modest surpluses over the next four years, which is a direct result of key financial decisions made by City Council and the ongoing recovery from the COVID-19 economic downturn.

For FY 2020/21, the City concluded with a \$5.2M surplus, after year-end transfers. The City Council approved additional investments of \$4.4M into capital infrastructure and \$1.3M of essential capital equipment needs from the year-end surplus.

FY 2021/22 is projected to conclude with a \$4.3M surplus. The City made historic infrastructure investments in FY 2021/22, in which the General Fund transfer to the Infrastructure Fund increased by 130% to \$11.5M, and the overall CIP budget increased 57% to \$39.3M.

Bulosan noted that the City received additional one-time funding of \$29.6M through the American Rescue Plan Act (ARPA). The City Council approved an expenditure plan to invest funds in projects.

The City received one-half of the \$29.6M last May 2021, and is scheduled to receive the second half in May 2022. The deadline to spend the funds is the end of 2026, and the deadline to have the funds encumbered is 2024. Bulosan listed the initial list of projects for the ARPA Funding Spending Plan to respond to present needs and to plan for the future.

Respond to Present needs: Downtown Revitalization Improvements; Police Technology Improvement (CAD & RMS); Public Safety Equipment; Senior on the Go Transportation – Replace four (4) vans; Park Upgrades (Carr Park); Oak View Community Center Rehabilitation; Talbert Channel Multi-use Recreation Trail Project

Plan for the Future: Comprehensive Homelessness Response; DBFOM Major City Facility Upgrade Project Planning; Permanent Supportive Housing; Grow HB Fund – NDC 3:1 Match; HB Community Impact Loan Fund; Economic Development Fund; Broadband Infrastructure Improvement; World Skate Skatepark Development Planning; Mobility & Sustainability Capital Improvements; Joint Youth Training Facility for Police/Fire; Arterial Beautification

Lo Grasso asked if the Talbert Channel Multi-use Recreation Trail Project had been removed. Bulosan stated that the project removal will be discussed at the next City Council meeting.

Bulosan stated that the City is projecting a \$4.3M surplus for FY 2021/22 primarily due to better than expected sales tax and hotel tax revenues. He listed the major General Fund revenues and expenditures.

Major General Fund Revenues

- Property Tax \$92.9M or 38%
- Sales Tax \$49.5M or 20%
- Hotel Tax \$14.4M or 6%
- Use of Money and Property \$16.3M or 7%
- Charges for Current Services \$24.8M or 10%

Major General Fund Expenditures

- Police \$77.6M or 34%
- Fire \$47.8M or 21%
- Public Works \$20M or 9%

Gledhill asked if the percentage of expenditures for Police, Fire and Public Works was consistent with other cities. Bulosan stated that the City's expenditures are consistent with full service cities with public safety.

Bulosan discussed the Budget Kickoff, which the City had earlier this month. A Budget Directive was provided to all the City departments so that there is a baseline to work with. He indicated that for FY 2022/23, we are looking at a balanced budget with a modest surplus to address CPI increases and strategic additions to the City's base budget. Bulosan noted that we are seeing sharp increases in the price of goods and contracting prices. The FY 2022/23 is based on the FY 2021/22 Budget (minus any one-time increases). Base Budget includes fixed cost items such as: refinancing CalPERS UAL with the POBs; previously negotiated labor contracts; \$5 million for Equipment Replacement; \$13.5 million for Infrastructure related Capital Improvement Projects; annual bond debt service and other lease financing costs.

Bulosan discussed the City's Long-Term Financial Plan, and stated that we are currently projecting approximately \$1.7 to \$2.5 million surpluses in the next four years as the economy recovers from the pandemic. Economists are conservative, and are still projecting that the economy will continue to

grow. The U.S. unemployment rate has dropped to 3.9% in December of 2021, the lowest since the before the pandemic. There has been rising consumer confidence and recovery in the hospitality and travel industry, especially locally here in Huntington Beach, which gives a great opportunity for people to still travel domestically. He stated that we have projected a 3% increase in revenues for FY 2022/23 and conservatively, 2% annual increases in ongoing revenues. We are seeing consistent increases in expenditures as cost of goods, contracting and labor costs go up.

Michels asked if the planning includes interest rate increases. Bulosan stated that on a macro level, CPI increases are incorporated, which will largely cover any impacts to interest rate increases. He noted that a lot of our debt is at fixed rates, so it should not affect any of our pre-existing debt. If we do any financing in the future, there will be an impact, but for the five-year long-term look, we have interest rates covered.

Bulosan shared the Budget Development Calendar, and stated that from February to May, the Finance Department will be working with other departments to develop the Fiscal Year 2022/23 budget. The proposed budget will be presented to the City Council for feedback at the May 17, 2022 study session. The first opportunity for the City Council to adopt the budget will be June 7, 2021, and if there are any adjustments that the Council would like to make, the alternate date for budget adoption will be at the June 21, 2022 meeting. The Fiscal Year 2022/23 opens on July 1, 2022.

Bulosan stated that the City Council has delegated the DBFOM project to the Finance Commission to work on. The City Council subcommittee will be meeting again in February to review details of what will be delegated to the Finance Commission. He stated that he would provide the Commission with more details as we go forward. Craver asked Bulosan if a consultant has been hired for the project. Bulosan stated that they had not.

Bulosan discussed cost recovery opportunity, stating that many of the City's fees and charges have not been updated since the City completed the last comprehensive fee study in FY 2016/17. Citywide user fees and charges generate approximately \$20 million in revenue across all funds. Currently, we are recovering approximately 70% of our costs, and likely even lower now due to increased labor and contract costs, so there is an opportunity to increase costs for recovery of those fees. Bulosan recommended to the Finance Commission that they direct the Finance Department review the City's Master Fee and Charges Schedule to identify opportunities for additional cost recovery for City Council consideration.

Discussion ensued regarding the recommended action. Sternberg stated that with City's surplus, the optics of raising fees would not be good and this is not the opportune time. Strickland and Lo Grasso concurred.

Bulosan noted that there are some fees that have not been adjusted for CPI that could be increased. The spectrum of fees affect citizens, non-residents, visitors and developers. He stated that we are sensitive when making recommendations for fee increases that affect the citizens. He stated that the recommendation is for an opportunity to review the fees and charges. The City Council would review the recommendations, and they could direct the Finance Commission to review the recommendations. The Commission agreed that they would like the opportunity to review the recommendations before Council takes action.

Sternberg asked if revenues for short-term rentals were taken into account, as those revenues would be higher. Bulosan stated that those revenues were incorporated, and although the revenues are higher, the City has had to augment staff and costs to enforce the short-term rental regulations.

Sternberg asked how long it would take the Finance Department to review the fees and charges. Bulosan stated that for a comprehensive study, a consultant would be brought in to look at all the fees and conduct a cost allocation study. A less time-intensive approach would be to look at increasing fees based on CPI and market data for select fees. Bulosan recommended the CPI approach initially and the comprehensive approach in the future.

(55:38) Motion: Moved by Chair Craver and seconded by Michels to request that the City Council direct the Finance Department to review the Master Fees and Charges Schedule, and that the results be reviewed by the Finance Commission prior to any City Council decision on the matter

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

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

Noes: Strickland

Absent: Owen (excused)

(1:00:12) Sternberg stated that with the surplus funds, he would like to request that the Finance Commission recommend allocating additional one-time funding in the 2022/23 budget for maintenance of parks, streets and storm drains, especially the arterial streets. He listed as examples of extra maintenance: cleaning the sand in the park playgrounds; maintaining playground equipment; and cleaning the streets and storm drains before trash goes out to the beach.

Bulosan stated that he would include Sternberg's request as part of the budget discussion with the Public Works Director.

Lo Grasso asked if some of the ARPA Spending Plan funds could be moved to the park maintenance budget. Bulosan stated that a Council subcommittee developed a spending plan that was approved by the City Council. He stated that there is still opportunity to change the recommended action for the spending plan, which will ultimately be decided by the City Council. Bulosan noted that there are other available funds that go toward park improvement, and that a large part of our infrastructure budget is committed to park improvements. There is also a Park Acquisition and Development Fund, which are funds received from developers that come to Huntington Beach, and those funds are devoted to parks.

(1:12:37) Motion: Moved by Sternberg and seconded by Strickland to recommend that the Finance Department discuss expenditures and allocation of one-time funds for maintenance of parks, gutters, streets and sidewalks

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

Ayes: Craver; Gledhill; Lo Grasso; Michels; Sternberg; Strickland

Noes: None

Absent: Owen (excused)

COMMISSIONER COMMENTS

Lo Grasso stated that he spent three days in Carlsbad and the City was in beautiful, pristine condition. He said that Huntington Beach could be maintained just as nicely.

Gledhill asked what we could do as citizens to promote the cause of making Huntington Beach look nicer. Bulosan stated that she could attend and provide public comments at the Public Works Commission meetings. Sternberg stated that we could contact the Public Works Director with specific issues, and that he would look into addressing the issues, but noted that the issues are prioritized and funding is needed.

ADJOURNMENT

(1:20) Motion: Moved by Chair Craver and seconded by Gledhill to adjourn the meeting at 6:20 p.m.

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

Ayes: Craver; Gledhill; Lo Grasso; Michels; Sternberg; Strickland

Noes: None

Absent: Owen (excused)

Submitted by:

Dahle Bulosan, Chief Financial Officer

By: Linda Wine, Administrative Assistant, Finance
Thuy Vi, Administrative Aide, Finance