



City of Huntington Beach

File #: 21-124

MEETING DATE: 2/16/2021

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Oliver Chi, City Manager

PREPARED BY: Dahle Bulosan, Chief Financial Officer

Subject:

Year-End Audit results for the FY 2019/20 Comprehensive Annual Financial Report (CAFR) and FY 2020/21 Mid-Year Budget Adjustments & Updates

Statement of Issue:

Year-End Audit Results

The City received an Unmodified (Clean) Audit Opinion for the City's Fiscal Year (FY) 2019/20 Comprehensive Annual Financial Report (CAFR), which is the best audit result available. In addition, the Government Finance Officers Association awarded their Certificate of Achievement for Excellence in Financial Reporting to the City for the 34th consecutive year. Included as an attachment is the FY 2019/20 CAFR to receive and file.

Fiscal Year 2020/21 Mid-Year Adjustments & Updates

The Finance Department has also spent time recently performing a mid-year budget review for the fiscal year that began on July 1, 2020. In interfacing with operating departments, budgetary requests have been assessed across all City departments, and certain adjustments are being recommended based on available resources through grants and / or restricted funds.

Financial Impact:

Fiscal Year 2020/21 Mid-Year Adjustments

1. General Fund (100) budget adjustments are requested as follows:
 - a. Community Development Department - funding for the preparation of the Mitigated Negative Declaration for Seacliff Senior Living and Memory Care Facility (\$44,060)
 - b. Fire Department - funding for Fire Strike team reimbursement costs (\$1,105,000); payments to the Department of Health Care Services (DHCS) for the Ground Emergency Medical Transport (GEMT) Quality Assurance Fee (QAF) Program (\$312,240); and funding for Metro Cities Joint Powers Authority (JPA) increased costs (\$30,250)
2. The Public Works Department is requesting additional appropriations totaling \$530,109, through the following sources:
 - a. Refuse Collection Fund 504 (\$190,000)

- b. Water Master Plan Fund 507 (\$340,109)
- 3. The Police Department is requesting additional appropriation of \$222,121, through the following sources:
 - a. Police Facilities Development Impact Fund 227 (\$90,000)
 - b. Narcotics Forfeiture Fund 242 (\$12,121)
 - c. AB 109 Fund 979 (\$70,000)
 - d. Pedestrian and Bicycle Safety Program Grant Fund 1266 (\$50,000)
- 4. The Finance Department is requesting additional appropriations of \$6,201,060, through the following funds:
 - a. Retiree Insurance Fund 702 (\$1,298,000)
 - b. Retirement Supplement Fund 703 (\$4,903,060)
- 5. The Administrative Services Department is requesting an additional appropriation of \$935,181 in the Self Insurance General Liability Fund 552.

Details related to the proposed adjustments are outlined in the report below. Further, there are sufficient revenues, cash, and / or fund balances to support the above referenced adjustments.

Recommended Action:

- A) Receive and File the FY 2019/20 Comprehensive Annual Financial Report; and,
- B) Approve mid-year budget adjustments to the FY 2020/21 Revised Budget in the funds and by the amounts contained in Attachment 1.

Alternative Action(s):

Do not approve the recommended action(s) and direct staff accordingly.

Analysis:

Year-End Audit Results

Auditing firm Davis Farr LLP (Auditors) audited the City's financial statements and internal control for the FY 2019/20. The City received an Unmodified (Clean) Audit Opinion for the FY 2019/20 Comprehensive Annual Financial Report (CAFR), which is the highest opinion possible (Attachment 2).

In addition, the Auditors issued the following reports (Attachment 3):

- AU-C 260 Letter: Communications
- Appropriations Limit Agreed-Upon Procedures
- Air Quality Management District (AQMD) Report

Fiscal Year 2020/21 Mid-Year Adjustments & Updates

The FY 2020/21 Budget was adopted by the City Council on June 29, 2020, for the fiscal year

beginning July 1, 2020. The Finance Department has compiled recommended budget adjustments to cover additional costs and/or provide appropriations necessary to expend funds that have been received for specific purposes. The City has received revenues or has set-aside prior year fund balances that will support the requested adjustments in the General Fund. The Other Funds adjustments will be funded by available revenue or fund balances within each distinct Fund.

GENERAL FUND (FUND 100)

The Community Development Department entered into a reimbursement agreement with SBLP Huntington Beach, LLC. The funds were used to cover professional services costs for the preparation of the Mitigated Negative Declaration for Seacliff Senior Living and Memory Care Facility. The department is requesting to increase its professional services appropriation by \$44,060 to cover these pass-thru costs, which have been offset by the reimbursement revenues and result in a net neutral impact to the General Fund.

The 2020 California wildfire season was characterized by a record-setting year of wildfires that burned across the State of California. As of the end of the calendar year, nearly 10,000 fires had burned over 4.2 million acres of land, which is more than 4% of the state's roughly 100 million acres of land. The California Fire and Rescue Emergency Mutual Aid System (Mutual Aid System) coordinates resources from various jurisdictions within the State of California whenever a local agency is overwhelmed by a major disaster in its community or region.

The Huntington Beach Fire Department participates in the Mutual Aid System, and the department has responded to multiple mutual aid requests throughout California to assist in major fires. To date, the Fire Department has incurred \$1,105,000 in Strike Team deployment expenses. The State of California will reimburse all allowable costs related to these Strike Team expenses, plus a 16.81% administrative rate to be applied to those allowable costs. Since there is no annual appropriation for this business unit, given that Strike Team costs are unknown until costs are incurred, the Fire Department is requesting appropriation for \$1,105,000. Of note, the appropriation will be fully offset by State reimbursements.

California Welfare and Institutions authorized the Ground Emergency Medical Transportation Services (GEMT) Quality Assurance Fee (QAF) program in accordance with Senate Bill 523. The QAF is assessed on each qualified emergency medical transport, regardless of payer type. DHCS uses the revenues collected through this program to provide additional funding to eligible governmental entities that provide GEMT services to Medi-Cal beneficiaries. The Fire Department is requesting an appropriation of \$312,240 to cover anticipated QAF payments for the remainder of the fiscal year. Based on the number of Medi-Cal transports the City provides each year, it is anticipated that the QAF payments will be fully offset by revenues received under the program.

Essential emergency dispatch and paging services are provided by Metro Cities Communications Joint Powers Authority (JPA). Being a member of a fire dispatch Joint Powers Authority allows for cost sharing between member agencies. Calculation of agency fair share percentage is based upon the total of emergency calls within an agency's jurisdiction, divided by the total number of calls the JPA receives. Given a higher than anticipated number of calls for service, the Fire Department is requesting an additional appropriation of \$30,250 to cover the Metro Cities JPA's increase in budget

allocation to the City of Huntington Beach.

OTHER FUNDS

Police Facilities Development Impact (Fund 227)

A fund balance appropriation of \$90,000 is requested in the Police Facilities Development Impact Fund to purchase and equip a new van for the Crisis Negotiation Team (CNT). Development impact fees collected in this fund are to be used to fund new law enforcement facilities, vehicles, and equipment in response to the additional calls for service generated by new development. The new CNT van adheres to the expenditure criteria of this fund and there is sufficient fund balance for this purchase.

Narcotics Forfeiture - Treasury (Fund 242)

This fund accounts for the Equitable Sharing Funds received from the Department of the Treasury and can be used to supplement local law enforcement resources. A fund balance appropriation of \$12,121 is requested in the Narcotics Forfeiture Fund for the purchase of miscellaneous Police Department equipment and supplies. There is sufficient fund balance in this fund to cover the appropriation.

Refuse Collection Service (Fund 504)

The residential curbside collection rate increased by \$0.33 effective July 1, 2020, based on the formula adopted in Resolution 2017-26, and is estimated to provide an additional \$190,000 in revenues. The Public Works Department is requesting an expenditure appropriation of \$190,000 to fund the Refuse Collection and Disposal Services contract. Based on current revenue collection amounts, these adjustments will have a net neutral impact.

Water Master Plan (Fund 507)

An appropriation of \$340,109 is needed in the Water Master Plan Fund for charges related to general administrative oversight as determined through the City's Cost Allocation Plan. There is sufficient fund balance in this fund to cover the appropriation.

Self-Insurance General Liability (Fund 552)

An appropriation of \$935,181 is needed in the Self Insurance General Liability Fund for excess liability coverage and for risk insurance services for the commercial property, difference in conditions (DIC), contractor's equipment and auto physical damage program, terrorism, and cyber liability coverage. There is sufficient fund balance in this fund to cover the additional appropriation.

Retiree Insurance (702)

The Finance Department is requesting an appropriation of \$1,298,000 in the Retiree Insurance Fund: \$1,187,265 for contributions and payments made for the City's Retiree Medical Plan, and \$110,735 for Transfers Out to the General Fund for general administrative oversight as determined through the City's Cost Allocation Plan. The total contribution made to the fund each year is determined by the City's actuary. This appropriation is needed to true up the retiree health insurance budget based on the most recent actuarial valuation.

Retirement Supplement (Fund 703)

An additional appropriation of \$4,903,060 is needed in the Retirement Supplement Fund for contributions and payments made for the City's Retiree Supplemental Plan. The total contribution made to the fund each year is determined by the City's actuary. This appropriation is needed to true up the retiree pension payments budget, based on the most recent actuarial valuation.

AB 109 (Fund 979)

Public Safety Realignment was enacted in 2011 with the signing of Assembly Bill 109, which provided a portion of the Vehicle License Fees go to local law enforcement. A fund balance appropriation of \$70,000 is requested in the AB 109 Fund for compliance checks and for a new server for the high tech crime lab. There is sufficient fund balance in this fund to cover the appropriation.

Pedestrian and Bicycle Safety Program Grant (Fund 1266)

The Police Department received funding of \$50,000 for the Pedestrian and Bicycle Safety Program Grant, awarded by the California Office of Traffic Safety (OTS).

Environmental Status:

Not applicable.

Strategic Plan Goal:

Enhance and maintain high quality City services
Enhance and maintain infrastructure
Strengthen long-term financial and economic sustainability
Enhance and modernize public safety service delivery

Attachment(s):

1. Fiscal Year 2020/21 Recommended Mid-Year Adjustments
2. FY 2019/20 Comprehensive Annual Financial Report (CAFR)
3. Other Auditor Issued Reports