



# City of Huntington Beach

**File #:** 23-461

**MEETING DATE:** 6/6/2023

## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Mayor and City Council Members

**SUBMITTED BY:** Al Zelinka, City Manager

**VIA:** Chau Vu, Acting Director of Public Works

**PREPARED BY:** Ken Dills, Administrative Services Manager

**Subject:**

**Approve the Infrastructure Fund Annual Report for FY 2021/22**

**Statement of Issue:**

The City Charter requires an annual review and performance audit of the Infrastructure Fund, and a report of the findings to the City Council prior to adoption of the following fiscal year budget. This review covers the fiscal year (FY) 2021/22.

**Financial Impact:**

Not applicable with this action.

**Recommended Action:**

Approve the Infrastructure Fund Annual Report for FY 2021/22.

**Alternative Action(s):**

Instruct staff to make revisions and resubmit at a later date.

**Analysis:**

The Infrastructure Fund was established in 2002 by City Charter Section 617(c), which states that the City Council must establish the Citizens Infrastructure Advisory Board (CIAB) to conduct an annual review and performance audit of the Infrastructure Fund and report its findings to the City Council.

Per the City Charter, the Infrastructure Fund is designated for the sole purpose of infrastructure expenditures. "Infrastructure" is defined in the Charter as "long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years. They include storm drains, storm water pump stations, alleys, streets, highways, curbs and gutters, sidewalks, bridges, street trees, landscaped medians, parks, beach facilities, playgrounds, traffic

signals, streetlights, block walls along arterial highways, and all public buildings and public ways.”

Infrastructure expenditures are defined as “direct costs related to infrastructure improvements or maintenance, including construction, design, engineering, project management, inspection, contract administration and property acquisition.”

The single substantial revenue source to the fund is unassigned fund balance in the General Fund per the Financial Policy adopted in FY 2006/07 and revised in FY 2009/10. The policy states that 50% of the unassigned fund balance will be allocated to the General Fund Pension Stabilization Reserve, of which 25% is assigned to the Economic Uncertainties Reserve, 12.5% to the Infrastructure Fund, and 12.5% to the Capital Improvement Reserve.

Beginning in FY 2017/18, Capital Improvement Program (CIP) projects previously budgeted in the General Fund were instead budgeted in the Infrastructure Fund with an accompanying General Fund transfer. Transfers in FY 2020/21 totaled \$14,050,000 to fund infrastructure improvements and maintenance. Interest and market adjustments totaled \$31,504. Other revenue included a maintenance agreement reimbursement of \$10,728 and paving project reimbursement totaling \$209,006 from the City of Fountain Valley. Total revenue was \$14,301,238. Expenditures for the year totaled \$10,881,530. The fund balance at year’s end (June 30, 2022) was \$20,484,131. Additional details are available in the Infrastructure Fund Annual Report (see attachment 1).

| <b>Infrastructure Fund 2021/22</b> |                     |
|------------------------------------|---------------------|
| <b>Fund Balance 7/1/2021</b>       | <b>\$17,064,423</b> |
| <b>Revenues:</b>                   |                     |
| General Fund Transfer              | \$14,050,000        |
| Interest and Market Adjustments    | \$31,504            |
| Maintenance Reimbursement          | \$10,728            |
| Paving Project Reimbursement       | \$209,006           |
| <b>Total Revenue</b>               | <b>\$14,301,238</b> |
| <b>Total Expenditures</b>          | <b>\$10,881,530</b> |
| <b>Fund Balance 6/30/22</b>        | <b>\$20,484,131</b> |

**Citizens Infrastructure Advisory Board Action/Public Works Commission Action:** The annual Infrastructure Fund Report was recommended for City Council consideration at the May 17, 2023 meeting of the Citizens Infrastructure Advisory Board/Public Works Commission by a vote of 5-0-2 (Michalski and Rivas absent).

#### **Environmental Status:**

Pursuant to CEQA Guidelines Section 15378(b)(5), administrative activities of governments that will not result in direct or indirect physical changes in the environment do not constitute a project.

#### **Strategic Plan Goal:**

Infrastructure & Parks

**Attachment(s):**

1. Infrastructure Fund Annual Report 2021/22
2. PowerPoint Presentation