

Commissioner Provided Items

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Questions for Zack on 6/4/26 with notes written by Dave Chennault on 6/5/25

Question From Commissioner Chennault in **Grey** and Response from Finance in ***Italics***

Question 1 – Difference in Budget Actuals Revenues in FY 24 /25 and Audited Statements Revenues for FY 24/25

Budget - FY 24/25 for Revenues shown in FY 26/27 Budget on page 22 does not show the same values as the audited statements. Please explain why the actuals shown in the sources of revenues in the budget for FY 24/25 on page 22 and 23 of the budget does not show the same values or total as the audited statement

Answer: The values in the budget entries for investments portion of revenue objects in the General Fund on Page 23 of the proposed FY 26/27 budget for FY 24/25 are stated at fair market value while the values for the investments portion shown in the revenue objects in the audited statements are not shown at market value.

What this means in plain language as explained using Chat GPT–

What the budget is doing

In the proposed FY 26/27 budget, when they list investment amounts (on Page 23 in the General Fund section), they show those investments at fair market value — meaning:

- *What the investments are currently worth on the market*
- *This number can go up or down depending on market conditions*

Think of it like checking the current value of your 401(k) or stock portfolio.

What the audited financial statements are doing

In the audited FY 24/25 financial statements, the investment amounts in the revenue section are not shown at fair market value. Instead, they may be shown at:

- ***Cost*** (what the city originally paid), or
- ***Amortized cost*** (cost adjusted over time), or
- ***Another accounting basis*** required by government accounting rules

This means the audited statements might show a more stable number that doesn't change with daily market fluctuations.

Why this matters

Because the two documents use different valuation methods, the investment numbers:

- ***Will not match***, even if they refer to the same investments
- *Can look higher or lower depending on market conditions*
- *Might confuse readers unless the difference is explained*

Super-simple summary

The budget shows investments at their current market value. The audited statements do not. So the numbers look different because they're calculated differently.

Audited Statements for FY 24/25

This is page 46 (see below) for the audited report at this url for FY 24/25

https://www.huntingtonbeachca.gov/departments/finance/budget_financial_reports.php#outer-860sub-865

**GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025
(In Thousands)**

	Major Governmental Funds						Total
	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Pension Liability	Infrastructure	Nonmajor Governmental Funds	
REVENUES							
Property Taxes	\$ 109,379	\$ -	\$ -	\$ 8,858	\$ -	\$ -	\$ 118,237
Sales Taxes	49,310	-	-	-	-	3,074	52,384
Utility Taxes	22,706	-	-	-	-	-	22,706
Other Taxes	25,365	-	-	-	-	393	25,758
Licenses and Permits	10,355	-	-	-	-	388	10,743
Fines and Forfeitures	6,040	-	-	-	-	-	6,040
Use of Money and Property (Loss)	33,440	328	1,204	1,258	1,868	4,916	43,014
Intergovernmental	18,586	18,927	1,719	-	15	11,419	50,666
Charges for Current Services	35,081	-	-	15,727	-	2,931	53,739
Other	7,198	518	-	-	11	108	7,835
Total Revenues	317,460	19,773	2,923	25,843	1,894	23,229	391,122
EXPENDITURES							
Current:							
City Council	492	-	-	-	-	-	492
City Manager	3,810	966	-	-	-	386	5,162
City Treasurer	2,425	-	-	-	-	-	2,425
City Attorney	4,098	-	-	-	-	-	4,098
City Clerk	1,796	-	-	-	-	-	1,796
Finance	6,249	-	-	-	-	17	6,266
Human Resources	2,578	-	-	-	-	-	2,578
Community Development	15,830	3,471	1,206	-	-	1,180	21,687
Fire	77,345	359	-	-	-	153	77,857
Information Services	8,614	-	-	-	-	1,393	10,007
Police	104,277	2,558	-	-	-	230	107,065
Community Services	13,562	331	-	-	160	903	14,956
Library Services	6,949	170	-	-	-	69	7,188
Public Works	28,394	8,580	-	-	19,688	17,028	73,690
Debt Service:							
Principal	4,761	-	-	12,724	-	2,295	19,780
Interest	480	-	-	8,360	-	660	9,500
Total Expenditures	281,660	16,435	1,206	21,084	19,848	24,314	364,547
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,800	3,338	1,717	4,759	(17,954)	(1,085)	26,575
OTHER FINANCING SOURCES (USES)							
Transfers In	543	-	-	1,500	17,539	2,968	22,550
Transfers Out	(22,077)	-	-	-	-	(530)	(22,607)
Total Other Financing Sources (Uses)	(21,534)	-	-	1,500	17,539	2,438	(57)
Net Change in Fund Balances	14,266	3,338	1,717	6,259	(415)	1,353	26,518
Fund Balances – Beginning of Year	132,319	2,712	7,910	36,119	29,397	79,750	288,207
Fund Balances – End of Year	\$ 146,585	\$ 6,050	\$ 9,627	\$ 42,378	\$ 28,982	\$ 81,103	\$ 314,725

Question 2 – Expenses Shown in Budget

The actual expenses for each department for FY 24/25 are known from the audited statement above – Why are these not shown in the budget and why are there any entries for previous years up to FY 24/25 in the Non-Departmental categories – there should be none since the audited statements attribute expenses to each department.

Answer:

This is a stylistic choice made by the finance department to keep using non departmental values in previous years. The finance department could eliminate the non departmental entries for previous years and use audited actual values in each department but they choose not to do so. Commissioner Chennault asked them to consider using audited values allocated into each department for previous users but the acting director CFO said he would not do so unless directed to do so by the city manager

Question 3 – Items Other Expenses - General Fund FY 26/27

A - You combined Permanent Salaries (\$1,000,000) and Other Pay for (\$1,000,000) into a single object called Salaries – why?

Answer:

This is a stylistic choice made by the finance department. Commissioner Chennault asked them to consider separate entries for salary and another for other pay to add clarity to the budget, but the acting director CFO said he would not do so unless directed to do so by the city manager.

B – You put \$1,000,000 into Overtime for Fire in the Non-Departmental Salaries overtime – Why did you not identify this and why is this not in the Fire Budget?

Answer:

This is a stylistic choice made by the finance department. The finance department said it was a choice and strategy they make to try and limit the amount of spend by the fire department in overtime. Commissioner Chennault asked them to allocating to overtime for fire within the Fire department budget to make the budget more accurate but the acting director CFO said he would not do so unless directed to do so by the city manager

C – Vacation Cash Out – \$4.86 million in non-departmental - You know what this will be roughly for each department/employee – why is this not allocated in the budget for each department and instead allocated to the non-departmental budget

Answer:

This is a stylistic choice made by the finance department. The finance department said it was a choice and the finance department did not feel comfortable estimating the cash out values for each department. Commissioner Chennault asked them to work with HR and allocate vacation cash within each department budget to make the budget for each department more accurate but the acting director CFO said he would not do so unless directed to do so by the city manager

D – What department oversees the navigation center?

Answer:

The finance department said all departments manage the Navigation Center and the cost could not be allocated accurately. Commissioner Chennault asked them to identify reasonable estimates for each department within the budget but the acting director CFO said he would not do so unless directed to do so by the city manager

E – You have almost \$1 million in expense budgeted for uncollected bills from the city – what is the issue?

Answer:

The finance department did not identify the issue but said the budget was based upon a review of the last 5 years of AR annual right-offs

F – What is the Transfer out of \$3 million to HBPA in the Non Departmental

Answer:

The finance department said this was for Bond Payments and was not allocated to any department within the budget

Question 4

Please create a reports of the “Other Services” as requested by the Finance Commission for the following Departments in the budget so the council knows what the contract are – Please create a report for all Funds and General Funds

- Treasury
- Community and Library Services
- Police Public Works
- Non departmental

Answer:

The finance department said the reports were ready but they would not deliver the requested reports to the city council unless the city council requested the reports. Council member was called on the phone and he requested the reports to be delivered ASAP. The finance department said they would deliver the reports at some level of detail soon.

Question 5

A super El Nino is expected with extensive rainfall this winter in 2026/2027. Meadowlark Golf Course is lined with homes and experiences severe flooding on normal years. Has any budget been set aside to prepare or react to flooding affecting Meadowlark Golf Course residents

Answer:

The finance department said no budget has been allocated for flood control planning, response, or remediation for anywhere in the city for the expected heavy rains and flooding associated with the predicted Super El Nino this year, including meadowlark golf course, but \$100 million is available in the reserves if needed.

Request

Budgets for Audits - Financials and Operational – for the following

What should be budgeted for that

- Sports Complex – Never Done
- Equestrian Center – Never true audit - Last reviewed in 2018
- Yacht Club – Never Done
- Meadowlark (Asking as a resident) – Never true audit - Last reviewed in 2023

Answer:

The acting director CFO said he would not request or supply an estimate for the requested audits unless directed to do so by the city manager. The finance department also indicated there was no budget allocated and the cost for the audits would have to come from a reserve account if requested by city council and the city manager.