



# CITY OF HUNTINGTON BEACH

To: Honorable Chair and Finance Commissioners  
From: Zack Zithisakthanakul, Acting Chief Financial Officer  
Date: April 22, 2026  
Subject: **Supplemental Communication for the April 22, 2026, Finance Commission Meeting**

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Attached is a Supplemental Communication to the Finance Commissioners (Received after distribution of the Agenda):

## FINANCE COMMISSIONER ITEMS

#2. (26-341) - (1) email received from a Commissioner regarding Special Meeting Template Attachments

- Attachment #1 – EXTERNAL – Budget Template – Commissioner Cicerone
- Attachment #2 - EXTERNAL - Technical Municipal Budget Review Framework - Commissioner Cicerone

# Technical Municipal Budget Review Framework

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## 1. Budgetary Framework & Fund Accounting

- What basis of accounting is used (modified accrual vs. accrual)?
- How are governmental, proprietary, and fiduciary funds structured?
- How are interfund transfers and eliminations properly documented?
- How are encumbrances treated and reported?

## 2. Revenue Analysis (Tax & Non-Tax)

- What is the percentage composition of tax revenues (property, sales/use, transient occupancy, utility users)?
- How are assessed valuations and collection rates projected?
- Are sales/use tax allocations reconciled with state reporting (e.g., CDTFA)?
- What elasticity assumptions are applied to economically sensitive revenues?
- Are the material one-time revenues or non-recurring funding sources?

## 3. Expenditure Analysis

- What proportion of expenditures are personnel-related vs. operating vs. capital?
- How are pension contributions calculated (actuarially determined contribution vs. required contribution)?
- Are OPEB liabilities funded or pay-as-you-go?
- What controls are in place for appropriation limits and budget amendments?
- Are there material variances between adopted and actual expenditures historically?

## 4. Capital Improvement Plan (CIP)

- How are capital projects prioritized and approved?
- What funding sources are used (general fund, bonds, grants, impact fees)?
- Are capital assets capitalized in accordance with GASB thresholds?
- How are depreciation and asset lifecycle costs considered?
- What controls exist over project cost overruns and change orders?

## 5. Debt & Long-Term Liabilities

- What is the city's debt profile (GO bonds, revenue bonds, leases)?
- What are key ratios (debt service coverage, debt per capita)?
- Are there compliance requirements tied to bond covenants?

- How are pension liabilities (e.g., CalPERS) and discount rates evaluated?
- Specify & summarize unfunded liabilities or contingent obligations?

## **6. Reserves & Fund Balance Policy**

- What is the unrestricted fund balance as a % of expenditures?
- Does it comply with formal reserve policies (e.g., 15–25%)?
- Are reserves being structurally used to balance operations?
- What is the trend of fund balance over multiple years?
- What provisions are established to meet future obligations?

## **7. Risk Assessment & Sensitivity Analysis**

- What scenario or sensitivity analyses are performed on key revenues?
- How would a recession impact major revenue streams?
- Are there concentration risks (e.g., reliance on sales tax)?
- What contingency measures are in place for budget shortfalls?
- Are inflation and labor cost escalation assumptions reasonable?

## **8. Internal Controls & Compliance**

- What controls exist over budget approval, monitoring, and amendments?
- Are there segregation of duties in financial reporting processes?
- Have there been recent audit findings or material weaknesses?
- How frequently are financial reports prepared (monthly, quarterly)?
- Are procurement and contracting policies compliant with regulations?

## **9. Performance Measurement & KPIs**

- Are departmental budgets tied to measurable service outcomes?
- What KPIs are used to evaluate efficiency and effectiveness?
- Are variance analyses performed and documented?
- How are underperforming programs addressed?
- Is there benchmarking against peer municipalities?

## **10. Transparency & Reporting**

- Is the budget document aligned with GFOA best practices?
- Are financial statements CAFR/ACFR compliant?
- How accessible is budget data to stakeholders and the public?
- Are public hearings and disclosures properly documented?
- Is there clear reconciliation between budget, actuals, and audited results?