CITY OF
HUNTINGTON
BEACH

To: Honorable Chair and Finance Commissioners

From: Zack Zithisakthanakul, Acting Chief Financial Officer

Date: August 5, 2026

Subject: **Supplemental Communication for the August 5, 2026, Finance Commission Meeting**

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

FINANCE COMMISSIONER ITEMS

#1. (26-659) - (1) email received from a Commissioner regarding the Sports Complex – Two Attachments

- Attachment #1 – Audit of Sports Complex Request
- Attachment #2 - Sports Complex Recommendations - Final for Finance Commission

Commissioner Provided Items

Disclaimer: The following information is provided by an individual Finance Commissioner for discussion purposes only. The content has not been reviewed, verified, or endorsed by City finance staff and does not represent official City data, analysis, or policy.

Sports Complex Cashflow & Recommendations - Final

Submitted by Dave Chennault

Updated via Supplemental Communication

8/5/26

Current Agreement - Summary

- Current agreement consists of 3 different 3 year terms
  - We are nearing the end of year 5 and the current 3 year term ends on 9/6/27
  - City or HBSC can “walk-away” from agreement on 9/7/27 if either chooses to do so
- Revenue share paid as rent is currently 16% but will rise to 18% for last 3 years starting on 9/7/27
  - Last 3 year term ends on 9/7/30
- City covers nearly all expenses, utilities, maintenance, bond payments, and all capital improvement costs, outfield grass, trash collection in parking lots, and methane monitoring (that alone costs of nearly $250K a year and is rising)
- City gets most of the parking revenue today and that is around 80% of the total rent received for the sports complex
- New Info - HBSC Partners gets free use of the fields in our parks – 6 in total – and charges their customers $495 per day and records that as revenue in the Sports Complex and then sends the revenue share amount to the city – currently 16% - so city gets around $80 and HBSC Partners gets $420
  - City pays all expenses in our parks
  - City pays HBSC Partners over $9K a month to drag and mark the fields they get for free
  - These fields are also used by other groups who pay the city directly

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Update on HBSC Partners Proposal

- City has not received a formal proposal – Only PowerPoint presented to city council on 7/7/26
  - Ryan Gale – Partner of HBSC – told finance commission members the PowerPoint presented to the city council was not correct and he outlined a different vision.
  - It is unclear what expenses HBSC Partners will cover and what is expected of city – we have heard different versions
- Request was made to HBSC Partners review financial basis of proposal and proforma's
  - HBSC Partners claimed these were proprietary and could only be viewed in their offices
  - A request was made to review in person by myself
    - Response – "we are working on setting that up"
- Verbal description of project (does not match the PowerPoint that was presented to City Council) that was outlined during previous Finance Commission meeting in July, 2026
  - 20 Year Agreement
  - Soar Academy (enclosed cross training facility)
  - 23 Acres of Sports Turf
  - Completely enclose Sports Complex to create gates where admission is required for entry
  - Double parking rates with 73% of parking revenue flowing to over 20 year period
  - No outside food allowed in sports complex
  - Complete control of all aspects including all maintenance
- Nothing written down on which party covers what expenses and investments
  - Very unclear of who pays for what in the "proposal"

Sports Complex Recommendations – Strategic Drivers Tenants

- **Operational Performance** — The Sports Complex is heavily used but under-optimized for revenue generation for both the City and operators.
- **Facility Upgrades** — Modernized fields, amenities and alternate uses <u>may</u> expand revenue opportunities and potentially reduce long-term maintenance costs.
- **Resident Benefit** — The City should evaluate options that increase offerings, benefits, and access for Huntington Beach residents.
- **Revenue Generation for the City** – The sports complex relies heavily on parking revenue - 80% of total revenue that flows to the city - and is costing city around $1 million a year. How can that be changed to benefit the city?
- **Accountability, Enforceability, and Transparency** – Change process should be transparent, agreements should be enforceable, and public should be deeply involved and informed.

Recommendations

- **Recommendation 1 – CEQA First, No Agreements Until Complete**
  - **Background**
    - **HBSC Proposed Changes** — HBSC Partners has proposed significant upgrades and operational changes.
    - **CEQA Requirements** — Because the Sports Complex sits atop a former county landfill with an aging methane management system, it is expected most proposed changes will require CEQA review.
    - **CEQA Timeline** — CEQA can take **3 months to over a year**, or longer.
    - **City Oversight** — Jennifer Villa-Senor team, with C&L and Legal, is leading the CEQA process.
  - **Recommendation**
    - **Do not execute any agreements, contracts, or MOUs until CEQA is fully completed** and the City understands what is permissible and at what cost.
    - **HBSC Partners should pay for all CEQA-related costs** (scope, studies, environmental services), not the City.

- **Recommendation 2 – Issue an RFI to Maximize Value and Resident Benefit**
  - **Background**
    - **Upgrade Potential** — The City recognizes there are significant opportunities for expanded uses and upgrades.
    - **Resident & Revenue Goals** — The City seeks increased resident benefit and increased revenue.
    - **Operator Market** — Many qualified operators would be interested in managing the Sports Complex.
  - **Recommendation**
    - **Issue an RFI immediately** to ensure the City receives the best possible suggested upgrades, alternative usage options, improved operational and revenue performance, and enhanced value that improves revenue to the city and usage by, and value to residents.
    - Require a formal response by HBSC Partners so the city has a formal proposal for review and consideration
    - Responses should be evaluated by **C&L, Legal, Environmental, Finance, the C&L Commission, and the Finance Commission** to determine whether continuing with HBSC Partners beyond **9/7/27** is in the City's best interest.

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Recommendations

- **<u>Recommendation 3 – All Upgrades Must Follow City Procurement Rules</u>**
  - **Background**
    - **City Ownership** — The Sports Complex is a City-owned public asset.
    - **Major Upgrades** — Proposed upgrades are multimillion-dollar capital improvements.
  - **Recommendation**
    - **All approved upgrades and change must follow City procurement processes**, ensuring transparency, competitive bidding, and compliance with City code and charter and state and federal requirements.

- **<u>Recommendation 4 – Establish Minimum Base Rent + Revenue Share</u>**
  - **Background**
    - **Current Financial Burden** — The Sports Complex currently costs the City roughly **$1 million per year**.
    - **No Minimum Rent** — The existing agreement does not include a minimum monthly rent.
  - **Recommendation**
    - **Create a new agreement requiring a guaranteed minimum base rent** to ensure positive cashflow.
    - Add a **revenue-sharing structure above the base rent** to reward strong operator performance.

Recommendations

- **Recommendation 5 – Modernize Parking & Field Use Rates**
  - **Background**
    - **Rate Restrictions** — Operators must adhere to fixed parking and field-use rates.
    - **Market Flexibility** — Operators believe significant additional revenue is possible with market-based pricing.
  - **Recommendation**
    - **Consider removing rate restrictions** and direct staff and the Finance Commission to develop **new market-aligned rates** for parking and field use.
    - **Determine equitable revenue split between the city and operator**
    - Finance Commission works with staff to **create an agreement framework that is enforceable and in the City and resident's best interest**.

- **Recommendation 6 – Independent Audit of HBSC Partners' Three Agreements**
  - **Background**
    - HBSC Partners currently holds three agreements:
      - **Sports Complex Operations**
      - **Concessions Lease**
      - **Outer Field Maintenance**
    - The Finance Commission has noted **non-compliance concerns**.
    - **Self-reported revenue has never been independently validated**, despite rent being based on revenue percentages.
  - **Recommendation**
    - **Conduct an independent audit** of financial reporting and operational compliance across all three agreements.
    - Audit should be directed by the Finance Commission with assistance from City staff.
    - **Refer any breaches to Legal** for remediation, termination, or recovery of funds as appropriate.
      - **Note - Audit recommendation attached as separate document – this was approved by Finance Commission**

Recommendations

- **Recommendation 7 – Move Agreement Oversight to Treasury / Legal Engagement**
  - **Background**
    - **Enforcement Issues** — Current agreements have not been consistently enforced.
    - **Staff Limitations** — Weekly meetings occur, but enforcement actions have not been taken or escalated.
  - **Recommendation**
    - **Move management of HBSC agreements to Bill Krill's team and Legal.**
    - Also move oversight of **Equestrian Center, Meadowlark, and Yacht Club agreements** under the same structure.
    - **Place Bill Krill's team under Treasury leadership** for stronger financial oversight.

- **Recommendation 8 – Public Engagement Before Any Facility Changes**
  - **Background**
    - **Lack of Public Review** — HBSC Partners has worked with staff for two years on proposed upgrades without public review.
  - **Recommendation**
    - **Engage an independent facilitator** to conduct public meetings on all proposed changes.
    - **No changes to facilities or operations should proceed** until public feedback is collected.
    - Findings should be reported to **City Council, Finance Commission, and C&L staff and commission**.