

CITY OF HUNTINGTON BEACH

California



Comprehensive Annual Financial Report



*For The Fiscal
Year Ended
June 30, 2019*



CITY OF HUNTINGTON BEACH, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2019**

Prepared by the Finance Department

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INTRODUCTORY SECTION

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**City of Huntington Beach
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019**

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CITY OF HUNTINGTON BEACH

December 17, 2019

Honorable Mayor, City Council and Citizens of the City of Huntington Beach:

In accordance with the requirements of the City Charter, and the City of Huntington Beach's ongoing commitment to transparent financial reporting, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019.

As required by the City Charter, and to ensure the reliability of the information contained herein, the City of Huntington Beach contracted with the independent auditing firm of Davis Farr LLP. The goal of the audit was to provide reasonable assurance that the City's financial statements are free from material misstatement. In addition, Davis Farr LLP audits the City's major program expenditures of federal grants for compliance with Title 2 of the United States Code of Federal Regulations Part 200 (Uniform Guidance). The report of the Single Audit is published separately from this CAFR and may be obtained upon request from the City's Finance Department.

This report consists of management's representations concerning the City's finances. As such, management assumes full responsibility for the completeness and accuracy of the information presented in this document and that it is reported in a manner that fairly presents the financial position and operations of the various funds of the City. To provide a reasonable basis for making these representations, and assurance that the financial statements will be free from material misstatement, management has established a comprehensive internal control framework that is designed to both protect the government's assets from theft, loss, or misuse and to compile sufficient reliable information for financial statement conformity with GAAP. As the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

We are pleased to report that Davis Farr LLP granted the City an unmodified (clean) opinion for the financial statements of the City for the year ended June 30, 2019. The auditor's opinion can be found in the Financial Section of this report. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This transmittal letter is designed to complement and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

Profile of the City of Huntington Beach

The City of Huntington Beach is home to a thriving beach community, located on the Orange County coast, 35 miles south of Los Angeles and 90 miles north of San Diego. With a population of 202,265 residents, it is known as Surf City due to its abundance of beaches; the year-around sunny and warm Mediterranean climate; and its casual lifestyle. With over 10 miles of coastline to boast of, Huntington Beach plays host to over 16 million visitors annually. In FY 2018/19, the City's pristine, inviting beaches and iconic 1,856 foot long pier – the longest recreational pier on the West Coast – have received accolades from numerous sources, including #1 Best California Beach by *USA Today* and "Best Beach" by the *Orange County Register's* Best of OC.

In addition to its award-winning beaches, Huntington Beach was hailed as one of the top five "Happiest Cities" in the U.S. (March 2019) and one of the top 10 "Safest Large Cities" in California by WalletHub (March 2019), and one of the top three "Best Cities to Live In" by the *Orange County Register* for past four consecutive years. The City was also recently ranked as one of the top 100 places to live in America by Livability.com (2018). Demographically, the City benefits from higher education levels, median incomes, and home values as compared with the State. The City boasts an annual median household income of \$93,658, 47% higher than the United States, 25% higher than the State of California, and 5% higher than Orange County. In addition, more than half of its residents, or 53 percent, have a college degree.

Founded in the late 1880s, Huntington Beach was incorporated as a Charter City in 1909. Huntington Beach has a Council/Manager form of government wherein seven City Council members are elected to four-year terms, and the Mayor is filled on a rotating basis from the incumbent Council Members. The City Attorney, City Clerk and City Treasurer positions are also elected and serve four-year terms.

In 2011, the unincorporated oceanfront community of Sunset Beach was officially annexed by the City of Huntington Beach. Sunset Beach is a small beachfront community with approximately 1,000 residents and 1.5 square miles of land. Beachfront properties with high property values make this community a valuable addition to the City. Sunset Beach features one of the widest and most pristine beaches in Southern California and is home to the historic Sunset Beach Arts Festival, held annually for over 50 years.

A thriving beach community, Huntington Beach is home to numerous national events, including the U.S. Open of Surfing which attracts over 360,000 visitors annually, and the Surf City USA Marathon, which includes 24,500 participants and spectators. The annual AVP Beach Volleyball Tour also commands a strong presence with 7,500 visitors annually.

Huntington Beach is also proud to be the destination for the Great Pacific Airshow – the only beachfront air show on the West Coast, featuring three international jet teams: the Air Force Thunderbirds, United Kingdom Red Arrows, and Canada's Snowbirds. Also performing in the event are dueling jetpack riders, the Special Operations Command parachute team, and demonstrations for the Air Force F-35 Lighting II and A-10C Thunderbolt II. This unique airshow has gained tremendous popularity since premiering in October 2016 and now attracts a crowd of over 1.2 million from all over the world to view the two-day event.

In May 2019, the City also hosted its inaugural NCSFest, held by the National Cartoonists Society featured over 100 comics and cartoon artists from around the world such as Charlie Adlard, Cathy Guisewhite, and Stephan Pastis. Over 5,300 attendees participated in the three-

day event held in Downtown Huntington Beach, complete with seminars, exhibitions, panel discussions and signing sessions. The City also hosts a variety of other exciting events for families and visitors such as the annual Concours d'Elegance, Pacific Islander Festival, Cherry Blossom Festival, Annual Blessing of the Waves, Civil War Days, and the City's most iconic event- the Fourth of July Fireworks Show and Parade. A proud tradition for over a century, the City's Fourth of July Celebration has over 1 million television viewers and 450,000 in-person attendees and is known nationally as "the largest Fourth of July Parade west of the Mississippi."

As the fourth largest city in Orange County, and the 23rd largest in California by population, there are over 112,251 people employed by public and private entities in Huntington Beach. With an unemployment rate of 2.9 percent, well below the national and state levels, the City's labor force is well positioned to maintain the City's strong tax base.

The City of Huntington Beach's assessed valuations are also very strong, reflecting both new development and increased property values. In FY 2019/20, the City's assessed property value grew 5.6% to \$43.8 billion. This solid performance, coupled with steady year-over-year growth, reflects a stable property tax base that can weather steep declines in real estate markets. For FY 2018/19, secured property tax revenue collections totaled \$57.1 million. For FY 2019/20, secured property taxes are estimated at \$58.5 million.

**City of Huntington Beach
Total Assessed Valuation
Fiscal Years 2010/11 - 2019/20
(in billions)**



Factors Affecting Financial Condition

U.S. Economy: The United States economy is in the 11th year of expansion, the longest economic expansion in history. Real Gross Domestic Product (GDP) increased at an annual rate of 2.1 percent in the third quarter of 2019, slowing from the Real GDP increase of 2.9 percent in 2018. The increase in real GDP is due to increased consumer spending and government spending. The GDP was adversely affected by decreases in exports, residential investment, and private inventory investment. Another positive note is that the national unemployment rate reached a nearly 50-year low of 3.7% in July of 2019. The U.S. economy is expected to grow about 1.7 and 1.9 percent annually through 2020 and 2021, respectively; however, changes at the Federal level will continue to be monitored closely for any local impacts.

State Economy: The California economy is the largest in the United States and the sixth largest across the world. Job growth in California has been increasing, with year-over-year job gains at 1.5 percent. Since 2010, California has gained nearly 3.4 million jobs during its record job expansion for 116 consecutive months, surpassing the longest all time record and accounting for more than 15 percent of the nation's job gains over the same timeframe. During the last fiscal year alone, the State achieved strong gains in the professional and business services, educational and health services, leisure and hospitality, and construction industry, adding 78,600, 82,800, 40,900, and 37,100 jobs, respectively. The unemployment rate in California is at a modern era low of 3.9 percent.

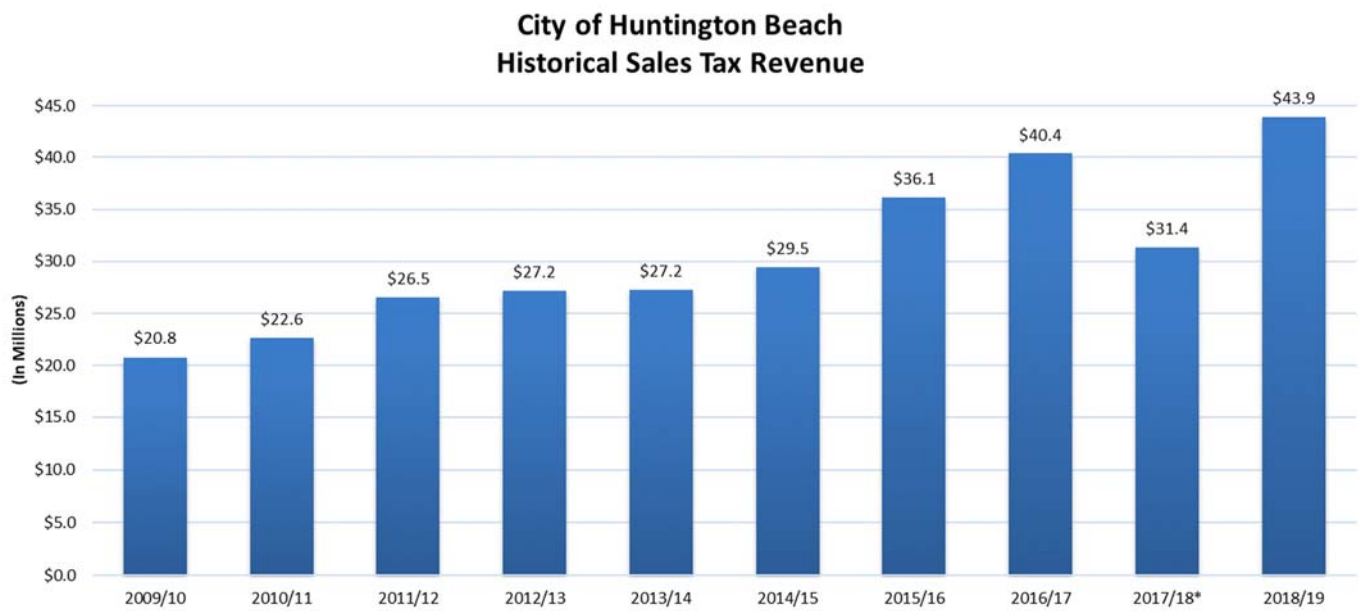
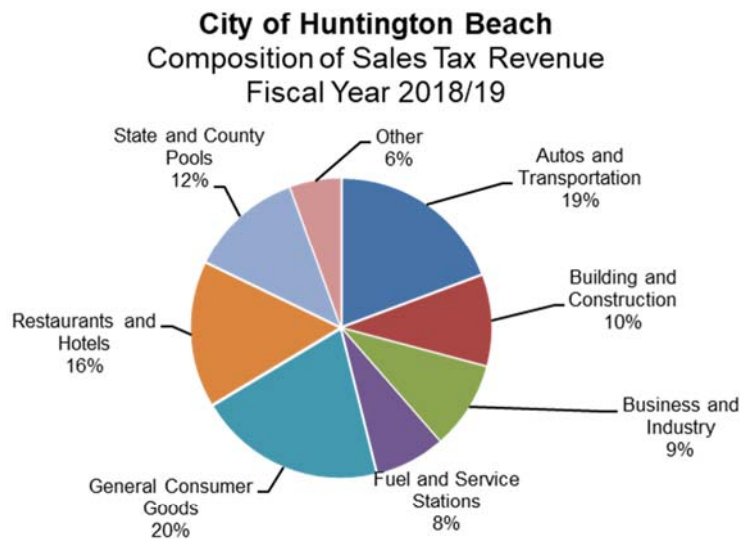
Orange County Forecast: The sixth most populous county in the United States, Orange County is a hub of economic activity. Labor markets remain tight, housing demand remains strong, and hotel occupancy continues to be high throughout the county. All leading economic indicators such as employment, consumer confidence, housing starts, and new hotels remain positive. Orange County has added more than 250,000 jobs during the post-Great Recession period and enjoys a robust and diverse economy well-distributed among many sectors with an unemployment rate of 2.5 percent, well below that of the state and nation.

Local Economy: Huntington Beach has numerous economic and demographic factors in its favor including higher personal median incomes than the State or the County; a stable property tax base; a well-diversified sales tax base; and a strong tourism and leisure industry. These factors have helped the City achieve and maintain its AAA underlying credit rating from Fitch Ratings, most recently affirmed in June 2018. In April 2019, the 1999 RDA bonds also received a credit ratings increase of two tiers by Moody's Investor Services, from A2 to Aa3. Consistent high credit ratings provide independent confirmation from Wall Street of the financial discipline and stewardship displayed by the City Council and leadership team. The *Fiscal Times* also ranked Huntington Beach #4 out of 116 cities nationwide for "Best Financial Shape." The City also ranked #14 in a WalletHub poll as the "Best-Run City in America," the only California city in the top 50 out of 150 cities. The City also scored #1 in the nation for "Quality of City Services" and is considered to be one of the top 10 cities to raise a family in the country by WalletHub.

The motto for Huntington Beach's FY 2019/20 Adopted Budget is "Shaping the Future," reflecting the City Council's implementation of thoughtful strategies that promote the City's long-term financial sustainability. FY 2018/19 was the first, full twelve-month July to June fiscal year. The new June 30 fiscal year end aligns the City's financial period with that of the State, Orange County, over 487 California municipalities, and with CalPERS. The City's General Fund revenue is projected to increase by \$4.7 million or 2.1 percent in FY 2019/20, largely due to

property tax increases from year-over-year growth in assessed valuations and modest growth in areas such as Transient Occupancy Taxes, Utility Users' Tax Revenues, and Licenses and Permits. The City's expenses are also rising, primarily due to the increases in CalPERS pension costs, employee health benefit costs, and mandatory contractual increases such as the Metro Cities Joint Powers Authority. The City continues to practice financial discipline through controlled spending and maintenance of flat staffing levels, with minor exceptions. With a total of 987.25 FTEs, the City is 156 positions below its all-time high of 1,143 FTEs in FY 2008/09.

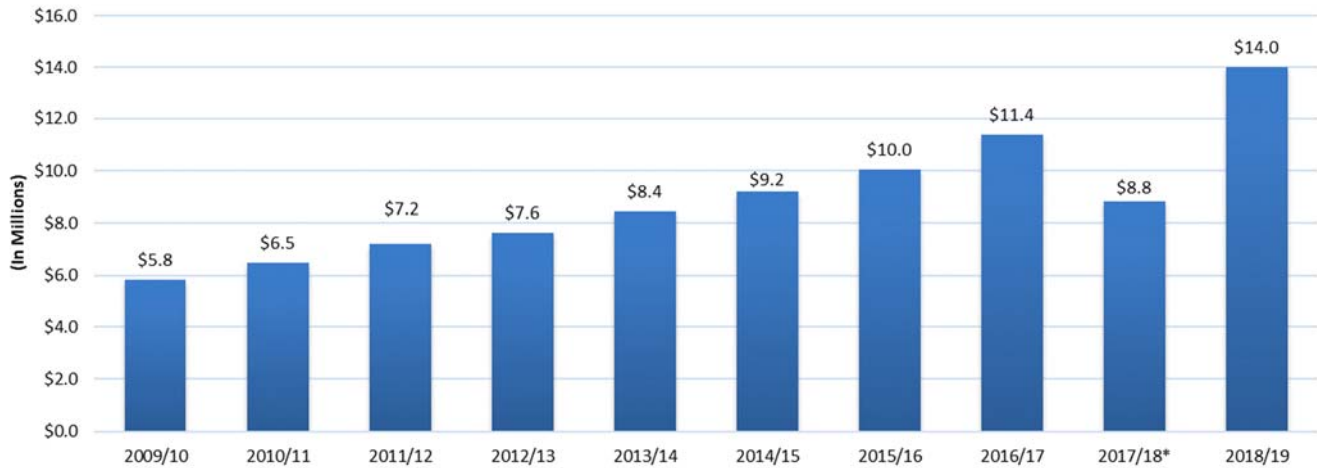
Huntington Beach's business community is well-diversified with no single industry or business dominating the local economy. Local businesses include aerospace and high technology, petroleum, manufacturing, computer hardware and software, financial and business services, hotel and tourism, automobile services, large-scale retailers, and surf apparel. The City's diverse sales tax base makes it a stable source of revenue and mitigates the impact of industry-specific downturns as shown below.



*Fiscal Year 2017/18 reflects nine months of data only due to the change in the City's fiscal year

Transient Occupancy Tax (TOT), a 10 percent tax applied to hotel stays within the City remains strong as Huntington Beach remains a prime tourist destination and the hotel industry continues to thrive. The City collected an impressive \$14M in TOT revenues during FY 2018/19, affirming Huntington Beach’s status as a premier vacation destination.

City of Huntington Beach Transient Occupancy Tax Revenue



*Fiscal Year 2017/18 reflects nine months of data only due to the change in the City’s fiscal year

Budget Development and Monitoring

The City operates on a fiscal year basis. The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation at least 30 days prior to the end of the fiscal year. Pursuant to the City’s Charter, the City Council must adopt the annual budget by June 30th and may amend it or revise it at any time at a properly noticed meeting. Budgetary control is at the Department level within each fund and a Department Head, with the Chief Financial Officer’s approval, may transfer funds within like categories (operating and capital expenditures) of the same Department. The transfer of funds for salaries and benefits requires additional approval by the City Manager or his designee.

Cash Management Policies and Practices

Surplus cash is invested by the elected City Treasurer, in investments allowed by the City’s Investment Policy. The Investment Policy is adopted annually by the City Council after approval by the Investment Advisory Board. It outlines guidelines to meet the daily cash flow needs of the City, maximize the efficiency of the City’s cash management system, and identifies prudent investment vehicles for cash balances. The rate of return earned for the year ended June 30, 2019 was 2 percent. The City Treasurer, as required by California Government Code 53601, has prepared an annual Statement of Investment Policy which allows the City to meet current obligations while earning a market rate of return. Further information regarding the City’s cash and investments can be found in Note 2 of the financial statements.

Long-Term Financial Planning

The Strategic Plan provides the framework for the goals and objectives of the City for the next three years. The City Council has five Strategic Plan goals:

- Improve quality of life;
- Enhance and maintain infrastructure;

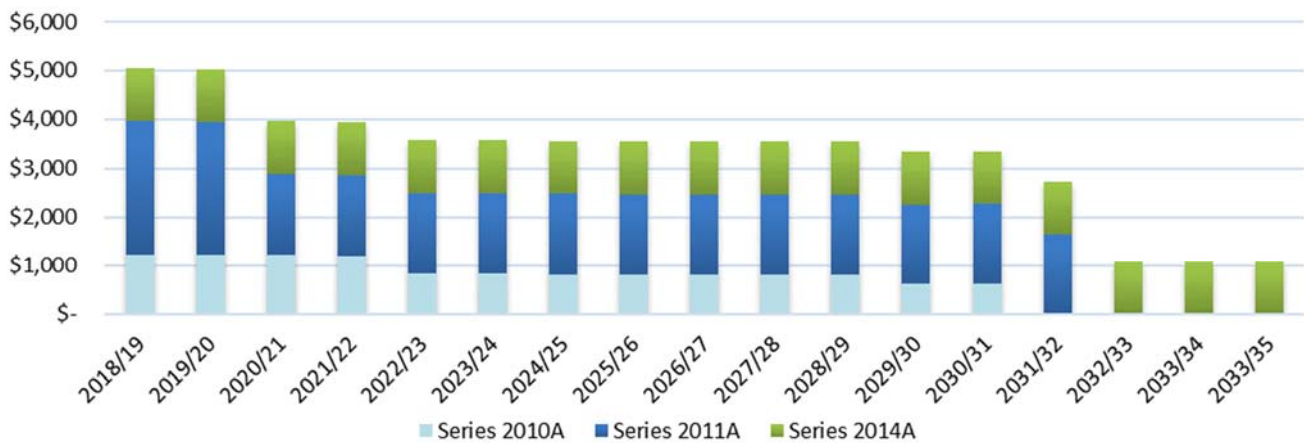
- Strengthen economic and financial sustainability;
- Enhance and maintain public safety; and,
- Enhance and maintain city service delivery.

The Plan drives both short and long-term budgetary decisions and the daily operations of the City by ensuring everyone is consistently working to achieve the goals outlined in the Plan. To meet the goal of strengthening economic and financial sustainability, the City has implemented plans to reduce its unfunded liabilities by prepaying its obligations.

Debt Management and Forecasting

The City has a strong commitment to prudent financial management. As a result, the City has a remarkably low debt burden of 1.88 percent direct and overlapping bonded debt. Significant debt service reductions are anticipated in the next three to five years allowing the City to reallocate resources to other high-priority needs in the General Fund. Huntington Beach also has no variable rate exposure, eliminating volatility in its debt service projections and ensuring reliable forecasting for future budgets.

**City of Huntington Beach
General Fund Supported Annual Debt Service
(in Thousands)**



Major Initiatives

Pension Obligation Bonds

The greatest long-term fiscal challenge facing Huntington Beach, as well as the vast majority of the government agencies throughout California, is related to its CalPERS Unfunded Accrued Liability (UAL) pension costs, which have increased violently since FY 2008/09. Despite the steps the City has taken to date to manage its pension costs, including the establishment of a Section 115 Trust and prepayment of its annual UAL costs, Huntington Beach expects step increases in pension costs that could severely impact services in the future if ongoing, proactive management of its UAL is not maintained. The most recent actuarial valuation reports from June 2018 calculate the City’s projected CalPERS UAL at \$436.2 million. CalPERS has instituted aggressive funding schedules in order to reach 100% funded status within the next

20-30 years, resulting in dramatic increases to the City's UAL payments from \$4.58 million in FY 2008/09, \$24.93 million in FY 2018/19, up to a staggering \$46.02 million in FY 2029/30. In order to contain these costs, the City is considering refinancing its UAL through the issuance of a Pension Obligation Bond (POB). By taking advantage of the current low-interest rate environment and issuing POBs, the City could achieve significant cost savings by fixing the interest rate on the City's current UAL from the 7 percent determined by CalPERS to a much lower rate. On November 18, 2019, City Council approved staff to move forward with the Pension Obligation Bond process by approving a resolution to start a 90-day judicial validation process, which is required prior to the issuance of the POBs. The City is also concurrently in the process of establishing a UAL Payoff Policy and the possible formation of a Pension Reserve account, to proactively manage future UAL costs. Formal City Council approval of the POBs issuance is anticipated to be requested in March or April 2020, after the completion of the judicial validation process.

Energy Conservation

Huntington Beach is known as a regional leader for its innovative and groundbreaking energy conservation efforts. The City acquired close to 11,000 streetlights from Southern California Edison (SCE) and retrofitted the aged high-pressure sodium luminaries with LED luminaries. Completed in 2019, the project is anticipated to save taxpayers an estimated \$10 million dollars over the next 20 years due to reduced energy costs. In late 2018, the City also installed its first artificial intelligence (AI)-powered energy storage systems that work in tandem with 2.13 megawatts of solar power and enable the city to purchase energy from SCE during off peak hours. The 235-kilowatt hour-size battery created by Stem, Inc. will help save an estimated amount of \$82,000 in energy costs over ten years.

Fiber and Communications Master Plan

Huntington Beach is forward thinking and adaptive to the changing technology and digital landscape in our communities. The City has formed an internal Telecommunication Committee and embarked on a multi-year fiber initiative to examine the City's fiber network to support additional municipal and community needs. As a part of this initiative, the City recently completed a Fiber and Communications Master Plan to guide fiber optic network infrastructure deployment in the City. This plan includes information about the City's current municipal communications infrastructure and the future needs of the network expansion and services. The capital improvement project to provide a connection from City Hall to the Lifeguard Headquarters is underway and will be the basis for future connectivity to other city facilities.

Business Development

The Office of Business Development's (OBD) Economic Development Strategy contains a diverse range of core objectives and goals that support the City's vision to focus on the retention, attraction and expansion of the business community. OBD serves as business advocates for the expansion of not only retail, restaurant and hospitality offerings, but also manufacturing and research and development firms seeking to expand in or relocate to Huntington Beach. This is consistent with the City's strategic goal to "strengthen economic and financial sustainability."

Pierside Pavilion Expansion

The iconic Pierside Pavilion, recently rebranded as the Huntington Surf and Sport Building, is in the final stages of the expansion and remodeling of the building. This last phase will add a four-story, 30,000 square foot mixed-use building with high-end retail, an upscale restaurant with a rooftop terrace, and two floors of office space with balconies. The project is expected to be completed in early 2020.

Boeing Site Sale and Huntington Gateway

Property owner and developer Sares-Regis purchased a part of Boeing's 120 acre campus in September 2018 and began construction of three new industrial buildings on a 30-acre site near Bolsa Chica Street and Bolsa Avenue. The project, known as Huntington Gateway, consists of 610,000 square feet of flexible office, warehouse and industrial space. Demolition of the existing eight-story office building is completed and project construction is underway, with an anticipated completion in the first quarter of 2020. The project is expected to result in over 500 construction jobs and 1,300 operations jobs in the City.

The Garden at Bella Terra

A premier outdoor shopping and dining destination for residents and visitors, the Bella Terra shopping center recently underwent a two-year redesign of its inner courtyard. The more than one-million-square-foot mixed-use space features a concert stage for live music and entertainment, open-air beer and wine garden, and children's play area.

Awards and Acknowledgements

The City of Huntington Beach has once again received the "Certificate of Achievement for Excellence in Financial Reporting" award bestowed by the Government Finance Officers' Association (GFOA) of the United States and Canada for the 33rd consecutive year. Receipt of the award requires government entities to publish transparent, easily readable and efficiently organized Comprehensive Annual Financial Reports, conforming to program, accounting, and legal standards.

The Certificate of Achievement earned for the nine-month period ended June 30, 2018, is valid for one year only. The City believes that this Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement Program requirements and will be submitted to the GFOA for its consideration for another award.

I wish to thank the City Council, City Manager, and City Departments for their continued diligence in their role as fiscal stewards for the City of Huntington Beach. Without their leadership and support, the favorable financial results contained in this report would not have been possible. I would also like to thank the Finance Commission, a seven member body appointed by the City Council, which has been instrumental in helping the City maintain its long term goal of financial sustainability.

The preparation of this report would also not have been possible without the professional dedicated staff of the Finance Department. Specifically, I would like to thank Sunny Rief, Ian Wuh, Ming Zhai, Leslie Zimmer, Yvonne Delo, Paulina Flores, Serena Bubenheim, and Thuy Vi for their hard work and dedication.

Respectfully,



Dahle Bulosan
Acting Chief Financial Officer

City of Huntington Beach

City Council

Lyn Semeta, Mayor
Jill Hardy, Mayor Pro Tem

Patrick Brenden, Councilmember
Kim Carr, Councilmember
Barbara Delgleize, Councilmember
Mike Posey, Councilmember
Erik Peterson, Councilmember

Executive Team

Oliver Chi, City Manager
Travis Hopkins, Assistant City Manager
Marie Knight, Director of Organizational Learning & Engagement

Elected Department Heads

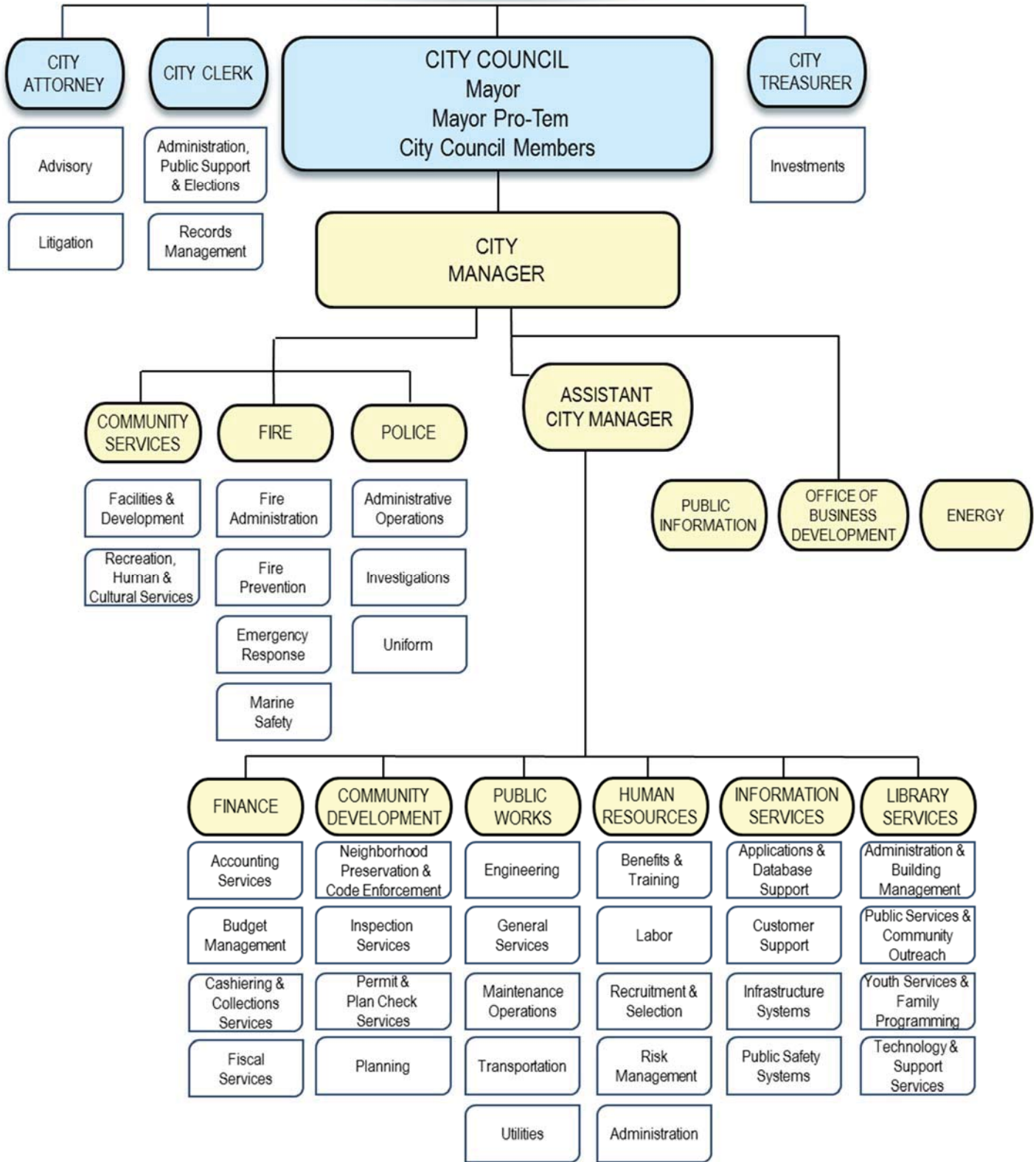
Alisa Backstrom, City Treasurer
Robin Estanislau, City Clerk
Michael Gates, City Attorney

Department Directors

Stephanie Beverage, Library Services
Dahle Bulosan, Finance
Chief Robert Handy, Police
Tom Herbel, Public Works
Ursula Luna-Reynosa, Community Development
Chris Slama, Community Services
Chief David Segura, Fire
Behzad Zamanian, Information Services

City of Huntington Beach Organizational Chart Adopted Budget – FY 2019/20

THE PEOPLE





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Huntington Beach
California**

For its Comprehensive Annual
Financial Report
for the Nine Months Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

FINANCIAL SECTION

Independent Auditor's Report

City Council
City of Huntington Beach
Huntington Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, California, as of June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, California, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information for the General Fund and each major special revenue fund, schedule of changes in net pension liability and related ratios, schedule of pension contributions, schedule of money market weighted rate of return, schedule of changes in net OPEB liability and related ratios, and schedule of OPEB contributions* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huntington Beach's basic financial statements. The *combining and individual fund financial statements and schedules, the introductory section and the statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining and individual fund financial statements and schedules* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual fund financial statements and schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section and the statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019 on our consideration of the City of Huntington Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Huntington Beach's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Lane" followed by a stylized flourish.

Irvine, California
December 17, 2019

**MANAGEMENT DISCUSSION
AND
ANALYSIS**



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

As management of the City of Huntington Beach, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Huntington Beach for the year ended June 30, 2019. The City changed its fiscal year end from September 30th to June 30th effective October 1, 2017, resulting in a nine-month fiscal year for 2017/18. Fiscal Year 2018/19 is the first, full twelve-month July to June fiscal year. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages iii-xi of this report.

Financial Highlights

Below is a summary of the City's government-wide financial information (in thousands):

Total Governmental and Business-Type Activities				
	June 30, 2019	June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 1,177,879	\$ 1,143,648	\$ 34,231	3.0%
Deferred Outflows of Resources	70,705	100,136	(29,431)	-29.4%
Liabilities	552,239	574,787	(22,548)	-3.9%
Deferred Inflows of Resources	13,401	17,190	(3,789)	-22.0%
Total Net Position	682,944	651,807	31,137	4.8%
Unrestricted Net Position	(214,275)	(227,036)	12,761	5.6%
Long-Term Obligations	527,500	549,624	(22,124)	-4.0%
Program Revenues	144,865	106,092	38,773	36.5%
Taxes	175,576	123,926	51,650	41.7%
Other General Revenues	16,027	7,511	8,516	113.4%
Expenses	305,331	186,842	118,489	63.4%

- The total assets of the City of Huntington Beach exceeded its liabilities at the close of the most recent fiscal year by \$682,944,000. Net position increased \$31,137,000 or 4.8 percent. This increase is primarily due to the additions made to capital assets for infrastructure improvements for the City's water, sewer, and residential streets. The increase is also due to reductions in the City's net pension and other postemployment benefits (OPEB) liabilities. Unrestricted net position increased by \$12,761,000 or 5.6 percent for the same reason.
- Long-term obligations decreased by \$22,124,000 or 4.0 percent. This decrease is primarily due to decreases in the City's workers' compensation, general liability, pension, and OPEB liabilities.
- Deferred outflows of resources decreased by \$29,431,000 or 29.4 percent due to the actuarially determined amortization of changes in assumptions and differences between expected and actual investment earnings used to determine the City's net pension liability. Deferred inflows of resources decreased by \$3,789,000 or 22.0 percent primarily due to the net difference between the projected and actual earnings on pension plan investments.



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- Program revenues increased by \$38,773,000 or 36.5 percent largely due to the nine-month fiscal year for 2017/18. City Council approved the change in the City's fiscal year end from September 30 to June 30 effective October 1, 2017. This truncated fiscal year excluded the peak summer months from the City's program revenues. Taxes increased by \$51,650,000 or 41.7 percent largely due to the twelve-month 2018/19 fiscal year and growth in the City's transient occupancy tax revenue due to rising occupancy rates in the City's hotels.

- Expenses increased by \$118,489,000 or 63.4 percent primarily due to comparison of the twelve-month fiscal year to the prior nine-month reporting period. Since fiscal year 2017/18 covered the period of October 1 to June 30, expenditures for the summer months of July through September were not included. These months represent the peak season for the City when demand for services and overtime requirements to maintain essential levels of service are significantly higher than the rest of the year.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of Huntington Beach's basic financial statements. The City of Huntington Beach's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains certain other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's financial condition and are prepared similarly to those in the private sector.

The Statement of Net Position presents information on all of the City's assets, liabilities, deferred outflows and inflows with the difference between them reported as net position. Over time, continued increases or decreases in net position may indicate whether the City's financial condition is improving or deteriorating.

The Statement of Activities presents information on how the City's net position changed during the most recent fiscal year. These changes are reported on the full accrual basis when the economic event occurs (not when the cash is received or paid).

The government-wide financial statements separate functions that are primarily supported by taxes and intergovernmental revenues (governmental activities) from functions that are supported by user fees (business-type activities). Governmental activities include the City Council, City Manager, City Treasurer, City Attorney, City Clerk, Finance, Human Resources, Community Development, Fire, Information Services, Police, Community



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Services, Library Services, and Public Works departments. Business-type activities include Water, Sewer, Refuse, and Hazmat Service.

The government-wide financial statements include the City and all of its component units that are legally separate but whose activities entirely support the City of Huntington Beach.

The government-wide financial statements can be found on pages 25-26 of this report.

Fund Financial Statements

The City separates financial activities into funds to maintain control over resources that have been legally separated. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for the same functions reported in governmental activities in the government-wide financial statements. However, the focus in the governmental fund section of these financial statements is on near-term resource inflows and outflows available for spending, as well as balances of resources available for spending at the end of the fiscal year.

It is useful to compare information presented for the governmental funds to information presented for governmental activities in the government-wide financial statements. The reconciliations indicate to the reader the differences in financial reporting between the governmental activities section and the governmental funds section.

The City maintains 23 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenue, Expenditures, and Changes in Fund Balances for the General Fund, Grants Special Revenue Fund, and Low and Moderate Income Housing Asset Fund (LMIHAF) Capital Projects Fund all of which are considered to be major funds. Data from the other 20 smaller funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in combining statements elsewhere in this report.

The City provides an annual appropriated budget for its governmental funds. Budgetary comparison schedules for the General Fund and the major special revenue fund (Grants) are required to be presented and are included on pages 125 and 126 of this report and demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 27 and 29 of this report.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

Proprietary Funds

The City maintains two different types of proprietary funds, which are used to account for the same activities as the business-type activities in the government-wide financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer Service, Refuse, and Hazmat Service activities. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance worker's compensation activities, self-insurance general liability activities, and equipment replacement needs. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provides information for Water, Sewer Service, Refuse, Hazmat Service, Self-Insurance Workers' Compensation, Self-Insurance General Liability, and Equipment Replacement Funds.

The basic proprietary fund financial statements can be found on pages 31-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Huntington Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 34 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-121 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees and General Fund and major special revenue funds budget-to-actual comparisons. Required supplementary information can be found on pages 124-134 of this report.

The combining statements and schedules referred to earlier in connection with other governmental funds is presented immediately following the required supplementary



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information on pensions. Combining and individual fund statements and schedules can be found on pages 139-146 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. At the end of the current fiscal year, the City reported positive net position balances for both governmental and business-type activities, with total assets plus deferred outflows exceeding liabilities plus deferred inflows by \$682,944,000.

Below is a summary schedule of the City's net position at June 30, 2019 (in thousands):

	June 30, 2019	June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities				
Current and Other Assets	\$ 230,456	\$ 213,270	\$ 17,186	8.1%
Capital Assets	708,469	698,732	9,737	1.4%
Total Assets	938,925	912,002	26,923	3.0%
Deferred Outflows of Resources	67,019	93,640	(26,621)	-28.4%
Current and Other Liabilities	15,137	15,717	(580)	-3.7%
Long-Term Obligations	498,810	519,147	(20,337)	-3.9%
Total Liabilities	513,947	534,864	(20,917)	-3.9%
Deferred Inflows of Resources	12,649	16,303	(3,654)	-22.4%
Net Position:				
Net Investment in Capital Assets	664,281	650,466	13,815	2.1%
Restricted	66,089	58,537	7,552	12.9%
Unrestricted	(251,022)	(254,528)	3,506	1.4%
Total Net Position	\$ 479,348	\$ 454,475	\$ 24,873	5.5%

	June 30, 2019	June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Business-Type Activities				
Current and Other Assets	\$ 93,258	\$ 87,692	\$ 5,566	6.3%
Capital Assets	145,696	143,954	1,742	1.2%
Total Assets	238,954	231,646	7,308	3.2%
Deferred Outflows of Resources	3,686	6,496	(2,810)	-43.3%
Current and Other Liabilities	9,602	9,446	156	1.7%
Long-Term Obligations	28,690	30,477	(1,787)	-5.9%
Total Liabilities	38,292	39,923	(1,631)	-4.1%
Deferred Inflows of Resources	752	887	(135)	-15.2%
Net Position:				
Net Investment in Capital Assets	145,696	143,954	1,742	1.2%
Restricted	21,153	25,886	(4,733)	-18.3%
Unrestricted	36,747	27,492	9,255	33.7%
Total Net Position	\$ 203,596	\$ 197,332	\$ 6,264	3.2%

Analysis of the City's Net Position

Current and Other Assets: The increase in current and other assets of \$17,186,000 for governmental activities is due to an increase in the cash balance as a result of one-time



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

General Fund revenues including strike team reimbursements and back payments of sales taxes, increases in Gas Tax revenues related to Road Maintenance and Rehabilitation Account (RMRA) funding, and an increase in the Park Development Impact Fee Fund cash balance related to fees collected for various park and community center improvement projects. The increase in current and other assets of \$5,566,000 for business-type activities is due to an increase in the cash and year-end receivable balances related to increases in revenues from water and sewer operations.

Current and Other Liabilities: Current and other liabilities for governmental activities decreased by \$580,000 and increased by \$156,000 for business-type activities due to normal fluctuations in the accounts payable and payroll cycles.

Deferred Outflows and Inflows of Resources: The decrease in deferred outflows of \$26,621,000 and \$2,810,000 for governmental activities and business-type activities, respectively, and the decrease in deferred inflows of resources of \$3,654,000 and \$135,000 for governmental activities and business-type activities, respectively, is mainly due to the actuarially determined amortization of changes in assumptions and differences between projects and actual earnings on pension plan investments used to determine the net pension and other postemployment benefits liabilities. See Notes 6, 7, and 8 for additional information.

Long-Term Obligations: Long-term obligations for governmental activities decreased by \$20,337,000 due to a decrease in the City's workers' compensation, general liability, pension, and OPEB liabilities. Long-term obligations for business-type activities decreased by \$1,787,000 due to decreases in the net pension and other postemployment benefits liabilities.

Net Investment in Capital Assets: The largest portion of the City's net position reflects investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Net position invested in capital assets net of related debt from governmental activities increased \$13,815,000 or 2.1 percent, primarily due to residential street improvements. Net position invested in capital assets net of related debt from business-type activities increased \$1,742,000 or 1.2 percent primarily due to Peck Reservoir and Well No. 9 Improvement projects.

Restricted Net Position: An additional portion of the City's net position is subject to external (legally imposed or statutory) restrictions (\$66,089,000 for governmental activities, and \$21,153,000 for business-type activities). These amounts represent 13.8 percent and 10.4 percent of net position for governmental activities and business-type



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

activities, respectively. Restricted net position from governmental activities increased \$7,552,000 or 12.9 percent. The increase is largely due to restricted fund balance increases in the City's Development Impact Fee and Gas Tax Funds of \$3,942,000 and \$3,420,000, respectively, related to increased RMRA and developer impact fees received. Restricted net position from business-type activities decreased by \$4,733,000 or 18.3 percent primarily due to a decrease in restricted water master plan funds available for capital projects as funds are spent.

Unrestricted Net Position: The unrestricted net position (negative \$251,022,000 for governmental activities and \$36,747,000 for business-type activities) represent negative 52.4 percent and 18 percent, respectively, of net position for governmental activities and business-type activities. Unrestricted net position for governmental activities increased \$3,506,000 largely due to a decrease in the net pension and other postemployment benefits liabilities. Unrestricted net position for business-type activities increased by \$9,255,000 or 33.7 percent during the year due to an increase in revenue from water and sewer operations in fiscal year 2018/19.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

A condensed summary of governmental activities (in thousands) follows:

	Governmental Activities			
	June 30, 2019	June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues:				
Charges for Current Services	\$ 61,736	\$ 49,324	\$ 12,412	25.2%
Operating Grants and Contributions	6,644	3,976	2,668	67.1%
Capital Grants and Contributions	8,361	6,055	2,306	38.1%
Total Program Revenues	76,741	59,355	17,386	29.3%
General Revenues:				
Property Taxes	89,124	61,185	27,939	45.7%
Sales Taxes	47,437	33,844	13,593	40.2%
Utility Taxes	18,788	14,014	4,774	34.1%
Franchise Taxes	6,225	6,073	152	2.5%
Transient Occupancy Tax	14,002	8,810	5,192	58.9%
Use of Money and Property	8,746	2,158	6,588	305.3%
From Other Agencies - Unrestricted	4,046	2,263	1,783	78.8%
Other	-	2,811	(2,811)	-100.0%
Total General Revenues	188,368	131,158	57,210	43.6%
Total Revenues	265,109	190,513	74,596	39.2%
Expenses:				
City Council	360	218	142	65.1%
City Manager	4,501	2,063	2,438	118.2%
City Treasurer	246	101	145	143.6%
City Attorney	2,886	1,536	1,350	87.9%
City Clerk	976	475	501	105.5%
Finance	6,245	3,455	2,790	80.8%
Human Resources	6,261	4,760	1,501	31.5%
Planning and Building	6,144	4,301	1,843	42.9%
Fire	56,494	26,688	29,806	111.7%
Information Services	7,530	4,375	3,155	72.1%
Police	87,355	42,109	45,246	107.4%
Community Services	13,369	6,768	6,601	97.5%
Library Services	5,206	2,890	2,316	80.1%
Public Works	40,803	23,898	16,905	70.7%
Non-Departmental	-	18,164	(18,164)	-100.0%
Interest on Long-Term Debt	1,823	1,467	356	24.3%
Total Expenses	240,199	143,268	96,931	67.7%
Change in Net Position Before Transfers	24,910	47,245		
Transfers	(37)	(332)		
Change in Net Position	24,873	46,913		
Net Position - Beginning of Year	454,475	425,350		
Prior Period Adjustment	-	(17,788)		
Net Position - Beginning of Year as Restated	454,475	407,562		
Net Position - End of Year	\$ 479,348	\$ 454,475		



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

The cost of all governmental activities this year was \$240,199,000. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was \$163,458,000, because costs of \$61,736,000 were paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs with operating grants and contributions of \$6,644,000, and capital grants and contributions of \$8,361,000. Overall, the City's governmental program revenues were \$76,741,000. The City paid for the remaining "public benefit" portion of governmental activities with \$188,368,000 in taxes and general revenue (some of which may only be used for certain programs) and with other revenues, such as interest and general entitlements. Due to the full, twelve-month fiscal year, Charges for Current Services increased by \$12,412,000 or 25.2 percent.

Operating Grants and Contributions increased by \$2,668,000 or 67.1 percent primarily due to an increase in Bridge Preventative Maintenance Program, Community Development Block Grant, and Office of Traffic Safety grant reimbursements from the prior year. Capital Grants and Contributions have increased by \$2,306,000 or 38.1 percent primarily due to increases in Gas Tax revenues related to Road Maintenance and Rehabilitation Account (RMRA) funding.

Program expenses increased by \$96,931,000 or 67.7 percent due to the twelve-month fiscal year. The change from the September 30 year-end to June 30 year-end resulted in a nine-month fiscal year for 2017/18, which excluded the months of July to September. These months represent the peak season for the City due to increased number of visitors and events held during the summer. Related overtime costs typically incurred by Public Safety in order to maintain essential levels of service during this period were also avoided due to the nine-month fiscal year.

Total resources available during the year to finance governmental operations were \$719,584,000 consisting of net position at July 1, 2018 of \$454,475,000, program revenues of \$76,741,000, and general revenues of \$188,368,000. Total expenses for governmental activities during the year were \$240,199,000 plus transfers of \$37,000. Thus, net position increased by \$24,873,000 or 5.5 percent, to \$479,348,000.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

A condensed summary of business-type activities (in thousands) follows:

	Business-Type Activities			
	June 30, 2019	June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Program Revenues:				
Charges for Current Services	\$ 68,124	\$ 46,737	\$ 21,387	45.8%
Total Program Revenues	68,124	46,737	21,387	45.8%
Use of Money and Property	3,235	279	2,956	1059.5%
Total Revenues	71,359	47,016	24,343	51.8%
Expenses:				
Water Utility	43,405	28,414	14,991	52.8%
Sewer Service	9,442	6,127	3,315	54.1%
Refuse Collection	12,051	8,916	3,135	35.2%
Hazmat Service	234	117	117	100.0%
Total Expenses	65,132	43,574	21,558	49.5%
Increase (Decrease) in Net Position Before Transfers	6,227	3,442		
Transfers	37	332		
Total Change In Net Position	6,264	3,774		
Net Position - Beginning of Year	197,332	193,150		
Prior Period Adjustment	-	408		
Net Position - Beginning of Year as Restated	197,332	193,558		
Net Position - End of Year	\$ 203,596	\$ 197,332		

The City's net position from business-type activities increased by \$6,227,000 before transfers. This is mainly due to increases in Water and Sewer Fund revenues relative to expenditures.

The cost of all business-type activities this year was \$65,132,000. As shown in the Statement of Activities, the amount paid by users of the systems was \$68,124,000, other revenue was \$3,235,000, and transfers were \$37,000. Beginning net position was \$197,332,000 and ending net position was \$203,596,000, an increase of \$6,264,000 or 3.2 percent. Of the ending net position amount, \$145,696,000, or 71.6 percent, was invested in capital assets, \$21,153,000 or 10.4 percent was restricted for expenses for the Water Master Plan, and \$36,747,000, or 18.0 percent was unrestricted.

Transfers in for business-type activities were \$37,000 for the current year and \$332,000 for the prior year.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

Financial Analysis of the City's Major Governmental Funds

Below is an analysis of the City's major governmental fund activities for the year (in thousands):

GOVERNMENTAL FUNDS				
	June 30, 2019	June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	\$ 79,013	\$ 68,634	\$ 10,379	15.1%
Grants Special Revenue Fund	6,069	5,546	523	9.4%
LMIHAF Capital Projects Fund	5,541	5,483	58	1.1%
Total Fund Equity	\$ 90,623	\$ 79,663	\$ 10,960	13.8%

The General Fund Balance increased by \$10,379,000 due to one-time revenues for sales tax back payments, strike team reimbursements, and vacancies in personnel as a result of turnover and time required to recruit new positions.

The Grants Special Revenue Fund Balance increased by \$523,000 primarily due to Public Works grant reimbursements related to the rehabilitation of City bridges.

The LMIHAF Capital Projects Fund Balance increased by \$58,000 as a result of repayments received from loans issued by the City for down payment assistance and the acquisition and construction of developments for low and moderate-income residents.

Financial Analysis of the City's Major Proprietary Funds

Below is an analysis of the fund equity of the City's proprietary funds (in thousands):

Enterprise Funds				
	June 30, 2019	June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Position:				
Water Fund	\$ 127,391	\$ 124,682	\$ 2,709	2.2%
Sewer Fund	76,266	72,774	3,492	4.8%
Refuse Fund	(105)	(128)	23	18.0%
Hazmat Service Fund	44	4	40	1000.0%
Total Net Position	\$ 203,596	\$ 197,332	\$ 6,264	3.2%
Unrestricted Net Position:				
Water Fund	\$ 11,528	\$ 5,616	\$ 5,912	105.3%
Sewer Fund	25,457	22,199	3,258	14.7%
Refuse Fund	(282)	(327)	45	13.8%
Hazmat Service Fund	44	4	40	1000.0%
Total Unrestricted Net Position	\$ 36,747	\$ 27,492	\$ 9,255	33.7%

The Water Fund total net position increased by \$2,709,000 and unrestricted net position increased by \$5,912,000 due to a decrease in water purchases. The shortened fiscal year



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excludes the period July 1, 2018 to September 30, 2018, when water usage and related maintenance is at its peak. The Sewer Fund net position increased by \$3,492,000 and unrestricted net position increased by \$3,258,000 due to planned sewer projects being deferred to the following year.

Long-Term Obligations

Below is a schedule of the changes to the City's long-term obligations (in thousands):

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Governmental Activities:				
Revenue Bonds	\$ 42,505	\$ -	\$ (3,355)	\$ 39,150
Compensated Absences	11,831	4,126	(4,662)	11,295
Claims Payable	40,282	7,077	(12,333)	35,026
Pollution Remediation	2,000	-	-	2,000
Section 108 Loan City	430	-	(430)	-
LED Lighting Phase I	763	-	(107)	656
I-Bank CLEEN Loan	2,730	-	(276)	2,454
CEC Loan	3,000	-	(182)	2,818
Leases Payable	6,079	-	(996)	5,083
Total Long-Term Obligations - Governmental Activities	109,620	11,203	(22,341)	98,482
Business-Type Activities:				
Compensated Absences	1,561	55	(200)	1,416
Business-Type Activities:	1,561	55	(200)	1,416
Total Long-Term Obligations	\$ 111,181	\$ 11,258	\$ (22,541)	\$ 99,898

Additional information on the City's long-term debt is shown in Note 11 to the financial statements. The City of Huntington Beach is legally restricted to issuing general obligation bonds to 12 percent of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. The City's total long-term obligations decreased \$11,283,000 or 10.1 percent from the prior fiscal year primarily due to a decrease in workers' compensation and general liability claims payable and normal debt service payments.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

The City continues to maintain strong credit ratings on all of its debt issues. Most notably, on August 27, 2014 Fitch Ratings issued an AAA Implied General Obligation Bond rating to the City of Huntington Beach and that same rating was reaffirmed in June 2018. Additionally, in April 2019, the 1999 RDA bonds received a credit ratings increase from Moody's Investor Service of two tiers, from A2 to Aa3.

The following are the ratings as determined by Moody's Investors Service and Standard and Poor's as of June 30, 2019.

<u>Debt Instrument</u>	<u>Moody's</u>	<u>S & P</u>
1999 Tax Allocation Refunding Bonds	Aa3	AA
2002 Tax Allocation Refunding Bonds	N/A	AA-
2010 Lease Revenue Bonds, Series A	Aa2	AA
2011 Lease Revenue Bonds, Series A	Aa2	AA
2014 Lease Revenue Bonds, Series A	N/A	AA

Capital Assets

The capital assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. The City has elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting. The following infrastructure networks are recorded as capital assets in the government-wide financial statements:

- Storm drain system including pump stations, drainage system and manholes.
- Streets (including land underneath streets), traffic signals, curbs, gutters, and sidewalks.

Below is a schedule of the City's capital assets, net of accumulated depreciation (in thousands):

	June 30, 2019	June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 362,534	\$ 361,901	\$ 633	0.2%
Buildings	128,628	130,152	(1,524)	-1.2%
Machinery and Equipment	13,267	12,806	461	3.6%
Construction in Progress	7,631	11,745	(4,114)	-35.0%
Infrastructure	196,409	182,128	14,281	7.8%
Total Governmental Activities	708,469	698,732	9,737	1.4%
Business-Type Activities:				
Land	3,907	3,907	-	0.0%
Buildings	63,356	65,657	(2,301)	-3.5%
Machinery and Equipment	7,776	3,803	3,973	104.5%
Construction in Progress	5,701	3,907	1,794	45.9%
Infrastructure	64,956	66,680	(1,724)	-2.6%
Total Business-Type Activities	145,696	143,954	1,742	1.2%
Total Capital Assets	\$ 854,165	\$ 842,686	\$ 11,479	1.4%



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

Capital assets from governmental activities increased \$9,737,000 or 1.4 percent. This increase is largely due to street replacement infrastructure costs. Capital assets from business-type activities increased \$1,742,000 or 1.2 percent largely due to increased spending on projects such as the Peck Reservoir and Well No. 9 project. Further information on the City's capital assets can be found in Note 12 of the financial statements.

General Fund Budgetary Highlights

Changes to Original Budget

Comparing the FY 2018/19 General Fund Original (i.e. Adopted) Budget expenditures amount of \$209,474,000 to the final budgeted amount of \$223,370,000 shows a net increase of \$13,896,000, or 6.6 percent. This overall increase was largely the result of budget carryovers from the previous year.

Final budgeted revenues for the General Fund increased \$10,393,000 or 4.6 percent from the original (adopted) budget for the fiscal year ended June 30, 2019. The change from original to final budget occurred primarily as a result of adjustments made to budgeted property, sales tax, investment income, and revenues received from the State.

Variance with Final Budget

General Fund actual revenues were less than the final budget by \$199,000 for the fiscal year ended June 30, 2019.

General Fund expenditures were \$7,901,000 less than the final budget. The favorable budget variance is due in large part to the following:

- The Police and Fire Departments realized \$2,358,000 in savings primarily due to vacancies in personnel as a result of turnover and time required to recruit new positions.
- The Community Services and Library Services Departments realized \$2,799,000 in savings primarily due to the deferral of the Senior Center Fitness and other senior and library program expenditures.
- The Public Works and Community Development Departments realized \$1,139,000 in savings primarily due to differences in the projected versus actual timing of design, construction, and maintenance contracts for projects, as well as the deferral of various building and planning contracts.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

Analysis of City's Other Major Governmental Funds

Grants Special Revenue Fund

The fund balance in the Grant Special Revenue Fund increased by \$523,000. Significant grant expenditures in the current year were for police, city manager, and street improvement grants and projects.

LMIHAF Capital Projects Fund

The fund balance in the LMIHAF Capital Projects Fund increased by \$58,000 as a result of repayments received for loans issued by the City for down payment assistance and the acquisition and construction of developments for low and moderate-income residents.

Economic Factors and Next Year's Budget

The Adopted FY 2019/20 Budget is structurally balanced, totaling \$381.0 million in All Funds. This reflects a \$7.9 million, or 2.1 percent, increase from the FY 2018/19 Adopted All Funds Budget.

The General Fund, which provides the majority of public services to the community, totals \$231.6 million, reflecting a \$3.2 million, or 1.4 percent increase from the FY 2018/19 budget. Major highlights are as follows:

Public Safety: Funding for Public Safety represents 55 cents for every dollar spent in the General fund. With half of the General Fund Budget committed to the Police and Fire Departments, the City has dedicated the greatest share of its resources, or \$127.7 million to these core services.

In the Police Department, the budget adds \$60,000 for false alarm program billing and management services.

In the Fire Department, the Adopted Budget adds \$55,000 for the All-Day Junior Lifeguard Option and Sand Crab Program and a \$140,000 increase for emergency dispatching services provided by the Metro Cities Joint Powers Authority. In CIP, \$880,000 is included for the Lake Fire Station renovations.

Preparing Today for Higher Pension Costs Tomorrow: In December 2016, the CalPERS Board of Administration voted to lower the annual expected rate of return for the over \$300 billion Statewide portfolio from the existing rate of 7.5 percent to 7.0 percent. While this is a practical and financially sound response to the mounting pressure that PERS' investment projections have gone largely unmet for years, this change will regrettably be fully borne by cities and counties throughout the State, not by CalPERS itself.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

For the City of Huntington Beach, the increased pension costs have been significant. In FY 2019/20, CalPERS costs are about \$39.5 million in the General Fund. This cost will increase by approximately \$3.5 million to \$5.4 million every year, for the next four years, due to variables outside the City's control. It is anticipated the City will incur an additional \$22 to \$25 million per year in pension costs by FY 2022/23, bringing the City's total CalPERS pension costs to approximately \$57 million. While the City Council and staff work diligently to mitigate the effects, these dramatic cost increases have real world impacts. They limit the City's ability to invest in its infrastructure, enhance services, restore service level reductions made during the Great Recession, or to add staffing to meet ever-increasing workload demands.

The FY 2019/20 Adopted Budget balances the City's priorities in a fiscally conservative manner by limiting expenditure growth and addressing long-term needs, such as capital infrastructure and long-term actuarial liabilities.

Long-term Financial Sustainability: The City's CalPERS costs are expected to total \$43.3 million in FY 2019/20. This reflects a \$4.6 million, or 11.8 percent increase to last year's Adopted Budget. The City's unfunded pension liability is currently \$414.4 million, representing a 68.8 percent funded status.

The FY 2019/20 Adopted Budget does include a \$1 million contribution to the Section 115 Trust, funded by one-time savings from the previous year. The City Council adopted a Pension Rate Stabilization Plan, otherwise known as a Section 115 Trust, to provide an additional alternative investment vehicle to CalPERS, providing the ability to select a portfolio based on the City's own distant risk tolerance, and the desire to achieve a one-for-one reduction in its liabilities.

On November 18, 2019, City Council authorized staff to move forward with preparing for the potential issuance of a Pension Obligation Bond to "refinance" the City's unfunded pension liability through the approval of a resolution to begin a judicial validation process that takes approximately 90 days to complete. Should the City move forward with the issuance of Pension Obligation Bonds, tremendous cost savings may be realized by taking advantage of the current low interest rate environment. Concurrently, the City is in the process of developing a formal Unfunded Pension Liability payoff policy to plan for any additional unfunded pension liabilities that may arise through changes in the discount rate and other actuarial assumptions used by CalPERS.

Paying down these liabilities, controlling the City's pension costs through various mechanisms including the issuance of Pension Obligation Bonds, funding a Section 115 trust, and creating a Unfunded Pension Liability Policy helps build capacity to manage future pension cost increases. While the impact of higher CalPERS costs will not be entirely mitigated, this proactive strategy has placed Huntington Beach in a stronger financial position than many other cities.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended June 30, 2019

General Fund Revenue

General Fund revenue is projected to reach \$230.8 million, a \$4.7 million or 2.1 percent increase from the FY 2018/19 Adopted Budget. General Fund revenue is stable and continues to perform modestly, although it is experiencing signs of minimal growth in certain key areas such as Utility Users' Tax revenues and parking citations.

- Property Taxes are estimated at \$89.7 million, reflecting an increase of 4.5 percent due to the year-over-year growth in assessed valuations.
- Sales Tax revenues are projected to be \$41.2 million, a decrease of 4.2 percent from fiscal year 2018/19. The adopted estimate is attributable to the loss of one-time revenues that the City received in FY 2018/19 from recently completed construction projects and from one-time corrections paid by the CDTFA.
- Licenses and Permits are estimated to be \$7.9 million, reflecting a 3.5 percent increase due to steady, continued development in the City.
- Transient Occupancy Taxes are anticipated to reach \$14.3 million, a 6.4 percent increase due to steady growth in occupancy in both large hotels as well as small hotels/motels.
- Utility Users' Taxes, budgeted at \$17.9 million, is decreasing by 2.5 percent due to conservation efforts and bundled telecommunication packages.

Contacting the City's Financial Management Team

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Finance Department at 2000 Main Street, Huntington Beach, California, 92648-2702, phone (714) 536-5630 or e-mail tvi@surfcity-hb.org.

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BASIC FINANCIAL STATEMENTS

CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
JUNE 30, 2019
(In Thousands)

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 186,401	\$ 81,833	\$ 268,234
Cash and Investments with Fiscal Agent	5,973	-	5,973
Receivables, Net	32,502	8,146	40,648
Advances to Successor Agency	1,363	-	1,363
Inventories	-	1,418	1,418
Prepays	1,505	-	1,505
Joint Venture	2,712	1,861	4,573
Subtotal	230,456	93,258	323,714
Capital Assets:			
Non-Depreciable	370,165	9,608	379,773
Depreciable, Net	338,304	136,088	474,392
Total Capital Assets	708,469	145,696	854,165
Total Assets	938,925	238,954	1,177,879
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	64,591	3,397	67,988
Deferred Outflows Related to Other Postemployment Benefits	2,428	289	2,717
Total Deferred Outflows of Resources	67,019	3,686	70,705
 LIABILITIES			
Accounts Payable	6,181	7,533	13,714
Accrued Payroll	4,416	398	4,814
Unearned Revenue	1,840	-	1,840
Accrued Interest Payable	630	-	630
Deposits	2,070	1,671	3,741
Subtotal	15,137	9,602	24,739
Long-Term Obligations:			
Long-Term Obligations Due Within One Year	16,698	386	17,084
Long-Term Obligations Due in More than One Year	81,784	1,030	82,814
Net Pension Liability	394,422	26,571	420,993
Net Other Postemployment Benefits Liability	5,906	703	6,609
Total Long-Term Obligations	498,810	28,690	527,500
Total Liabilities	513,947	38,292	552,239
 DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	12,649	752	13,401
 NET POSITION			
Net Investment in Capital Assets	664,281	145,696	809,977
Restricted for:			
Debt Service	9,030	-	9,030
Capital Projects	6,856	21,153	28,009
Public Works and Community Services Projects	50,203	-	50,203
Total Restricted Net Position	66,089	21,153	87,242
Unrestricted	(251,022)	36,747	(214,275)
Total Net Position	\$ 479,348	\$ 203,596	\$ 682,944

**CITY OF HUNTINGTON BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Current Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
City Council	\$ 360	\$ 149	\$ -	\$ -	\$ (211)	\$ -	\$ (211)
City Manager	4,501	3,300	1,404	-	203	-	203
City Treasurer	246	135	-	-	(111)	-	(111)
City Attorney	2,886	7	-	-	(2,879)	-	(2,879)
City Clerk	976	327	-	-	(649)	-	(649)
Finance	6,245	2,899	-	-	(3,346)	-	(3,346)
Human Resources	6,261	751	-	-	(5,510)	-	(5,510)
Community Development	6,144	7,459	-	-	1,315	-	1,315
Fire	56,494	9,831	84	-	(46,579)	-	(46,579)
Information Services	7,530	628	-	-	(6,902)	-	(6,902)
Police	87,355	6,044	1,699	-	(79,612)	-	(79,612)
Community Services	13,369	23,530	410	-	10,571	-	10,571
Library Services	5,206	308	110	-	(4,788)	-	(4,788)
Public Works	40,803	6,368	2,937	8,361	(23,137)	-	(23,137)
Interest on Long-Term Debt	1,823	-	-	-	(1,823)	-	(1,823)
Total Governmental Activities	240,199	61,736	6,644	8,361	(163,458)	-	(163,458)
Business-type Activities:							
Water Utility	43,405	43,958	-	-	-	553	553
Sewer Service	9,442	11,868	-	-	-	2,426	2,426
Refuse Collection	12,051	12,022	-	-	-	(29)	(29)
Hazmat Service	234	276	-	-	-	42	42
Total Business-Type Activities	65,132	68,124	-	-	-	2,992	2,992
Total Governmental and Business Type Activities	\$ 305,331	\$ 129,860	\$ 6,644	\$ 8,361	(163,458)	2,992	(160,466)
General Revenues:							
Taxes:							
Property Taxes					89,124	-	89,124
Sales Taxes					47,437	-	47,437
Utility Taxes					18,788	-	18,788
Franchise Taxes					6,225	-	6,225
Transient Occupancy Tax					14,002	-	14,002
Total Taxes					175,576	-	175,576
Other:							
Use of Money and Property					8,746	3,235	11,981
From Other Agencies - Unrestricted					4,046	-	4,046
Total General Revenues					188,368	3,235	191,603
Transfers					(37)	37	-
Total General Revenues and Transfers					188,331	3,272	191,603
Change in Net Position					24,873	6,264	31,137
Net Position - Beginning of Year					454,475	197,332	651,807
Net Position - End of Year					\$ 479,348	\$ 203,596	\$ 682,944

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019
(In Thousands)**

	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and Investments	\$ 74,657	\$ 5,962	\$ 4,176	\$ 65,380	\$ 150,175
Cash and Investments with Fiscal Agent	-	428	-	5,545	5,973
Taxes Receivable	10,607	-	-	1,175	11,782
Other Receivables, Net	7,783	3,208	9,183	380	20,554
Due from Other Funds	-	-	-	30	30
Advances to Successor Agency	-	-	1,363	-	1,363
Prepays	23	-	-	64	87
TOTAL ASSETS	\$ 93,070	\$ 9,598	\$ 14,722	\$ 72,574	\$ 189,964
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 4,102	\$ 675	\$ 8	\$ 899	\$ 5,684
Accrued Payroll	4,286	55	9	46	4,396
Due to Other Funds	-	-	-	30	30
Unearned Revenue	1,840	-	-	-	1,840
Deposits Payable	2,070	-	-	-	2,070
Total Liabilities	12,298	730	17	975	14,020
Deferred Inflows of Resources:					
Unavailable Revenue	1,759	2,799	9,164	10	13,732
Total Deferred Inflows of Resources	1,759	2,799	9,164	10	13,732
Fund Balances:					
Nonspendable					
Prepays	23	-	-	64	87
Restricted					
Underground Utilities	364	-	-	-	364
Restitution	282	-	-	-	282
Senior Center Donations	365	-	-	-	365
Section 115 Trust	6,250	-	-	-	6,250
Pollution Remediation	-	-	-	332	332
Debt Service	-	-	-	9,030	9,030
Highways, Streets and Transportation	-	-	-	14,284	14,284
Low Income Housing	-	-	5,541	899	6,440
Air Quality	-	-	-	1,071	1,071
Other Capital Projects	-	-	-	21,447	21,447
Other Purposes	893	6,069	-	540	7,502
Committed					
Economic Uncertainties	25,011	-	-	-	25,011
Parks	-	-	-	3,107	3,107
Other Capital Projects	-	-	-	17,201	17,201
Assigned					
Capital Improvement Reserve	8,046	-	-	3,614	11,660
Equipment Replacement	8,295	-	-	-	8,295
General Plan Maintenance	546	-	-	-	546
General Liability Plan Migration	2,801	-	-	-	2,801
Cityview Replacement	1,028	-	-	-	1,028
Section 115 Trust	2,500	-	-	-	2,500
Triple Flip	1,113	-	-	-	1,113
Strategic Initiatives	15,998	-	-	-	15,998
Housing Agreement	1,580	-	-	-	1,580
Year-End Market Value	1,184	-	-	-	1,184
Other Purposes	2,734	-	-	-	2,734
TOTAL FUND BALANCES	79,013	6,069	5,541	71,589	162,212
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 93,070	\$ 9,598	\$ 14,722	\$ 72,574	\$ 189,964

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019
(In Thousands)**

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balances Governmental Funds **\$ 162,212**

Net capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. Amounts exclude net Capital Assets of the Internal Service Funds.

Capital Assets	1,059,825	
Accumulated Depreciation	(353,530)	
Total Capital Assets	706,295	706,295

Joint Venture		2,712
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Internal Services funds are used by management to charge the cost of various city activities to individual governmental and business-like funds. The assets and liabilities of the Internal Service fund must be added to the Statement of Net Position.		3,211
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Revenues that are measurable but not available are not recognized as revenue in governmental funds. Such amounts are recorded as unavailable revenue under the modified accrual basis of accounting.		13,732
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Deferred outflows related to pensions		64,426
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Deferred outflows related to Other Postemployment Benefits (OPEB)		2,415
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Governmental funds report all pension contributions as expenditures; however, in the statement of net position, the excess of the total pension liability over the plan fiduciary net position is reported as a net pension liability.		(393,138)
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Deferred inflows related to pensions		(12,612)
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Governmental funds report all OPEB contributions as expenditures; however, in the statement of net position, the excess of the total OPEB liability over the plan fiduciary net position is reported as a net pension liability.		(5,874)
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Other long-term liabilities are not due in the current period and, therefore, are not recorded in the governmental funds.

Accrued Interest Payable		(630)
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Long-term Liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Amounts exclude Long-Term Obligation of the Internal Service Fund.

Long-Term Obligations Due in One Year		(9,507)
Long-Term Obligations Due in More than One Year		(53,894)

Net Position of Governmental Activities		\$ 479,348
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**CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
REVENUES					
Property Taxes	\$ 89,367	\$ -	\$ -	\$ -	\$ 89,367
Sales Taxes	43,942	-	-	3,495	47,437
Utility Taxes	18,788	-	-	-	18,788
Other Taxes	20,227	-	-	6,969	27,196
Licenses and Permits	8,292	-	-	282	8,574
Fines and Forfeitures	4,300	-	-	-	4,300
From Use of Money and Property	19,859	481	748	2,188	23,276
Intergovernmental	4,974	6,880	-	1,218	13,072
Charges for Current Services	25,390	-	-	6,612	32,002
Other	1,492	6	-	287	1,785
Total Revenues	236,631	7,367	748	21,051	265,797
EXPENDITURES					
Current:					
City Council	369	-	-	-	369
City Manager	2,656	2,704	311	927	6,598
City Treasurer	248	-	-	-	248
City Attorney	2,874	-	-	-	2,874
City Clerk	981	-	-	-	981
Finance	6,467	-	-	17	6,484
Human Resources	6,362	-	-	-	6,362
Community Development	7,960	178	-	-	8,138
Fire	53,547	125	-	759	54,431
Information Services	7,938	-	-	404	8,342
Police	82,098	1,448	-	-	83,546
Community Services	9,414	308	-	1,998	11,720
Library Services	4,710	108	-	126	4,944
Public Works	28,289	1,347	-	17,242	46,878
Debt Service:					
Principal	1,379	612	-	3,355	5,346
Interest	177	14	-	1,699	1,890
Total Expenditures	215,469	6,844	311	26,527	249,151
Excess (Deficiency) Of Revenues Over (Under) Expenditures	21,162	523	437	(5,476)	16,646
OTHER FINANCING SOURCES (USES)					
Transfers In	13	-	26	11,151	11,190
Transfers Out	(10,796)	-	(405)	(26)	(11,227)
Total Other Financing Sources (Uses)	(10,783)	-	(379)	11,125	(37)
Net Change In Fund Balances	10,379	523	58	5,649	16,609
Fund Balances - Beginning Of Year	68,634	5,546	5,483	65,940	145,603
Fund Balances - End Of Year	\$ 79,013	\$ 6,069	\$ 5,541	\$ 71,589	\$ 162,212

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Net Changes in Fund Balances - Total Governmental funds	\$ 16,609
 Capital Expenditures - Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.	
Depreciable Assets Purchased	26,799
Non-Depreciable Assets Purchased	4,159
Non-Depreciable Assets Disposition	(7,840)
Capital Asset Dispositions	(4)
Capital Asset Depreciation	(14,686)
Joint Venture	(157)
 Accrual of Revenues - Certain revenues in the Statement of Activities do not meet the "availability" criteria for revenue recognition in the governmental funds and are not reported in the governmental funds as revenue.	
Prior Year Property and Sales Tax Accrual	(243)
Current Year Grant and Other Revenue Accrual	2,289
Prior Year Grant and Other Revenue Accrual	(2,734)
 Repayments on long-term receivables provide current financial resources to governmental funds, while loans provided consume the current financial resources of governmental funds. These transactions, however, have no effect on net position.	
	(608)
 Pension expenses reported in the statement of activities includes the change in the net pension liability and related changes in pension amounts for deferred outflows and deferred inflows of resources.	
	(14,020)
 Other Postemployment Benefits Payments - Expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (expenses).	
	303
 Internal service funds are used by management to charge the costs of certain activities, such as self insurance workers' compensation charges. The net revenue of this internal service fund is reported as governmental activities.	
	9,045
 Liabilities not liquidated with current resources - Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Current Year Interest Accrual	(630)
Prior Year Interest Accrual	697
 Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
	5,346
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of some expenses such as compensated absences, claims, and pension expenses, reported in the Statement of Activities, do not require the use of current resources, and therefore are not reported as expenditures in the governmental funds.	
	548
 Change in Net Position of Governmental Activities	 \$ 24,873

CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019
(In Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Funds
ASSETS						
Current Assets:						
Cash and Investments	\$ 27,741	\$ 32,213	\$ 313	\$ 413	\$ 60,680	\$ 36,226
Restricted Cash and Investments	21,153	-	-	-	21,153	-
Other Receivables, Net	4,374	552	438	8	5,372	166
Prepays	-	-	-	-	-	1,418
Joint Ventures	1,861	-	-	-	1,861	-
Inventories	1,418	-	-	-	1,418	-
Unbilled Receivables	1,759	491	524	-	2,774	-
Total Current Assets	58,306	33,256	1,275	421	93,258	37,810
Capital Assets:						
Land	3,907	-	-	-	3,907	-
Buildings and Improvements	52,642	39,925	-	-	92,567	-
Machinery and Equipment	16,362	3,737	215	-	20,314	2,262
Infrastructure	101,868	43,803	-	-	145,671	-
Construction in Progress	3,611	2,090	-	-	5,701	208
Less Accumulated Depreciation	(83,680)	(38,746)	(38)	-	(122,464)	(296)
Total Capital Assets	94,710	50,809	177	-	145,696	2,174
Total Assets	153,016	84,065	1,452	421	238,954	39,984
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows Related to Pensions	2,377	889	79	52	3,397	165
Deferred Outflows Related to Other Postemployment Benefits	208	71	7	3	289	13
Total Deferred Outflows of Resources	2,585	960	86	55	3,686	178
LIABILITIES						
Current Liabilities:						
Accounts Payable	5,612	997	924	-	7,533	497
Accrued Payroll	277	106	8	7	398	20
Deposits Payable	1,671	-	-	-	1,671	-
Current Portion of Claims Payable	-	-	-	-	-	7,175
Current Portion of Compensated Absences	279	90	16	1	386	15
Total Current Liabilities	7,839	1,193	948	8	9,988	7,707
Non-Current Liabilities:						
Compensated Absences	743	240	43	4	1,030	40
Net Pension Liability	18,597	6,956	617	401	26,571	1,284
Net Other Postemployment Benefits Liability	505	173	18	7	703	32
Claims Payable	-	-	-	-	-	27,851
Total Non-Current Liabilities	19,845	7,369	678	412	28,304	29,207
Total Liabilities	27,684	8,562	1,626	420	38,292	36,914
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows Related to Pensions	526	197	17	12	752	37
NET POSITION						
Investment in Capital Assets	94,710	50,809	177	-	145,696	2,174
Restricted for:						
Capital Projects	21,153	-	-	-	21,153	-
Unrestricted	11,528	25,457	(282)	44	36,747	1,037
Total Net Position	\$ 127,391	\$ 76,266	\$ (105)	\$ 44	\$ 203,596	\$ 3,211

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Funds
OPERATING REVENUES						
Sales	\$ 38,846	\$ -	\$ -	\$ -	\$ 38,846	\$ -
Fees and Charges for Service	-	11,865	11,961	276	24,102	17,152
Other	5,112	3	61	-	5,176	-
Total Operating Revenues	43,958	11,868	12,022	276	68,124	17,152
OPERATING EXPENSES						
Water Purchases	16,435	-	-	-	16,435	-
Supplies and Operations	9,680	7,423	12,029	234	29,366	4,198
Engineering	1,867	-	-	-	1,867	-
Production and Distribution	6,928	-	-	-	6,928	-
Water Meters	3,355	-	-	-	3,355	-
Water Quality	946	-	-	-	946	-
Water Use Efficiency	282	-	-	-	282	-
Claims and Judgments	-	-	-	-	-	4,735
Depreciation	3,912	2,019	22	-	5,953	226
Total Operating Expenses	43,405	9,442	12,051	234	65,132	9,159
Operating Income (Loss)	553	2,426	(29)	42	2,992	7,993
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	2,156	1,066	2	11	3,235	1,052
Income (Loss) Before Transfers	2,709	3,492	(27)	53	6,227	9,045
TRANSFERS						
Transfers In	-	-	50	-	50	-
Transfers Out	-	-	-	(13)	(13)	-
Total Transfers	-	-	50	(13)	37	-
Change in Net Position	2,709	3,492	23	40	6,264	9,045
Net Position - Beginning Of Year	124,682	72,774	(128)	4	197,332	(5,834)
Net Position- End Of Year	\$ 127,391	\$ 76,266	\$ (105)	\$ 44	\$ 203,596	\$ 3,211

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers and Users	\$ 41,949	\$ 11,783	\$ 12,019	\$ 275	\$ 66,026	\$ 17,078
Cash Paid to Employees for Services	(9,316)	(3,579)	(286)	(221)	(13,402)	(691)
Cash Paid to Suppliers of Goods and Services	(31,059)	(2,927)	(11,718)	(3)	(45,707)	(13,686)
Net Cash and Investment Provided (Used) by Operating Activities	1,574	5,277	15	51	6,917	2,701
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	50	-	50	-
Transfers Out	-	-	-	(13)	(13)	-
Net Cash and Investments Used by Noncapital Financing Activities	-	-	50	(13)	37	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(5,442)	(2,253)	-	-	(7,695)	(1,535)
Net Cash and Investments Used by Capital and Related Financing Activities	(5,442)	(2,253)	-	-	(7,695)	(1,535)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	2,156	1,066	2	11	3,235	1,052
Net Cash and Investments Provided (Used) by Investing Activities	2,156	1,066	2	11	3,235	1,052
Net Increase (Decrease) in Cash and Investments	(1,712)	4,090	67	49	2,494	2,218
Cash and Investments - Beginning of Year	50,606	28,123	246	364	79,339	34,008
Cash and Investments - End of Year	\$ 48,894	\$ 32,213	\$ 313	\$ 413	\$ 81,833	\$ 36,226
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 553	\$ 2,426	\$ (29)	\$ 42	\$ 2,992	\$ 7,993
Adjustments to Reconcile Operating Income (Loss) to Net Cash and Investments Provided (Used) by Operating Activities						
Depreciation	3,912	2,019	22	-	5,953	226
(Increase) Decrease in Other Receivables, Net	(1,848)	(1)	48	(1)	(1,802)	(74)
(Increase) in Unbilled Receivables	(230)	(84)	(51)	-	(365)	-
Decrease in Prepays	-	-	-	-	-	105
(Increase) in Joint Ventures	(996)	-	-	-	(996)	-
Decrease in Inventory	91	-	-	-	91	-
Increase (Decrease) in Accounts Payable	(604)	737	(1)	-	132	(359)
Increase (Decrease) in Accrued Payroll	(38)	(7)	-	-	(45)	3
Increase in Deposits Payable	69	-	-	-	69	-
(Decrease) in Claims Payable	-	-	-	-	-	(5,256)
Increase (Decrease) in Compensated Absences	(56)	(84)	3	(8)	(145)	13
Decrease in Deferred Pension Outflow	1,829	684	60	40	2,613	126
Increase in Deferred Pension Inflow	(94)	(35)	(4)	(2)	(135)	(6)
(Decrease) in Net Pension Liability	(987)	(369)	(33)	(19)	(1,408)	(68)
Decrease in Deferred Other Postemployment Benefits Outflow	141	49	5	2	197	9
(Decrease) in Net Other Postemployment Benefits Liability	(168)	(58)	(5)	(3)	(234)	(11)
Net Cash and Investments Provided by Operating Activities	\$ 1,574	\$ 5,277	\$ 15	\$ 51	\$ 6,917	\$ 2,701
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES						
There were no noncash investing, capital, or financing activities during the year ended June 30, 2019.						

CITY OF HUNTINGTON BEACH
STATEMENT OF FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019
(In Thousands)

	Total Agency Funds	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ASSETS			
Cash and Investments	\$ 10,579	\$ 16	\$ 9,776
Cash and Investments with Fiscal Agent	3,451	-	2,522
Commodities and Real Estate	-	2,376	-
Mutual Funds	-	55,718	-
Money Market Funds	-	760	-
Accounts Receivable, Net	670	-	55
Total Assets	\$ 14,700	\$ 58,870	\$ 12,353
LIABILITIES			
Accounts Payable	\$ 2,290	\$ -	\$ 567
Accrued Payroll	8	-	7
Due to Bondholders	6,204	-	-
Advances from City of Huntington Beach	-	-	1,363
Held for Others	6,198	-	-
Long-Term Obligations			
Long-Term Obligations Due Within One Year	-	-	5,444
Long-Term Obligations Due in More than One Year	-	-	33,709
Total Liabilities	\$ 14,700	\$ -	\$ 41,090
NET POSITION			
Restricted for Pension Benefits		\$ 58,870	
Held in Trust For Other Purposes			\$ (28,737)

CITY OF HUNTINGTON BEACH
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)

	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ADDITIONS		
Employer Contributions	\$ 4,148	\$ -
Property Taxes	-	8,047
Total Additions Before Investment Income	4,148	8,047
Investment Income:		
Investment Income	2,694	371
Less Investment Expense	(111)	-
Net Investment Income	2,583	371
Total Additions	6,731	8,418
DEDUCTIONS		
Benefits	4,767	-
Administrative Costs	191	-
Economic Development	-	250
Interest and Fiscal Agency Expenses	-	2,297
Total Deductions	4,958	2,547
Change in Net Position	1,773	5,871
Net Position - Beginning of Year	57,097	(34,608)
Net Position - End of Year	\$ 58,870	\$ (28,737)

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**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

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City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The City of Huntington Beach is the primary government. It was incorporated in 1909 as a charter, full-service city. The form of government is Council-Manager. Component units are legally separate organizations for which the City Council is financially accountable, or organizations that if excluded from the accompanying financial statements, would make them misleading. The component units described below are blended (presented as if they are part of the primary government) or presented as a fiduciary trust fund with the primary government for financial reporting purposes. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. A legally separate, tax exempt organization should be reported as a blended component unit of the City if all of the following criteria are met:

1. The governing board is substantively the same as the primary government and there is a financial benefit or burden relationship between the primary government and the component unit;
2. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it; and
3. The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with the resources of the primary government.

Based on the application of the criteria listed above, the following component units have been included.

Huntington Beach Housing Authority

The Housing Authority (the Authority) was established in March 2011 pursuant to Housing Authority Laws of California to provide rental assistance programs to low-income families and senior citizens, and to operate a Housing Rehabilitation Loan Program and other approved programs. The Authority is governed by a commission of seven members comprised of the City Council, which appoints management and has full accountability for the Authority's fiscal affairs. The Authority's financial data and transactions are included within the capital projects Low and Moderate Income Housing Asset Fund (LMIHAF). On January 9, 2012, the City adopted a resolution designating the Housing Authority of the City of Huntington Beach to serve as the Housing Successor Agency. The Housing Successor Agency's financial data and transactions are included within the LMIHAF Capital Projects Fund. There is no separate Component Unit Financial Report (CUFR) prepared for the Authority.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Huntington Beach Public Financing Authority (Public Financing Authority) – This Corporation was formed in March 1988 to issue debt to finance public improvements and other capital purchases for the City and the former Redevelopment Agency. The Public Financing Authority’s governing body is the City Council, which also adopts its annual budget. The Public Financing Authority is financially dependent on the City. There are no separately issued financial statements available for the Public Financing Authority.

The City of Huntington Beach Supplemental Retirement Plan and Trust (Supplemental Retirement Plan and Trust) – The Trust was formed to provide a supplemental retirement plan for all employees hired prior to 1997 (exact dates differed for various associations). The governing board of the Supplemental Retirement Plan consists of the City Treasurer, Chief Financial Officer, and the City Manager (or designee). The Retirement Board is responsible for supervising all investments, resolving benefit disputes, and ensuring that contributions are made in order to pay the required benefits. There are no separate financial statements for this plan and trust.

b. Government-wide Financial Statements

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred inflows/outflows of resources, and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated to the various functions based on a proportionate use of services. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for current services; 2) operating grants and contributions; and, 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported as general revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Financial Statement Classification

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position – This category presents restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The government-wide Statement of Net Position reports \$66,089,000 of governmental activities restricted net position, of which \$42,556,000 is restricted by enabling legislation. The government-wide Statement of Net Position reports \$21,153,000 of business-type activities restricted net position, of which all is restricted by enabling legislation. This category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Position – This category represents the net position of the City, not restricted for any project or other purpose. The government-wide Statement of Net Position reports a deficit unrestricted net position of \$251,022,000 of governmental activities unrestricted net position, which is largely a result of the recent implementation of GASB Statement Nos. 68 and 75 that requires the City to report Net Pension Liabilities and Net Other Post-Employment Benefits (OPEB) Liability. The City's Net Pension Liability at June 30, 2019 is \$420,993,000 and Net OPEB Liability is \$6,609,000, respectively, of which \$394,422,000 and \$5,906,000, respectively, is payable from Governmental Activities. The government-wide Statement of Net Position reports \$36,747,000 of business-type activities unrestricted net position.

c. Fund Financial Statements

Separate fund financial statements are prepared for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Only current assets, current liabilities, and deferred inflows are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, use of money and property, intergovernmental revenues, charges for current services, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims are recorded only when payment is due.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds Financial Statements

Governmental Funds Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Accompanying schedules are presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City presents all major funds that meet those qualifications.

The City's Governmental Fund Balances are comprised of the following components:

- Nonspendable fund balance includes amounts that are not in spendable form and typically includes inventories, prepaid items, and other items that by definition cannot be appropriated.
- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has authority to establish, modify, or rescind a fund balance commitment by formal action as specified by the City's Fund Balance Policy. Commitments to fund balance are made through adoption of a resolution by City Council.
- Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Manager or designee has the authority to establish, modify, or rescind a fund balance assignment as specified by the City's Fund Balance Policy.
- Unassigned fund balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance in other governmental funds is limited to any negative residual fund balance after fund balance has been classified as restricted, committed, or assigned.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the government-wide statements, the City considers restricted funds to be spent first then unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. In the governmental fund statements, when expenditures are incurred, the City uses the most restrictive funds first. The City would use the appropriate funds in the following order: committed, assigned, and lastly unassigned amounts.

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted or assigned fund balance.

Encumbrances outstanding as of June 30, 2019, by major fund (in thousands):

General Fund	\$ 6,286
Grants Special Revenue	4,276
LMIHAF Capital Projects	45
Other Governmental Funds	16,317
Total Encumbrance All Funds	<u><u>\$ 26,924</u></u>

Economic Uncertainties Reserve

The City Council established an Economic Uncertainties Reserve in the General Fund through a resolution with a goal to commit the value of two months of the General Fund expenditure adopted budget amount. Appropriations from the Economic Uncertainties Reserve commitments can only be made by formal City Council action. Generally, appropriations and access to these funds will be reserved for emergency situations. Examples of such emergencies include, but are not limited to:

- An unplanned, major event such as catastrophic disaster requiring expenditures over 5% of the General Fund adopted budget;
- Budgeted revenue in excess of \$1 million taken by another government entity;
- Drop in projected/actual revenue of more than 5% of the General Fund adopted revenue budget; and,
- Should the Economic Uncertainties Reserve be used, and its level falls below the minimum amount of two months of General Fund expenditures adopted budget, the goal is to replenish the fund within three fiscal years.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements

The City's enterprise and internal service funds are proprietary funds. Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred inflows/outflows, and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The internal service funds, which provide services to the other funds of the City, are presented in a single column in the proprietary funds financial statements. Because the principal users of the internal services funds are the City's governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Position. The costs of the internal service fund services are spread to the appropriate function or program on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling effect of these revenues are expenses.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds Financial Statements

Fiduciary Funds Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position for Trust Funds. The City's fiduciary funds include Agency and Trust Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on the accrual basis of accounting. Trust Funds present results of operations and include net position. The Retirement Supplemental Trust Fund accounts for the activities of the supplemental retirement plan for all employees hired prior to 1997, which accumulates resources for pension benefits to qualified employees. Contributions are made to the Supplemental Plan based on the City's policy to fund the required contributions as determined by the Plan's actuary and are recognized when they are made. The Retiree Medical Insurance Trust Fund accounts for the activities of the City's Other Post-Employment Benefits plans, which provide postemployment medical insurance to retirees.

The Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund accounts for the Successor Agency for the former Redevelopment Agency pursuant to Assembly Bill X1 26. Fiduciary funds are not presented in the government-wide financial statements because these funds do not represent net position available to the City.

The City reports the following major funds:

Governmental Funds

General Fund – accounts for activity not required to be accounted for in another fund.

Grants Special Revenue – accounts for grant revenues received from federal, state, and local agencies restricted for related project expenditures.

LMIHAF Capital Projects – accounts for the activity related to the development of affordable housing.

Proprietary Funds

Water Fund – used to account for water sales to customers.

Sewer Service Fund – accounts for user fees charged to residents and businesses for sewer service.

Refuse Fund – used to account for activities related to refuse collection and disposal.

Hazmat Service Fund – accounts for user fees charged for the City's hazardous waste material program.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City's fund structure also includes the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Internal Service Funds

Self Insurance Workers' Comp Fund – accounts for the City's self insurance workers' compensation program in an internal service fund

Self Insurance General Liability Fund – accounts for the City's self insurance general liability program in an internal service fund.

Equipment Replacement Fund – accounts for the City's equipment replacement needs in an internal service fund.

Fiduciary Funds

Agency Funds – accounts for assets temporarily held by the City as trustee, agent, or custodian. Agency funds are custodial in nature and do not involve measurement of results of operations.

Pension Trust Fund – Retirement Supplemental Fund - accounts for the City's supplemental retirement plan.

Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund – accounts for the Successor Agency of the former Redevelopment Agency in accordance with the State's Dissolution Act.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Cash and Investments

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of daily needs is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity, or yield of the portfolio. Interest earnings are apportioned among funds based on month-end cash and investment balances. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments, such as money market funds, and any investment with a maturity of 90 days or less at the time of purchase.

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material.

Changes in fair value that occur during the fiscal year are recognized as investments income reported for that fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State Treasurer of the State of California. LAIF has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk. In addition, these structured notes and asset-backed securities are subject to interest rate risk as a result of changes in interest rates. The City's investment policy is further discussed in Note 2 on page 54.

The City pools all non-restricted cash for investment purchases and allocates interest income to the funds based on month-end cash balances. Funds that have restricted cash record interest income in the respective fund.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets have an acquisition cost of \$50,000 or greater (\$100,000 for infrastructure) and a useful life of one year or more.

The City records all purchased capital assets at historical cost (where historical records are available) and at estimated historical cost where no historical records exist. Capital assets acquired from gifts or contributions are recorded at acquisition value at the time received, or in the case of infrastructure assets, at City Council acceptance date. Capital assets acquired through annexation are recorded at net book value.

In the government-wide and proprietary funds financial statements, depreciation is recorded on the straight-line method over the estimated useful life of the assets as shown below and charged to the respective activity or fund. No depreciation is recorded in the governmental funds of the fund financial statements.

Buildings	20 to 50 years
Machinery and Equipment	5 to 30 years
Infrastructure	50 Years

f. Unearned Revenue

In the government-wide and the fund-level financial statements, unearned revenues are those where the asset recognition (availability criteria) has been met, but the revenue recognition criteria have not been met.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pensions and OPEB which are the result of the implementation of GASB Statement Nos. 68 and 75.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an outflow of resources (revenue) until that time. The City reported the following in this category:

1. Unavailable revenues (which include revenues, notes, and long-term receivables) measured under the modified accrual basis of accounting reported in governmental funds. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.
2. Changes in the net pension liability not included in pension expense.

h. Inventories

Proprietary fund inventories are valued at weighted-average cost and consist of expendable supplies and repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Interfund Transactions

As a general rule, interfund transactions have been eliminated from the government-wide financial statements. Exceptions to this rule are payments in-lieu or charges for current service between the City's enterprise activities and the City's governmental activities. Elimination of these transactions would distort the direct costs and program revenues for the various functions. Certain eliminations have been made regarding interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Numerous transactions occur between funds of the City resulting in transfers and amounts due to or from other funds. Amounts due to or from are the current (due within one year) portion of monies that are to be paid or to be received from other funds.

j. Long-Term Obligations

In the government-wide and proprietary funds financial statements, long-term obligations are recorded as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt. In the governmental fund financial statements, bond discounts and premiums are recognized as another financing source or use. Issuance costs are recorded as a current year debt service expenditure.

k. Employee Compensated Absences

The City records the cost of all accumulated and unused leave time (vacation, sick, and comp) as a liability when earned in the government-wide and proprietary funds financial statements. In the governmental funds financial statements these amounts are recorded as expenditures when due and payable.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property Tax Revenue

Property tax in California is levied according to Article 13-A of the California Constitution. The basic levy is a countywide-levy of one percent of total assessed valuation and is allocated to county governments, school districts, cities and special districts. Additional levies require two-thirds approval by voters and are allocated directly to the specific government.

In the government-wide financial statements, property tax is recorded when earned, regardless of when levied, due, or received. City property tax revenues are recognized when levied in the governmental funds to the extent that they result in current receivables collectible within 60 days after year-end.

The County acts as a collection agent for property tax for all of the local governmental units. Property taxes are normally collected twice per year. The property tax calendar is as follows:

- Lien Date, January 1 - Prior Fiscal Year
- Levy Date, July 1 - Levy Fiscal Year
- Due Date, First Installment - November 1
- Due Date, Second Installment - February 1
- Delinquent Date, First Installment - December 10
- Delinquent Date, Second Installment - April 10



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Redevelopment Property Tax Trust Funds

Under ABX1 26, revenues that were previously distributed to redevelopment agencies (prior to their dissolution) in the form of property tax increment will no longer be received. Instead, revenues are deposited by County Auditors into Redevelopment Property Tax Trust Funds (RPTTF) created in the County Treasury for each Successor Agency. The County Auditor administers the RPTTF and disburses twice annually from this fund pass-through payments to affected taxing entities, an amount equal to the total of obligation payments that are required to be paid from tax increment as denoted on the Recognized Obligation Payment Schedules (ROPS) to Recognized Obligation Retirement Funds (RORF) established in the treasury of the Successor Agencies, and various allowed administrative fees and allowances. Any remaining balance is then distributed by the County Auditor back to affected taxing entities under a prescribed method that accounts for pass-through payments.

The calendar for distribution of RPTTF funds is as follows:

- Annual ROPS submission due to Department of Finance, February 1
- Distribution of RPTTF to Successor Agencies for the July-December ROPS period, June 1
- Distribution of RPTTF to Successor Agencies for the January-June ROPS period, January 2

n. Cash Flow Statements

For purposes of the Statement of Cash Flows, the Proprietary Funds consider all cash and investments to be cash equivalents, as these funds participate in the citywide cash and investment pool.

o. Estimates

The accompanying financial statements require management to make estimates and assumptions that effect certain reported amounts and disclosures. Actual results could differ from those estimates.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Pensions and OPEB

For purposes of measuring the net pension liability, net OPEB liability, related deferred outflows of resources and deferred inflows of resources, pension/OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS' Financial Office and the City's Defined Benefit Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement Nos. 68 and 75 require reported results to pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

	Supplemental Employee Retirement Plan	CalPERS Pension Plans	Other Post-Employment Benefit Plan
Valuation Date (VD)	September 30, 2017	June 30, 2017	June 30, 2017
Measurement Date (MD)	June 30, 2019	June 30, 2018	June 30, 2018
Measurement Period (MP)	July 1, 2018 to June 30, 2019	July 1, 2017 to June 30, 2018	July 1, 2017 to June 30, 2018



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable input reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

2. CASH AND INVESTMENTS

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code Section 53601 (or the City's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO / MAXIMUM	MINIMUM RATING REQUIREMENTS
Bankers' Acceptances	180 days	25% (up to 40% with Council approval) / 10%	A1/P1, "A" Rating
Negotiable Certificates of Deposit	3 years (Up to 5 years with Council approval)	30% / 10%	A1/P1, "A" Rating
Commercial Paper	270 days	25% / 10%	A1, "A" Rating
State Obligations-- CA And Others	5 years	None / 10%	"A" Rating
City/Local Agency of CA Obligations	5 years	None / 10%	"A" Rating
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Obligations	5 years	None	None
IBRD, IFC, IADB	5 years	10%	"AA" Rating
Repurchase Agreements	3 Months	None	None
Reverse Repurchase Agreements	92 days	20% of the base value of the portfolio. Requires City	None
Medium-Term Corporate Notes	5 years	30% / 10%	"A" Rating
Non-negotiable Certificates of Deposit	3 years	None / 10%	A1/P1, "A" Rating
Money Market Mutual Funds	60 days	15% / 10%	"AAA" Rating
Local Agency Investment Fund (LAIF)	N/A	Up to \$65,000,000	None
Joint Powers Authority	N/A	None / \$20,000,000	None



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

2. CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by a bond trustee, but bond indentures do allow for other forms of investments if approved in writing by the bond insurer that are not identified below. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Securities	5 Years	No Limit	No Limit
Federal Agency Securities	5 Years	No Limit	No Limit
Bankers' Acceptances	180 Days	No Limit	No Limit
Time CDs	360 Days	No Limit	No Limit
Negotiable CDs	360 Days	No Limit	No Limit
LAIF	N/A	No Limit	No Limit
Commercial Paper	270 Days	No Limit	No Limit
Municipal Bonds from Any State	Life of Bond	No Limit	No Limit
Money Market Funds	N/A	No Limit	No Limit
Investment Agreements	Life of Bond	No Limit	No Limit
Corporate Bonds	5 Years	No Limit	No Limit
California Asset Mgmt. Program	N/A	No Limit	No Limit
Forward Purchase/Delivery Agreements	Life of Bond	No Limit	No Limit



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

2. CASH AND INVESTMENTS (Continued)

Investment of the Pension Trust Fund – Retirement Supplemental Fund

The Investment Policy Statement (IPS) of the Huntington Beach Supplemental Pension Trust is established in accordance with the assignment of fiduciary duties by the State of California Constitution and State and Local Government Codes. The purpose of the Investment Policy is to set guidelines for a prudent investment-making process. The policy was established with the assumption that the longer-term nature of the portfolio provides for higher risk tolerance and short-term volatility, but more potential for capital growth. The Investment Manager will be responsible for carrying out the activities related to the portfolio in accordance with the IPS to meet the goals of an agreed upon risk/return profile, and in accordance with the mix of parameters outlined below:

Authorized Investment Type	Minimum Allocation	Target Asset Allocation	Maximum Allocation
Cash or Equivalents	0%	0%	8%
Money Market	0%	0%	8%
Fixed Income	12%	20%	28%
Short-Term Bond	0%	0%	8%
Long-Term Bond	0%	0%	8%
High Yield Bond	0%	0%	8%
Inflation Protected Bond	0%	0%	8%
World Bond	0%	0%	8%
Domestic Equity	33%	41%	49%
Large Cap Equity (Value, Blend, Growth)	20%	28%	36%
Mid Cap Equity (Value, Blend, Growth)	0%	9%	17%
Small Cap Equity (Value, Blend, Growth)	0%	4%	12%
Foreign Equity	26%	34%	42%
Foreign Large Equity (Value, Blend, Growth)	19%	27%	35%
Foreign Sm / Mid Equity (Value, Growth)	0%	0%	8%
Emerging Markets	0%	7%	15%
Real Estate	0%	3%	11%
Real Estate	0%	3%	11%
Commodities	0%	2%	10%
Natural Resources	0%	2%	10%



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

2. CASH AND INVESTMENTS (Continued)

At year-end, the City had the following deposits and investments (amounts in thousands):

Primary Government:	
Cash and Investments	\$ 268,234
Cash and Investments with Fiscal Agent	5,973
Total Primary Government	274,207
Fiduciary Funds:	
Cash and Investments	20,371
Cash and Investments with Fiscal Agent	64,827
Total Fiduciary Funds	85,198
Total Deposits and Investments	\$ 359,405

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments, including investments held by bond trustees, to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity (in thousands).

INVESTMENTS:	Fair Value	Investment Maturities (In Years)				Total
		Less than 1	1 to 3	3 to 5	More than 5	
US Treasuries	\$ 14,988	\$ 14,988	\$ -	\$ -	\$ -	\$ 14,988
US Agency Securities*	127,674	7,994	84,742	34,938	-	127,674
Mutual Funds	58,094	58,094	-	-	-	58,094
Money Market Funds	1,836	1,836	-	-	-	1,836
Medium Term Notes - IADB	16,319	6,986	-	9,333	-	16,319
Corporate Bonds	54,954	15,969	25,671	13,314	-	54,954
Local Agency Investment Fund	62,359	62,359	-	-	-	62,359
California Asset Mgmt Program	2,802	2,802	-	-	-	2,802
Total Investments	\$ 339,026	\$ 171,028	\$ 110,413	\$ 57,585	\$ -	339,026
		Total Deposits				20,379
		Total Deposits and Investments				\$ 359,405

* Security is callable, but classified above according to original maturity date



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

2. CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below are the minimum ratings required by, where applicable, the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type (in thousands):

INVESTMENTS:	Minimum Legal Rating	Total	Remaining as of Year End			
			AAA	AA	A	Not Rated
US Treasuries	N/A	\$ 14,988	\$ 14,988	\$ -	\$ -	\$ -
US Agency Securities*	N/A	127,674	127,674	-	-	-
Mutual Funds	N/A	58,094	-	-	-	58,094
Money Market Funds	AAA	1,836	1,836	-	-	-
Medium Term Notes - IADB	AA	16,319	16,319	-	-	-
Corporate Bonds	A	54,954	-	13,256	41,698	-
Local Agency Investment Fund	N/A	62,359	-	-	-	62,359
California Asset Mgmt Program	N/A	2,802	2,802	-	-	-
Total Investments		\$ 339,026	\$ 163,619	\$ 13,256	\$ 41,698	\$ 120,453

Note: All US Agencies are rated AAA by Moody's and AA by S&P



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

2. CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The City's investment policy limits investments in any one issuer, except for U.S. Treasury Securities, U.S. Government Agencies and the Local Agency Investment Fund, to no more than 10% of the portfolio. In addition, no more than 50% can be invested in a single security type or with a single financial institution and every security type has a specific limit. This is in addition to the limits placed on investments by State law. Investments in any one issuer (other than U.S. Treasury Securities, external investment pools, or Money Market Funds) that represent 5% or more of the City's total investments are as follows (in thousands):

Issuer	Investment Type	Fair Value Amount
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	\$37,703
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$51,773
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	\$28,143
Inter-American Development Bank	IBRD, IFC, IADB	\$16,319
US Treasury Notes	Obligations of the United States Treasury	\$14,988



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2019, the City's deposits with financial institutions were covered by FDIC up to \$250,000, and the remaining amounts were collateralized as described above. None of the City's investments were subject to custodial credit risk. Per the Investment Policy's statement, the City of Huntington Beach is the registered owner of all investments in the portfolio.

Investment in State Investment Pool

The City is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Currently, LAIF does not have an investment rating.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

2. CASH AND INVESTMENTS (Continued)

Investment in California Asset Management Program Pool

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Trust's activities are directed by a Board of Trustees, all of whom are employees of the California public agencies which are participants in the Trust. The City reports investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. The Pool is managed to maintain a dollar-weighted average portfolio maturity of 60 days or less and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool invests in obligations of the United States Government and its agencies, high-quality, short-term debt obligations of U.S. companies and financial institutions. The Pool is a permitted investment for all local agencies under California Government Code Section 53601(p). CAMP is rated AAAM by Standard & Poor's.

Fair Value Measurement

The City categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2019 (in thousands):

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
INVESTMENTS:				
U.S. Treasuries	\$ -	\$ 14,988	\$ -	\$ 14,988
U.S. Agency Securities	-	127,674	-	127,674
Mutual Funds	-	58,094	-	58,094
Medium Term Notes - IADB	-	16,319	-	16,319
Corporate Bonds	-	54,954	-	54,954
Total Investments	\$ -	\$ 272,029	\$ -	\$ 272,029



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

3. OTHER RECEIVABLES

A summary of Other Receivables as of June 30, 2019 is as follows (in thousands):

<u>Description</u>	<u>Amount</u>
Developer Loans Receivable	\$ 43,043
Emerald Cove Loan Receivable	7,393
Housing Rehabilitation Loans Receivable	2,279
First Time Homebuyers Receivable	1,771
Emergency Medical Fee Receivable	1,735
CDBG Program Receivable	146
Infrastructure Fund	10
Other Grants Receivable	768
Other Receivable	6,452
Total Other Receivables	\$ 63,597
Allowance for Uncollectible Developer Loans	(43,043)
Net Other Receivables on Governmental Fund Financial Statements	\$ 20,554
Other Receivables Reconciliation	
Net Receivable on Government-wide Financial Statements	\$ 32,502
Taxes Receivable on Governmental Fund Financial Statements	(11,782)
Other Receivables on Internal Service Fund	(166)
Net Other Receivables on Governmental Fund Financial Statements	\$ 20,554

a. Developer Loans

Loans made to developers to construct or rehabilitate certain facilities under deferred loan agreements total \$43,043,000 at year-end. These loans are allowed until a future event occurs. Loans to the Low and Moderate Income Housing Asset Fund total \$25,093,000, loans made under the Home Program total \$15,794,000, and loans made under the Affordable Housing In-Lieu Program total \$2,156,000. Interest rates on these loans range from 0% to 6.5%. The allowance for uncollectible developer loans is \$43,043,000 due to the terms of the agreement to forgive the balance of loans after a specified time period if all the conditions of loan forgiveness are met.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

3. OTHER RECEIVABLES (Continued)

b. Emerald Cove Loan

On June 15, 2010, the former Redevelopment Agency loaned Emerald Cove, LP \$8,000,000 to acquire and rehabilitate Emerald Cove Senior Apartments. The loan has an interest rate of 3% and is to be repaid annually from residual receipts over 60 years. The loan was transferred to the Low and Moderate Income Housing Asset Fund in fiscal year 2011-12. The loan balance as of June 30, 2019 is \$7,393,000.

c. Housing Rehabilitation Loans

Loans made to qualified homeowners and landlords in the City of Huntington Beach to rehabilitate certain single-family homes or multifamily rental housing under deferred loan agreements total \$2,279,000 at year-end. These loans are deferred until a future event occurs. The interest rates on these loans range from 0% to 6%.

d. Deferred Loans – First Time Homebuyers and Down Payment Assistance

Loans made for down payment assistance of qualified first time homebuyers under deferred loan agreements total \$1,771,000 at year-end. These loans are deferred until a future event occurs.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

4. UNEARNED REVENUE

Governmental and enterprise funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned (unearned revenue). The amounts are as follows (in thousands):

	General Fund
Community Services Unearned Revenue (Classes)	\$ 1,840

5. UNAVAILABLE REVENUE

Certain revenues in governmental funds are considered unavailable revenue until received. All revenues including property and sales tax are recognized in the year earned or levied in the government-wide financial statements, but are recorded as unavailable revenue in the fund financial statements to the extent they are not collected within 60 days after year-end. The amounts are as follows (in thousands):

	General Fund	Grants Special Revenue	LMIHAF	Other Governmental Funds	Total Unavailable Revenue
Grants	\$ -	\$ 520	\$ -	\$ -	\$ 520
Deferred Loans:					
Emerald Cove	-	-	7,393	-	7,393
Housing Rehabilitation	-	2,279	-	-	2,279
First Time Homebuyers	-	-	1,771	-	1,771
Other Unavailable Revenue	1,759	-	-	10	1,769
Total	\$ 1,759	\$ 2,799	\$ 9,164	\$ 10	\$ 13,732

Deferred Loans to developers and qualified individuals for housing rehabilitation and to first time homebuyers are discussed in Note 3.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

6. RETIREMENT PLAN – NORMAL

a. Summary

Net Pension Liability

Net Pension Liability is reported in the accompanying statement of net position as follows:

	Net Pension Liability
CalPERS Miscellaneous Plan	\$ 156,357
CalPERS Safety Plan	258,045
Supplemental Plan (Note 7)	6,591
Total	\$ 420,993

Deferred Outflows of Resources

Deferred Outflows of Resources are reported in the accompanying statement of net position as follows:

	Investment earnings less than expected earnings	Changes in assumptions	Differences between Expected and Actual Experience	Deferred employer pension contributions made after measurement date	Total
CalPERS Miscellaneous Plan	\$ 1,168	\$ 5,127	\$ -	\$ 14,819	\$ 21,114
CalPERS Safety Plan	1,649	19,659	2,504	23,062	46,874
Total	\$ 2,817	\$ 24,786	\$ 2,504	\$ 37,881	\$ 67,988

Deferred Inflows of Resources

Deferred Inflows of Resources are reported in the accompanying statement of net position as follows:

	Investment earnings less than expected earnings	Changes in assumptions	Differences between Expected and Actual Experience	Total
Miscellaneous Plan	\$ -	\$ 2,180	\$ 2,750	\$ 4,930
Safety Plan	-	2,669	5,271	7,940
Supplemental Plan (Note 7)	531	-		531
Total	\$ 531	\$ 4,849	\$ 8,021	\$ 13,401



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

6. RETIREMENT PLAN – NORMAL (Continued)

Pension Expense

Pension expenses are included in the accompanying financial statements as follows:

	Net Pension Expense
Miscellaneous Plan	\$ 23,217
Safety Plan	33,558
Supplemental Plan (Note 7)	1,219
Total	\$ 57,994

b. Plan Description

Substantially all City employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Safety Plan and Miscellaneous Plan Agent multiple-employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee's Retirement Law. Following the passage of AB340, Public Employees' Pension Reform Act (PEPRA) by the California Legislature, employees hired on or after January 1, 2013, who were not previously enrolled in the PERS system elsewhere, or who have had a break in service of at least six months are required to be enrolled in this retirement program which provides a benefit level that is lower than the benefits provided for CalPERS employees that do not meet the PEPRA qualifications previously described. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

6. RETIREMENT PLAN – NORMAL (Continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Benefit provisions and all other requirements are established by State statute and may be amended by city contracts with employee bargaining groups.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

Industrial disability benefits are not offered to miscellaneous employees. The City provides industrial disability retirement benefit to safety employees. The industrial disability retirement benefit is a monthly allowance equal to 50 percent of final compensation.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

6. RETIREMENT PLAN – NORMAL (Continued)

The Plans' provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Miscellaneous Agent Plans	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 years	minimum 52 years
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%, 50 years - 63+ years, respectively	1.0% - 2.5%, 52 years - 67+ years, respectively
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates		
July 1, 2018 - June 30, 2019	32.179%	32.179%

	Safety Agent Plans	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	January 1, 2013 and after
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 years	minimum 52 years
Monthly benefits, as a % of eligible compensation	3%, 50+ years	2.0% - 2.7%, 50 years - 57+ years, respectively
Required employee contribution rates	9.000%	11.000%
Required employer contribution rates		
July 1, 2018 - June 30, 2019	51.009%	51.009%



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

6. RETIREMENT PLAN – NORMAL (Continued)

c. Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2018, miscellaneous participants under the Classic and PEPRA plans are required to contribute 8% and 6.25% of their annual covered salary, respectively. Safety participants under the Classic and PEPRA plans are required to contribute 9% and 11.75% of their annual covered salary, respectively. In addition, the City is required to make employer contributions at the actuarially determined rates of 32.179% and 51.009% for the miscellaneous and safety plans, respectively, for the period July 1, 2018 through June 30, 2019.

At June 30, 2017, the valuation date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Active members	598	371
Transferred members	390	70
Terminated members	294	56
Retired members and beneficiaries	938	590

For the year ended June 30, 2019, the contributions were:

	Miscellaneous	Safety	Aggregate Total
Contributions - employer	\$ 14,819	\$ 23,062	\$ 37,881



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

6. RETIREMENT PLAN – NORMAL (Continued)

d. Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is illustrated below:

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuation, rolled forward to June 30, 2018 using standard update procedures, were determined using the following actuarial assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter

*The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report on the CalPERS website.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

6. RETIREMENT PLAN – NORMAL (Continued)

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class ¹	Current Target Allocation	Real Return Years 1-10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

6. RETIREMENT PLAN – NORMAL (Continued)

Discount Rate – The discount rate used to measure the total pension liability at June 30, 2018 was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events – There were no subsequent events that would materially affect the results presented in this disclosure.

e. Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Miscellaneous Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2017 (Valuation Date)	\$ 557,090	\$ 393,812	\$ 163,278
Changes in the year:			
Service cost	8,314	-	8,314
Interest on the total pension liabilities	38,769	-	38,769
Changes of Assumptions	(3,634)	-	(3,634)
Differences between expected and actual experience	(2,042)	-	(2,042)
Benefit payments, including refunds of members contribution:	(26,685)	(26,685)	-
Plan to Plan Resource Movement	-	1	(1)
Contributions - employer	-	13,495	(13,495)
Contributions - employee	-	3,649	(3,649)
Net investment income	-	32,963	(32,963)
Administrative expenses	-	(614)	614
Other Miscellaneous Income/Expense	-	(1,166)	1,166
Net changes	14,722	21,643	(6,921)
Balance at June 30, 2018 (Measurement Date)	\$ 571,812	\$ 415,455	\$ 156,357

	Safety Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2017 (Valuation Date)	\$ 729,281	\$ 472,474	\$ 256,807
Changes in the year:			
Service cost	13,509	-	13,509
Interest on the total pension liabilities	51,223	-	51,223
Changes of Assumptions	(3,657)	-	(3,657)
Differences between expected and actual experience	2,584	-	2,584
Plan to Plan Resource Movement	-	(3)	3
Benefit payments, including refunds of members contribution:	(37,128)	(37,128)	-
Contributions - employer	-	21,058	(21,058)
Contributions - employee	-	4,164	(4,164)
Net investment income	-	39,336	(39,336)
Administrative expenses	-	(736)	736
Other Miscellaneous Income/Expense	-	(1,398)	1,398
Net changes	26,531	25,293	1,238
Balance at June 30, 2018 (Measurement Date)	\$ 755,812	\$ 497,767	\$ 258,045



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

6. RETIREMENT PLAN – NORMAL (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the City’s net pension liability, calculated using the discount rate, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan	\$ 231,013	\$ 156,357	\$ 94,649
Safety Plan	\$ 358,176	\$ 258,045	\$ 175,612
Aggregate Total	\$ 589,189	\$ 414,402	\$ 270,261

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2018 (the measurement date), the City incurred pension expense in the amounts of \$23,217,000 and \$33,558,000 for the miscellaneous and safety plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years of active employees by the total number of plan participants (active, inactive, and retired) in the risk pool. For the 2017-18 measurement period, the EARSL for each plan is as follows:

	Miscellaneous	Safety
Expected Average Remaining Service Lifetime	2.5	3.7



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

6. RETIREMENT PLAN – NORMAL (Continued)

At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan			
		Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$	1,168	\$ -
Changes in assumptions		5,127	(2,180)
Difference between expected and actual experience		-	(2,750)
Contributions made subsequent to the measurement date		14,819	-
Total	\$	21,114	\$ (4,930)

Safety Plan			
		Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$	1,649	\$ -
Changes in assumptions		19,659	(2,669)
Difference between expected and actual experience		2,504	(5,271)
Contributions made subsequent to the measurement date		23,062	-
Total	\$	46,874	\$ (7,940)

For the Miscellaneous Plan and Safety Plan, \$14,819,000 and \$23,062,000, respectively, was reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Periods Ended June 30,	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous	Safety
2019	\$ 6,444	\$ 14,088
2020	26	7,985
2021	(4,037)	(4,981)
2022	(1,068)	(1,220)
2023	-	-
Thereafter	-	-
	\$ 1,365	\$ 15,872



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

7. RETIREMENT PLAN – SUPPLEMENTAL

a. Plan Description and Benefits

The City administers a supplemental single-employer defined benefit retirement plan (Supplemental Plan) for all employees hired prior to 1997 (exact dates are different for various associations). The Plan is governed by a three-member Supplemental Employee Retirement Plan and Trust Board consisting of the City Treasurer, Director of Finance, and the City Manager, or his/her designee. The Board has the authority, under the terms of the Trust agreement, to control and manage the operation and administration of the Plan. Benefit provisions are established and may be amended through negotiations between the City and employee bargaining associations during each bargaining period, which are then approved through resolutions of the City Council. In fiscal year 2008-09, the City established the Supplemental Employee Retirement Plan and Trust, and transferred \$24,918,000 to an irrevocable trust from the prefunded amounts. The plan and trust are reported as a pension trust fund in the City's financial statements on a full accrual basis.

The Supplemental Plan will pay the retiree an additional amount to his or her CalPERS retirement benefit for life. In order to be eligible for the benefit, the retiree must retire from the City. The amount that is computed as a factor of an employee's normal retirement allowance is computed at retirement and remains constant for his or her life. This benefit is payable by the City for the duration of the life of the member, and shall cease upon the employee's death. As of September 30, 2017, the date of the Plan's most recent actuarial valuation, the average monthly benefit received by inactive plan members and beneficiaries receiving benefits is \$494. Effective in 1998 (exact dates are different for various associations), new City employees are ineligible to participate in the Supplemental Employee Retirement Plan.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Employees Covered: At June 30, 2019, the measurement date, the following employees were covered by the benefit terms for the Plan:

Inactive employees receiving benefits	738
Active employees	129
Inactive employees not receiving benefits	<u>-</u>
Total	<u>867</u>

b. Employer Contributions

The City's policy is to make required contributions as determined by the Supplemental Plan's actuary. The required contributions were determined as part of the September 30, 2015 actuarial valuation. The City is required to contribute the actuarially determined rate of 2.7% of total payroll for all permanent employees for the year ended June 30, 2019. There are no employee contributions required for the plan. Survivor and termination benefits are not included in the plan. Administrative costs of this plan are financed through investment earnings.

For the year ended June 30, 2019, the contributions were (in thousands):

Contributions - employer	\$ 4,962
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**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

c. Investments

Investments of the Supplemental Plan are held separately from those of other City funds by investment custodians. The Supplemental Employee Retirement Plan and Trust Board is responsible for supervising all investments. Changes to the Investment Policy require approval by the Board. The policy was reviewed and updated by the Board during the year ended June 30, 2019. Please refer to Note 2 for a detailed description of the Supplemental Plan's Investment Policy. The major asset class allocation for the Supplemental Plan as of June 30, 2019 is listed below:

Asset Class	Strategic Allocation	Allocation as of June 30, 2019	Long Term Expected Rate of Return
Fixed Income	20.00%	20.19%	1.55%
Equities	41.00%	74.49%	5.35%
Real Estate	3.00%	4.04%	0.00%
Commodities	2.00%	0.00%	0.00%
Cash and Equivalents	0.00%	1.28%	0.45%
Total	66.00%	100.00%	



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Quoted market prices have been used to value investments as of June 30, 2019. These investments are held by the Trust or by an agent in the Trust's name. A portion of these investments is subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk. The Governmental Accounting Standards Board (GASB) Statement No. 40 requires the disclosure of such risk. Please see below for a list of investments held in any one organization that represents five percent or more of the Plan's investment portfolio at June 30, 2019:

Concentration of Investments Equaling or Exceeding 5%

T Rowe Price Inst S C Stock	5.17%
T Rowe Price Mid Cap Equity Growth	5.22%
Vanguard Equity Income Fund Admiral Shares	8.97%
Harbor Capital Appreciation Inst	9.01%
Parnassus Core Equity Income Inst	9.28%
Ishare Core Msci Eafe ETF	9.71%

All Supplemental Plan investments are reflected in the schedule included in Section c of the Note, with the exception of amounts held in the City's investment pool account. The City maintains an investment pool account for City funds. Monthly contributions for the Plan are held in the City's investment pool account and are used to pay recurring expenditures. Refer to Note 2 for a description of the City's investments.

For the year ended June 30, 2019, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was 4.79%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

d. Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of September 30, 2017 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Actuarial Assumptions – The total pension liabilities in the September 30, 2017 actuarial valuations for the June 30, 2019 measurement date were determined using the following actuarial assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.75%
Salary Increases	CalPERS 1997-2011 Experience Study plus 3% aggregate increase
Investment Rate of Return	6.25% Net of Investment Expenses
Mortality Rate Table	CalPERS 1997-2011 Experience Study, mortality projected fully generational with Scale MP-2017
Retirement, Disability, Withdrawal	CalPERS 1997-2011 Experience Study plus 15% load on future service retirement liability added to reflect recent benefits experience.

There were no changes in assumptions, benefit terms or other inputs that affected the measurement of the net pension liability. There were no changes between the measurement date of the net pension liability and the reporting date.

e. Discount Rate & Sensitivity

The discount rate is used in the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employee contributions, benefit payments, expenses, and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount is used. For this valuation, the discount rate is 6.25%, based on the inflation assumption of 2.75% and a long-term asset allocation of 70% equities and 30% fixed income. The geometric real rates of return were assumed to be 5.35% for equities and 1.55% for fixed income. The long-term expected rate of return is applied to all future projected benefit payments.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. An investment return excluding administrative expenses would have been 6.25 percent.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations were taken into account along with expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Changes in the Net Pension Liability

	Supplemental Plan		
	Total Pension	Plan Fiduciary	Net Pension Liability
Balance at June 30, 2018	\$ 65,827	\$ 56,271	\$ 9,556
Changes in the year:			
Service cost	398	-	398
Interest on the total pension liabilities	3,990	-	3,990
Benefit payments, including refunds of members contribution:	(4,771)	(4,771)	-
Contributions - employer	-	4,962	(4,962)
Net investment income	-	2,582	(2,582)
Administrative expenses	-	(191)	191
Net changes	(383)	2,582	(2,965)
Balance at June 30, 2019	\$ 65,444	\$ 58,853	\$ 6,591

The following table shows the changes in net pension liability recognized over the measurement period (in thousands):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's net pension liability, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
(in thousands)		
Discount Rate - 1%	Current Discount	Discount Rate + 1%
(5.25%)	Rate (6.25%)	(7.25%)
\$ 13,124	\$ 6,591	\$ 1,019



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

f. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense in the amount of \$1,219,000 for the Supplemental Plan.

At June 30, 2019, the City reported deferred inflows of resources related to the supplemental pension plan from the following source (in thousands):

	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	\$ (531)

For the Supplemental Plan, \$531,000 was reported as deferred inflows of resources related to pensions which will be recognized in pension expense as follows (in thousands):

Year Ended June 30,	Deferred Inflows of Resources
2020	\$ (639)
2021	(349)
2022	270
2023	187
2024	-
Thereafter	-
	\$ (531)



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

8. OTHER POST EMPLOYMENT BENEFITS

a. Plan Description

The City administers the following two other post employment benefit (OPEB) plans:

Postemployment Medical Insurance

The City agreed, via contract, with each employee association to provide postemployment medical insurance to retirees. These Other Postemployment Benefits (OPEB) are based on years of service and are available to all retirees who meet all three of the following criteria:

- At the time of retirement, the employee is employed by the City.
- At the time of retirement, the employee has a minimum of ten years of service credit or is granted a service connected disability retirement.
- Following official separation from the City, CalPERS grants a retirement allowance.

The City's obligation to provide the benefits to a retiree ceases when either of the following occurs:

- During any period the retiree is eligible to receive health insurance at the expense of another employer; and/or
- The retiree becomes eligible to enroll automatically or voluntarily in Medicare.

The subsidy a retiree is entitled to receive is based on the retiree's years of service credit and is limited to \$344 per month after 25 years of service. If a retiree dies, the benefits that would be payable for his or her insurance are provided to the spouse or family for 12 months. The retiree may use the subsidy for any of the medical insurance plans that the City's active employees may enroll in. Employees hired on or after October 1, 2014 are not eligible for this benefit.

PEMHCA

The City provides an agent multiple-employer defined benefit healthcare plan to retirees through CalPERS under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. The PEMHCA benefits are applied to all safety employee groups, based on retirement plan election. The benefits continue to the surviving spouse for one year. The Huntington Beach Firefighters' Association (HBFA) joined PEMHCA in 2011. All other safety groups (Fire Management Association (FMA), Marine Safety Management Association (MSOA), Police Management Association (PMA), and Police Officers' Association (POA) joined in 2004.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

Safety employees are eligible for PEMHCA benefits if they retire from the City on or after age 50 with at least five years of service or disability, and are eligible for a PERS pension.

As of the June 30, 2018 measurement date, the following current and former employees were covered by the benefit terms under the plan:

	Postemployment Medical Insurance	PEMHCA
Retirees and beneficiaries receiving benefits	247	171
Inactive employees not yet receiving benefits	4	-
Active Plan Members	720	375
Total Plan Participants	971	546

b. Accounting and Funding

The City utilizes the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan, for the postemployment medical insurance benefit. Benefits paid from the CERBT were \$773,000 for year ended June 30, 2019. The assets of the CERBT are excluded from the accompanying financial statements since they are in an irrevocable trust administered by CalPERS. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814 or on their website: www.calpers.ca.gov. The City's policy is to make 100% of each year's ARC, with an additional amount to prefund benefits as determined annually by City Council in order to improve the funded status of the plan.

For PEMHCA, the City selected the "unequal" method for the contribution. Under this method, the City offered a lesser contribution for retirees than for active employees. The City paid the PEMHCA minimum for actives (\$128 in 2017, \$133 in 2018, and \$136 in 2019). Beginning in 2008, Assembly Bill 2544 changed the computation for annual increases to annuitant health care under the unequal method. Under the new provisions, the City increases annuitant health care contributions equal to an amount not less than five percent of the active employee contributions, multiplied by the number of years in PEMHCA. The City's contribution for retirees is \$54.40 per employee for the Huntington Beach Firefighter's Association (HBFA) and \$102 for all other Safety groups in 2019. The annual increase in minimum PEMHCA contribution to CalPERS will continue until the time that the City contribution for retirees equals the City contribution paid for active employees.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

The City’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

- Actuarial Cost Method – Entry Age Normal
- Discount rate – 5.50%
- Projected salary increases for covered employees due to inflation – aggregate increases of 3.00% per annum
- Investment Rate of Return – 5.50%, assuming actuarially determined contributions funded into CERBT Investment Strategy 3
- Mortality Rate¹ – Derived using CalPERS’ membership data for all funds
- Pre-Retirement Turnover² – Derived using CalPERS’ membership data for all funds
- PEMCHA minimum increases for actives - \$136 in 2019, with 4.25% annual increases thereafter
- Healthcare Trend Rate – The medical trend rate represents the long-term expected growth of medical benefits paid by the plan, due to non-age-related factors such as general medical inflation, utilization, new technology, and the like. The following table sets for the inflation trend assumption used for the valuation:

Calendar Year	Annual Rate		Calendar Year	Annual Rate	
	Non-Medicare	Medicare		Non-Medicare	Medicare
2019	7.50%	6.50%	2028	5.60%	5.00%
2020	7.50%	6.50%	2029	5.40%	4.85%
2021	7.25%	6.30%	2030	5.20%	4.70%
2022	7.00%	6.10%	2031-35	5.05%	4.60%
2023	6.75%	5.90%	2036-45	4.90%	4.50%
2024	6.50%	5.70%	2046-55	4.75%	4.45%
2025	6.25%	5.50%	2056-65	4.60%	4.40%
2026	6.00%	5.30%	2066-75	4.30%	4.20%
2027	5.80%	5.15%	2076+	4.00%	4.00%

¹ Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications. Post-retirement mortality rates include mortality projected fully generational with Scale MP-17.

² The pre-retirement turnover information was developed based on CalPERS’ specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	CERBT Strategy 3	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	24%	4.82%
Fixed Income	39%	1.47%
Treasury Inflation-Protected Securities ("TIPS")	26%	1.29%
Commodities	3%	0.84%
Real Estate Investment Trusts ("REITS")	8%	3.76%
Total	100%	

* Long-term expected rate of return is 5.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes Subsequent to the June 30, 2018 Measurement Date

All assets were transferred from CERBT Strategy 3 to Strategy 2 in March 2019. The long-term expected investment return on Strategy 2 is 6.25%.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

The changes in the net OPEB Liability for the plan are as follows (in thousands):

	Increase / (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability / (Asset) (c) = (a) - (b)
Balance at June 30, 2018 (Measurement Date June 30, 2017)	\$ 32,125	\$ 23,322	\$ 8,803
Changes recognized for the measurement period:			
Service Cost	1,205	-	1,205
Interest	1,787	-	1,787
Contributions - Employer	-	4,191	(4,191)
Net Investment Income	-	1,126	(1,126)
Benefit Payments	(1,683)	(1,683)	-
Administrative Expenses	-	(131)	131
Net Changes	1,309	3,503	(2,194)
Balance at June 30, 2019 (Measurement Date June 30, 2018)	\$ 33,434	\$ 26,825	\$ 6,609

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2018 (in thousands):

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB Liability	\$ 10,926	\$ 6,609	\$ 3,064



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2018 (in thousands):

	1% Decrease (6.50% Non-Medicare / 5.50% Medicare, decreasing to 3.0% Non-Medicare / 3.0% Medicare)	Current Discount Rate (7.50% Non-Medicare / 6.50% Medicare, decreasing to 4.0% Non-Medicare / 4.0% Medicare)	1% Increase (8.50% Non-Medicare / 7.50% Medicare, decreasing to 5.0% Non-Medicare / 5.0% Medicare)
Net OPEB Liability	\$ 2,797	\$ 6,609	\$ 11,451

OPEB Plan Fiduciary Net Position

The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94429-2703.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
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**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

As of June 30, 2019, the City recognized OPEB expense of \$1,928,000. As of June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions subsequent to the measurement date	\$ 2,270	\$ -
Net difference between projected and actual earnings on OPEB Plan Investments	447	-
	\$ 2,717	\$ -

The \$2,270,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows (in thousands):

Measurement Periods Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2019	\$ 135
2020	135
2021	137
2022	40
2023	-
Thereafter	-
	\$ 447



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

9. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City records the liability claims as expenditures in the Self Insurance General Liability Internal Service Fund and the workers' compensation claims in the Self Insurance Workers' Compensation Internal Service Fund.

BICEP was created in 1988 by a joint powers agreement between the City of Huntington Beach and four other local entities including Oxnard, Ventura, Santa Ana, and West Covina, for the purpose of providing joint insurance coverage and related risk management services for member cities. BICEP allows member entities to finance a claims payment pool for certain liability claims in excess of \$1,000,000 to a maximum coverage limit of \$27,000,000 for claims incurred through June 30, 2015, and \$24,000,000 thereafter. BICEP's governing board has one representative from each city, typically a Risk Manager, or a designee. Current members must approve any changes to the board. Each participating city pays an insurance premium to BICEP that is used to fund the operating and debt service requirements. Claims that exceed the maximum limit are covered by the City's Self Insurance General Liability Internal Service Fund. There were no liability claims in the last three years that exceeded the coverage limit.

Effective July 1, 2019, the member agencies of BICEP agreed to dissolve the Joint Powers Authority. BICEP shall continue to exist for the purpose of disposing of all claims, the distribution of assets, and any other functions necessary to conclude the affairs of BICEP as provided in the Bylaws of the Authority. Upon dissolution of BICEP, the City purchased liability insurance in the open marketplace, which provides insurance for claims costs exceeding the City's self-insured retention of \$1,000,000. The maximum coverage limit is \$30,000,000, which is inclusive of the self-insured retention. Claims that exceed the maximum limit of liability are covered by the City's Self-Insurance General Liability Internal Service Fund.

Liability Claims

Claims up to \$1,000,000 are paid from the City's Self Insurance General Liability Internal Service Fund. Payments for claims from \$1,000,000 to the maximum limit discussed above are covered by the excess liability coverage purchased by the City. Any claims exceeding the maximum limit are covered by the Self Insurance General Liability Internal Service Fund. The liability for these claims is recorded as part of long-term obligations in the Self Insurance General Liability Fund and government-wide financial statements. Liabilities include amounts incurred, but not reported.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

9. RISK MANAGEMENT (Continued)

Workers' Compensation Claims

Workers' compensation claims of up to \$1,000,000 per claim are paid from the Self Insured Workers' Comp Internal Service Fund. Excess workers' compensation coverage is purchased through the CSAC-Excess Insurance Authority. Payments for claims from \$1,000,000 to statutory limits are covered by CSAC-Excess Insurance Authority.

The Self Insurance Workers' Comp Internal Service Fund has a \$12.2 million deficit at year-end at the 55 percent confidence level. The City has established plans to help reduce the deficit in this fund. This will be accomplished by additional transfers from the General Fund, Proprietary funds, and other governmental funds in which employees are charged over the next nine years.

Claims activity and liabilities relating to the current and prior year are (in thousands):

	Workers' Compensation	General Liability	Total
Balance September 30, 2017	\$ 27,493	\$ 11,893	\$ 39,386
Additions	6,322	2,559	8,881
Reductions	(5,004)	(2,981)	(7,985)
Net Increase (Decrease)	1,318	(422)	896
Balance June 30, 2018	28,811	11,471	40,282
Additions	4,855	2,222	7,077
Reductions	(7,036)	(5,297)	(12,333)
Net Increase (Decrease)	(2,181)	(3,075)	(5,256)
Balance June 30, 2019	\$ 26,630	\$ 8,396	\$ 35,026



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

10. INTERFUND TRANSACTIONS

a. Due To/From Other Funds

The amounts at year-end were (in thousands):

		Other Governmental Funds
		Lease Capital Project Fund
Due from (Receivable):		
Other Governmental Funds		
Infrastructure Fund	\$	30
Total Due to (Payable):	\$	30

These outstanding balances result mainly from year-end accruals for payments for goods and services.

b. Advances to/from Other Funds

The amounts at year-end were (in thousands):

		Advances to (Payable):
		Redevelopment Agency Private Purpose Trust
Advances from (Receivable):		
Major Governmental Funds		
LMIHAF Capital Projects	\$	1,363
	\$	1,363

There is a \$1,363,000 advance from the LMIHAF Capital Projects Fund to the Redevelopment Agency Private Purpose Trust Fund as of June 30, 2019 for Main Pier property acquisitions prior to the dissolution of the Redevelopment Agency on February 1, 2012.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

10. INTERFUND TRANSACTIONS (Continued)

c. Transfers In/Out

The amounts at year-end were (in thousands):

Transfers In	Transfers Out					Total Transfers In
	General Fund	LMIHAF Capital Projects	Other Governmental Funds	Total Governmental Funds	Hazmat Service Fund	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ 13
LMIHAF Capital Projects	-	-	26	26	-	26
Other Governmental Funds	10,746	405	-	11,151	-	11,151
Total Governmental Funds	10,746	405	26	11,177	13	11,190
Refuse Fund	50	-	-	50	-	50
Total Enterprise Funds	50	-	-	50	-	50
Total Transfers Out	\$ 10,796	\$ 405	\$ 26	\$ 11,227	\$ 13	\$ 11,240

The following is a summary of the significant transfers:

- \$10,746,000 was transferred from the General Fund to Other Governmental Funds for debt service payments of \$4,637,000, aging technology system upgrades of \$850,000, and infrastructure related projects including road repairs, police facility repairs and enhancement, equipment, and other capital improvement projects of \$5,259,000.
- \$50,000 was transferred from the General Fund to the Refuse Enterprise Fund to fund the senior citizen rate reduction on refuse charges.
- \$405,000 was transferred from the LMIHAF Fund to Other Governmental Funds for debt service payments.
- \$26,000 was transferred from Other Governmental Funds to the LMIHAF Fund for loan repayments in the prior fiscal year.
- \$13,000 was transferred from the Hazmat Service Enterprise Fund to the General Fund to cover administrative and overhead expenditures.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

11. LONG-TERM OBLIGATIONS

Below is a schedule of changes in long-term governmental obligations for the year (in thousands):

	June 30, 2018	Additions	Retirements	June 30, 2019	Accrued Interest	Due Within One Year
Governmental Activities:						
Public Financing Authority:						
2010(a) Lease Revenue Bonds	\$ 9,030	\$ -	\$ (795)	\$ 8,235	\$ 135	\$ 825
2011(a) Lease Revenue Bonds	19,735	-	(1,965)	17,770	239	2,045
2014(a) Lease Revenue Bonds	13,740	-	(595)	13,145	155	615
Total Public Financing Authority	42,505	-	(3,355)	39,150	529	3,485
Other Long-Term Obligations:						
Compensated Absences	11,831	4,126	(4,662)	11,295	-	4,400
Claims Payable	40,282	7,077	(12,333)	35,026	-	7,175
Pollution Remediation	2,000	-	-	2,000	-	-
Section 108 Loan City	430	-	(430)	-	-	-
LED Lighting Phase I	763	-	(107)	656	4	111
I-Bank CLEEN Loan	2,730	-	(276)	2,454	23	283
CEC Loan	3,000	-	(182)	2,818	-	230
Leases Payable	6,079	-	(996)	5,083	74	1,014
Total Other Long-Term Obligations	67,115	11,203	(18,986)	59,332	101	13,213
Total Long-Term Obligations - Governmental Activities	\$ 109,620	\$ 11,203	\$ (22,341)	\$ 98,482	\$ 630	\$ 16,698



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

11. LONG-TERM OBLIGATIONS (Continued)

Below are reconciliations from amounts in the above table to amounts in the accompanying governmental fund financial statements (in thousands):

Decrease in Compensated Absences	\$ (536)
Decrease in Claims Payable	(5,256)
Decrease in Above Schedule	<u>(5,792)</u>
Internal Service Fund:	
Increase in Current Portion of Compensated Absences	(3)
Increase in Non-Current Portion of Compensated Absences	(10)
Decrease in Current Portion of Claims Payable	3,736
Decrease in Non-Current Portion of Claims Payable	1,521
Changes in Long-term Obligations reported in the Reconciliation to the Government-wide Financial Statements	<u>\$ (548)</u>
Principal Paid in Governmental Fund Financial Statements	\$ (5,346)
Decreases in Above Schedule	<u>\$ (5,346)</u>
 Long-Term Obligations Due Within One Year in Above Schedule	 \$ 16,697
Internal Service Fund:	
Current Portion of Compensated Absences	(15)
Current Portion of Claims Payable	(7,175)
Reconciliation of the Long-Term Obligation Due Within One Year to the Statement of Net Position	<u>\$ 9,507</u>
 Long-Term Obligations Due in More than One Year in Above Schedule	 \$ 81,785
Internal Service Fund:	
Non-Current Portion of Compensated Absences	(40)
Non-Current Portion of Claims Payable	(27,851)
Reconciliation of the Long-Term Obligation Due in More than One Year to the Statement of Net Position	<u>\$ 53,894</u>



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

11. LONG-TERM OBLIGATIONS (Continued)

a. Public Financing Authority

(1) 2010(a) Public Financing Authority Lease Revenue Bonds

Year of Issuance	2010
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$14,745,000
Security	Lease with City
Interest Rates	2.0% to 5.0%
Interest Payment Dates	March 1 st , September 1 st
Principal Payment Dates	September 1 st
Purpose of Debt	Defeasance of 1997 Leasehold Revenue Bonds (Construct Pier Plaza and Purchase 800 MHz System) and 2000 Lease Revenue Bonds (Capital Improvements and defeasance of Emerald Cove Certificates of Participation)

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	\$ 825	\$ 391	\$ 1,216
2021	865	349	1,214
2022	905	305	1,210
2023	550	268	818
2024	580	240	820
2025-2029	3,340	726	4,066
2030-2031	1,170	59	1,229
Total	\$ 8,235	\$ 2,338	\$ 10,573



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

11. LONG-TERM OBLIGATIONS (Continued)

(2) 2011(a) Public Financing Authority Lease Revenue Bonds

Year of Issuance	2011
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$36,275,000
Security	Lease with City
Interest Rates	2.0% to 5.0%
Interest Payment Dates	March 1 st , September 1 st
Principal Payment Dates	September 1 st
Purpose of Debt	Defease 2001(a) Leasehold Revenue Bonds (Construct Sports Complex and South Beach Phase II Improvements) and 2001(b) Lease Revenue Bonds (Defease Civic Improvement Corporation Certificates)

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	\$ 2,045	\$ 674	\$ 2,719
2021	1,060	607	1,667
2022	1,095	564	1,659
2023	1,150	519	1,669
2024	1,185	482	1,667
2025-2029	6,600	1,691	8,291
2030-2032	4,635	311	4,946
Total	\$ 17,770	\$ 4,848	\$ 22,618



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

11. LONG-TERM OBLIGATIONS (Continued)

(3) 2014(a) Public Financing Authority Lease Revenue Bonds

Year of Issuance	2014
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$15,295,000
Security	Lease with City
Interest Rates	3.0% to 5.0%
Interest Payment Dates	March 1 st , September 1 st
Principal Payment Dates	September 1 st
Purpose of Debt	Finance the construction of a new Senior Center

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	\$ 615	\$ 456	\$ 1,071
2021	650	431	1,081
2022	665	411	1,076
2023	685	384	1,069
2024	720	352	1,072
2025-2029	4,040	1,328	5,368
2030-2034	4,725	636	5,361
2035	1,045	21	1,066
Total	\$ 13,145	\$ 4,019	\$ 17,164

b. Other Long-Term Obligations

(1) Compensated Absences

There is no repayment schedule to pay the compensated absences amount of \$11,295,000 relating to governmental operations. The General Fund typically liquidates the vacation and sick leave liability.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

11. LONG-TERM OBLIGATIONS (Continued)

(2) Claims Payable

There is no repayment schedule for the claims payable for governmental activities of \$35,026,000 described in Note 9. The City pays the claims upon final settlement. The General Fund typically liquidates the claims payable liability.

(3) Pollution Remediation

The City plans to remediate hazardous materials contamination of land located within Huntington Central Park used as a gun range facility prior to its close in 1997. The City is voluntarily planning to remediate the site in order to use the area for park purposes. The cost of the gun range remediation is estimated to be \$2,000,000 and is reported as a long-term liability in the government-wide financial statements. The liability was measured by estimating a reasonable range of potential outlays and multiplying those outlays by their probability of occurring.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

11. LONG-TERM OBLIGATIONS (Continued)

(5) LED Lighting Phase I

Year of Issuance	2016
Type of Debt	Leaseback from Capital One Public Funding, LLC
Principal Amount	Original \$1,062,924
Security	Loan Agreement with Capital One Public Funding, LLC
Interest Rates	Original 2.32%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	To purchase and upgrade street, area and pole lighting to energy efficient LED light sources

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	\$ 111	\$ 21	\$ 132
2021	114	18	132
2022	118	14	132
2023	122	10	132
2024	126	5	131
2025	65	2	67
Total	\$ 656	\$ 70	\$ 726



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

11. LONG-TERM OBLIGATIONS (Continued)

(6) I-Bank CLEEN Loan

Year of Issuance	2016
Type of Debt	CLEEN Loan from the California Infrastructure and Economic Development Bank (I-Bank)
Principal Amount	Original \$3,000,000
Security	Edwards Fire Station
Interest Rates	Original 2.32%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	To purchase and upgrade street pole lighting to energy efficient LED light sources

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	\$ 283	\$ 54	\$ 337
2021	289	47	336
2022	296	40	336
2023	303	33	336
2024	310	26	336
2025-2027	973	34	1,007
Total	\$ 2,454	\$ 234	\$ 2,688



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

11. LONG-TERM OBLIGATIONS (Continued)

(7) California Energy Commission (CEC) Loan

Year of Issuance	2016
Type of Debt	Loan from the California Energy Commission (CEC)
Principal Amount	Original \$3,000,000
Security	Loan Agreement with CEC
Interest Rates	Original 1.00%
Interest Payment Dates	June 22 nd and December 22 nd
Principal Payment Dates	June 22 nd and December 22 nd
Purpose of Debt	To upgrade street pole lighting to energy efficient LED light sources

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	\$ 230	\$ 56	\$ 286
2021	261	25	286
2022	264	22	286
2023	266	20	286
2024	269	17	286
2025-2029	1,386	46	1,433
2030-2030	142	1	143
Total	\$ 2,818	\$ 187	\$ 3,005



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

11. LONG-TERM OBLIGATIONS (Continued)

(8) Leases Payable

Year of Issuance	2016
Type of Debt	Capital Leases
Principal Amount	Various
Security	Master Lease Agreement
Interest Rates	1.54% and 1.71%
Interest Payment Dates	Semi-Annually
Principal Payment Dates	Semi-Annually
Purpose of Debt	Equipment Financing

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,014	\$ 97	\$ 1,111
2021	1,033	78	1,111
2022	906	59	965
2023	924	42	965
2024	942	24	966
2025	264	6	270
Total	\$ 5,083	\$ 306	\$ 5,389



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

11. LONG-TERM OBLIGATIONS (Continued)

c. Long-Term Obligations – Business-Type Activities

Below is a schedule of the long-term obligations of business-type activities (in thousands):

Long-Term Obligations - Business-Type Activities:	June 30, 2018	Additions	Retirements	June 30, 2019	Due Within One Year
Compensated Absences	\$ 1,561	\$ 55	\$ (200)	\$ 1,416	\$ 386
Total Long-Term Obligations - Business-Type Activities	\$ 1,561	\$ 55	\$ (200)	\$ 1,416	\$ 386

(1) Compensated Absences

There is no repayment schedule for the compensated absences amount of \$1,416,000 relating to business-type activities. The balance for the outstanding business-type compensated absences is predominately related to the Water and Sewer funds.

d. Long-Term Conduit Debt Obligations

Below is a schedule of the conduit debt obligations for which the City is not liable in any manner (in thousands):

Community Facilities Districts:	June 30, 2018	Additions	Retirements	June 30, 2019
Community Facilities District No. 1990-1 Special Tax Refunding Bonds	\$ 485	\$ -	\$ (155)	\$ 330
Community Facilities District No. 2000-1 2013 Special Tax Refunding Bonds	10,850	-	(575)	10,275
Community Facilities District No. 2002-1 Special Assessment Tax Bonds	4,220	-	(130)	4,090
Community Facilities District No. 2003-1 2013 Special Tax Refunding Bonds	18,025	-	(790)	17,235
Total Community Facilities Districts	33,580	-	(1,650)	31,930
Residential Redevelopment Bonds	4,200	-	(1,300)	2,900
Total Obligations Not Recorded in Financial Statements	\$ 37,780	\$ -	\$ (2,950)	\$ 34,830



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

11. LONG-TERM OBLIGATIONS (Continued)

(1) Residential Development Bonds

The City is involved in various bond issues where the City or Redevelopment Agency issued bonds to assist in the financing of residential developments. A trustee holds all funds and payment cannot be made from any other source than the mortgages received.

These bond issues are (in thousands):

Bond Issue	Outstanding Year-end	Original Issue Amount
Five Points Senior Project Multi-Family Housing Revenue Bonds - Series A - 1991	\$ 2,900	\$ 9,500

12. CAPITAL ASSETS

a. Changes in Capital Assets

Capital asset activity for the year was (in thousands):

	June 30, 2018	Additions	Dispositions	June 30, 2019
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	\$ 361,901	\$ 633	\$ -	\$ 362,534
Construction in Progress	11,745	3,734	(7,848)	7,631
Total Capital Assets -Not Depreciated	373,646	4,367	(7,848)	370,165
Capital Assets Being Depreciated				
Buildings	205,893	2,878	-	208,771
Machinery and Equipment	61,590	3,282	(834)	64,038
Infrastructure	398,029	21,974	(682)	419,321
Total Capital Assets Being Depreciated	665,512	28,134	(1,516)	692,130
Less Accumulated Depreciation:				
Buildings	(75,741)	(4,402)	-	(80,143)
Machinery and Equipment	(48,784)	(2,817)	830	(50,771)
Infrastructure	(215,901)	(7,693)	682	(222,912)
Total Accumulated Depreciation	(340,426)	(14,912)	1,512	(353,826)
Total Depreciated - Net	325,086	13,222	(4)	338,304
Total Capital Assets	1,039,158	32,501	(9,364)	1,062,295
Total Accumulated Depreciation	(340,426)	(14,912)	1,512	(353,826)
Capital Assets of Governmental Activities - Net	\$ 698,732	\$ 17,589	\$ (7,852)	\$ 708,469



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

12. CAPITAL ASSETS (Continued)

Business-Type Activities:	June 30, 2018	Additions	Dispositions	June 30, 2019
Capital Assets, Not Depreciated:				
Land	\$ 3,907	\$ -	\$ -	\$ 3,907
Construction in Progress	3,907	5,662	(3,868)	5,701
Total Capital Assets -Not Depreciated	7,814	5,662	(3,868)	9,608
Capital Assets Being Depreciated				
Buildings	92,567	-	-	92,567
Machinery and Equipment	15,215	5,098	-	20,313
Infrastructure	144,932	802	(63)	145,671
Total Capital Assets Being Depreciated	252,714	5,900	(63)	258,551
Less Accumulated Depreciation:				
Buildings	(26,910)	(2,301)	-	(29,211)
Machinery and Equipment	(11,412)	(1,125)	-	(12,537)
Infrastructure	(78,252)	(2,526)	63	(80,715)
Total Accumulated Depreciation	(116,574)	(5,952)	63	(122,463)
Total Depreciated - Net	136,140	(52)	-	136,088
Total Capital Assets	260,528	11,562	(3,931)	268,159
Total Accumulated Depreciation	(116,574)	(5,952)	63	(122,463)
Capital Assets of Business Activities - Net	\$ 143,954	\$ 5,610	\$ (3,868)	\$ 145,696

b. Depreciation Expense

Depreciation in governmental activities was charged to the following functions/programs in the Statement of Activities (in thousands):

Department:

City Council	\$ 3
City Manager	206
City Treasurer	2
City Attorney	20
City Clerk	7
Finance	70
Human Resources	45
Community Development	58
Fire	720
Information Services	59
Police	820
Community Services	1,822
Library Services	320
Public Works	10,534
Internal Service Fund depreciation charged to functions	226
Total	\$ 14,912



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

12. CAPITAL ASSETS (Continued)

Depreciation in business-type activities was charged to the following functions/programs in the Statement of Activities (in thousands):

Fund:		
Water	\$	3,912
Sewer Service		2,019
Refuse		22
Total	\$	<u>5,953</u>

13. Investment in Joint Ventures

The City participates in two joint powers agreements with neighboring Cities. The Public Cable Television Authority (PCTA) manages the cable television and video provider franchising for the Cities of Huntington Beach, Fountain Valley, Stanton and Westminster. The Central Net Operations Authority (CNOA) is a firefighter training center shared with the City of Fountain Valley. The City of Huntington Beach records 66.32% of PCTA and 76.00% of CNOA net assets as Joint Venture Investments. PCTA financial statements for the year ended June 30, 2019 can be obtained from Public Cable Television Authority. CNOA does not issue separate financial statements.

Effective July 22, 2019, the City withdrew its membership in PCTA. Additional information can be found in Note 17.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

14. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH

a. General Discussion

On December 29, 2011, the California Supreme Court upheld ABX1 26 that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Huntington Beach that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

ABX1 26 provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 9, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with ABX1 26 as part of City resolution number 2012-01.

After enactment of the law, effective June 28, 2011, redevelopment agencies in the State of California generally cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

ABX1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as of successor agency by ABX1 26.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

**14. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

a. Long-Term Debt

Below is a schedule of changes in long-term obligations of the Successor Agency for the year (in thousands):

Successor Agency:	June 30, 2018	Additions	Retirements	June 30, 2019	Accrued Interest	Due Within One Year
Bonds Payable						
1999 Tax Allocation Refunding Bonds	\$ 3,155	\$ -	\$ (595)	\$ 2,560	\$ 53	\$ 625
2002 Tax Allocation Bonds	6,880	-	(1,295)	5,585	116	1,370
Total Bonds Payable	10,035	-	(1,890)	8,145	169	1,995
Other Long-Term Obligations						
Mayer DDA	2,962	-	(553)	2,409	51	553
Bella Terra OPA (Parking)	8,887	-	(1,265)	7,622	3	1,265
Bella Terra AHA (Phase II)	15,012	-	(816)	14,196	3	816
CIM DDA (Parking & Infrastructure)	6,088	-	(252)	5,836	306	269
CIM DDA (Additional Parking)	387	-	(11)	376	28	12
Section 108 Loan RDA	1,010	-	(490)	520	7	520
Compensated Absences	72	5	(28)	49	-	14
Total Other Long-Term Obligations	34,418	5	(3,415)	31,008	398	3,449
Total Long-Term Obligations	\$ 44,453	\$ 5	\$ (5,305)	\$ 39,153	\$ 567	\$ 5,444



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

**14. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(1) 1999 Tax Allocation Refunding Bonds

Year of Issuance	1999
Type of Debt	Tax Allocation Refunding Bonds
Original Principal Amount	\$10,835,000
Security	Tax Increment
Interest Rates	3.00% to 5.05%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	Prepay Agency's 1992 Loans to Public Financing Authority

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	\$ 625	\$ 112	\$ 737
2021	365	88	453
2022	380	69	449
2023	405	49	454
2024	425	29	454
2025	360	9	369
Total	\$ 2,560	\$ 356	\$ 2,916



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

**14. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(2) 2002 Tax Allocation Refunding Bonds

Year of Issuance	2002
Type of Debt	Tax Allocation Refunding Bonds
Original Principal Amount	\$20,900,000
Security	Tax Increment
Interest Rates	2.00% to 5.00%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	Prepay Agency's 1992 Loans to Public Financing Authority and fully defease 1992 Public Financing Authority bonds

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,370	\$ 245	\$ 1,615
2021	800	191	991
2022	840	150	990
2023	875	107	982
2024	920	62	982
2025	780	20	800
Total	\$ 5,585	\$ 775	\$ 6,360

Pledged Revenues

The Successor Agency will repay a total of \$9,275,000, principal and interest, for the outstanding 1999 and 2002 Tax Allocation Refunding Bonds as of June 30, 2019 from semi-annual Redevelopment Property Tax Trust Fund (RPTTF) revenue allocations.

The 1999 and 2002 Tax Allocation Refunding Bonds are not a debt of the City of Huntington Beach, the State of California, nor any of its political subdivisions, and neither the City, the State nor any of its political subdivision is liable therefore, not in any event shall the bonds be payable out of funds or properties other than those of the Redevelopment Agency as set forth in the bond indenture.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

**14. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(3) Mayer Disposition and Development Agreement

In fiscal year 1996-97, the Agency entered into a disposition and development agreement (DDA) with Robert Mayer Corporation (Corporation) concerning additional development adjacent to the Waterfront Hotel. Under the agreement, the Corporation would advance payments for the project costs with the Agency reimbursing up to \$16,750,000 of the costs. As of year-end, the Successor Agency obligation under the agreement amounted to \$2,409,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.32%. The DDA has been approved as an enforceable obligation by the DOF.

(4) Bella Terra Parking Structure

In fiscal year 2005-06, the Agency entered into an owner participation agreement with Bella Terra Associates, LLC (formerly Huntington Center Associates, LLC). Under the agreement, the Corporation would construct various public improvements, including a parking structure, which would then be deeded to the City. The Agency would reimburse \$15,000,000 of the costs of the public improvements. As of year-end, the Successor Agency obligation under the agreement amounted to \$7,622,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.94%. The agreement has been approved as an enforceable obligation by the DOF.

(5) Bella Terra Phase II

In fiscal year 2010-11, the Agency entered into an affordable housing agreement with BTDJM Phase II Associates (DJM). The agreement would facilitate the construction of a 467 unit mixed use project, including 43 moderate units and 28 very low units. Under the terms of the agreement, the Agency would reimburse DJM for the construction of the affordable units up to \$17,000,000. DJM has transferred the site to UDR, and as of year-end, the Successor Agency obligation under the agreement amounted to \$14,196,000. Reimbursement of the affordable units will be based upon the site-generated tax increment for the mixed use project as well as the 20% housing fund from the site-generated Bella Terra I. The interest rate of this obligation is 4.00%. The agreement has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

**14. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(6) CIM/Huntington Disposition and Development Agreement – Strand Parking Structure and Infrastructure

Year of Issuance	2009
Type of Debt	Loan from CIM Group, LLC
Original Principal Amount	\$7,900,000
Security	Tax Increment
Interest Rates	7.0%
Interest Payment Dates	September 30 th
Principal Payment Dates	September 30 th
Purpose of Debt	Strand Parking Structure and Infrastructure

As of year-end, the Successor Agency obligation under the agreement amounted to \$5,836,000. Repayment shall be made solely from Redevelopment Property Tax Trust Fund (RPTTF) revenues received by the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund in the amounts included in the Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF) no fewer than 90 days prior to the semiannual RPTTF property fund (Redevelopment Property Tax Trust Fund) distribution (or October 4th for the January 2nd distribution and March 1st for the June 1st distribution) (Section 34177(m)). The DDA has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

**14. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(7) CIM/Huntington Disposition and Development Agreement – Additional Strand Parking

Year of Issuance	2009
Type of Debt	Loan from CIM Group, LLC
Original Principal Amount	\$950,000
Security	Tax Increment
Interest Rates	10.0%
Interest Payment Dates	September 30 th
Principal Payment Dates	September 30 th
Purpose of Debt	Additional Strand Parking Structure and Infrastructure

As of year-end, the Successor Agency obligation under the agreement amounted to \$376,000. Repayment shall be made solely from Redevelopment Property Tax Trust Fund (RPTTF) revenues received by the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund in the amounts included in the Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF) no fewer than 90 days prior to the semiannual RPTTF property fund (Redevelopment Property Tax Trust Fund) distribution (or October 4 for the January 2 distribution and March 3 for the June 1 distribution) (Section 34177(m)). The DDA has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

**14. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(8) Section 108 Loan Redevelopment Agency

Year of Issuance and Refinance	Original 2000 Refinanced 2010
Type of Debt	Section 108 Loan from Federal Government
Principal Amount	Original \$6,000,000 Refinanced \$3,665,000
Security	Loan Agreement with Federal Government
Interest Rates	Original 7.7% Refinanced 2.3% to 3.3%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	Capital Improvements.

Debt service requirements to maturity are (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	520	9	529
Total	\$ 520	\$ 9	\$ 529

b. Advances from the City Housing Fund

The Successor Agency has recorded advances from the City Housing Fund totaling \$1,363,000 from the Low-Income Housing Fund to the Redevelopment Agency Capital Projects Fund for Main Pier property acquisitions.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

15. COMMITMENTS AND CONTINGENCIES

a. Legal Actions

There are legal actions pending against the City resulting from normal operations. In the opinion of management and the City Attorney, the financial resolution of these actions should not have a significant impact on these financial statements.

b. Sales Tax Sharing Agreements

City Council has agreed to provide sales tax rebates to various companies, based upon various factors such as increased job-base or new sales tax to the City. The sales tax rebates serve to attract and retain various companies in the City of Huntington Beach. The City of Huntington Beach has four sales tax sharing agreements that extend until 2020, 2024, 2033, and 2038. Sales tax rebates totaled \$1,004,567 for the year ended June 30, 2019. Sales tax sharing agreements include an agreement with Surf City Auto Group II, Inc. for a new Jeep car dealership that extends through 2038. The Sales tax sharing is a 50%/50% Auto Group/City split with base sales of \$1,681,797 (Jeep sales for 2016) and increases by 1% each year. The other sales tax sharing agreements are with Pinnacle Petroleum through 2024, with a base of \$100,000, ACS (Applied Computer Sciences) which continues through 2020, with a maximum annual share of \$250,000, and McKenna Subaru Huntington Beach which runs through 2033 with a 45%/55% McKenna/City split with base sales of \$150,800.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

15. COMMITMENTS AND CONTINGENCIES (Continued)

c. Cooperation and Owner Participation Agreements

On September 2, 2003, the Redevelopment Agency Approved a Cooperation Agreement Regarding Capital Improvements in the Southeast Coastal Redevelopment Project with the City. This agreement commits the Redevelopment Agency to reimburse the City for a number of capital improvement projects to be undertaken as part of the Five Year Capital Improvement Program in the Southeast Redevelopment project area starting in FY 2003/04 as they are undertaken. The Successor Agency received its Finding of Completion notice from the Department of Finance on May 13, 2014. The Oversight Board (to the Successor Agency) have approved and reauthorization of the loans between the City and former Redevelopment Agency in FY 16/17. The State Department of Finance has denied the validity of the loans and the City has filed suit against the State.

d. Redevelopment Successor Agency Debt to City

The City has advanced money to the Redevelopment Agency for major capital improvements, economic development projects, and operations. In January 2011, the City Council and Redevelopment Agency Board approved a revised Cooperation Agreement, which included a Promissory Note that memorialized indebtedness previously incurred by the Agency and owed to the City from a series of loans made from the City to the Agency from 1982 to present. The City and Successor Agency have not recorded the advances in the accompanying financial statements due to uncertainties related to Health and Safety Code Section 34191.4, which establishes certain restrictions and limitations on the repayment of city-agency loans. In accordance with Health and Safety Code Section 34191.4(b)(3), all other loans between the city and former Redevelopment Agency will begin to be repaid, at a 3% interest rate, as determined by SB 107 upon approval of the Oversight Board and the Department of Finance. The Oversight Board (to the Successor Agency) have approved and reauthorization of the loans between the City and former Redevelopment Agency in FY 16/17. The State Department of Finance has denied the validity of the loans and the City has filed suit against the State. Below is a schedule of the activity for the year (in thousands):



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

15. COMMITMENTS AND CONTINGENCIES (Continued)

d. Redevelopment Successor Agency Debt to City (Continued)

	June 30, 2018	Additions	Reductions	June 30, 2019
General Fund				
Direct Advances	\$ 2,312	\$ -	\$ -	\$ 2,312
Indirect Advances	6,567	-	-	6,567
Land Sales	32,833	-	-	32,833
Interest	27,351	1,672	-	29,023
Total General Fund	69,063	1,672	-	70,735
Sewer Fund				
Direct Advances	285	7	-	292
Deferred Development Fees	178	4	-	182
Total Sewer Fund	463	11	-	474
Drainage Fund				
Direct Advances	689	17	-	706
Deferred Development Fees	190	5	-	195
Total Drainage Fund	879	22	-	901
Park Acquisition and Development Fund				
Direct Advances	5,670	137	-	5,807
Deferred Development Fees	421	10	-	431
Total Park Acquisition and Development Fund	6,091	147	-	6,238
Water Fund				
Direct Advances	4,268	103	-	4,371
Total Water Fund	4,268	103	-	4,371
Total All Funds	\$ 80,764	\$ 1,955	\$ -	\$ 82,719

e. Low Moderate Income Housing Asset Fund Debt to City

In May 2009, a Promissory Note was issued by the Redevelopment Agency to the City to pay for outstanding bonded debt related to the Emerald Cove Housing Project. The note is secured by a pledge of Set-Aside Funds. Based on the Promissory Note, the interest rate for the loan is 0% and the loan is scheduled to be repaid by 2021. The City has not recorded the advances in the accompanying financial statements due to uncertainties surrounding ABX1 26 and Assembly Bill 1484 and related litigation (see note 15f). Below is a schedule of the activity for the year (in thousands):

	June 30, 2018	Additions	Reductions	June 30, 2019
General Fund				
Emerald Cove	\$ 3,245	\$ -	\$ -	\$ 3,245



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended June 30, 2019**

15. COMMITMENTS AND CONTINGENCIES (Continued)

f. Successor Agency Litigation

Until 2012, the Huntington Beach Redevelopment Agency existed and received property tax increment from property within the “City Redevelopment Project Area.” In 2012, the State Legislature dissolved all redevelopment agencies, and all tax increment was returned to the County for payment to other taxing entities. The only exception was that tax increment would continue to be paid to the Successor Agency to the City Redevelopment Agency to pay any pre-dissolution, legally binding obligations established prior to the dissolution of the agencies. Further, the City transferred the former Redevelopment Agency’s housing obligations to the Huntington Beach Housing Authority pursuant to Health and Safety Code section 34176.

The Successor Agency contended that its payments to retire the former Redevelopment Agency’s portion of the 2010 Lease Revenue Bonds used to finance the Emerald Cove low income housing project were such an obligation. The annual payment on these bonds is approximately \$400,000 a year. The amount that the City contends to be due to pay the former Redevelopment Agency’s share of the bonds is \$3,245,000.

The Successor Agency also contended that the 2012 Pacific City Development Agreement was a pre-dissolution, legally binding obligation. Pacific City is a development project that was conditioned on providing 77 affordable housing units, of which the Successor Agency now was obliged to construct 26 units off-site, at a cost of \$6,500,000. This would not be a City General Fund obligation.

The State Department of Finance rejected the City’s “Recognized Obligation Payment Schedule” (“ROPS”) to establish these two obligations as entitled to be funded through tax increment. In response, the City sued the Department of Finance.

All post-redevelopment matters are being heard in Sacramento before a select panel of judges. On January 29, 2014, the Superior Court held that the Emerald Cove Bonds and the Pacific City housing were not preexisting Authority obligations payable with tax increment. The Successor Agency appealed the judgment. The appellate decision was received in 2018 and the Successor Agency lost the appeal.

The Housing Authority is reviewing options on meeting the affordable housing requirements for Pacific City with other projects. The City itself does not require a reserve for either case.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

15. COMMITMENTS AND CONTINGENCIES (Continued)

f. Successor Agency Litigation (continued)

In addition, as stated above in section (c) and (d), the City of Huntington Beach has filed suit against the State of California regarding the Department of Finance's denial of loans which were between the Redevelopment Agency and the City of Huntington Beach.

16. OTHER INFORMATION

a. Fund and Accumulated Deficits

The following funds have total fund deficits at year-end (in thousands):

Enterprise Funds:	
Refuse Fund	\$ 193
Internal Service Fund:	
Self Insurance Workers' Comp	12,193

The fund deficit in the Refuse Fund is due to fees and charges below the costs to provide services and the implementation of GASB Nos. 68 and 75 that require the net pension liability and net other postemployment benefits liability to be reported on the face of the financial statement. The Self Insurance Workers' Comp fund has a deficit due to increases in statutory benefits related to workers' comp claims, rising healthcare costs, and the implementation of GASB Nos. 68 and 75.

The City has established plans to reduce and eliminate the deficits in these funds. The City has increased refuse rates to address the deficit in the Refuse Fund. Additional transfers will be made over the next ten to twenty years from the General Fund, Proprietary funds, and other governmental funds to address the deficit in the Self Insurance Workers' Comp Internal Service Fund.

17. SUBSEQUENT EVENTS

a. Public Cable Television Authority

The City has been a member of the Public Cable Television Authority, ("PCTA"), a joint powers authority between the cities of Huntington Beach, Fountain Valley, Stanton, and Westminster to manage the Community Antenna Television Systems ("CATV") for the member cities. On January 22, 2019, the City gave six-month notice to the Public Cable Television Authority ("PCTA") that it was terminating its membership in PCTA. The City formally withdrew from PCTA on July 22, 2019.



City of Huntington Beach Notes to Financial Statements For the Year Ended June 30, 2019

17. SUBSEQUENT EVENTS (Continued)

b. Pension Obligation Bonds

On November 18, 2019, the City Council approved a resolution providing for the possible issuance of taxable Pension Obligation Bonds to refund all or a portion of the City's CalPERS unfunded accrued liability, totaling \$436.2 million as of the June 30, 2018 actuarial valuation. On November 21, 2019, the City submitted the necessary documents to the Orange County Superior Court to begin the judicial validation process, which is expected to take at least 90 days. The resolution also approves a not-to-exceed bond amount with the following conditions: (a) an aggregate principal amount not to exceed the City's unfunded accrued actuarial liability under the PERS Contract pursuant to the Retirement Law as of the date of issuance of the Initial Series of Bonds (as determined by PERS), plus the underwriter's discount on the Initial Series of Bonds, plus any original issue discount on the Initial Series of Bonds, plus the costs of issuance of the Initial Series of Bonds, (b) the true interest cost to the City on the Initial Series of Bonds shall not exceed 5.00%, and (c) the Initial Series of Bonds shall mature not later June 30, 2044 (the current PERS final amortization of the City's unfunded accrued actuarial liability as set forth in the Actuarial Reports).

REQUIRED SUPPLEMENTARY INFORMATION

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City of Huntington Beach Notes to Required Supplementary Information For the Year Ended June 30, 2019

Budgetary Information

The City Council must annually adopt a budget by June 30 of the prior fiscal year. The budgeted expenditures become the appropriations to the various departments. The budget includes estimates for revenue that, along with the appropriations, compute the budgetary fund balance. The appropriated budget covers substantially all governmental fund expenditures with the exception of capital improvement projects (capital projects funds) carried forward from prior years, which constitute a legally authorized non-appropriated budget. The City Council may amend the budget at any time. The City Manager may transfer funds from between object purposes (personal services, operating expenditures, or capital outlay expenditures) within the same department without changing the total departmental budget. Department heads, with the Director of Finance's approval, may transfer funds from like object categories of the same department. The City Council must approve any changes to departmental budgets. Expenditures may not exceed appropriations at the departmental level. All unused appropriations lapse at year-end. During the year the City Council made several supplemental appropriations which included carryovers of prior year encumbrances all of which were within available fund balance and estimated revenue amounts.

The City Council adopts governmental fund budgets consistent with generally accepted principles as legally required. There are no significant non-budgeted financial activities. Revenues for special revenue funds are budgeted by entitlements, grants and estimates of future development and economic growth. Expenditures and transfers are budgeted based upon available financial resources.

On or before February 28th of each year, each department submits data to the City Manager for budget preparation. Staff prepares the budget by fund, function, and activity. The budget includes information on past years, current year estimates and requested appropriations for the next fiscal year. Before May 1st, the City Council receives the proposed budget. The City Council holds public hearings and may amend the budget by a majority vote. Changes to the budget must be within the available revenues and reserves.

These financial schedules show budgetary data for the General and Special Revenue. The original budget, revised budget, actual expenditures, and variance amounts are shown.

The City uses an encumbrance system as an aid in controlling expenditures. When the City issues a purchase order for goods or services, it records an encumbrance until the vendor delivers the goods or performs the service. At year-end, the City reports all outstanding encumbrances as restricted, committed, or assigned fund balance in governmental fund types. The City reappropriates these encumbrances into the new fiscal year.

The following pages present schedules of budget to actual comparison of the General and Grant Special Revenue Fund's Revenues, and Expenditures and Changes in Fund Balance (in thousands).

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 85,909	\$ 89,367	\$ 89,367	\$ -
Sales Taxes	42,993	43,942	43,942	-
Utility Taxes	18,360	18,788	18,788	-
Other Taxes	20,092	20,223	20,227	4
Licenses and Permits	7,594	8,278	8,292	14
Fines, Forfeitures and Penalties	4,316	4,300	4,300	-
Use of Money and Property	17,236	19,434	19,859	425
Intergovernmental	2,903	4,475	4,974	499
Charges for Current Service	25,656	26,044	25,390	(654)
Other	1,378	1,979	1,492	(487)
Total Revenues	226,437	236,830	236,631	(199)
EXPENDITURES				
Current:				
City Council	420	426	369	57
City Manager	2,801	2,913	2,656	257
City Treasurer	258	262	248	14
City Attorney	2,815	2,927	2,874	53
City Clerk	1,030	1,065	981	84
Finance	6,419	6,846	6,467	379
Human Resources	2,070	6,609	6,362	247
Community Development	8,320	8,926	7,960	966
Fire	51,258	53,826	53,547	279
Information Services	7,624	7,996	7,938	58
Police	82,577	84,177	82,098	2,079
Community Services	9,906	11,289	9,414	1,875
Library Services	4,891	5,634	4,710	924
Public Works	27,561	28,462	28,289	173
Debt Service:				
Principal	1,321	1,809	1,379	430
Interest	203	203	177	26
Total Expenditures	209,474	223,370	215,469	7,901
Excess of Revenues				
Over Expenditures	16,963	13,460	21,162	7,702
OTHER FINANCING SOURCES (USES)				
Transfers In	499	2,519	13	(2,506)
Transfers Out	(19,771)	(19,857)	(10,796)	9,061
Total Other Financing Sources (Uses)	(19,272)	(17,338)	(10,783)	6,555
Net Change In Fund Balances	(2,309)	(3,878)	10,379	14,257
Fund Balance - Beginning of Year	68,634	68,634	68,634	-
Fund Balance - End of Year	\$ 66,325	\$ 64,756	\$ 79,013	\$ 14,257

See accompanying Notes to Required Supplementary Information

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

Grants Special Revenue

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Use of Money and Property	\$ 200	\$ 200	\$ 481	\$ 281
Intergovernmental	2,073	16,480	6,880	(9,600)
Other	-	-	6	6
Total Revenues	2,273	16,680	7,367	(9,313)
 EXPENDITURES				
Current:				
City Manager	1,550	4,613	2,704	1,909
Community Development	190	191	178	13
Fire	-	199	125	74
Police	387	2,273	1,448	825
Community Services	40	319	308	11
Library Services	75	133	108	25
Public Works	440	10,668	1,347	9,321
Debt Service:				
Principal	225	617	612	5
Interest	-	14	14	-
Total Expenditures	2,907	19,027	6,844	12,183
Net Change In Fund Balances	(634)	(2,347)	523	2,870
Fund Balance - Beginning of Year	5,546	5,546	5,546	-
Fund Balance - End Of Year	\$ 4,912	\$ 3,199	\$ 6,069	\$ 2,870

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios During the Measurement Period
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Miscellaneous Plan - 99

Measurement Period	2017-18	2016-17	2015-16	2014-15	2013-14
Total Pension Liability					
Service cost	\$ 8,314	\$ 8,084	\$ 7,436	\$ 7,102	\$ 7,263
Interest on total pension liability	38,769	37,749	37,194	35,653	34,412
Differences between expected and actual experience	(2,042)	(9,148)	1,072	(2,900)	-
Changes in assumptions	(3,634)	30,762	-	(8,565)	-
Benefit payments, including refunds of employee contributions	(26,685)	(25,312)	(24,316)	(23,377)	(22,444)
Net change in total pension liability	14,722	42,135	21,386	7,913	19,231
Total pension liability - beginning	557,090	514,955	493,569	485,656	466,425
Total pension liability - ending (a)	\$ 571,812	\$ 557,090	\$ 514,955	\$ 493,569	\$ 485,656
Plan Fiduciary Net Position					
Contributions - employer	\$ 13,495	\$ 12,316	\$ 10,982	\$ 9,747	\$ 9,066
Contributions - employee	3,649	3,869	3,736	3,790	3,909
Investment income	32,963	40,328	1,856	8,230	56,429
Administrative Expense	(614)	(536)	(226)	(418)	(472)
Benefit payments	(26,685)	(25,312)	(24,316)	(23,377)	(22,444)
Pain to Plan Resource Movement	1	-	-	-	-
Other	(1,166)	-	-	2	-
Net change in plan fiduciary net position	21,643	30,665	(7,968)	(2,026)	46,488
Plan fiduciary net position - beginning	393,812	363,147	371,115	373,141	326,653
Plan fiduciary net position - ending (b)	\$ 415,455	\$ 393,812	\$ 363,147	\$ 371,115	\$ 373,141
Net pension liability - beginning	163,278	151,808	122,454	112,515	139,771
Net pension liability - ending (a)-(b)	\$ 156,357	\$ 163,278	\$ 151,808	\$ 122,454	\$ 112,515
Plan fiduciary net position as a percentage of the total pension liability	72.66%	70.69%	70.52%	75.19%	76.83%
Covered payroll	\$ 45,431	\$ 44,848	\$ 44,365	\$ 44,233	\$ 41,142
Net pension liability as a percentage of covered payroll	344.16%	364.07%	342.18%	276.84%	273.48%

Notes to Schedule:

Benefit changes: there were no changes to benefit terms specific to the plan.

Changes in assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2013/14 was the first year of implementation, therefore only five years are shown.

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios During the Measurement Period
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Safety Plan - 100

Measurement Period	2017-18	2016-17	2015-16	2014-15	2013-14
Total Pension Liability					
Service cost	\$ 13,509	\$ 13,657	\$ 12,159	\$ 11,119	\$ 11,096
Interest on total pension liability	51,223	49,350	48,390	46,160	44,246
Differences between expected and actual experience	2,584	(10,819)	2,678	(820)	-
Changes in assumptions	(3,657)	40,352	-	(11,054)	-
Benefit payments, including refunds of employee contributions	(37,128)	(34,222)	(32,116)	(30,535)	(29,540)
Net change in total pension liability	26,531	58,318	31,111	14,870	25,802
Total pension liability - beginning	729,281	670,963	639,852	624,982	599,180
Total pension liability - ending (a)	\$ 755,812	\$ 729,281	\$ 670,963	\$ 639,852	\$ 624,982
Plan Fiduciary Net Position					
Contributions - employer	\$ 21,058	\$ 20,629	\$ 18,703	\$ 17,791	\$ 15,152
Contributions - employee	4,164	4,570	4,058	4,110	3,850
Investment income	39,336	48,413	2,144	9,661	66,805
Administrative Expense	(736)	(640)	(270)	(497)	(555)
Benefit payments	(37,128)	(34,222)	(32,116)	(30,535)	(29,540)
Net Plan to Plan Resource Movement	(3)	-	(29)	-	-
Other	(1,398)	-	-	-	-
Net change in plan fiduciary net position	25,293	38,750	(7,510)	530	55,712
Plan fiduciary net position - beginning	472,474	433,724	441,234	440,704	384,992
Plan fiduciary net position - ending (b)	\$ 497,767	\$ 472,474	\$ 433,724	\$ 441,234	\$ 440,704
Net pension liability - beginning	256,807	237,239	198,618	184,278	214,188
Net pension liability - ending (a)-(b)	\$ 258,045	\$ 256,807	\$ 237,239	\$ 198,618	\$ 184,278
Plan fiduciary net position as a percentage of the total pension liability	65.86%	64.79%	64.64%	68.96%	70.51%
Covered payroll	\$ 43,371	\$ 43,283	\$ 42,619	\$ 42,252	\$ 38,397
Net pension liability as a percentage of covered payroll	594.97%	593.32%	556.65%	470.08%	479.93%

Notes to Schedule:

Benefit changes: there were no changes to benefit terms specific to the plan.

Changes in assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2013/14 was the first year of implementation, therefore only five years are shown.

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
(in Thousands)

Last Ten Fiscal Years*
Supplemental Retirement Plan

Total Pension Liability	2018-19	2017-18**	2016-17	2015-16	2014-15	2013-14
Service cost	\$ 398	\$ 344	\$ 487	\$ 552	\$ 495	\$ 544
Interest on total pension liability	3,990	2,964	3,976	3,945	3,919	3,828
Differences between expected and actual experience	-	(794)	-	982	-	-
Changes in assumptions	-	2,115	1,515	2,928	-	-
Benefit payments, including refunds of employee contributions	(4,771)	(3,388)	(4,144)	(3,773)	(3,588)	(3,548)
Net change in total pension liability	(383)	1,241	1,834	4,634	826	824
Total pension liability - beginning	65,827	64,586	62,752	58,118	57,292	56,468
Total pension liability - ending (a)	\$ 65,444	\$ 65,827	\$ 64,586	\$ 62,752	\$ 58,118	\$ 57,292
Plan Fiduciary Net Position						
Contributions - employer	\$ 4,962	\$ 3,507	\$ 5,346	\$ 7,277	\$ 4,678	\$ 4,539
Contributions - employee	-	-	-	-	-	-
Investment income	2,582	2,128	6,373	4,282	(1,313)	3,465
Administrative Expense	(191)	(145)	(182)	(189)	(170)	(176)
Benefit payments	(4,771)	(3,388)	(4,144)	(3,773)	(3,588)	(3,548)
Section 115 Trust Segregation	-	(3,788)	-	-	-	-
Other	-	-	-	-	3,183	258
Net change in plan fiduciary net position	2,582	(1,686)	7,393	7,597	2,790	4,538
Plan fiduciary net position - beginning	56,271	57,957	50,564	42,967	40,177	35,639
Plan fiduciary net position - ending (b)	\$ 58,853	\$ 56,271	\$ 57,957	\$ 50,564	\$ 42,967	\$ 40,177
Net pension liability - beginning	9,556	6,629	12,188	15,151	17,115	20,829
Net pension liability - ending (a)-(b)	\$ 6,591	\$ 9,556	\$ 6,629	\$ 12,188	\$ 15,151	\$ 17,115
Plan fiduciary net position as a percentage of the total pension liability	89.93%	85.48%	89.74%	80.58%	73.93%	70.13%
Covered payroll	\$ 12,863	\$ 10,890	\$ 17,167	\$ 19,517	\$ 22,069	\$ 22,004
Net pension liability as a percentage of covered payroll	51.24%	87.75%	38.61%	62.45%	68.65%	77.78%

* - Fiscal year 2013/14 was the first year of implementation, therefore only six years are shown.

** - The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30, 2018.

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Measurement Periods Ended June 30
(in Thousands)

Last Ten Fiscal Years*

Other Post Employment Benefits Plan

Measurement Period	2018	2017
Total OPEB Liability		
Service cost	\$ 1,205	\$ 877
Interest on the total OPEB liability	1,787	1,293
Benefit payments	(1,683)	(1,036)
Net change in total OPEB liability	1,309	1,134
Total OPEB liability - beginning	32,125	30,991
Total OPEB liability - ending (a)	\$ 33,434	\$ 32,125
 Plan Fiduciary Net Position		
Contribution - employer	\$ 4,191	\$ 1,036
Net investment income	1,126	471
Benefit payments	(1,683)	(1,036)
Administrative expense	(131)	(9)
Net change in plan fiduciary net position	3,503	462
Plan fiduciary net position - beginning	23,322	22,860
Plan fiduciary net position - ending (b)	\$ 26,825	\$ 23,322
 Net OPEB liability - ending (a)-(b)	 \$ 6,609	 \$ 8,803
 Plan fiduciary net position as a percentage of the total OPEB liability	 80.23%	 72.60%
 Covered employee payroll	 \$ 81,458	 \$ 60,985
 Net OPEB liability as a percentage of covered employee payroll	 8.11%	 14.43%

Notes to Schedule:

* Fiscal year 2017/18 was the first year of implementation, therefore only two years of information are shown.

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2019
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Miscellaneous Plan - 99

	<u>2018-19¹</u>	<u>2017-18^{1,2}</u>	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 14,819	\$ 9,734	\$ 11,921	\$ 11,238	\$ 10,510	\$ 8,685
Contributions in relation to the actuarially determined contributions	(14,819)	(9,734)	(11,921)	(11,238)	(10,510)	(8,685)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 45,419	\$ 33,210	\$ 45,118	\$ 44,253	\$ 46,337	\$ 43,327
Contributions as a percentage of covered payroll	32.63%	29.31%	26.42%	25.39%	22.68%	20.05%

¹Historical information is required only for measurement periods for which GASB 68 is applicable.

² The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30,

Notes to Schedule

Valuation dates: 6/30/2012 through 6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see Funding Valuation Reports for the years ended June 30, 2012-2015.
Asset valuation method	For 10/1/14-6/30/15, 15 Year Smoothed Market (for details, see June 30, 2012 Funding Valuation Report). For 7/1/15-6/30/19, Market Value (for details, see the Funding Valuation Reports for the years ended June 30,
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Discount Rate	7.375%, net of pension plan investment and administrative expenses; includes inflation. On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The discount rate will be lowered to 7.25 percent next year and 7.00 percent the following year as adopted by the Board.
Retirement age	For 10/1/13-6/30/16, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2007. For 7/1/16-6/30/19, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2011.
Mortality	For 10/1/13-6/30/16, the probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. For 7/1/16-6/30/19, the probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. For 7/1/16-6/30/18, Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. For 7/1/18-6/30/19, Pre-retirement and Post-retirement mortality rates include 20 years of projected

*Beginning with the June 30, 2013 valuations, CalPERS employed an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2019
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Safety Plan - 100

	<u>2018-19¹</u>	<u>2017-18^{1,2}</u>	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 23,062	\$ 15,223	\$ 19,468	\$ 19,129	\$ 18,125	\$ 14,759
Contributions in relation to the actuarially determined contributions	(23,062)	(15,223)	(19,468)	(19,129)	(19,125)	(14,759)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>
Covered payroll	\$ 43,684	\$ 31,943	\$ 43,269	\$ 42,607	\$ 44,055	\$ 41,167
Contributions as a percentage of covered payroll	52.79%	47.66%	44.99%	44.90%	43.41%	35.85%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30, 2018.

Notes to Schedule

Valuation dates: 6/30/2012 through 6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see Funding Valuation Reports for the years ended June 30, 2012-2015.
Asset valuation method	For 10/1/14-6/30/15, 15 Year Smoothed Market (for details, see June 30, 2012 Funding Valuation Report). For 7/1/15-6/30/19, Market Value (for details, see the Funding Valuation Reports for the years ended June 30, 2012-2015).
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Discount Rate	7.375%, net of pension plan investment and administrative expenses; includes inflation. On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The discount rate will be lowered to 7.25 percent next year and 7.00 percent the following year as adopted by the Board.
Retirement age	For 10/1/13-6/30/16, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2007. For 7/1/16-6/30/19, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2011.
Mortality	For 10/1/13-6/30/16, the probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. For 7/1/16-6/30/19, the probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. For 7/1/16-6/30/18, Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. For 7/1/18-6/30/19, Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

*Beginning with the June 30, 2013 valuations, CalPERS employed an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2019
(in Thousands)

Last Ten Fiscal Years*
Supplemental Retirement Plan

	<u>2018-19¹</u>	<u>2017-18^{1,2}</u>	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 2,258	\$ 2,879	\$ 3,895	\$ 3,576	\$ 3,634	\$ 4,534
Contributions in relation to the actuarially determined contributions	(4,962)	(3,507)	(5,346)	(7,277)	(4,678)	(4,539)
Contribution deficiency (excess)	<u>\$ (2,704)</u>	<u>\$ (628)</u>	<u>\$ (1,451)</u>	<u>\$ (3,701)</u>	<u>\$ (1,044)</u>	<u>\$ (5)</u>
Covered payroll	\$ 12,863	\$ 10,890	\$ 17,167	\$ 19,517	\$ 22,069	\$ 22,004
Contributions as a percentage of covered payroll	38.58%	32.20%	31.14%	37.29%	21.20%	20.63%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30, 2018.

Notes to Schedule

Valuation date:	9/30/2017	9/30/2017	9/30/2015	9/30/2013	9/30/2013	9/30/2011
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal, Level Percentage of Payroll 9/30/12 UAAL: fixed 10-year period, Gains/Losses: fixed 15-year period, Discount rate change loss: 10-year period, 6/30/18 UAAL: fixed 5-year period fresh start. Level dollar amortization
Amortization method/period	
Asset valuation method	Investment gains/losses spread over a 3-year rolling period
Inflation	3.00%
Salary increases	Varies by entry age and service
Payroll growth	Merit - CalPERS 1997-2011 Experience Study plus 3.25% aggregate increase for the October 1, 2013 to June 30, 2018 measurement period. 3% aggregate increase for the July 1, 2018 - June 30, 2019 measurement period.
Investment rate of return	6.5%, net of pension plan investment and administrative expenses, including inflation for the October 1, 2013 to June 30, 2018 measurement period. 6.25%, net of pension plan investment and administrative expenses, for the
Retirement age	The probabilities of retirement are based on the CalPERS 1997-2011 Experience Study
Mortality	The probabilities of mortality are based on the CalPERS 1997-2011 Experience Study. Pre-retirement and Post-retirement mortality rates include mortality projected fully generational with Scale MP-14, modified to converge to ultimate improvement rates in 2022 for the October 1, 2013 to June 30, 2018 measurement period. Mortality projected fully generational with Scale MP-17 for the July 1, 2018 to June 30, 2019 measurement period.

Schedule of Money Weighted Rate of Return

	<u>2019²</u>	<u>2018²</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money Weighted Rate of Return, net of investment expense	4.79%	4.04%	12.87%	10.20%	-2.82%	9.20%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

**City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2019
(in Thousands)**

**Last Ten Fiscal Years*
Other Post Employment Benefits Plan**

Fiscal Year Ended June 30	2019	2018**
Actuarially Determined Contribution (ADC)	\$ 1,746	\$ 2,022
Contributions in relation to the ADC	(2,270)	(4,192)
Contribution deficiency (excess)	\$ (524)	\$ (2,170)
Covered-employee payroll**	\$ 79,682	\$ 59,589
Contributions as a percentage of covered-employee payroll	2.85%	7.03%

Notes to Schedule:

Valuation date:	6/30/2017	6/30/2015
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Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation	3% for the October 1, 2017 - June 30, 2018 period. 2.75% for the July 1, 2018 - June 30, 2019 period. Assumes investing in California Employers' Retiree Benefit Trust asset allocation Strategy 1.
Payroll Growth	3% per annum, in aggregate
Investment Rate of Return	6% for the October 1, 2017 - June 30, 2018 period. 6.25% for the July 1, 2018 - June 30, 2019 period. Assumes investing in California Employers' Retiree Benefit Trust asset allocation Strategy 1.
Healthcare cost-trend rates	7.0% initial, 1.0% - 2.0% near term increase then decreasing 0.5% per year to trend rate that reflects medical price inflation.
Retirement Age	Tier 1 employees - 2.5% @55 and Tier 2 employees - 2.0% @62 The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

*Historical information is required only for measurement periods for which GASB 75 is applicable.

Future years' information will be displayed up to 10 years as information becomes available.

** For the nine-month period ending June 30, 2018. The City changed its fiscal year effective October 1, 2017.

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SUPPLEMENTARY INFORMATION

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City of Huntington Beach Other Governmental Funds

Special Revenue Funds account for revenues and expenditures legally constrained to a specific purpose.

- The **Air Quality Fund** accounts for revenues from the local agencies used to improve local air quality.
- The **Development Impact Fee Fund** accounts for fees collected for new developments to be used for transportation, park land acquisition and development, library and other public facilities in an effort to mitigate the impacts of those new developments.
- The **Disability Access Fund** accounts for the State Mandated Disability Access Fee (SB 1186) to fund increased training certified access specialist (CASp) services for the public and to facilitate compliance with construction related accessibility requirements.
- The **Drainage Fund** accounts for fees received from developers to construct and maintain the City's drainage system.
- The **Fourth of July Parade Fund** accounts for the activities of the City's annual parade.
- The **Gas Tax Fund** accounts for monies allocated under the Streets and Highways Code of California. Expenditures may be made for any street related purpose allowed under the code.
- The **Housing Residual Receipt Fund** accounts for residual receipts received for housing activities.
- The **Park Acquisition and Development Fund** accounts for fees received from developers to develop and maintain the City's park system.
- The **ELM Automation Fund** accounts for automation fee revenues and Enterprise Land Management (ELM) replacement costs and maintenance expenditures.
- The **Traffic Congestion Relief Fund** accounts for moneys allocated for roadway maintenance as established by Assembly Bill 2928.
- The **Traffic Impact Fee Fund** accounts for moneys received from the traffic impact fee levied on new developments in the City.
- The **Transportation Fund** accounts for moneys received from the countywide half cent sales tax and other specific sources to be spent on transportation related expenditures.

Debt Service Funds account for the receipts for and payment of general long-term debt.

- The **Public Financing Authority** accounts for the activity of the Huntington Beach Public Financing Authority.

Capital Projects Funds account for the acquisition and construction of capital assets other than those financed by proprietary fund types.

- The **Affordable Housing In-Lieu Fund** accounts for the Affordable Housing In-Lieu Fee from developers of housing projects who have elected to pay the fee in-lieu of building the affordable housing in their project.
- The **Infrastructure Fund** records activity for certain designate infrastructure related expenditures.
- The **Lease Capital Project Fund** records activity for capital lease project expenditures.
- The **Parking In-Lieu Fund** records construction activity from developers who pay fees in-lieu of directly providing parking facilities to the City.
- The **Senior Center Development Fund** records construction activity for the Senior Center Development at Central Park.
- The **Sewer Development Fund** accounts for fees received from developers to construct and maintain sewer facilities.
- The **Technology Fund** accounts for technology infrastructure project expenditures

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2019
(In Thousands)**

SPECIAL REVENUE FUNDS						
ASSETS	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
Cash and Investments	\$ 998	\$ 18,789	\$ 163	\$ 1,733	\$ 100	\$ 6,243
Taxes Receivable	-	-	-	-	-	663
Other Receivables	73	87	1	8	-	29
Prepays	-	-	-	-	64	-
Total Assets	<u>\$ 1,071</u>	<u>\$ 18,876</u>	<u>\$ 164</u>	<u>\$ 1,741</u>	<u>\$ 164</u>	<u>\$ 6,935</u>
LIABILITIES						
Accounts Payable	\$ -	\$ 15	\$ 2	\$ -	\$ 16	\$ 104
Accrued Payroll	-	3	-	-	-	-
Total Liabilities	<u>-</u>	<u>18</u>	<u>2</u>	<u>-</u>	<u>16</u>	<u>104</u>
FUND BALANCES						
Nonspendable						
Prepays	-	-	-	-	64	-
Restricted						
Pollution Remediation	-	-	-	-	-	-
Highways, Streets and Transportation	-	-	-	-	-	6,831
Low Income Housing	-	-	-	-	-	-
Air Quality	1,071	-	-	-	-	-
Other Capital Projects	-	18,858	-	1,741	-	-
Other Purposes	-	-	162	-	84	-
Committed						
Parks	-	-	-	-	-	-
Total Fund Balances	<u>1,071</u>	<u>18,858</u>	<u>162</u>	<u>1,741</u>	<u>148</u>	<u>6,831</u>
Total Liabilities and Fund Balances	<u>\$ 1,071</u>	<u>\$ 18,876</u>	<u>\$ 164</u>	<u>\$ 1,741</u>	<u>\$ 164</u>	<u>\$ 6,935</u>

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2019
(In Thousands)
(continued)**

SPECIAL REVENUE FUNDS						
Housing Residual Receipt	Park Acquisition and Development	ELM Automation Fund	Traffic Congestion Relief	Traffic Impact Fee	Transportation	Total Special Revenue Funds
\$ 437	\$ 3,429	\$ 297	\$ 1,281	\$ 4,292	\$ 1,656	\$ 39,418
-	-	-	-	-	512	1,175
2	16	2	6	20	8	252
-	-	-	-	-	-	64
<u>\$ 439</u>	<u>\$ 3,445</u>	<u>\$ 299</u>	<u>\$ 1,287</u>	<u>\$ 4,312</u>	<u>\$ 2,176</u>	<u>\$ 40,909</u>
\$ 7	\$ 4	\$ -	\$ 44	\$ 63	\$ 179	\$ 434
-	2	5	-	-	36	46
<u>7</u>	<u>6</u>	<u>5</u>	<u>44</u>	<u>63</u>	<u>215</u>	<u>480</u>
-	-	-	-	-	-	64
-	332	-	-	-	-	332
432	-	-	1,243	4,249	1,961	14,284
-	-	-	-	-	-	432
-	-	-	-	-	-	1,071
-	-	-	-	-	-	20,599
-	-	294	-	-	-	540
-	3,107	-	-	-	-	3,107
<u>432</u>	<u>3,439</u>	<u>294</u>	<u>1,243</u>	<u>4,249</u>	<u>1,961</u>	<u>40,429</u>
<u>\$ 439</u>	<u>\$ 3,445</u>	<u>\$ 299</u>	<u>\$ 1,287</u>	<u>\$ 4,312</u>	<u>\$ 2,176</u>	<u>\$ 40,909</u>

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2019
(In Thousands)
(continued)**

	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS		
	Public Financing Authority	Affordable Housing In-Lieu	Infrastructure	Lease Capital Project
ASSETS				
Cash and Investments	\$ 4,316	\$ 506	\$ 10,389	\$ -
Cash and Investments with Fiscal Agent	4,683	-	-	40
Taxes Receivable	-	-	-	-
Other Receivables	31	2	48	-
Due from Other Funds	-	-	30	-
Prepays	-	-	-	-
Total Assets	\$ 9,030	\$ 508	\$ 10,467	\$ 40
LIABILITIES				
Accounts Payable	\$ -	\$ 41	\$ 344	\$ -
Accrued Payroll	-	-	-	-
Due to Other Funds	-	-	-	30
Total Liabilities	-	41	344	30
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	10	-
Total Deferred Inflows of Resources	-	-	10	-
FUND BALANCES				
Nonspendable				
Prepaid Insurance	-	-	-	-
Restricted				
Pollution Remediation	-	-	-	-
Debt Service	9,030	-	-	-
Highways, Streets and Transportation	-	-	-	-
Low Income Housing	-	467	-	-
Air Quality	-	-	-	-
Other Capital Projects	-	-	-	10
Other Purposes	-	-	-	-
Committed				
Parks	-	-	-	-
Other Capital Projects	-	-	10,113	-
Assigned				
Capital Improvement Reserve	-	-	-	-
Total Fund Balances	9,030	467	10,113	10
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,030	\$ 508	\$ 10,467	\$ 40

**CITY OF HUNTINGTON BEACH
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 June 30, 2019
 (In Thousands)
 (continued)**

CAPITAL PROJECT FUNDS						
Parking In-Lieu	Senior Center Development	Sewer Development	Technology	Total Capital Projects Funds		Total Other Governmental Funds
\$ 522	\$ 16	\$ 6,612	\$ 3,601	\$ 21,646	\$	65,380
-	822	-	-	862	\$	5,545
-	-	-	-	-		1,175
3	-	31	13	97		380
-	-	-	-	30		30
-	-	-	-	-		64
\$ 525	\$ 838	\$ 6,643	\$ 3,614	\$ 22,635	\$	72,574
\$ -	\$ -	\$ 80	\$ -	\$ 465	\$	899
-	-	-	-	-		46
-	-	-	-	30		30
-	-	80	-	495		975
-	-	-	-	10		10
-	-	-	-	10		10
-	-	-	-	-		64
-	-	-	-	-		332
-	-	-	-	-		9,030
-	-	-	-	-		14,284
-	-	-	-	467		899
-	-	-	-	-		1,071
-	838	-	-	848		21,447
-	-	-	-	-		540
-	-	-	-	-		3,107
525	-	6,563	-	17,201		17,201
-	-	-	3,614	3,614		3,614
525	838	6,563	3,614	22,130		71,589
\$ 525	\$ 838	\$ 6,643	\$ 3,614	\$ 22,635	\$	72,574

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

	SPECIAL REVENUE FUNDS					
	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
REVENUES						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	6,969
Licenses and Permits	-	-	77	-	-	-
Use of Money and Property	36	607	5	53	81	155
Intergovernmental	84	-	-	-	58	-
Charges for Current Service	-	4,774	-	429	179	-
Other	-	-	-	-	74	-
Total Revenues	<u>120</u>	<u>5,381</u>	<u>82</u>	<u>482</u>	<u>392</u>	<u>7,124</u>
EXPENDITURES						
Current:						
City Manager	-	-	-	-	-	-
Finance	-	-	11	-	-	-
Information Systems	-	-	-	-	-	-
Community Services	-	1,313	-	-	278	-
Library Services	-	126	-	-	-	-
Public Works	106	-	-	-	-	3,704
Total Expenditures	<u>106</u>	<u>1,439</u>	<u>11</u>	<u>-</u>	<u>278</u>	<u>3,704</u>
Excess Of Revenues Over (Under) Expenditures	<u>14</u>	<u>3,942</u>	<u>71</u>	<u>482</u>	<u>114</u>	<u>3,420</u>
Other Financing Sources (Uses):						
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>14</u>	<u>3,942</u>	<u>71</u>	<u>482</u>	<u>114</u>	<u>3,420</u>
Fund Balances - Beginning Of Year	<u>1,057</u>	<u>14,916</u>	<u>91</u>	<u>1,259</u>	<u>34</u>	<u>3,411</u>
Fund Balances - End Of Year	<u>\$ 1,071</u>	<u>\$ 18,858</u>	<u>\$ 162</u>	<u>\$ 1,741</u>	<u>\$ 148</u>	<u>\$ 6,831</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

SPECIAL REVENUE FUNDS						
Housing Residual Receipt	Park Acquisiton and Development	ELM Automation Fund	Traffic Congestion Relief	Traffic Impact Fee	Transportation	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,495	\$ 3,495
-	-	-	-	-	-	6,969
-	-	-	-	-	-	77
30	123	7	49	150	76	1,372
-	-	-	906	-	170	1,218
-	62	366	-	589	-	6,399
199	-	1	-	-	1	275
<u>229</u>	<u>185</u>	<u>374</u>	<u>955</u>	<u>739</u>	<u>3,742</u>	<u>19,805</u>
827	-	-	-	-	-	827
-	-	-	-	-	-	11
-	-	404	-	-	-	404
-	283	-	-	-	-	1,874
-	-	-	-	-	-	126
-	-	-	1,158	915	4,938	10,821
<u>827</u>	<u>283</u>	<u>404</u>	<u>1,158</u>	<u>915</u>	<u>4,938</u>	<u>14,063</u>
<u>(598)</u>	<u>(98)</u>	<u>(30)</u>	<u>(203)</u>	<u>(176)</u>	<u>(1,196)</u>	<u>5,742</u>
<u>(26)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26)</u>
<u>(26)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26)</u>
<u>(624)</u>	<u>(98)</u>	<u>(30)</u>	<u>(203)</u>	<u>(176)</u>	<u>(1,196)</u>	<u>5,716</u>
<u>1,056</u>	<u>3,537</u>	<u>324</u>	<u>1,446</u>	<u>4,425</u>	<u>3,157</u>	<u>34,713</u>
<u>\$ 432</u>	<u>\$ 3,439</u>	<u>\$ 294</u>	<u>\$ 1,243</u>	<u>\$ 4,249</u>	<u>\$ 1,961</u>	<u>\$ 40,429</u>

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)
(continued)

	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS		
	Public Financing Authority	Affordable Housing In-Lieu	Infrastructure	Lease Capital Project
REVENUES				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Licenses and Permits	-	137	-	-
Use of Money and Property	113	70	296	3
Intergovernmental	-	-	-	-
Charges for Current Service	-	-	-	-
Other	-	-	9	-
Total Revenues	113	207	305	3
EXPENDITURES				
Current:				
City Manager	-	100	-	-
Finance	6	-	-	-
Fire	-	-	-	759
Information Systems	-	-	-	-
Community Services	-	-	124	-
Library Services	-	-	-	-
Public Works	-	-	4,473	-
Debt Service:				
Principal	3,355	-	-	-
Interest	1,675	-	-	24
Total Expenditures	5,036	100	4,597	783
Excess Of Revenues Over (Under) Expenditures	(4,923)	107	(4,292)	(780)
Other Financing Sources (Uses):				
Transfers In	5,043	-	5,258	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	5,043	-	5,258	-
Net Change in Fund Balances	120	107	966	(780)
Fund Balances - Beginning of Year	8,910	360	9,147	790
Fund Balances - End of Year	\$ 9,030	\$ 467	\$ 10,113	\$ 10

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)
(continued)**

CAPITAL PROJECT FUNDS						Total Other Governmental Funds
Parking In-Lieu	Senior Center Development	Sewer Development	Technology	Total Capital Projects Funds		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,495
-	-	-	-	-	-	6,969
68	-	-	-	205	-	282
-	17	257	60	703	-	2,188
-	-	-	-	-	-	1,218
-	-	213	-	213	-	6,612
-	-	-	3	12	-	287
<u>68</u>	<u>17</u>	<u>470</u>	<u>63</u>	<u>1,133</u>	<u>-</u>	<u>21,051</u>
-	-	-	-	100	-	927
-	-	-	-	-	-	17
-	-	-	-	759	-	759
-	-	-	-	-	-	404
-	-	-	-	124	-	1,998
-	-	-	-	-	-	126
-	50	1,898	-	6,421	-	17,242
-	-	-	-	-	-	3,355
-	-	-	-	24	-	1,699
<u>-</u>	<u>50</u>	<u>1,898</u>	<u>-</u>	<u>7,428</u>	<u>-</u>	<u>26,527</u>
<u>68</u>	<u>(33)</u>	<u>(1,428)</u>	<u>63</u>	<u>(6,295)</u>	<u>-</u>	<u>(5,476)</u>
-	-	-	850	6,108	-	11,151
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26)</u>
-	-	-	850	6,108	-	11,125
68	(33)	(1,428)	913	(187)	-	5,649
457	871	7,991	2,701	22,317	-	65,940
<u>\$ 525</u>	<u>\$ 838</u>	<u>\$ 6,563</u>	<u>\$ 3,614</u>	<u>\$ 22,130</u>	<u>\$ -</u>	<u>\$ 71,589</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

Air Quality

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 36	\$ 36
Intergovernmental	250	73	84	11
TOTAL REVENUES	<u>250</u>	<u>73</u>	<u>120</u>	<u>47</u>
EXPENDITURES:				
Current:				
Public Works	266	1,019	106	913
NET CHANGE IN FUND BALANCE	<u>(16)</u>	<u>(946)</u>	<u>14</u>	<u>960</u>
Fund Balance - Beginning of Year	1,057	1,057	1,057	-
Fund Balance - End of Year	<u>\$ 1,041</u>	<u>\$ 111</u>	<u>\$ 1,071</u>	<u>\$ 960</u>

Development Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Current Service	\$ 3,060	\$ 3,060	\$ 4,774	\$ 1,714
Use of Money and Property	-	-	607	607
TOTAL REVENUES	<u>3,060</u>	<u>3,060</u>	<u>5,381</u>	<u>2,321</u>
EXPENDITURES:				
Current:				
Community Services	1,165	3,884	1,313	2,571
Library Services	50	150	126	24
Debt Service:				
Principal	10	10	-	10
TOTAL EXPENDITURES	<u>1,225</u>	<u>4,044</u>	<u>1,439</u>	<u>2,605</u>
NET CHANGE IN FUND BALANCE	<u>1,835</u>	<u>(984)</u>	<u>3,942</u>	<u>4,926</u>
Fund Balance - Beginning of Year	14,916	14,916	14,916	-
Fund Balance - End of Year	<u>\$ 16,751</u>	<u>\$ 13,932</u>	<u>\$ 18,858</u>	<u>\$ 4,926</u>

Disability Access

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ 84	\$ 84	\$ 77	\$ (7)
Use of Money and Property	-	-	5	5
TOTAL REVENUES	<u>84</u>	<u>84</u>	<u>82</u>	<u>(2)</u>
EXPENDITURES:				
Current:				
Finance	84	84	11	73
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>71</u>	<u>71</u>
Fund Balance - Beginning of Year	91	91	91	-
Fund Balance - End of Year	<u>\$ 91</u>	<u>\$ 91</u>	<u>\$ 162</u>	<u>\$ 71</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)

Drainage

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 53	\$ 53
Charges for Current Service	100	100	429	329
TOTAL REVENUES	100	100	482	382
EXPENDITURES:				
Current:				
Public Works	-	-	-	-
NET CHANGE IN FUND BALANCE	100	100	482	382
Fund Balance - Beginning of Year	1,259	1,259	1,259	-
Fund Balance - End of Year	\$ 1,359	\$ 1,359	\$ 1,741	\$ 382

Fourth of July Parade

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 120	\$ 120	\$ 81	\$ (39)
Intergovernmental	65	65	58	(7)
Charges for Current Service	135	135	179	44
Other	80	80	74	(6)
TOTAL REVENUES	400	400	392	(8)
EXPENDITURES:				
Current:				
Community Services	430	497	278	219
NET CHANGE IN FUND BALANCE	(30)	(97)	114	211
Fund Balance - Beginning of Year	34	34	34	-
Fund Balance - End of Year	\$ 4	\$ (63)	\$ 148	\$ 211

Gas Tax

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 155	\$ 155
Other Taxes	6,791	6,791	6,969	178
TOTAL REVENUES	6,791	6,791	7,124	333
EXPENDITURES:				
Current:				
Public Works	5,999	9,738	3,704	6,034
NET CHANGE IN FUND BALANCE	792	(2,947)	3,420	6,367
Fund Balance - Beginning of Year	3,411	3,411	3,411	-
Fund Balance - End of Year	\$ 4,203	\$ 464	\$ 6,831	\$ 6,367

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

Housing Residual Receipt

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 30	\$ 30
Other	406	406	199	(207)
TOTAL REVENUES	406	406	229	(177)
EXPENDITURES:				
Current:				
City Manager	50	843	827	16
TOTAL EXPENDITURES	50	843	827	16
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	356	(437)	(598)	(161)
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	(26)	(26)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(26)	(26)	-
NET CHANGE IN FUND BALANCE	356	(463)	(624)	(161)
Fund Balance - Beginning of Year	1,056	1,056	1,056	-
Fund Balance - End of Year	<u>\$ 1,412</u>	<u>\$ 593</u>	<u>\$ 432</u>	<u>\$ (161)</u>

Park Acquisition and Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 123	\$ 123
Charges for Current Service	-	-	62	62
TOTAL REVENUES	-	-	185	185
EXPENDITURES:				
Current:				
Community Services	1,169	2,333	283	2,050
NET CHANGE IN FUND BALANCE	(1,169)	(2,333)	(98)	2,235
Fund Balance - Beginning of Year	3,537	3,537	3,537	-
Fund Balance - End of Year	<u>\$ 2,368</u>	<u>\$ 1,204</u>	<u>\$ 3,439</u>	<u>\$ 2,235</u>

ELM Automation Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 7	\$ 7
Charges for Current Service	225	225	366	141
Other	-	-	1	1
TOTAL REVENUES	225	225	374	149
EXPENDITURES:				
Current:				
Information Systems	405	405	404	1
NET CHANGE IN FUND BALANCE	(180)	(180)	(30)	150
Fund Balance - Beginning of Year	324	324	324	-
Fund Balance - End of Year	<u>\$ 144</u>	<u>\$ 144</u>	<u>\$ 294</u>	<u>\$ 150</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)

Traffic Congestion Relief

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 49	\$ 49
Intergovernmental	1,515	947	906	(41)
TOTAL REVENUES	1,515	947	955	8
EXPENDITURES:				
Current:				
Public Works	1,232	2,370	1,158	1,212
NET CHANGE IN FUND BALANCE	283	(1,423)	(203)	1,220
Fund Balance - Beginning of Year	1,446	1,446	1,446	-
Fund Balance - End of Year	<u>\$ 1,729</u>	<u>\$ 23</u>	<u>\$ 1,243</u>	<u>\$ 1,220</u>

Traffic Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 150	\$ 150
Charges for Current Service	100	100	589	489
TOTAL REVENUES	100	100	739	639
EXPENDITURES:				
Current:				
Public Works	-	3,599	915	2,684
NET CHANGE IN FUND BALANCE	100	(3,499)	(176)	3,323
Fund Balance - Beginning of Year	4,425	4,425	4,425	-
Fund Balance - End of Year	<u>\$ 4,525</u>	<u>\$ 926</u>	<u>\$ 4,249</u>	<u>\$ 3,323</u>

Transportation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Sales Taxes	\$ 3,350	\$ 3,350	\$ 3,495	\$ 145
Use of Money and Property	38	38	76	38
Intergovernmental	-	-	170	170
Other	-	-	1	1
TOTAL REVENUES	3,388	3,388	3,742	354
EXPENDITURES:				
Current:				
Public Works	3,613	6,537	4,938	1,599
NET CHANGE IN FUND BALANCE	(225)	(3,149)	(1,196)	1,953
Fund Balance - Beginning of Year	3,157	3,157	3,157	-
Fund Balance - End of Year	<u>\$ 2,932</u>	<u>\$ 8</u>	<u>\$ 1,961</u>	<u>\$ 1,953</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)

Public Financing Authority

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 113	\$ 113
EXPENDITURES:				
Current:				
Finance	12	12	6	6
Debt Service:				
Principal	3,355	3,355	3,355	-
Interest	1,676	1,676	1,675	1
TOTAL EXPENDITURES	5,043	5,043	5,036	7
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,043)	(5,043)	(4,923)	120
OTHER FINANCING SOURCES (USES):				
Transfers In	5,043	5,043	5,043	-
NET CHANGE IN FUND BALANCE	-	-	120	120
Fund Balance - Beginning of Year	8,910	8,910	8,910	-
Fund Balance - End of Year	<u>\$ 8,910</u>	<u>\$ 8,910</u>	<u>\$ 9,030</u>	<u>\$ 120</u>

Affordable Housing In-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ 15	\$ 15	\$ 137	\$ 122
Use of Money and Property	-	-	70	70
TOTAL REVENUES	15	15	207	192
EXPENDITURES:				
Current:				
City Manager	37	305	100	205
NET CHANGE IN FUND BALANCE	(22)	(290)	107	397
Fund Balance - Beginning of Year	360	360	360	-
Fund Balance - End of Year	<u>\$ 338</u>	<u>\$ 70</u>	<u>\$ 467</u>	<u>\$ 397</u>

Infrastructure

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 296	\$ 296
Other	-	-	9	9
TOTAL REVENUES	-	-	305	305
EXPENDITURES:				
Current:				
Community Services	-	244	124	120
Public Works	6,008	11,228	4,473	6,755
TOTAL EXPENDITURES	6,008	11,472	4,597	6,875
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,008)	(11,472)	(4,292)	7,180
OTHER FINANCING SOURCES (USES):				
Transfers In	5,208	5,258	5,258	-
NET CHANGE IN FUND BALANCE	(800)	(6,214)	966	7,180
Fund Balance - Beginning of Year	9,147	9,147	9,147	-
Fund Balance - End of Year	<u>\$ 8,347</u>	<u>\$ 2,933</u>	<u>\$ 10,113</u>	<u>\$ 7,180</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)

Lease Capital Project

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 3	\$ 3
EXPENDITURES:				
Fire	-	786	759	27
Debt Service:				
Interest	-	-	24	(24)
TOTAL EXPENDITURES	-	786	783	3
NET CHANGE IN FUND BALANCE	-	(786)	(780)	6
Fund Balance - Beginning of Year	790	790	790	-
Fund Balance - End of Year	\$ 790	\$ 4	\$ 10	\$ 6

Parking In-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ 68	\$ 68	\$ 68	-
EXPENDITURES:				
Current:				
City Manager	105	135	-	135
NET CHANGE IN FUND BALANCE	(37)	(67)	68	135
Fund Balance - Beginning of Year	457	457	457	-
Fund Balance - End of Year	\$ 420	\$ 390	\$ 525	\$ 135

Senior Center Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 17	\$ 17
EXPENDITURES:				
Current:				
Public Works	-	50	50	-
NET CHANGE IN FUND BALANCE	-	(50)	(33)	17
Fund Balance - Beginning of Year	871	871	871	-
Fund Balance - End of Year	\$ 871	\$ 821	\$ 838	\$ 17

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)

Sewer Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 257	\$ 257
Charges for Current Service	100	100	213	113
TOTAL REVENUES	100	100	470	370
EXPENDITURES:				
Current:				
Public Works	2,500	4,403	1,898	2,505
NET CHANGE IN FUND BALANCE	(2,400)	(4,303)	(1,428)	2,875
Fund Balance - Beginning of Year	7,991	7,991	7,991	-
Fund Balance - End of Year	\$ 5,591	\$ 3,688	\$ 6,563	\$ 2,875

Technology

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 60	\$ 60
Other	-	-	3	3
TOTAL REVENUES	-	-	63	63
EXPENDITURES:				
Current:				
Information Systems	-	616	-	616
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(616)	63	679
OTHER FINANCING SOURCES (USES):				
Transfers In	-	850	850	-
TOTAL OTHER FINANCING SOURCES (USES)	-	850	850	-
NET CHANGE IN FUND BALANCE	-	234	913	679
Fund Balance - Beginning of Year	2,701	2,701	2,701	-
Fund Balance - End of Year	\$ 2,701	\$ 2,935	\$ 3,614	\$ 679

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

LMIHAF Capital Projects Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 406	\$ 406	\$ 748	\$ 342
EXPENDITURES:				
Current:				
City Manager	391	396	311	85
Total Expenditures	391	396	311	85
Excess of Revenues Over (Under) Expenditures	15	10	437	427
OTHER FINANCING SOURCES (USES):				
Transfers In	-	26	26	-
Transfers Out	(405)	(405)	(405)	-
Total Other Financing Sources (Uses)	(405)	(379)	(379)	-
Net Change in Fund Balance	(390)	(369)	58	427
Fund Balance - Beginning of Year	5,483	5,483	5,483	-
Fund Balance - End of Year	\$ 5,093	\$ 5,114	\$ 5,541	\$ 427

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City of Huntington Beach Internal Service Funds

Internal Services Funds are used to accumulate and allocate costs internally among the City's various functions.

- The **Self Insurance Workers' Comp Fund** accounts for the City's self insurance workers' compensation program.
- The **Self Insurance General Liability Funds** accounts for the City's self insurance general liability program.
- The **Equipment Replacement Fund** accounts for the City's equipment replacement needs.

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CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2019
(In Thousands)

	Governmental Activities			
	Self Insurance Workers' Comp	Self Insurance General Liability	Equipment Replacement Fund	Internal Service Fund Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 15,116	\$ 15,095	\$ 6,015	\$ 36,226
Other Receivables, Net	68	70	28	166
Prepays	600	-	818	1,418
Total Current Assets	15,784	15,165	6,861	37,810
Capital Assets:				
Machinery and Equipment	-	-	2,262	2,262
Construction in Progress	-	-	208	208
Less Accumulated Depreciation	-	-	(296)	(296)
Total Capital Assets	-	-	2,174	2,174
Total Assets	15,784	15,165	9,035	39,984
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	165	-	-	165
Deferred Outflows Related to Other Postemployment Benefits	9	4	-	13
Total Deferred Outflows of Resources	174	4	-	178
LIABILITIES				
Current Liabilities:				
Accounts Payable	141	43	313	497
Accrued Payroll	13	7	-	20
Current Portion of Claims Payable	5,873	1,302	-	7,175
Current Portion of Compensated Absences	7	8	-	15
Total Current Liabilities	6,034	1,360	313	7,707
Non-Current Liabilities:				
Compensated Absences	18	22	-	40
Net Pension Liability	1,284	-	-	1,284
Net Other Postemployment Benefits Liability	22	10	-	32
Claims Payable	20,756	7,095	-	27,851
Total Non-Current Liabilities	22,080	7,127	-	29,207
Total Liabilities	28,114	8,487	313	36,914
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	37	-	-	37
Total Deferred Inflows of Resources	37	-	-	37
NET POSITION				
Net Investment in Capital Assets	-	-	2,174	2,174
Unrestricted	(12,193)	6,682	6,548	1,037
Total Net Position	\$ (12,193)	\$ 6,682	\$ 8,722	\$ 3,211

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)

	Governmental Activities			
	Self Insurance Workers' Comp	Self Insurance General Liability	Equipment Replacement Fund	Internal Service Fund Total
OPERATING REVENUES				
Fees and Charges for Service	\$ 7,323	\$ 4,829	\$ 5,000	\$ 17,152
Total Operating Revenues	<u>7,323</u>	<u>4,829</u>	<u>5,000</u>	<u>17,152</u>
OPERATING EXPENSES				
Supplies and Operations	1,572	338	2,288	4,198
Claims and Judgments	3,283	1,452	-	4,735
Depreciation	-	-	226	226
Total Operating Expenses	<u>4,855</u>	<u>1,790</u>	<u>2,514</u>	<u>9,159</u>
Operating Income	<u>2,468</u>	<u>3,039</u>	<u>2,486</u>	<u>7,993</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	499	444	109	1,052
Change in Net Position	2,967	3,483	2,595	9,045
Net Position - Beginning Of Year	<u>(15,160)</u>	<u>3,199</u>	<u>6,127</u>	<u>(5,834)</u>
Net Position- End Of Year	<u>\$ (12,193)</u>	<u>\$ 6,682</u>	<u>\$ 8,722</u>	<u>\$ 3,211</u>

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(In Thousands)**

	Governmental Activities			
	Self Insurance Workers' Comp	Self Insurance General Liability	Equipment Replacement Fund	Internal Service Fund Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers and Users	\$ 7,301	\$ 4,805	\$ 4,972	\$ 17,078
Cash Paid to Employees for Services	(480)	(211)	-	(691)
Cash Paid to Suppliers of Goods and Services	(6,577)	(3,775)	(3,334)	(13,686)
Net Cash and Investment Provided (Used) by Operating Activities	244	819	1,638	2,701
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	-	-	(1,535)	(1,535)
Net Cash and Investments Used by Capital and Related Financing Activities	-	-	(1,535)	(1,535)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	499	444	109	1,052
Net Cash and Investments Provided (Used) by Investing Activities	499	444	109	1,052
Net Increase in Cash and Investments	743	1,263	212	2,218
Cash and Investments - Beginning of Year	14,373	13,832	5,803	34,008
Cash and Investments - End of Year	\$ 15,116	\$ 15,095	\$ 6,015	\$ 36,226
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating (Loss)	\$ 2,468	\$ 3,039	\$ 2,486	\$ 7,993
Adjustments to Reconcile Operating Income (Loss) to Net Cash and Investments Provided (Used) by Operating Activities				
Depreciation	-	-	226	226
(Increase) in Other Receivables, Net	(22)	(24)	(28)	(74)
(Increase) Decrease in Prepays	-	923	(818)	105
(Decrease) in Accounts Payable	(82)	(49)	(228)	(359)
Increase in Accrued Payroll	1	2	-	3
(Decrease) in Claims Payable	(2,182)	(3,074)	-	(5,256)
Increase in Compensated Absences	11	2	-	13
Decrease in Deferred Pension Outflow	126	-	-	126
(Decrease) in Deferred Pension Inflow	(6)	-	-	(6)
(Decrease) in Net Pension Liability	(68)	-	-	(68)
Decrease in Deferred Other Postemployment Benefits Outflow	6	3	-	9
(Decrease) in Ending Net Other Postemployment Benefits Liability	(8)	(3)	-	(11)
Net Cash and Investments Provided by Operating Activities	\$ 244	\$ 819	\$ 1,638	\$ 2,701
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				

There were no noncash investing, capital, or financing activities during the year ended June 30, 2019.

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City of Huntington Beach Fiduciary Funds

Fiduciary Funds account for assets held by the City as an agent for other organizations or individuals.

- The General Deposit Fund accounts for the deposit of general monies held by the City for private individuals and businesses.
- The Community Facilities Districts Funds accounts for the debt service activity of the City's community facilities district.
- The Huntington Beach Business Improvement District Fund accounts for the activities of the City's business improvement district.
- The Central Net Fund accounts for the activity of the Central Net Operations Authority.
- The Parking Structures Fund accounts for the activities of the Bella Terra Parking Structure and Strand Parking Structure.
- The West Orange County Water Board Fund accounts for the activities of the West Orange County Water Board.

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CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Funds						Total Agency Funds
	General Deposit	Community Facilities Districts	Business Improvement Districts	Central Net Operations Authority	Parking Structures	West Orange County Water Board	
Assets:							
Cash and Investments	\$ 181	\$ 2,740	\$ 1,079	\$ 303	\$ 4,402	\$ 1,874	\$ 10,579
Cash with Fiscal Agent	-	3,451	-	-	-	-	3,451
Accounts Receivable, Net	-	13	544	82	21	10	670
Total Assets	<u>\$ 181</u>	<u>\$ 6,204</u>	<u>\$ 1,623</u>	<u>\$ 385</u>	<u>\$ 4,423</u>	<u>\$ 1,884</u>	<u>\$ 14,700</u>
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ 1,565	\$ 1	\$ 459	\$ 265	\$ 2,290
Accrued Payroll	-	-	-	8	-	-	8
Due to Bondholders	-	6,204	-	-	-	-	6,204
Held for Others	181	-	58	376	3,964	1,619	6,198
Total Liabilities	<u>\$ 181</u>	<u>\$ 6,204</u>	<u>\$ 1,623</u>	<u>\$ 385</u>	<u>\$ 4,423</u>	<u>\$ 1,884</u>	<u>\$ 14,700</u>

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
General Deposit				
Assets:				
Cash and Investments	\$ 183	\$ 6	\$ (8)	\$ 181
Total Assets	\$ 183	\$ 6	\$ (8)	\$ 181
Liabilities:				
Held for Others	\$ 183	\$ 1	\$ (3)	\$ 181
Total Liabilities	\$ 183	\$ 1	\$ (3)	\$ 181
Community Facilities Districts				
Assets:				
Cash and Investments	\$ 2,637	\$ 4,262	\$ (4,159)	\$ 2,740
Cash with Fiscal Agent	3,433	43	(25)	3,451
Accounts Receivable, Net	13	17	(17)	13
Total Assets	\$ 6,083	\$ 4,322	\$ (4,201)	\$ 6,204
Liabilities:				
Due to Bondholders	\$ 6,083	121	-	\$ 6,204
Total Liabilities	\$ 6,083	\$ 121	\$ -	\$ 6,204
Business Improvement Districts				
Assets:				
Cash and Investments	\$ 493	\$ 4,736	\$ (4,150)	\$ 1,079
Accounts Receivable, Net	398	668	(522)	544
Total Assets	\$ 891	\$ 5,404	\$ (4,672)	\$ 1,623
Liabilities:				
Accounts Payable	\$ 740	\$ 5,548	\$ (4,723)	\$ 1,565
Held for Others	151	-	(93)	58
Total Liabilities	\$ 891	\$ 5,548	\$ (4,816)	\$ 1,623
Central Net Operations Authority				
Assets:				
Cash and Investments	\$ 372	\$ 1,148	\$ (1,217)	\$ 303
Accounts Receivable, Net	2	133	(53)	82
Total Assets	\$ 374	\$ 1,281	\$ (1,270)	\$ 385
Liabilities:				
Accounts Payable	\$ 10	\$ 90	\$ (99)	\$ 1
Accrued Payroll	8	9	(9)	8
Held for Others	356	20	-	376
Total Liabilities	\$ 374	\$ 119	\$ (108)	\$ 385

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(CONTINUED)

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Parking Structures				
Assets:				
Cash and Investments	\$ 3,914	\$ 2,643	\$ (2,155)	\$ 4,402
Accounts Receivable, Net	13	21	(13)	21
Total Assets	\$ 3,927	\$ 2,664	\$ (2,168)	\$ 4,423
Liabilities:				
Accounts Payable	\$ 363	\$ 1,837	\$ (1,741)	\$ 459
Held for Others	3,564	400	-	3,964
Total Liabilities	\$ 3,927	\$ 2,237	\$ (1,741)	\$ 4,423
West Orange County Water Board				
Assets:				
Cash and Investments	\$ 6,363	\$ 31,054	\$ (35,543)	\$ 1,874
Accounts Receivable, Net	36	1,666	(1,692)	10
Total Assets	\$ 6,399	\$ 32,720	\$ (37,235)	\$ 1,884
Liabilities:				
Accounts Payable	\$ 882	\$ 5,686	\$ (6,303)	\$ 265
Held for Others	5,517	-	(3,898)	1,619
Total Liabilities	\$ 6,399	\$ 5,686	\$ (10,201)	\$ 1,884
Total - All Agency Funds				
Assets:				
Cash and Investments	\$ 13,962	\$ 43,849	\$ (47,232)	\$ 10,579
Cash with Fiscal Agent	3,433	43	(25)	3,451
Accounts Receivable, Net	462	2,505	(2,297)	670
Total Assets	\$ 17,857	\$ 46,397	\$ (49,554)	\$ 14,700
Liabilities:				
Accounts Payable	\$ 1,995	\$ 13,161	\$ (12,866)	\$ 2,290
Accrued Payroll	8	9	(9)	8
Due to Bondholders	6,083	121	-	6,204
Held for Others	9,771	421	(3,994)	6,198
Total Liabilities	\$ 17,857	\$ 13,712	\$ (16,869)	\$ 14,700

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City of Huntington Beach Statistical Section

This part of the City of Huntington Beach's Comprehensive Annual Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

Financial Trends – contain trend information to help the reader understand how the City's financial performance has changed over time.

Revenue Capacity – contains information to help the reader assess the City's most significant local revenue source, the property tax.
--

Debt Capacity – present information to assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.
--

Demographic and Economic Information – offers information to help the reader understand the environment within which the City's financial activities take place.

Operating Information – contains service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs.

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF HUNTINGTON BEACH
NET POSITION BY COMPONENT - LAST TEN FISCAL YEARS
(In Thousands)**

	Fiscal Year Ended				
	June 30, 2019	June 30, 2018***	2017	September 30, 2016	2015
Governmental Activities					
Net investment in capital assets	\$ 664,281	\$ 650,466	\$ 646,336	\$ 624,180	\$ 615,512
Restricted	66,089	58,537	41,888	41,555	52,270
Unrestricted	(251,022)	(254,528)	(262,874)	(222,863)	(222,787)
Total Governmental Activities Net Position	\$ 479,348	\$ 454,475	\$ 425,350	\$ 442,872	\$ 444,995
Business-Type Activities					
Net investment in capital assets	\$ 145,696	\$ 143,954	\$ 140,478	\$ 142,566	\$ 142,616
Restricted	21,153	25,886	30,444	32,049	28,096
Unrestricted	36,747	27,492	22,228	21,997	28,476
Total Business-Type Activities Net Position	\$ 203,596	\$ 197,332	\$ 193,150	\$ 196,612	\$ 199,188
Primary Government					
Net investment in capital assets	\$ 809,977	\$ 794,420	\$ 786,814	\$ 766,746	\$ 758,128
Restricted	87,242	84,423	72,332	73,604	80,366
Unrestricted	(214,275)	(227,036)	(240,646)	(200,866)	(194,311)
Total Primary Government Net Position	\$ 682,944	\$ 651,807	\$ 618,500	\$ 639,484	\$ 644,183

**CITY OF HUNTINGTON BEACH
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)**

	Fiscal Year Ended				
	June 30, 2019	June 30, 2018***	2017	September 30, 2016	2015
Expenses:					
Governmental Activities:					
City Council	\$ 360	\$ 218	\$ 347	\$ 321	\$ 270
City Manager	4,501	2,063	4,691	3,849	3,302
City Treasurer	246	101	216	208	158
City Attorney	2,886	1,536	3,307	2,598	2,284
City Clerk	976	475	889	806	855
Finance	6,245	3,455	6,201	5,765	5,208
Human Resources	6,261	4,760	5,693	6,814	5,169
Community Development*	6,144	4,301	7,576	7,208	6,605
Building	-	-	-	-	-
Fire	56,494	26,688	52,941	47,965	42,162
Information Services	7,530	4,375	7,047	6,852	6,552
Police	87,355	42,109	84,786	74,943	64,048
Economic Development**	-	-	-	-	-
Community Services	13,369	6,768	15,558	9,935	13,809
Library Services	5,206	2,890	5,064	4,611	4,246
Public Works	40,803	23,898	35,373	31,791	27,979
Non-Departmental****	-	18,164	29,368	35,240	24,080
Interest on Long-Term Debt	1,823	1,467	2,063	2,119	2,245
Total Governmental Activities	240,199	143,268	261,120	241,025	208,972
Business-Type Activities					
Water Utility	43,405	28,414	45,940	41,643	38,614
Sewer Service	9,442	6,127	9,351	8,729	8,192
Refuse Collection	12,051	8,916	10,821	11,277	11,308
Hazmat Service	234	117	224	244	204
Total Business-Type Activities	65,132	43,574	66,336	61,893	58,318
Total Business and Government Type Activities	\$ 305,331	\$ 186,842	\$ 327,456	\$ 302,918	\$ 267,290

* Planning and Building departments were combined in the year ended September 30, 2011. The combined department was later renamed to Community Development in the year ended September 30, 2016.

** Economic Development was included with the City Manager's office beginning in the year ended September 30, 2014.

*** The 2018 period reflects nine months of activity only as the fiscal year change resulted in reporting period from October 1, 2017 to June 30, 2018.

**** Beginning with the fiscal year ended June 30, 2019, non-departmental expenditures are no longer presented separately but are included as part of functional expenditures.

CITY OF HUNTINGTON BEACH
NET POSITION BY COMPONENT - LAST TEN FISCAL YEARS
(In Thousands)
(continued)

	Fiscal Year Ended				
	September 30,				
	2014	2013	2012	2011	2010
Governmental Activities					
Net investment in capital assets	\$ 618,825	\$ 617,267	\$ 612,346	\$ 569,497	\$ 567,351
Restricted	34,018	51,867	44,220	51,195	49,100
Unrestricted	89,524	54,076	53,098	41,239	33,135
Total Governmental Activities Net Position	\$ 742,367	\$ 723,210	\$ 709,664	\$ 661,931	\$ 649,586
Business-Type Activities					
Net investment in capital assets	\$ 140,770	\$ 145,886	\$ 134,129	\$ 134,882	\$ 121,576
Restricted	27,951	27,488	27,804	27,988	30,512
Unrestricted	53,166	65,595	63,686	59,260	61,723
Total Business-Type Activities Net Position	\$ 221,887	\$ 238,969	\$ 225,619	\$ 222,130	\$ 213,811
Primary Government					
Net investment in capital assets	\$ 759,595	\$ 763,153	\$ 746,475	\$ 704,379	\$ 688,927
Restricted	61,969	79,355	72,024	79,183	79,612
Unrestricted	142,690	119,671	116,784	100,499	94,858
Total Primary Government Net Position	\$ 964,254	\$ 962,179	\$ 935,283	\$ 884,061	\$ 863,397

CITY OF HUNTINGTON BEACH
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)
(continued)

	Fiscal Year Ended				
	September 30,				
	2014	2013	2012	2011	2010
Expenses:					
Governmental Activities:					
City Council	\$ 258	\$ 271	\$ 310	\$ 300	\$ 301
City Manager	3,878	1,583	1,767	1,502	1,674
City Treasurer	169	132	141	1,274	1,532
City Attorney	2,321	2,221	2,313	2,354	2,772
City Clerk	747	797	689	813	883
Finance	5,314	4,825	4,573	3,423	4,309
Human Resources	4,616	5,032	4,743	4,792	5,284
Community Development*	7,091	6,155	6,123	6,036	3,170
Building	-	-	-	-	4,608
Fire	43,194	36,323	35,336	35,393	33,545
Information Services	6,456	6,096	5,857	5,909	6,812
Police	66,681	60,466	60,690	60,192	59,049
Economic Development**	-	8,395	3,703	10,876	11,891
Community Services	12,509	15,521	15,586	16,104	16,147
Library Services	4,024	3,873	3,777	3,838	4,519
Public Works	31,691	28,500	26,508	27,232	26,483
Non-Departmental****	21,602	25,563	19,190	19,595	24,303
Interest on Long-Term Debt	1,946	2,289	2,376	6,287	6,146
Total Governmental Activities	212,497	208,042	193,682	205,920	213,428
Business-Type Activities					
Water Utility	41,499	38,446	37,437	31,712	34,902
Sewer Service	9,712	7,253	7,623	6,338	6,575
Refuse Collection	11,145	10,882	10,785	10,690	10,585
Hazmat Service	231	220	216	243	315
Total Business-Type Activities	62,587	56,801	56,061	48,983	52,377
Total Business and Government Type Activities	\$ 275,084	\$ 264,843	\$ 249,743	\$ 254,903	\$ 265,805

CITY OF HUNTINGTON BEACH
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended				
	June 30, 2019	June 30, 2018***	2017	September 30, 2016	2015
Program Revenues:					
Governmental Activities:					
Charges for Services					
City Council	\$ 149	\$ 91	\$ 108	\$ 116	\$ 71
City Manager	3,300	2,374	3,515	3,029	2,994
City Treasurer	135	81	100	101	639
City Attorney	7	4	5	4	143
City Clerk	327	229	257	201	199
Finance	2,899	1,746	2,047	2,277	1,353
Human Resources	751	373	654	513	1,263
Community Development*	7,459	5,448	7,448	9,252	10,670
Building	-	-	-	-	-
Fire	9,831	9,104	10,296	9,894	8,625
Information Services	628	381	501	521	834
Police	6,044	4,703	4,968	5,958	5,512
Economic Development**	-	-	-	-	-
Community Services	23,530	19,245	21,693	18,853	18,569
Library Services	308	237	476	408	495
Public Works	6,368	4,392	5,392	5,733	6,474
Non-Departmental****	-	916	1,116	1,290	327
Total Charges for Services	<u>61,736</u>	<u>49,324</u>	<u>58,576</u>	<u>58,150</u>	<u>58,168</u>
Operating Grants	6,644	3,976	7,329	4,723	7,458
Capital Grants	8,361	6,055	3,408	5,939	9,809
Total Governmental Activities Program Revenue	<u>76,741</u>	<u>59,355</u>	<u>69,313</u>	<u>68,812</u>	<u>75,435</u>
Business-Type Activities:					
Water Utility	43,958	29,530	39,938	35,765	35,350
Sewer Service	11,868	8,362	10,854	11,280	11,239
Refuse Collection	12,022	8,820	11,282	11,215	11,221
Hazmat Service	276	25	287	235	222
Total Business-Type Activities Program Revenues	<u>68,124</u>	<u>46,737</u>	<u>62,361</u>	<u>58,495</u>	<u>58,032</u>
Total Primary Government Program Revenue	<u>144,865</u>	<u>106,092</u>	<u>131,674</u>	<u>127,307</u>	<u>133,467</u>
Net (Expense) Revenue:					
Governmental Activities:	(163,458)	(83,913)	(191,807)	(172,213)	(133,537)
Business-Type Activities	2,992	3,163	(3,975)	(3,398)	(286)
Total Net (Expense) Revenue	<u>(160,466)</u>	<u>(80,750)</u>	<u>(195,782)</u>	<u>(175,611)</u>	<u>(133,823)</u>
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	89,124	61,185	82,925	87,128	82,615
Sales Taxes	47,437	33,844	43,551	34,289	33,063
Utility Taxes	18,788	14,014	19,303	19,482	20,229
Other Taxes	20,227	14,883	17,991	17,313	16,464
Use of Money and Property	8,746	2,158	3,370	3,618	5,551
From Other Agencies	4,046	2,263	3,896	4,397	5,653
Gain on Sale of Property	-	-	-	-	-
Other	-	2,811	2,438	5,693	4,440
Transfers	(37)	(332)	(51)	(38)	35
Total Governmental Activities General Revenues	<u>188,331</u>	<u>130,826</u>	<u>173,423</u>	<u>171,882</u>	<u>168,050</u>
Business-Type Activities:					
Use of Money and Property	3,235	279	462	939	1,281
Transfers	37	332	51	38	(35)
Total Business-Type Activities General Revenues	<u>3,272</u>	<u>611</u>	<u>513</u>	<u>977</u>	<u>1,246</u>
Total General Revenues and Transfers	<u>191,603</u>	<u>131,437</u>	<u>173,936</u>	<u>172,859</u>	<u>169,296</u>
Extraordinary Gain	-	-	-	-	-
Changes in Net Position - Governmental Activities	24,873	46,913	(18,384)	(331)	34,513
Changes in Net Position - Business-Type Activities	6,264	3,774	(3,462)	(2,421)	960
Net Position - Beginning of Year	<u>651,807</u>	<u>618,500</u>	<u>639,484</u>	<u>642,236</u>	<u>964,254</u>
Prior Period Adjustment - Governmental Activities	-	(17,788)	862	-	(333,677)
Prior Period Adjustment - Business-Type Activities	-	408	-	-	(23,814)
Net Position - Beginning of Year as restated	<u>651,807</u>	<u>601,120</u>	<u>640,346</u>	<u>642,236</u>	<u>606,763</u>
Net Position - End of Year	<u>\$ 682,944</u>	<u>\$ 651,807</u>	<u>\$ 618,500</u>	<u>\$ 639,484</u>	<u>\$ 642,236</u>

* Planning and Building departments were combined in the year ended September 30, 2011. The combined department was later renamed to Community Development in the year ended September 30, 2016.

** Economic Development was included with the City Manager's office beginning in the year ended September 30, 2014

*** The 2018 period reflects nine months of activity only as the fiscal year change resulted in reporting period from October 1, 2017 to June 30, 2018.

**** Beginning with the fiscal year ended June 30, 2019, non-departmental expenditures are no longer presented separately but are included as part of functional expenditures.

CITY OF HUNTINGTON BEACH
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)
(continued)

	Fiscal Year Ended				
	2014	2013	2012	2011	2010
Program Revenues:					
Governmental Activities:					
Charges for Services					
City Council	\$ 68	\$ 66	\$ 65	\$ 63	\$ 62
City Manager	2,835	134	130	127	126
City Treasurer	621	602	585	568	566
City Attorney	139	135	131	127	456
City Clerk	321	248	170	98	106
Finance	1,313	1,275	1,238	1,202	1,234
Human Resources	2,499	1,236	1,150	1,117	1,103
Community Development*	9,357	9,411	7,706	6,084	682
Building	-	-	-	-	4,126
Fire	8,672	9,482	9,497	8,632	8,504
Information Services	809	786	763	741	731
Police	5,170	4,653	5,073	5,207	4,849
Economic Development**	-	2,505	2,303	2,800	2,685
Community Services	18,055	17,832	17,792	15,345	15,470
Library Services	434	634	466	325	415
Public Works	6,367	7,315	5,482	5,638	4,850
Non-Departmental****	318	306	281	273	269
Total Charges for Services	56,978	56,620	52,832	48,347	46,234
Operating Grants	7,958	7,303	5,088	8,914	7,069
Capital Grants	5,486	7,191	6,624	5,198	7,418
Total Governmental Activities Program Revenue	70,422	71,114	64,544	62,459	60,721
Business-Type Activities:					
Water Utility	36,944	38,679	35,926	34,583	34,394
Sewer Service	10,665	12,267	11,546	10,532	10,565
Refuse Collection	11,006	10,950	10,786	10,631	10,506
Hazmat Service	183	278	154	383	198
Total Business-Type Activities Program Revenues	58,798	62,174	58,412	56,129	55,663
Total Primary Government Program Revenue	129,220	133,288	122,956	118,588	116,384
Net (Expense) Revenue:					
Governmental Activities:	(142,075)	(136,928)	(129,138)	(143,461)	(152,707)
Business-Type Activities	(3,789)	5,373	2,351	7,146	3,286
Total Net (Expense) Revenue	(145,864)	(131,555)	(126,787)	(136,315)	(149,421)
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	81,355	74,795	74,856	86,056	85,552
Sales Taxes	29,243	30,276	30,051	25,339	23,646
Utility Taxes	20,621	20,764	20,152	19,135	19,757
Other Taxes	15,601	14,568	12,930	13,368	11,629
Use of Money and Property	3,725	2,816	3,434	3,239	4,043
From Other Agencies	4,279	6,003	6,585	5,647	4,184
Gain on Sale of Property	-	-	-	-	4,496
Other	6,903	5,240	4,941	3,060	5,448
Transfers	(38)	(38)	(38)	(38)	(38)
Total Governmental Activities General Revenues	161,689	154,424	152,911	155,806	158,717
Business-Type Activities:					
Use of Money and Property	1,015	137	1,100	1,135	1,824
Transfers	38	38	38	38	38
Total Business-Type Activities General Revenues	1,053	175	1,138	1,173	1,862
Total General Revenues and Transfers	162,742	154,599	154,049	156,979	160,579
Extraordinary Gain	-	(4,669)	23,960	-	-
Changes in Net Position - Governmental Activities	19,614	12,827	47,733	12,345	6,010
Changes in Net Position - Business-Type Activities	(2,736)	5,548	3,489	8,319	5,148
Net Position - Beginning of Year	962,179	935,283	884,061	863,397	852,239
Prior Period Adjustment - Governmental Activities	(457)	719	-	-	-
Prior Period Adjustment - Business-Type Activities	(14,346)	7,802	-	-	-
Net Position - Beginning of Year as restated	947,376	943,804	884,061	863,397	852,239
Net Position - End of Year	\$ 964,254	\$ 962,179	\$ 935,283	\$ 884,061	\$ 863,397

CITY OF HUNTINGTON BEACH
FUND BALANCES - GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,		Fiscal Year Ended September 30,		
	2019	2018	2017	2016	2015
General Fund:					
Nonspendable	\$ 23	\$ 41	\$ -	\$ -	\$ 4,479
Restricted	8,154	6,384	2,671	2,637	2,871
Committed	25,011	25,011	25,011	25,011	25,011
Assigned	45,825	34,464	33,498	35,199	32,431
Unassigned	-	2,734	-	-	-
Total General Fund	\$ 79,013	\$ 68,634	\$ 61,180	\$ 62,847	\$ 64,792

Other Governmental Funds:

Nonspendable	\$ 64	\$ 726	\$ -	\$ -	\$ -
Restricted	59,213	52,742	40,588	40,293	45,515
Committed	20,308	20,800	17,686	21,368	21,659
Assigned	3,614	2,701	826	838	161
Total Other Governmental Funds	\$ 83,199	\$ 76,969	\$ 59,100	\$ 62,499	\$ 67,335

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
General Fund:					
Nonspendable	\$ 4,378	\$ 4,040	\$ 4,633	\$ 10,841	\$ 4,605
Restricted	2,070	1,878	1,387	1,304	1,452
Committed	25,011	24,011	-	-	30,493
Assigned	29,595	24,578	48,415	42,411	4,802
Unassigned	-	-	-	-	-
Total General Fund	\$ 61,054	\$ 54,507	\$ 54,435	\$ 54,556	\$ 41,352

Other Governmental Funds:

Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 6,576
Restricted	27,214	27,425	27,722	32,519	33,319
Committed	16,447	11,098	6,745	4,049	1,755
Assigned	151	316	1,181	1,711	3,914
Unassigned	-	(210)	(395)	(4,377)	(4,319)
Total Other Governmental Funds	\$ 43,812	\$ 38,629	\$ 35,253	\$ 33,902	\$ 41,245

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CITY OF HUNTINGTON BEACH
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended				
	June 30,		September 30,		
	2019	2018*	2017	2016	2015
REVENUES:					
Property Taxes	\$ 89,367	\$ 80,614	\$ 80,826	\$ 86,382	\$ 82,472
Sales Taxes	47,437	33,844	43,551	39,305	32,234
Utility Taxes	18,788	14,014	19,303	19,482	20,229
Other Taxes	27,196	18,409	17,991	17,313	16,464
Licenses and Permits	8,574	6,293	8,812	9,820	9,270
Fines and Forfeitures	4,300	3,048	3,995	5,144	4,746
From Use of Money and Property	23,276	11,600	17,210	18,055	17,473
From Other Agencies	13,072	10,384	15,293	13,712	18,634
Charges for Current Service/Other Revenue	33,787	30,216	32,351	32,506	35,869
TOTAL REVENUES	265,797	208,422	239,332	241,719	237,391
EXPENDITURES					
Current:					
City Council	369	279	333	318	278
City Manager	6,598	3,143	4,116	3,092	2,703
City Treasurer	248	134	201	204	167
City Attorney	2,874	2,037	3,052	2,539	2,425
City Clerk	981	602	830	790	895
Finance	6,484	4,376	5,763	5,659	5,452
Human Resources	6,362	5,323	5,535	6,776	4,606
Community Development**	8,138	5,554	6,963	7,062	6,954
Building	-	-	-	-	-
Fire	54,431	36,347	46,831	46,200	45,008
Information Systems	8,342	5,385	6,603	6,742	6,846
Police	83,546	57,916	75,015	72,612	68,940
Economic Development***	-	-	-	-	-
Community Services	11,720	7,958	14,124	10,768	10,223
Library Services	4,944	3,436	4,422	4,247	4,146
Public Works	46,878	30,357	38,635	23,659	23,820
Non-Departmental*****	-	22,432	28,396	24,670	20,067
Capital Outlay****	-	-	-	27,269	14,986
Debt Service:					
Principal	5,346	311	5,091	5,933	5,454
Interest	1,890	965	2,066	2,138	2,226
TOTAL EXPENDITURES	249,151	186,555	247,976	250,678	225,196
EXCESS (DEFICIENCY) OF					
REVENUES OVER (UNDER)					
EXPENDITURES	16,646	21,867	(8,644)	(8,959)	12,195
OTHER FINANCING SOURCES (USES):					
Transfers In	11,190	13,261	6,692	9,034	12,158
Issuance of Long-Term Debt	-	-	2,767	10,197	-
Issuance Premium	-	-	-	-	-
Payments to Escrow	-	-	-	-	-
Transfers Out	(11,227)	(13,593)	(6,743)	(17,053)	(14,238)
TOTAL OTHER FINANCING SOURCES (USES)	(37)	(332)	2,716	2,178	(2,080)
Extraordinary Item - Dissolution of RDA	-	-	-	-	-
INCREASE (DECREASE) IN FUND BALANCES	\$ 16,609	\$ 21,535	\$ (5,928)	\$ (6,781)	\$ 10,115
DEBT SERVICE AS A PERCENTAGE OF					
NON-CAPITAL EXPENDITURES	3.0%	0.7%	3.0%	3.7%	3.8%

* The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

** Planning and Building departments were combined in the year ended September 30, 2011. The department was later renamed to Community Development in the year ended September 30, 2016

*** Economic Development was included with the City Manager's office beginning in the year ended September 30, 2014.

**** Beginning with the fiscal year ended September 30, 2017, capital outlay expenditures are no longer presented separately but are included as part of functional expenditures.

***** Beginning with the fiscal year ended June 30, 2019, non-departmental expenditures are no longer presented separately but are included as part of functional expenditures.

CITY OF HUNTINGTON BEACH
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended				
	September 30,				
	2014	2013	2012	2011	2010
REVENUES:					
Property Taxes	\$ 79,460	\$ 74,442	\$ 74,554	\$ 85,869	\$ 85,072
Sales Taxes	30,454	29,763	29,126	25,034	22,582
Utility Taxes	20,621	20,764	20,152	19,135	19,757
Other Taxes	15,601	14,568	12,930	13,368	11,629
Licenses and Permits	7,976	9,880	7,773	6,728	6,204
Fines and Forfeitures	4,392	4,058	4,252	4,334	3,965
From Use of Money and Property	16,695	16,046	16,855	15,660	16,330
From Other Agencies	16,804	18,237	18,537	17,659	19,893
Charges for Current Service/Other Revenue	33,886	34,150	30,051	26,996	26,401
TOTAL REVENUES	225,889	221,908	214,230	214,783	211,833
EXPENDITURES					
Current:					
City Council	258	260	310	300	301
City Manager	3,040	1,574	1,758	1,493	1,652
City Treasurer	169	132	141	1,274	1,532
City Attorney	2,321	2,221	2,313	2,354	2,772
City Clerk	747	797	689	798	868
Finance*	5,314	4,825	4,573	3,423	4,286
Human Resources	4,298	5,661	5,213	6,106	5,284
Community Development**	7,091	6,155	6,119	6,034	3,170
Building	-	-	-	-	3,449
Fire	42,602	35,920	35,145	34,546	32,816
Information Systems	6,456	6,096	5,857	5,879	6,782
Police	66,628	60,460	60,249	59,546	58,566
Economic Development***	-	7,012	3,389	13,784	14,704
Community Services	10,040	13,952	14,082	13,724	14,501
Library Services	3,739	3,588	3,492	3,546	4,158
Public Works	22,872	22,169	22,666	19,006	20,466
Non-Departmental*****	21,033	19,684	15,455	14,914	14,832
Capital Outlay****	10,729	10,745	11,096	6,872	17,175
Debt Service:					
Principal	4,797	9,381	6,012	9,446	7,351
Interest	1,987	2,321	2,564	6,397	6,368
TOTAL EXPENDITURES	214,121	212,953	201,123	209,442	221,033
EXCESS (DEFICIENCY) OF					
REVENUES OVER (UNDER)					
EXPENDITURES	11,768	8,955	13,107	5,341	(9,200)
OTHER FINANCING SOURCES (USES):					
Transfers In	9,832	9,501	18,904	27,385	20,850
Issuance of Long-Term Debt	-	-	-	36,275	14,745
Issuance Premium	-	-	-	1,884	707
Payments to Escrow	-	-	-	(37,601)	(15,967)
Transfers Out	(9,870)	(10,339)	(18,942)	(27,423)	(20,888)
TOTAL OTHER FINANCING SOURCES (USES)	(38)	(838)	(38)	520	(553)
Extraordinary Item - Dissolution of RDA	-	(4,669)	(11,839)	-	-
INCREASE (DECREASE) IN FUND BALANCES	\$ 11,730	\$ 3,448	\$ 1,230	\$ 5,861	\$ (9,753)
DEBT SERVICE AS A PERCENTAGE OF					
NON-CAPITAL EXPENDITURES	3.5%	6.1%	4.7%	8.5%	7.2%

**CITY OF HUNTINGTON BEACH
 ASSESSED AND ACTUAL VALUATION
 OF ALL TAXABLE PROPERTY (EXCLUDING REDEVELOPMENT AGENCY)
 LAST TEN FISCAL YEARS
 (In Thousands)**

Fiscal Year	Common			Unsecured	Total Assessed Valuation	Total Direct Tax Rate
	Property	Public Utilities	Total Secured			
2009-2010	\$ 25,324,857	\$ 263	\$ 25,325,120	\$ 1,086,770	\$ 26,411,890	0.17082
2010-2011	25,513,584	70,602	25,584,186	1,090,869	26,675,055	0.17082
2011-2012	25,480,770	72,602	25,553,372	1,170,004	26,723,376	0.17082
2012-2013	26,927,738	60,802	26,988,540	1,056,938	28,045,478	0.17082
2013-2014	28,005,989	53,702	28,059,691	1,106,038	29,165,729	0.17082
2014-2015	29,723,274	74,102	29,797,376	989,809	30,787,185	0.17082
2015-2016	31,193,211	66,802	31,260,013	1,132,728	32,392,741	0.17082
2016-2017	32,540,317	55,802	32,596,119	1,067,760	33,663,879	0.17082
2017-2018	34,199,035	41,102	34,240,137	1,100,077	35,340,214	0.17082
2018-2019	35,941,648	61,202	36,002,850	1,117,879	37,120,729	0.17082

Source: County of Orange Auditor Controller

**PROPERTY TAX RATES
 ALL DIRECT AND
 OVERLAPPING GOVERNMENTS
 TAX RATE 04-001
 LARGEST AREA IN CITY
 LAST TEN FISCAL YEARS**

Fiscal Year	Direct		Overlapping			Total Direct and Overlapping
	City Basic Rate		Metro Water			
	(1), (2)	City Other	School Districts	District	Others	
2009-2010	0.15582	0.01500	0.58099	0.00430	0.32471	1.08082
2010-2011	0.15582	0.01500	0.58252	0.00370	0.32548	1.08252
2011-2012	0.15582	0.01500	0.58334	0.00370	0.32513	1.08299
2012-2013	0.15582	0.01500	0.60412	0.00350	0.30798	1.08642
2013-2014	0.15582	0.01500	0.59841	0.00350	0.31444	1.08717
2014-2015	0.15582	0.01500	0.62448	0.00350	0.29444	1.09324
2015-2016	0.15582	0.01500	0.07615	0.00350	0.84418	1.09465
2016-2017	0.15582	0.01500	0.07786	0.00350	0.83599	1.08817
2017-2018	0.15582	0.01500	0.09970	0.00350	0.84418	1.11820
2018-2019	0.15582	0.01500	0.09246	0.00350	0.84418	1.11096

Note: Rates are per \$100 of assessed valuation

Source: County of Orange Auditor Controller

(1) Excludes rates associated with Mello-Roos Districts

(2) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides. In 1986, the State Constitution was amended to allow rates over the 1% base rate for voter approved general obligation debt. Valuations of real property are frozen at the value of the property in 1975, with an allowable adjustment up to 2% per year for inflation. However, property is assessed to its current value when a change of ownership occurs. New construction, including tenant improvements, is assessed at its current value.

**CITY OF HUNTINGTON BEACH
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(In Thousands)**

Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections				
	Total Levy	Amount	Percentage of Levy	Delinquent Tax Collections*	Amount	Percentage of Levy	Delinquent Taxes Receivable	Delinquency Percent
Secured Taxes								
2009-2010	43,892	36,992	84.3%	1,880	38,872	88.6%	1,038	2.4%
2010-2011	44,014	42,233	96.0%	1,339	43,572	99.0%	746	1.7%
2011-2012	44,304	42,611	96.2%	951	43,562	98.3%	660	1.5%
2012-2013	47,162	45,722	96.9%	855	46,577	98.8%	565	1.2%
2013-2014	49,808	48,452	97.3%	656	49,108	98.6%	545	1.1%
2014-2015	52,188	50,759	97.3%	576	51,335	98.4%	519	1.0%
2015-2016	55,886	53,916	96.5%	546	54,462	97.5%	1,263	2.3%
2016-2017	58,258	56,481	96.9%	525	57,006	97.9%	1,253	2.2%
2017-2018	62,418	59,731	95.7%	474	60,205	96.5%	2,073	3.3%
2018-2019	63,934	62,222	97.3%	622	62,844	98.3%	920	1.4%
Unsecured Taxes								
2009-2010	1,882	1,677	89.1%	44	1,721	91.4%	65	3.5%
2010-2011	1,940	1,739	89.6%	22	1,761	90.8%	75	3.9%
2011-2012	1,863	1,731	92.9%	28	1,759	94.4%	68	3.7%
2012-2013	1,882	1,653	87.8%	23	1,676	89.1%	62	3.3%
2013-2014	1,922	1,693	88.1%	33	1,726	89.8%	76	4.0%
2014-2015	2,016	1,839	91.2%	37	1,876	93.1%	69	3.4%
2015-2016	1,925	1,740	90.4%	35	1,775	92.2%	39	2.0%
2016-2017	1,899	1,692	89.1%	23	1,715	90.3%	34	1.8%
2017-2018	1,964	1,829	93.1%	28	1,857	94.6%	26	1.3%
2018-2019	1,964	1,804	91.9%	20	1,824	92.9%	29	1.5%
Community Facilities Districts								
2009-2010	3,937	3,925	99.7%	11	3,936	100.0%	-	0.0%
2010-2011	3,850	3,838	99.7%	-	3,838	99.7%	1	0.0%
2011-2012	4,106	4,091	99.6%	3	4,094	99.7%	2	0.0%
2012-2013	4,093	4,077	99.6%	4	4,081	99.7%	4	0.1%
2013-2014	3,968	3,957	99.7%	6	3,963	99.9%	-	0.0%
2014-2015	3,981	3,967	99.6%	1	3,968	99.7%	2	0.1%
2015-2016	4,121	4,106	99.6%	9	4,115	99.9%	2	0.0%
2016-2017	4,098	4,085	99.7%	2	4,087	99.7%	-	0.0%
2017-2018	4,141	4,128	99.7%	5	4,133	99.8%	-	0.0%
2018-2019	4,099	4,086	99.7%	3	4,089	99.8%	1	0.0%

Source: County of Orange Auditor Controller's Office

* Delinquency tax collections information not available prior to fiscal year 2004-2005

Note: The levy and tax year is for July 1st through June 30th and does not include the Redevelopment Agency

Note:

2002/2003 to current fiscal year includes the following:

Secured: includes supplemental, st ltg reorg, nuisance abatement, weed abatement, retirement override, tax admin charges, and community interest. Does not include CFD.

Unsecured: includes aircraft unsecured tax. Does not include CFD.

Miscellaneous: excluded from all tables.

Delinquency Amount: reflects the "unpaid" amounts as stated in the OC auditor-controller website.

**CITY OF HUNTINGTON BEACH
TOP TEN PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

2018-2019		
	Taxable Assessed Value (In Thousands)	Percent of Total TAV
Bella Terra Associates LLC	\$ 374,197	1.01%
McDonnell Douglas/Boeing	309,280	0.83%
PCH Beach Resort LLC	206,144	0.56%
DCO Pacific City LLC	205,278	0.55%
SoCal Holdings LLC	189,188	0.51%
Elan Multifamily LLC	134,122	0.36%
LSREF4 Shark Huntington LLC	120,193	0.32%
Pacific City Hotel LLC	117,720	0.32%
Freeway Industrial Park HB Boardwalk LLC	109,884	0.30%
PC Group Retail LLC	109,682	0.30%
Total Top Ten	1,875,688	5.05%
All Other Property Taxpayers	35,245,041	94.95%
City Total	\$ 37,120,729	100.00%

2009-2010		
	Taxable Assessed Value (In Thousands)	Percent of Total TAV
The Boeing Company/McDonnell Douglas Corporation	\$ 465,017	1.76%
Pacific Sands LLC	127,095	0.48%
United Dominion Realty LP	125,620	0.48%
Seacliff Village Shopping Center INC	108,269	0.41%
WB-NNC Seawind Owner LLC	102,632	0.39%
Cambro Manufacturing Company	100,547	0.38%
JS Stadium LLC	91,142	0.35%
West County Commerce Realty Holding	85,668	0.32%
Casa Apartments LP	79,599	0.30%
FG Seacliff Senior Apartments LP	75,432	0.29%
Total Top Ten	1,361,021	5.15%
All Other Property Taxpayers	25,050,869	94.85%
City Total	\$ 26,411,890	100.00%

Source: HdL Coren & Cone

Note: Information provided for the period from July 1st through June 30th.

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CITY OF HUNTINGTON BEACH
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended				
	June 30, 2019	2018****	2017	September 30, 2016	2015
Long-Term Indebtedness					
Governmental Activities:					
Judgement Obligation Bonds	\$ -	\$ -	\$ -	\$ 659	\$ 1,634
Public Financing Authority:					
2001(a) Lease Revenue Bond	-	-	-	-	-
2001(b) Lease Revenue Bond	-	-	-	-	-
2010(a) Lease Revenue Bond	8,235	9,030	9,030	9,795	10,525
2011(a) Lease Revenue Bond	17,770	19,735	19,735	21,650	24,985
2014(a) Lease Revenue Bond	13,145	13,740	13,740	14,315	14,865
Total Public Financing Authority	39,150	42,505	42,505	45,760	50,375
Redevelopment Agency:					
1999 Tax Allocation Refunding Bonds	-	-	-	-	-
2002 Tax Allocation Refunding Bonds	-	-	-	-	-
Mayer Disposition and Development Agreement	-	-	-	-	-
Bella Terra OPA (Parking)	-	-	-	-	-
CIM DDA (Parking & Infrastructure)	-	-	-	-	-
CIM DDA (Additional Parking)	-	-	-	-	-
Section 108 Loan RDA/Bowen Court	-	-	-	-	-
Total Redevelopment Agency	-	-	-	-	-
Other Long-Term Obligations:					
Capital Leases Payable	5,083	6,079	6,286	4,130	-
PARS Payable	-	-	-	-	-
Section 108 Loan City	-	430	430	625	805
LED Lighting Phase I	656	762	866	966	1,063
CEC	2,818	3,000	3,000	3,000	-
I-Bank	2,454	2,730	2,730	3,000	-
Total Other Long-Term Obligations	11,011	13,001	13,312	11,721	1,868
Total Long-Term Obligations - Governmental Activities	\$ 50,161	\$ 55,506	\$ 55,817	\$ 58,140	\$ 53,877
Long-Term Obligations - Business-Type Activities:					
Leases Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Long-Term Obligations - Business-Type Activities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Long Term Obligations - Governmental Activities and Business-Type Activities	\$ 50,161	\$ 55,506	\$ 55,817	\$ 58,140	\$ 53,877
	2019	2018****	2017	2016	2015
Population*	202,265	201,761	202,413	201,919	198,389
Debt Per Capita	\$ 248	\$ 275	\$ 276	\$ 288	\$ 272
Total Personal Income (In Thousands)**	\$9,222,677	\$8,849,843	\$8,878,441	\$8,880,801	\$8,725,545
Per Capita Personal Income**	\$ 45,597	\$ 43,863	\$ 43,863	\$ 43,982	\$ 43,982
Unemployment Rate***	2.60%	2.70%	2.80%	3.90%	3.90%
Total Employment***	110,500	109,900	103,200	107,200	104,000

* Source: State of California Department of Finance. FY 10/11 population decrease primarily attributed to the US Census adjustment.

** Source: Claritas, Inc.

*** Source: State of California Employment Development Department

**** The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

CITY OF HUNTINGTON BEACH
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended				
	2014	2013	September 30, 2012	2011	2010
Long-Term Indebtedness					
Governmental Activities:					
Judgement Obligation Bonds	\$ 2,574	\$ 3,474	\$ 4,339	\$ 5,179	\$ 5,989
Public Financing Authority:					
2001(a) Lease Revenue Bond	-	-	-	-	25,650
2001(b) Lease Revenue Bond	-	-	-	-	15,915
2010(a) Lease Revenue Bond	11,230	11,910	12,565	13,200	13,820
2011(a) Lease Revenue Bond	28,165	31,195	34,155	36,275	-
2014(a) Lease Revenue Bond	-	-	-	-	-
Total Public Financing Authority	39,395	43,105	46,720	49,475	55,385
Redevelopment Agency:					
1999 Tax Allocation Refunding Bonds	-	-	-	6,180	6,610
2002 Tax Allocation Refunding Bonds	-	-	-	13,525	14,470
Mayer Disposition and Development Agreement	-	-	-	5,803	6,153
Bella Terra OPA (Parking)	-	-	-	13,922	14,076
CIM DDA (Parking & Infrastructure)	-	-	-	7,288	7,444
CIM DDA (Additional Parking)	-	-	-	435	440
Section 108 Loan RDA/Bowen Court	-	-	-	3,997	5,725
Total Redevelopment Agency	-	-	-	51,150	54,918
Other Long-Term Obligations:					
Capital Leases Payable	-	-	290	572	857
PARS Payable	29	56	4,517	5,868	7,149
Section 108 Loan City	975	1,135	1,285	1,425	-
LED Lighting Phase I	-	-	-	-	-
CEC	-	-	-	-	-
I-Bank	-	-	-	-	-
Total Other Long-Term Obligations	1,004	1,191	6,092	7,865	8,006
Total Long-Term Obligations - Governmental Activities	\$ 42,973	\$ 47,770	\$ 57,151	\$ 113,669	\$ 124,298
Long-Term Obligations - Business-Type Activities:					
Leases Payable	\$ -	\$ -	\$ 3	\$ 6	\$ 9
Total Long-Term Obligations - Business-Type Activities	\$ -	\$ -	\$ 3	\$ 6	\$ 9
Total Long Term Obligations - Governmental Activities and Business-Type Activities	\$ 42,973	\$ 47,770	\$ 57,154	\$ 113,675	\$ 124,307
	2014	2013	2012	2011	2010
Population*	195,999	195,999	193,616	192,524	190,377
Debt Per Capita	\$ 219	\$ 246	\$ 297	\$ 300	\$ 559
Total Personal Income (In Thousands)**	\$ 8,278,410	\$ 7,839,899	\$ 7,573,894	\$ 7,356,548	\$ 8,440,720
Per Capita Personal Income**	\$ 42,237	\$ 42,237	\$ 40,492	\$ 39,340	\$ 38,642
Unemployment Rate***	3.60%	3.60%	4.30%	6.30%	7.40%
Total Employment***	120,200	120,200	119,600	115,100	110,600

**CITY OF HUNTINGTON BEACH
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(In Thousands)**

Fiscal Year	Assessed Valuation	Debt Limit - 12% of Assessed Valuation	Debt Applicable to Limit	Legal Debt Margin
2008-2009	26,102,478	3,132,297	-	3,132,297
2009-2010	26,411,890	3,169,427	-	3,169,427
2010-2011	26,675,055	3,201,007	-	3,201,007
2011-2012	26,723,376	3,206,805	-	3,206,805
2012-2013	28,045,478	3,365,457	-	3,365,457
2013-2014	29,165,729	3,499,887	-	3,499,887
2014-2015	30,787,185	3,694,462	-	3,694,462
2015-2016	32,392,741	3,887,129	-	3,887,129
2016-2017	33,663,879	4,039,665	-	4,039,665
2017-2018	35,340,214	4,240,826	-	4,240,826
2018-2019	37,120,729	4,454,487	-	4,454,487

**CITY OF HUNTINGTON BEACH
STATEMENT OF DIRECT AND
OVERLAPPING BONDED DEBT
JUNE 30, 2019**

2018/19 Assessed Valuation: \$40,169,845,596

Debt Repaid with Property Taxes (Tax and Assessment Debt):

	Percent Applicable*	Debt Applicable to City
Overlapping Tax and Assessment Debt		
Metropolitan Water District	1.375%	660,688
Coast Community College District	28.493%	214,855,599
Huntington Beach Union High School District	73.027%	131,649,423
Fountain Valley School District	27.295%	14,793,890
Huntington Beach City School District	99.953%	95,139,226
Ocean View School District	93.512%	38,774,751
Westminster School District	24.234%	24,973,683
Los Alamitos Unified School District Facilities District No. 1	1.213%	1,859,168
City of Huntington Beach Community Facilities Districts (1990-1, 2000-1, 2002-1, 2003-1)	100.000%	31,930,000
Total Overlapping Tax and Assessment Debt		\$ 554,636,428

Ratios to 2018-19 Assessed Valuation

Total Overlapping Tax and Assessment Debt 1.38%

Direct and Overlapping General Fund Debt

Orange County General Fund Obligations	6.786%	26,378,539
Orange County Pension Obligations	6.786%	27,661,720
Orange County Board of Education Certificates of Participation	6.786%	915,431
North Orange County Regional Occupation Program Certificates of Participation	0.088%	8,175
Coast Community College District General Fund Obligations	28.493%	840,554
Huntington Beach Union High School District Certificates of Participation	73.027%	46,080,833
Los Alamitos Unified School District Certificates of Participation	1.090%	435,028
Huntington Beach School District Certificates of Participation	99.953%	12,792,944
Ocean View School District Certificates of Participation	93.512%	19,740,383
Westminster School District Certificates of Participation	24.234%	9,028,443
City of Huntington Beach General Fund Obligations:	100.000%	50,161,000
Total Direct and Overlapping General Fund Obligation Debt		\$ 194,043,050

Overlapping Tax Increment Debt (Successor Agency) 100.000% 8,145,000

Total Direct Debt \$ 50,161,000

Total Overlapping Debt 706,663,478

Combined Total Debt \$ 756,824,478 (1)

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and non-bonded capital lease obligations.

Ratios to Adjusted Assessed Valuations

Combined Direct Debt (\$50,161,000) 0.12%

Combined Total Debt 1.88%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$2,532,922,305)

Total Overlapping Tax Increment Debt 0.29%

* The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

**CITY OF HUNTINGTON BEACH
PRINCIPAL PRIVATE EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

	2019	% of total
The Boeing Company	3,827	3.55%
No Ordinary Moments	740	0.69%
Hyatt Regency Huntington Beach	641	0.60%
Safran Cabin Galleys US Inc	631	0.59%
Waterfront Hilton Beach Resort	625	0.58%
Safran Cabin Inc	555	0.52%
Cambro Manufacturing	550	0.51%
Huntington Beach Hospital	527	0.49%
Walmart	462	0.43%
Huntington Valley Healthcare	381	0.35%
Total of top 10	8,939	8.30%
All others	98,761	91.70%
Total employment (public and private)	107,700	100.00%

	2010	% of total
Boeing	4,478	3.99%
Quiksilver	705	0.63%
Cambro Manufacturing	951	0.85%
Verizon	290	0.26%
Hyatt Regency Huntington Beach	641	0.57%
C & D Aerospace	555	0.50%
Huntington Beach Hospital	503	0.45%
Walmart	255	0.23%
Rainbow Disposal	408	0.36%
Westec Intelligent Surveillance, Inc.	230	0.21%
Total of top 10	9,016	8.04%
All others	103,084	91.96%
Total employment (public and private)	112,100	100.00%

Source: Economic Development Department, City of Huntington Beach

CITY OF HUNTINGTON BEACH
FULL-TIME ACTUAL AND BUDGETED CITY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Actual									Budgeted
	2019	2018***	2017	2016	2015	2014	2013	2012	2011	2010
General Government:										
City Council	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Manager	12.50	12.50	11.50	11.50	11.50	11.50	7.00	7.00	7.00	6.00
City Treasurer	2.00	2.00	2.00	1.50	1.50	1.50	1.50	1.50	1.50	10.00
City Attorney	11.00	11.00	12.00	11.00	11.00	11.00	11.00	11.00	11.00	17.00
City Clerk	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	8.00
Finance	33.00	33.00	33.00	32.50	31.50	31.50	29.50	29.50	29.50	32.00
Human Resources	15.00	15.00	15.00	15.00	15.00	15.00	14.50	15.00	15.00	20.50
Community Development	44.00	44.00	44.00	43.50	44.00	43.00	42.75	42.75	43.75	26.00
Building *	-	-	-	-	-	-	-	-	-	25.75
Information Systems	30.00	30.00	30.00	30.00	30.00	30.00	29.50	29.50	29.50	39.00
Economic Development **	-	-	-	-	-	-	4.50	5.50	11.50	14.00
Library Services	28.25	28.25	28.25	28.25	28.25	28.25	27.75	27.75	29.75	32.25
Fire	198.00	198.00	198.00	198.00	198.00	196.50	176.50	176.50	176.50	176.00
Police	364.50	364.50	364.50	364.50	361.50	360.50	358.50	363.00	367.00	355.00
Community Services	36.00	36.00	44.00	44.00	43.00	43.00	56.00	61.00	61.00	65.75
Public Works	207.00	207.00	199.00	199.00	198.00	196.00	196.00	196.00	203.00	227.00
	<u>986.25</u>	<u>986.25</u>	<u>986.25</u>	<u>983.75</u>	<u>978.25</u>	<u>972.75</u>	<u>960.00</u>	<u>971.00</u>	<u>991.00</u>	<u>1,055.25</u>

Source: Finance Department, City of Huntington Beach

Note: Actual full-time city employees by function/program data is not available for the fiscal year ended September 30, 2010 (budgeted data provided).

* Building and Planning reported as a combined figure for fiscal year ended September 30, 2011 and subsequent years.

** The Economic Development department was merged into the City Manager's Office for fiscal year ended September 30, 2014 and subsequent years.

*** The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

**CITY OF HUNTINGTON BEACH
OPERATING INDICATORS BY FUNCTION/ACTIVITY
LAST TEN FISCAL YEARS**

Function/Program	2019	2018***	2017	2016	2015
Finance:					
Water Bills Processed	639,245	476,290	632,997	635,052	536,684
Active Business Licenses	21,414	21,782	22,074	21,420	21,424
Accounts Receivable Billings Processed	30,217	25,000	34,963	30,826	38,594
City Clerk:					
Passports Issued	7,024	5,757	7,408	5,623	5,121
Planning:					
Entitlements Processed	221	206	216	221	280
Plan Reviews	1,542	1,466	1,376	1,653	1,595
Field Inspection Complaints	8,183	7,005	8,459	7,951	8,233
Code Violation Cases	4,786	4,219	3,981	4,324	4,710
Building:					
Number of Permits Issued	9,807	7,490	9,728	10,981	10,670
Number of Inspections Completed	36,562	30,501	38,796	39,380	38,320
Value of Construction Permits (Thousands of Dollars)	135,910	109,462	216,252	283,910	234,946
Processed Number of Certificate of Occupancies*	686	523	740	n/a	n/a
Completed Plan Reviews	3,491	2,771	4,172	4,172	3,815
Counter Visits	21,409	16,498	21,731	23,492	21,893
Fire:					
Inspections	6,140	3,963	2,758	5,132	6,499
Responses	20,354	14,490	20,555	20,279	19,562
Ocean Rescues	4,953	3,530	3,639	3,977	5,371
Estimated Beach Visitors	10,577,290	12,522,640	13,339,518	12,272,030	11,803,943
Police:					
Physical Arrests	5,979	4,614	5,298	5,112	4,854
Parking Violations	79,069	54,500	70,846	90,361	83,453
Traffic Violations	13,314	11,869	19,916	17,639	17,596
Community Services:					
Park/Open Space Acreage	1,066	1,065	1,065	1,062	1,062
Enrollment in Recreation Classes	37,978	27,152	37,968	34,424	30,228
Public Works:					
Water Sold (Acre Feet)**	26,251	19,777	25,944	24,505	24,763
Gallons of Sewage Pumped Per Day**	19 million	19 million	22 million	19 million	19 million
Library:					
Items in Collection	293,995	292,037	288,599	285,814	343,655
Items Borrowed	942,821	655,626	943,642	921,105	908,656

* Beginning the 2013/14 Fiscal Year, the Building Department no longer processes Certificate of Occupancies.

** Reduction of estimate is the result of the Governor's executive order to reduce water consumption.

*** The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

Source: Various departments of the City of Huntington Beach

CITY OF HUNTINGTON BEACH
OPERATING INDICATORS BY FUNCTION/ACTIVITY
LAST TEN FISCAL YEARS
(Continued)

Function/Program	2014	2013	2012	2011	2010
Finance:					
Water Bills Processed	630,240	628,207	646,229	630,268	640,351
Active Business Licenses	20,450	21,127	22,304	21,903	21,045
Accounts Receivable Billings Processed	42,360	45,422	45,422	42,968	37,146
City Clerk:					
Passports Issued	4,598	4,220	3,850	3,082	3,251
Planning:					
Entitlements Processed	204	231	205	195	353
Plan Reviews	1,466	1,575	1,184	1,524	2,216
Field Inspection Complaints	7,030	7,301	6,105	6,064	8,187
Code Violation Cases	2,545	2,385	2,573	2,521	3,315
Building:					
Number of Permits Issued	9,348	8,970	8,444	8,413	8,037
Number of Inspections Completed	36,142	33,962	31,224	29,905	29,792
Value of Construction Permits (Thousands of Dollars)	216,343	248,246	190,992	104,238	91,049
Processed Number of Certificate of Occupancies*	n/a	477	647	765	796
Completed Plan Reviews	3,148	n/a	n/a	n/a	n/a
Counter Visits	21,326	20,854	19,777	20,288	20,272
Fire:					
Inspections	6,641	5,087	6,974	7,858	7,450
Responses	15,815	15,608	15,040	15,940	15,629
Ocean Rescues	6,426	4,195	4,669	3,845	2,822
Estimated Beach Visitors	12,035,134	11,016,615	8,906,592	7,840,968	8,208,477
Police:					
Physical Arrests	4,303	4,237	5,774	6,457	5,695
Parking Violations	74,668	72,347	77,282	77,261	74,115
Traffic Violations	16,330	13,016	16,916	16,770	22,660
Community Services:					
Park/Open Space Acreage	1,062	1,062	1,062	998	1,003
Enrollment in Recreation Classes	30,184	30,218	32,817	32,565	31,743
Public Works:					
Water Sold (Acre Feet)**	29,279	28,354	27,784	26,868	27,268
Gallons of Sewage Pumped Per Day**	22 million	22 million	22 million	22 million	22 million
Library:					
Items in Collection	332,092	385,901	420,956	427,707	437,603
Items Borrowed	937,533	892,543	888,019	943,695	1,009,634

**CITY OF HUNTINGTON BEACH
CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY
JUNE 30, 2019**

Library Services	One Main Library and Four Branches
Fire:	
Fire Stations	8
Police:	
Stations	One Main Station and Three Substations
Community Services:	
Acreage of Parks	1,066
Community Centers	6
Public Works:	
Centerline Square Miles of Streets Maintained	450
Miles of Beach Maintained	4.7
Miles of Storm Drains Maintained	121
Miles of Sewer Maintained	363

Source: Various departments of the City of Huntington Beach