A photograph of a sunset over the ocean. The sun is a bright, glowing orb on the horizon, casting a shimmering path of light across the water's surface. The sky is a gradient of orange and yellow, and the water is dark with white foam from the waves in the foreground.

**CITY OF
HUNTINGTON BEACH**
California

Popular Annual Financial Report
*For The Year Ended
June 30, 2019*

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CITY OF HUNTINGTON BEACH, CALIFORNIA ELECTED OFFICIALS



From left to right:

City Attorney Michael Gates, Mayor Pro Tem Jill Hardy, Councilmember Erik Peterson, City Treasurer Alisa Backstrom, Mayor Lyn Semeta, Councilmember Kim Carr, Councilmember Mike Posey, Councilmember Barbara Delgleize, City Clerk Robin Estanislau, Councilmember Patrick Brenden

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Dear Reader:

In an effort to provide the City of Huntington Beach community with transparent financial information, I am pleased to submit the City of Huntington Beach's Popular Annual Financial Report (PAFR) for the year ended June 30, 2019.

This provides an overview of the City's financial position, including sources of revenues and expenditures, based on audited results presented in the Comprehensive Annual Financial Report (CAFR). Also included in the PAFR is information on the City's major initiatives, new business development, and outstanding debt structure. As you read this year's PAFR results, know that prudent and effective use of your tax dollars to provide vital services and improve community infrastructure continues to be of great importance.

I would like to take this opportunity on behalf of the City of Huntington Beach to thank the citizens of this City for your commitment and dedication. Your contributions to this city inspire us to serve you to the best of our abilities.

I would also like to thank the City Council, City Manager, and City Departments for their leadership and support. Day after day, I personally witness the excellence and hard work displayed by each member of the City's team. The City of Huntington Beach has earned the reputation of being among the nation's best run cities. By following our game plan, *"To serve exceptionally, inspiring pride in our Huntington Beach community through a fanatical focus on excellence by being active caretakers of our unique, people-focused Huntington Beach culture,"* I am confident that Huntington Beach will continue to be the greatest city in which to work, live and play.

Dahle Bulosan, CPA
Acting Chief Financial Officer

Huntington Beach by the Numbers

Property Tax Rate	1.09596% (varies by tax rate area)
Unemployment Rate	2.90%
Fitch Bond Rating	AAA
S&P Bond Rating	AA and AA-
Moody's Bond Rating	Aa2 and Aa3
Property Tax Revenue	\$89,367,000
Total City Debt	\$98,482,000
City Net Position	\$682,944,000
Median Age	41.1 Years Old
Average Household Size	2.60
Average Home Value	\$775,000



POPULAR ANNUAL FINANCIAL REPORT

This report provides an overview of the City's financial position, including sources of revenues and expenditures, as well as economic information about the community. The Popular Annual Financial Report (PAFR) of the City of Huntington Beach is published to increase public awareness about the City's financial condition. It is our goal that this report is easy to understand.

The PAFR summarizes the financial activities of the City of Huntington Beach's governmental and proprietary funds and draws its information from the 2019 Comprehensive Annual Financial Report (CAFR). Per City Council action taken December 18, 2017, the City's fiscal year changed from a September 30 year-end to a June 30 year-end, resulting in a nine-month reporting period for FY 2017/18. The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) and includes financial statements audited by Davis Farr LLP, Certified Public Accountants. The City received an unmodified (or clean) opinion that the financial statements 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. The amounts within the CAFR were arrived at by employing accrual and modified accrual basis accounting techniques as prescribed by the GASB (Governmental Accounting Standards Board).



Government-wide data on pages 12-14 is presented similarly to a consolidated financial statement for a private business (accrual basis). Governmental funds financial information on pages 15-17 is presented under standard governmental accounting rules (modified accrual basis). Modified accrual accounting is a governmental accounting method based on revenues being recognized in the period when they become available and measurable (known).

This PAFR is unaudited and is presented on a non-GAAP basis. The differences between the GAAP basis presentation in the CAFR and the non-GAAP presentation in the PAFR are as follows: the use of prescribed accounting methods and financial statement formats; the presentation of segregated funds; and the disclosure of all material financial and non-financial matters in notes to the financial statements. Individuals who desire to review the audited GAAP-based, full disclosure financial statements should refer to the City's CAFR, which is available on the City's website at <https://www.huntingtonbeachca.gov/government/departments/finance/budget.cfm>, or by contacting the Finance Department at 2000 Main Street, Huntington Beach, California, 92648, by phone at (714) 536-5630, or by e-mail at tvi@suffcity-hb.org.

ABOUT HUNTINGTON BEACH

CITY PROFILE

The City of Huntington Beach is 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 sunny, 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. Listed among the nation's safest cities for decades, Huntington Beach has often been ranked among the "Top Ten Safest Cities by City Crime Rankings" by the Federal Bureau of Investigation. The City boasts an annual median household income of \$93,658, higher than the median household income for the United States, the State of California and Orange County. In addition, more than half of its residents, or 53 percent, have a college education, rendering it one of the top ten "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 the past four consecutive years.

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.

Demographically, the City benefits from higher education levels, median incomes and home values as compared with the State. A thriving beach community, consistently ranked in the top 10 best beaches in California, Huntington Beach is also home to numerous national events such as the Vans U.S. Open of Surfing which attracts 360,000 visitors annually and the Surf City USA Marathon with over 24,500 runners. The annual AVP Beach Volleyball Tour also commands a strong presence totaling 7,500 visitors each year. In addition, the City hosted the inaugural International Cartoon Festival held by the National Cartoonists Society in May 2019, which added to the repertoire of amazing events in the City.



Huntington Beach is also the destination for the Great Pacific Airshow- the only beachfront air show on the West Coast. Held in October, this year's repertoire included the Air Force Thunderbirds, United Kingdom Red Arrows, Canada Snowbirds, among many others. This unique airshow has gained tremendous popularity since premiering in October 2016 and now attracts a crowd of over 1.2 million from around the world to view the two-day event. 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, Civil War Days, and, of course, 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 over 450,000 in-person attendees and is known nationally as "the largest Fourth of July Parade west of the Mississippi."

LOCAL ECONOMY

Huntington Beach is one of the leading commercial and industrial centers in Southern California. As the fourth largest city in Orange County, and the 23rd largest in California, 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.

Huntington Beach has numerous demographic factors in its favor:

- Personal median incomes greater than State or County averages
- A stable property tax base
- A diversified sales tax base
- A strong tourism & leisure industry
- Low unemployment rate

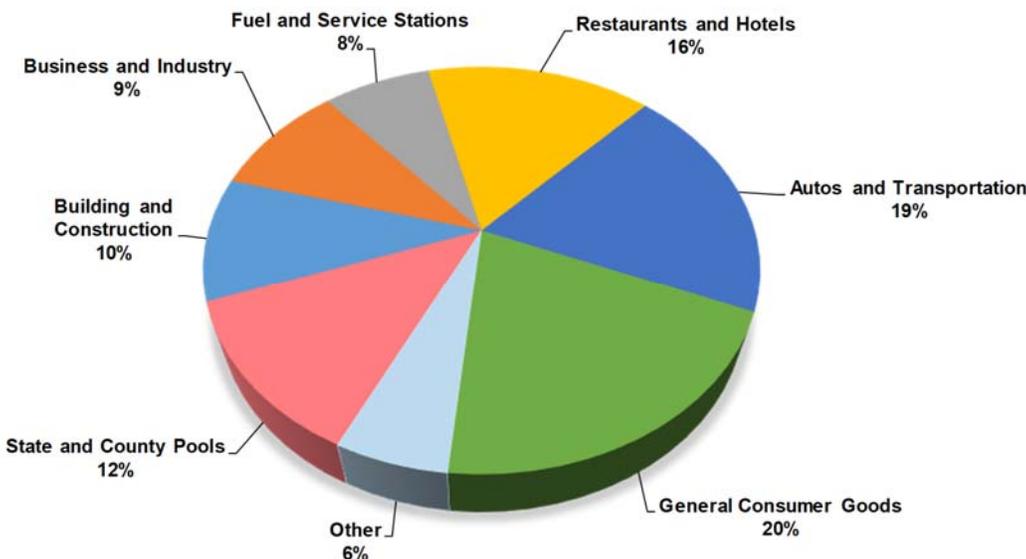
These factors have helped the City achieve a AAA underlying credit rating from Fitch Ratings and balanced budgets.



The City has earned various accolades throughout the year, including the following:

- #1 in the nation for “Quality of City Services” (WalletHub, July 2019)
- #14 for “Best Run City in America” (WalletHub, July 2019)
- Top three “Best Cities to Live In” for the past four consecutive years (Orange County Register, September 2019)

The Huntington Beach 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, and large-scale retailers. The top five principal employers of the City are Boeing, No Ordinary Moments, Hyatt Regency Huntington Beach, Safran Cabin Galley US Inc., and Waterfront Hilton Beach Resort.



CITY OF HUNTINGTON BEACH
Composition of Sales Tax Revenue
Fiscal Year 2018-2019

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.

Boeing Site Sale and Huntington Gateway

Property owner and developer Sares-Regis purchased a portion 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 underway, with an anticipated completion date 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 underwent a recent two-year redesign of its inner court. The reimagined amphitheater was designed with inspiration from Southern California's Spanish roots, combined with Huntington Beach's casual beach lifestyle. 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, alfresco dining, and children's play area.

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.

Transient Occupancy Tax

A 10 percent tax applies to hotel stays within the City remains strong as Huntington Beach continues to be a prime tourist destination as the hotel industry thrives. The City collected an impressive \$14 million in TOT revenues during FY 2018/19, affirming Huntington Beach's status as a premier vacation destination.



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 steep increases in pension costs that could severely impact service 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 by fixing the interest rate on the City's current UAL from 7% 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 POBs. The City is also concurrently in the process of establishing a UAL Payoff Policy to proactively manage any 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.

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.



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.

Key Financial Information

CITY DEBT

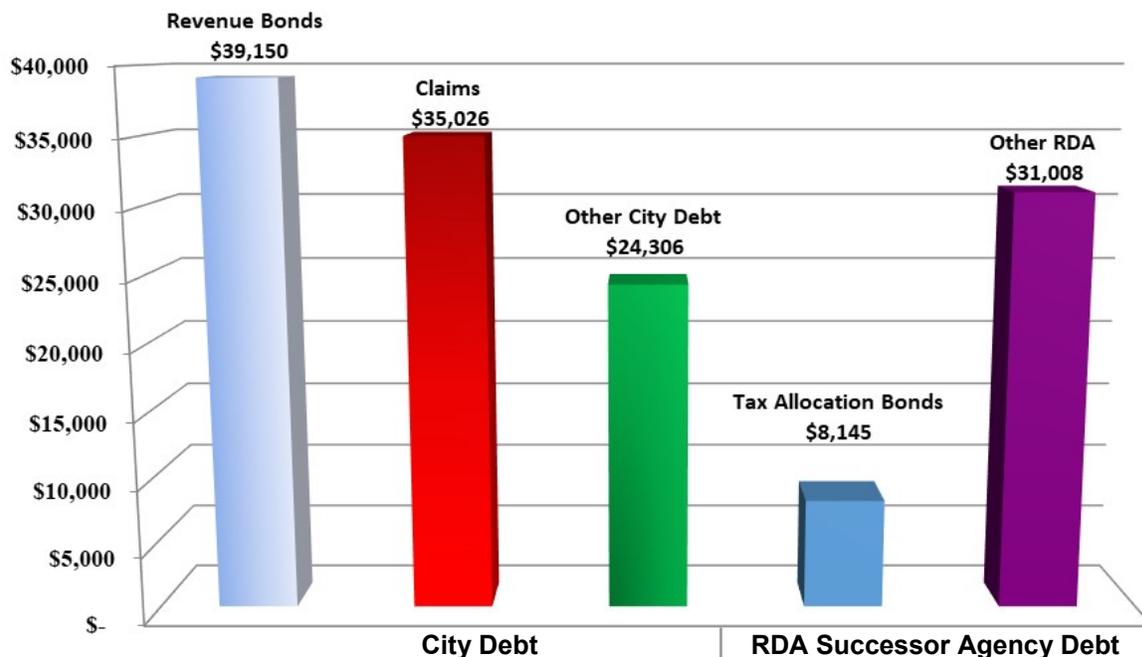
Debt Instrument	Moody's S & P	
1999 Tax Allocation Refunding Bonds	Aa3	AA
2002 Tax Allocation Refunding Bonds	N/A	AA-
2010 Lease Revenue Bonds, Series A	Aa2	AA
2011 Lease Revenue Bonds, Series A	Aa2	AA
2014 Lease Revenue Bonds, Series A	N/A	AA

The City of Huntington Beach is legally restricted to issuing general obligation bonds to 12 percent of its assessed valuation. The City has no general obligation bonds outstanding. The chart on the left shows the latest ratings as determined by Moody's Investors Service and Standard & Poor's as of June 30, 2019. These ratings are important because it is a barometer of the fiscal strength of an agency. The City continues to maintain strong credit ratings on all of its other debt issues. Most notably, in June 2019, Fitch Ratings reaffirmed the City's AAA Implied General Obligation Bond rating. The high ranking puts the City in an elite group of cities not only in California, but in the entire country, with AAA ratings.

TOTAL CITY DEBT AS OF JUNE 30, 2019

(In Thousands)

- **Revenue Bonds** – Long-term bond issues used to finance civic improvements. The bonds are repaid from revenues generated from the lease on the buildings that were improved.
- **Claims Payable**– Workers' Compensation and Liability Insurance claims made to the City.
- **Other City Debt** – Miscellaneous long-term debts that include loans, leases, pollution remediation liabilities, and compensated absences.
- **Tax Allocation Bonds** – Debt used for the former redevelopment agency's project improvements. This debt is repaid by property tax revenues.
- **Other Redevelopment Successor Agency Debt** – Primarily loans taken by the former Redevelopment Agency.



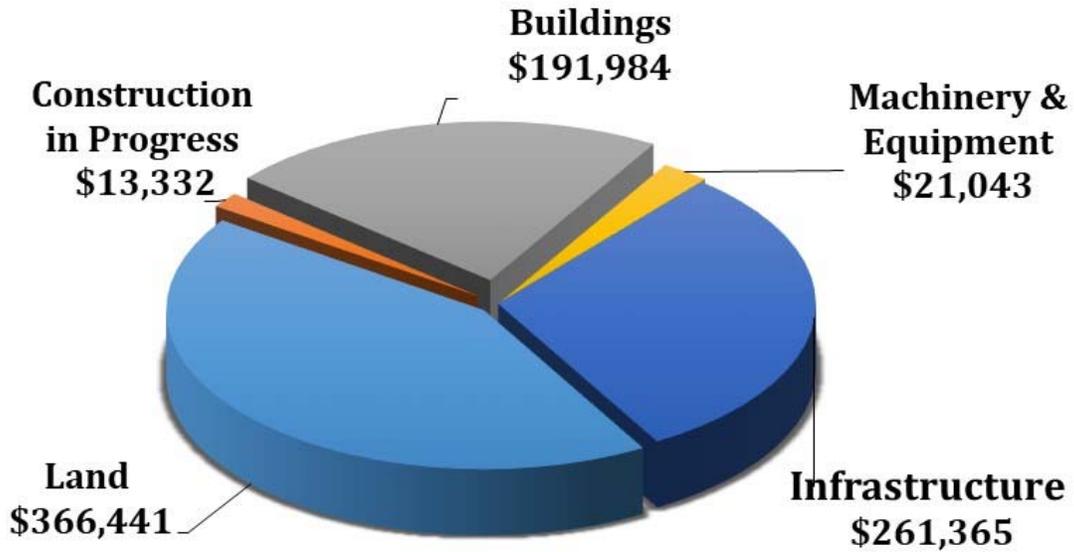
CITY OF HUNTINGTON BEACH CAPITAL ASSETS AS OF JUNE 30, 2019

(In Thousands)



As of June 30, 2019, the City’s total capital assets balance is \$854,165,000. This total amount is comprised of Infrastructure, Land, Construction in Progress, Building, and Machinery and Equipment as displayed in the below chart. The amounts shown are net of depreciation.

Depreciation is the reduction in the value of an asset with the passage of time. In the financial statements for the entire government, or for the government’s business-like activities, the City records depreciation on the straight-line method (equal annual amounts) over the estimated useful life of the assets.



INVESTMENT PORTFOLIO

The City's cash and investment practices and policies as of June 30, 2019, are based upon State law and prudent investor rules. Totals also include investments for the Supplemental Pension Retirement Trust Fund. The primary goals of these investment practices and policies are:

- To protect principal and maintain liquidity to meet expected operating expenses;
- To ensure compliance with all Federal, State, and local laws governing the investment of public funds under the control of the City Treasurer; and
- Achieve a reasonable rate of return within the parameters of prudent risk management while minimizing the potential for capital losses arising from market changes or issuer default.



MARKET VALUE OF THE CITY'S CASH AND INVESTMENTS AS OF JUNE 30, 2019 (IN THOUSANDS)

INVESTMENTS:	Investment Maturities (In Years)						Total
	Fair Value	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 FINANCIALS

STATEMENT OF NET POSITION

The following financial summary is based upon a condensed view of the City's assets and liabilities for all funds

- Total **Current and Other Assets** increased by 8% for governmental activities primarily due to an increase in the cash balance as a result of General Fund revenues including back payments of sales taxes, increases in Road Maintenance and Rehabilitation Account (RMRA) funding, increased revenues received from developers for various park and community center improvement projects, and strike team reimbursements. 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 revenue from water and sewer operations.
- **Capital Assets** increased by 1 percent primarily due to street replacement infrastructure costs.
- **Deferred Outflows** and **Deferred Inflows** decreased by 29 percent and decreased by 22 percent, respectively. These changes are mostly 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.
- Total **Current and Other Liabilities** decreased by 2 percent due to normal fluctuations in the accounts payable and payroll cycle.
- Total **Long-Term Obligations** decreased due to a decrease in the City's workers' compensation, general liability, pension, and OPEB liabilities.
- Total **Restricted Net Position** increased by 3 percent primarily due to restricted fund balance increases in the City's Development Impact Fee and Gas Tax Funds related to RMRA and developer impact fees received. Restricted net position from business-type activities decreased due to planned spending of restricted water master plan funds for capital projects.
- Total **Unrestricted Net Position** increased by 6 percent largely due to a decrease in the net pension and other postemployment benefits liabilities, which was partially offset by an increase in total net position for business-type activities due to an increase in revenue from water and sewer operations during FY 2018/19.

CITY OF HUNTINGTON BEACH STATEMENT OF NET POSITION

AS OF JUNE 30, 2019 AND JUNE 30, 2018

(In Thousands)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
Assets									
Current and Other Assets	\$ 230,456	\$ 213,270	8%	\$ 93,258	\$ 87,692	6%	\$ 323,714	\$ 300,962	8%
Capital Assets	708,469	698,732	1%	145,696	143,954	1%	854,165	842,686	1%
Total Assets	938,925	912,002	3%	238,954	231,646	3%	1,177,879	1,143,648	3%
Deferred Outflows of Resources	67,019	93,640	-28%	3,686	6,496	-43%	70,705	100,136	-29%
Liabilities									
Current and Other Liabilities	15,137	15,717	-4%	9,602	9,446	2%	24,739	25,163	-2%
Long-Term Obligations	498,810	519,147	-4%	28,690	30,477	-6%	527,500	549,624	-4%
Total Liabilities	513,947	534,864	-4%	38,292	39,923	-4%	552,239	574,787	-4%
Deferred Inflows of Resources	12,649	16,303	-22%	752	887	-15%	13,401	17,190	-22%
Net Position									
Net Investment in Capital Assets	664,281	650,466	2%	145,696	143,954	1%	809,977	794,420	2%
Restricted	66,089	58,537	13%	21,153	25,886	-18%	87,242	84,423	3%
Unrestricted	(251,022)	(254,528)	1%	36,747	27,492	34%	(214,275)	(227,036)	6%
Total Net Position	\$ 479,348	\$ 454,475	5%	\$ 203,596	\$ 197,332	3%	\$ 682,944	\$ 651,807	5%

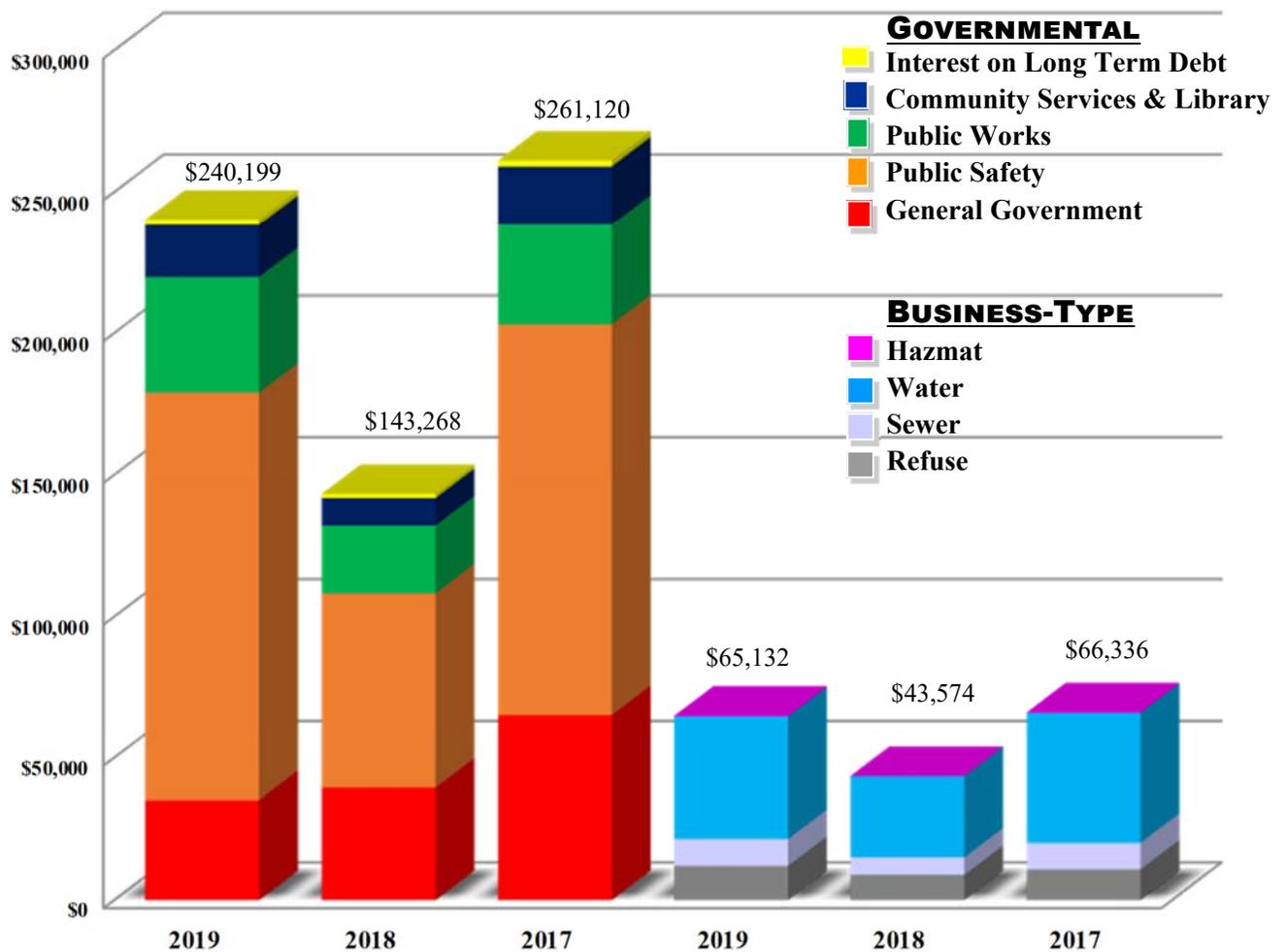
See page 19 for an explanation of accounting terms.

STATEMENT OF ACTIVITIES

The following graphs show Revenues and Expenses for Governmental and Business-type activities as they relate to the program category in which the funds were collected or expended. Governmental activities include the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Funds. Business-type activities include the Water Fund, Sewer Fund, Refuse Fund, and Hazmat Fund.

CITY OF HUNTINGTON BEACH PROGRAM EXPENSES

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019,
THE NINE-MONTH PERIOD ENDED JUNE 30, 2018 AND FISCAL YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)



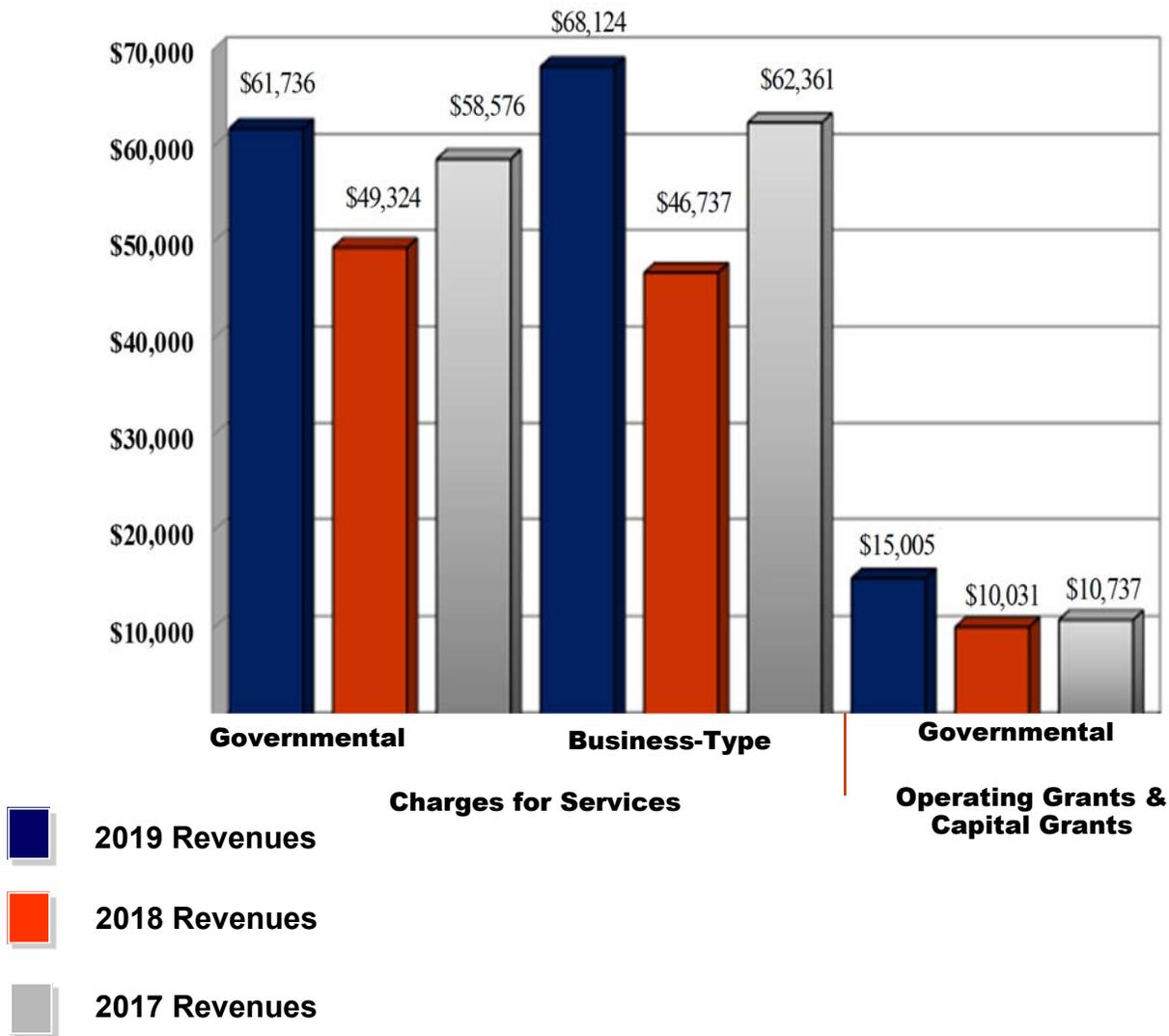
Governmental expenses increased from \$143,268,000 in nine-month period ending June 30, 2018, to \$240,199,000 in the fiscal year ending June 30, 2019, primarily due to the change from September 30 year-end to June 30 year-end resulting in a nine-month fiscal year which excludes the months of July to September, which represent the peak season. Business-Type expenses increased from \$43,574,000 in the nine-month period ending June 30, 2018, to \$65,132,000 in the fiscal year ending June 30, 2019, primarily due to the nine-month fiscal year which excludes the summer months when water usage and related maintenance costs are at their highest levels during the year.

STATEMENT OF ACTIVITIES

CITY OF HUNTINGTON BEACH PROGRAM REVENUES

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019,
THE NINE-MONTH PERIOD ENDED JUNE 30, 2018 AND FISCAL YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)

Definition of Program Revenues: Revenues that derive directly from the program itself, such as user fees and charges, which reduce the cost of the function to be financed from the government’s general revenues.



Governmental charges increased to \$61,736,000 in the fiscal year ending June 30, 2019, from \$49,324,000 in the nine-month period ending June 30, 2018, primarily due to the truncated fiscal year. Business-type charges for services increased to \$68,124,000 from \$46,737,000 also primarily due to the nine-month fiscal year. Operating Grants and capital grants increased by \$4,974,000 primarily due to a increase in Housing and Urban Development Grants, Supplemental Law Enforcement Services, and Office of Traffic Safety Grants from the prior year.

GOVERNMENTAL FUNDS

The City maintains 23 individual governmental funds. Governmental funds are used to account for tax-supported activities such as: public safety, public works, general government, and community-related services. The major governmental funds are the General Fund, Grants Special Revenue Fund, and the Low-Moderate Income Housing Asset Fund (LMIHAF) Capital Projects Fund.

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

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources.

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

Capital Projects Funds are used to account for and report financial resources for capital outlays.

REVENUE/RESOURCES (WHERE THE MONEY COMES FROM)

The City received \$265,797,000 from various funding sources for the fiscal year ended June 30, 2019.

CITY OF HUNTINGTON BEACH STATEMENT OF REVENUES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019 AND NINE-MONTH PERIOD ENDED JUNE 30, 2018 (In Thousands)

REVENUE BY SOURCE	2019	2018
Property Taxes	\$ 89,367	\$ 80,614
Sales Taxes	47,437	33,844
Utility Taxes	18,788	14,014
Other Taxes	27,196	18,409
Licenses and Permits	8,574	6,293
Fines and Forfeitures	4,300	3,048
Use of Money and Property	23,276	11,600
Other Agencies	13,072	10,384
Charges for Services	32,002	28,582
Other	1,785	1,634
Total	\$ 265,797	\$ 208,422

The largest source of operating revenues for the City is **Property taxes**. Property taxes are levies collected from property within the City based on assessed value and tax rate.

Sales taxes are imposed on retail transactions and are collected and administered by the State. Huntington Beach receives 1.0% of the total taxable sales generated within the City.

A **Utility tax** of 5 percent is imposed on consumers of electricity, gas, water, and cable television services and 4.9 percent for telephone services within the City. Utility taxes are the third largest revenue generator for the City.

The “**other taxes**” category is comprised of the following:

- **Franchise fees** – negotiated fee revenue received from local utilities.
- **Transient occupancy tax** – imposed on lodging facilities such as hotels and motels. The City’s tax rate is set at 10 percent.

Licenses and permits represent revenues generated from a variety of activities, such as business licenses and building-related permits.

Revenue from **finances and forfeitures** are generated from various sources, such as court and traffic fines, parking violations, and library fines.

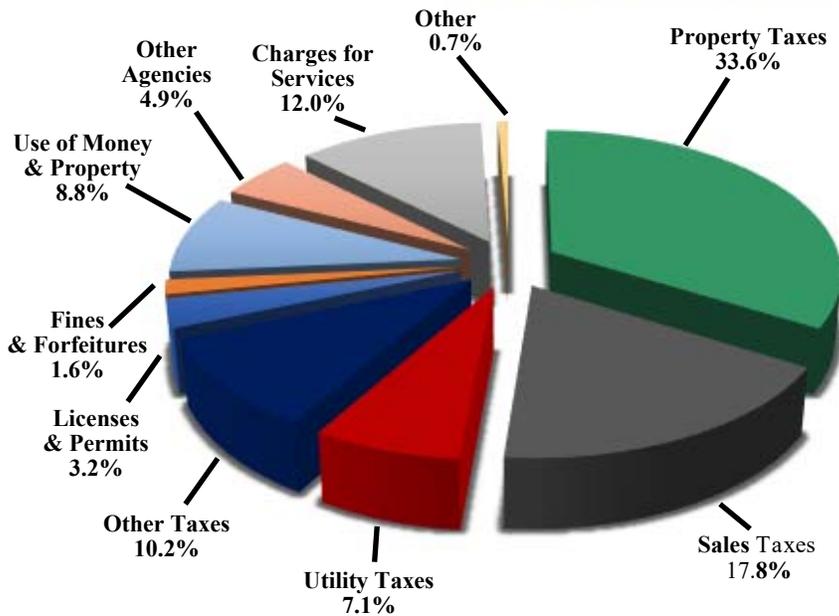
Revenue from the **use of money and property** includes interest on City investments, leases, parking fees, and concessions.

Revenue from **other agencies** is primarily reimbursements from Federal, State, and County sources.

Charges for services are revenues collected for services rendered to the public such as recreational classes.

Other revenues are revenues that do not fall into designated categories, such as refunds and donations.

GOVERNMENTAL FUNDS



The City changed from a September 30 year-end in fiscal year 2016/17 to a June year-end in fiscal year 2017/18. Due to the change, 2017/2018 was a shortened nine-month fiscal year. The following details the significant changes in revenue as a result of the nine-month fiscal year ended June 30, 2018 and the twelve-month fiscal year ended June 30, 2019:

- Governmental Fund Revenues increased by \$57.4 million or 27.5% from the prior fiscal year.
- Property Taxes increased by 10.9%.
- Utility taxes increased by \$4.8 million or 34.1%.
- Licenses and Permits increased \$2.3 million to 36.2%.

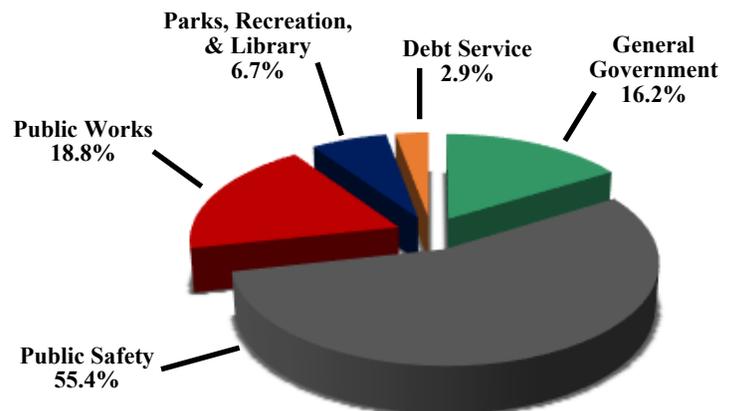
EXPENDITURES/SERVICES (WHERE THE MONEY GOES)

The City incurs expenditures to meet the diverse needs of the community. As a full service city, Huntington Beach provides fire and police services, as well as recreational and cultural opportunities. For the period July 1, 2018, to June 30, 2019, the total expenditures incurred by the City were \$249,151,000 (excluding transfers and other financing sources).

CITY OF HUNTINGTON BEACH STATEMENT OF EXPENDITURES GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019 AND THE NINE-MONTH PERIOD ENDED JUNE 30, 2018
(In Thousands)

EXPENDITURES	2019	2018
General Government	40,396	49,265
Public Safety	137,977	94,263
Public Works	46,878	30,357
Parks, Recreation, & Library	16,664	11,394
Debt Service	7,236	1,276
Total	\$ 249,151	\$ 186,555



GOVERNMENTAL FUNDS

General Government expenditures are those incurred by the administrative function, including the City Council, City Manager, City Attorneys, City Clerk, City Treasurer, Finance, Human Resources, Business Development, Community Development, and Information Services.

Public Safety expenditures reflect the costs associated with providing police, fire, and marine safety services to residents, businesses, and visitors.

Parks, recreation, and library expenditures are those incurred by the City to enrich the quality of life in Huntington Beach through recreational and cultural activities, as well as to support the educational and informational needs of residents and visitors.

Debt service expenditures are used to retire the City's debt.

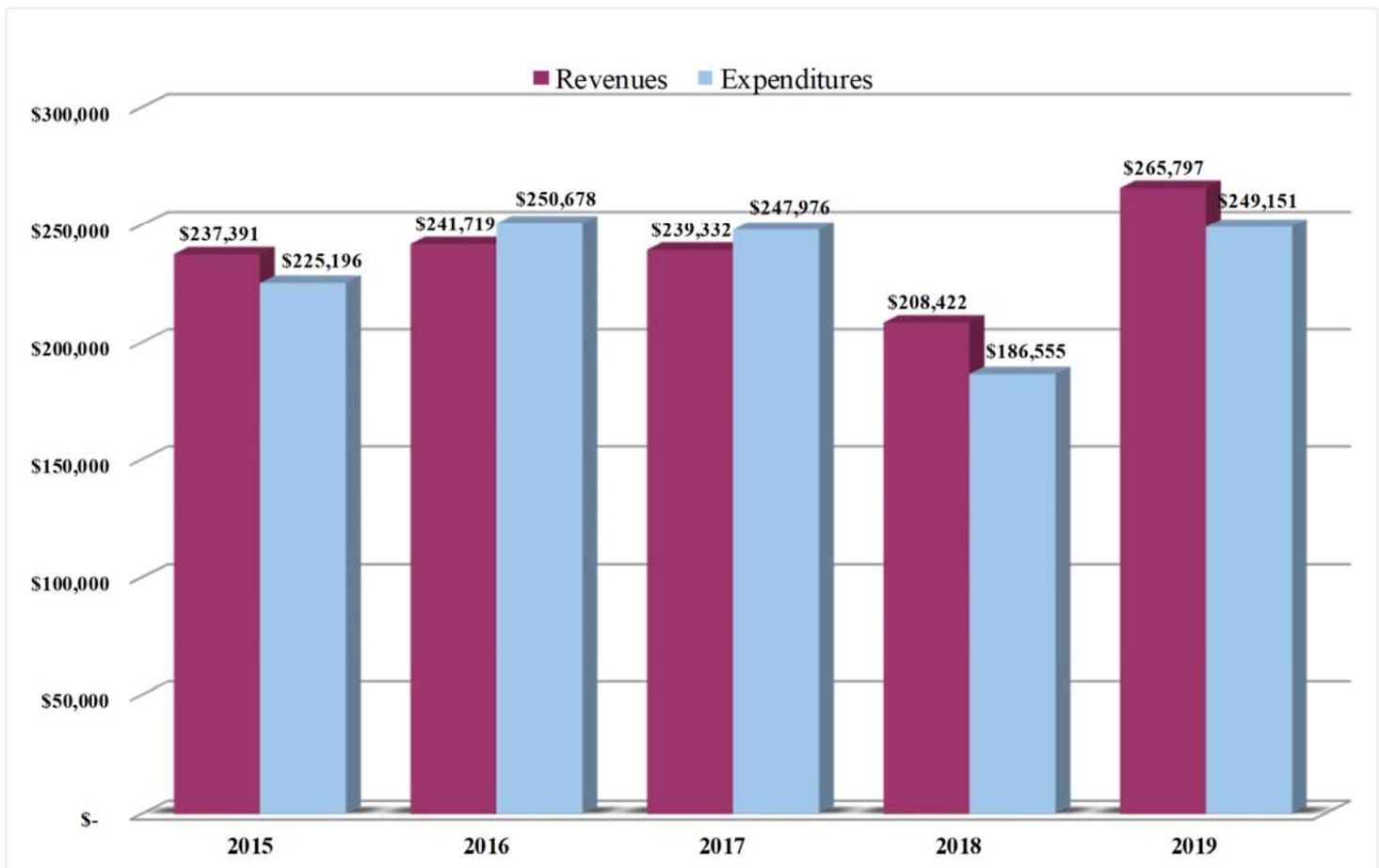
Public Works expenditures are those related to the design, construction, maintenance, and operation of public facilities and infrastructure within the City.

Governmental Fund Expenditures increased by \$62.6 million or 33.6% from the prior fiscal year. The following details the significant changes from the prior fiscal year:

- The City changed its fiscal year-end from September 30 to June 30 effective October 1, 2017, resulting in a nine-month fiscal year for 2017/2018. Fiscal Year 2018/2019 is the first, full twelve-month July to June fiscal year.



**GOVERNMENTAL FUNDS
REVENUES AND EXPENDITURES - FIVE YEAR TREND**
(in Thousands)



BUSINESS-TYPE FUNDS

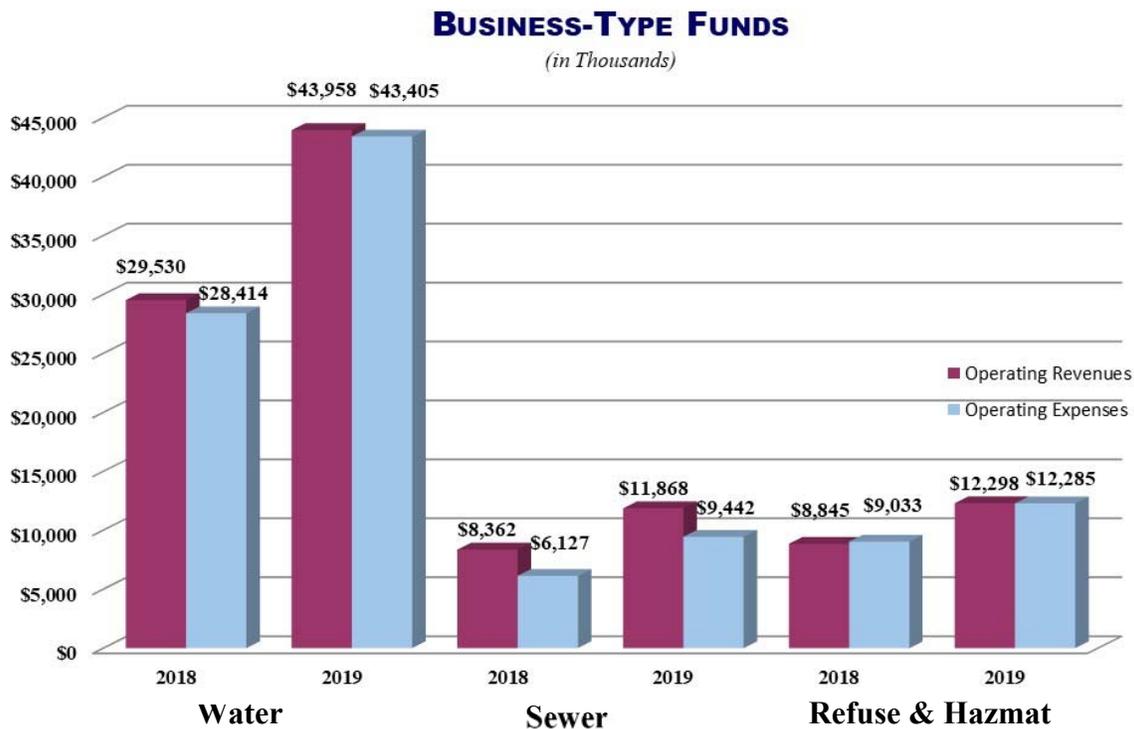
Business-type funds are used to report any activity for which a fee is charged to users for goods or services, similar to private business. Over time, these funds generate enough revenue to cover the costs of their operating expenses. The City maintained four business-type funds as of June 30, 2019.

The **Water Fund** accounts for water sales to customers and costs incurred to maintain its infrastructure.

The **Refuse Fund** accounts for the activities of the City’s refuse collection program.

The **Sewer Service Fund** accounts for user fees charged to residents and businesses for sewer services.

The **Hazmat Service Fund** accounts for user fees charged for the City’s hazardous materials program.

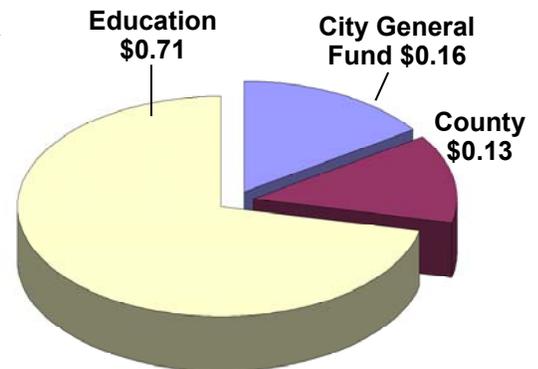


WHERE DO THE TAXES GO?

PROPERTY TAXES

The largest source of revenue for the City of Huntington Beach is property taxes. Personal property in California is subject to a basic levy equal to one percent of assessed value. The California Constitution, after passage of Proposition 13 in 1978, fixed valuations of real property at 1975 levels, with a maximum adjustment of two percent per year based on inflation. When a change of ownership or new construction occurs, the property is reassessed to its current value.

The basic levy 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.



The chart to the right shows how each dollar paid in property tax in the City of Huntington Beach is distributed to local school districts, County operations, and the City’s General Fund.

EXPLANATION OF ACCOUNTING TERMS

Current and Other Assets – Assets that one can reasonably expect to convert to cash, sell, or consume within one year.

Capital Assets – The City’s long-term investments in land, buildings, equipment, improvements, infrastructure, and construction in progress. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Net Investment in Capital Assets – This represents the City’s investment in its capital assets less accumulated depreciation and any outstanding debt attributable to the acquisition, construction, or improvement of these assets. It should be noted that the resources needed to repay this debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Deferred Outflows of Resources – Represents a consumption of net position that applies to future periods.

Deferred Inflows of Resources – Represents an acquisition of net position that applies to future periods.

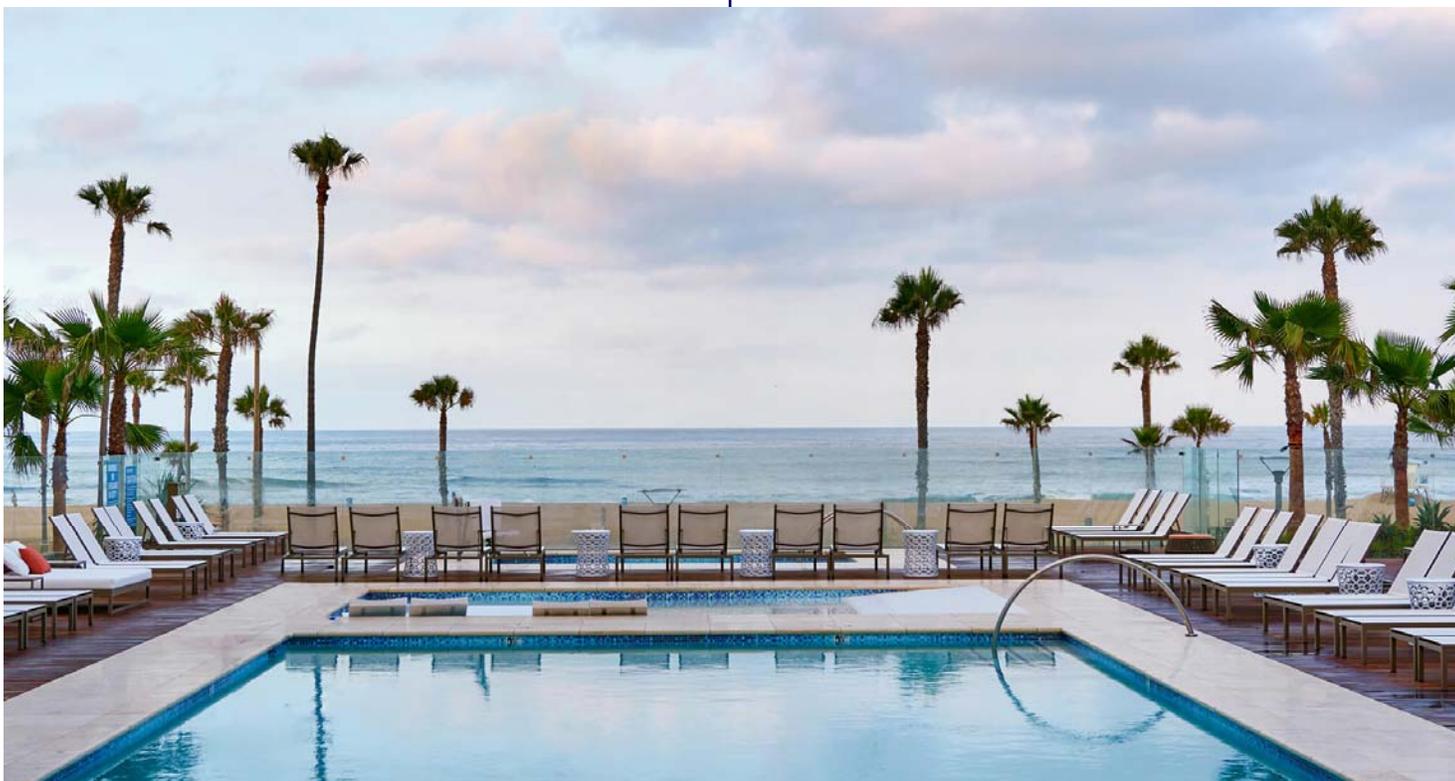
Current and Other Liabilities – These are primarily debts that can be paid off in one year or less. This includes accounts payable, accrued payroll and accrued interest payable.

Long-Term Obligations – Represents mainly debt obligations of the City. The proceeds from these various debt issues are used to finance large projects such as building construction and renovations, major equipment purchases, and roadway construction.

Net Position - This represents the City’s total assets and deferred outflows of resources less the total liabilities and deferred inflows of resources.

Restricted Net Position – Resources whose use is subject to externally imposed restrictions. The City has resources set aside for debt service, public works projects, and community services programs as established by the City Council.

Unrestricted Net Position – These are resources that are accessible to the City to provide services to the residents of Huntington Beach if there were no additional revenues or resources available.



AWARD



Government Finance Officers Association

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Huntington Beach for its Popular Annual Financial Report for the Nine Months Ended June 30, 2018. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Huntington Beach has received a Popular Award for the last thirteen consecutive years (fiscal years ended 2006-2018). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements.

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Huntington Beach
California**

For its Annual
Financial Report
for the Nine Months Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO



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