

CITY OF HUNTINGTON BEACH

California



POPULAR ANNUAL FINANCIAL REPORT
*For The Year Ended
June 30, 2021*

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CITY OF HUNTINGTON BEACH, CALIFORNIA ELECTED OFFICIALS



*From left to right: **City Attorney Michael Gates, Councilmember Natalie Moser, Mayor Barbara Delgleize, Mayor Pro Tem Mike Posey, Councilmember Dan Kalmick, Councilmember Kim Carr, Councilmember Rhonda Bolton, Councilmember Erik Peterson, City Treasurer Alisa Backstrom***

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Dear Reader:

I am pleased to share with you the City of Huntington Beach (City) Popular Annual Financial Report (PAFR). The PAFR, also referred to as the “Citizens’ Report”, summarizes the complex financial information reported in the City’s Annual Comprehensive Financial Report (ACFR) into a simplified, easy to read format. This report provides an overview of the City’s financial position, including sources of revenues and expenditures. In addition to key financial data, the PAFR also includes information regarding our local economy, City’s efforts to respond to the threats and uncertainties of the novel coronavirus (COVID-19) and important City highlights.

In spite of the challenges brought on by the pandemic, our community has shown tremendous resilience and the City has continued its commitment to maintain high service levels to its residents, businesses and visitors. Fiscal Year 2020/21 represents a full fiscal year's economic impact of the COVID-19 global pandemic. My hope is that this year’s PAFR reflects our prudent and effective use of your tax dollars as to continue providing a safe environment for our businesses and citizens to thrive.

I would like to take this opportunity, on behalf of the City of Huntington Beach, to thank the citizens of this City for their ongoing commitment and dedication. It has been challenging to navigate the ever-changing landscape of our daily lives, but I have seen the resilience of our community and have hope that the challenges that we faced in the prior fiscal year have not only made us stronger, but have also brought us closer together.

I would also like to thank the City Council, City Manager, and City Departments. Under their tremendous leadership and support, I consistently witness the excellence and hard work displayed by each member of the City’s team. Together, we strive to fulfill our duty *“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,”* especially when times are hard. I am confident that Huntington Beach will continue to be one of greatest cities in which to work, live and play.

Dahle Bulosan, CPA
Chief Financial Officer

Huntington Beach by the Numbers

Property Tax Rate	1.09391% (varies by tax rate area)
Unemployment Rate	4.70%
Fitch Bond Rating	AAA
S&P Bond Rating	AA and AA-
Property Tax Revenue	\$99,958,000
Total City Debt	\$474,324,000
City Net Position	\$691,730,000
Median Age	41.29 Years Old
Average Household Size	2.56
Average Home Value	\$803,400



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 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 Fiscal Year 2020/21 ACFR. The ACFR 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 ACFR were arrived at by employing accrual and modified accrual basis accounting techniques as prescribed by the Governmental Accounting Standards Board (GASB).



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 ACFR 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 ACFR, 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@surfcity-hb.org.

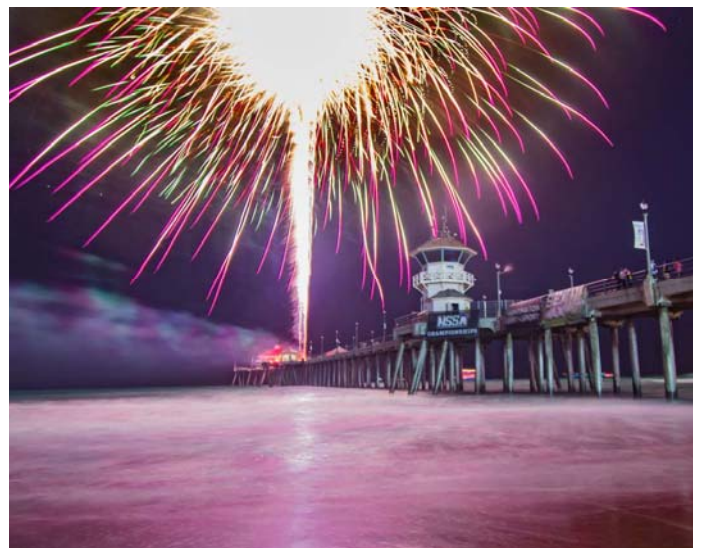
ABOUT HUNTINGTON BEACH

CITY PROFILE

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 198,039 residents, it is known as Surf City due to its abundance of beaches; the year-round sunny, warm Mediterranean climate; and its casual lifestyle. With over 10 miles of coastline and iconic pier spanning 1,850 feet in length - one of the longest piers on the West Coast - Huntington Beach plays host to millions of visitors annually. In addition to its internationally recognized beaches, Huntington Beach is recognized as a prime location to live, work and play, ranking #1 in the nation for “Quality of City Services” and #18 for “Best-Run City in America Poll” by WalletHub (June 2020) and one of the top three “Best Cities to Live In” by the Orange County Register for the past five consecutive years. Huntington Beach was also ranked the 9th Happiest City in America by WalletHub (March 2022).

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. The City of Huntington Beach is a full-service city including police, fire, public works, and other key functional departments with a dedicated and talented team of over 900 full-time equivalent employees.

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 \$91,318, 51% higher than the United States, 28% higher than the State of California, and 6% higher than Orange County.



Huntington Beach attracts numerous national events including the Van’s U.S. Open Surfing, Surf City USA Marathon, and, the Great Pacific Airshow. 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. In 2021, Fourth of July Fireworks Show and Parade added all-new Amusements Area, featuring a 75-foot tall ferris wheel, 90-foot Monster Slide, traditional carnival games, and other family-friendly activities. To add to the list of events, the City unveiled a new ice rink in Pier Plaza, kicking off its inaugural Winter Wonderland event. Surf City Winter Wonderland transformed downtown Huntington Beach into a holiday destination by providing various winter activities, such as ice-skating, live entertainment, festive programming, and more.

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 in terms of population. With the easing of the restrictions put in place as a result of the COVID-19 pandemic, the City's economy has seen much improvement with the unemployment rate decreasing from 8.6 percent to 4.7 percent. The City's labor force continues to be positioned to maintain the City's strong tax base.

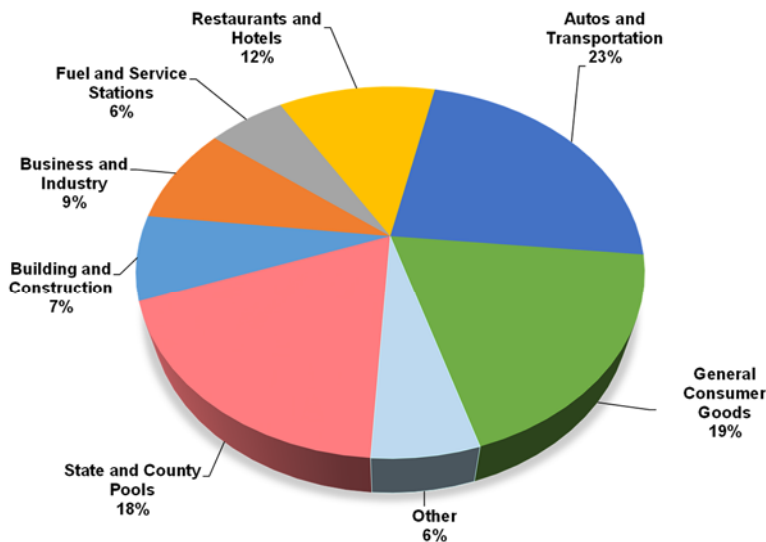
Huntington Beach has numerous demographic factors in its favor:

- Personal median incomes greater than State and County averages
- A stable property tax base
- A diversified sales tax base

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 in the City are Boeing, Safran Cabin Inc., No Ordinary Moments, Hyatt Regency Huntington Beach, and Boardriders Wholesale LLC.



CITY OF HUNTINGTON BEACH
Composition of Sales Tax Revenue
Fiscal Year 2020/21



As the economy continues to recover from the impacts of the COVID-19 pandemic and public health guidelines become less restrictive, revenue sources such as Sales Tax and Transient Occupancy Tax are anticipated to rebound in coming fiscal years. In addition, recovering unemployment rates, rising consumer confidence, and recovery in the hospitality and travel industries are expected to improve Huntington Beach's economy; however, continuing volatility in the financial and equity markets, along with the rapidly changing economic picture and the length and continuing scope of the COVID-19 pandemic, adds a layer of uncertainty to the City's financial projections.

COVID-19 RECOVERY

Although the immediate danger of the novel coronavirus starts to wane, many families, businesses, schools, and governments seek assistance with recovery efforts. Listed below are a few of the programs put in place by the City to assist with the challenges brought on by the pandemic.

www.HBready.com

Www.HBready.com provides the community a central place where they can go to better understand the health risk posed by COVID-19, see the City's response plan and other resources offered to residents and businesses to combat the health crisis and financial dilemmas caused by this pandemic. The website aims to limit the amount of misinformation about the virus by making the latest Orange County health risk information, status of city services, schedule of city events, preventative recommendations, number of COVID-19 cases and vaccine updates readily available within a click of a button. Moreover, the website also contains information about business closures, grant opportunities available to local small businesses, assistance for seniors, donation drives and volunteer efforts.

COVID-19 Call Center

To extend the availability of information to the population who lack or have limited access to internet, the City also started a COVID-19 telephone hotline 714-536-5511 also known as the HB Ready Call Center that's available from Monday to Friday from 9:00 a.m. to 5:00 p.m. The mission of this group is to provide support, encouragement, useful contact information regarding City services and events and additional resources to City of Huntington Beach residents, businesses and visitors. In addition, this group aims to relieve pressure on the 911 system during these trying times.

Navigation Center

To address the spread of COVID-19 with the population of persons experiencing homelessness, the City was given CARES federal grants of \$3.0 million from Orange County Health Care Agency and \$1.7 million from the State. The City engaged in an extensive site selection process to build a navigation center to temporarily shelter the homeless in our community. After an expansive search and comprehensive community outreach, the 174-bed shelter located at 17642 Beach Boulevard was identified to best address the needs of the homeless population. The Navigation Center opened its doors on December 2020, operated by Mercy House. The Center can accommodate homeless adults including their animals and will provide access to vital services that will help them on the path towards housing security. Each potential resident will be screened and upon admission to the Center, will receive clean clothes, prepared meals, access to laundry facilities, private restrooms and 24-hour security. Resources for healthcare, dental and behavioral services will also be made available. In addition, Mercy House staff will assist with finding employment, permanent housing, and assistance to overcome substance abuse addictions, should it apply. The goal of the Center is to provide opportunities and resources to permanently transition their residents to a more stable and secure way of living and off the streets.

For more information please visit their website here : <https://www.hbhomelessolutions.com>

CITY HIGHLIGHTS

The City of Huntington Beach continues to thrive together through the motto “OneHB,” which reflects the City’s commitment to facing the unprecedented challenges created by the COVID-19 pandemic guided by the following principles: One Team, One Focus, and One Goal to ensure HB continually improves its standing as a premier coastal community measured through the health of our organization, infrastructure and community.

Surf City Break

The City of Huntington Beach is excited to launch a new website www.SurfCityBreak.com - your online source for the latest happenings in Huntington Beach ranging from local events to City programs. Surf City Break will be updated weekly, so check in regularly for the latest info about your HB neighborhood, events, and City programs.



Mobi-mat

In May 2021, the City rolled out Orange County’s first Mobi-Mat to improve beach accessibility for visitors with disabilities, parents with strollers, and others with limited mobility. The mat, located near 6th Street and PCH, provides a stable walkway across the sand and to the water’s edge. Due to immense popularity, a second Mobi-Mat was made available in October 2021.



Be Well OC

“Be Well OC” is Orange County’s first mobile mental health response program. This mobile response team, launched in September 2021, is composed of two crisis counselors and assists with many non-emergency and non-medical situations, including public assistance with lack of basic needs (e.g., food, shelter, water) and homelessness, in collaboration with the Huntington Beach Homeless Task Force. Currently, the program is available seven days a week, 12 hours per day, and is planned to expand to 24-hour coverage by Winter 2021-22.



Micro-mobility (Pilot Program)

The City launched a pilot micro-mobility program in July 2021. This free transit service, in partnership with Circuit, provides five low-speed, six-seat electric shuttles to transport residents, workers, and visitors over short distances within the downtown area using the Circuit app and is available seven days a week. Features of this program include ADA options, powered lithium batteries: 80+ miles per charge and 6 seaters. This option will reduce greenhouse gas emissions and also encourage visitors to “park once” and explore all that Huntington Beach has to offer.



KEY FINANCIAL INFORMATION

CITY DEBT

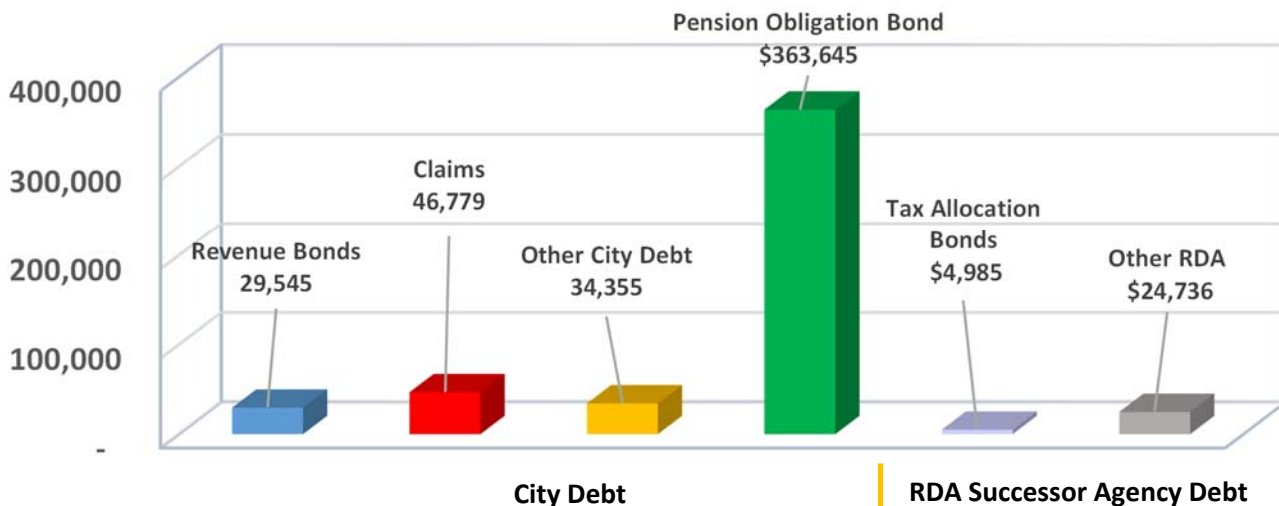
Debt Instrument	Fitch	S & P
1999 Tax Allocation Refunding Bonds	AA	AA-
2002 Tax Allocation Refunding Bonds	N/A	AA-
2020(a) Lease Revenue Bonds	AA+	AA
2020(b) Lease Revenue Bonds	AA+	AA
2021 Pension Obligation Bonds	AA+	AA+

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 chart on the left shows the latest ratings as determined by Fitch and Standard & Poor's as of June 30, 2021. 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 February 2022, 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, 2021

(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.
- **Pension Obligation Bond** – Debt used pay the City's CalPERS unfunded accrued liability.
- **Tax Allocation Bonds** – Debt used for the former Redevelopment Agency's project improvements. This debt is repaid by property tax revenues from the former Redevelopment Agency.
- **Other Redevelopment Successor Agency Debt** – Primarily loans taken by the former Redevelopment Agency.



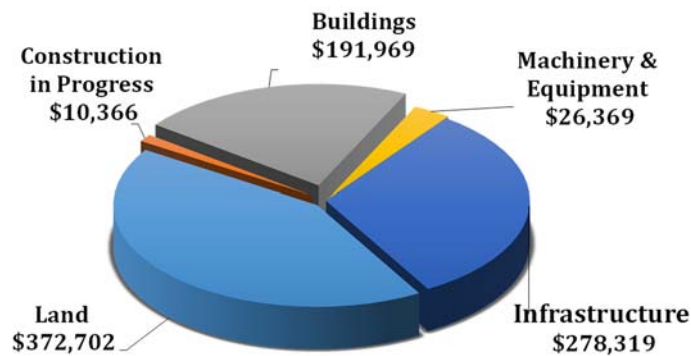
CITY OF HUNTINGTON BEACH CAPITAL ASSETS AS OF JUNE 30, 2021

(In Thousands)



As of June 30, 2021, the City's total capital assets balance is \$879,725. This total amount is comprised of Infrastructure, Land, Construction in Progress, Building, and Machinery and Equipment as displayed in the chart below. 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, 2021, 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, 2021 (In Thousands)

INVESTMENTS:	Investment Maturities (In Years)				
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5
US Treasuries	\$ 13,129	\$ -	\$ 3,065	\$ 10,064	\$ -
US Agency Securities*	113,063	10,018	32,424	70,621	-
Mutual Funds	69,928	69,928	-	-	-
Money Market Funds	1,578	1,578	-	-	-
Medium Term Notes - IADB	30,616	-	15,596	15,020	-
Corporate Bonds	45,968	18,155	23,806	4,007	-
Local Agency Investment Fund	44,677	44,677	-	-	-
Orange County Investment Pool	65,337	65,337	-	-	-
California Asset Mgmt Program	2,773	2,773	-	-	-
PARS Pension Rate Stabilization Program	11,378	11,378	-	-	-
Total Investments	\$ 398,447	\$ 223,844	\$ 74,891	\$ 99,712	\$ -

* 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 as of June 30, 2021 and June 30, 2020.

- **Total Current and Other Assets** increase in current and other assets of \$18,678,000 for governmental activities is mainly due to the increase in cash and receivables balances related to increased property and sales tax revenues, as well as the receipt of the first tranche of American Rescue Plan Act funds in May 2021 totaling \$14,803,000. The decrease in current and other assets of \$977,000 for business-type activities is primarily due to a reduced cash balance in the Water Master Plan fund due to ongoing large capital project costs in Fiscal Year 2020/21 that were delayed from prior year, including water main replacements and the City's share of slip lining the OC-44 imported water transmission line.
- **Deferred Outflows and Deferred Inflows** increased by 626 percent and 35 percent, respectively. The changes in deferred outflows is mainly due to deferral of pension contributions made subsequent to the measurement date, including the unfunded liability payment to CalPERS totaling \$362,430,000 made from proceeds of the Pension Obligation Bond. The changes in deferred inflows is related to the actuarially determined amortization of changes in assumptions, and differences between expected and actual experience used to determine the City's net pension liability.
- **Total Current and Other Liabilities** increased by 47 percent due to normal fluctuations in the accounts payable and payroll cycle. For governmental activities, the majority of the increase is related to the first tranche of American Rescue Plan Act Funds received in May 2021 that was recorded as unearned revenue.
- **Total Long-Term Obligations** for governmental activities increased by 70 percent primarily due to the City issuing a \$363,645,000 Pension Obligation Bond to refinance 85 percent of its unfunded pension liability with CalPERS.
- **Total Restricted Net Position** decreased by 20 percent largely due to the change in restricted net position in the LMIHAF Capital Project fund as funds were spent for the purchase of property to construct a 174-bed Navigation Center, and in the Gas Tax Special Revenue fund for the construction of various street improvements, including arterial rehabilitation and residential street overlay projects.
- **Total Unrestricted Net Position** increased for business-type activities by 2 percent largely due to the increase in net income from Water and Refuse operations during Fiscal Year 2020/21.

CITY OF HUNTINGTON BEACH STATEMENT OF NET POSITION AS OF JUNE 30, 2021 AND JUNE 30, 2020 (In Thousands)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2021	2020 (Restated)	Change	2021	2020 (Restated)	Change	2021	2020 (Restated)	Change
Assets									
Current and Other Assets	\$ 276,665	\$ 257,987	7%	\$ 97,861	\$ 98,838	-1%	\$ 374,526	\$ 356,825	5%
Capital Assets	737,256	714,759	3%	142,469	142,785	0%	879,725	857,544	3%
Total Assets	1,013,921	972,746	4%	240,330	241,623	-1%	1,254,251	1,214,369	3%
Deferred Outflows of Resources	393,130	54,499	621%	25,937	3,262	695%	419,067	57,761	626%
Liabilities									
Current and Other Liabilities	34,751	20,645	68%	11,599	10,952	6%	46,350	31,597	47%
Long-Term Obligations	864,784	508,578	70%	51,137	29,503	73%	915,921	538,081	70%
Total Liabilities	899,535	529,223	70%	62,736	40,455	55%	962,271	569,678	69%
Deferred Inflows of Resources	17,716	13,374	32%	1,601	915	75%	19,317	14,289	35%
Net Position									
Net Investment in Capital Assets	699,204	673,498	4%	142,469	142,785	0%	841,673	816,283	3%
Restricted	65,755	85,673	-23%	20,332	22,248	-9%	86,087	107,921	-20%
Unrestricted	(275,159)	(274,523)	0%	39,129	38,482	2%	(236,030)	(236,041)	0%
Total Net Position	\$ 489,800	\$ 484,648	1%	\$ 201,930	\$ 203,515	-1%	\$ 691,730	\$ 688,163	1%

See page 19 for an explanation of accounting terms.

STATEMENT OF ACTIVITIES

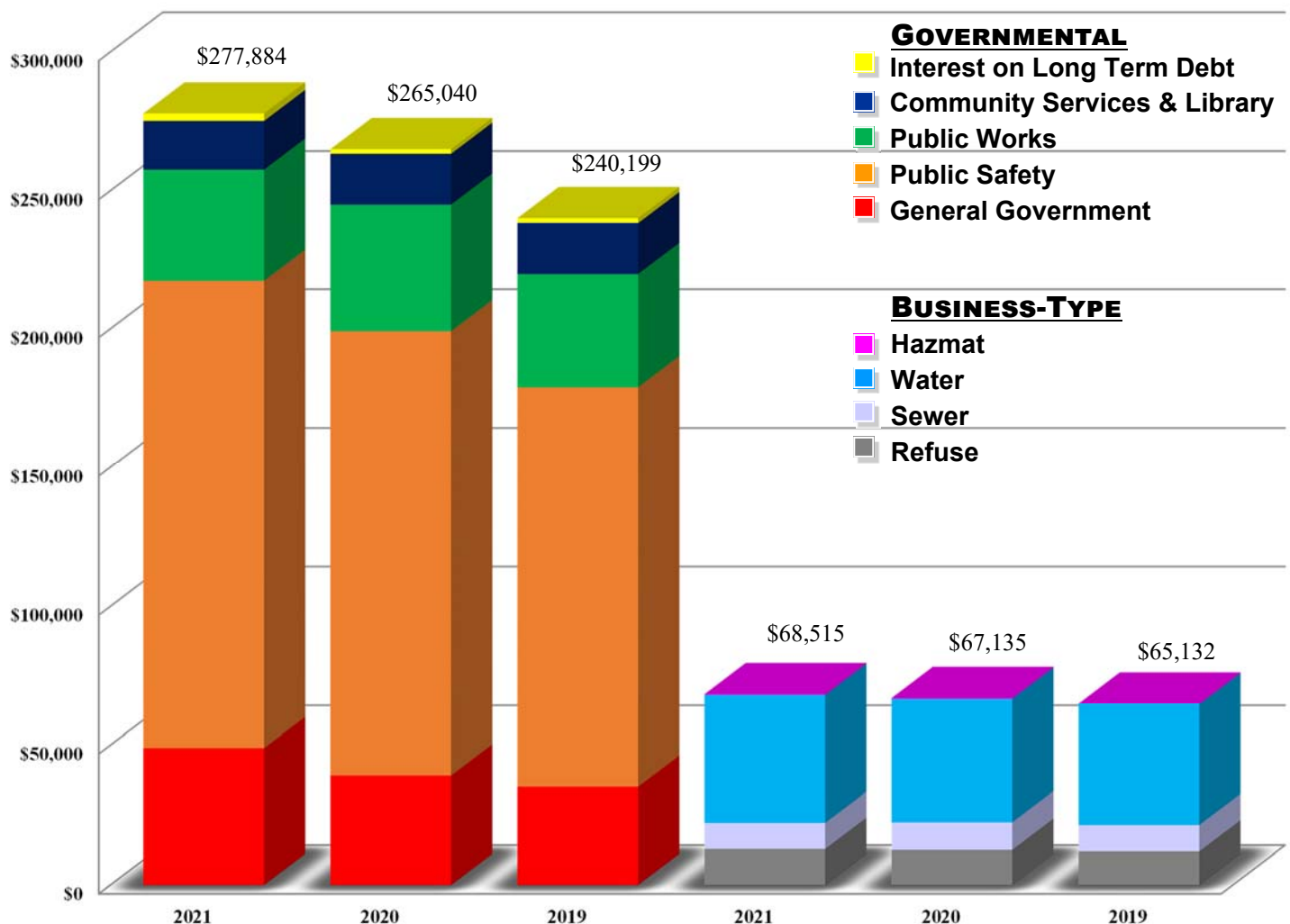
The following graphs show Revenues and Expenses for Governmental and Business-type activities as they relate to the program category in which the funds were collected or expended. Governmental activities include the General Fund, Debt Service Funds, Capital Projects Funds, and Special Revenue Funds. 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 YEARS ENDED JUNE 30, 2021, JUNE 30, 2020 AND JUNE 30, 2109

(In Thousands)



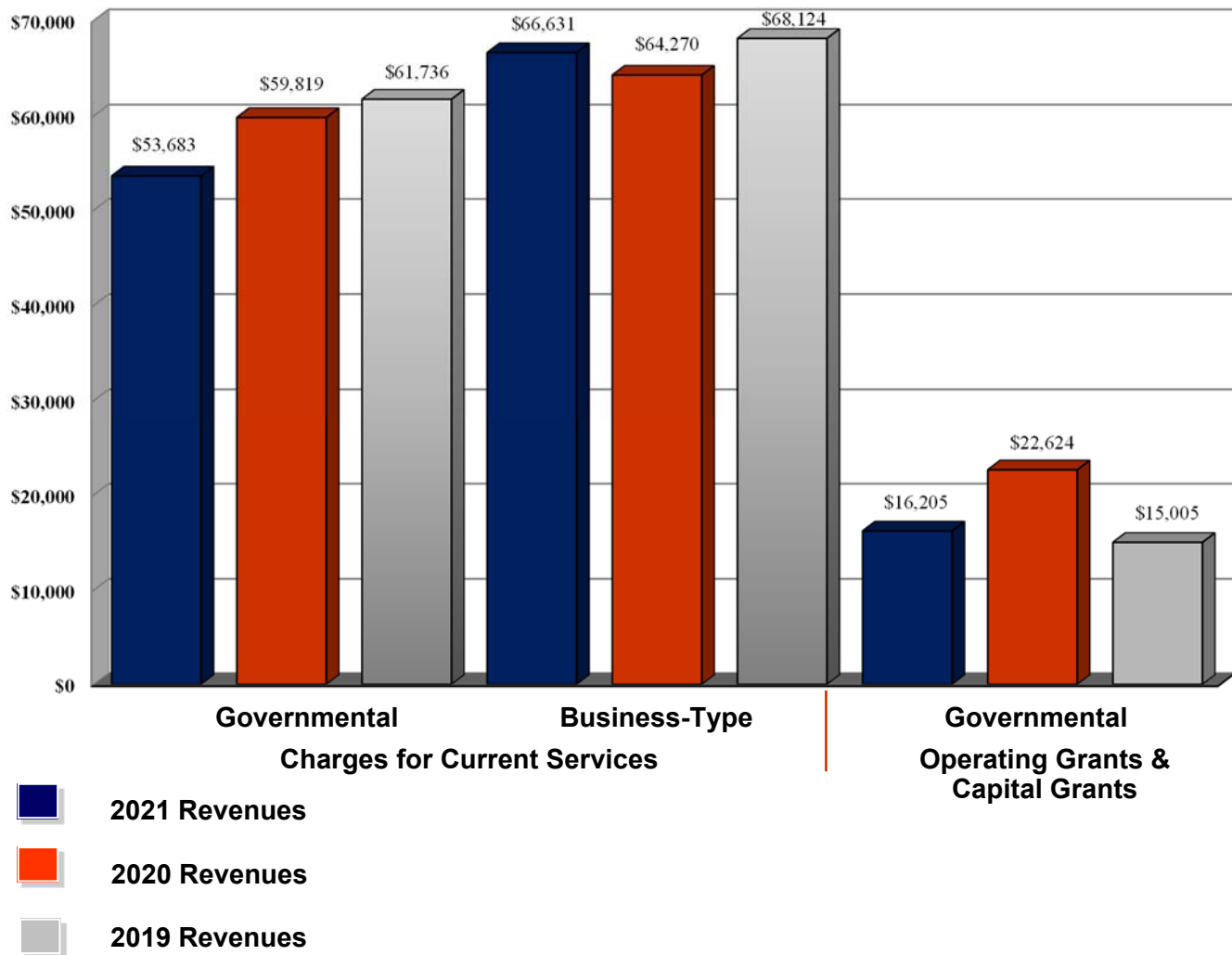
Governmental expenses increased by \$12,844,000 or 4.9 percent. The bulk of the expenditure increase is related to COVID-19 relief programs, including the Small Business and Non-Profit Grants Program and construction of the temporary Navigation Center. These programs totaled \$5,423,000 and \$5,610,000, respectively.

STATEMENT OF ACTIVITIES (CONTINUED)

CITY OF HUNTINGTON BEACH PROGRAM REVENUES

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2021, JUNE 30, 2020 AND JUNE 30, 2019
(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.



Charges for Current Services decreased \$6,136,000 or 10.3 percent. As noted in the financial highlights section, the absence of one-time revenue sources from large development projects and City's responses to help mitigate the risks posed by COVID-19 negatively impacted the City's recreational fee revenue which caused the Charges for Current Services to drop.

Operating Grants and Capital Grants decreased by \$6,419,000 or 28.4 percent, primarily due to one-time loan repayments from Hermosa Vista and Huntington Pointe totaling almost \$7,400,000 in prior year.

GOVERNMENTAL FUNDS

The City maintains 26 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, the Low-Moderate Income Housing Asset Fund (LMIHAF) Capital Projects Fund and Pension Liability Fund Debt Service 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 \$658,704,000 from various funding sources for the fiscal year ended June 30, 2021.

CITY OF HUNTINGTON BEACH STATEMENT OF REVENUES GOVERNMENTAL FUNDS FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

REVENUE BY SOURCE	2021	2020
Property Taxes	\$ 99,958	\$ 94,263
Sales Taxes	51,162	44,616
Utility Taxes	18,374	18,149
Other Taxes	25,745	24,578
Licenses and Permits	8,213	11,266
Fines and Forfeitures	4,619	3,403
Use of Money and Property	19,163	27,863
Other Agencies	29,836	11,309
Charges for Services	25,389	29,523
Other	2,039	5,249
Debt Issuance Proceeds	374,206	1,172
Total	\$ 658,704	\$ 271,391

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.

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 **fines 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 current services are revenues collected for services rendered to the public such as recreational classes.

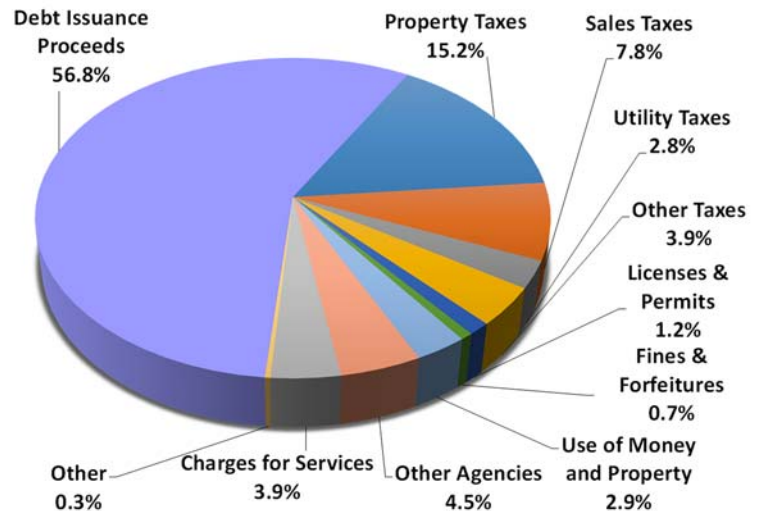
Other revenues are revenues that do not fall into designated categories, such as refunds, donations or other financing sources.

Debt Issuance Proceeds are revenues received from issuing debt such as bonds.

GOVERNMENTAL FUNDS

Governmental Fund Revenues increased by \$387.3 million or 142.7 percent from the prior fiscal year. The following details the significant changes from the prior fiscal year:

- **Property Taxes** increased by \$5.7 million or 6.0 percent, primarily reflecting both new development and increased property values.
- **Other Revenues** decreased by \$3.2 million or 62.1 percent. Majority of the decrease is attributed to one-time revenue received in prior year (i.e., PCTA settlement of \$1 million and proceeds from the sale of 15331 Pipeline Lane for \$2.6 million).
- **Use of Money and Property** decreased by \$8.7 million or 31.2 percent predominantly due to the repayment of Hermosa Vista and Huntington Pointe Apartments loans in prior year.
- **Licenses and Permits** decreased by \$3.1 million or 27.1 percent primarily due to the Affordable Housing in Lieu Fee received for the residential development at 14422 Hammon Lane.
- **Other Taxes** increased by \$1.2 million or 4.7 percent predominantly due to an increase in residents paying their Utilities Franchise Tax.
- **Fines and Forfeitures** increased \$1.2 million or 35.7 percent predominantly due to the increase in parking fine revenues as a result of the increase in parking citation enforcement .
- **Debt Issuance Proceeds** increased \$373.0 million or 31828.8 percent primarily due to the issuance of a \$363.6 million Pension Obligation Bond to pay for the City's unfunded accrued pension liability and the refinancing of the City's 2010A and 2011A Lease Revenue Bonds.

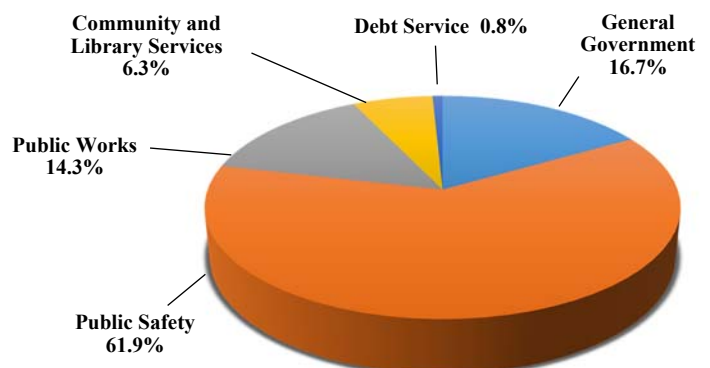


EXPENDITURES/SERVICES (WHERE THE MONEY GOES)

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, 2020 to June 30, 2021, the total expenditures incurred by the City were \$617,114,000 (excluding transfers and other financing sources).

CITY OF HUNTINGTON BEACH STATEMENT OF EXPENDITURES GOVERNMENTAL FUNDS FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020 (In Thousands)

EXPENDITURES	2021	2020
General Government	102,860	38,182
Public Safety	382,164	144,159
Public Works	88,007	47,655
Community and Library Services	39,163	19,628
Debt Service	4,920	6,870
Total	\$ 617,114	\$ 256,494



Expenditures increased by \$360.6 million or 140.6 percent primarily due to the City refinancing 85 percent, or \$339.3 million of its CalPERS unfunded accrued pension liability with the issuance of a Pension Obligation Bond.

GOVERNMENTAL FUNDS

General Government expenditures are those incurred by the administrative function, including the City Council, City Manager, City Attorney, City Clerk, City Treasurer, Finance, Human Resources, 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.

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

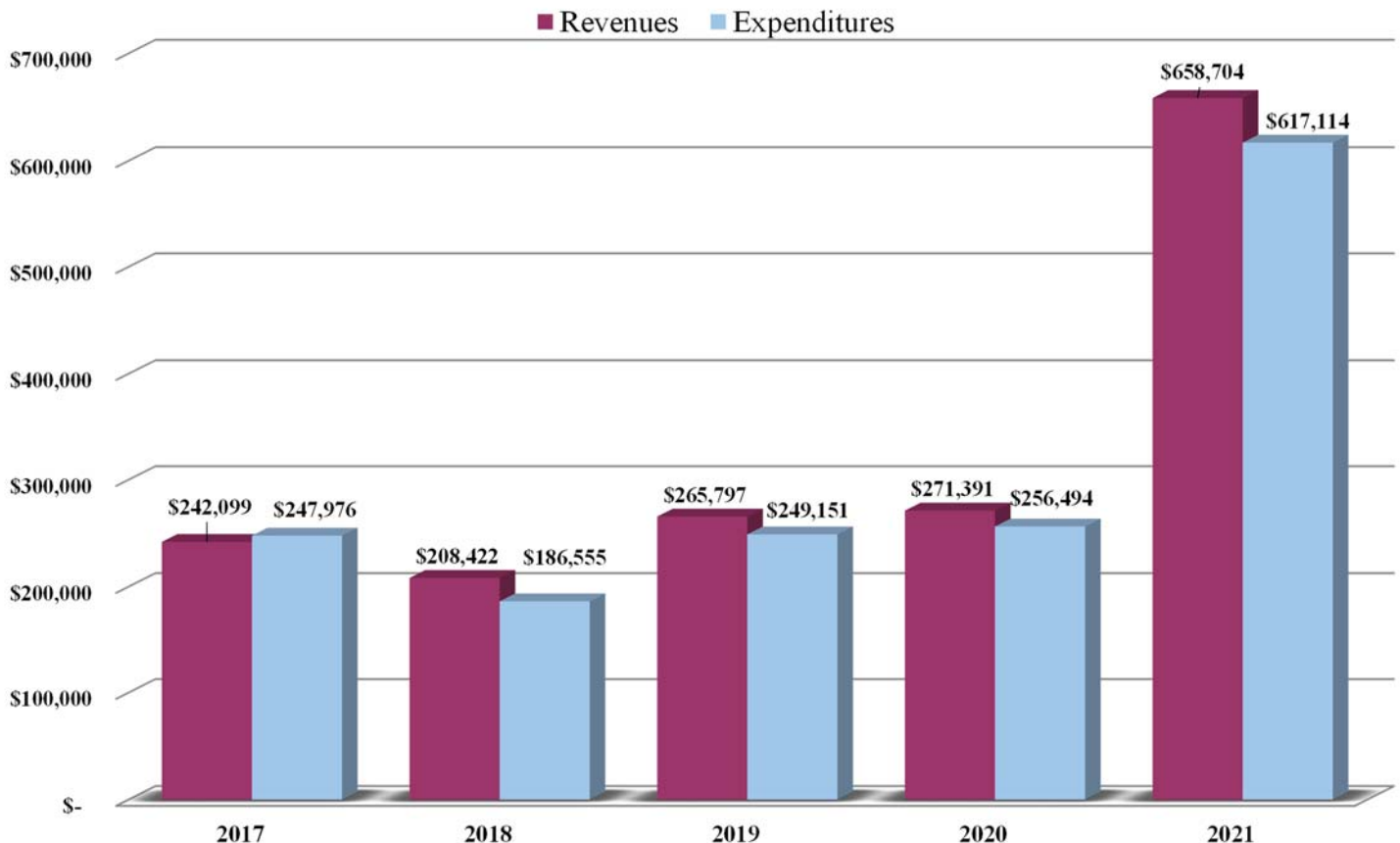
Community and Library Services expenditures are those incurred by the City to enrich the quality of life in Huntington Beach through recreational and cultural activities, as well as to support the educational and informational needs of residents and visitors.

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

Governmental Fund Expenditures increased by \$361 million or 140.6 percent from the prior fiscal year, which is primarily due to the issuance of a Pension Obligation Bond to refinance 85 percent of the City's unfunded accrued liability with CalPERS.



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



BUSINESS-TYPE FUNDS

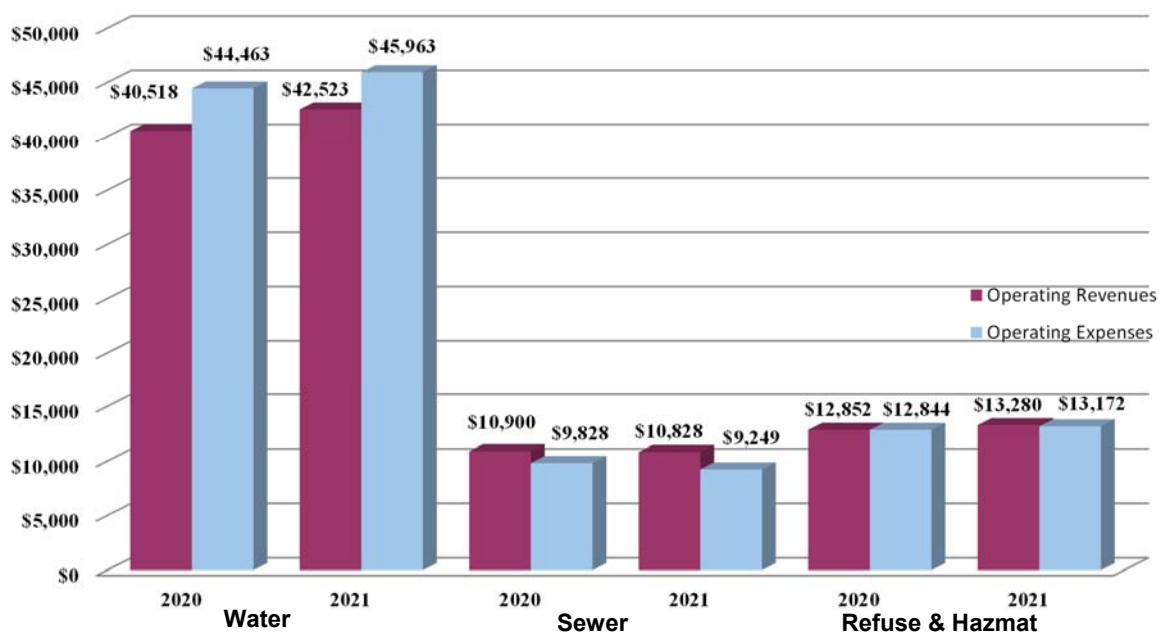
Business-type funds are used to report any activity for which a fee is charged to users for goods or services, similar to private business. Over time, these funds generate enough revenue to cover the costs of their operating expenses. The City maintained four business-type funds as of June 30, 2021.

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.

BUSINESS-TYPE FUNDS

(In Thousands)

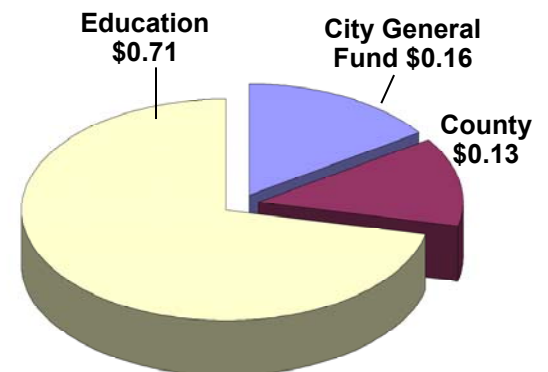


WHERE DO THE TAXES GO?

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 above 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 typically used to finance large project cost 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

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 Fiscal Year Ended June 30, 2020. 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 fifteen consecutive years (Fiscal Years ended 2006-2020). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements.



City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648
(714) 536-5630
www.huntingtonbeachca.gov



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Huntington Beach
California**

**For its Annual Financial Report
for the Fiscal Year Ended**

June 30, 2020

Christopher P. Morrell

Executive Director/CEO