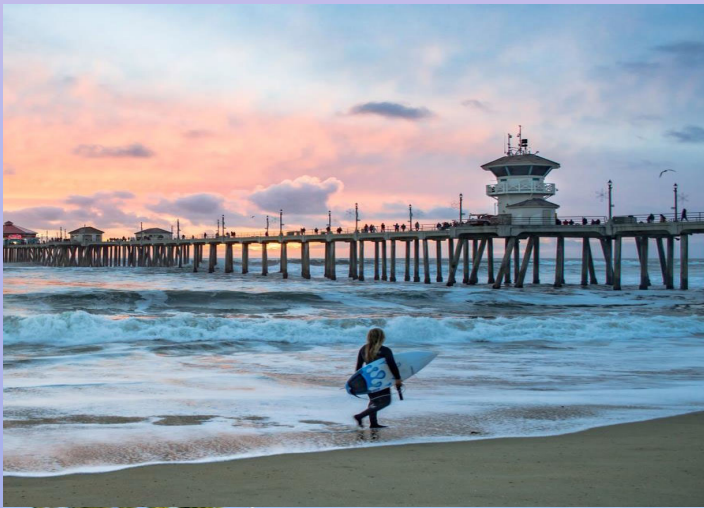


CITY OF HUNTINGTON BEACH

California



POPULAR ANNUAL FINANCIAL REPORT

*For The Year Ended
June 30, 2022*

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CITY OF HUNTINGTON BEACH, CALIFORNIA ELECTED OFFICIALS



Mayor
Tony Strickland

Mayor Pro Tem
Gracey Van Der Mark

Council Member
Rhonda Bolton

Council Member
Pat Burns

Council Member
Dan Kalmick



Council Member
Casey Mckeon

Council Member
Natalie Moser

City Attorney
Michael Gates

City Treasurer
Alisa Backstrom

City Clerk
Robin Estanislau

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) for the year ended June 30, 2022. 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, the City’s ongoing response and recovery efforts to the coronavirus (COVID-19) pandemic 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. 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 the greatest cities in which to work, live and play.

Sunny Han, CPA
Acting Chief Financial Officer

Huntington Beach by the Numbers

Property Tax Rate	1.09391% (varies by tax rate area)
Unemployment Rate	2.80%
Fitch Bond Rating	AAA
S&P Bond Rating	AA and AA-
Property Tax Revenue	\$102,539,000
Total City Debt	\$470,461,000
City Net Position	\$754,738,000
Median Age	40.79 Years Old
Average Household Size	2.56
Average Home Value	\$845,500



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 2021/22 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.

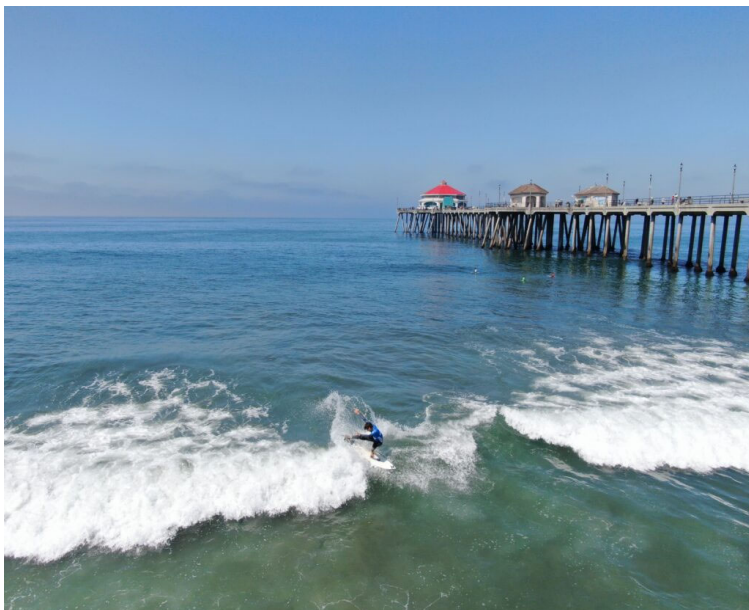
ABOUT HUNTINGTON BEACH

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 197,437 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 #21 for “Best-Run City in America” by WalletHub (June 2022). Huntington Beach was also ranked #1 in the state and #5 in the nation for “Best City for People with Disabilities” by WalletHub (September 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, SoCal Corgi Beach Day, Cherry Blossom Festival, Civil War Days, and, of course, the City’s most iconic event—the Fourth of July Fireworks Show and Parade. The 2022 4th of July festivities commenced with a downtown block party on Main Street. It was a fun-filled evening with food, drinks, and live music featuring The Ramsey Brothers & Redneck Rodeo. In September 2022, the International Surfing Association (ISA) World Surfing Games made an impressive return to Huntington Beach for the first time since 2006. The winning men’s and women’s National Teams were allocated one Olympic slot for their respective country.

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 4.7 percent to 2.8 percent. The City's labor force continues to be positioned to maintain the City's strong tax base.

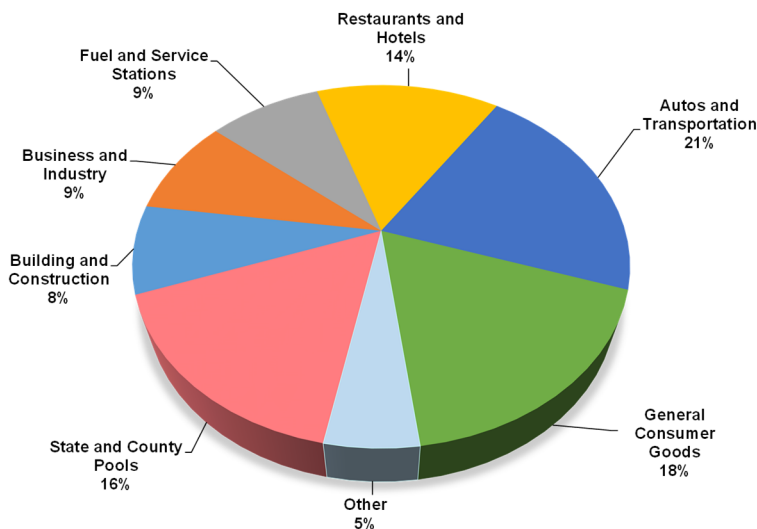
Huntington Beach has numerous demographic factors in its favor:

- 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., Hyatt Regency Huntington Beach, Boardriders Wholesale LLC, and Cambro Manufacturing.



CITY OF HUNTINGTON BEACH
Composition of Sales Tax Revenue
Fiscal Year 2021/22



After more than two years of contending with the pandemic, the economy is showing continuing signs of recovery as evidenced by the major decline in COVID-19 cases and expansion of the nation's economy to 93 percent of pre-pandemic levels. While global tensions and supply chain shortages remain prevalent, the City is experiencing sustained increases to its major revenue sources, such as Sales Tax and Transient Occupancy Tax, through remarkable improvements to the local economy. However, continuing volatility in the financial and equity markets, along with the rapidly changing economic picture and the length and continuing impacts of the COVID-19 pandemic, add a layer of uncertainty to the City's financial projections.

COVID-19 RECOVERY

As of June 15, 2021, the Governor terminated the executive orders that put into place the Stay at Home Order. The City has experienced an overall positive economic impact from the easing of COVID-19 restrictions. Although the economy is showing signs of recovery, there are many in the community that still require assistance. Listed below are a few of the programs put in place by the City to assist the community with the prevailing challenges of the COVID-19 pandemic.

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 who drive to your location and provide in-community assessment and stabilization services. The teams are well-trained and experienced in providing appropriate information, referrals, transportation to services and additional follow-up support and case management to help address mental health related situations. Be Well OC assists with many non-emergency and non-medical situations, including welfare checks, public assistance and homelessness, in collaboration with the Huntington Beach Homeless Task Force.

Navigation Center

Addressing homelessness is a top priority for the City of Huntington Beach, which means taking action to ensure that solutions are established to assist those in the community in need of housing. 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.

Citywide Mobility Plan

The City has adopted policies and built infrastructure to help people shift from driving alone to walking, biking, utilizing transit, and carpooling. The Mobility Implementation Plan will help us more aggressively advance these goals and will need to adhere to criteria set forth in the City’s existing and ongoing plans. The Plan will ensure a diverse set of travel options that meet the access and mobility needs for people of all ages and abilities, based in transportation justice and the idea that infrastructure should equally and equitably address the needs of all people. The Plan will provide clarity and specific, practical direction for strategies that support diverse transportation options and technological innovations, such as micromobility devices, electric vehicles, and autonomous vehicles, while ensuring that these changes do not adversely impact progress towards other City commitments related to safety, equity, vehicular traffic congestion, and GHG emissions.



Oak View Streetscape Improvements and Community Center and Library Plans

The City is working collaboratively with the Ocean View School District and the general community to prepare a master plan to redevelop the Community Center and adjacent Oak View Park, as well as expand and modernize Oak View Library to better meet the needs of this neighborhood. The City has been awarded a \$5 million grant from the California Department of Transportation to add beautification elements, trees, and art in public spaces, as well as remove litter and debris to enhance spaces for walking and recreation.

Comprehensive 311 System

The City is in the pre-planning stages of developing and implementing a robust, citywide 311 System to centralize all community requests, inquiries, information resources and engagements in one platform. This “one-stop-shop” will address non-emergency inquiries and requests for services. Establishing this one portal has the potential to improve our community’s customer service experience and improve operational efficiencies, in keeping with the City’s ongoing commitment to timely and efficient responsiveness.

KEY FINANCIAL INFORMATION







CITY DEBT

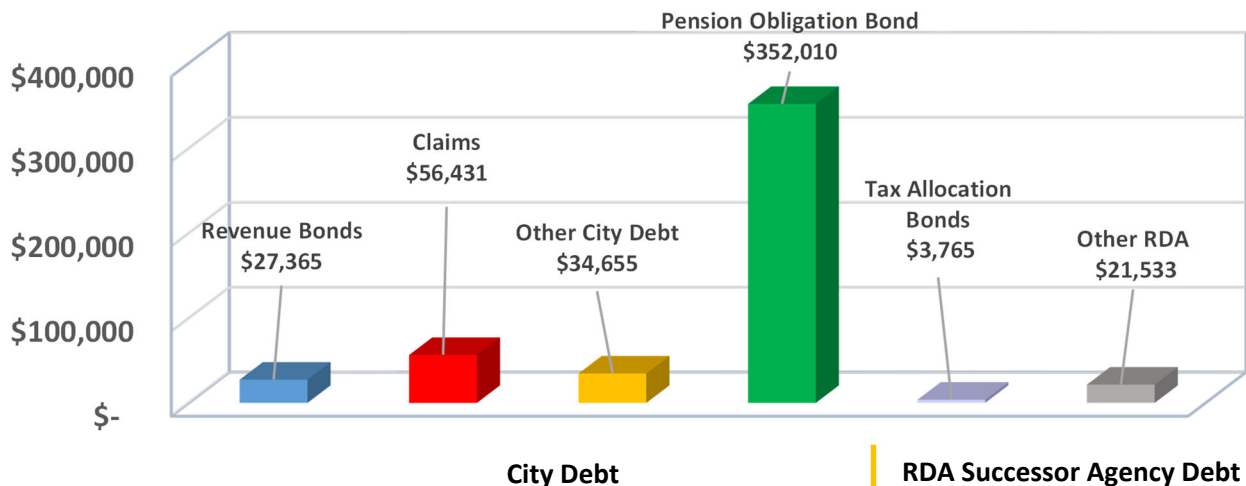
Debt Instrument	Fitch	S & P
1999 Tax Allocation Refunding Bonds	AA	AA-
2002 Tax Allocation Refunding Bonds	N/A	AA-
2014 Lease Revenue Bonds, Series A	AA+	AA
2020(a) Lease Revenue Bonds	AA+	AA
2020(b) Lease Revenue Bonds	AA+	AA
2021 Pension Obligation Bonds	AA+	AA+

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, 2022. The City continues to maintain strong credit ratings on all of its other debt issues which signals a relatively low risk of default and the benefits of reduced interest rates and borrowing costs. 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, 2022

(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 to pay the City's CalPERS unfunded pension 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.



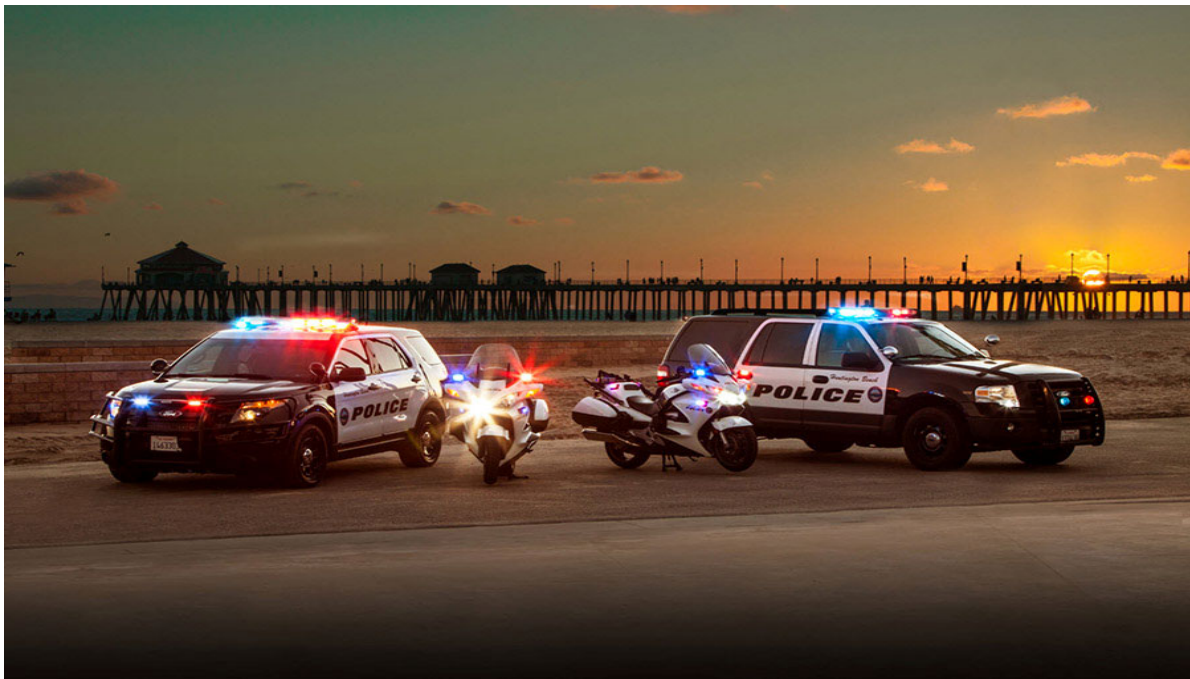
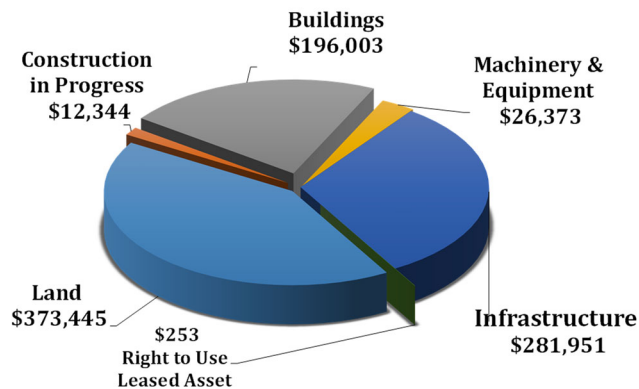
CITY OF HUNTINGTON BEACH CAPITAL ASSETS AS OF JUNE 30, 2022

(In Thousands)



As of June 30, 2022, the City's total capital assets balance is \$890,369. This total amount is comprised of Infrastructure, Land, Construction in Progress, Building, Machinery and Equipment, and Right to Use Leased Asset as displayed in the chart below. The amounts shown are net of depreciation.

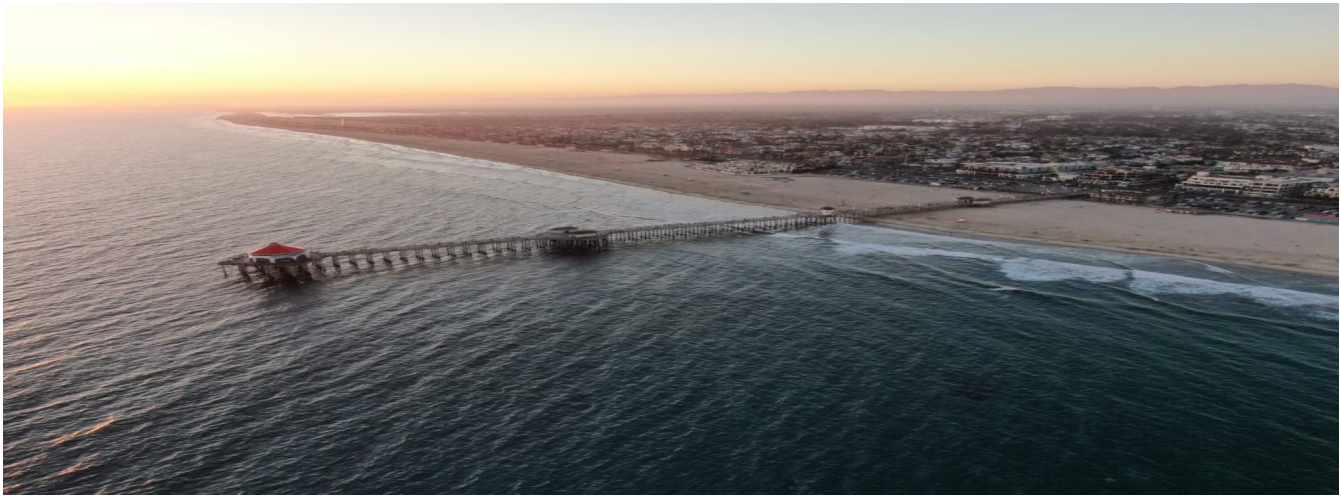
Depreciation is the reduction in the value of an asset with the passage of time. In the financial statements for the entire government, or for the government's business-like activities, the City records depreciation on the straight-line method (equal annual amounts) over the estimated useful life of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



INVESTMENT PORTFOLIO

The City's cash and investment practices and policies as of June 30, 2022, 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, 2022 (In Thousands)

Investment Maturities (In Years)							
INVESTMENTS:	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	Total	
US Treasuries	\$ 74,943	\$ 2,975	\$ 47,848	\$ 24,120	\$ -	\$ 74,943	
US Agency Securities*	140,790	35,962	51,389	53,439	-	140,790	
Mutual Funds	58,101	58,101	-	-	-	58,101	
Commercial Paper	4,967	4,967	-	-	-	4,967	
Money Market Funds	2,007	2,007	-	-	-	2,007	
Medium Term Notes - IADB	33,552	5,965	13,831	13,756	-	33,552	
Corporate Bonds	26,063	7,992	18,071	-	-	26,063	
Local Agency Investment Fund	28,417	28,417	-	-	-	28,417	
Orange County Investment Pool	10,447	10,447	-	-	-	10,447	
California Asset Mgmt Program	2,776	2,776	-	-	-	2,776	
PARS Pension Rate Stabilization Program	12,427	12,427	-	-	-	12,427	
Total Investments	\$ 394,490	\$ 172,036	\$ 131,139	\$ 91,315	\$ -	394,490	
Total Deposits						26,011	
Total Deposits and Investments						\$ 420,501	

* 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, 2022 and June 30, 2021.

- Total **Current and Other Assets** increased by \$54,397,000 for governmental activities primarily due to the increase in cash and receivables balances related to increased property, sales tax revenues, and transient occupancy tax. A majority of the increase is due to the implementation of new GASB Statement No. 87, *Leases*. Under This Statement, the lessor of a lease contract is required to recognize a lease receivable and a deferred inflow of resources. The decrease in current and other assets of \$15,210,000 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 2021/22, including water main replacements and the City's share of slip-lining the OC-44 imported water transmission line.
- **Deferred Outflows and Deferred Inflows** decreased by 93 percent and increased by 656 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. The actuarially determined amortization difference also increased Net Pension Asset and Net Other Postemployment Benefits Asset.
- Total **Current and Other Liabilities** increased by 37 percent due to normal fluctuations in the accounts payable and payroll cycle. For governmental activities, the majority of the \$22,449,000 increase is related to the second tranche of American Rescue Plan Act Funds received in June 2022 that was recorded as unearned revenue.
- Total **Long-Term Obligations** for governmental activities decreased by 47 percent primarily due to the City issuing a \$363,645,000 Pension Obligation Bond in prior year and also due to CalPERS reporting a preliminary 21.3% net return on investments for Fiscal Year 2020/21 resulting in a Net Pension Asset for the first time.
- Total **Restricted Net Position** increased by 2 percent largely due to the change in restricted net position in the Pension Liability Fund due to revenues set aside from the voter-approved property tax override dedicated to the payment of pension costs.
- Total **Unrestricted Net Position** decreased for business-type activities by 13 percent due to the City having Net Pension and Other Postemployment Benefit Assets in Fiscal Year 2021/22. Unrestricted net position for governmental activities increased by \$51,721,000.

CITY OF HUNTINGTON BEACH STATEMENT OF NET POSITION AS OF JUNE 30, 2022 AND JUNE 30, 2021 (In Thousands)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2022	2021	Change	2022	2021	Change	2022	2021	Change
Assets									
Current and Other Assets	\$ 331,062	\$ 276,665	20%	\$ 82,651	\$ 97,861	-16%	\$ 413,713	\$ 374,526	10%
Non-Current Assets	106,219	-	N/A	8,658	-	N/A	114,877	-	N/A
Capital Assets	746,371	737,256	1%	143,998	142,469	1%	890,369	879,725	1%
Total Assets	1,183,652	1,013,921	17%	235,307	240,330	-2%	1,418,959	1,254,251	13%
Deferred Outflows of Resources	28,739	393,130	-93%	2,151	25,937	-92%	30,890	419,067	-93%
Liabilities									
Current and Other Liabilities	57,250	34,751	65%	6,133	11,599	-47%	63,383	46,350	37%
Long-Term Obligations	461,797	864,784	-47%	23,816	51,137	-53%	485,613	915,921	-47%
Total Liabilities	519,047	899,535	-42%	29,949	62,736	-52%	548,996	962,271	-43%
Deferred Inflows of Resources	136,033	17,716	668%	10,082	1,601	530%	146,115	19,317	656%
Net Position									
Net Investment in Capital Assets	712,289	699,204	2%	143,998	142,469	1%	856,287	841,673	2%
Restricted	68,460	65,755	4%	19,309	20,332	-5%	87,769	86,087	2%
Unrestricted	(223,438)	(275,159)	19%	34,120	39,129	-13%	(189,318)	(236,030)	20%
Total Net Position	\$ 557,311	\$ 489,800	14%	\$ 197,427	\$ 201,930	-2%	\$ 754,738	\$ 691,730	9%

See page 19 for an explanation of accounting terms.

STATEMENT OF ACTIVITIES

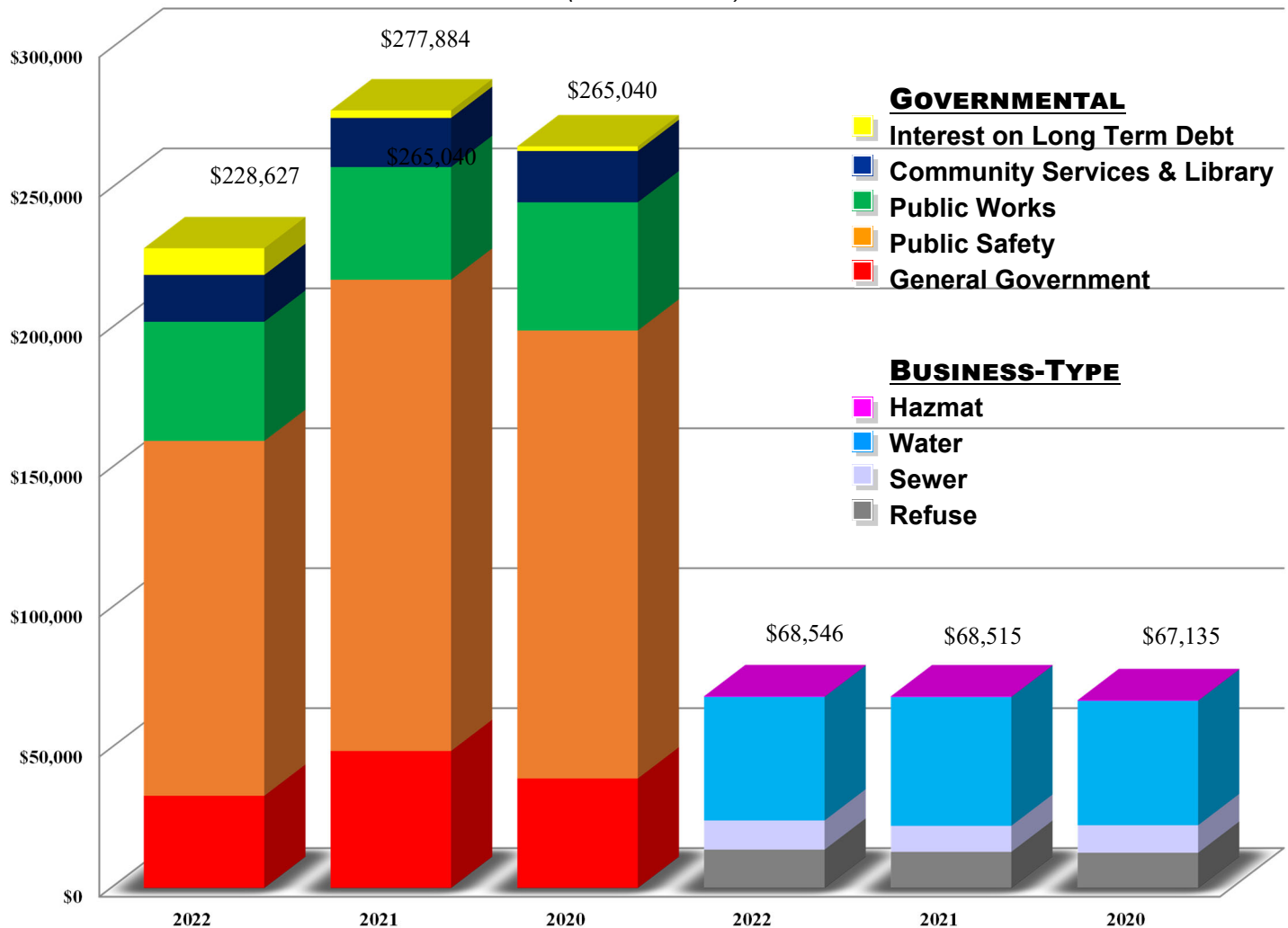
The following graphs show Revenues and Expenses for Governmental and Business-type activities as they relate to the program category in which the funds were collected or expended. Governmental activities include the General Fund, Debt Service Funds, Capital Projects Funds, and Special Revenue Funds. 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, 2022, JUNE 30, 2021 AND JUNE 30, 2020

(In Thousands)



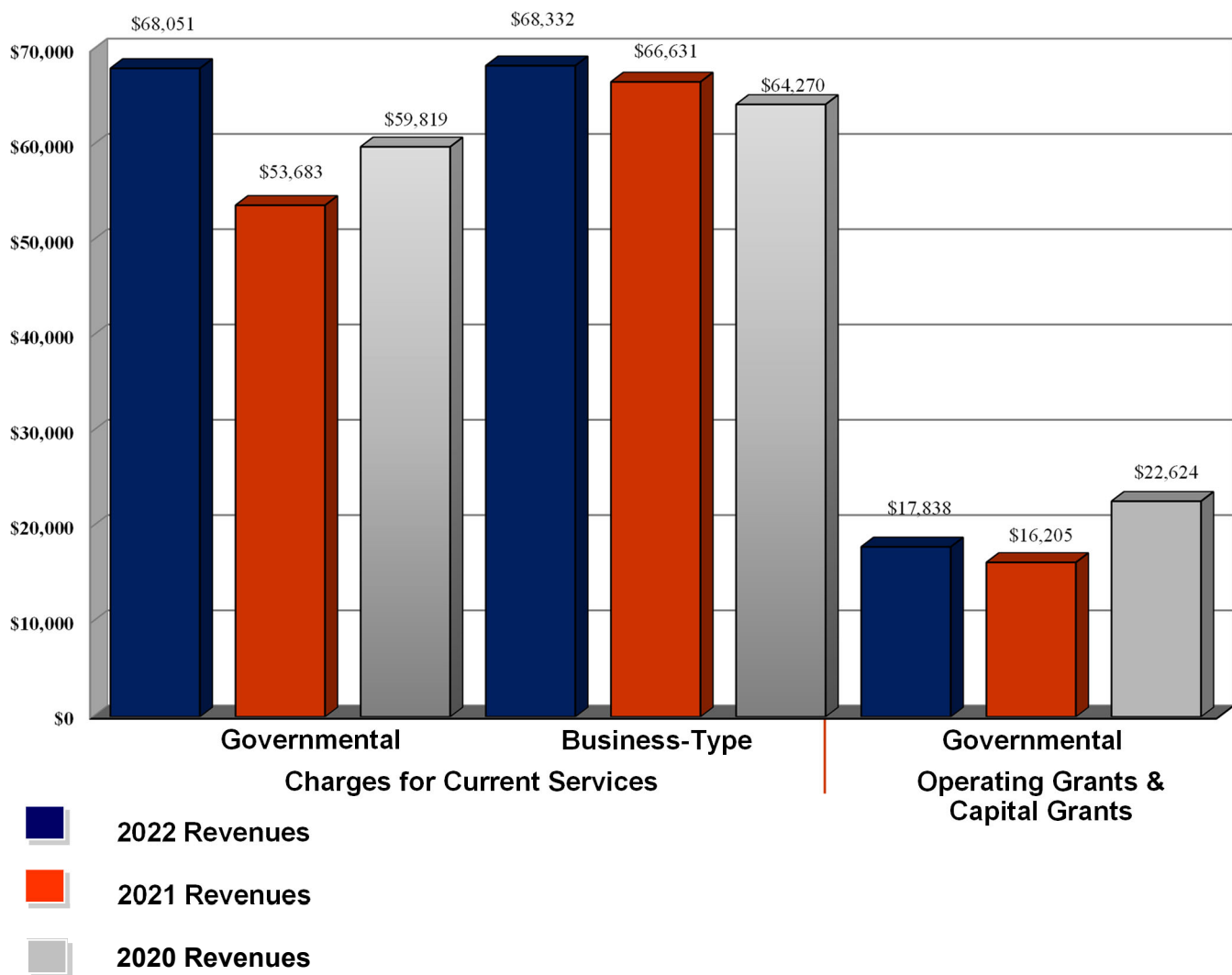
Governmental expenses decreased by \$49,257,000 or 17.7 percent. The bulk of the expenditure decrease is related to prior year's \$363,645,000 issuance of Pension Obligation Bonds to refinance 85 percent of the City's unfunded pension liability with CalPERS.

STATEMENT OF ACTIVITIES (CONTINUED)

CITY OF HUNTINGTON BEACH PROGRAM REVENUES

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2022, JUNE 30, 2021 AND JUNE 30, 2020
(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 increased \$14,368,000 or 26.8 percent. The easing of COVID-19 restrictions has allowed the City to provide services at full capacity. The City saw revenue increases across the board, with the most significant increases from Community Development, Community Services, and Fire.

Operating Grants and Capital Grants increased by \$1,633,000 or 10.1 percent, primarily due to an increase in grant funds received by Community Development, Police, and Public Works. Police and Public Works had increases in Office of Traffic Safety grants and Highway Bridge Replacement and Rehabilitation grants, respectively.

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 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 \$308,413,000 from various funding sources for the fiscal year ended June 30, 2022.

CITY OF HUNTINGTON BEACH STATEMENT OF REVENUES GOVERNMENTAL FUNDS FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021 (In Thousands)

REVENUE BY SOURCE	2022	2021
Property Taxes	\$ 102,539	\$ 99,958
Sales Taxes	57,652	51,162
Utility Taxes	19,528	18,374
Other Taxes	33,720	25,745
Licenses and Permits	9,596	8,213
Fines and Forfeitures	5,144	4,619
Use of Money and Property	14,365	19,163
Other Agencies	13,060	29,836
Charges for Services	49,902	25,389
Other	2,907	2,039
Total	\$ 308,413	\$ 284,498

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 **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.

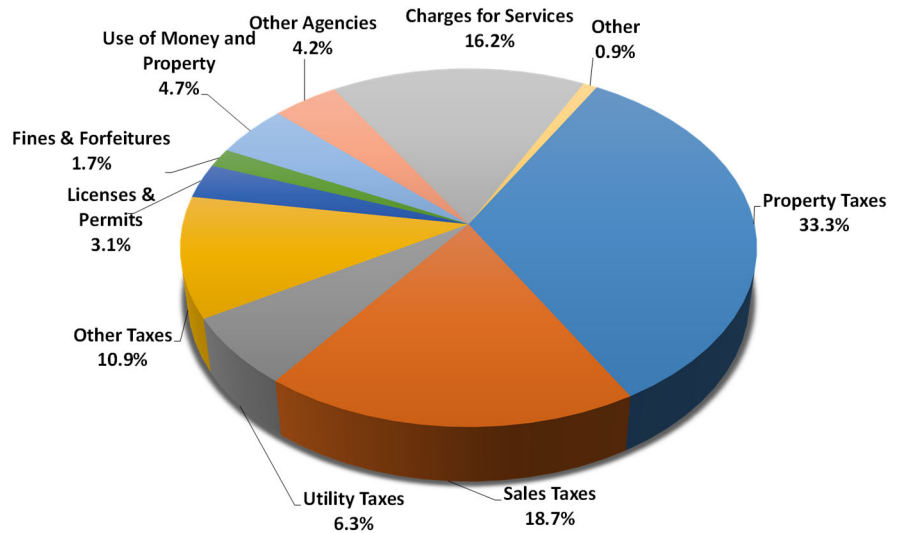
Charges for current services are revenues collected for services rendered to the public such as recreational classes.

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

GOVERNMENTAL FUNDS

Governmental Fund Revenues increased by \$23.9 million or 8.4 percent from the prior fiscal year. The following details the significant changes from the prior fiscal year:

- **Property Taxes** increased by \$2.6 million or 2.6 percent, due to the housing market boom leading to accelerated growth in assessed valuations.
- **Other Revenues** increased by \$868,000 or 42.6 percent. The increase can be attributed to positive economic impacts from loosening public health orders, reopening of businesses and increase in visitors to the City's beaches and downtown businesses.
- **Licenses and Permits** increased by \$1.4 million or 16.8 percent primarily due to an increase in permits issued and development projects.
- **Other Taxes** increased by \$8 million or 31 percent predominantly due to an increase in residents paying their Utilities Franchise Tax.
- **Fines and Forfeitures** increased \$525,000 or 11.4 percent predominantly due to an increase in parking fee rates.

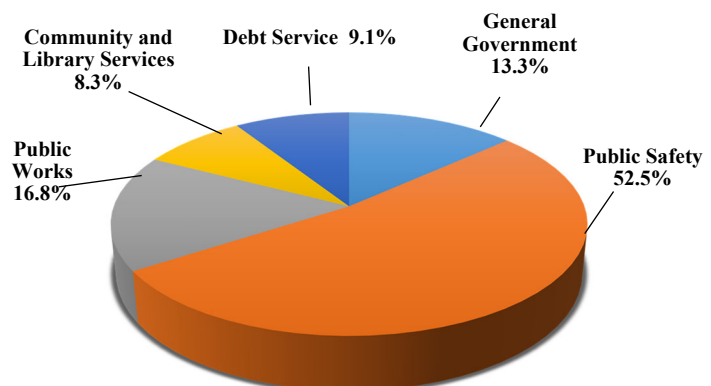


EXPENDITURES/SERVICES (WHERE THE MONEY GOES)

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, 2021 to June 30, 2022, the total expenditures incurred by the City were \$298,835,000 (excluding transfers and other financing sources).

CITY OF HUNTINGTON BEACH STATEMENT OF EXPENDITURES GOVERNMENTAL FUNDS FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021 (In Thousands)

EXPENDITURES	2022	2021
General Government	\$ 39,849	\$ 102,860
Public Safety	156,856	382,164
Public Works	50,158	88,007
Parks, Recreation, & Library	24,755	39,163
Debt Service	27,217	4,920
Total	\$ 298,835	\$ 617,114



Expenditures decreased by \$318.3 million or 51.6 percent primarily due to the City refinancing 85 percent of its CalPERS unfunded accrued pension liability with the issuance of a Pension Obligation Bond in the prior year.

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.

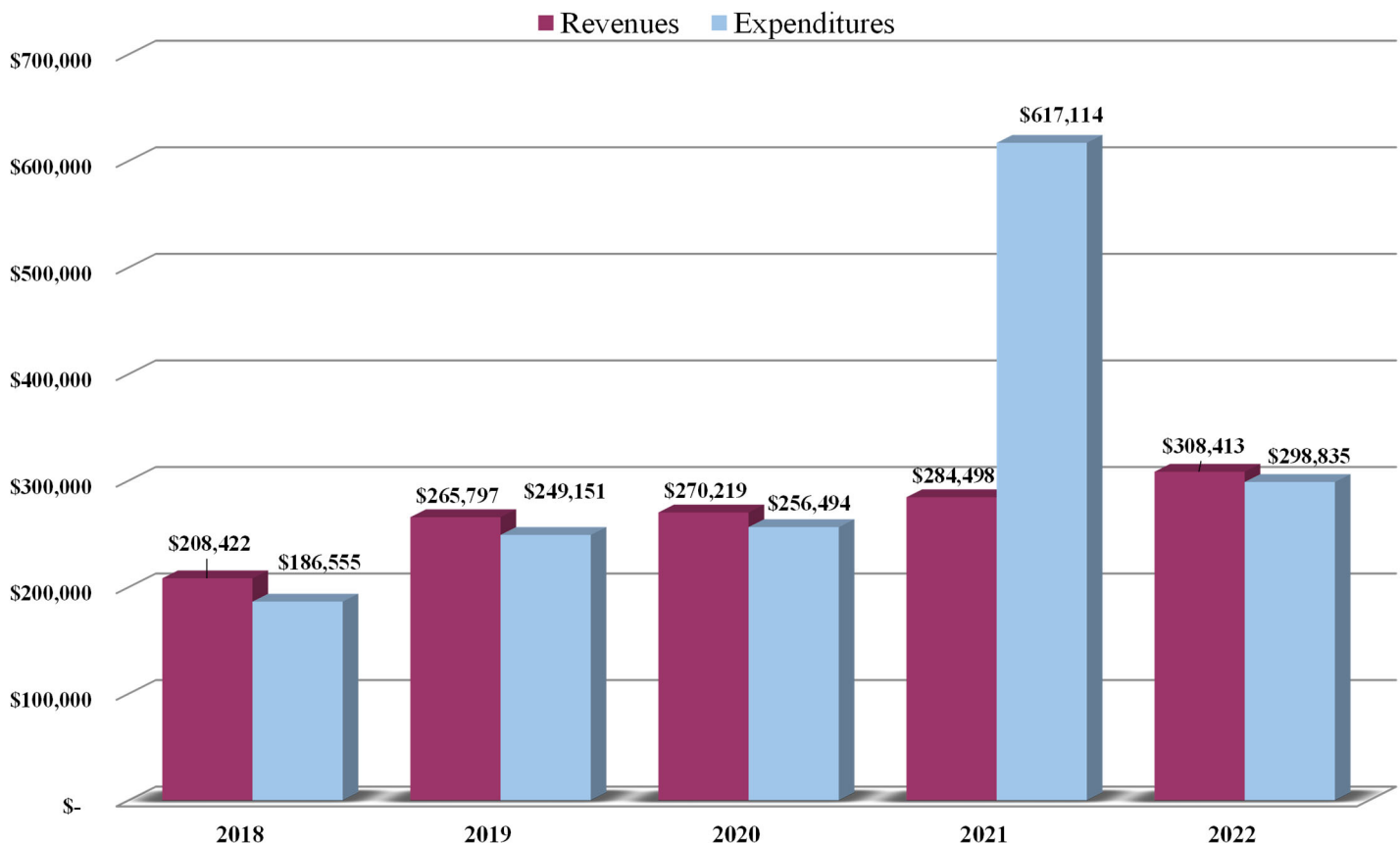
Community and Library Services expenditures are those incurred by the City to enrich the quality of life in Huntington Beach through recreational and cultural activities, as well as to support the educational and informational needs of residents and visitors.

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

Governmental Fund Expenditures decreased by \$318 million or 51.6 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 in the prior year.



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



BUSINESS-TYPE FUNDS

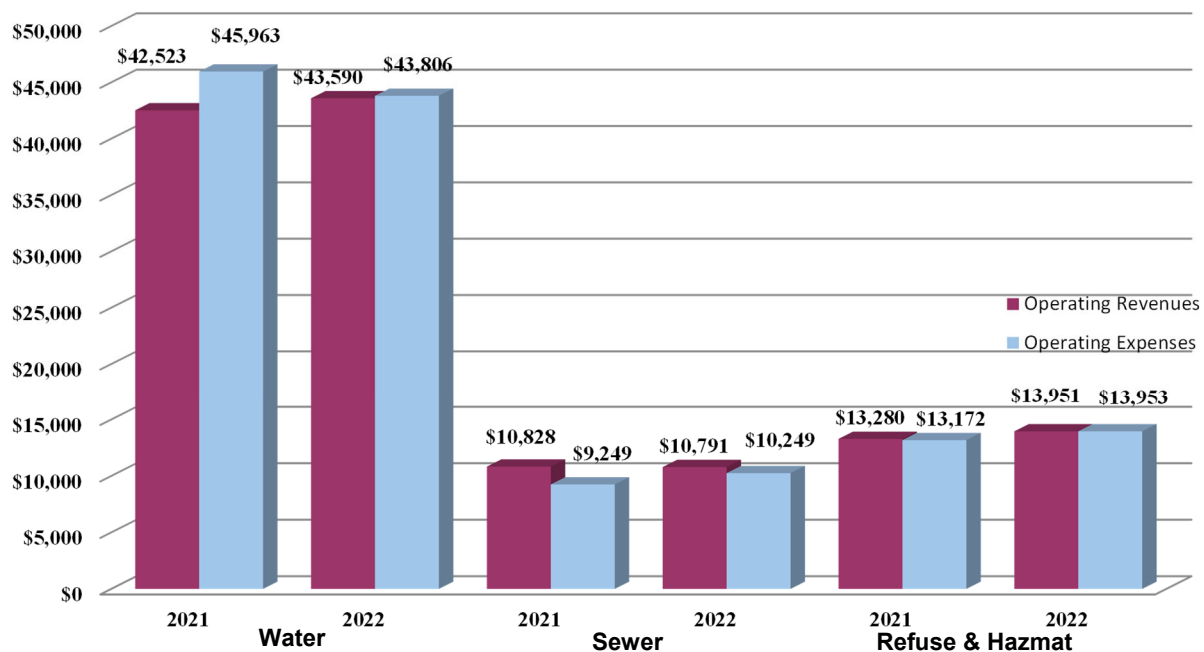
Business-type funds are used to report any activity for which a fee is charged to users for goods or services, similar to private business. Over time, these funds generate enough revenue to cover the costs of their operating expenses. The City maintained four business-type funds as of June 30, 2022.

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)



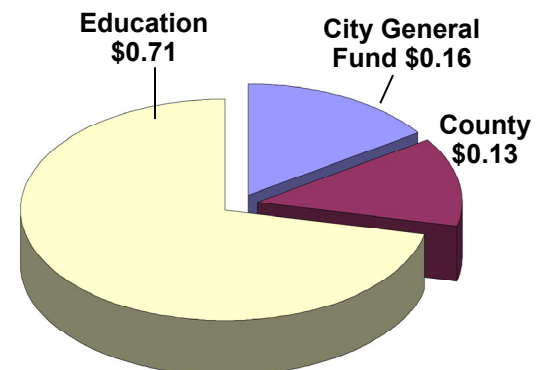
WHERE DO THE TAXES GO?

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 assets that is applicable to a future reporting period.

Deferred Inflows of Resources – Represents an acquisition of net assets that is applicable to a future reporting period.

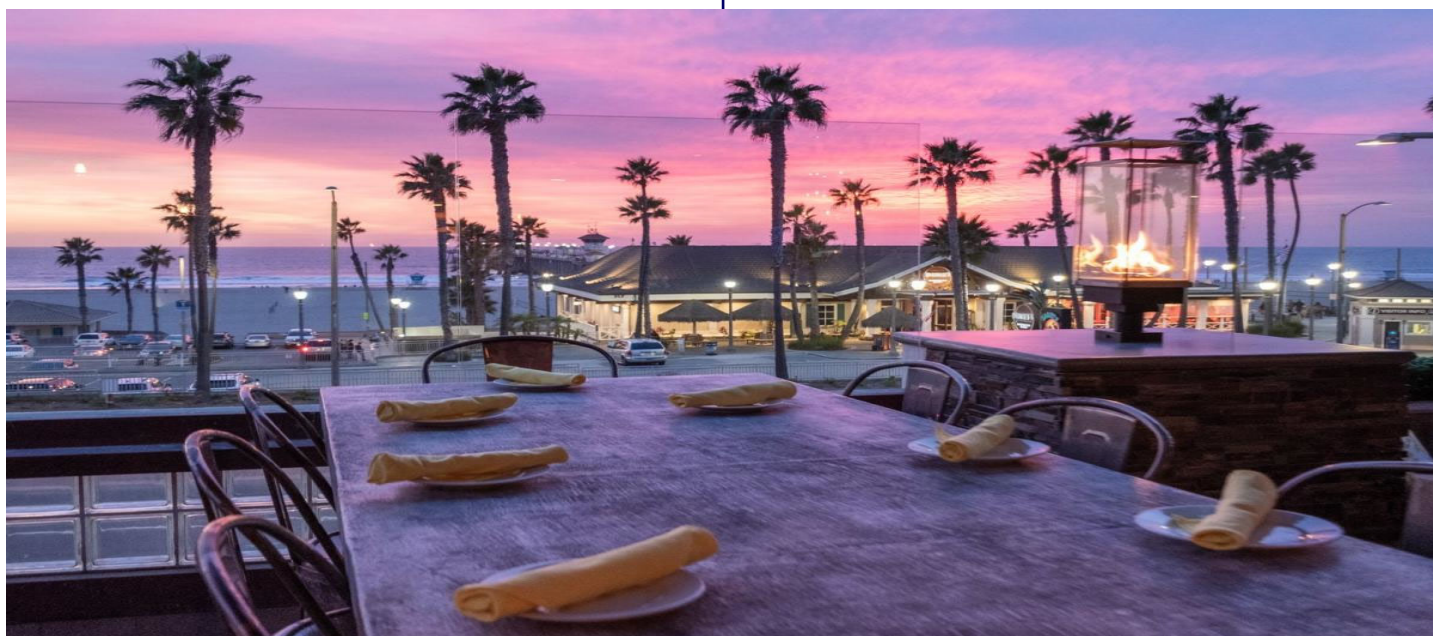
Current and Other Liabilities – These are primarily debts that can be paid off in one year or less. This includes accounts payable, accrued payroll and accrued interest payable.

Long-Term Obligations – Represents mainly debt obligations of the City. The proceeds from these various debt issues are typically used to finance large project costs 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, 2021. 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 sixteen consecutive years (Fiscal Years ended 2006-2021). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements.



City of Huntington Beach
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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, 2021

Christopher P. Morill

Executive Director/CEO