



# POPULAR ANNUAL Financial Report

October 1, 2007—September 30, 2009

*Published March 2010*



*Huntington Beach,  
California*

# About Huntington Beach

## City Profile

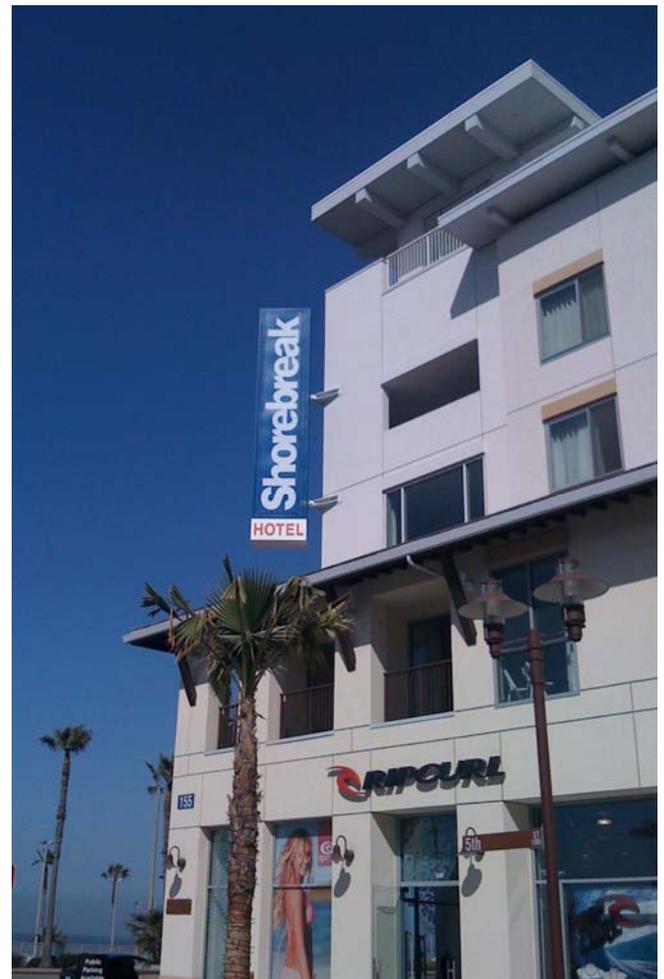


### ELECTED OFFICIALS

*From left to right:*  
**City Treasurer Shari Freidenrich**  
**Councilmember Joe Carchio**  
**Mayor Cathy Green**  
**Mayor Pro Tem Jill Hardy**  
**Councilmember Keith Bohr**  
**Councilmember Devin Dwyer**  
**City Attorney Jennifer McGrath**  
**Councilmember Gil Coerper**  
**City Clerk Joan Flynn**  
**Councilmember Don Hansen**

The City of Huntington Beach is located along the Southern California coast in Orange County, 35 miles south of Los Angeles and 90 miles north of San Diego. With a population of approximately 200,000 residents, it is known as Surf City due to its abundance of beaches; sunny, warm Mediterranean climate; and casual lifestyle. Huntington Beach covers 28 square miles of land, 26 square miles of water, and is the fourth largest city in Orange County. With 8.5 miles of uninterrupted beach along the Pacific Ocean, the City hosts an annual visitor population of over nine million people, especially during the summer, special events, and weekends. 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.

The City of Huntington Beach is a full service city. Founded in the late 1880s, Huntington Beach was incorporated as a Charter City in 1909. Huntington Beach has a City Council/City Administrator form of government. The City Council has seven members, each of whom are elected to four-year terms. City Council Members are limited to two consecutive terms. There are three elected department heads, the City Attorney, City Clerk, and City Treasurer. The position of Mayor is filled on a rotating basis. Other departments include the City Administrator's Office, Building and Planning, Community Services, Economic Development, Finance, Fire, Human Resources, Information Services, Library Services, Police, and Public Works.



# STRATEGIC PLAN ACCOMPLISHMENTS

The City adopted a strategic plan in August 2006 . This plan has been updated and refined since, most recently in January 2010.

The latest update resulted in a statement of the City Council’s mission, three-year goals, Core Values and six month strategic objectives. The Council’s mission statement is as follows:

*“The City of Huntington Beach provides sustainable quality services to maintain and enhance our safe and vibrant community.”*

The three-year goals have been organized into five categories:

- Maintain financial viability and our reserves
- Maintain, improve and obtain funding for infrastructure and equipment
- Maintain public safety
- Enhance economic development
- Improve internal and external communication

Each of these categories also includes a list of six month strategic objectives. Once a month, at a City Council meeting, updated information is presented on the status of the six month strategic objectives.

Some of the notable objectives helping meet the goal of



“Maintain and Enhance our Financial Reserves” which the Finance Department is pursuing are:

- Presentation of an updated five-year financial plan
- Presentation of a policy relating to equipment replacement
- Presentation of a policy dealing with capital improvement reserves
- Provide regular, quarterly updates on the City’s budget and overall financial status

The strategic plan is designed to serve as a framework for the City Council and staff in achieving what is important to the community while making sure necessary resources are available.



# 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 in order to increase public awareness about the City's financial condition. It is our goal that this report is easy to read and understandable.

The PAFR summarizes the financial activities of the City of Huntington Beach's governmental and proprietary funds and draws its information from the 2009 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) and includes financial statements audited by Diehl, Evans and Company, Certified Public Accountants. The City received an unqualified (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 Governmental Accounting Standards Board. Government-wide data on pages 9-11 is presented in a way similar to a consolidated financial statement for a private business. Governmental funds financial information on pages 12-14 is presented under normal governmental accounting rules.

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: 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 audited GAAP-based, full disclosure financial statements should refer to the City's CAFR, which is available on the City's website: [www.huntingtonbeachca.gov](http://www.huntingtonbeachca.gov), or by contacting the Finance Department at 2000 Main Street, Huntington Beach, California, 92648, phone (714) 536-5630, or e-mail [cgonzales@surfcity-hb.org](mailto:cgonzales@surfcity-hb.org).



## LOCAL ECONOMY

The City of Huntington Beach is one of the leading commercial and industrial centers in Southern California. The City works diligently to maintain its business friendly atmosphere, working closely with the Huntington Beach Chamber of Commerce and the Huntington Beach Conference and Visitors Bureau. The City seeks to attract new businesses and support existing business through retention and expansion efforts. These efforts and the diversity of business activity are helping the City weather the current economic downturn.

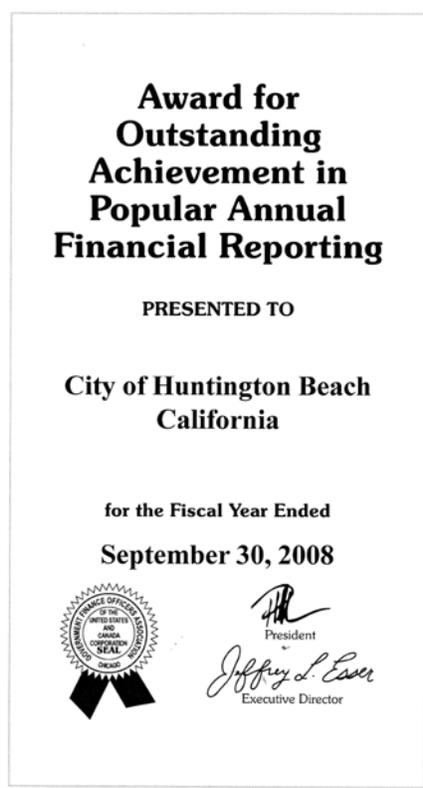
As the fourth largest city in Orange County, more than 114,100 people are currently employed by over 16,300 businesses in the City. Huntington Beach represent nearly eight percent of the entire Orange County working population. Huntington Beach businesses include aerospace and high technology; petroleum and petroleum support; manufacturing; computer hardware and software; financial and business services; automobile services; machine shop services, precision instruments, retailers, and surf apparel – just to name a few.

## 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 September 30, 2008. 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. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.



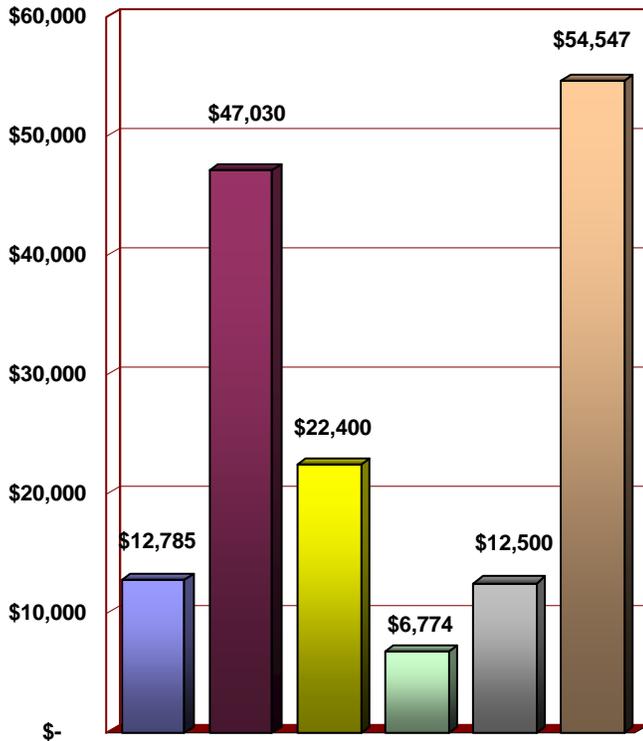
# Key Financial Information

## CITY DEBT

The City of Huntington Beach is legally restricted to issuing general obligation bonds to 15 percent of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. The City continues to maintain excellent credit ratings on all of its debt issues. The chart on the right shows the latest ratings as determined by Moody's Investor Service and Standard and Poor's:

Debt Instrument	Moody's	S & P
1997 Leasehold Revenue Bonds	A1	AA
1999 Tax Allocation Refunding Bonds	Baa2	A-
2000 Lease Revenue Bonds, Series A	A1	AA
2001 Lease Revenue Bonds, Series A	A1	AA
2001 Lease Revenue Bonds, Series B	A1	AA
2002 Tax Allocation Refunding Bonds	Baa2	A-
2004 Judgment Obligation Bonds	Aa3	AA

## Total City Debt As of September 30, 2009 (In Thousands)



**Certificates of Participation** – Long-term debt used for capital improvements. This debt will be repaid from increased revenues in concessions, parking, and sales tax generated by the improvements.

**Revenue Bonds** – Long-term issues used to finance civic improvements. The bonds are repaid from revenues generated from the lease on the buildings that were improved.

**Tax Allocation Bonds** – Debt used for redevelopment agency project improvements. This debt is repaid by tax increment revenues generated by improvements made to project areas.

**Judgment Obligation Bonds** – Debt used to pay claims on court judgments.

**Claims** – Workers' Compensation and Liability Insurance claims made to the City.

**Other** – Miscellaneous long-term debts that include: loans, compensated absences, leases, pollution remediation liabilities, and unfunded pension obligations.



# CAPITAL ASSETS

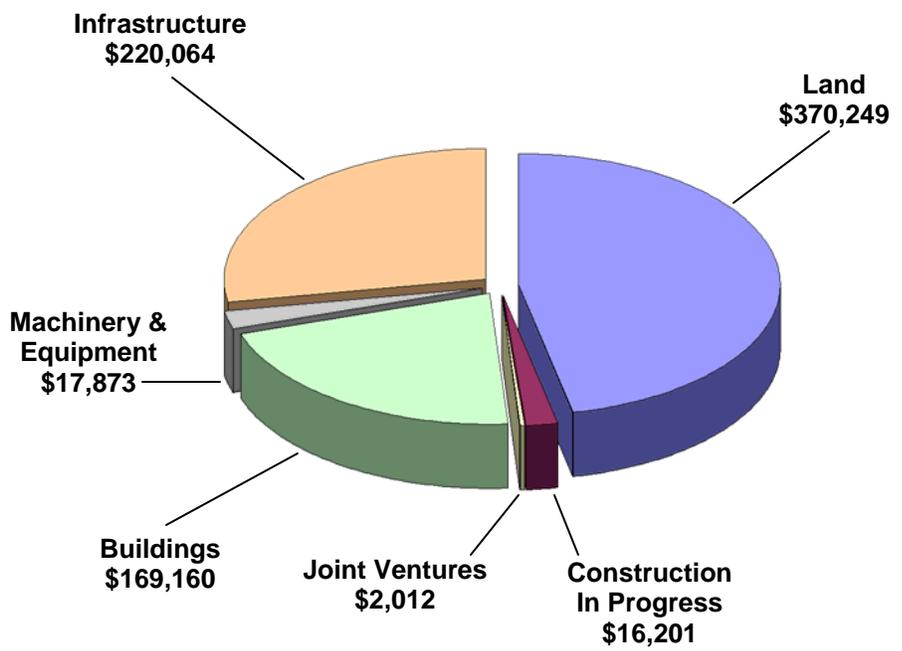
(Property, Plant, and Equipment)

## City of Huntington Beach Capital Assets (Net of Depreciation) As of September 30, 2009

(In Thousands)

As of September 30, 2009, the City's total capital assets balance is \$795,559,000. This total amount is broken down in the following categories:

-  Land
-  Construction in Progress
-  Joint Ventures
-  Buildings
-  Machinery & Equipment
-  Infrastructure



# Key Financial Information (continued)

## INVESTMENT PORTFOLIO

The market value of the City's cash and investment as of September 30, 2009 is as follows (in thousands):

DEPOSITS:	Investment Maturities (In Years)					
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	Total
Demand Accounts	\$ (1,332)	\$ (1,332)	\$ -	\$ -	\$ -	\$ (1,332)
<b>INVESTMENTS:</b>						
US Agencies	68,830	8,043	25,318	35,469	-	68,830
Guaranteed Investment Contracts	4,179	-	-	-	4,179	4,179
Money Market Funds	8,581	8,581	-	-	-	8,581
Medium Term Notes	23,406	-	21,385	2,021	-	23,406
Local Investment Fund	65,060	65,060	-	-	-	65,060
<b>Subtotal of Investments</b>	<b>170,056</b>	<b>81,684</b>	<b>46,703</b>	<b>37,490</b>	<b>4,179</b>	<b>170,056</b>
<b>Total Deposits and Investments</b>	<b>\$ 168,724</b>	<b>\$ 80,352</b>	<b>\$ 46,703</b>	<b>\$ 37,490</b>	<b>\$ 4,179</b>	<b>\$ 168,724</b>

*The total presented above does not include balances related to funds needed for other entities and pension trust fund.*

The City's cash and investment practices and policies as of September 30, 2009, are based upon state law and prudent money management. The primary goals of these investment practices and policies are:

- To assure compliance with all Federal, State, and local laws governing the investment of public funds under the control of the City Treasurer
- To protect the principal monies entrusted to the City Treasurer and maintain liquidity to meet expected operating expenses
- 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



# City Financials

## STATEMENT OF NET ASSETS

The following financial summary is based upon a condensed view of the City's assets and liabilities for all funds as of September 30, 2009 and 2008.

### City of Huntington Beach Statement of Net Assets As of September 30, 2009 and 2008 (In Thousands)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2009	2008	Variance	2009	2008	Variance	2009	2008	Variance
<b>Assets</b>									
Current and other assets	\$ 173,718	\$ 192,243	-10%	\$ 99,268	\$ 97,678	2%	\$ 272,986	\$ 289,921	-6%
Capital assets	677,494	637,997	6%	118,065	118,680	-1%	795,559	756,677	5%
<b>Total assets</b>	<b>851,212</b>	<b>830,240</b>	<b>3%</b>	<b>217,333</b>	<b>216,358</b>	<b>0%</b>	<b>1,068,545</b>	<b>1,046,598</b>	<b>2%</b>
<b>Liabilities</b>									
Current and other	67,293	63,267	6%	7,869	6,234	26%	75,162	69,501	8%
Long term liabilities	140,343	140,578	0%	801	1,084	-26%	141,144	141,662	0%
<b>Total liabilities</b>	<b>207,636</b>	<b>203,845</b>	<b>2%</b>	<b>8,670</b>	<b>7,318</b>	<b>18%</b>	<b>216,306</b>	<b>211,163</b>	<b>2%</b>
<b>Net Assets</b>									
Invested in capital assets, net of related debt	559,059	521,654	7%	118,059	118,671	-1%	677,118	640,325	6%
Restricted	48,198	69,126	-30%	30,794	32,665	-6%	78,992	101,791	-22%
Unrestricted	36,319	35,615	2%	59,810	57,704	4%	96,129	93,319	3%
<b>Total net assets</b>	<b>\$ 643,576</b>	<b>\$ 626,395</b>	<b>3%</b>	<b>\$ 208,663</b>	<b>\$ 209,040</b>	<b>0%</b>	<b>\$ 852,239</b>	<b>\$ 835,435</b>	<b>2%</b>

Total net assets increased by two percent and unrestricted net assets increased by three percent when compared to the previous year. Total net assets and unrestricted net assets increased due increases in capital and operating grants and contributions and decreases in expenditures to manage the downturn in revenues caused by the recession. Restricted net assets decreased by 22% due to a change in accounting treatment of restricted net assets in the current year.

**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.

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

**Long-Term Liabilities** – 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.

**Invested in Capital Assets, Net of Related Debt** – 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.

**Restricted Net Assets** – Resources whose use is subject to externally imposed restrictions. The City has resources set aside for debt service, capital projects, and specific projects and programs as established by the City Council.

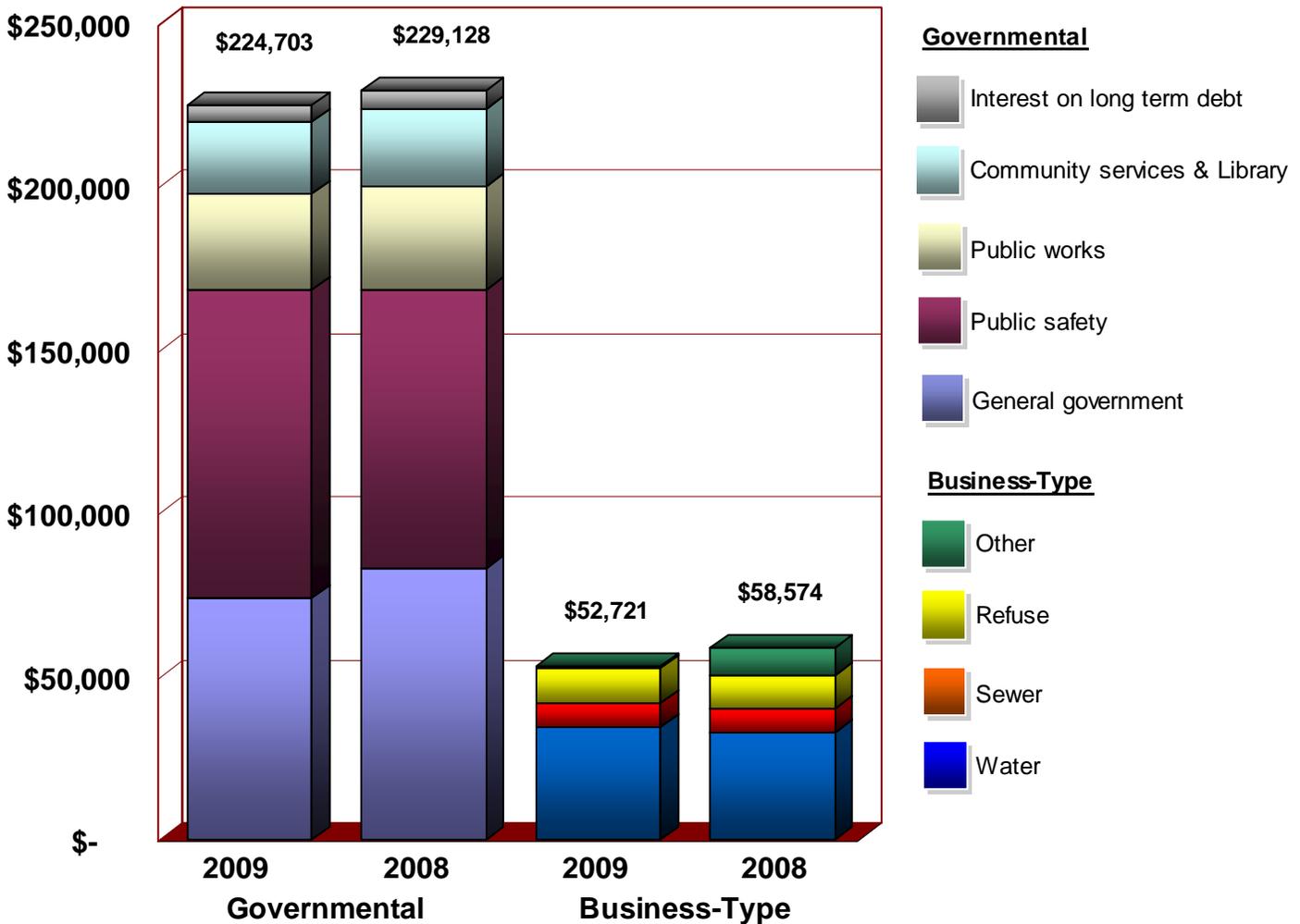
**Unrestricted Net Assets** – These are resources that are accessible to the City to provide services to the residents of Huntington Beach if there were no additional revenues or resources available.



## STATEMENT OF ACTIVITIES

The graphs on this and the following page 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, Redevelopment Agency Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund. Business-type activities include the Water Fund, Sewer Fund, and Refuse Fund.

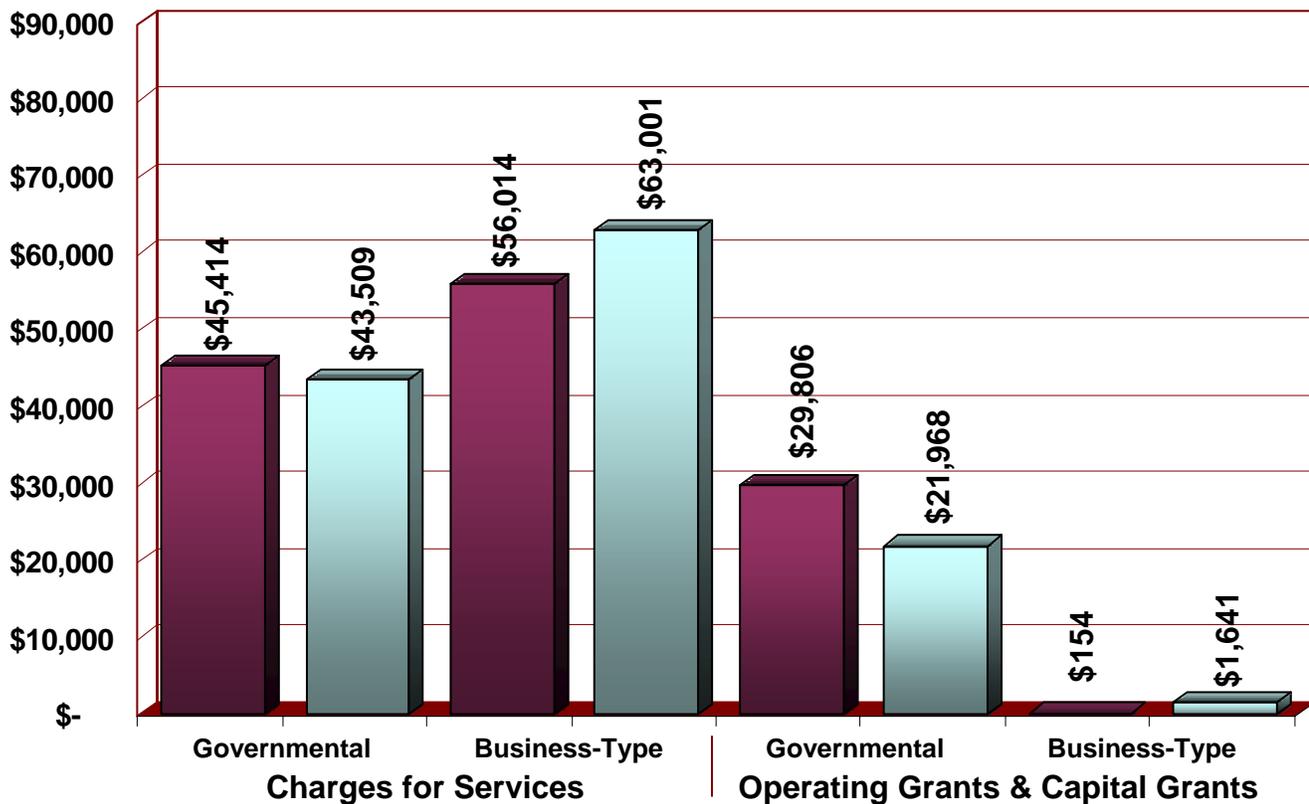
### City of Huntington Beach Expenses Governmental and Business-Type Activities For the Years Ending September 30, 2009 and 2008 (In Thousands)



Governmental expenses decreased from \$229,128,000 in fiscal year ending September 30, 2008, to \$224,703,000 in fiscal year ending September 30, 2009, due to reductions made during the year to manage the downturn in revenues caused by the recession. Business-Type expenses decreased from \$58,574,000 in fiscal year ending September 30, 2008, to \$52,721,000 in fiscal year ending September 30, 2009, primarily due to the transfer of Emergency Fire Medical Fund activities to the public safety governmental fund.



## City of Huntington Beach Program Revenues Governmental and Business-Type Activities For the Years Ending September 30, 2009 and 2008 *(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.

■ 2009 Revenues

■ 2008 Revenues



## GOVERNMENTAL FUNDS

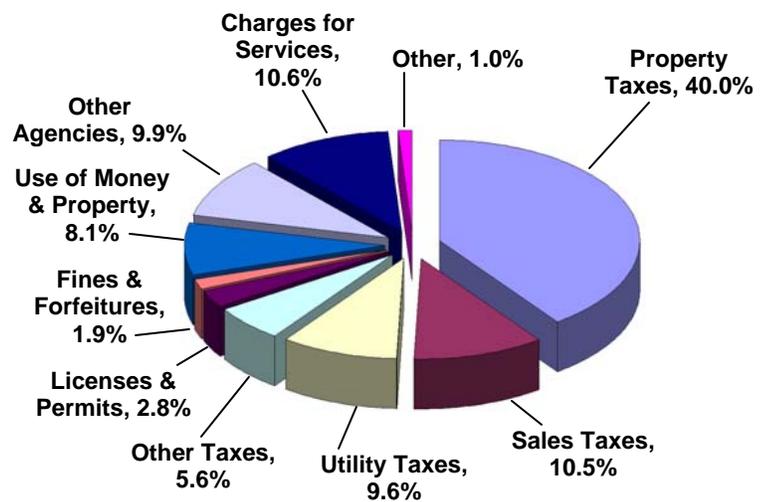
The City maintains 22 individual governmental funds. Governmental funds are used to account for tax-supported activities such as: public safety, public works, general government, and community-related services. The major governmental funds are the General Fund, Grant Special Revenue Fund, Redevelopment Agency Debt Service Fund, Redevelopment Agency Capital Projects Fund, and the Low Income Housing Capital Projects Fund.

### Revenue/Resources (Where the Money Comes From)

The City received over \$214,023,000 from various funding sources for the fiscal year ending September 30, 2009.

## City of Huntington Beach Statement of Revenues Governmental Funds For the Year Ending September 30, 2009 & 2008 (In Thousands)

REVENUE BY SOURCE	2009	2008
Property Taxes	\$ 85,612	\$ 82,138
Sales Taxes	22,356	26,377
Utility Taxes	20,616	21,591
Other Taxes	12,085	15,065
Licenses and Permits	5,879	7,924
Fines and Forfeitures	4,144	4,060
Use of Money and Property	17,285	18,221
Other Agencies	21,152	19,231
Charges for Services	22,772	17,909
Other	2,122	2,736
<b>Total</b>	<b>\$ 214,023</b>	<b>\$ 215,252</b>



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**, the second largest source of revenue for the City, are imposed on retail transactions and are collected and administered by the State. Huntington Beach receives 0.75% of the total taxable sales generated within the City.

A **utility tax** of five percent is imposed on consumers of telephone, electricity, gas, water, and cable television 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 fee** – negotiated fee revenue received from local Utilities
- **Transient occupancy tax** – imposed on lodging facilities such as hotels and motels. The City's current tax rate is set at ten 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 those that do not fall into designated categories, such as refunds, donations, and passport services fees.

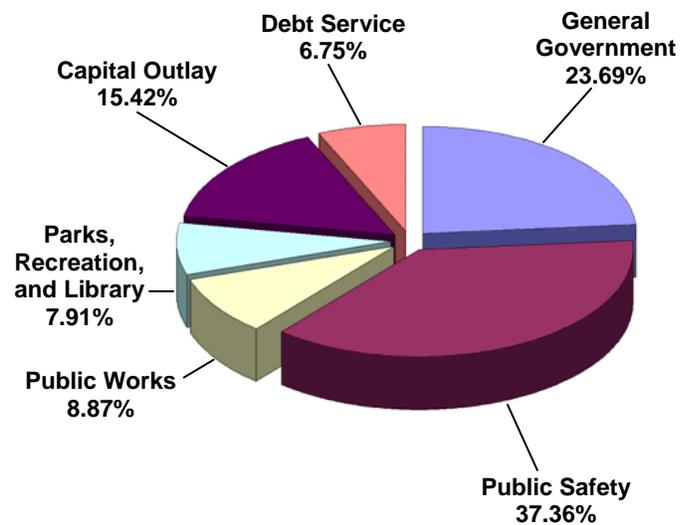


## Expenditures/Services (Where the Money Goes)

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 October 1, 2008 to September 30, 2009, the total expenditures incurred by the City are \$249,676,000.

### City of Huntington Beach Statement of Expenditures Governmental Funds For Years Ending September 30, 2009 and 2008 (In Thousands)

EXPENDITURES	2009	2008
General Government	\$ 59,151	\$ 68,934
Public Safety	93,282	83,681
Public Works	22,143	23,528
Parks, Recreation, and Library	19,743	20,628
Capital Outlay	38,494	21,525
Debt Service	16,863	13,579
<b>Total</b>	<b>\$ 249,676</b>	<b>\$ 231,875</b>



**General government** expenditures are those incurred for the administrative offices, including the City Council, City Administrator, City Treasurer, City Attorney, City Clerk, Finance, Human Resources, Economic Development, Building and Planning, and Information Services.

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

Expenditures for **public works** are those related to the design, construction, maintenance, and operation of public facilities and infrastructure within the City.

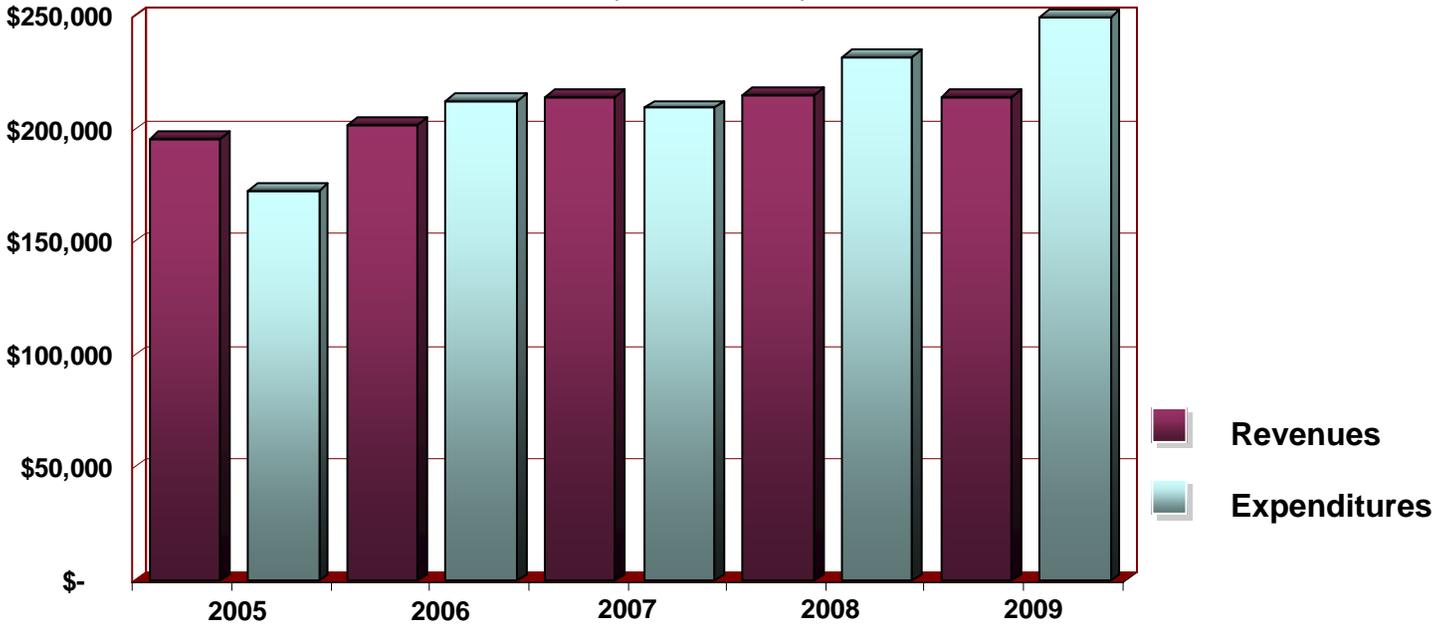
**Parks, recreation, and library** expenditures are those incurred by the City to enrich the quality of life in Huntington Beach through recreational and cultural activities, as well as to support the educational and informational needs of residents and visitors.

**Capital** expenditures are expenses related to the purchase of plant, property, and equipment.

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

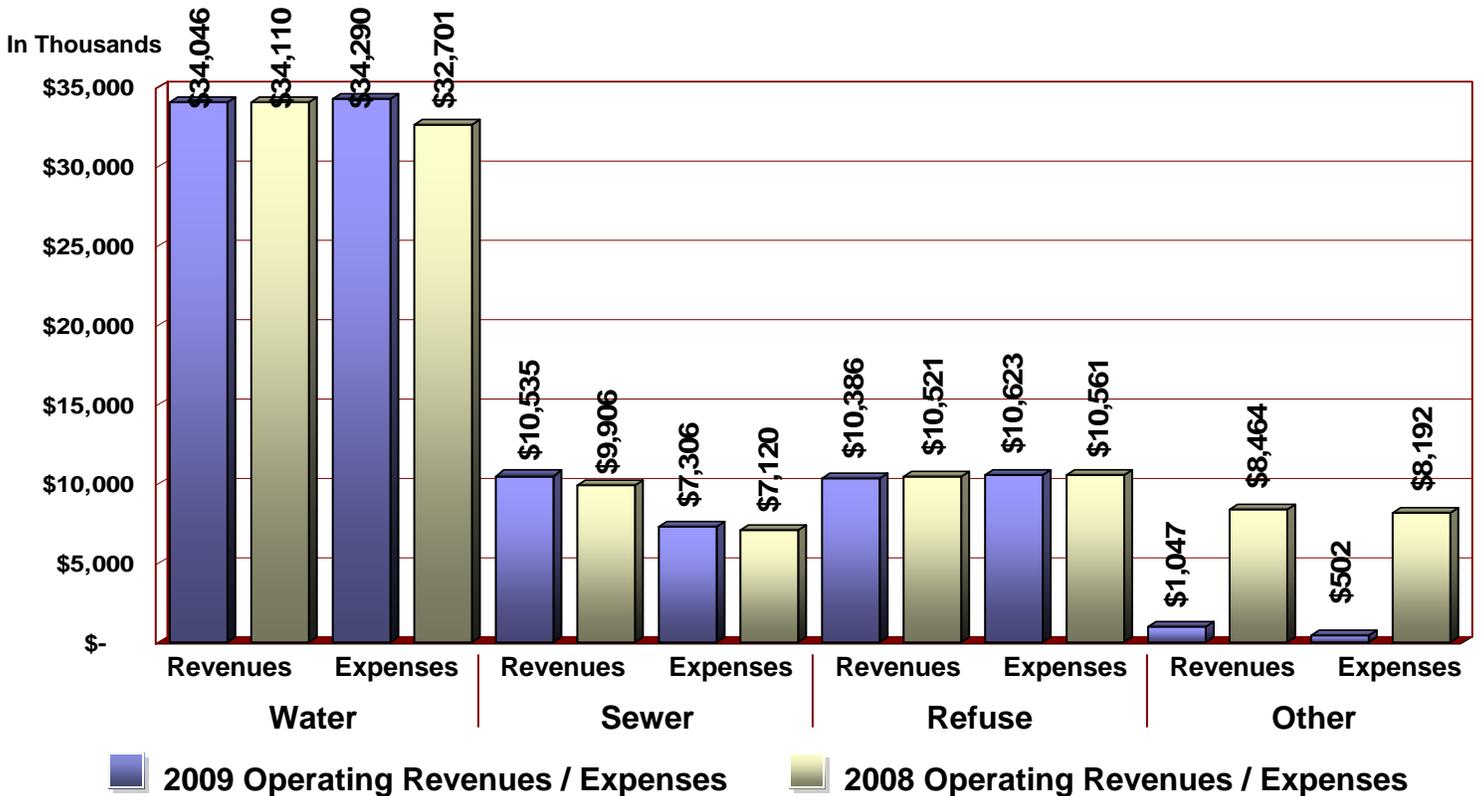


## Governmental Funds Revenues and Expenditures - Five Year Trend *(in thousands)*



## 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 September 30, 2009.



## BUSINESS-TYPE FUNDS (Continued)



The Water Fund accounts for water sales to customers.

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

The Refuse Fund accounts for the activities of the City's refuse program.

Other enterprise funds include:

- **Emerald Cove Housing Fund** which accounts for the operations of a senior citizens' apartment complex. Emerald Cove Senior Apartments was conveyed to the Redevelopment Agency Low Income Housing Fund in FY 2008/09.
- **Emergency Fire Medical Fund** which accounts for the user-fee portion of the City's paramedic service\*
- **Hazmat Service Fund** which accounts for user fees charged for the City's hazardous material program
- **Ocean View Estates Fund** which accounts for the operation of the Ocean View Mobile Home Park owned by the City\*

*\*For FY 2008/09, these activities have been folded into the General Fund.*

## Where Do the Taxes Go?

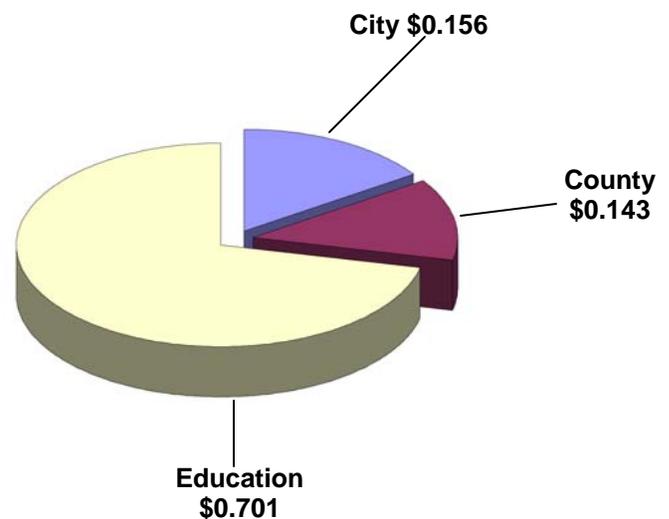
### PROPERTY TAXES

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 itself.

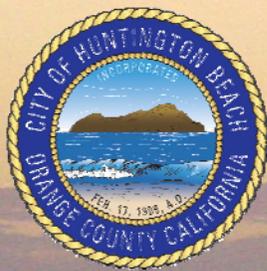
### Huntington Beach Property Tax Dollar Breakdown Tax Rate Area 04-001



# Huntington Beach Leading Indicators

## Huntington Beach by the Numbers

Property Tax Rate	1.06855% (varies by tax rate area)
Unemployment Rate	7.90%
S&P Bond Rating	A- and AA
Moody's Bond Rating	Baa2 and Aa3
Retail Sales Tax Revenue	\$22,356,000
Total City Debt	\$156,036,000
City Net Assets	\$852,239,000



City of Huntington Beach  
2000 Main Street  
Huntington Beach, CA 92648  
(714) 536-5577  
[www.huntingtonbeachca.gov](http://www.huntingtonbeachca.gov)

