



# AGENDA

## MEASURE HH ADVISORY OVERSIGHT COMMITTEE

THURSDAY, JANUARY 23, 2020  
REGULAR MEETING – 5:00 PM

CITY HALL MAIN CONFERENCE ROOM  
10200 SLATER AVENUE

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in Measure HH Advisory Oversight Committee meetings, please contact the Finance Department at 714-593-4418. Notification 72 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to the meeting.

### REGULAR MEETING

#### CALL TO ORDER

#### SALUTE TO THE FLAG

**ROLL CALL:** John W. Briscoe, Marjorie Drilling, Michele Jensen, Evan Jorgensen, Matt Taylor, Stephen Schwarz (alternate)

#### ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATIONS

Anyone wishing to speak during Public Comments must fill out and submit a yellow speaker card. The Measure HH Oversight Committee can take no action on this date, unless the item is agendaized. Anyone wishing to speak on items not on tonight's agenda, may do so during Public Comments. Speakers on items scheduled for non-public hearing items will be invited to speak when those items are heard. (Three minutes per speaker)

#### CONSENT CALENDAR

##### 1. APPROVAL OF MINUTES

**Recommended Action:** Receive and file the Minutes of the November 7, 2019 Regular Measure HH Advisory Oversight Committee Meeting.

#### SELECTION OF COMMITTEE CHAIR AND VICE CHAIR

2. The election of the Committee Chair and Vice Chair may be selected at the pleasure of the voting Committee members.

#### DISCUSSION ITEMS

##### 3. MEASURE HH AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Davis Farr LLP, a firm of licensed certified public accountants, has completed their audit of Measure HH Revenues and Expenditures for the fiscal year ended June 30, 2019. Jennifer Farr, the audit partner, will be at the meeting to discuss the results of the audit and to answer any questions.

**Recommended Action:** Review and Discuss.

**4. 2018/19 MEASURE HH REPORT CARD AND DRAFT REPORT TO CITY COUNCIL**

The Responsible Spending Pledge governs how Measure HH funds are spent. Without Measure HH the City would have had an ongoing structural deficit, which would have resulted in cuts to core services. Staff identified expenditures that have been funded by Measure HH for fiscal year 2018/19, which were discussed and reviewed with the Committee in November 2019. The Schedule of Measure HH Revenues and Expenditures were examined by an independent audit firm (Davis Farr). The Oversight Committee is responsible for producing a report that records the results of its review of the audit of Measure HH Revenues and Expenditures in relation to the City’s adopted “Responsible Spending Pledge”. A draft version of a letter from the Oversight Committee has been developed to summarize the work performed by the Committee with respect to Measure HH Revenues and Expenditures for the fiscal year ended June 30, 2019 with the plan to present the Committee’s findings to the City Council on February 4, 2020.

**Recommended Action:** Review and Discuss.

**5. FUTURE COMMITTEE MEETING TOPICS & DATES**

The following tentative meeting dates are proposed:

|                          |                      |   |
|--------------------------|----------------------|---|
| Council Meeting          | 2/4/2020 at 6:00 PM  | Committee Report to Council on 2018/19 <sup>(1)</sup> |
| <b>Committee Meeting</b> | 3/19/2020 at 5:00 PM | Fiscal Year 2019/20 Mid-Year Review                   |
| <b>Committee Meeting</b> | 4/30/2020 at 5:00 PM | Fiscal Year 2020/21 Proposed HH Budget                |

<sup>(1)</sup> It is recommended that Oversight Committee members be present at the City Council meeting on February 4, 2020.

**Recommended Action:** Staff recommends that the Oversight Committee discuss the proposed meeting dates.

**PUBLIC COMMENTS**

Anyone wishing to speak on non-agendized items may do so at this time.

**COMMENTS FROM STAFF**

**COMMENTS FROM COMMITTEE MEMBERS**

**ADJOURNMENT**

Adjournment to the next Measure HH Advisory Oversight Committee meeting on March 19, 2020.

MATERIAL(S) RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE MEASURE HH OVERSIGHT COMMITTEE AFTER DISTRIBUTION OF THE AGENDA PACKET IS/ARE AVAILABLE FOR PUBLIC INSPECTION IN THE FINANCE DEPARTMENT AT 10200 SLATER AVENUE, FOUNTAIN VALLEY DURING NORMAL BUSINESS HOURS.



**MINUTES OF THE  
MEASURE HH OVERSIGHT COMMITTEE**

**Thursday, November 7, 2019**

**5:00 p.m.**

**CALL TO ORDER**

5:00 p.m.

**SALUTE TO THE FLAG**

**ROLL CALL**

Members Present: John W. Briscoe, Marjorie Drilling, Michele Jensen, Evan Jorgensen, Matt Taylor, Stephen Schwarz (alternate)

Members Absent: None

**1. APPROVAL OF MINUTES FROM MAY 2, 2019**

**ACTION:** Moved to approve the minutes for the May 2, 2019 meeting with a correction to the action taken related to agenda item no. 3, which should have referenced Vice Chair Jensen.

**MOTION:** Jensen           **SECOND:** Briscoe

**AYES:** Drilling, Jensen, Jorgensen, Taylor, Briscoe

**NOES:** None

**ABSENT:** None

**ABSTAIN:** None

**Motion carried: 5-0**

**DISCUSSION ITEMS**

**2. 2018/19 MEASURE HH REVENUES & EXPENDITURES & 20-YEAR FINANCIAL PLAN**

The Oversight Committee reviewed and discussed the draft Measure HH Report Card and unaudited Schedule of Measure HH Revenues and Expenditures for fiscal year 2018/19.

**ACTION:** No formal action was taken.

**3. COMMITTEE MEMBER TERMS EXPIRING IN DECEMBER 2019**

The Oversight Committee discussed the terms for Oversight Committee Members Briscoe and Taylor, which expire in December 2019.

**ACTION:** No formal action was taken.

**4. FUTURE COMMITTEE MEETING TOPICS & DATES**

The Committee discussed future meeting dates and topics. The next Committee meeting will be on January 23, 2020.

**ACTION:** No formal action was taken.

**PUBLIC COMMENTS**

None.

**ADJOURNMENT**

Chair Taylor adjourned the Meeting.

**CITY OF FOUNTAIN VALLEY**  
**Schedule of Measure HH Revenues and Expenditures**  
**With Independent Accountant' Report Thereon**  
**For the Year Ended June 30, 2019**

## INDEPENDENT ACCOUNTANT'S REPORT

**To the Honorable Mayor  
and Members of City Council  
of the City of Fountain Valley  
Fountain Valley, California**

We have examined management of the City of Fountain Valley's (City) assertion that the City complied with Measure HH included in the accompanying Schedule of Measure HH Revenues and Expenditures (schedule) during the fiscal year ended June 30, 2019. The City's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, management's assertion that the City complied with Measure HH reporting requirements included in the accompanying schedule is fairly stated, in all material respects.

This report is intended solely for the information and use of the City Council and management of the City of Fountain Valley, California and is not suitable for any other purpose.



Irvine, California  
December 18, 2019

**CITY OF FOUNTAIN VALLEY**  
**Schedule Of Measure HH Revenues And Expenditures**  
**Year Ended June 30, 2019**

|   |               |
|---|---------------|
| <b>Measure HH Revenues</b>                                      | \$ 13,287,116 |
| <b>Measure HH Expenditures:</b>                                 |               |
| <b>Reoccurring Expenses Incurred on Essential City Services</b> | 1,918,098     |
| <b>One-Time Expenses (Additional Pension Paydown)</b>           | 2,000,000     |
| <b>Financial Stewardship: Reserves Set-Aside in 18-19</b>       | \$ 9,369,018  |

Measure HH provided necessary funding in Fiscal Year 2018/19 that was used for the following in accordance with the **Responsible Spending Pledge**:

| <b>Reoccurring Expenses Incurred on Essential City Services:</b>  |                  |
|---|------------------|
| <b>Public Safety</b>  |                  |
| Maintain 911 Emergency Response Times & Keep Fire Station No. 2 open  | 350,183          |
| Police and Fire Pension Costs that are Legally Required to be Paid to CalPERS and Principal and Interest on the Safety Pension Obligation Bonds | 279,146          |
| Total Public Safety   | 629,329          |
| <b>Senior &amp; Youth Programs</b>  |                  |
| Amount associated with the cost to keep the Recreation Center, Community Center & Senior Center open  | 239,125          |
| <b>Employee Retention</b>   |                  |
| Salary and benefit increases  | 369,193          |
| <b>Capital Improvements</b>   |                  |
| Includes \$350,000 for residential road rehab and \$330,451 for park improvements.  | 680,451          |
| <b>Total Reoccurring Expenses</b>   | <b>1,918,098</b> |

| <b>One-Time Expenses:</b>   |                  |
|---|------------------|
| <b>Additional Payment to CalPERS towards unfunded pension liabilities</b> | <b>2,000,000</b> |

| <b>Reserves Set-Aside in 18-19:</b>  |                  |
|--|------------------|
| <b>Pension Reserves</b>  |                  |
| 2018-19 Contribution to Pension Trust Fund   | 4,500,000        |
| <b>Increase in Emergency Reserves from \$13M to \$14.2M</b>                            |                  |
|  | 1,200,000        |
| <b>Capital Reserves - \$360,000 Transfer to Fleet Management Internal Service Fund</b> |                  |
| Set-aside for Fire Apparatus and \$3,309,018 Increase in Capital Reserves              | 3,669,018        |
| <b>Total Reserves Set-Aside in 18-19</b>   | <b>9,369,018</b> |

## **CITY OF FOUNTAIN VALLEY**

### **Notes to the Schedule of Measure HH Revenues and Expenditures**

**Year Ended June 30, 2019**

#### **1. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The Measure HH Revenues and Expenditures Schedule (Schedule) is presented using the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

#### **2. REVENUES AND EXPENDITURES**

Measure HH revenues consist of the 1% transactions and use (i.e. "sales") tax approved by the voters of Fountain Valley on November 8, 2016. Measure HH became effective April 1, 2017, which provided twelve months of revenue in Fiscal Year 2018/19 in the amount of approximately \$13.3 million.

Measure HH is a general-purpose tax, which means the revenues received from the tax go into the City's General Fund to maintain or enhance any lawful City program, improvement or service such as police and fire services, senior and youth programs, etc. Without Measure HH, the General Fund's operating deficit for Fiscal Year 2018/19 would have been \$1,918,098. Measure HH expenditures include the utilization of funds to maintain existing services for public safety and senior and youth programs in an amount totaling \$1,918,098. In addition, Measure HH expenditures include a one-time expenditure of \$2,000,000 for funding of the pension liabilities.

The remaining balance of Measure HH funds represent amounts set-aside in reserves. Two reserves set-aside in Fiscal Year 2018/19 were placed in trust with a third party and include the following: (1) the pension reserve amount of \$4,500,000 was placed in a trust with PARS. The remaining reserves set-aside in Fiscal Year 2018/19, including the capital reserves of \$3,669,018 and the emergency reserves of \$1,200,000 represent the unexpended amount that was deposited into the City's Budget Stabilization Reserves.

The General Fund reserves set-aside in Fiscal Year 2016/17 of \$1,747,320, and 2017/18 of \$7,027,919 remain unexpended and, when added to the reserves set-aside in Fiscal Year 2018/19 of \$9,369,018 result in a total reserve balance of \$18,521,663 as of June 30, 2019.





# DRAFT

January 23, 2020

## TO THE HONORABLE CITY COUNCIL:

The Measure HH – Essential City Services Oversight Advisory Committee was established by the City Council on April 4, 2017 after passage of Measure HH on the November 8, 2016 ballot. One of the provisions of Measure HH was the creation of an Oversight Committee to review and make recommendations to the City Council to ensure that revenues from it are utilized in accordance with the City's Responsible Spending Pledge. The Responsible Spending Pledge sets forth the City's fiscal policy on the use of Measure HH, which states that the majority of this money should be used to:

- Maintain essential city services such as public safety and senior and youth programs
- Maintain streets, sidewalks, roadways, parks and play equipment, and repair storm water systems
- Pay off, pay down, consolidate or refinance outstanding debt
- Pay down unfunded liabilities; and
- Rebuild and maintain the City's established reserve levels

The Measure HH Oversight Committee is pleased to have the opportunity to present to you its comments and conclusions concerning Measure HH Revenues and Expenditures for Fiscal Year 2018-19.

On January 23, 2020, the City's Auditor, Jennifer Farr of Davis Farr LLP (an independent auditing firm), discussed the audit of Measure HH Revenues and Expenditures for fiscal year 2018-19. The 2018-19 auditor's report reflected approximately \$13.3 million of revenue from Measure HH. \$1.2 million was used, in accordance with the Responsible Spending Pledge and 20-Year Financial Plan, to fund essential city services such as public safety and senior and youth programs. \$680,451 was used to fund capital maintenance projects including residential road rehabilitation and park improvements to Harper Park and Allan Park. An additional payment of \$2 million was made to CalPERS consistent with the City's 20-Year Financial Plan where the goal is to pay-off all outstanding debt and unfunded liabilities by 2037 when Measure HH sunsets. The balance of Measure HH revenue in the amount of \$9.4 million (71% of Measure HH revenue) was set-aside to fully rebuild and maintain reserves consistent with the City's 20-Year Financial Plan and the Fund Balance Reserve Policy.

The Measure HH Oversight Committee has reviewed the City's 20-Year Financial Plan, which guides fiscal policy and encompasses the long-term operating and capital needs of the General Fund. The long-term goal is to achieve fiscal sustainability with a balanced operating budget when Measure HH sunsets in 2037. Additional payments are projected to be made to CalPERS over the next twenty years, which is in addition to the amounts required annually by CalPERS. In addition, the City plans to continue to make additional contributions to the City's Pension Trust, which is designed to mitigate against CalPERS investment risk. In 2037 the City's pension liability is expected to be paid off along with all other long-term debt. The 20-Year Financial Plan is updated twice a year – in April during the budget process and in October once the books have been closed for the prior fiscal period. The 20-Year Financial Plan that was updated in October 2019 reflected an annual operating deficit of \$1.4 million in 2037-38 when HH sunsets. In comparison, the projected operating deficit in 2037-38 was \$2.3 million in 2018, which shows that the City has made improvement on closing the projected operating deficit in 2037-38. The long-term goal is to eliminate this deficit over the next two decades, which can be accomplished with active management via new revenue sources from economic development or from cost savings.

**CONCLUSIONS:** The Measure HH Oversight Committee’s conclusion to the City Council is that (based on information presented to the Committee by City Staff) the audited revenue and expenses for 2018-19 are consistent with the intent of the Measure HH ballot measure and the Responsible Spending Pledge. We are also pleased to see that the City has made progress on closing the projected operating deficit in 2037-38 when Measure HH sunsets.

We are thankful for the opportunity to serve and we look forward to continuing to serve the City Council and the residents of this great city.

Respectfully submitted,

**Matt Taylor, Chair**

April 2017 – Present

**CITY OF FOUNTAIN VALLEY  
MEASURE HH ADVISORY OVERSIGHT COMMITTEE**

**Michele Jensen, Vice Chair**

April 2017 – Present

**John W. Briscoe**

April 2017 – Present

**Marjorie Drilling**

April 2017 – Present

**Evan Jorgensen**

January 2019 – Present

**Stephen Schwarz, Alternate**

February 2018 – Present

Attachments:

1. Measure HH Audit Report for 2018-19
2. Measure HH Report Card for 2018-19