



AGENDA

MEASURE HH ADVISORY OVERSIGHT COMMITTEE

THURSDAY, JANUARY 24, 2019
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: Briscoe, Drilling, Jensen, Stone, Taylor, 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)

APPROVAL OF MINUTES

1. Receive and file the Minutes of the November 8, 2018 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, 2018

White Nelson Diehl Evans LLP has completed their audit of Measure HH Revenues and Expenditures for the Fiscal Year Ended June 30, 2018. Robert Callanan, 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. 2017/18 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

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Years 2017/18, which were discussed and reviewed with the Committee in November 2018. Staff has prepared a revised "Report Card" based on feedback that was provided by the Committee in November for further discussion and consideration.

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 the Measure HH Revenues and Expenditures for the Fiscal Year Ended June 30, 2018 with the plan to present the Committee's findings to the City Council on February 5, 2019.

Recommended Action: Review and Discuss.

5. FUTURE COMMITTEE MEETING TOPICS & DATES

The following tentative meeting dates are proposed:

Council Meeting	2/5/2019 at 6:00 PM	Committee Report to Council on 2017/18 ⁽¹⁾
Committee Meeting	2/21/2019 at 5:00 PM	Fiscal Year 2018/19 Mid-Year Budget Report
Committee Meeting	5/2/2019 at 5:00 PM	Fiscal Year 2019/20 Proposed HH Budget
Special Council Meeting	5/14/2019 at 5:00 PM	Fiscal Year 2019/20 Budget Workshop ⁽¹⁾
Council Meeting	6/4/2019 at 6:00 PM	Fiscal Year 2019/20 Budget Adoption ⁽¹⁾

⁽¹⁾ It is recommended that Oversight Committee members be present at the City Council meeting on February 5th, budget workshop in May 2019 and budget adoption in June 2019.

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 February 21, 2019.

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**

Agenda Item 1

Thursday, November 8, 2018

5:00 p.m.

CALL TO ORDER

5:04 p.m.

ROLL CALL

Members Present: Briscoe, Drilling, Jensen, Stone, Taylor, Schwarz

Members Absent: None

SALUTE TO THE FLAG

CONSENT CALENDAR

1. APPROVAL OF MINUTES FROM APRIL 26, 2018

ACTION: Moved to approve the minutes for the April 26, 2018 meeting.

MOTION: Taylor **SECOND:** Jensen

AYES: Drilling, Jensen, Stone, Taylor, Briscoe

NOES: None

ABSENT: None

ABSTAIN: None

Motion carried: 5-0

DISCUSSION ITEMS

2. 2017/18 MEASURE HH REVENUES AND EXPENDITURES FOR 2017/18

The Oversight Committee reviewed and discussed the draft Measure HH Report Card and unaudited Schedule of Measure HH Revenues and Expenditures for fiscal year 2017/18, which showed \$7.4 million (63% of Measure HH revenue) set-aside for reserves. A portion of the amount that had been set-aside for reserves included \$500,000 that had been transferred to the Self-Insurance Trust Fund. Based on feedback and direction from the Oversight Committee, the Measure HH funds allocated to Self-Insurance Trust Fund reserve set-aside will be re-allocated to expenses associated with Public Safety. In addition, a request was made to incorporate a bar graph on the Measure HH Report Card to reflect projected versus actual General Fund operating results.

ACTION: No formal action was taken.

3. COMMITTEE MEMBER TERMS EXPIRING IN DECEMBER 2018

The Oversight Committee discussed the terms for Oversight Committee Members Drilling, Stone and Schwarz, which expire in December 2018. The Oversight Committee

also discussed the application period and tentative date for City Council appointment.

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 24, 2019.

ACTION: No formal action was taken.

PUBLIC COMMENTS

None.

ADJOURNMENT

Chair Briscoe adjourned the Meeting.

John Briscoe, Chair

CITY OF FOUNTAIN VALLEY, CALIFORNIA

**SCHEDULE OF MEASURE HH
REVENUES AND EXPENDITURES**

**WITH INDEPENDENT ACCOUNTANTS' REPORT ON
EXAMINATION REPORT ON MANAGEMENT'S ASSERTIONS
ABOUT THE CITY'S COMPLIANCE WITH MEASURE HH**

FOR THE YEAR ENDED JUNE 30, 2018

INDEPENDENT ACCOUNTANTS' REPORT
ON EXAMINATION REPORT ON MANAGEMENT'S ASSERTIONS
ABOUT THE CITY'S COMPLIANCE WITH MEASURE HH

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, California'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, 2018. 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 about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. 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.

White Nelson Diehl Evans LLP

Irvine, California
January 8, 2019

CITY OF FOUNTAIN VALLEY
SCHEDULE OF MEASURE HH REVENUES AND EXPENDITURES

Fiscal Year Ended June 30, 2018

Measure HH Revenues	\$ 11,764,066
Measure HH Expenditures:	
Reoccurring Expenses Incurred on Essential City Services	2,207,564
One-Time Expenses (Capital Projects & Pension Paydown)	2,641,560
Financial Stewardship: Reserves Set-Aside in 17-18	\$ 6,914,942
Financial Stewardship: Reserves Set-Aside in 16-17	1,747,320
Financial Stewardship: Reserves as of June 30, 2018	\$ 8,662,262

Measure HH provided necessary funding in Fiscal Year 2017/18 that was used for the following in accordance with the **Responsible Spending Pledge**:

Reoccurring Expenses Incurred on Essential City Services:

Public Safety

Maintain 911 Emergency Response Times & Keep Fire Station No. 2 open. \$ 885,789

Without Measure HH, staff would have faced the challenge of closing Fire Station No.2, which would have been a gradual process spanning multiple years. The total cost attributable to 14-full-time equivalents (FTEs) within various classifications assigned to Fire Station No. 2 is \$1,757,772. Measure HH provided funding to keep Fire Station No. 2 open and maintain 911 emergency response times.

Police and Fire Pension Costs that are Legally Required to be Paid to CalPERS 911,331

Police and Fire Training Programs 43,054

Total Public Safety 1,840,174

Senior & Youth Programs

Amount associated with the cost to keep the Recreation Center, Community Center & Senior Center open. 367,390

Total Reoccurring Expenses \$ 2,207,564

One-Time Expenses:

Capital Improvements

Includes \$350,000 for residential road rehab and \$91,560 for park improvements. \$ 441,560

Additional Payment to CalPERS towards unfunded pension liabilities 2,200,000

Total One-Time Expenses \$ 2,641,560

Reserves Set-Aside in 17-18:

OPEB Reserves - Transfer to Other Post-Employment Benefits (OPEB) Trust Fund. \$ 1,700,000

Pension Reserves - Initial contribution to Pension Trust Fund. 2,800,000

Capital Reserves - Includes \$98,841 increase in General Fund Capital Reserves and \$360,000 transfer to Fleet Management Internal Service Fund for Fire Apparatus 458,841

Emergency Reserves 1,956,101

Total Reserves Set-Aside in 17-18 \$ 6,914,942

CITY OF FOUNTAIN VALLEY

NOTES TO SCHEDULE OF MEASURE HH REVENUES AND EXPENDITURES

For the year ended June 30, 2018

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 one-cent 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 2017/18 in the amount of approximately \$11.8 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 2017/18 would have been \$2,207,564. Measure HH expenditures include the utilization of funds to maintain existing services for public safety and senior and youth programs in an amount totaling \$2,207,564. In addition, Measure HH expenditures include one-time expenditures of \$441,560 for capital improvements and \$2,200,000 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 2017/18 were placed in trust with a third party and include the following: (1) the OPEB reserve amount of \$1,700,000 was placed in a trust with CalPERS and (2) the pension reserve amount of \$2,800,000 was placed in a trust with PARS. The remaining reserves set-aside in Fiscal Year 2017/18, including the capital reserves of \$458,841 and the emergency reserves of \$1,956,101 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 remain unexpended and, when added to the reserves set-aside in Fiscal Year 2017/18 result in a total reserve balance of \$8,662,262 as of June 30, 2018.

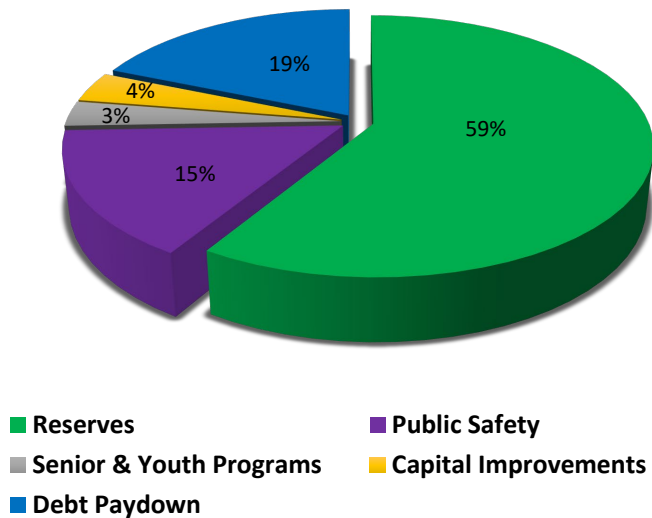


MEASURE HH REPORT CARD

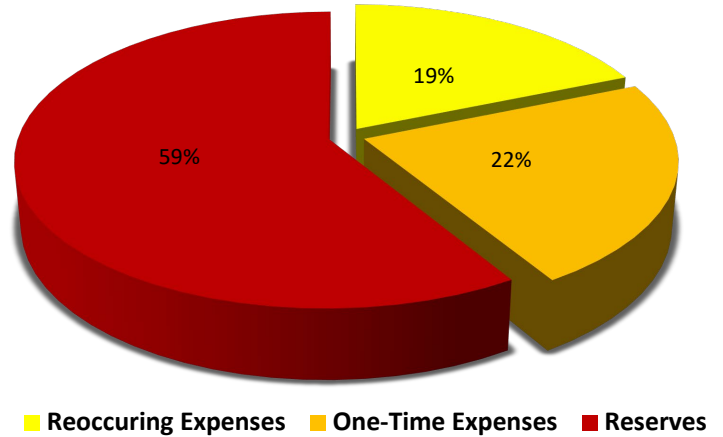
For the Fiscal Year Ended June 30, 2018

This Report Card is provided by the Measure HH Oversight Committee based on the audit of Measure HH Revenues and Expenditures for the Fiscal Year ended June 30, 2018, which reflects that the use of Measure HH Revenues is consistent with the Responsible Spending Pledge.

Measure HH Funding by Function



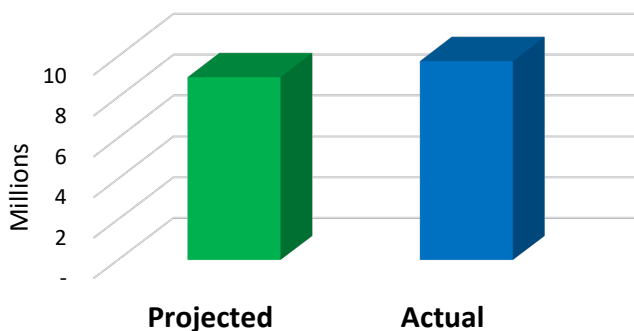
Measure HH Funding Operating vs. Non-Operating



In accordance with the Responsible Spending Pledge, Measure HH was used to fund essential city services (including Police, Fire, Senior & Youth Programs), capital improvements and to build and maintain reserves. In addition, \$2.2 million was used to make additional payments to CalPERS to paydown pension debt, which will save the City \$3.9 million in interest expense.

General Fund Operating Results

Operating Revenues Over Expenditures



General Fund operating revenues were projected to exceed operating expenditures by approximately \$9 million, which enabled the City to build and maintain reserves and make additional additional payments to CalPERS to paydown the City's pension debt. Actual operating results (revenues over expenditures) were better than projected, which allowed the City to set-aside additional funds in the amount of \$500,000 for Self-Insurance Trust Fund reserves.



DRAFT

January 24, 2019

TO THE HONORABLE CITY COUNCIL:

The Measure HH – Essential City Services Oversight Advisory Committee is pleased to have the opportunity to present to you its comments and conclusions concerning the usage of Measure HH revenues for the fiscal year ended June 30, 2018.

The 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 Committee met four times in 2018 to review the usage of estimated Measure HH Revenues and Expenditures for 2017-18. The Committee also reviewed the 20-Year Financial Plan, which sets forth fiscal policy with a long-term goal for fiscal sustainability. On January 24, 2019, the City's Auditor, Robert Callanan of White Nelson Diehl Evans LLP (an independent auditing firm), discussed their audit of Measure HH Revenues and Expenditures for the fiscal year ended June 30, 2018.

The auditor's report reflected twelve-months of revenue in Fiscal Year 2017/18 in the amount of approximately \$11.8 million. Measure HH expenditures included the utilization of funds to maintain existing services for public safety and senior and youth programs in an amount totaling \$2,207,564. In addition, Measure HH expenditures included one-time expenditures of \$441,560 for capital improvements and \$2.2 million that was used to make additional payments to CalPERS towards unfunded pension liabilities. The balance of Measure HH Funds, at approximately \$6.9 million, was set aside for reserves.

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 2017-18 are consistent with the intent of the Measure HH ballot measure and the Responsible Spending Pledge.

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

Respectfully submitted,

CITY OF FOUNTAIN VALLEY MEASURE HH OVERSIGHT COMMITTEE

John Briscoe, Chair
 Marjorie Drilling, Vice Chair
 Michele Jensen
 Jeffrey Stone
 Matt Taylor
 Stephen Schwartz, Alternate

Attachments:

1. Measure HH Audit Report for 2017-18
2. Measure HH Report Card for 2017-18