



AGENDA

MEASURE HH ADVISORY OVERSIGHT COMMITTEE

THURSDAY, NOVEMBER 7, 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: 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 May 2, 2019 Regular Measure HH Advisory Oversight Committee Meeting.

DISCUSSION ITEMS

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

In March 2019 the Oversight Committee reviewed the preliminary estimated Measure HH revenues and expenditures for the fiscal year 2018/19. Now that the books have been closed, the Oversight Committee will review the final year-end amounts. Measure HH revenue amounted to \$13,287,116. In accordance with the Responsible Spending Pledge, \$1.2 million was used to fund essential city services such as public safety and senior and youth programs. \$680,451 was used to fund capital improvements 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 payoff all debt by 2037 when Measure HH sunsets. \$9.4 million (71% of Measure HH revenue) was set-aside for reserves. The Oversight Committee will also review the updated 20-Year Financial Plan. In January 2020, the Oversight Committee will review and discuss the auditor's report on the 2018/19 Measure HH activity.

Recommended Action: Receive and file.

3. COMMITTEE MEMBER TERMS EXPIRING IN DECEMBER 2019

The terms for Oversight Committee Members Briscoe (Active Resident Senior) and Taylor (Business Member) expire in December 2019. The City Clerk will initiate the process to fill these vacancies during the week of November 12th. The tentative date for City Council appointment is Tuesday, January 21, 2020.

Recommended Action: Receive and file.

4. FUTURE COMMITTEE MEETING TOPICS & DATES

The following tentative meeting dates are proposed:

Committee Meeting	1/23/2020 at 5:00 PM	Auditor’s Report on Fiscal Year 2018/19 ⁽¹⁾
Council Meeting	2/4/2020 at 6:00 PM	Committee Report to Council on 2018/19 ⁽²⁾
Committee Meeting	3/19/2020 at 5:00 PM	Fiscal Year 2019/20 Mid-Year Review

⁽¹⁾ The meeting on January 23, 2020 will also involve the selection of a new Chair and Vice Chair and the orientation of any new members.

⁽²⁾ 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 January 23, 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, May 2, 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 MARCH 21, 2019

ACTION: Moved to approve the minutes for the March 21, 2019 meeting.

MOTION: Briscoe **SECOND:** Jensen

AYES: Drilling, Jensen, Jorgensen, Taylor, Briscoe

NOES: None

ABSENT: None

ABSTAIN: None

Motion carried: 5-0

DISCUSSION ITEMS

2. PROPOSED BUDGET OF MEASURE HH REVENUES & EXPENDITURES FOR 2019/20

The Oversight Committee reviewed and discussed the Proposed Budget of Measure HH Revenues and Expenditures for Fiscal Year 2019/20. The Oversight Committee also reviewed the updated 20-Year Financial Plan.

ACTION: No formal action was taken.

3. MEASURE HH REPORT CARD AND DRAFT REPORT TO CITY COUNCIL

The Oversight Committee reviewed and discussed a draft report that summarized the work performed by the Oversight Committee with respect to the Measure HH Revenues and Expenditures for the Fiscal Years Ended June 30, 2019 and June 30, 2020.

- ACTION:** The Oversight Committee authorized the Chair (Taylor) and Vice Chair (Drilling) to finalize the wording in the report, which will be presented to the City Council on May 14, 2019.
- MOTION:** Briscoe **SECOND:** Jensen
- AYES:** Drilling, Jensen, Jorgensen, Taylor, Briscoe
- NOES:** None
- ABSENT:** None
- ABSTAIN:** None

4. FUTURE COMMITTEE MEETING TOPICS & DATES

The Committee discussed future meeting dates and topics. The next Committee meeting will be on November 7, 2019.

ACTION: No formal action was taken.

PUBLIC COMMENTS

None.

ADJOURNMENT

Chair Taylor adjourned the Meeting.

Matt Taylor, Chair

CITY OF FOUNTAIN VALLEY
 SCHEDULE OF MEASURE HH REVENUES AND EXPENDITURES
 Fiscal Year Ended June 30, 2019 (Unaudited)

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

Reoccurring Expenses Incurred on Essential City Services:	
Public Safety	
Maintain 911 Emergency Response Times & Keep Fire Station No. 2 open ¹	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 ²	279,146
Total Public Safety	629,329
Senior & Youth Programs	
Amount associated with the cost to keep the Recreation Center, Community Center & Senior Center open ³	239,125
Employee Retention	
Salary and benefit increases ⁴	369,193
Capital Improvements	
Includes \$350,000 for residential road rehab and \$330,451 for park improvements.	680,451
Total Reoccurring Expenses⁵	1,918,098

One-Time Expenses:	
Additional Payment to CalPERS towards unfunded pension liabilities	2,000,000

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

- ¹ - 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 \$2,005,236. Approximately 17% of the staffing cost attributable to Fire Station No. 2 has been identified as being funded from Measure HH, which equates to \$350,183.
- ² - Historically, pensions were funded over a rolling 30 year period in accordance with CalPERS funding policy. In 2013 CalPERS approved a change to pension funding, which resulted in shorter amortizations and significant increases in amounts required to be paid to CalPERS beginning in Fiscal Year 2015-16. The City's annual pension expense was approximately \$5 million through Fiscal Year 2015-16, which included \$1,606,319 paid for police and fire pension costs for services rendered in prior years (excluding "normal cost" related to the accrual of benefits earned in the current year). In 2018-19, the projected expense for police and fire pension costs for services rendered in prior years is \$3,204,731, which includes principal and interest expense paid on Pension Obligation Bonds attributable to police and fire. Approximately 17% of the increase (\$1,598,412) in pension expense over the base year equates to \$279,146, which has been attributed to Measure HH.
- ³ - The Recreation and Community Services Department generally provides services that benefit the community as whole. Therefore, user fees and revenues generated by the Recreation and Community Services Department generally do not cover the full cost of programs. Therefore, the General Fund subsidizes the difference. The General Fund subsidy is estimated at approximately \$1,368,262 in Fiscal Year 2018-19. Approximately 17% of the General Fund subsidy has been identified as being funded from Measure HH, which equates to approximately \$239,125.
- ⁴ - Measure HH was approved by the community to allow for continuous operating and improvement of essential City services. In response to the community needs, the City Council approved negotiated adjustments to salaries and benefits for various classifications. The increase in salary and benefit costs amounted to \$2,115,131 in 2018-19, of which approximately 17% has been identified as being funded from Measure HH and equates to \$369,193.
- ⁵ - General Fund operating revenues are projected to be \$61,666,686 and operating expenditures are projected at \$50,297,668 (excluding Pension Trust contributions and additional payments to CalPERS). The net operating surplus is projected to be \$11,369,018. Without Measure HH, the General Fund would have had an operating deficit of \$1,918,098. Therefore, this amount has been identified as being funded from Measure HH, which has been used for reoccurring essential City services.

	Cumulative Measure HH Reserves Set-Aside	Reserves at 6/30/19*	Short-Term/ Long-Term Targeted Reserve	% Funded by Measure HH
OPEB Trust Reserves	1,812,977	11,313,439	\$10-30 Million	16%
Pension Trust Reserves	7,677,406	7,677,406	\$10-30 Million	100%
Emergency Reserves	4,903,421	14,200,000	\$14.2 Million	35%
Capital Reserves	3,407,859	14,492,204	\$10-15 Million	24%
Fire Apparatus Reserves	<u>720,000</u>	1,080,000	\$2 Million	67%
	18,521,663			

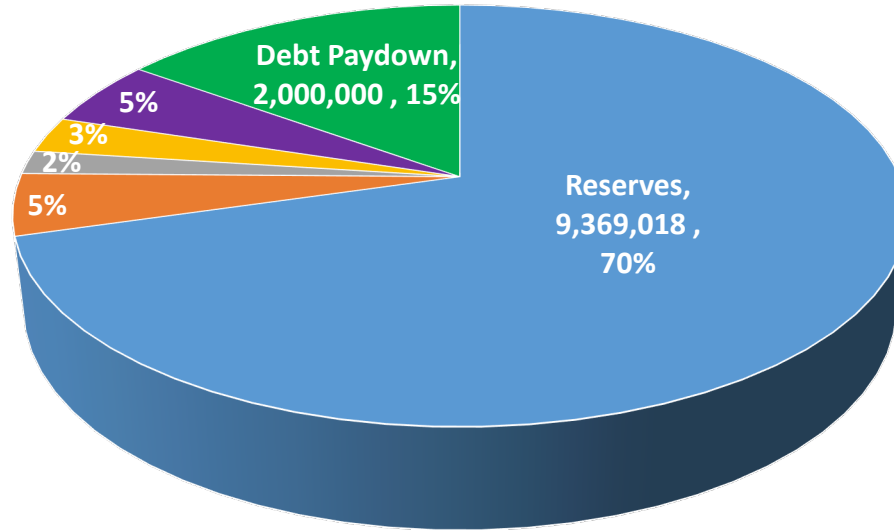
* Including Measure HH and non-HH reserves set-aside and related investment income.



MEASURE HH REPORT CARD

For the Fiscal Year Ended June 30, 2019

This Report Card is provided by the Measure HH Oversight Committee based on the Committee's review of the Audit of Measure HH Revenues and Expenditures for the Fiscal Year Ended June 30, 2019, which reflects that the use of **Measure HH Revenues (\$13,287,116)** is consistent with the Responsible Spending Pledge.

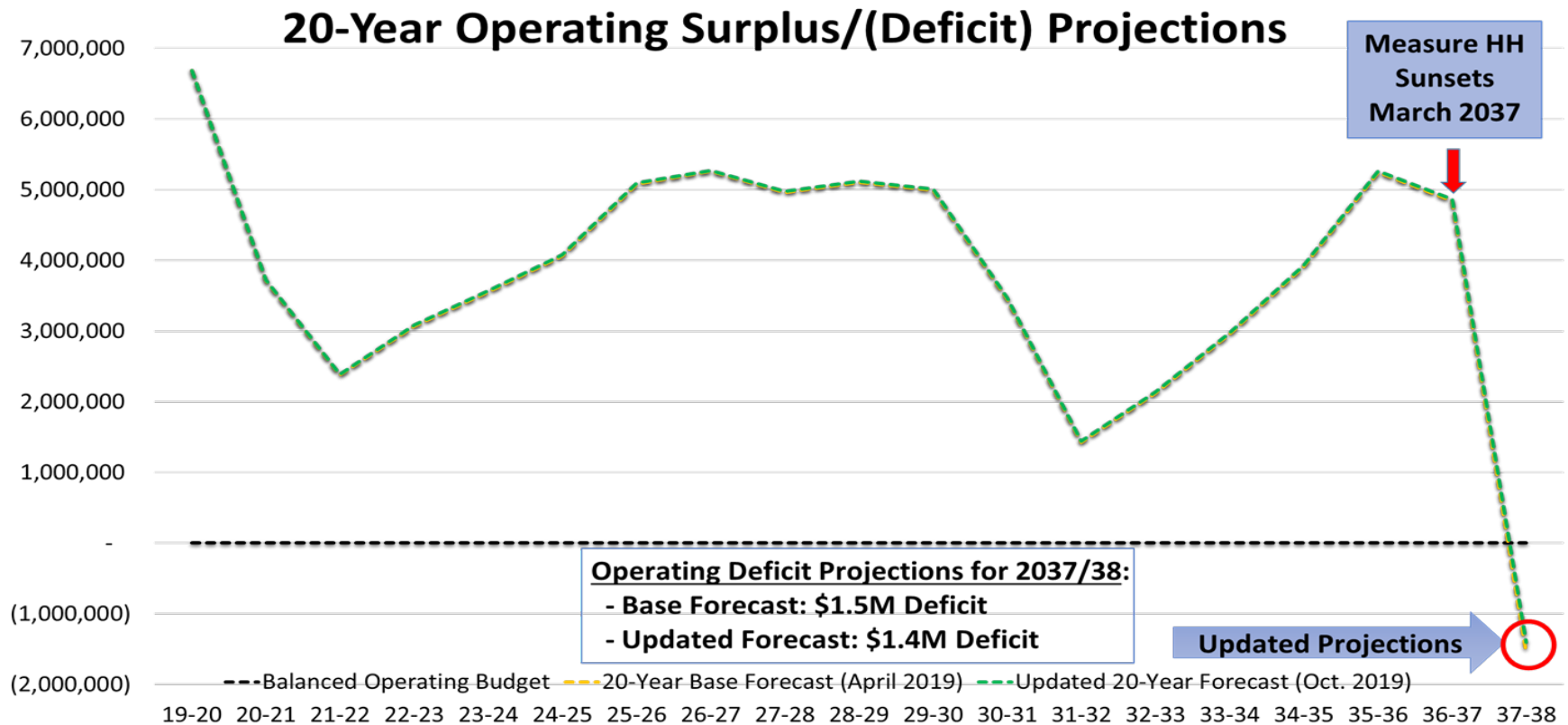


- Public Safety \$629,329
- Senior & Youth Programs \$239,125
- Employee Retention \$369,193
- Capital Improvements \$680,451

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 million was used to make additional payments to CalPERS to paydown pension debt consistent with the City's 20-Year Financial Plan where the goal is to payoff all debt by 2037 when Measure HH sunsets.

20-Year Financial Plan

The City’s fiscal policy is guided by the 20-Year Financial Plan, which encompasses the long-term operating and capital needs of the General Fund. 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 forecast that was updated in April 2019 reflected an annual operating deficit of \$1.5 million in 2037-38 when HH sunsets. 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. The 20-Year Financial Plan that was updated in October 2019 reflects a projected annual operating deficit of \$1.4 million in 2037-38, which shows that progress has been made on closing the deficit.



TWENTY YEAR REVENUE, EXPENSE & FUND BALANCE PROJECTIONS

TWENTY YEAR REVENUE, EXPENSE & FUND BALANCE PROJECTIONS

General Fund	20 Year		LONG-TERM LIABILITIES - PROJECTED BALANCES ¹																		
	Summary	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037	2037-2038	2038-2039
Net Pension Liability		89,030,162	85,759,191	83,700,110	80,820,748	77,269,867	73,220,371	68,673,710	63,844,126	60,801,031	57,338,334	53,420,983	49,011,313	44,068,865	38,550,182	32,767,006	26,714,029	20,535,272	-	-	-
Net CalPERS Liability (CalPERS Liability - CalPERS Assets)²		(11,022,406)	(12,879,437)	(14,821,891)	(16,853,698)	(18,978,968)	(21,202,001)	(23,527,293)	(24,609,548)	(25,741,587)	(26,925,700)	(28,164,282)	(29,459,839)	(30,814,992)	(32,232,482)	(33,715,176)	(35,266,074)	(36,888,313)	(24,065,706)	(25,172,728)	(26,330,674)
Less PARS Pension Trust (115) Assets		78,007,756	72,879,755	68,878,219	63,967,050	58,290,899	52,018,370	45,146,417	39,234,578	35,059,444	30,412,634	25,256,700	19,551,474	13,253,873	6,317,700	(948,170)	(8,552,045)	(16,353,042)	(24,065,706)	(25,172,728)	(26,330,674)
Net OPEB Liability	34,858,813	35,463,603	36,024,777	36,569,545	37,044,969	37,527,946	37,971,413	38,407,206	38,750,886	39,101,632	39,424,223	39,705,982	39,965,802	40,167,649	40,324,732	40,476,869	40,647,432	40,710,058	40,716,487	43,008,825	45,430,222
Total OPEB Liability³	(11,313,439)	(11,950,386)	(12,623,192)	(13,333,878)	(14,084,575)	(14,877,537)	(15,715,142)	(16,599,905)	(19,647,079)	(22,865,810)	(26,265,755)	(27,744,517)	(29,306,533)	(30,956,491)	(32,699,342)	(34,540,315)	(36,484,934)	(38,539,036)	(40,716,487)	(43,008,825)	(45,430,222)
Less OPEB Trust (115) Assets	23,545,374	23,513,218	23,401,584	23,235,667	22,960,393	22,650,409	22,256,271	21,807,301	19,103,807	16,235,822	13,158,468	11,961,464	10,659,268	9,211,158	7,625,390	5,936,555	4,162,497	2,171,022	0	0	0
2015 Pension Obligation Bonds		14,915,000	14,285,000	13,595,000	12,830,000	11,990,000	11,065,000	10,055,000	8,945,000	7,730,000	6,410,000	4,970,000	4,320,000	3,605,000	2,820,000	1,960,000	1,020,000	-	-	-	-
2016 Lease Revenue Bonds		11,115,000	10,640,000	10,150,000	9,635,000	9,100,000	8,550,000	7,980,000	7,385,000	6,765,000	6,120,000	5,445,000	4,745,000	4,015,000	3,260,000	2,480,000	1,680,000	855,000	-	-	-
2017 Clean Renewable Energy Bonds (CREBs)		2,617,682	2,508,477	2,393,870	2,273,677	2,147,709	2,015,770	1,877,659	1,733,169	1,582,087	1,424,193	1,259,261	1,087,058	907,344	719,871	524,385	320,625	108,320	-	-	-

¹ Excluding claims payable, compensated absences and Water Utility Bonds.

² The Net CalPERS Pension Liability is estimated at approximately \$89.9 million based on the 6/30/18 Actuarial Reports that were issued by CalPERS in August 2019, which is calculated using a 7.0% discount rate. In 2016, CalPERS lowered the discount rate from 7.5% to 7.0%, which has been phased in over a 3-year period. If CalPERS earns on average 6.5% to 6.75% over the long-term, the pension liability is estimated to be between \$100 million and \$110 million. The pension liability is also affected by a number of other factors such as mortality, inflation, etc. The goal is to have sufficient funds set-aside in the City's Pension Trust to cover additional contributions required by CalPERS. The Pension Trust is used to mitigate against CalPERS investment return volatility through diversification where assets are managed in a customized investment strategy that balances risk and return. The Pension Trust is also designed to mitigate against pension contribution volatility since Pension Trust assets can be used to offset unanticipated increases in CalPERS rates.

³ The total liability for Other Post-Employment Benefits (OPEB) is estimated to be approximately \$34.3 million (excluding OPEB Trust assets) based on the June 30, 2018 Actuarial Valuation Report, which is calculated using a discount rate of 6.1%. The OPEB liability relates to the retiree health insurance whereby the City contributes to the cost of health insurance for qualified retirees, spouses, and qualified dependents, which varies by bargaining group and hire date. The goal is to have sufficient funds set-aside in the City's OPEB Trust to cover future OPEB benefit payments associated with the "cash subsidy".