



# AGENDA

## MEASURE HH ADVISORY OVERSIGHT COMMITTEE

THURSDAY, JANUARY 11, 2018  
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, White (alternate)

#### ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATIONS

Anyone wishing to speak during Public Comments must fill out and submit a blue 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

Receive and file the Minutes of the December 7, 2017 Regular Measure HH Advisory Oversight Committee Meeting.

#### DISCUSSION ITEMS

##### 2. MEASURE HH AUDIT REPORT FOR 2016/17

White Nelson Diehl Evans LLP has completed their audit of Measure HH Revenues and Expenditures for the Fiscal Year Ended June 30, 2017. Robert Callanan, the audit partner, will be at the meeting to discuss the results of the audit and to answer any questions.

**Recommended Action:** Receive and file.

##### 3. 2016/17 & 2017/18 MEASURE HH REVENUES AND EXPENDITURES & REPORT CARD FORMATS

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 Years 2016/17 including estimated amounts for 2017/18, which were discussed and reviewed

with the Committee in December 2017. Staff has prepared revised "Report Card" formats based on feedback that was provided by the Committee in December for further discussion and consideration.

**Recommended Action:** Review and discuss.

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

The following tentative meeting dates are proposed:

Council Meeting	2/6/2018 at 6:00 PM	Committee Report to Council on 2016/17
<b>Committee Meeting</b>	2/8/2018 at 5:00 PM	Fiscal Year 2017/18 Mid-Year Budget Report
<b>Committee Meeting</b>	4/19/2018 at 5:00 PM	Fiscal Year 2018/19 Proposed General Fund Budget
Council Meeting	5/1/2018 at 6:00 PM	Fiscal Year 2018/19 Budget Workshop <sup>(1)</sup>
Council Meeting	5/15/2018 at 6:00 PM	Fiscal Year 2018/19 Budget Workshop <sup>(1)</sup>
Council Meeting	6/5/2018 at 6:00 PM	Fiscal Year 2018/19 Budget Adoption

<sup>(1)</sup> It is recommended that Oversight Committee members be present at the City Council budget workshops in May 2018.

**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 8, 2018.

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**

**5:00 p.m.**

**Thursday, December 7, 2017**

**CALL TO ORDER**

5:00 p.m.

**ROLL CALL**

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

Members Absent: None

**SOLUTE TO THE FLAG**

**CONSENT CALENDAR**

**1. APPROVAL OF MINUTES FROM OCTOBER 19, 2017**

**ACTION:** Moved to approve the minutes for the October 19, 2017 meeting.

**MOTION:** Jensen **SECOND:** Drilling

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

**NOES:** None

**ABSENT:** None

**ABSTAIN:** None

**Motion carried: 5-0**

**DISCUSSION ITEMS**

**2. 2016/17 & 2017/18 MEASURE HH REVENUES AND EXPENDITURES & REPORT CARD FORMATS**

Jason Al-Imam, Finance Director discussed estimated Measure HH revenues and expenditures for Fiscal Year 2017/18 and outlined how those planned expenditures tie into the City's Responsible Spending Pledge. The Committee discussed the specific programs that have been funded by Measure HH and services that have been maintained due to Measure HH. The Committee also reviewed the activity for Fiscal Year 2016/17 and reviewed and discussed various formats for a Sample Report Card.

**ACTION:** Moved to receive and file.

**MOTION:** Drilling **SECOND:** Jensen

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

**NOES:** None

**ABSENT:** None

**ABSTAIN:** None

**Motion carried: 5-0**

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

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

**PUBLIC COMMENTS**

Kim Constatine  
Tom Gergen  
Stephen Schwarz

**ADJOURNMENT**

Chair Briscoe adjourned the Meeting.

The next meeting of the Measure HH Oversight Committee is January 11, 2018, at City Hall, 10200 Slater Avenue, Fountain Valley.

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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, 2017**

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, 2017. 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  
December 15, 2017

CITY OF FOUNTAIN VALLEY

SCHEDULE OF MEASURE HH REVENUES AND EXPENDITURES

For the year ended June 30, 2017

Measure HH Revenues	\$ 2,525,908
Measure HH Expenditures:	
Essential City Services: funding gap - maintain existing services	<u>778,588</u>
Financial Stewardship: general fund reserves	<u>\$ 1,747,320</u>

See accompanying notes to the Schedule of Measure HH Revenues and Expenditures.

CITY OF FOUNTAIN VALLEY

NOTES TO SCHEDULE OF MEASURE HH REVENUES AND EXPENDITURES

For the year ended June 30, 2017

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 three months of revenue in Fiscal Year 2016/17 in the amount of approximately \$2.5 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 2016/17 would have been \$778,588. Measure HH expenditures consists of the utilization of funds in the fiscal year to maintain existing services and amounts to \$778,588. The remaining balance of Measure HH funds represents the unexpended amount that was deposited into the City’s Budget Stabilization Reserves.

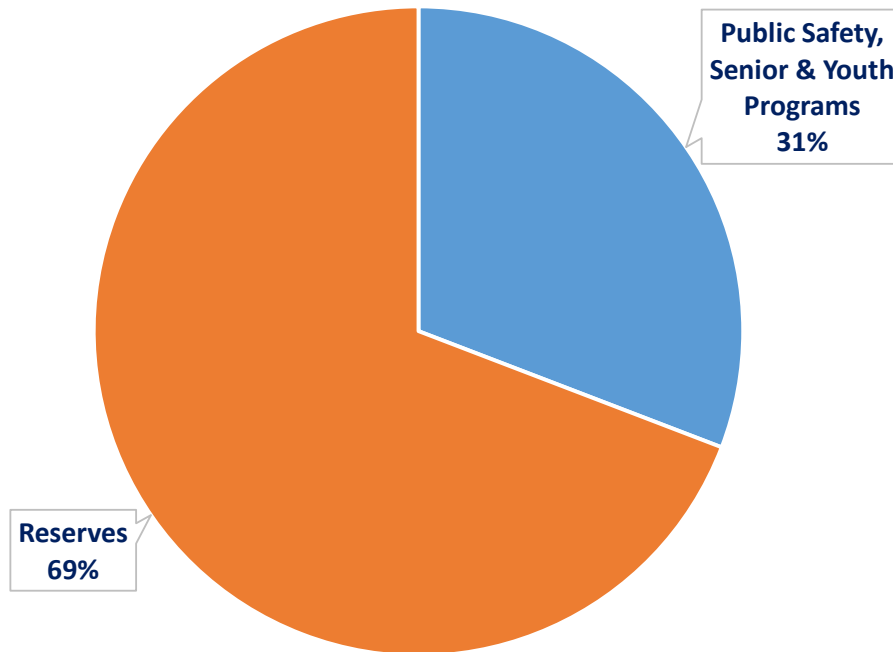






## SAMPLE MEASURE HH REPORT CARD

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, 2017, which reflects that the use of Measure HH revenues is consistent with the Responsible Spending Pledge.



**Essential  
City Services**  
**778,588**

**Public Safety, Senior  
& Youth Programs**



**Financial  
Stewardship**  
**1,747,320**

**General Fund  
Reserves**

CITY OF FOUNTAIN VALLEY  
 SCHEDULE OF MEASURE HH REVENUES AND EXPENDITURES  
 Fiscal Year Ended June 30, 2018 (Projected)

Measure HH Revenues	\$ 10,500,000
Measure HH Expenditures:	
Funding Gap - Essential City Services*	4,861,594
Financial Stewardship: General Fund Reserves	\$ 5,638,406

\* Without Measure HH, the operating deficit for Fiscal Year 2017/18 would have been \$4,861,594. Measure HH provided necessary funding in Fiscal Year 2017/18 that was used for the following in accordance with the **Responsible Spending Pledge**:

**Public Safety**

Maintain 911 Emergency Response Times & Keep Fire Station No. 2 open.	1,757,772
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*Without Measure HH, staff would have faced the challenge of closing Fire Station No.2. The closure would have been a gradual process spanning multiple years. The process would have begun with the reduction of 12-full-time equivalents (FTEs) within various classifications. The cost attributable to the 12 FTEs is \$1,757,772, which was funded by Measure HH and was used to 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	72,575
Juvenile Diversion Counseling	3,830
Body Worn Cameras	65,000
<b>Total Public Safety</b>	<b>2,810,508</b>

**Employee Retention**

Salary and benefit increases.	633,696
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**Capital Improvements**

Includes \$500,000 to maintain and enhance infrastructure and facilities, \$350,000 for residential road rehab and \$200,000 for park improvements.	1,050,000
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**Senior & Youth Programs**

Amount associated with the cost to keep the Recreation Center, Community Center & Senior Center open.	367,390
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**Funding Gap - Essential City Services 4,861,594**

**General Fund Reserves:**

**OPEB Reserves**

\$1.1 million associated with the actuarially determined Annual Required Contribution ("ARC") and an additional \$600,000 to be paid above the "ARC".	1,700,000
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**Pension Reserves**

Additional amount to be paid above legally required amount due to CalPERS	1,057,114
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**Budget Stabilization & Capital Reserves**

2,521,292

**Capital Reserves**

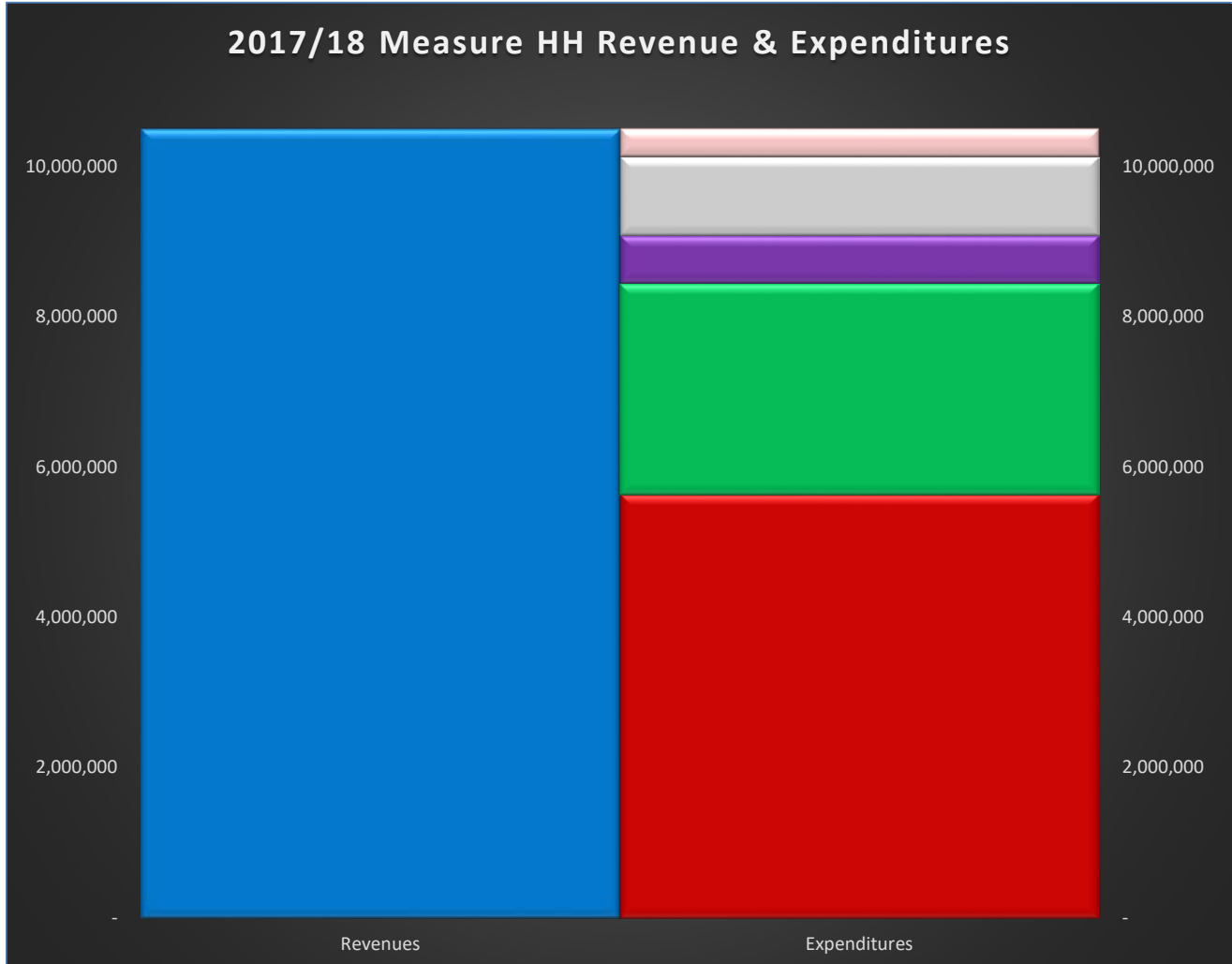
Set-aside for Fire Apparatus	360,000
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**Total General Fund Reserves 5,638,406**



## SAMPLE MEASURE HH REPORT CARD

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.



### Revenues

**10,500,000** Measure HH Revenues

### Expenditures

**5,638,406** Reserves (54%) - OPEB, Pension, Capital & Budget Stabilization Reserves

**2,810,508** Public Safety (27%) - \$1,757,772 used to maintain 911 emergency response times and keep Fire Station No. 2 open, \$911,331 associated with police and fire pension costs that are legally required to be paid to CalPERS, \$72,575 for police and fire training programs, \$3,830 for juvenile diversion counseling and \$65,000 for body worn cameras.

**633,696** Employee Retention (6%) - salary and benefit increases.

**1,050,000** Capital Improvements (10%) - includes \$500,000 used to maintain and enhance infrastructure and facilities, \$350,000 for residential road rehab and \$200,000 for park improvements.

**367,390** Senior & Youth Programs (3%) - amount associated with the cost to keep the Recreation Center, Community Center & Senior Center open.

## CITY OF FOUNTAIN VALLEY

### RESPONSIBLE SPENDING PLEDGE

The City of Fountain Valley's mission is to deliver cost-effective quality public services to provide a safe and desirable community that enriches its residents and businesses.

*The City goals are to:*

- Enhance economic development
  - Achieve financial stability
- Attract, develop and retain quality staff within financial constraints
  - Maintain and enhance infrastructure and facilities
  - Enhance community outreach and engagement

**The Pledge:** The City of Fountain Valley is committed to sound financial policies that maximize the highest level of City services for the people of Fountain Valley. The City Council recognizes the need to protect the City's assets and to ensure long-term financial sustainability.

The City of Fountain Valley, like many cities in California, is experiencing significant financial challenges. This is due to the continued state revenue take-away; dissolution of redevelopment and increased costs which are out of the City's control. The City has taken significant steps to cut costs including permanent staff reductions, reduced benefits, employee pickup of costs, and contracting out services. The City of Fountain Valley is a built out bedroom community, which has limited ability to generate significant new revenues, to cover the cost of a growing structural budget deficit. This has impacted City services.

**Therefore**, in the event there are any significant increases in the City of Fountain Valley's revenues, we believe that the majority of this money should be used to maintain:

- Essential City services including public safety / 911 emergency response;
- Keep Fire Station 2 open and maintain firefighter / paramedics;
- Police Station and Police officers; restore anti-gang / drug programs;
- Senior and youth programs;
- Streets / sidewalks / roadways and repair storm water systems
- Parks and play equipment; and
- Provide other essential City services.

**We also believe**, that whenever additional revenue gains are realized, City leadership should seek opportunities to:

- Pay off, pay down, consolidate or refinance the City's outstanding debt;
- Pay down unfunded liabilities; and
- Rebuild and maintain the City's established reserves levels. (Such reserve policies have been adopted to protect the residents of Fountain Valley in the event of a natural disaster or severe economic downturn and for working cash flow and to fund "pay-go" capital projects.)

**Finally**, the City Council believes this pledge is a clear guide to helping keep Fountain Valley a "Nice Place to Live".

Adopted by the City Council on October 18, 2016. **Ayes:** Nagel, Vo, Collins, Brothers **Noes:** McCurdy