

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



AGENDA

MEASURE HH ADVISORY OVERSIGHT COMMITTEE

THURSDAY, May 7, 2020
REGULAR MEETING – 5:00 PM

CITY HALL – CONFERENCE ROOM #1/ONLINE
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

Recommend Action: Receive and file the Minutes of the January 23, 2020 Regular Measure HH Advisory Oversight Committee Meeting.

DISCUSSION ITEMS

2. PROJECTED MEASURE HH REVENUES AND EXPENDITURES FOR 2019/20

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 2019/20. The Schedule of Measure HH Revenues and Expenditures reflects amounts that have been updated based on the Mid-Year Review. The schedule also incorporates amounts identified as being funded from Measure HH and a cumulative summary of reserves set-aside utilizing Measure HH funds since April 1, 2017.

3. PROPOSED BUDGET OF MEASURE HH REVENUES & EXPENDITURES FOR 2020/21

A Budget Workshop will be held with the City Council on May 12, 2020 to review the 2020/21 Annual Operating and Capital Improvement Program Budget, which will also be presented for adoption at the City Council meeting on June 2, 2020. The Oversight Committee is responsible for issuing a report based on its review, at a policy level, of the City's proposed annual General

Measure HH Advisory Oversight Committee Meeting Agenda

May 7, 2020

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Fund operating budget for expenditures of the revenue generated from Measure HH. The Proposed Measure HH Revenues and Expenditures Budget for Fiscal Year 2020/21 will be presented to the Oversight Committee for review and discussion.

4. FUTURE COMMITTEE MEETING TOPICS & DATES

The following tentative meeting dates are proposed:

Special Council Meeting	5/12/2020 at 5:00 PM	Fiscal Year 2020/21 Budget Workshop ⁽¹⁾
Council Meeting	6/2/2020 at 6:00 PM	Fiscal Year 2020/21 Budget Adoption ⁽¹⁾
Committee Meeting	11/19/2020 at 5:00 PM	Fiscal Year 2019/20 Unaudited Results

⁽¹⁾ It is recommended that Oversight Committee members be present at the City Council budget workshop in May 2020 and budget adoption in June 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 November 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, January 23, 2020

5:00 p.m.

CALL TO ORDER

5:00 p.m.

SALUTE TO THE FLAG

ROLL CALL

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

Members Absent: John Briscoe

1. APPROVAL OF MINUTES FROM NOVEMBER 7, 2019

ACTION: Moved to approve the minutes for the November 7, 2019.

MOTION: Jensen **SECOND:** Schwartz

AYES: Drilling, Jensen, Taylor, Schwartz

NOES: None

ABSENT: Briscoe, Jorgensen

ABSTAIN: None

Motion carried: 4-0

2. SELECTION OF COMMITTEE CHAIR AND VICE CHAIR

ACTION: Move to appoint Chair (Jensen) and Vice Chair (Drilling).

MOTION: Taylor **SECOND:** Jensen

AYES: Drilling, Jensen, Taylor, Schwartz

NOES: None

ABSENT: Briscoe, Jorgensen

ABSTAIN: None

Motion carried: 4-0

DISCUSSION ITEMS

3. MEASURE HH AUDIT REPORT FOR 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, presented the results of the audit and answered questions. The Committee discussed the audit report and made recommendations on future reporting to Council.

ACTION: The Committee reviewed and discussed the audit report. However, no formal action was taken.

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.

ACTION: A motion was made to update report to include a bullet point on attracting & retaining employees. Provide update to Chair & Vice Chair for approval.

MOTION: Jorgensen **SECOND:** Schwartz

AYES: Drilling, Jensen, Jorgensen, Taylor,
Schwartz

NOES: None

ABSENT: None

ABSTAIN: None

Motion carried: 5-0

5. FUTURE COMMITTEE MEETING TOPICS & DATES

The Committee discussed future meeting dates and topics. The next Committee meeting will be on March 19, 2020 at 5:30 PM. Updated April 30 proposed date to April 27.

ACTION: No formal action was taken.

PUBLIC COMMENTS

Mike White

ADJOURNMENT

Chair Jensen adjourned the Meeting.

CITY OF FOUNTAIN VALLEY
 SCHEDULE OF MEASURE HH REVENUES AND EXPENDITURES
 Fiscal Year Ended June 30, 2020 (Unaudited)

Measure HH Revenues	\$ 11,269,601
Measure HH Expenditures:	
Reoccurring Expenses Incurred on Essential City Services	4,921,277
One-Time Expenses (Additional Pension Paydown)	2,000,000
Financial Stewardship: Reserves Set-Aside in 19-20	\$ 4,348,324

Measure HH provided necessary funding in Fiscal Year 2019/20 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	1,123,000
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	1,097,000
Total Public Safety	2,220,000
Senior & Youth Programs	
Amount associated with the cost to keep the Recreation Center, Community Center & Senior Center open ³	906,277
Employee Retention	
Salary and benefit increases ⁴	1,245,000
Capital Improvements	
Includes \$350,000 for residential road rehab and \$200,000 for park improvements.	550,000
Total Reoccurring Expenses⁵	4,921,277

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

Reserves Set-Aside in 19-20:	
Pension Reserves	
2019-20 Contribution to Pension Trust Fund	3,000,000
Increase in Capital Reserves	
Increase in Capital Reserves	869,017
Capital Reserves - Transfer to Fleet Management Internal Service Fund	
Set-aside for Fire Apparatus	479,307
Total Reserves Set-Aside in 19-20	4,348,324

- 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 \$2,136,652. Approximately 52.57% of the staffing cost attributable to Fire Station No. 2 has been identified as being funded from Measure HH, which equates to \$1,123,000.
- 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 2019-20, the projected expense for police and fire pension costs for services rendered in prior years is \$3,692,238, which includes principal and interest expense paid on Pension Obligation Bonds attributable to police and fire. Approximately 52.57% of the increase (\$2,085,919) in pension expense over the base year equates to \$1,097,000, 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 \$1,723,300 in Fiscal Year 2019-20. Approximately 52.57% of the General Fund subsidy has been identified as being funded from Measure HH, which equates to approximately \$906,277.
- 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 \$2,368,500 in 2019-20, of which approximately 52.57% has been identified as being funded from Measure HH and equates to \$1,245,000.
- ⁵ - General Fund operating revenues are projected to be \$58,877,515 and operating expenditures are projected at \$52,529,191 (excluding Pension Trust contributions and additional payments to CalPERS). The net operating surplus is projected to be \$6,348,324. Without Measure HH, the General Fund would have had an operating deficit of \$4,921,277. 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 6/30/20*	Short-Term/ Long-Term Targeted Reserve	% Funded by Measure HH
OPEB Trust Reserves	1,811,043	11,301,372	\$10-30 Million	16%
Pension Trust Reserves	10,675,626	10,675,626	\$10-30 Million	100%
Emergency Reserves	4,903,421	12,700,000	\$14.2 Million	39%
Capital Reserves	4,276,876	12,799,124	\$10-15 Million	33%
Fire Apparatus Reserves	0	0	\$2 Million	0%
	<u>21,666,966</u>			

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

CITY OF FOUNTAIN VALLEY
 SCHEDULE OF MEASURE HH REVENUES AND EXPENDITURES
 Fiscal Year Ended June 30, 2021

Measure HH Revenues	\$ 11,153,000
Measure HH Expenditures:	
Reoccurring Expenses Incurred on Essential City Services	8,557,029
One-Time Expenses (Additional Pension Paydown)	-
Financial Stewardship: Reserves Set-Aside in 19-20	\$ 2,595,971

Measure HH provided necessary funding in Fiscal Year 2020/21 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	1,779,000
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	2,261,000
Total Public Safety	4,040,000
Senior & Youth Programs	
Amount associated with the cost to keep the Recreation Center, Community Center & Senior Center open ³	1,241,029
Employee Retention	
Salary and benefit increases ⁴	2,701,000
Capital Improvements	
Includes \$375,000 for residential road rehab and \$200,000 for park improvements.	575,000
Total Reoccurring Expenses⁵	8,557,029

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

Reserves Set-Aside in 20-21:	
Pension Reserves	
2020-21 Contribution to Pension Trust Fund	-
Increase in Capital Reserves	
	2,230,971
Capital Reserves - Transfer to Fleet Management Internal Service Fund	
Set-aside for Fire Apparatus	365,000
Total Reserves Set-Aside in 20-21	2,595,971

- 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 \$2,098,341. Approximately 84.8% of the staffing cost attributable to Fire Station No. 2 has been identified as being funded from Measure HH, which equates to \$1,779,000.
- 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 2020-21, the projected expense for police and fire pension costs for services rendered in prior years is \$4,272,302, which includes principal and interest expense paid on Pension Obligation Bonds attributable to police and fire. Approximately 84.8% of the increase (\$2,665,983) in pension expense over the base year equates to \$2,261,000, 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 \$1,463,699 in Fiscal Year 2020-21. Approximately 84.8% of the General Fund subsidy has been identified as being funded from Measure HH, which equates to approximately \$1,241,029.
- 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 \$3,185,530 in 2020-21, of which approximately 84.8% has been identified as being funded from Measure HH and equates to \$2,701,000.
- ⁵ - General Fund operating revenues are projected to be \$55,931,411 and operating expenditures are projected at \$53,335,440 (excluding Pension Trust contributions and additional payments to CalPERS). The net operating surplus is projected to be \$2,595,971. Without Measure HH, the General Fund would have had an operating deficit of \$8,557,029. 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 6/30/21*	Short-Term/ Long-Term Targeted Reserve	% Funded by Measure HH
OPEB Trust Reserves	1,892,540	11,809,934	\$10-30 Million	16%
Pension Trust Reserves	11,020,626	11,020,626	\$10-30 Million	100%
Emergency Reserves	4,903,421	12,538,000	\$14.2 Million	39%
Capital Reserves	6,507,847	14,420,776	\$10-15 Million	45%
Fire Apparatus Reserves	365,000	365,000	\$2 Million	0%
	24,689,434			

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