



## **MINUTES**

### **CITY OF DANA POINT FINANCIAL REVIEW COMMITTEE WEDNESDAY, MAY 10, 2017 4:00 PM**

**LOCATION:** City Hall, Second Floor, City Council Chamber, Suite 210  
33282 Golden Lantern, Dana Point, CA 92629

#### **CALL TO ORDER:**

The meeting of the Financial Review Committee of the City of Dana Point, California, was called to order by Chair Brian Porter at 4:00 p.m. in the City Council Chambers, 33282 Golden Lantern, Dana Point.

#### **ROLL CALL OF COMMITTEE MEMBERS:**

Brian Porter, Chair  
Buck Hill, Vice Chair  
Greg Wall, Committee Member  
Larry Rolapp, Committee Member  
Toni Nelson, Committee Member

Staff Present: Acting City Manager Mike Killebrew, City Attorney Patrick Munoz, Accounting Manager Beverly Brion, Management Analyst Kate Lasso, Deputy City Manager Mark Denny, Director of Community Development Ursula Luna Reynosa, Director of Disaster Preparedness Mike Rose, Chief of Police Russ Chilton, Deputy Public Works Director Matt Sinacori, Deputy City Clerk Bobbi Ogan, Sr. Administrative Assistant DyAnne Weamire

#### **NEW BUSINESS:**

##### **1. Minutes of Financial Review Committee meeting, April 10, 2017**

Member Nelson stated on Page 4 under "Discussion of Potential Future Financial Review Committee work plan ideas" there's a reference to the fact that the City of San Clemente's Long Term Financial Plan (LTFP) was prepared by Shayne Kavanaugh of the GFOA (Government Finance Officers Association), however after further research Member Nelson, stated that she was unable to find any reference to any consultants involved in the City of San Clemente's Long Term

Financial Planning and that it looked like it was a document that was actually prepared by the Staff at the City of San Clemente.

Acting City Manager Killebrew stated that he understood that Shayne Kavanaugh had assisted the Staff at City of San Clemente with Financial Policies and Financial Indicators similar to what he is proposing with the City of Dana Point but did not prepare the Long Term Financial Plan for the City of San Clemente.

Member Nelson stated she would like to recommend City Staff update the policies and have the consultant spend his time on performance measures, strategic planning and performance measures for each department and to meet with the consultant to review the LTFP's of the Cities of Long Beach and San Clemente instead of reinventing the wheel for the City of Dana Point.

City Attorney Munoz stated that the Committee is currently off topic and that the item before the Committee are the Minutes of April 10, 2017 to approve or amend.

Member Nelson stated that she wasn't sure if she wanted to approve the minutes because she felt it had a misunderstanding in it.

City Attorney Munoz stated that it sounds like the minutes are accurate in terms of what was said in the prior meeting which is all that minutes are intended to do.

IT WAS MOVED BY MEMBER ROLAPP, SECONDED BY MEMBER WALL THAT THE COMMITTEE APPROVE THE MINUTES OF APRIL 10, 2017.

The motion carried by the following vote:

AYES: Chairman Porter, Vice-Chair Hill, Member Nelson, Member Rolapp, and Member Wall

NOES: None

ABSTAIN: None

## **PUBLIC COMMENTS:**

James Kelly, Dana Point resident commended the FRC on their good work in helping to guide the City of Dana Point over the next three to five years. He further commented on the need for a parking structure within Dana Point. He suggested the City seek a public-private partnership with existing developers such as Raintree and/or property owners such as the owner of the former "Bates" Motel property.

## **2. Discussion of City Wire Transfer Policy**

Member Hill suggested that given that the proposed budget is so important that the FRC table this item for another meeting.

Chair Porter moved the item to the end of the current agenda.

## **3. Discuss FY18-19 Proposed Budget Workshop (Presentation Mike Killebrew)**

Acting City Manager Killebrew provided a one-hour presentation of the 'City of Dana Point Operating Budget & Capital Improvement Program: Fiscal Years 2017-2018 & 2018-2019' ([attached](#)). Following his presentation Acting City Manager Killebrew opened up discussion of the proposed budget.

Member Rolapp stated that the City needs to consider an increase revenues, decrease expenses, defer Capital Improvement Projects, and leverage the balance sheet – which he is not proposing, or some combination. He continued that the Capital Fund at the end of FY2019 is zero and that is not the way to be starting FY 2020/2021. He also added that although the problem is not upon us yet we should work on these issues now.

Member Wall stated that on the positive side the City has solid reserves. He also agrees with Member Rolapp's comments therefore, believes hiring a consultant to assist with the 5-year Long Term Budget Plan is a good start.

Chair Porter stated that the FRC should be finding pitfalls to report back to Council so they can make decisions. He asked Killebrew what the LTFP consultant cost is and if the consultant would be able to provide a workshop to determine our needs.

Acting City Manager Killebrew explained that the consultant fee is \$25,000 but that \$30,000 was budgeted for the possibility of a few extra meetings. The consulting fee is currently in the proposed budget.

Vice-Chairman Hill distributed a '2018-2019 Budget Review' handout to the Financial Review Committee and Staff ([attached](#)) that he had created. Member Hill stated the he doesn't feel the ending position of FY 2017 is accurate. He believes that there are millions more dollars available. He is concerned that there are severe cuts in the Community Development and Planning department eliminating all the consultants and he sees a huge workload ahead with new projects. He explained that there is about \$3 million to \$4 million of Capital that has been thrown out and programs repurposed in the back of the proposed budget book. He also stated that he would like to see a plan that is very explicit on the surpluses and deficits and would like to see these items broken down by quarter so it can be tracked throughout the year to gauge whether the City is on or off plan. He believes that there is there is a big step change in Capital Improvements between this plan and our history. From Member Nelson's analysis we were averaging \$11 million a year in Capital Projects if you left out the Town Center we were averaging \$9 million

over the last 10 years. This current plan drops to \$5 million this year and \$5.6 million the year after. He continued that the City was living on \$9mm then trimmed to \$5mm then trim to \$3mm and this amount only keeps the roof and streets satisfactory but allows nothing else. He continued that the City needs to increase revenues and decrease costs to afford some City beautification. In addition, he would also like to see the budget include quarterly data on major costs, revenues and fund balance for next year and the year after, so at the end of the quarter FRC can provide the Council with quarterly updates. Member Hill handed out an additional document to the Financial Review Committee members and Staff entitled 'General Fund Revenue' ([attached](#)). Member Hill believes the City has been too conservative with its numbers and has underestimated revenue. The budget item within the document shows the total General Fund Revenue as being \$34,772,000 this year. Member Hill continued that he factored the Actuals from the third quarter, the next column over which totaled to \$23,700,000 and then he factored April, May and June numbers from last year and seasonal things like property tax revenue in April and compared numbers from last year. In general, those numbers are on an upward trend and believes that property tax and TOT will be higher in 2017 than in 2016. Member Hill reports that he believes the year will end at \$37 mm, \$2.4mm more than reported by Acting City Manager Killebrew.

Acting City Manager Killebrew commented with property tax collections the City just received, we are up approximately \$400,000 and there was an administrative component to the property tax that increased it \$200,000. TOT is tracking high. Overall the revenues are up.

Vice-Chair Hill stated that he projects FY2017 has an extra \$2mm.

Acting City Manager Killebrew responded he wasn't sure about \$2mm and some of the costs being projected by Vice-Chair Hill that the City will not be spending but rather rolling into next year. The City fully expects there to be a surplus for this year but that amount has not been factored into this proposed budget. Additionally, some of the surplus will be accrual amounts and not cash basis. Killebrew commented that the City has provided a quarterly cash balance report to the FRC, back to June 30<sup>th</sup> last year and provided quarterly cash balances by fund and rolled them forward. He continued that he will come back at a separate meeting with more details on closing CIP projects.

Ursula Luna-Reynosa (Director of Community Development) stated that she wanted to express her appreciation for some of the FRC concerns regarding cuts to Community Development but she explained that her department had experienced an anomaly where they had a significant number of staff positions that were vacant between 2015 and 2016, so contract staff had been hired because the City is required under the Streamline Permitting Act to respond to applications that come in, but the department is now fully staffed and the Doheny Village Plan is a one-time expense. Once it is completed the department will not require the reoccurring consulting expenses and they are 90-95% of the way there. She continued that it's difficult to predict entitlement activity on the planning side, but the existing staff will always be allocated first to those efforts again because of Streamlining Permitting Act and the remaining staff time will be allocated to

advanced or long-ranged planning efforts like Doheny Village and general plan efforts. Those efforts will be dictated by the City Council as they go through the strategic planning effort. The building division will see an increase as Zephyr continues to pull building permits, Prada West, Union Bank, individual single-family homes, and the harbor will hopefully be underway.

Member Nelson asked Staff Member Luna-Reynosa if the \$65,000 encumbered in the CIP budget for Doheny Village Plan, includes the EIR and other costs needed to get it to the Coastal Commission.

Director of Community Development Luna-Reynosa responded that the budget has been encumbered for the Opticos contract and the Traffic Analysis being done by Nelson-Nygaard. There are a couple of new additional contracts that would need to come to the City Council which is anticipated shortly. One contract is for the traffic impact analysis for the Doheny Road Diet and is an additional expense moving into the next budget cycle.

Member Nelson asked Acting City Manager Killebrew for clarification and wanted to know if the proposed budget included costs to get Doheny Village to the point where it can be zoned through the Coastal Commission and continued that she recognizes there are no funds available for infrastructure.

Acting City Manager Killebrew responded that the known costs are in the proposed budget.

Member Nelson responded that while we may have to wait to get Doheny Village developed with the infrastructure that we had in mind we can at least get protective zoning in the area and work with developers to develop the area as properties come up for sale. She continued that Council has not said to move forward with Doheny Village because the City doesn't have the money. We only have money to do road improvements at this point, but suggested not waiting to identify funds for the Doheny Village. She continued that in her opinion the City should be looking for surplus's every year to help make the City an efficient, effective city that runs lean and mean and shake out as much money as we can so these wonderful things can happen.

Vice-Chair Hill urged Acting City Manager Killebrew to change the 2017 numbers to his best estimate. He stated that Killebrew knows some things are going to carry over and to put those carry overs in as additions to the 2018 budget so the FRC can track against something that is closer to reality. Vice-Chair Hill commented that he should change it before the budget is approved to have a real 2017.

Vice-Chair Hill stated that the actuals won't be reported until September and by then the budget will have been approved and will have lost the first quarter. He continued that it can be done right now and we can call the hotels and guess on TOT.

Acting City Manager Killebrew explained that within the Master Financial Plan section of the proposed budget the major categories with estimates are listed.

Vice-Chair Hill explained that his (Hill's) estimates are \$2.4mm larger than Killebrew's estimate and that if it is that much larger why can't an adjustment be made, and if it's not then inform us that this is reality.

Acting City Manager Killebrew responded what's been proposed is a balanced budget given what we know for major categories in the Master Financial Plan. The proposed revenues although conservative are still closer to what the City will likely achieve and the major category of expenses have been cut closer to historical numbers. He also stated that the proposed budget is more aggressive on revenues but still conservative and the expenditures have been trimmed back tremendously. The City communicates with the hotels and that is factored into the revenue projections. With regards to expenditures, the City has a very good handle on what the personnel costs are unless we experience a large outflow or exodus of employees and we have had quite a bit of turnover in Community Development in the last couple of years. We know what the Sheriff's contract will cost and that is a third of the expenditure budget.

Vice-Chair Hill reminded Killebrew that he had told the City Council the revenues would be beat by \$500,000 this year but Member Hill believes the City will beat the revenue by \$2mm or more and asked that if those numbers are correct can't Killebrew change those numbers between now and June 15<sup>th</sup> before the finalization of the budget and it's approval so that the budget year begins with a budget that's pretty close to reality.

Member Wall commented that he understood Killebrew was being conservative as it always looks better to have a surplus than a deficit, but if Vice-Chair Hill is right, the worst that we can do is say we have a \$2mm surplus.

Acting City Manager Killebrew responded if the revenue comes in over our current projection it gets transferred to the Capital Projects Fund.

Member Wall stated that there has to be some way that if revenue comes under we can cut Capital Improvement and if it comes in over we can increase it and the FRC should just look at it year by year.

Acting City Manager Killebrew stated If more money comes in that's not anticipated that we would recommend more streets programs at this point in time, as we need to begin working on the funding issues of FY 2020 and until they make structural changes to revenues and or expenses, his recommendation is that they get direction from City Council on what they want to accomplish. He continued that he requires direction from City Council on what is important before he can begin making cuts, but right now he has a budget where everything is important, and is looking for discussion on the Strategic Plan to help set the priority direction.

Member Nelson stated that within any department there are differences between fixed costs and variable costs, discretionary costs and non-discretionary costs. There are things that we have a choice about and things that we have to do. She stated that she would like to recommend to City Council that they direct the FRC to start looking at all of the categories in every department from top to bottom and look to see how to do things more efficiently. Outsourcing vs. Insourcing which

might be less expensive. It's time to start questioning our paradigms. The number one place she recommends looking into is the Police Contract since the contract is coming up for renewal and it's another 5% and in looking at the pie chart (referring to handout page #9), Transient Occupancy Tax is 34% of our revenue and Public Safety costs the City 37.2%, so basically every dollar we earn from the hotels plus some goes into public safety and it's a really huge embedded cost. If it grows at 5% per year, we're going to get to a point that every time the costs go up \$600K or \$700K with police, we're going to have to cut somewhere else too, so it may be time to take a look at what we are doing within the police department and are those the best things we should be doing within Dana Point. She noted that on page 54 (of the Proposed Budget – found online at the City's Website) it outlines all the various levels of expenses and people that are in the police department. She continued that there's a huge difference between the number of sergeants and investigators that we employ in Dana Point versus other cities and suggested asking the Chief of Police those questions and would like to challenge him to take a look at this and see if there is a way to help Dana Point keep those expenses down.

Acting City Manager Killebrew responded that he anticipates a whole session just on this subject. He further explained that the Sheriff's contract is on the agenda for the next Council meeting and that the Chief of Police will provide a presentation on our police services, so following that meeting we can put it on the FRC's agenda to talk about the Sheriff's contract.

Chief of Police Chilton stated that he is not opposed to looking at the current model of policing. In earlier discussion with Killebrew he made it very clear that now is not the time to change the model. His recommendation for this coming Fiscal Year is to not make any changes and his explanation will be provided at Tuesday night's City Council. He further stated that he doesn't like to use per capita costs because the Sheriff's Department is policing a City of more than the stated 34,000 population. The staffing costs are approximately 85% of the Police Services budget. He continued that when it comes to what a deputy sheriff makes and the overhead costs there's not a lot of say in what a community can do. We carry one additional sergeant than most cities because they supervise the Community Services Unit and that Sergeant is needed for more complex situations and cases handled. When looking at the other models of other cities, most cities have cut Crime Prevention Specialists, Investigative Aides and share Sergeants, but this is something he feels needs to be a very public discussion since cutting costs means cutting police personnel and Public Safety. Chilton believes the current model is appropriate, but is not opposed to looking at future models.

Chair Porter asked that we put the Sheriffs costs onto the next FRC agenda and that it would be appropriate after the City Council meeting to get direction from them and their feedback to provide a better foundation and idea of how to dig in and move forward. He further stated that his concern is that the City's largest revenue is tourism and there are rental units in town and we don't really have a grasp on how many visitors are coming through. He believes that with the new software purchase the City can get a better handle on this and may be able to generate another \$40K in TOT taxes. Chair Porter believes that our per capita is comparable to Huntington Beach and Newport Beach and that the per capita of

other tourism cities like Anaheim and Buena Park should be considered as well as their crime rates instead of just looking at Laguna Beach or San Clemente where there aren't lavish resorts that are advertising and drawing people into the community. Chair Porter continued that the City is going to have more hotels and is concerned about the staffing levels to handle all the permits that will be coming through. He is also concerned if the City will be staffed appropriately on the police side to handle thousands of people every weekend coming into our town for special events like Doheny Blues Festival or at the camp grounds or at the beach. Our businesses advertise to come stay here and we'd better be staffed to make that happen.

Member Wall commented to Chief Chilton that one thing that would be helpful is knowing the number of calls received from the hotels or the number of crimes at the hotels.

Chief Chilton responded that when looking at crime in a destination resort community, and the relationships of the victims and the suspects, and many of these people are a transient population and therefore there are people preying on other people who are here just to enjoy our beaches and hotels.

Member Wall asked how many tourists we have in town on any given day that's not included in our general population.

Chief Chilton stated that Doheny State Beach has over one million visitors a year and that the City has approximately 1800 hotel beds with an average 70% occupancy rate and that it is a significant number of people.

Acting City Manager Killebrew stated that the hotels also host large events.

Chief Chilton agreed and stated the major music festivals in the State Park with police services is the primary resource used during these events.

Vice-Chair Hill asked if Police Services charge the event promoters.

Chief Chilton responded that yes the promoter does pay for the police services costs. The City benefits from the special events because they are bringing people into town, but the reality is that these are more people on our streets before and after the major event. So there is an impact on police services.

Acting City Manager Killebrew stated the City's population is estimated at 34,000 residents, yet 1800 hotel rooms might drive up the average daily population by another 2,000-3,000 people and those hotels are major centers for business meetings and the population increases. Dana Hills High School has 2800 – 3000 students that attend and over 70% live in Laguna Niguel, so those parents are probably driving the students to school and then there is the school staff. The population on any given day is over 34,000. In addition to Doheny State Beach there is the Harbor that draws a lot of people. On any given day the population is north of 50,000 and that's the population really being policed. Additionally there are people who drive through our town to get to Laguna Beach that can cause some policing issues as well as what is the average response time and the total



number of calls, the geographic area, the nature of the tourist destination and major highways. There's a lot of different factors that go in to figuring out the level of policing you might need, and it's subjective.

Vice-Chair Hill asked if the Chief could publish some of the information Killebrew was speaking as it would be very helpful to the general public.

Chief Chilton provided a handout from the FBI website and suggested FRC to read it because it talks about the factors of policing a community and how it affects crime rates, the density, the economics, the stability of the population and family conditions. Chilton will discuss Part I and Part II crimes at the upcoming City Council meeting. He pointed out that Dana Point crime rates show high because there are crimes embedded in the statistics such as domestic violence. These are situations that no amount of police officers could deter. There is a lot of moving parts so he warns to move forward cautiously because it is Public Safety.

Member Rolapp asked Acting City Manager Killebrew what is the process with regards to the timing of the meetings.

Acting City Manager Killebrew responded that next Tuesday night he would be giving a presentation similar to the one he just provided to the FRC but a little shorter and he would be briefing each Council member individually, and there is no action item on next week's Council Agenda to formally adopt the budget. He continued that Staff would be in contact with the FRC to discuss additional meetings over the next few weeks.

Vice-Chair Hill had asked if it would be possible to have a couple of workshops or at least one workshop soon.

Member Rolapp stated that the FRC had previously discussed the possibility of a joint meeting between the FRC and City Council to participate in a workshop.

Acting City Manager Killebrew responded that there was not a joint FRC/City Council meeting contemplated on the calendar but that he would put it in his budget presentation for next week at the FRC's request if that is what the FRC members would like to do.

Member Nelson stated that there are a lot of discretionary expenses that don't really need to be done, like all the donations and the events within the City. She suggested that instead of just accepting these things as embedded costs to give Council a list of all of the event and donation costs and let Council decide on their priorities. Member Nelson also was concerned about the car leasing and buying decisions and would like a list of who gets cars, why, and what the function of all of these vehicles are. She encouraged the City Council or anybody to go through the budget and look for any items that might truly be discretionary. She suggested incorporating questions into the survey asking how the citizens feel about the priorities of the City since some residents may want a new park instead of another event or a new median or something that beautifies their neighborhood, thought that it was necessary to make decisions based on what the citizens want. She stated that Belinda Deines did such an amazing job on the parking survey, it was

so user friendly, and suggested using someone like her for our survey so the City would have something that would give great results.

Member Rolapp stated that he'd also like to see the same thing on the revenue side with items such as TOT. It ought to be discussed whether it's discarded or not, at least it should be discussed.

Member Nelson stated that Killebrew mentioned that revenues for fees and permits were going to decline next year, and should FRC contemplate the decision to recommend to City Council to increase fees up to 20%.immediately.

Acting City Manager Killebrew responded that maybe one of FRC's first financial policies to tackle should be to take to Council during the summer and include a fee policy and a recommendation for the fee schedule.

Member Nelson cautioned that the City wouldn't want all the planning to stop because the fees were too high, but the fees haven't been increased in 20 years and inflation has been 50% and it seems obvious that permits and fees should be increased.

Chair Porter recessed the meeting at 6:15pm and reconvened at 6:26pm

Member Nelson called out page #2 of Killebrew's presentation handout 'Stabilizing the Budget' which stated limited/no growth in operating costs and was questioning if he was using budgeted 2017 levels or actual 2017 levels.

Acting City Manager Killebrew responded that he used both scenarios in his presentation, the amended budget shows a 7.1% reduction and against the base budget was a 1.3% increase. The recommendation of limited growth was in conjunction with funding capital so the goal is to do both. We had some costs that increased, the Sheriff's contract alone went up over \$500,000. Over the last year there were raises and adjustments for other personnel costs and the unfunded liability also increased.

Member Nelson commented on Page #5 of Killebrew's presentation that he estimates the Long Term Financial Plan should be completed by 2018 and asked if the Plan would be similar to the City of San Clemente's Plan.

Acting City Manager Killebrew answered yes the San Clemente format is something we are interested in but it took several years to build out. We may want our Plan to start simple then build from there over several years.

Member Nelson commented that San Clemente's policies are really good and a matter of public record and didn't think we should recreate the wheel. She suggested combining San Clemente's with City of Long Beach's policies and use their guidelines to come up with Dana Point's. She wants to use the consultants time for other things than have him spend his time on something we have already.

Acting City Manager Killebrew stated that the consultant would like to start with engaging with the financial principals such as the FRC members, City Council Members, and executive City Staff, and with the financial policies he would be very

involved at first and may not be involved at all by the fourth one and then we wouldn't need to spend all the money budgeted for the consultant.

Member Nelson asked when the Strategic Plan would be completed since it has a lot to do with how the City budgets

Acting City Manager Killebrew answered it is supposed to be completed concurrent to the Financial Policy by December 2017

Vice-Chair Hill commented to Acting City Manager Killebrew that the budget shows for FY17 \$35,000 for the consultant to be spent this year on page #135 of the proposed budget.

Acting City Manager Killebrew responded that the text shows FY18 Strategic Plan Facilitator is in brackets.

Member Wall asked if the City Council has signed off on the funding of the Long Term Financial Plan.

Acting City Manager Killebrew answered no that it was in the proposed budget.

Vice-Chair Hill asked if we were asking for \$25,000 for the LTFP.

Acting City Manager answered we are asking for \$25,000 for the Strategic Plan update and \$30,000 for the Financial Policies and Long Term Financial Plan.

Member Nelson commented on Slide #'s 6 & 7 that she likes the way Acting City Manager Killebrew had shown the General Fund, CIP Fund and Other Funds and would like to be clear that from this point forward when there are budget adjustments, or Treasurers Reports and such that you provide to Council or FRC the balances for all Funds under management.

Acting City Manager Killebrew responded that it had already been decided that the details she is requesting would be found in our Monthly Treasurer's Report and it will show all the funds.

Member Nelson also requested that the funds be classified so the Council understands the fund categories to show the Council what funds are for reserves, fiduciary and trust accounts, and for real cash money available to spend.

Vice Chair Hill commented that the Capital Fund is too large to leave out and that almost all the Funds with the exception of TBID and the Bond Funds are Dana Point's General Funds that get spent for specific purposes, but you can't leave out Measure M income or other categories because they can go into Capital spending.

Acting City Manager Killebrew responded with regards to the discussion of how much money is there to spend its usually for general city purposes it is General Fund first and then within the General Fund the first layer is all the budgeted expenditures that the Council approved and can change at any given time, then the next layer of funds available is the Unassigned Fund Balance, and then there are Council policies that establish the Emergency Reserve, the Cash Flow Reserve and the CIP Reserve, so when you ask how much money do we have to spend I will tell you it is the General Fund.

Member Nelson stated that she feels this creates a false comfort. Citizens read the Treasurer's Report that shows the City has \$33 million in it and are confused when the FRC says we have no money and believes it's important to differentiate between cash and spendable cash.

Acting City Manager Killebrew responded that he would never tell anyone that we have \$33 million to spend but understands her concern

Member Nelson had a comment on Slide #9 entitled 'Operating Revenues' of the presentation and asked if it could be possible to consider raising Transient Occupancy Tax to account for the increased services we provide to hotels. The City of Los Angeles charges 13 or 14 percent.

Acting City Manager Killebrew explained that we have a chart of the various taxes for all the cities and Dana Point's 10% tax is not pushing the limits, but would like to point out that those businesses generate 50% of our General Fund revenue and reminded the committee that the City would not have all the money it has had for the past 20 years if it were not for that industry.

Member Nelson encouraged Lt. Chilton to carefully look at his own budget at the actual and opportunity cost to police all the events at Doheny State Beach and the cost of handling the traffic and accidents and proposed charging the event promoters more.

Lt. Chilton was unsure if that could be done but he agreed it did impact his operations with the events that police services is directly involved with planning and staffing. When it comes to staffing, priority one is the Patrol shifts then the next priority is staffing these events.

Member Nelson suggested that when the FRC begins looking into the Police Services budget she suggests they look at how the Police Services cost those events and what kind of overhead is being charged and are all the costs related to planning the events being captured and can those costs be reflected on what is charged.

Member Nelson stated that when Acting City Manager was discussing Slide #10 of his presentation that the annual revenue from Short Term Rentals was approximately \$400,000 but wanted to know the cost of the software that would be purchased to monitor the Short Term Rentals.

Acting City Manager answered the cost of the software is \$35,000 per year but it's a hosted program not just software. There is a component to the program where we can have someone on call to handle a major issue, as well as the 24/7 operators who would be directing the caller to call the Sheriff's Department and to document the call as well, but they will not call the Sheriff's Department from the call center.

Member Nelson stated that where there was found to be illegal Short Term Rentals in operation, the owners of the illegal STR's were happy with just paying the fine and therefore the FRC should be looking at the current violation fees and fines and consider raising the fees and fines.

Acting City Manager Killebrew responded that he did not believe there were too many instances of violators that went up the ladder scale of fines and up to revocation of their permit. The \$35,000 Short Term Rental program is a hosted

package that provides for analytics, the tracking of the permits and the 24/7 operators.

Member Nelson commented on Slide #11 with regards to Public Safety that while she was looking at the matrix report of the City of San Clemente one of their recommendations was that Council negotiate with the Orange County Sheriff's Department since there was some contention over helicopters they never used.

Acting City Manager Killebrew responded that he would have a more detailed discussion about the subject at the next scheduled meeting and will discuss in depth what the South County Contract City Managers have been discussing regarding this topic and moving forward on those topics as a group.

Member Wall commented on Slide #12 under personnel costs there was an unfunded payment made to the state and asked Acting City Manager Killebrew to expand on that and to explain how many employees that are covered and if it was a long term problem.

Acting City Manager Killebrew answered it is a systemic problem not just in California but across the nation for public pensions that are defined benefits. He added that he would like to give the FRC an in-depth view of how the defined benefit pension plans work and how the funding occurs and can agendaize it for a separate meeting. The projected unfunded liability payment each year has been included in the 5-year plan.

Member Nelson commented on Slide #13 and asked if the FRC needs to provide a resolution to ask for a list of all 28 vehicles and who drives them and what the function of the vehicle is and a list on Slide #14 of all the events and the costs of those events throughout the City and if the costs include policing.

Acting City Manager Killebrew explained that on page #225 of the proposed budget it provided a list of the City events and the costs for those events but does include city staff time or base contract costs for the Sheriff.

Member Nelson asked Lt. Chilton for specific events like the Festival of Whales or the Dana Point Grand Prix, does the Sheriff's charge the City separately.

Acting City Manager Killebrew answered that the City has a component built into the contract that covers these things.

Member Nelson asked if this was billed as Public Safety and not included in the cost of the event

Acting City Manager Killebrew this is the out-of-pocket expense that the City is writing checks for not for Parks and Rec staff time.

Member Nelson suggested that it might be useful to look at the full cost of running these events and it would be useful for the Council to look at when deciding on which events to continue.

Vice-Chair Hill asked what the cost of the State of the City address cost

Acting City Manager Killebrew answered \$25,000 and wanted to be clear that the Mayor did not ask for it, but it was the estimate of what it would typically cost to rent the room and to provide food for the guests.

Vice-Chair Hill believes that the State of the City address could be given at one of the Council meetings.

Member Nelson asked what the Parks, Facilities and Code Enforcement Computerized Work Order Tracking system would cost.

Acting City Manager Killebrew answered that the CMMS is an annual/hosted software package and it's \$20,000 split \$10,000 each between Parks and Facilities budgets.

Vice-Chair Hill stated that attorney costs drive him crazy. The City spent \$1.2 million the last two years and \$900,000 this year and \$1,000 to attend today's meeting he feels the City is spending too much money on attorney fees and asked if there was something that could be done to reduce the cost. He further stated that he would like to see a special session just on how to reduce attorney costs.

Acting City Manager Killebrew responded that City Attorney reports to the City Council and not to the City Manager and doesn't feel there would be any trepidation over having an open discussion about it. The City Manager also reports to the City Council.

Chair Porter stated that maybe we could put the item as an agenda item in a joint meeting

Member Nelson asked if the City of Dana Point has ever had its own in-house Counsel on staff.

Acting City Manager Killebrew answered no.

Vice-Chair Hill reiterated that the FRC needs to be provided with a list of events and all the associated costs as he knows the Staff has volunteered at the events and work hard.

Acting City Manager Killebrew responded that you will see a lot salaried staff at these events as well.

Member Nelson commented that the events are all worthwhile but suggested putting the events on the Citizen's Survey as well to see if the Citizens feel the same way about all of the donations.

Acting City Manager Killebrew stated that we will bring up those recommendation when we bring the survey to the City Council for approval.

Member Rolapp's question regarding Slide #15 had to do with roof leaks at City Hall.

Acting City Manager Killebrew said yes, the maintenance and repair of City Hall's Leaking Roof is included in the proposed budget. He also stated that he was aware of the work that needed to be done and will be included in the Financial Plan.

Member Nelson commended Acting City Manager on the Facilities Improvement Plan for including Facilities in the ongoing Capital Budget. Nelson asked if within the Accounting System if there is a detailed list of all the facilities and the ages of those facilities and fixed assets and their ages.

Acting City Manager Killebrew answered there is list of fixed assets included in the audit every year.

Vice-Chair Hill asked if Killebrew added depreciation in the Public Safety costs with regards to the new Sheriff's Department building in City Hall

Acting City Manager Killebrew answered that the capital expenditure is in the Facilities Fund and will go on the books for full accrual reporting as a fixed asset

Member Nelson questioned the cost of the pavement upgrade that will extend the life of the streets by 5 or 10 years.

Mark Denny (Deputy City Manager) answered that there was \$1.2 million dollars budgeted for it in FY2018.

Vice Chair Hill asked if there was any chance of getting the funds for wider sidewalks and a bikeway from Doheny Village to the beach into a future budget.

Acting City Manager Killebrew answered that there was \$1.1 million for the bikeway project from the General Fund which was match money and then the balance was to come from grant money which was \$1.2 million. The design of the bikeway is completed.

Member Wall asked who the decision-maker on Capital Improvements is.

Acting City Manager Killebrew answered that the Public Works Department makes a recommendation and the City Manager makes a recommendation to City Council and City Council makes the decision.

Member Nelson asked if there are six parks within the City of Dana Point that need repairs, and how does City Council decide which parks to spend money on.

Acting City Manager Killebrew answered that typically the decision would be made based on the park that is in worst shape.

Member Nelson suggested that maybe this is something that we could consider as policy going forward for CIP's is to have a wish list from Public Works and what are the communities priorities; do they prefer beautification, sidewalks or lighting.

Vice-Chair Hill congratulated Killebrew for the work he had done on page #275 of the proposed budget (Projects Planned to be Closed: CIP FY17 Estimated Budget Savings to go Back to Fund Balance) to free up \$2.3 million to move into new projects.

Acting City Manager Killebrew responded that if one were to look back to prior budgets you would see this detail in the text next to the new projects, the spreadsheet has just been simplified and is now less confusing.

Vice-Chair Hill asked if there were Project Managers for each of the Capital Projects and if so, would like to have the names of the Project Managers printed on the spreadsheet so if there are questions regarding the project we know who to contact.

Deputy City Manager Denny responded yes there are project managers and yes he would list the project manager name next to the project.

Member Rolapp referenced page #116 of the proposed budget (CFD Maintenance Fund) and asked why was there \$30,000 being transferred into the budget each year.

Acting City Manager Killebrew answered several years ago prior to the completion of the funicular at the Strands, that within the Community Facilities District that was established to help pay for the maintenance fund we are allowed to charge for rides on the funicular. The council at that time did not want to charge for the rides and wanted to make it free, so in order to keep the CFD or Mello Roos whole there was an amendment to the Operating Agreement with the Headlands that has the City providing \$30,000 to keep the funicular open to the public free of charge.

Vice-Chair Hill questioned the \$151,000 transfer to the General Fund from the CFD Headlands Maintenance Fund.

Acting City Manager Killebrew explained that amount was the repayment to the General Fund for the loan that paid for a new funicular car at the Strands and includes interest comparable to the money that would have been earned if the money were kept in the General Fund.

Member Rolapp referenced page #133 of the City Manager's Office program and questioned why the drop in funds in Fiscal Year 2019 (\$18,800) from Fiscal Year 2018 (\$97,800).

Acting City Manager referred the committee to page numbers 134 and 135 the bulk of the money is the Strategic Plan Funding, the Financial Policies Funding, and a Federal Legislative Advocate Funding that we will have for the next year, but is proposing to let that go the following year unless Council wants to keep it. We have an advocate that is still assisting us on the Post Office in Town Center, but they are available for other Federal issues as well.

Vice-Chair Hill questioned why there is \$200 a month cell phone stipend provided when there are so many cell phone companies advertising \$30 month plans.

Acting City Manager Killebrew explained that a cell phone stipend is not uncommon in City Manager contracts and it is not just for phone, but for data as well.

Member Rolapp referred to page #154 under the Community Development program under 'Stipends.' He questioned why there is a line item for Stipends and a separate line item for Cell Phones.

Acting City Manager Killebrew explained that stipend is money that is paid to the Planning Commissioners.

Vice-Chair Hill referenced page #145 the Public Information Services program. He questioned the \$100,000 under Public Information Contract Services and asked Killebrew to describe what the services provide,

Acting City Manager Killebrew explained that included in the Budget Message there is a brief write up on the services provided. The services they will provide will be to help the City provide better communication with the public and getting information out to the public through various media sources.

Vice-Chair Hill responded that it seems like a lot of money for social media when compared to his media campaign for the Measure H supporters and the



referendum he doesn't believe they spent \$1000 total and they were able to talk to most people.

Acting City Manager stated that he would note his concerns when he has the discussion with City Council.

Vice-Chair Hill responded that the City could use the same source and use volunteers to spread the word.

Member Hill asked if this cost includes open data on the City's Website.

Acting City Manager Killebrew stated that if and when this contract goes before Council there would be a specific scope of work that Council would weigh-in on, this is just a proposal.

Member Rolapp referred to page #136 Finance and Administration and noticed other departments are provided support materials for those departments supporting commissions and committees and doesn't see anything within Finance and Administration that provides for the demands being placed on this department.

Acting City Manager Killebrew responded that he was correct. He further stated that the Committee is still new to the department and we are still learning what this Committee is going to consume. He continued that it is mostly time consumption at the moment which is a fixed cost.

Member Rolapp responded that there are times that you will have Staff on overtime

Acting City Manager Killebrew responded that it was hope we wouldn't have too many 4-hour meetings.

Member Rolapp referred to page #156 in FY 2017 Amended Plan he question the deferment of the General Plan.

Acting City Manager Killebrew responded that it was deferred into the Strategic Plan and was placed into the budget for 10 years, but this has to get done soon because it costs a lot of staff time and the development community trying to get through all the dated codes and zoning rules and will be one of the top priorities within the Strategic Plan.

Member Rolapp referred to page #'s 169 and 170 stating that it was his understanding that this department deals with the issues of the homeless, but on page #171 there is nothing in the proposed marketing efforts that addresses workshops for the homeless activities.

Ursula Luna-Reynosa (Director of Community Development) responded that the department currently funds a part-time social worker who is an outreach officer for the homeless who reports to Kelly Reenders the Economic Development Manager. They were able to absorb it into their current budget, however it hadn't been budgeted for specifically as a line item and it is her intention to work with Killebrew to add that. She intends to address the Homeless Taskforce and discuss the recommendation to continue the efforts of the outreach officer and is hoping that it will become part of the Strategic Planning effort with the City Council as well.

Member Nelson asked Lt. Chilton if Police Services still has a liaison within the Homeless Taskforce.

Lt. Chilton responded yes and that position falls under the Community Services Unit. Chris Ivan partners with Mercy House and County Mental Health.

Member Rolapp referenced Page #244 there is a \$200,000 Organizational Review Savings Target and on page #246 are the Operating Transfers Out and would like it explained why they are in the Non-Department program.

Acting City Manager Killebrew explained these items are not associated with a particular department but are shown because the totality of all the departments added together make up the General Fund.

Member Nelson asked why in the Parks and Recreation Department was the budget being held at exactly the same amount as the prior year.

Acting City Manager Killebrew asked her to reference page #'s 232 and to see under landscaping and park maintenance the numbers have dropped. The Hobie Memorial will be a line item that will be reimbursed by the Art in Public Places Fund that the South Cove Zephyr project has to fund as it pulls building permits.

Vice-Chair Hill asked that if that wasn't done would they have \$200,000 more to invest in art anywhere.

Assistant City Manager Killebrew answered yes.

Mark Denny (Deputy City Manager) pointed out on page #233 under 2550 Park Maintenance under Light Standards the department goes from \$25,000 to \$40,000 to \$30,000 because there is a lot of work to do in repairs. Under Hardscape Repair/Replacement we are going up to \$120,000 next year from \$80,000 and back down to \$80,000 again in 2019 because there is a lot of deferred maintenance that needs to be completed.

Member Nelson noted that Parks spent a total of \$920,000 in the previous year and that next year the department plans to spend \$730,000 on maintenance of landscaping.

Mark Denny explained that a large part of that expense is moving, with the irrigation projects taken out of this current Fund and moved into Fund 12, which is \$100,000.

Member Nelson stated that she was concerned if the City was lowering the standard of the landscaping or not.

Mark Denny responded no.

Member Rolapp commented what concerned him was the Changes in Fund Balance on page #103 in conjunction with page #271 in conjunction with Slides #20 and #21 with the presentation, as that is the bottom line and he hopes the Council will focus on that.

Vice-Chair Hill referenced page #103 under the 'Change in Fund Balance FY18' He commented that next year it is \$2 million less and that he views this as a deficit. He further stated that he understand that's some of other people's money such as TBID but a total enterprise level he sees it sinking slowly.

Member Nelson's analysis stated that surpluses are going away and out of money for Capital in 2020 and feels it is a serious continuous slip.

Acting City Manager Killebrew responded as a reminder the Capital Program at the \$10.8 million is a bit higher than would be expected to see normally because we are trying to get ahead in particular on the slurry programs.

## **Item #2. Discussion of City Wire Transfer Policy**

Acting City Manager Killebrew provided a Staff Report. He reported that the Wire Transfer Policy applies to emergency wires if needed and that it has only been used one time in the past nine years. The policy is that transfers have to be made in accordance with Purchasing guidelines established for the City, has to be approved by the Administrative Services Director, and there has to be two authorized people on the account to release the wire. Typically those two people are the City Manager/Treasurer, Administrative Services Director, the Accounting Supervisor and/or the Deputy City Manager as an alternate signer.

Vice-Chair Hill suggested adding to the policy the requirement to inform the City Council of the transaction after the fact.

Acting City Manager Killebrew responded that those transactions are already reported in the regular reports to Council and in the payment made in Claims and Demands.

Vice-Chair Hill responded that the Claims and Demands is not a very usable report

Acting City Manager Killebrew responded that he will add to the Policy that the City Council be made aware of any wire transfers that occur in a separate reporting.

Member Hill questioned the segregation of duties of the person who initiates the wire is hopefully not the same person that receives the bank statement that shows the wire and also records it in the accounting.

Acting City Manager Killebrew replied that there are segregation of duties as best as can be with three people that have access to do things. There is also segregation on reviewing the bank statements. It is produced by staff and reviewed by the supervisor then reviewed by Killebrew, and the City Manager signs off on it.

IT WAS MOVED BY MEMBER ROLAPP, SECONDED BY MEMBER WALL WITH THE AMENDMENT OF NOTIFICATION OF WIRE TRANSFERS TO CITY COUNCIL IN A SEPARATE REPORTING AND TO FORWARD TO THE CITY COUNCIL WITH THE RECOMMENDATION TO RECEIVE AND FILE.

The motion carried by the following vote:

AYES: Chairman Porter, Vice-Chair Hill, Member Nelson, Member Rolapp, and Member Wall

NOES: None

ABSTAIN: None

**OLD BUSINESS**

There was no old business

**PUBLIC COMMENTS:**

There were no Public Comments.

**COMMITTEE MEMBER COMMENTS:**

None

**ADJOURNMENT:**

Chairman Porter adjourned the meeting at 7:41p.m. Staff stated that they would coordinate with the Committee to set a date for the next meeting.



# **CITY OF DANA POINT**

## **OPERATING BUDGET & CAPITAL IMPROVEMENT PROGRAM**

**FISCAL YEARS 2017-2018 & 2018-2019**



PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET  
FISCAL YEARS 2018 & 2019

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**COUNCIL DIRECTION:**

- Stabilize the Budget – Limited/No Growth in Operating Costs
- Fund Capital Improvement Plan
- Conduct Resident Survey to Gauge Priorities
- Fund Update to Strategic Plan
- Update Financial Policies
- Develop Long-Term Financial Plan

PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET  
FISCAL YEARS 2018 & 2019

**Stabilize Budget – Limited/No Growth in Operating Costs:**

- FY18 Proposed General Fund Expenditures \$34.2mm
    - \$2.6mm less than Amended FY17 Operating Budget (excludes Capital)
    - or 7.1% less than Amended FY17 Operating Budget

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  - \$436k more than Original FY17 Operating Budget (excludes Capital)
  - or 1.3% more than Original FY17 Operating Budget

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  - Eliminated 4 Authorized Full-Time Positions – Proposed FY18 is 66
- FY19 Proposed General Fund Expenditures \$35.0mm
  - \$1.8mm less than FY17 Amended Budget
  - A 4.9% Reduction

PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET  
FISCAL YEARS 2018 & 2019

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**Fund Capital Improvement Plan:**

- FY18 Budgeted \$5mm Capital Program
  - \$2.5mm from General Fund
  - No Funding from General Fund in FY17 Base Budget
- FY19 Budgeted \$5.6MM Capital Program
  - \$2.2mm from General Fund



PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET  
FISCAL YEARS 2018 & 2019

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**Conduct Resident Survey, Update to Strategic Plan and Financial Policies, and Create Long-Term Financial Plan:**

- Contract for Statistically Valid Resident Survey by 6/30/17
  - Inform Decisions for Strategic Plan
- To Be Completed by 12/31/17:
  - Funding For Strategic Plan Update in FY18 Budget
  - Funding for Financial Policy Update in FY18 Budget
- Long-Term Financial Plan Completed Early 2018
- Spring 2018: Budget Workshops/Council Decisions to Amend FY19 Budget

## SLIDE FROM THE LAST BUDGET IN 2015

	Revenues & Transfers-In*	Expenditures & Transfers-Out	Fund Balance at Year-End
<u>FY 2016</u>			
General Fund*	\$33.5M	\$33.1M	\$15.7M
CIP Fund	\$4.4M	\$1.9M	\$3.1M
Other Funds*	\$3.4M	\$3.6M	\$3.3M
ALL FUNDS	\$41.3M	\$38.6M	\$22.1M

<u>FY 2017</u>			
General Fund	\$34.4M	\$34.0M	\$16.1M
CIP Fund	\$3.6M	\$6.2M	\$0.5M
Other Funds	\$3.1M	\$4.2M	\$2.2M
ALL FUNDS	\$41.1M	\$44.4M	\$18.8M

PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET  
FISCAL YEARS 2018 & 2019

<b>ALL FUNDS BUDGETS</b>			
	Revenues & Transfers-In	Expenditures & Transfers-Out	Fund Balance at Year-End
<b><u>FY 2018</u></b>			
General Fund	\$36.9M	\$36.8M	\$15.7M
CIP Fund	\$3.4M	\$5.0M	\$2.2M
Other Funds	\$3.7M	\$4.1M	\$3.0M
ALL FUNDS	\$44.0M	\$45.9M	\$20.9M
<b><u>FY 2019</u></b>			
General Fund	\$37.3M	\$37.3M	\$15.7M
CIP Fund	\$3.5M	\$5.6M	\$ --
Other Funds	\$4.1M	\$4.4M	\$2.7M
ALL FUNDS	\$44.9M	\$47.3M	\$18.4M

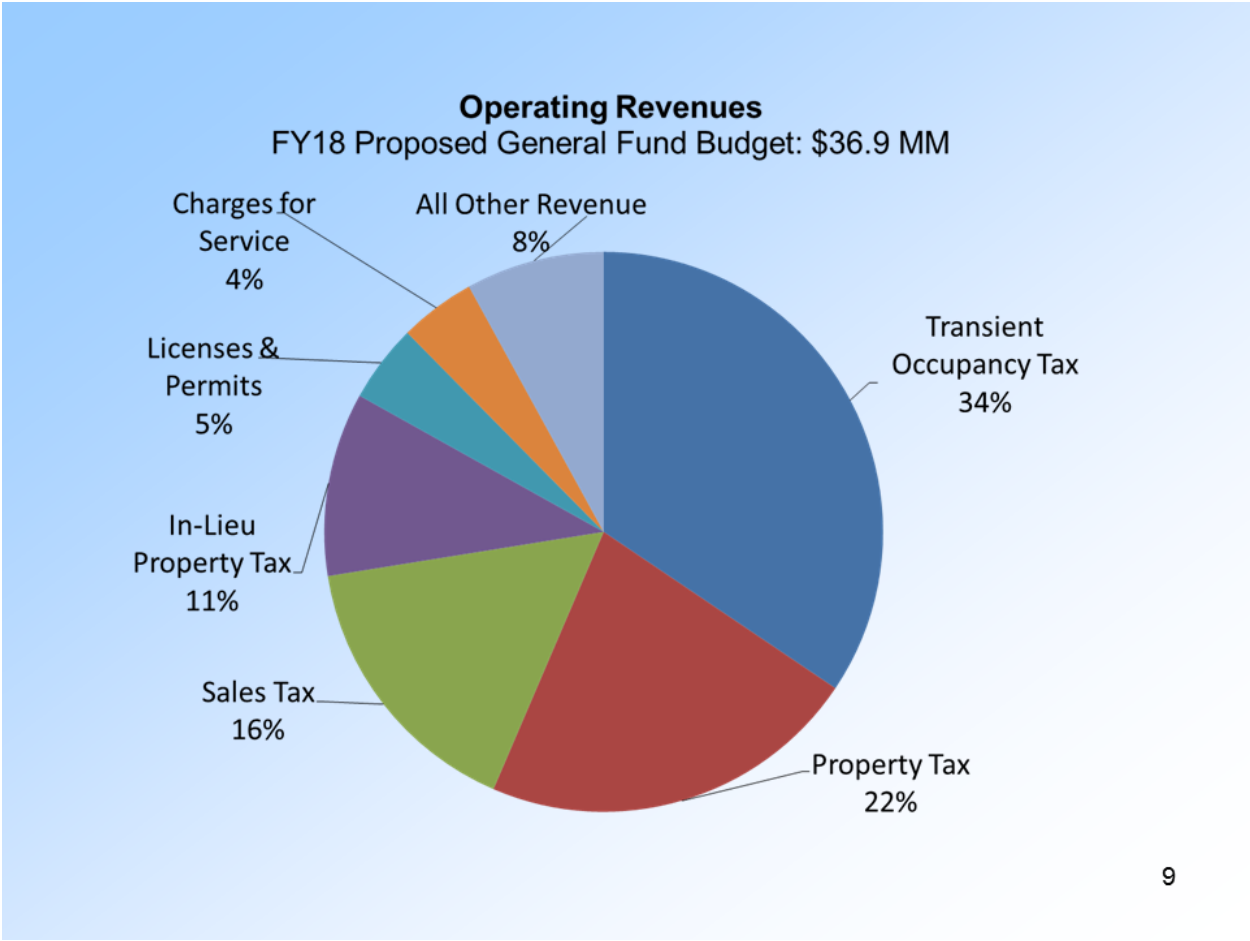
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**PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET  
FISCAL YEARS 2018 & 2019**

	<b>Estimated 6/30/2017</b>	<b>Proposed 6/30/2018</b>	<b>Proposed 6/30/2019</b>
<b>General Fund Reserves:</b>			
Cash Flow*	\$3,377,000	\$ 3,630,000	\$ 3,675,000
Emergency**	6,754,000	7,261,000	7,351,000
Capital Projects Sinking Fund	2,500,000	2,500,000	2,500,000
Art in Public Places	117,954	117,954	117,954
<b>Total Reserves</b>	<b>12,748,954</b>	<b>13,508,954</b>	<b>13,643,954</b>
Unreserved Fund Balance	2,890,102	2,164,121	2,035,309
<b>Total Reserved and Undesignated Fund Balance</b>	<b>\$15,639,056</b>	<b>\$ 15,673,075</b>	<b>\$ 15,679,263</b>

\* Cash Flow Reserve = 10% of General Fund Revenues

\*\* Emergency Reserve = 20% of General Fund Revenues

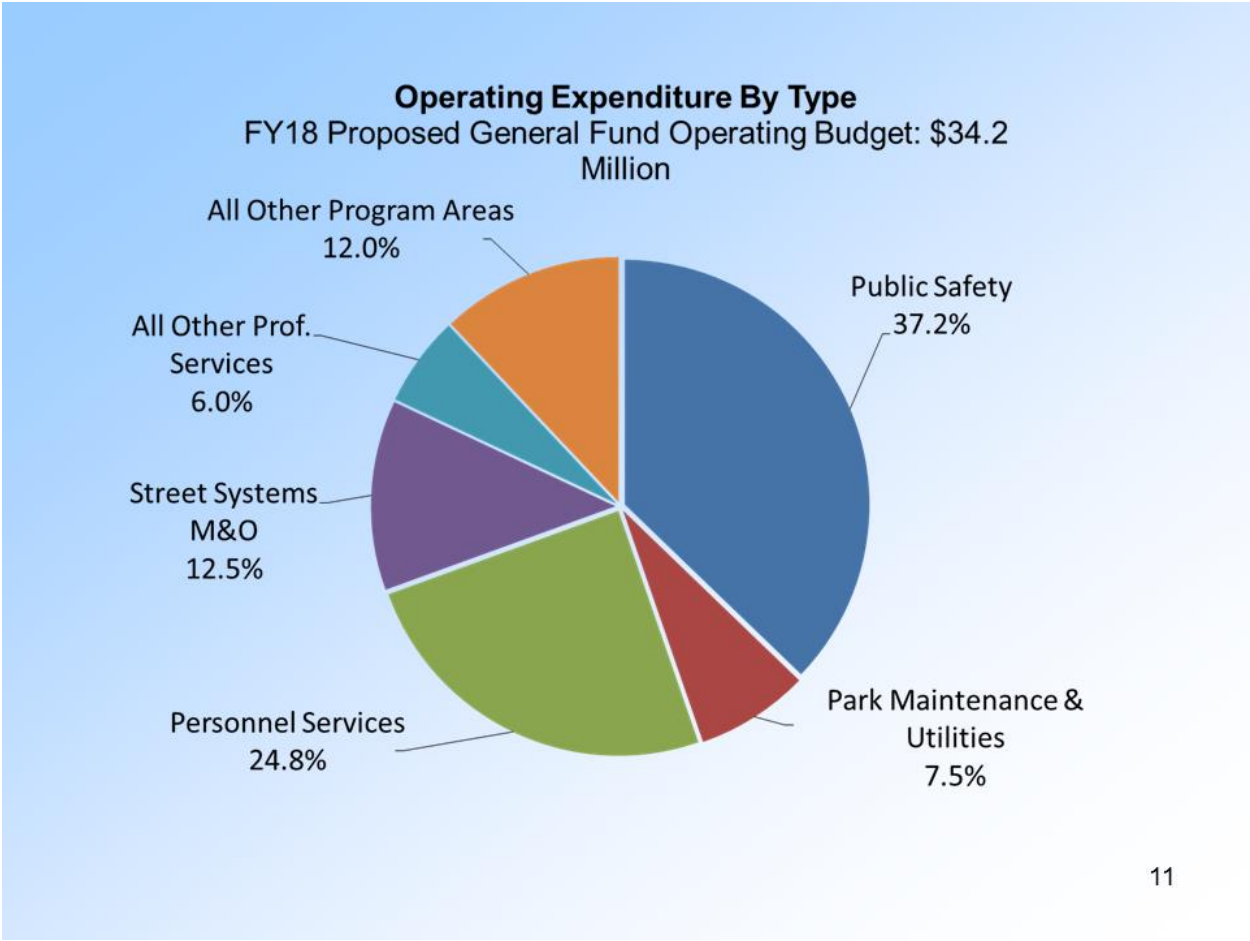


PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET  
FISCAL YEARS 2018 & 2019

**General Fund Revenues:**

- Operating Revenue
  - FY18 \$36.9M (+4.2%) & FY19 \$37.3M (+1.2%)
- Transient Occupancy Tax (w/STR)
  - FY18 \$12.7M (+4.6%) and FY19 \$13.0M (+2.2%)
- Property Tax
  - FY18 \$7.75M (+10.2%) and FY19 \$8.0M (+3.2%)
- Sales Tax
  - FY18 \$5.7M (+1.8%) and FY19 \$5.9M (+3.5%)
- In-Lieu Property Tax
  - FY18 \$3.9m (+10.7% ) and FY19 \$4.0M (+2.5%)
- Licenses, Permits & Charges for Services:
  - FY18 \$3.2M (-10.0%) and FY19 \$2.6M (-4.6%)

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PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET  
FISCAL YEARS 2018 & 2019

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**General Fund Operating Expenditures:**

- **Total Expenditures**
  - FY18 \$34.2M (-7.1%) and FY19 \$35.0M (+2.3%)
- **Sheriff's Contract**
  - FY18 \$12.1M (+5.3%) and FY19 \$12.7M (+5%)
- **Personnel Costs**
  - FY18 \$8.5M (+0.0%) and FY19 \$8.7M (+3.5%)
- **Street Systems M&O (contracts)**
  - FY18 \$4.3M (-3.5%) and FY19 \$4.3M (+0.0%)
- **Parks & Related Utilities (contracts)**
  - FY18 \$2.6M (+0.0%) and FY19 \$2.6M (0.0%)
- **All Other Program Areas**
  - FY18 \$4.4M (-27.7%) and FY19 \$4.4M (0.1%)

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## PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET FISCAL YEARS 2018 & 2019

### **SPOTLIGHT ON DEPARTMENT BUDGETS:**

- **City Council:** Proposed Sponsorships Detailed
- **City Manager:** Eliminate Discretionary Advocacy Budget; Take-Home Vehicle Eliminated; Include Strategic Plan and Long-Term Plan consulting
- **Administrative Services:** Eliminate Director Take-Home Vehicle; Eliminate a Management Analyst Position
- **Public Information Services:** Include PIO Contract Services (\$100k)
- **Community Development Building:** Increased Plan Check / Inspection Services contracts
- **Community Development Code Enforcement:** Short-term Rental Contract - Identification, Tracking and 24/7 Phone Support
- **Public Works Street Maintenance:** Budget increase to support previously expanded City-banner program; County Contract increases
- **Public Works Engineering:** Reduce contract engineering design and Geo Tech Services

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PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET  
FISCAL YEARS 2018 & 2019

**SPOTLIGHT ON DEPARTMENT BUDGETS (continued):**

- **Public Works Water Quality:** New Tech Support & Program Implementation
- **Police Services:** No Changes to Contract Staffing
- **City Attorney:** Proposed set at \$76k/month
- **Community Services:**
  - Maintain Ocean Institute, Symphony, Festival of Whales, Boys & Girls Club, Turkey Trot, and Grad Night Sponsorships;
  - Maintain 4<sup>th</sup> of July Fireworks, Summer Concert Series, Winter Festival, Winter Decorations, Halloween Event, Egg Hunts and Movies in the Park;
  - Add Quarterly Art Festivals and Ocean Institute Program; and,
  - Eliminate BBQ Championship and Doheny Blues Festival; Phase-Out Funding Bike Race.
- **Parks, Facilities and Code Enforcement:** Computerized Work Order Tracking System

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## PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET FISCAL YEARS 2018 & 2019

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### **Facilities Investments:**

- **Computerized Maintenance Management System:**
  - Reactive Maintenance program vs. Planned, Proactive Program
  - Facilities Assessment Initiated Spring 2017
  - Hosted Software System
  - Provides Work-order Initiation and Tracking (for Code Enforcement too)
  
- **Facilities Improvements (Fund 12):**
  - Dependent on Transfers from General Fund
  - FY18 & FY19 Budgets Most Critical Projects: Salt Creek Treatment Plant Maintenance and City Hall's Leaking Roof
  - List of Unfunded Projects included in Budget
  - Recommend Facility Improvement Funding Inclusion in Update to Financial Policies

## PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET FISCAL YEARS 2018 & 2019

### **Capital Improvement Program:**

#### **FY18:**

- Carryover Projects Estimated @ \$1.4MM: FY17 Annual Residential Resurfacing \$550k; Crown Valley Median \$835k; and, Capo Beach Connectivity Study \$60k
- Close-out FY17 Projects Totaling \$2.3M - Includes Deferring PCH Class 1 Bikeway and City Wayfinding Signage Projects
- Fund Mandates, Repairs & Replacements \$5.0M: includes FY18 Crown Valley Arterial Resurfacing (Del Avion to PCH)

#### **➤ FY19:**

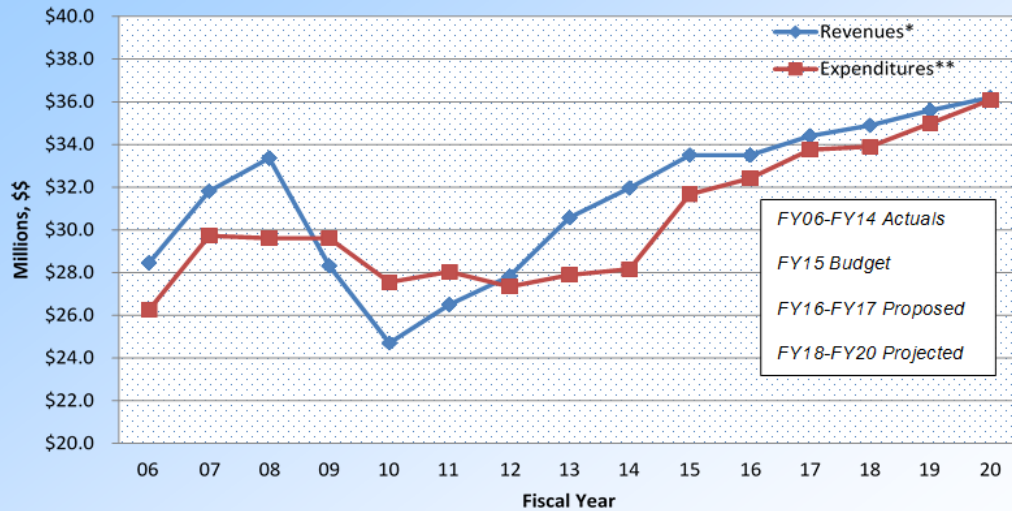
- ◆ Fund Mandates, Repairs & Replacements \$5.8M: includes FY19 Residential Resurfacing (Via California) and FY19 Arterial Resurfacing (PCH Niguel to Green Lantern)

- NOTE: Mandates, Repairs & Replacements also includes Repairs of Storm Drains, Water Quality/Diversion Systems, Street Slurry Seals, Sidewalk/Concrete/ADA, Traffic Safety, Parking Lots and Arterial Roadway Preservation.

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## PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET FISCAL YEARS 2018 & 2019

Figure 1: General Fund Operating Revenues & Expenditures, FY06 to FY20



\* Revenues exclude one-time Transfers-In to the General Fund from other funds, and Sale of Surplus property.

\*\* Expenditures exclude Transfers-Out to other Funds for Capital Projects.

## PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET EXTENSION OF REVENUES & EXPENDITURES THROUGH FY22



## CITY OF DANAPPOINT - 5 YEAR PROJECTIONS

TONI NELSON'S ORIGINAL SPREADSHEET 5 10 2017

	Budget					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenue	35,397,469	36,877,116	37,327,516	37,757,796	38,517,952	39,229,511
Expenditures	<u>-36,806,233</u>	<u>-34,223,097</u>	<u>-35,021,329</u>	<u>-36,205,886</u>	<u>-37,257,535</u>	<u>-38,387,124</u>
Operating surplus/(deficit)	-1,408,764	2,654,019	2,306,187	1,551,910	1,260,417	842,387
Transfers to CIP/facilities funds	<u>-2,916,269</u>	<u>-2,620,000</u>	<u>-2,300,000</u>	<u>-3,200,000</u>	<u>-3,300,000</u>	<u>-3,400,000</u>
Net surplus/(deficit)	-4,325,033	34,019	6,187	-1,648,090	-2,039,583	-2,557,613
Unassigned fund balance beg	7,334,845	2,890,102	2,480,227	2,351,294	574,120	-1,693,510
Increase in reserves	<u>-119,710</u>	<u>-443,894</u>	<u>-135,120</u>	<u>-129,084</u>	<u>-228,047</u>	<u>-213,468</u>
Unassigned fund balance end	<u>2,890,102</u>	<u>2,480,227</u>	<u>2,351,294</u>	<u>574,120</u>	<u>-1,693,510</u>	<u>-4,464,591</u>
Reserves	12,748,954	13,192,848	13,327,968	13,457,052	13,685,099	13,898,567
Unassigned fund balance, end	<u>2,890,102</u>	<u>2,480,227</u>	<u>2,351,294</u>	<u>574,120</u>	<u>-1,693,510</u>	<u>-4,464,591</u>
Total General Fund	<u>15,639,056</u>	<u>15,673,075</u>	<u>15,679,262</u>	<u>14,031,172</u>	<u>11,991,589</u>	<u>9,433,976</u>

BASED ON STAFF PROJECTIONS (and if nothing changes):

By 2021, Dana Point will have to dip into reserves (for emergencies, cash flow and capital projects) by \$1.7 million

By 2022, reserves will have to be drawn down by \$4.5 million to \$9.4 million

## PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET EXTENSION OF REVENUES & EXPENDITURES THROUGH FY22

### CITY OF DANA POINT - 5 YEAR PROJECTIONS

<b>MIKE KILLEBREW'S ADDITIONS</b>	<b>Amended Budget 2017</b>	<b>Proposed Budget 2018</b>	<b>Proposed Budget 2019</b>	<b>Projected 2020</b>	<b>Projected 2021</b>	<b>Projected 2022</b>
Revenue	\$ 35,397,469	\$ 36,877,116	\$ 37,327,516	\$ 37,757,796	\$ 38,517,952	\$ 39,229,511
Expenditures	(36,806,233)	(34,223,097)	(35,021,329)	(36,205,886)	(37,257,535)	(38,387,124)
<b>Structural Solutions 2020*</b>	-	-	-	<b>1,648,090</b>	<b>1,648,090</b>	<b>1,648,090</b>
<b>Structural Solutions 2021*</b>	-	-	-	-	<b>391,493</b>	<b>391,493</b>
<b>Structural Solutions 2022*</b>	-	-	-	-	-	<b>518,030</b>
Operating surplus/(deficit)	(1,408,764)	2,654,019	2,306,187	3,200,000	3,300,000	3,400,000
Transfers to CIP/facilities funds	(2,916,269)	(2,620,000)	(2,300,000)	(3,200,000)	(3,300,000)	(3,400,000)
<b>Net surplus/(deficit)</b>	<b>(4,325,033)</b>	<b>34,019</b>	<b>6,187</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unassigned fund balance beg	7,334,845	2,890,102	2,164,121	2,035,188	1,906,104	1,678,057
Less the Increase in reserves	(119,710)	(760,000)	(135,120)	(129,084)	(228,047)	(213,468)
<b>Unassigned fund balance end</b>	<b>\$ 2,890,102</b>	<b>\$ 2,164,121</b>	<b>\$ 2,035,188</b>	<b>\$ 1,906,104</b>	<b>\$ 1,678,057</b>	<b>\$ 1,464,590</b>
 <b>Reserves</b>	 \$ 12,748,954	 \$ 13,508,954	 \$ 13,644,074	 \$ 13,773,158	 \$ 14,001,205	 \$ 14,214,673
<b>Unassigned fund balance, end</b>	<b>2,890,102</b>	<b>2,164,121</b>	<b>2,035,188</b>	<b>1,906,104</b>	<b>1,678,057</b>	<b>1,464,590</b>
<b>Total General Fund</b>	<b>\$ 15,639,056</b>	<b>\$ 15,673,075</b>	<b>\$ 15,679,262</b>	<b>\$ 15,679,262</b>	<b>\$ 15,679,262</b>	<b>\$ 15,679,262</b>

\* Structural Solutions could be revenues, expenditures or combination of both

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## PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET EXTENSION OF REVENUES & EXPENDITURES THROUGH FY22

### CITY OF DANA POINT - 5 YEAR PROJECTIONS

#### MIKE KILLEBREW'S ADDITIONS

(Continued)

	Projected 2020	Projected 2021	Projected 2022
Structural Solutions 2020	\$ 1,648,090		
Structural Solutions 2021		\$ 391,493	
Structural Solutions 2022			\$ 518,030
% of Average of Annual Revenues and Expenditures	4.46%	1.03%	1.33%
Projected Cumulative Structural Solutions Needed			\$ 2,557,613

## PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGET EXTENSION OF REVENUES & EXPENDITURES THROUGH FY22

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### **Looking Forward:**

- Projected Structural Imbalance between Revenues and All Expenditures, including Maintenance of Existing Infrastructure and Facilities
- Conduct Community Priorities Survey by Summer 2017
- Update City Strategic Plan and Update Financial Policies by End of Calendar 2017
- Complete Capital Improvement Program Long-Term Funding Needs and City Facilities Assessment by Fall 2017
- Create Long-Term Financial Plan by Spring 2018
- Discuss and Amend FY19 Budget in Spring 2018

# **CITY OF DANA POINT**

## **OPERATING BUDGET & CAPITAL IMPROVEMENT PROGRAM**



**FISCAL YEARS 2017-2018 & 2018-2019**



## **2018-2019 BUDGET REVIEW**

**FUNDAMENTAL ISSUE:** Can the FRC improve this budget to make it a valuable tool to track the financial condition of the city throughout the two year cycle and how can it be made transparent and understandable to Dana Point residents.

### **QUESTIONS**

- Do we have reliable starting calculations for the new budget cycle? With only two months to go, accurate assessments should be possible to avoid over or under assessments being carried forward and then compounded.
- Will Dana Point live within its means based on this budget?
- Are major decisions explained: such as the reasoning behind increasing or decreasing expenditures in various categories, what capital improvement projects have been cancelled, and what justifications are offered for major new projects?
- Can residents understand these reports ?

### **OVERALL SUMMARY PROPOSAL**

- Income and expenditures by major categories – FY18 & FY19 by quarter
- Surplus or deficit planned for total city operations: FY 2015 to 2022 and quarterly for FY18 & 19 (excluding items like TBID, CFD Maintenance, Agency Trust and CFD Bondholder Fund)
- Percentages of revenue by function: FY 2018 - 2019
- Percentages of budget expenses by function: FY 2018 - 2019
- Capital improvements being funded and planned future projects: FY 2018 - 2022
- FY 2015 to 2022 Cash balances: quarterly by category - FY 2018 - 2019
- General fund balances by category annually: FY 2015 to 2022

## General Fund Revenue

(\$ in thousands)

10-May-17

MAJOR ITEMS	Actual FY 16	FY17 Budget	Simple Estimated Revenue FY17			Variance
			Actual FY17 Q3	Apr+May+Jun FY16	Estimate Total Fy17	
<b>TAXES</b>						
Property Taxes	\$ 7,251	\$ 7,035	\$ 4,907	\$ 2,617	\$ 7,524	\$ 489
Property Transfer Tax	\$ 904	\$ 500	\$ 429	\$ 216	\$ 645	\$ 145
Franchise Fees	\$ 1,382	\$ 1,247	\$ 608	\$ 727	\$ 1,335	\$ 88
Cable PEG		\$ 10	\$ -	\$ -		\$ (10)
Homeowners Prop	\$ 47	\$ 50	\$ 23	\$ 172	\$ 195	\$ 145
Transient Occupancy Taxes	\$ 11,648	\$ 11,800	\$ 9,138	\$ 2,783	\$ 11,921	\$ 121
Short Term Rental TOT	\$ 443	\$ 360	\$ 301	\$ 147	\$ 448	\$ 88
Sales Taxes	\$ 5,316	\$ 5,600	\$ 3,171	\$ 3,171	\$ 6,342	\$ 742
In-Lieu Property Tax	\$ 3,953	\$ 3,500	\$ 1,878	\$ 1,941	\$ 3,819	\$ 319
<b>Total Taxes</b>	<b>\$ 30,944</b>	<b>\$ 30,102</b>	<b>\$ 20,455</b>	<b>\$ 11,774</b>	<b>\$ 32,229</b>	<b>\$ 2,127</b>
<b>Licenses and Permits</b>	<b>\$ 1,935</b>	<b>\$ 1,776</b>	<b>\$ 1,286</b>	<b>\$ 500</b>	<b>\$ 1,786</b>	<b>\$ 10</b>
<b>Fines</b>	<b>\$ 320</b>	<b>\$ 290</b>	<b>\$ 225</b>	<b>\$ 100</b>	<b>\$ 325</b>	<b>\$ 35</b>
<b>Use of Money &amp; Property</b>	<b>\$ 271</b>	<b>\$ 250</b>	<b>\$ 168</b>	<b>\$ 145</b>	<b>\$ 313</b>	<b>\$ 63</b>
<b>Intergovernmental</b>	<b>\$ 344</b>	<b>\$ 378</b>	<b>\$ 102</b>	<b>\$ 271</b>	<b>\$ 373</b>	<b>\$ (5)</b>
<b>Charges for Services</b>	<b>\$ 2,271</b>	<b>\$ 1,740</b>	<b>\$ 1,265</b>	<b>\$ 654</b>	<b>\$ 1,919</b>	<b>\$ 179</b>
<b>Other</b>	<b>\$ 175</b>	<b>\$ 236</b>	<b>\$ 194</b>	<b>\$ 37</b>	<b>\$ 231</b>	<b>\$ (5)</b>
<b>Total General Fund Revenue</b>	<b>\$ 36,260</b>	<b>\$ 34,772</b>	<b>\$ 23,695</b>	<b>\$ 13,481</b>	<b>\$ 37,176</b>	<b>\$ 2,404</b>