



MINUTES

CITY OF DANA POINT FINANCIAL REVIEW COMMITTEE TUESDAY, JUNE 13, 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 Porter at 4:01 p.m. in the City Council Chamber, 33282 Golden Lantern, Dana Point

ROLL CALL OF COMMITTEE MEMBERS:

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

Absent: None

STAFF PRESENT:

Mike Killebrew, Acting City Manager; Bev Brion, Accounting Supervisor; Kate Lasso, Management Analyst; Mark Denny, Deputy City Manager/Director of Public Works; Kathy Ward, City Clerk; DyAnne Weamire, Sr. Administrative Assistant

NEW BUSINESS:

1. Minutes of Financial Review Committee meeting, May 24, 2017

IT WAS MOVED BY MEMBER WALL, SECONDED BY MEMBER NELSON TO
APPROVE THE MINUTES OF MAY 24, 2017.

The motion carried by the following vote:

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

NOES: None

2. Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for Year Ended June 30, 2016.

Acting City Manager was congratulated by Chair Porter. Acting City Manager then congratulated Accounting Supervisor Beverly Brion for her hard work and explained that the City has received this award every year.

IT WAS MOVED BY MEMBER ROLAPP, SECONDED BY MEMBER WALL TO RECEIVE AND FILE.

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

NOES: None

OLD BUSINESS:

3. FY18-FY19 Proposed Budget Workshop

Acting City Manager opened with a brief discussion explaining the City Council had its first hearing on the proposed budget at the last City Council meeting and it was recommended that the hearing be continued to the following City Council meeting due to the amount of actions to the current proposed budget as well as to allow the Financial Review Committee time to review and make recommendations to the proposed budget. Council directed staff to come back with an additional \$600k in structural savings. He stated that Staff has met several times since the City Council's request and have been working diligently to meet the expectation of the City Council's direction.

Chair Porter asked Acting City Manager Killebrew if the City Council directed Staff to look at reducing expenses in any particular areas.

Acting City Manager Killebrew responded that the City Council directed Staff to exclude the Police Services and Personnel budgets at this time but may be considered at a future date when considering budget solutions.

Member Rolapp asked Acting City Manager Killebrew if the \$600k the City Council directed Staff to reduce was intended for the upcoming budget year only or to be spread out over a couple of budget years.

Acting City Manager Killebrew responded that direction by Council was to review structural savings that could start addressing the \$1.6m deficit projected in FY 2020. Some of the structural savings reviewed include events and activities in FY 2018; however, most of the FY18 activities have already been publicized and scheduled, and for those we would be able to accomplish structural savings beginning in FY 2019.

Member Wall asked how the City Council determined the \$600k target.

Acting City Manager Killebrew responded that he believed the number was a percentage of the overall \$1.6m number.

Member Nelson stated she believed that the \$600k was roughly a third of the \$1.6m the City Council had identified at an earlier Council meeting.

Acting City Manager Killebrew explained that when searching for reductions within the budget it should be a priority to minimize service impacts to the community while looking for real, on-going structural solutions, not just one-time savings.

Member Nelson asked moving forward would the Committee also be looking to identify revenue enhancements as well.

Acting City Manager Killebrew agreed that it was important to identify all structural solutions; however, the direction given to him at this time was to look at expenditures. He reminded the Committee of the upcoming Financial Policies Project and the FRC would be discussing fees and charges.

Member Nelson stated that she was glad to hear that Public Safety and Personnel budgets aren't off the table for discussion in the future. She directed the FRC's attention to the proposed budget for FY 2018, on page 31. She continued that if \$12.7m for Public Safety and \$8.2m for Personnel were removed, there was not much budget remaining. Member Nelson believed there was not going to be huge savings found in the Street Systems Operations & Maintenance and the Park Maintenance and Related Utilities as they seemed contractual. She continued that the only area left to get the \$1.6m out of was Professional Services at \$2m and All Other Program Areas at \$4m. She stated that cutting \$1.6m out of \$6m is nearly a third.

Chair Porter asked Acting City Manager Killebrew if there was an update on the new construction of the hotels.

Acting City Manager Killebrew responded that Staff is providing an Agenda Report for next week's City Council meeting addressing this.

Chair Porter stated that there was some information provided to the FRC that was not originally provided in the Agenda Packets.

Acting City Manager Killebrew explained that Vice-Chair Hill had emailed him earlier that morning stating that he had some information he wanted to share with the Committee. He believe it best if Vice-Chair Hill be allowed to explain his handout.

Vice-Chair Hill began his discussion of his handout ([Attachment A](#)) at the last spreadsheet entitled "Dana Point Balances By Fund" He stated the top funds are readily usable for current year budgets in most years with some restrictions. The Funds in the middle of the page are more restricted, and the bottom funds are not actually City of Dana Point money. So the City's spendable funds are the top two categories combined. Vice-Chair Hill then discussed his handout "Annual Spendable Funds Surplus (Deficit)." He explained that as an example, year 2009 is actually the 2008 ending spendable funds balance minus the ending 2009 balance. So it declined by \$11m in the year 2009. He explained that this

chart shows whether the City brought in more money for spendable funds than was spent out of those funds. He stated that these funds are predominately Capital Projects. Also, that 2014 was the only year that he could determine had a surplus which was driven by the sale of a park for \$3.6m. In 2017 was a big negative year because the City carried a lot of capital money in, the income was good, but the expenses were fairly high in the General Fund and then roll in all the Capital and other Funds the City had a big deficit.

Acting City Manager Killebrew asked the Committee to go back to the spreadsheet entitled “Dana Point Balances by Fund (Page 2)” under Capital Improvements Fund, he explained that all but \$1.4m in the first column had already been committed to projects. If you remove the \$4.8m that shows in the bottom line for 6/30/2016 you would see a different number. In addition, he sees some projections but is unclear on how the projections were done by Vice-Chair Hill. He continued that he hasn’t even completed the projection for some of the funds noted and is questioning the methodology used by Vice-Chair Hill.

Vice-Chair Hill asked if he was questioning FY 21/22 because he just added to the total and explained that his totals were just guesses and had no idea on the TBID and no idea on the CFD Maintenance.

Acting City Manager Killebrew then questioned his methodology on the General Fund Unrestricted Cash.

Vice-Chair Hill explained that he does this by subtraction. There’s a line that shows the Total General Fund and subtracts the funds that are in the Tightly Restricted Fund to get the Unrestricted number.

Acting City Manager Killebrew stated that there are assumptions (within Vice-Chair Hill’s report), for instance that Clean Air Fund #5 under the “Usable by Dana Point” column goes away and is unclear where that assumption comes from. Additionally, \$172k in the Facilities Improvement Fund was a balance of the initial stages of the Police Services Center that ended up getting transferred in this current year that is not shown here. He asked Vice-Chair Hill what his intention of the spreadsheet was to show.

Vice-Chair Hill responded that he wanted to have a better look at the City’s total operations. Not just the General Fund but all the funds that are generally useful or directed by the City of Dana Point. For instance, Capital Spending is directed by the City Council.

Acting City Manager Killebrew recommended that they review the funds and began providing the following information:

Gasoline Tax Fund, the City is required to account for these monies separately and the City transfers it out each year. Some of the money funds the General Fund Road Maintenance Activity and the rest of it funds the Capital Projects Fund. The City’s goal is to spend this money every year although sometimes there is a small carryover.

Measure M Fund: Is the County Sales Tax for Capital Projects.

Clean Air Fund: Is a restricted fund, the City receives a little money each year which is spent according to what's allowable based on the restrictions on the Fund.

Capital Improvement Fund: Approved projects, or set aside for projects the City may want to fund.

Facilities Improvement Fund: Our goal would be similar but hasn't been funded historically, but would be funded to spend on specific projects like the Police Services Center. It is recommended that there be a policy to direct how best to direct investment in this fund.

Park Development Fund: This is when there is a large development of for-sale, residential units; he does not foresee any large projects in the near future that is going to drive that number at any point in time, but there has been \$500k - \$600k in that fund in the past that the City used for park projects.

The Coastal Transit Fund: Was a fixed amount that was contributed as part of the St. Regis Development Project and the City received permission from the California Coastal Commission to allow the City to use it as a match for grants that the City got in the last few years for the Trolley Program.

Communities Facilities District ESHA Fund (CFD): Is a non-wasting endowment from the Headlands Development. The City receives a contribution from a 50-year annuity that is used specifically for taking care of the environmentally sensitive habitat area of the Headlands. It is about \$30k annually and is tightly restricted.

Art in Public Places Fund: Is an exaction of development that doesn't put art on site, but the monies would go into the fund that is limited to Art in Public Places in town.

Per Council Policy there are three reserves, Cash Flow Reserve, Emergency Reserve and CIP Reserve. Killebrew again questioned Vice-Chair Hill on what he feels his spreadsheet has added to what he feels has been a great discussion on moving forward and creating Financial Policies and making some decisions for structural improvement in the long run.

Vice-Chair Hill responded that he offered this information because he feels that the FRC should be looking at the enterprise of the City of Dana Point and he feels that in order to do that you must add all the different funds as well as the General Fund to understand if the City is producing a surplus or a deficit and what the Total Fund remaining balance is. He stated that he is proposing it as a useful tool and believes that the numbers could be improved. He continued that he reviewed the budget and pulled all the numbers out but that he could go back to sourcing the numbers, but over time the finance group could do a better job. He feels that some reports similar to this one would be useful and in particular the "Annual Spendable Funds Surplus (Deficit)" report has not been highlighted to the City Council. The focus has been that there is no deficit in the General Fund and it's not a deficit if you don't borrow money, but if the City spends more than it takes in, it's a deficit and the City Council and City government and staff should be concerned with those deficits and working to eliminate them. He continued that the story with regards to the new budget is more austere and is going to end the problem, but the problem is that the City is carrying over Capital Projects that will be spent during this period and even though FY 18 and FY 19 show the General Fund with a slight surplus, when you get to the enterprise level, the total City's activity, there's still a slight decline. When you

look at FY's 20, 21, and 22, these declines continues which says you're going to have to cut reserves or go bankrupt. The City cannot continue the high number of reserves so the method in which he made his spreadsheet balance is he reduced one of the reserves. He stated that he decreased the Emergency Reserves enough to make it balance and all the funds that had something blank in it he couldn't find any money to put in there. It may be inaccurate, it may be he hadn't looked properly at the income that comes into the funds. He added that he was trying to come up with a scheme that might be useful to report and easy to understand, but if the spreadsheet isn't correct he would love to see it corrected and if the FRC doesn't like it then it can be thrown away and keep on with where we are. He stated that he thinks it's a little obscure at the moment: How well is the City doing financially? He believes this kind of look would be useful.

Vice-Chair Hill stated that he took the numbers from the spreadsheet that Member Nelson and Acting City Manager Killebrew worked on which was taken from Killebrew's last presentation of the FRC meeting on May 10, 2017 pages 20 and 21 ([Attachment B](#)). He referenced the Proposed Budget FY2018 column and stated that there is a surplus at the General Fund level of \$34,019, but what it doesn't show is the decreases in Capital Reserves and the various improvement reserves and any other changes if the M2 reserves.

Acting City Manager Killebrew stated that the assumptions when viewing pages 21 and 22 of the presentation that was built upon Member Nelson's spreadsheet was that the City's finding solutions and funding the Capital at the level that is found in the spreadsheets.

Vice-Chair Hill stated that he doesn't believe the City Council understands all of the funds because the accounting is complicated and admitted that it was difficult for him to understand.

Member Rolapp asked the FRC to refer to page 19 ([Attachment C](#)) of the spreadsheet since this page seems to show where the City's structural problems lie and provides a simple summary and explained that Member Nelson deserves a lot of credit for the spreadsheet. He stated that it provided a snapshot that showed that the City was funding its Operations with the monies that were in the Capital Improvement Projects fund. He reiterated that he believes the City's problems will begin in FY 2020 but believes these problems be solved now so we don't have that problem in FY 2020.

Vice-Chair Hill agreed with the Total General Fund FY2022 end amount of \$9,433,976.

Member Nelson summarized what she believes Vice-Chair Hill is attempting to show. She referred to the City's Monthly Treasurer's Report and believes that the report gives residents and the City Council comfort in that the report shows that there is \$30m under management, and although the City does have \$30m it does not all belong to the City Council. Some of the \$30m belongs to TBID and some of the money is on hold for other projects and believes Member Hill's spreadsheet is useful in terms of categorizing the \$30m into funds to give more transparency and to make sure that everyone understands how much of the funds are really spendable funds. For instance there is \$12m in reserves and

gives you comfort, but questions at what point will reserves be dipped into and would the City Council even consider do that. She continued that she read a study completed by a California body that rates cities based on liquidity and she stated that City of Dana Point was 83rd in 580 cities which she felt was good, but that the rating was based mainly on the City's reserves. She stated that the City of Laguna Niguel, which she considers stellar in the way in which they handle their financial management, was either 3rd or 6th on the list. One of the main parameters that are used is that reserves should not fall below 42% of the annual budget which Member Nelson believes is where the City is at now. She stated that the City cannot rely on its reserves to get itself out of this problem and some permanent solutions must be found so the City can continue to fund its reserves and have surpluses so there will be room for Capital Improvement Projects in the future.

Member Rolapp asked if Member Nelson could provide this information she is referring to and he would be interested in reading it. He continued that 32% of operating expenses sounded like way too much money.

Member Nelson stated that she would try to find and send it to all of the Financial Review Committee, but that it was a global report completed by some government agency that was looking at all the cities and asked Acting City Manager Killebrew if he was familiar with the agency.

Acting City Manager Killbrew responded that it might be the State Treasurer's Office, then followed that he's never heard before of a recommendation to have reserves near as high as she had stated.

Member Nelson responded that it wasn't a recommendation but just a criteria that had used to assess how satisfactory a City was in terms of their financial stability, but they also looked at debt and unemployment and various other factors. She continued that this report made her realize that the City has an issue and needs to find a way to shrink its Operating Budgets so it makes sense in terms of the City's Revenue or increase the City's Revenue.

Member Rolapp reiterated that if the City was holding onto 43% of the money in reserves, residents might wonder why the City was holding on to 43% of the annual operating budget.

Member Nelson responded that the City nearly has that now.

Vice-Chair Hill explained that Member Nelson's number is coming from the City's Cash Flow, Emergency, and CIP reserves, not the CIP Fund but the CIP reserve.

Acting City Manager Killebrew stated that the FRC will be having these kinds of in-depth conversations with the GFOA when talking about the Reserve Policy itself and agrees with Member Rolapp that 42% seems very high.

Chair Porter stated that he thought he had read somewhere that the recommended amount should be about 18%.

Acting City Manager Killebrew responded that the rating agencies that review cities typically receive a rating if it was getting a debt issue. They would look at two months or 16.7% as a base level and a decent reserve. He explained that there will need to be a robust discussion that will need to take place when the FRC discusses how to set the reserve policy as there are many factors that need to be taken into account such as the volatility of revenues, susceptibility to economic issues such as Transient Occupancy Tax, type of insurance and deductibles.

Member Nelson stated that she would send to the FRC a case study that she read which was conducted by the GFOA on the reserves of a particular city and volatility was one of the factors they mentioned and she feels it is of main concern for City of Dana Point as well because it is reliant on the tourist industry and most of the sales tax comes from the tourist industry.

Acting City Manager Killebrew followed that it's not just the volatility of revenue but also the ability to adjust the operations and expenses to address anomalous events.

Member Nelson believes that it would behoove the City of Dana Point to have higher reserves because of the volatility of Transient Occupancy Tax.

Vice-Chair Hill asked if he could continue with his presentation. He referred to the page that had the chart entitled "Dana Point Funds Balance" he explained that the way he came up with the year to year amounts is the difference between the two heights and put it under the later year. He then referred the FRC towards the beginning of the presentation and stated that he was looking at some areas that could be cut and what ideas he could offer and he stated that he looked at the legal department specifically the City Attorney and Legal Costs and became concerned when he saw the budget increase from \$700k to \$900k in FY2018. He explained that he requested from Killebrew checks written to the various law firms and those amounts are indicated on the following page of his presentation. He focused on the Rutan and Tucker expenses and broke out the amounts by "Base Work" and "Reimbursable." Aitkin, Aitkin, Cohn he explained was the lawsuit against the Headlands in an attempt to recover money. Richards, Watson, Gershon was a lawyer named Kaufmann who assisted the City with the Coastal Commission, and Dave Neish is not a lawyer but a lobbyist who also assisted the City recently with the Coastal Commission. He continued that the total amounts on this spreadsheet do not reflect an accrual basis but on a cash basis.

Acting City Manager Killebrew that there are some "matters" of City Attorney work that are litigation and won't be found in the City Attorney's department, #71, but found in Account #97.

Member Nelson asked if after the City receives the reimbursable does the City credit the legal expense.

Acting City Manager Killebrew responded that revenue goes into reimbursement revenue and as of July 1st, Beverly Brion, Accounting Supervisor, is going to set up a revenue code specifically for legal reimbursements.

Vice-Chair Hill continued his presentation stating that the numbers are huge numbers with over \$1.2m spent in FY 2010, and almost \$1.750m in FY 2011 and current FY17, \$1.4m. He explained the reason why there is a decline in funds is because the City has been spending a lot of money in legal costs. The following page “Legal Costs – South Orange County Cities” he located the numbers found on this page from various city websites for FY 2017 as a comparison and suggested that Dana Point is spending much more money per capita than all other cities shown on his report and believes that legal costs should be looked at when considering cuts.

Acting City Manager Killebrew responded that he understands that Vice-Chair Hill pulled the numbers off of various city websites but is not sure how the various cities are presenting their information and City Attorney costs. He further explained the City of Dana Point’s attorney contract is broken down into two separate categories: Retainer expenses that pays to have an attorney on-site at City Council and Planning Commission meetings typically four days a month for \$9,500 monthly. Additionally, there are Routine (non-retainer) expenses and would include as an example Medical Marijuana administrative subpoenas which initially showed as non-retainer expenses. As lawsuits are filed the City Attorney created separate accounts to keep track of efforts. The City also has other general areas for Community Development, Public Works, City Clerk, Sober Living, Code Enforcement, etc. The City refers to these areas as Matters. He referred to his spreadsheet entitled: Rutan and Tucker Cost FY07-FY17 (unaudited) ([Attachment D](#)). He further explained that the District Attorney doesn’t always prosecute cases and charge more per hour than Rutan and Tucker. The City wanted to prosecute and decided to bring it in house. Therefore, the City has been spending approximately \$100k per year in prosecuting mostly Code Enforcement issues and non-reimbursable matters. There are other reimbursable expenses including development projects where the developer provides a deposit and any legal costs associated with the project are deducted from the deposit and do not affect the bottom line of the General Fund. In addition, there are court proceedings dealing with various issues; as an example, the demolition of the Harbor Inn Hotel to abate a nuisance in which the City was reimbursed. There are other cases such as the Seaside Inn which is under receivership at the moment and City incurs costs; It is the intent of the City to be reimbursed for these costs at settlement.

Vice-Chair Hill asked if the amounts shown on his spreadsheet were cash amounts or accruals. Acting City Manager Killebrew answered that the amounts were accrued at the end of the year. He further explained that most of the items on the spreadsheet are paid from deposits.

Acting City Manager Killebrew asked the FRC to view pages 3 & 4 of the spreadsheet, which he explained was the same spreadsheet, but broke out matters that would be considered routine and the other items are items that have been directed by Council or Staff to pursue an issue. He further explained that matters pursued by the City Attorney are matters that have been directed by the City Council or Staff, not the City Attorney. So for the sake of saving money it can be decided not to pursue certain Code Enforcement violations which he cautioned he is not recommending.

Vice-Chair Hill stated that he believes every matter ought to have a manager to oversee the item. As an example if there is a possible legal issue in Community Development then Ursula Luna-Reynosa is the person who should be authorized to allow the spending and run it against her department’s budget.

Acting City Manager Killebrew explained that the City does this already and asked Ursula Luna-Reynosa to speak on the matter.

Director of Community Development, Luna-Reynosa explained that under the direction of City Council and in looking at cost savings, Code Enforcement has been an area that her department has been reviewing other cities processes that have been effective at diverting cases going to

criminal prosecution, which is expensive, as well as being more proactive on issuing citations and having a diversion hearing which would hopefully avoid the need for criminal prosecutions by getting voluntary compliance.

Chair Porter stated that he went on a ride-along with the Sheriff's Department recently. He stated that the police gave him the rundown on how long it actually takes to serve individuals. Some of the properties in question have had their meters pulled which means they are now homeless and now it is up to the police department to find the person to serve them. Once the homeless person is found the police department then can serve them, but must also ask them a checklist of questions to see if they need anything, are they on medication, do they have their medications and more. This is done to keep from being sued.

Chair Porter also stated to Vice-Chair Hill that he believes that the FRC might have a Brown Act violation because the Committee didn't notify the public within 72 hours to look at the information provided by Vice-Chair Hill.

Vice-Chair Hill responded that this is a budget discussion and a budget item. He asked if the Brown Act could be explained to him because it is brought up in every meeting he attends.

Chair Porter explained that anything that is going to be discussed amongst the committee members needs to be provided on the agenda then posted 72 hours prior to the meeting so the public has time to review the information.

Vice-Chair Hill responded that the FRC is discussing the budget and his document is for the discussion and believes that Chair Porter is wrong about the Brown Act violation.

Chair Porter directed Staff to provide the FRC with the document that explains that the public must be informed by agenda 72 hours prior to the public meeting to allow the public enough time to weigh in on the material for comments. He continued that this is creating non-transparency.

Vice-Chair Hill explained that the agenda item is Old Business Proposed Budget Workshop in an open discussion.

Chair Porter pointed out that Vice-Chair Hill's document is entitled Legal Cost Data and Analysis

Vice-Chair Hill explained that he was just offering this document to look at as a possible cost reduction in the budget.

Chair Porter explained that we cannot allow same-day event information.

Chair Porter stated that a presentation can be presented, however it has to be on the agenda and has to be noticed to the public so they can come and weigh-in on the issue.

Acting City Manager Killebrew stated that if he thought the current meeting was violating the Brown Act he wouldn't be talking about it and in addition, there is an expectation in the community that the City is transparent and that means including all information in the agenda packet that is going to be discussed. He continued that Vice-Chair Hill is one of the biggest drivers of Public Records Acts Requests to get information early and often. He suggested that it would be appreciated to have the information that is going to be discussed early enough that the Committee could review it and digest it prior to the meeting.

Member Rolapp addressed Vice-Chair Hill and wanted him to confirm that what he stated was that he was recommending oversight over the City Attorney expenditures.

Vice-Chair Hill confirmed.

Member Rolapp responded that he thought he heard from staff that there is oversight already.

Acting City Manager Killebrew confirmed that there currently is oversight. The City always knows what the City Attorney is working on and the City is in communication with the Attorney on a daily basis.

Member Nelson asked within Rutan and Tucker how many attorneys are providing legal services for the City.

Acting City Manager responded the City has a City Attorney, Assistant City Attorney, a City Prosecutor, and then there are specialties that are distributed from Partner to Staff level attorney.

Member Nelson asked if the three main Attorneys work full time for the City.

Acting City Manager responded that they do not.

Member Nelson asked what the contractual rate is per hour.

Acting City Manager stated it is in the City Attorney's contracted and it's approximately \$250/hour.

Member Nelson asked Acting City Manager Killebrew if he thought the City was spending the money in the most effective way. And asked if an attorney worked 2000 hours a week at \$250 an hour that would be equate to \$500k annually. She asked if it would be possible to have one full time City Attorney in house for the full 2000 hours while also hiring experts for the specialties that are needed and wouldn't it make sense to have one full time attorney at the City full time.

Acting City Manager Killebrew responded that it would depend on the extra work that is needed because the City would be paying the Design rate for all the other services necessary that the City does not pay for currently.

Member Nelson asked if the City had a full time City Attorney she couldn't imagine that the cost for that Attorney would be \$500K and then for the other specialties those could be farmed out and wouldn't the City be better off and the City would be paying less than \$250 per hour.

Acting City Manager Killebrew responded that it depends on the specialty.

Member Nelson stated that her husband worked in a law firm with a lot of attorneys and no made \$500K and they were well-educated attorneys.

Acting City Manager Killebrew responded that if Member Nelson had a recommendation to make a recommendation.

Member Nelson asked Killebrew if the FRC could direct staff to look at the feasibility of looking at having just one or two attorneys in-house and that some cities do this.

Acting City Manager Killebrew stated that the municipal code establishes the City Council is the body that manages the City Attorneys contract so if you'd like to make a recommendation to the City Council he will take his direction from the City Council.

IT WAS MOVED BY MEMBER NELSON, SECONDED BY VICE-CHAIR HILL TO RECOMMEND CITY COUNCIL DIRECT STAFF TO LOOK AT POSSIBLE EFFICIENCIES WITHIN THE CITY ATTORNEYS BUDGET TO INCLUDE LOOKING AT IN-HOUSE COUNSEL VS. RUTAN & TUCKER.

Member Rolapp informed the Committee that most cities that have an in-house counsel are large cities that have a lot work and would be surprised if there would be not only efficiencies but the kinds of expertise that the City would need to get the work done in the City of Dana Point.

Chair Porter pointed out that every attorney also has staff below them and that it is not just the Attorney but staff that supports that person.

Member Nelson stated that the City has those people here, too.

Chair Porter responded that we have the one Attorney in-house and then we are going to tax existing staff with additional work after the staff has already been reduced to cut costs in the budget.

Member Wall believes it is a good idea, but cautioned that there are additional costs to hiring another employee.

Member Nelson stated that the current legal costs are \$1.2 - \$1.5 million annually, plus litigation costs and suggests analyzing the costs to determine what the Attorneys are really being

utilized for. She suggested that there are many routine items such as attending meetings, dealing with the City Clerk, handling Code Enforcement issues and look at hiring someone who can handle all the routine issues and then hire the best expert the City can afford. She believes this would be a more efficient process to have someone full time, in-house, on staff and in the building who is available all the time.

Member Wall asked Acting City Manager Killebrew who would be available to do that study.

Acting City Manager Killebrew responded that it would come down to who could be hired and what expertise they have to do the study.

Vice-Chair Hill suggested an inexpensive way to conduct the study would be to visit other cities and find out what their real costs are.

Acting City Manager Killebrew stated that in smaller cities it is not common to have an in-house attorney. The City's base-level work is about \$500k - \$600k for the retainer and non-retainer work, but the risk involved occurs when the City encounters a coastal issue or other litigation issues. He asked the committee to review page 4 of the Rutan and Tucker Costs FY07-FY17 under Non-Reimbursable Costs. After reviewing the total numbers of each Fiscal Year line item, Killebrew stated that even within these "routine" costs he is not confident saying that one individual could handle all of it. He reiterated that the City pays \$250 per hour for many attorneys which provides for many, varied skill sets.

Member Nelson responded that in FY 2017 the City spent \$1.4 million and asked if Rutan and Tucker would give the City the design rate for \$1 million.

Acting City Manager Killebrew stated that with regards to reimbursable costs, the City cannot charge more than it costs the City. So in moving forward with the conversation in cutting costs, the reimbursable section must be removed from the equation since these costs are a wash and only the non-reimbursable items should be reviewed when determining where costs can be reduced.

Member Nelson reiterated that if the City is spending \$1.2 million annually whether it is spent on reimbursable items or not, there are certain legal fees being earned by Rutan and Tucker and they total \$1.2 million that is revenue to Rutan and Tucker. She argued that if the City hired an in-house attorney at 40 hours a week, at a rate of \$100 per hour vs. Rutan and Tucker's \$250 per hour rate, then the City would still have \$1 million in the budget to pay Rutan and Tucker a \$250 per hour design rate. She continued that there are many firms like Rutan and Tucker who could provide a smorgasbord of specialties at that rate and if Rutan and Tucker couldn't provide the City with that rate then the City should find another firm to do business with. She continued that her bottom-line is are there going to be sacred cows. The police seem to be a sacred cow, employee salaries are a sacred cow, and asked if Rutan and Tucker is also a sacred cow. She questioned how to plug the hole if everything is sacred.

Acting City Manager Killebrew responded that he didn't believe anybody ever stated there were sacred cows. He then stated that he heard a motion and a second.

Vice-Chair Hill said he wanted one more discussion before a vote was taken. He stated that he thinks the attorney costs are worth looking at because it's such a large number. He wants to have a discussion to see if there are way to receive good legal coverage at less cost. He asked if there are any ideas that could be developed.

Member Nelson stated that whether you believe Member Hill's numbers or not, other cities are not spending as much on attorney costs and the City of Dana Point and suggested speaking with other cities to find out what they are doing and determine if they are using in-house people, do they use cheaper firms, do they have different policies.

Member Rolapp responded that he's not sure that the committee can reach a conclusion. He stated that when Vice-Chair Hill presented his numbers Acting City Manager Killebrew stated that

different cities might account for their costs differently. So although he doesn't have a problem with the motion currently on the table, he believes that this will be an interesting item to review. He concluded that he hopes the City Council will look at the level of service they are receiving from the current City Attorney. He stated that he wants his City to receive premier services and if it costs a couple of dollars more he's fine but if it costs a couple of million dollars more than he's not.

Chair Porter reiterated that there is a motion on the table and a 2nd and asked if there was any further discussion.

There was none.

IT WAS MOVED BY MEMBER NELSON, SECONDED BY VICE-CHAIR HILL TO RECOMMEND CITY COUNCIL DIRECT STAFF TO LOOK AT POSSIBLE EFFICIENCIES WITHIN THE CITY ATTORNEYS BUDGET TO INCLUDE LOOKING AT IN-HOUSE COUNSEL VS. RUTAN & TUCKER.

The motion carried by the following vote:

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

NOES: None

Vice-Chair Hill asked the Financial Review Committee if they had any other budget ideas or topics.

Member Nelson stated that last FRC meeting she was away in Canada but wondered if the Vehicle Lease item was discussed at the last meeting.

Acting City Manager Killebrew responded that staff provided a report at the May 24, 2017 meeting and asked if the FRC had any questions in regards to the report.

Member Nelson responded that she had a lot of questions and not a lot of information and asked that staff provide more information next time. She asked for confirmation that the City has 27 or 28 vehicles that are maintained by the City, none of which are leased but are all owned.

Deputy City Manager Denny confirmed that the vehicles are all owned by the City and not leased.

Vice-Chair Hill asked if any of those vehicles included police cars.

Acting City Manager Killebrew responded that none of the vehicles owned by the City are black and whites although the City does own some police services vehicles such as vehicles for the VIPS (Volunteers in Police Services) such as a van and a Rav4 and the Chief of Police vehicle. The Sheriff's Department contract provides for the black and whites.

Member Nelson asked how the black and whites are accounted for in the Sheriff's Department contract.

Acting City Manager Killebrew explained that the Sheriff's Department bills the City for their vehicles on a per mile basis. It's not uncommon that the Police motorcycles be City owned and the Police Services motorcycle is City owned. He continued that he is averse to having Code-3 vehicles owned by the City and would rather they be in the Sheriff Departments contract. Additionally, the City had a vehicle that was being driven by a Sergeant and converted it to a County vehicle, but the City still owns all the Community Services Officer vehicles.

Member Nelson stated that she would like a list of all the vehicles, the year of the vehicles, what type of vehicle, and who uses them and if the vehicles are used full time or part time or are they a pooled vehicle that several people share to determine if there is a way to save money.

Member Nelson questioned the Fleet Manager position and wanted to know if that was a full time position.

Deputy City Manager Denny explained that the City has a Streets Manager and about 10 percent of the duties is managing the fleet, however the current Streets Manager had recently resigned so the Fleet Management responsibility has been shifted to Mike Rose's Emergency Services and Facilities Department.

Member Nelson asked what Fleet Management involves.

Deputy City Manager Denny responded that it involves tracking vehicle maintenance, inspections, coordinating any repairs, coordinating with departments to ensure the vehicles are being serviced, acquisitions and surpluses. However the leasing program will dramatically change these current responsibilities and much of it will be outsourced and the fleet company will provide these services to the City.

Member Nelson stated that most leasing companies don't handle things like routine maintenance and insurance and was surprised to see it listed in the Request for Proposal.

Chair Porter confirmed that these types of services are a new trend and stated that the company that he works for currently provides and bundles these services.

Member Nelson shared her concern that she doesn't see how outsourcing these services to Enterprise could be cheaper than having someone in-house such as Mike Rose or the Fleet Manager provide the service themselves. She also stated that she noticed that there were four companies on the RFP list, but only two companies had responded and believes the reason for that is because these services are not routine and was a very complicated process.

Deputy City Manager Denny responded that the City does not have a very large fleet and that it is all about volume in the leasing business.

Member Nelson agreed that having a small fleet might have something to do with the low response level however, she argued that if the maintenance and insurance components of the RFP were eliminated then there might have been more responses from smaller leasing companies that would be interested. She questioned if it was necessary to do business with just one company, because if they aren't handling insurance and maintenance then why can't the City lease from whichever leasing company provides the best deal?

Deputy City Manager Denny responded that he doesn't know if any of the proposers would have agreed to the pricing that was offered if they were not given the exclusive right to the City's business.

Member Nelson stated that the City didn't receive the pricing and the pricing was not found within the information she was given. She continued that in order for the Committee to make a comparison regarding lease vs. buy, the numbers need to be included. She would want to know things such as the finance rate and the residual value. She stated that it looks like the company was guaranteeing a specific trade-in value, but she's not familiar with the term since in leasing it is always residual value and which is always established at the beginning of the lease.

Deputy City Manager Denny apologized to Member Nelson for the confusion and informed her he would get that information to her as he believed that information was included in the packet of provided to her.

Member Nelson also stated that she was confused by the information in comparing a 10-year car to a 5-year car and doesn't understand the math on the analysis and believes that the information should be providing apples to apples.

Deputy City Manager Denny stated that the reason for providing this particular information was to give the FRC examples from the actual City Fleet.

Member Nelson stated that as a financial person it doesn't help the FRC to determine if the City should be buying or leasing and what would be the better deal for the City. Additionally she asked if any individuals are authorized to use the City vehicles full time to include bringing them home and use them to get their groceries and take their kids to little league.

Acting City Manager Killebrew responded that there are a couple of full time vehicles where there is an expectation of having the vehicles full time because they are emergency-related vehicles. Back when San Onofre was still in operation there was an expectation that there be take-home, emergency-related vehicles. In the proposed budget some of those take home vehicles included the City Manager, Assistant City Manager, Community Development Director, however those vehicles are being turned in this budget. Current take home vehicles include the City Engineer (Matt Sinacori), he's not driving his kids to soccer games but he is bringing it home and brings it back to work. The Public Works Director and Emergency Services Director are expected to respond to an emergency from anywhere.

Vice-Chair Hill asked how many of the vehicles are garaged at the City.

Acting City Manager Killebrew answered of the 28 vehicles and removing the take home vehicles such as the Chief of Police vehicle, the CSU sergeant with the emergency command package, those vehicles go home – the Public Works Director, the City Engineer, and the Emergency Services Director going forward July 1st. The rest of the 23 vehicles are parked at City Hall.

Member Nelson stated that she doesn't feel the FRC can recommend anything until it is clear what the goals are of the vehicle program and what are the needs of the City, who has the vehicles currently and who may need them because there may be needs that are not currently being met. Maybe there is someone else who needs a vehicle that hasn't been considered, but would like to look at the issues in a more methodical manner. Are some of these vehicles being pooled and there may also be cases where an employee uses their own vehicle and the City pays them a mileage fee.

Deputy City Manager Denny responded that the City currently does this.

Chair Porter further explained that the car allowance is a more common practice now.

Member Nelson continued that she is very curious about the maintenance and insurance. She asked why the City would want to deal with a third party for insurance and maintenance when it seems so routine and doesn't understand the reasoning.

Deputy City Manager Denny explained that the City would derive discounts from the fuel and maintenance program the leasing company is able to offer the City through their volume. The maintenance is really maintenance software which auto loads information into Dash Boards to assist the City instead of City Staff having to manually update Excel spreadsheets with maintenance data.

Member Nelson stated that she'd like to see more data and the real numbers. The Committee can make decisions without the data. She continued that she was wondering if the City has ever purchased vehicles that were not new. She asked if buying a certified, one-year old vehicle with low mileage would that offer the City some savings.

Acting City Manager Killebrew responded that the City hasn't purchased a lot of vehicles since his 10-year employment at the City and the 10-year-old vehicles aren't the oldest vehicles in the City's fleet. Additionally, one of the reasons for doing this is that it would be advantageous to have vehicles that are predictably operational, and refresh the fleet on a regular basis and not be subjected to annual budget decisions. He continued with a story of his previous employment of a budgetary solution that provides for budgetary discipline.

Member Nelson stated that at the City of San Clemente they have built into their CIP budget is an annual vehicle replacement program and vehicles are being replaced every few years.

Acting City Manager Killebrew added that he believes the City of San Clemente also have mechanics on staff that maintain their vehicles. He added that this discussion was a way to begin addressing the City's aging fleet. He continued that the RFP Response from Enterprise provided

to the FRC today isn't attached but we have the RFP itself and a summary of the response. So staff will send you the actual response. Additionally he stated that will be further negotiations at time of lease so staff may not know what all the prices of the vehicles might be as well as what the financial markets will be at that time.

Chair Porter suggested to Member Nelson that maybe what the committee might want to do is choose another individual and create a committee that could start fleshing out the details of the vehicle program for the next meeting. He added that he would like to put another committee together to look at event within the City as well. He is hesitant on cutting anything, but is aware that the City gives a lot of money to various organizations and asked Vice-Chair Hill if he would be interested in heading up a committee to do this.

Vice-Chair Hill agreed to head up a committee.

Member Nelson asked if Staff could give the FRC the numbers such as how many people attend the events and how many people do the events serve and is the event something that is generating tourism.

Acting City Manager Killebrew responded that if the FRC is ready, Deputy City Manager Denny has the data queued up to discuss.

Deputy City Manager Denny presented the "Community Services Community Activities 81-2410" presentation ([Attachment E](#)) to the FRC. He explained the community activities budget by event in response to questions by the City Council and one of the questions the Mayor had was what are the City's goals. So the events are to create community through people, parks and programs. He then referred to page 2 to discuss the fireworks event with FY 16/17 actuals and FY 18/19 projected. These costs outline the show itself, the shuttle bus, police services, the ocean water quality permit, restrooms, staff overtime, traffic control and miscellaneous costs and an estimated attendance of 200k or more.

Member Nelson asked with regards to sales tax and TOT does the City know day to day what is being earned, because it would be nice to look at July 3rd then on July 4th look at the data and quantify what is being earned and so is the City getting more sales tax and more TOT because of this event.

Acting City Manager Killebrew answered no, but he is very confident that the sales tax increases and TOT definitely goes up as well because when the hotels are sold out, which they are, the sooner the rooms sell out, the higher the prices go before they sell out.

Vice-Chair Hill asked if TBID has been approached regarding this to possibly fund the event. If the hotels are benefitting from the event then why not make it one of their programs.

Acting City Manager Killebrew responded that if the program was eliminated that would be where the discussion started.

Member Nelson then stated that the big bucks come out of the show costs which the guys on barge shooting off the fireworks. Would it be possible to go to the person and state that the City is facing budgetary issues and would you be willing to reduce costs by 20 percent.

Acting City Manager Killebrew explained that the City already bid out the event to various fireworks companies. So the City typically takes the lowest bid although the City also looks at things like the size and number of shells.

Deputy City Manager Denny stated that this year, the City took the lowest bid so FY 18's cost is this years' bid and as for FY 19 that may be decided at next Tuesdays City Council meeting.

Member Nelson asked if the length of show and size of shells used were similar to other cities of Dana Point's size.

Deputy City Manager Denny stated that we have but that it was his understanding that the City has grown the show over time and so depending on what the City Council decides for next year at the next City Council meeting on Tuesday, that number may change for future shows, not for FY 18. It is currently a 28-minute show.

Member Nelson thought this might be something to look into. As an example what would the cost be if the show were to be reduced to a 20-minute show and is it linear, would the City save anything.

Vice-Chair Hill asked if these numbers are incremental costs. If police are scheduled is it considered overtime and if so, why don't we just arrange to schedule that police personnel to work that particular evening.

Acting City Manager Killebrew invited Vice-Chair Hill and the rest of FRC to stop by the Command Post during briefing prior to the 4th of July fireworks show. The City pulls in deputies from all over the county that aren't impacted by 4th of July fireworks shows in particular on overtime.

Vice-Chair Hill asked if the police encounter a lot of problems.

Acting City Manager Killebrew responded that when there are 200,000 people with many of them partying you tend to have to manage through issues and traffic is a big issue.

Vice-Chair Hill asked if traffic control entailed standing in the streets directing traffic.

Acting City Manager Killebrew responded at times it does.

Vice-Chair stated that there are typically 200,000 people who attend the fireworks show and only 33,000 residents, half of which probably don't leave their homes, and estimated that 20,000 people are residents that come out to watch the show and approximately 180,000 guests and asked how that benefits the community. He understands how it benefits the merchants and hotels. He did state that it is a great fireworks show and that he believes all the residents do enjoy the show, but if the City didn't have all the guests the City wouldn't need all the police personnel.

Deputy City Manager Denny stated that this will ultimately be a policy call for the City Council.

Member Nelson said that this will ultimately be up to the City Council and suspects that this is an event they would have a hard time getting rid of. There are several shows down the coast but the City of Dana Point's fireworks are spectacular.

Deputy City Manager Denny continued his presentation with Page 3, Ceremonies. He explained that there is a general budget for ceremonies in the amount of \$2500 for things that come up as shown in FY 16, the City only spent \$700 and you are likely to see this go away in the proposed budget cuts. He continued his presentation on Page 4, Summer Concerts. He explained that the concerts budget consists of seven concerts, shuttle buses, police services and staff overtime and further explained that the attendance is approximately 3,000 people per concert with an average cost of about \$25,469 per concert. The City has taken a unique approach to its concerts in that we hold the concerts on Sundays which attracts a more regional audience versus other cities which generally hold their concerts on weekday nights attracting a more local audience. The City has gone bigger and better because it has two bands, not one. He anticipates this to be an area that will likely see some recommended changes for FY19. He explained that the City will be conducting a survey during this summer's concerts to obtain data on where attendees are coming from, why their coming, what they like or don't like about what is proposed.

Member Nelson suggested also asking the attendees if they stayed in a hotel and if they ate in Dana Point.

Acting City Manager Killebrew added that the community events cost money and the City can't measure a Return on Investment that day. There was an intent to grow the events bigger and better

with the intention of drawing a regional crowd. The discussion started at the beginning of the recession on the premise that the City of Dana Point is a tourism-based town and if we attract people to the town then it is on their mind and they will return. There is absolutely a residual value and the City's hoteliers will tell you there is a residual value and the City's merchants will tell you there is a residual value.

Member Nelson asked if any of the cities that have summer concerts charge for them.

Vice-Chair Hill stated that the City of San Juan Capistrano does.

Member Nelson stated that she volunteers at the Mission in San Juan Capistrano and they charge for all their concerts and they sell out the day the tickets become available.

Deputy City Manager Denny clarified that the Mission is not the City of San Juan Capistrano.

Member Nelson understood what he was saying but continued if the concerts were really good concerts and the City charged each person \$10 admission would they come for \$10 or maybe \$5 and kids are free.

Vice-Chair Hill interjected that the City residents should be able to attend for free.

Chair Porter responded that if there is a charge for the concerts then fencing will have to be installed and more security will have to be provided to keep people from jumping the wall.

Deputy City Manager Denny stated that another value that's difficult to assign a value to is that there are approximately eight City non-profits that participate in the events where the VFW and the high school sells food and it's revenue generating for them.

Member Nelson asked if the City charges any of these non-profits a fee for setting up a booth at the events.

Deputy City Manager Denny stated that it's a community event and the goal is to build community.

Member Nelson said that these are all wonderful events and it will have to be up to the City Council to decide. She stated that she was looking at all the angles, is it possible to charge or get a percentage of the food sales.

Deputy City Manager Denny continued with his presentation on Page 5, Halloween Spooktacular & Movie. There are three events with no police and little staff overtime with an attendance of approximately 1,800 people per event and an average cost of \$2,727 per event. Staff wanted to look at possibly growing this event but it will probably be dialed back a bit in the coming years. This is a local event. On Page 6, he continued with the Egg Hunt events and explained that these events are big at Sea Terrace Park and Pines Park with an approximate attendance of 2,000 people at each park and an average cost of \$7,508 at each park, but you will see the costs for this event go down in the proposed budget. He noted that some places, namely the City of Laguna Niguel do charge for their egg hunt events. Charging for this event may become a controversial issue as this is a heavily localized Dana Point event. He began speaking on Movies in the Park on Page 7. The costs budgeted for future years were based on the current fiscal year of five, Friday night movies, but the costs will be lowered in the coming years based on four, Friday night movies and perhaps not a full Disney movie line-up.

Member Nelson asked Staff if they felt that the movies were drawing people from the hotels.

Acting City Manager Killebrew responded that he stopped by on Friday night and spoke with one of the line managers from the Marriott and he said that he had quite a few families staying at the Marriott and that two families in particular stated that they adjusted their dinner times in the harbor so they could get back in time to watch the movie.

Member Nelson suggested with regards to the Movies in the Park, the Egg Hunt and the Halloween event that maybe the City could approach TBID and let them know the City is facing some budget difficulties and are considering cutting some events would TBID consider paying 50 percent of the costs.

Acting City Manager Killebrew responded that the TBID's focus is on filling hotel rooms so the marketing activity and familiarization trips coordinated with event planners is to fill hotel rooms and they will likely look at this and know that these events will not fill their hotel rooms. Not that it's not nice to have but to supplant existing City investments would be a challenge.

Vice-Chair Hill stated that he's been to a lot of these events and have talked to a lot of people and said that approximately 25% or less were from Dana Point and that a lot of them were from surrounding communities.

Member Rolapp asked about sponsorship.

Chair Porter and Member Nelson thought that was a good idea. Chair Porter suggested that maybe sponsorships could be received by Real Estate companies.

Member Nelson stated in Pines Park during the Halloween season there is a local realtor, Z-realty who runs a Halloween event and everybody attends with their dogs and gives out treats and they take pictures and it's done to promote his business and it doesn't cost the City anything and in fact he pays to rent the park. So the City could approach realtors for some of these events or the Rotary Club.

Deputy City Manager Denny continued to Page 8, Winter Festival & Tree Lightings which include some police costs and WinterFest at La Plaza and there is staff time involved, but this is one event that will see changes proposed in the coming years. He continued to Page 9, Festival of Whales Concert and BBQ explained that the costs for this event are for the concert and BBQ specifically and he stated that approximately 2000 people attend this event but believes it is a very conservative number based on what he saw this year and he believes it is a heavily localized crowd.

Member Nelson asked if it cost a lot of money for the parade itself.

Deputy City Manager Denny continued onto Page 10, Festival of Whales Parade to answer her question. He explained that with the balloons, shuttle buses, police, staff overtime, marketing efforts and traffic control. He stated that the City has had discussions about growing the event and adding floats in future parades, but it is likely these costs will be reduced as some changes may be recommended at the next City Council meeting.

Member Rolapp asked if these costs could be handled through sponsorships.

Member Nelson asked if the parade is more geared towards tourism.

Acting City Manager Killebrew responded that the parade itself is more regional and all the separate events of the Festival of Whales have non-profit components to it, such as the Clam Chowder event which is the Fish for Life charity, the beer and wine garden is run by the Marine Corps League, the Dana Hills High School Swim Team which handles the BBQ component, the Street Faire is a Chamber of Commerce event that does not make any money from the event, but hosts the event as a contribution to the community. There is also an art component that is attended by local artists as well as the schools art program and the Rotary Club which hosts the annual Diamond Dig.

Deputy City Manager Denny further explained that the City is one component of the overall festival and that there is a non-profit entity that is the primary organizer of the festival and the City provides a sponsorship to them and that non-profit has been challenged with raising funds from private organizations because they have not been able to effectively identify the number of participants. The Festival had a great turnout this year in 2017 over the two weekend event and there was an estimate that over 100,000 people attended.

Chair Porter stated that the Friday before the first festival weekend, Channel 5 News was in the City filming spots the morning of and NBC News came down the next day.

Vice-Chair asked what the marketing consisted of, who is responsible for it and what they do.

Deputy City Manager Denny explained that the Festival Association does the marketing for the event via traditional advertising and newspapers.

Vice-Chair Hill stated that in the proposed budget on Page 225 is shows that the City pays approximately \$100k towards the Festival.

Acting City Manager Killebrew stated that the Festival of Whales parade is a City event held on the first day of the Festival of Whales' two-weekend event and the Concert and BBQ is the other City event which is held on the last day of the Festival of Whales. There are other events within the Festival of Whales that are happening and being overseen by the Festival of Whales Foundation. The City does provide a \$30k sponsorship.

Vice-Chair Hill stated that just for the Festival of Whales parade the City is giving someone \$45k.

Acting City Manager Killebrew responded that those costs include the balloons, restrooms, the high school band, and rentals.

Vice-Chair Hill continued that the City then pays a sponsorship of \$30k and asked what it pays for.

Acting City Manager Killebrew answered that this sponsorship is not for the parade.

Vice-Chair Hill directed the committee's attention to Page 225 of the proposed budget and stated that it doesn't seem to include all the costs.

Acting City Manager Killebrew responded that it does. He continued that staff was asked to provide fully loaded costs for this event which is found on Page 9 and 10 of Denny's presentation. These costs include police services which won't be found on Page 225 of the proposed budget.

Vice-Chair Hill asked if the \$12.7 million of the Police Contract includes the overtime for the FOW event.

Acting City Manager Killebrew answered, yes.

Vice-Chair Hill asked where are all of the items are in the proposed budget. Police overtime is in the police, staff overtime is within the department and wanted to know where that money flows through. He compared Denny's presentation to the proposed budget and felt that Denny's presentation was more inclusive. He wants to know the full cost of the Festival of Whales event because he believes it is over the \$100k that shows in the proposed budget.

Deputy City Manager Denny stated that the fully loaded costs for the Festival of Whales event can be found in his presentation on Pages 9 and 10. He continued his presentation on Page 11 – Sponsorship Events. He explained that this slide shows all the annual City Sponsorships and that sponsorships are different than City-run events.

Member Nelson stated that she understands that the City is committed to providing the Sponsorship listed for this year, but on a philosophical basis she wonders if the City Council should be looking at if the City should be making charitable contributions or if the individuals within the city should be making the contributions instead. For instance, many families give money to the Ocean Institute and contributions are made to the Dana Point Symphony, attendees pay for their tickets and maybe attendees can pay more for their tickets. She suggested that if the City could inform the current charities to let them know that the City would no longer be sponsoring their events it would give the various charities enough time to find other funding sources. She further stated that if the community believes that these are valuable events then they would step up. She is concerned whether it is appropriate for a city to choose winners or losers in terms of charitable donations. She stated that as a resident maybe she would like donations to go to homeless charities and not to the Ocean Institute as the Ocean Institute receives a lot of money. She suggested that maybe this is an area that FRC could recommend the City Council to consider looking for substitute sponsors for the events.

Vice-Chair Hill stated that he would like to know who benefits from the sponsored events. If they are restaurants then maybe the restaurants would be willing to sponsor

the event. Also, he would be interested in knowing who would be willing to sponsor the events as a goodwill gesture as a form of advertising maybe a real estate group.

Acting City Manager Killebrew stated that he can guarantee that all the sponsorship recipients on the list are doing everything in their power to receive every free dollar they can get. In the case of the Ocean Institute Youth programs, the Capo Valley Boys & Girls Club, the Turkey Trot, Grad Nite, and Relay for Life the City is a major line item in their budgets. Staff is not in a position to have a discussion about the Policy. The City in years prior gave the Ocean Institute Youth Program \$50k annually but after the recession it was reduced to the current \$25k. The Ocean Institute CCC is the California Coastal Commission and this sponsorship is part of a settlement agreement and the City is required to pay the \$31,250 annually for six years. July 1st is the first year of six. With regards to the Turkey Trot, this is the City's one-time a year contribution to the Dana Point Chamber of Commerce fund-raising event and the Festival of Whales Foundation helps pay for a contract person who oversees the event.

Member Rolapp asked if the FRC should have on the next agenda that Vice-Chair Hill bring back this topic for discussion.

Vice-Chair Hill responded that this could take him two or three weeks to complete and asked Member Rolapp or Member Wall if either of them would like to assist him with the project.

Member Wall responded that he would assist him.

Member Nelson asked Vice-Chair Hill that when looking at the sponsorship recipients would he look at them more broadly. For instance, with regards to Dana Hills High School Grad Nite, she stated that she knows that almost all the kids that live in Capo Beach go to San Clemente High School and wants to know where their donation is.

Acting City Manager Killebrew stated that City of Dana Point has donated to San Juan Hills High School and is the designated high school for Capo Beach.

Vice-Chair Hill asked how many graduates are there approximately from Dana Hill High School

Acting City Manager Killebrew responded approximately 650 – 700.

Member Nelson asked Vice-Chair Hill to include in his analysis what other cities do. Are they also making charitable donations? Also, she suggests looking at their budgets. She continued that her yacht club used to give the Ocean Institute \$50k - \$60k annually from their charity regatta and just cut it off one year and they survived. The Ocean Institute has a big base of contributors and believes that they are one recipient that can handle the \$25k going away.

Vice-Chair Hill stated that in light of the fact that the Ocean Institute is also getting the additional \$31,250 annually it can be substituted for the \$25k going away.

Acting City Manager Killebrew responded that to take money from them and have them do a new program and then give them the money back is a bit disingenuous.

Vice-Chair Hill stated that he will look at alternatives and then come back as a group and discuss them.

Member Nelson stated that as a general topic and because it was agreed that there won't be sacred cows, they will have to look at everything. She continued that she would like to make a suggestion to the committee that in the next couple of meetings that the committee start an approach of looking at everything in a methodical way. As an example looking at department by department or possibly starting with revenue.

Acting City Manager Killebrew stated that the agenda before the FRC is the proposed budget he is hoping the City Council considers and makes decisions on at the next City Council meeting. As far as putting an agenda together, the FRC can decide to have another brainstorming workshop, however right now the FRC has the proposed FY18/19 budget with the understanding

that the City has asked for another \$600k they will discuss at the next City Council meeting. The Council went page by page through the budget if the FRC wants to do that as well that is fine.

Chair Porter asked that if the FRC decided to go page by page through the budget, when the GFOA consultant comes in, would the FRC have to go through the same process again.

Acting City Manager Killebrew responded that the consultant is at the policy level and would not have the FRC go page by page through the budget.

Chair Porter stated that a couple of meetings ago it was discussed that the CR&R contract was coming up and asked if the City was moving on that and if was having dialog on that contract.

Acting City Manager Killebrew stated that it's been brought up but the contract itself is not up for another several years, but it is on the City's radar.

The FRC agreed that maybe CR&R would be willing to be a sponsor.

Acting City Manager Killebrew responded that without asking for name recognition that they do provide a sort of sponsorship for the City in that they provide trash services for a lot of the events that have been discussed, but when we look at the franchise agreement there are always opportunities for discussion.

Member Nelson stated that she would like to put in the minutes that the City Council should be commended for taking the step of cutting \$600k out of the current budget and believes it is a smart thing to do.

Chair Porter wanted to state the following for the record. That Acting City Manager Killebrew has done an amazing job and that he is being attacked by Letters to the Editor and emails coming in, but he wanted to let him know that he has been a professional through the whole process and he appreciates the feedback that he can bounce off of him in dialogue. So he wanted to commend him. He knows that at the last meeting Member Rolapp also pointed out what a great job he was doing but he just wanted to thank him for the amazing job he has done and all his hard work and also thank the Staff for all of their hard work as well.

Member Nelson stated that she would like to commend Deputy City Manager Denny for the Community Services Community Activities PowerPoint presentation he provided. She continued that she would like to suggest for the agenda moving forward that the FRC look at revenue first and look at all types of revenue to see if there is an opportunity to enhance revenue in any area of the City and believes this is a more positive way to look at the budget instead of just looking for cuts to see if there is a way the City can grow its way out of the problem.

Member Rolapp stated that he endorses that and also wanted to add that NPDES is the National Pollution Discharge Elimination System.

PUBLIC COMMENTS:

There were no public comments

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Chair Porter adjourned the Financial Review Committee meeting at 6:30 p.m.

Attachment A

Legal Cost Data and Analysis

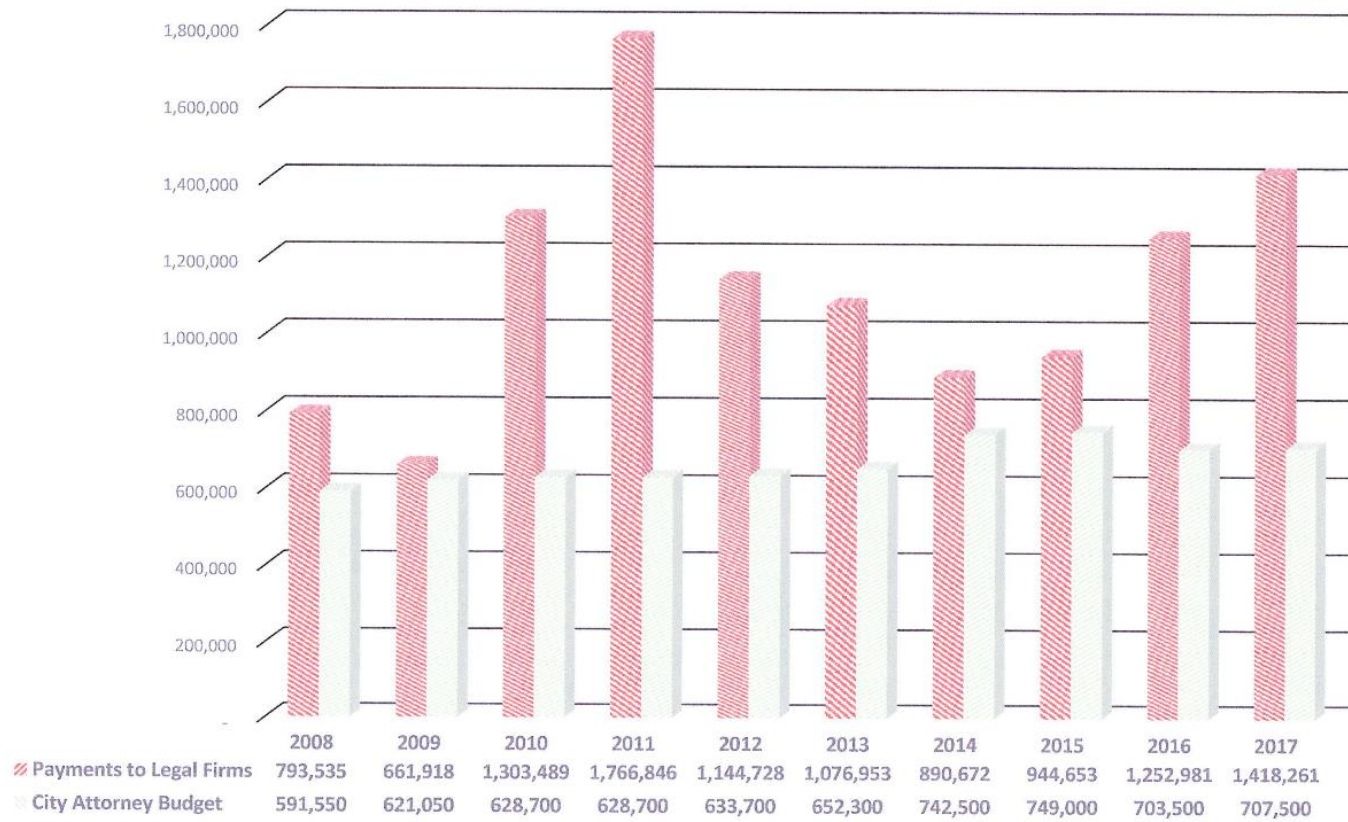
Dana Point Spendable Fund Balances Based on Budget as Submitted by Staff

**Annual Spendable Funds Surplus or Deficits FY 2008 to FY 2022
(without Structural Enhancements Needed for 2020 to 2022)**

Buck Hill

6/13/2017

Legal Costs vs Budgets



Dana Point Legal Costs

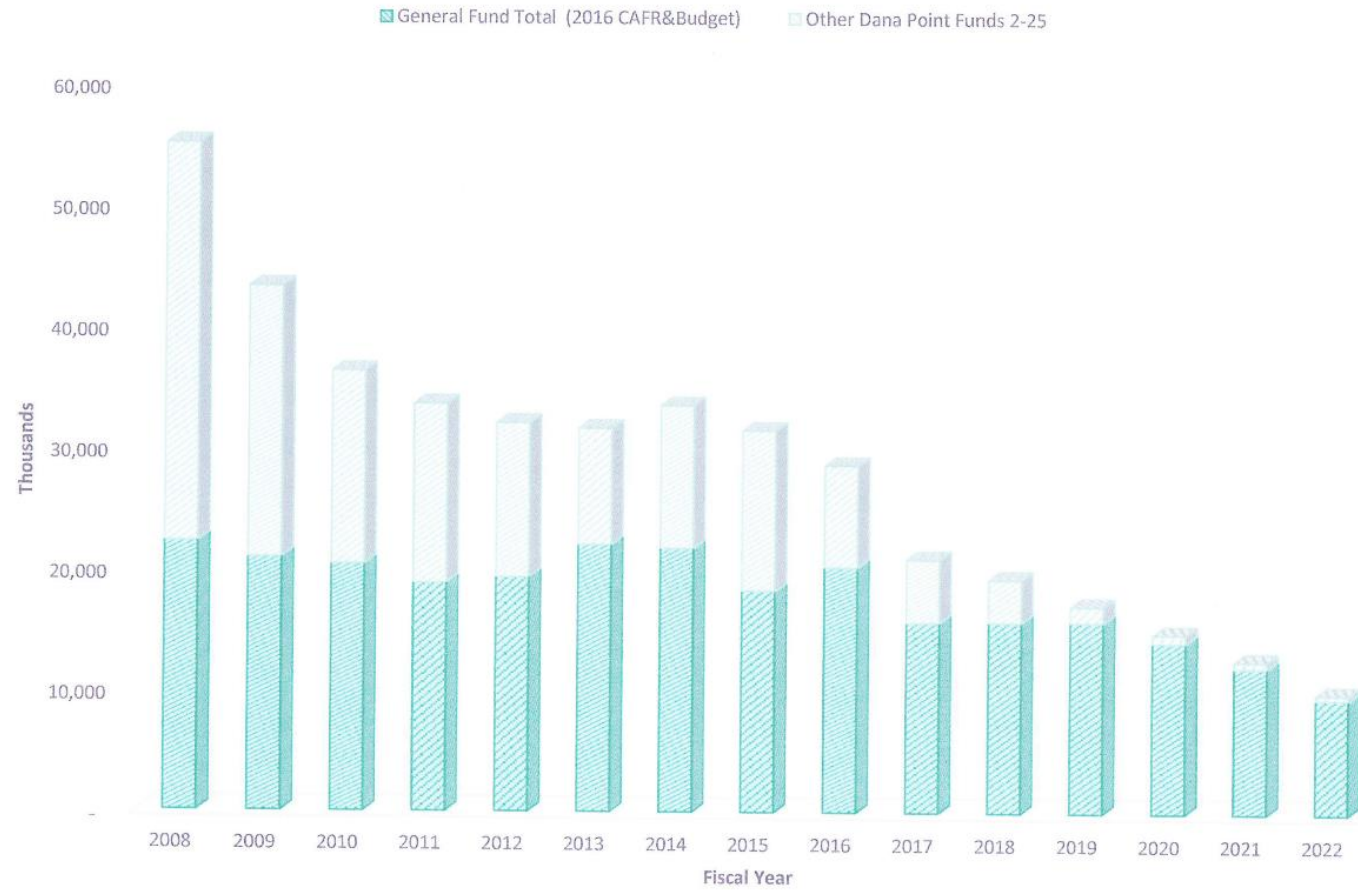
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------------------------------|---------|---------|---------|-----------|-----------|-----------|-----------|---------|---------|-----------|-----------|
| Rutan & Tucker | | | | | | | | | | | |
| Base | 577,357 | 656,254 | 568,499 | 904,265 | 1,473,779 | 967,862 | 784,727 | 458,207 | 693,289 | 766,489 | 1,207,377 |
| Reimbursable | 130,814 | 137,281 | 93,419 | 343,797 | 273,452 | 161,527 | 292,226 | 432,465 | 243,864 | 193,747 | N/A |
| Total | 708,171 | 793,535 | 661,918 | 1,248,062 | 1,747,231 | 1,129,389 | 1,076,953 | 890,672 | 937,153 | 960,236 | 1,207,377 |
| Aitkin Aitkin Cohn | | | | | | | | | | 48,949 | 121,278 |
| Richards, Watson, Gershon (Kaufman) | | | | | | | | | | 187,280 | 31,345 |
| Dave Neish | | | | 55,427 | 19,615 | 15,339 | | | 7,500 | 56,516 | 58,261 |
| Total Legal + Neish | 708,171 | 793,535 | 661,918 | 1,303,489 | 1,766,846 | 1,144,728 | 1,076,953 | 890,672 | 944,653 | 1,252,981 | 1,418,261 |
| Dana Point Total | 577,357 | 656,254 | 568,499 | 959,692 | 1,493,394 | 983,201 | 784,727 | 458,207 | 700,789 | 1,059,234 | 1,418,261 |
| Reimbursable | 130,814 | 137,281 | 93,419 | 343,797 | 273,452 | 161,527 | 292,226 | 432,465 | 243,864 | 193,747 | - |

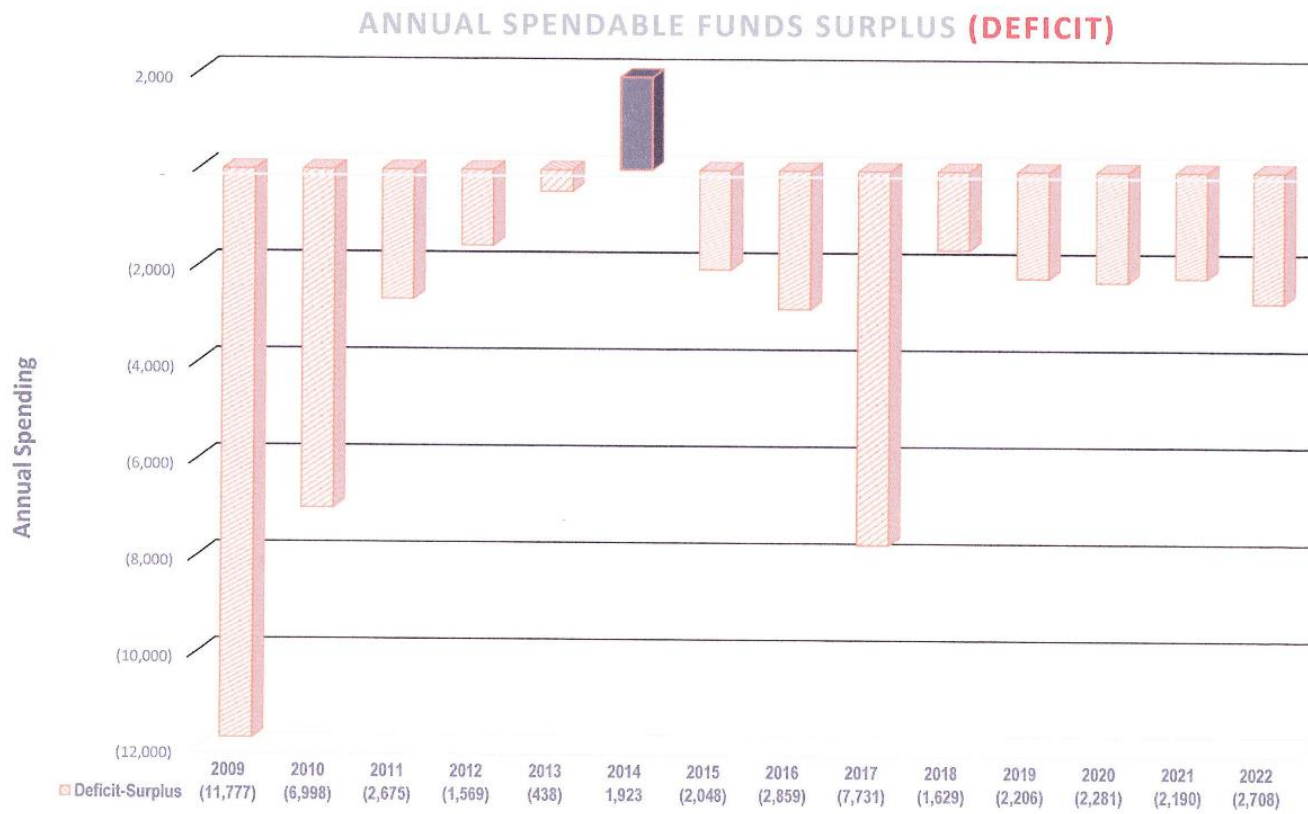
Legal Costs - South Orange County Cities

FY 2017

| City | Legal Costs | Cencus Bureau 2016est Population | Per Capita Legal Costs | Ratio to Mission Viejo |
|------------------------|-------------|----------------------------------------|---------------------------|------------------------------|
| Mission Viejo | 384,000 | 96,396 | 3.98 | 1.00 |
| Aliso Viejo | 268,000 | 51,424 | 5.21 | 1.31 |
| Laguna Niguel | 360,000 | 65,328 | 5.51 | 1.38 |
| Irvine | 1,571,345 | 266,122 | 5.90 | 1.48 |
| Tustin | 550,000 | 80,395 | 6.84 | 1.72 |
| Rancho Santa Margarita | 350,000 | 48,969 | 7.15 | 1.79 |
| San Juan Capistrano | 612,830 | 36,276 | 16.89 | 4.24 |
| Newport Beach | 1,715,588 | 86,688 | 19.79 | 4.97 |
| Laguna Beach | 635,000 | 23,190 | 27.38 | 6.87 |
| Dana Point | 1,418,261 | 34,012 | 41.70 | 10.47 |

DANA POINT FUNDS BALANCE





DANA POINT BALANCES BY FUND

| FUND # | FUND TITLE | 6/30/2008 | 6/30/2009 | 6/30/2010 | 6/30/2011 | 6/30/2012 | 6/30/2013 | 6/30/2014 | 6/30/2015 |
|-----------------------------------------------------------------------|--------------------------------|------------|--------------|-------------|-------------|-------------|------------|------------|-------------|
| Usable by Dana Point | | | | | | | | | |
| 1 | General Fund Unrestricted Cash | 10,023,613 | 8,114,119 | 8,776,739 | 6,974,360 | 7,892,363 | 9,973,393 | 10,283,844 | 6,482,259 |
| 2 | Gasoline Tax | 218,764 | 74,727 | 121,946 | 112,778 | 150,800 | 150,800 | 77,180 | 77,180 |
| 4 | Measure M | 529,311 | 937,241 | 346,538 | 39,481 | 95,371 | 72,297 | 108,809 | 109,718 |
| 5 | Clean Air | 33,713 | 63,027 | 117,476 | 150,404 | 191,709 | 243,356 | 259,762 | 313,761 |
| 11 | Capital Improvements | 29,055,122 | 18,390,921 | 12,604,674 | 11,707,080 | 9,584,850 | 6,386,453 | 8,854,011 | 10,357,523 |
| 12 | Facilities Improvement | 1,130,747 | 983,999 | 734,874 | 699,055 | 699,055 | 480,528 | 172,926 | 172,926 |
| 21 | Park Development | 411,850 | 487,250 | 542,650 | 595,550 | 582,950 | 676,550 | 683,350 | 583,500 |
| Tightly Restricted - Spendable | | | | | | | | | |
| 6 | Coastal Transit | 1,271,605 | 1,306,514 | 1,321,614 | 1,330,914 | 1,337,295 | 1,341,628 | 1,345,126 | 1,317,475 |
| 9 | CFD ESHA | - | - | - | - | - | 180,000 | 206,244 | 209,125 |
| 25 | Supplemental Law enforcement | 209,680 | 133,170 | 113,999 | 134,890 | 75,833 | 49,735 | 64,469 | 95,492 |
| 1 | Art In Public Places | - | - | - | - | - | - | - | 117,954 |
| 1 | Cash Flow Reserve | 3,090,000 | 3,191,000 | 2,795,000 | 2,882,000 | 2,737,000 | 2,943,000 | 2,973,000 | 3,030,000 |
| 1 | Emergency Reserve | 6,179,000 | 6,382,000 | 5,590,000 | 5,764,000 | 5,474,000 | 5,885,000 | 5,946,000 | 6,060,000 |
| 1 | CIP Reserve | 2,857,000 | 3,169,000 | 3,169,000 | 3,169,000 | 3,169,000 | 3,169,000 | 2,500,000 | 2,500,000 |
| Custodial Funds - Not Usable by Dana Point | | | | | | | | | |
| 7 | TBID | - | - | - | - | - | 1,919,640 | 1,747,528 | 1,461,422 |
| 27 | CFD 2006-1 Maintenance | - | 38,570 | 91,541 | 87,308 | 101,134 | 141,036 | 136,484 | 346,014 |
| 31 | Agency Trust | 2,043,514 | 2,628,463 | 1,663,723 | 2,393,012 | 3,152,382 | 2,028,149 | 2,770,011 | 3,519,719 |
| 33 | CFD Bondholder Fund | 24,255 | 24,255 | 1,250,379 | 1,194,115 | 1,409,179 | 9,737,772 | 4,097,999 | 4,792,818 |
| TOTAL Funds | | 57,078,174 | 45,924,256 | 39,240,153 | 37,233,947 | 36,652,921 | 45,378,337 | 42,226,743 | 41,546,886 |
| General Fund Total 2016 CAFR&Budget Funds 2-25 (without 7) | | 22,149,613 | 20,856,119 | 20,330,739 | 18,789,360 | 19,272,363 | 21,970,393 | 21,702,844 | 18,190,213 |
| Total Dana Point Spendable Funds | | 32,860,792 | 22,376,849 | 15,903,771 | 14,770,152 | 12,717,863 | 9,581,347 | 11,771,877 | 13,236,700 |
| Annual Change in Funds | | | (11,777,437) | (6,998,458) | (2,674,998) | (1,569,286) | (438,486) | 1,922,981 | (2,047,808) |

6/13/2017 Prepared by Buck Hill

Page 1

DANA POINT BALANCES BY FUND

| FUND # | FUND TITLE | 6/30/2016 | Budget 6/30/2017 | Budget 6/30/2018 | Budget 6/30/2019 | Plan 6/30/2020 | Plan 6/30/2021 | Plan 6/30/2022 |
|------------------------------------------------------------------------|--------------------------------|-------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| Usable by Dana Point | | | | | | | | |
| 1 | General Fund Unrestricted Cash | 7,684,506 | 2,890,102 | 2,164,121 | 2,035,189 | 258,014 | - | - |
| 2 | Gasoline Tax | 63,936 | 68,185 | 68,185 | 68,185 | | | |
| 4 | Measure M | 85,138 | 98,038 | 100,038 | 102,038 | | | |
| 5 | Clean Air | 359,353 | 55,335 | 98,335 | 141,335 | | | |
| 11 | Capital improvements | 6,239,136 | 3,732,026 | 2,163,340 | 107,359 | | | |
| 12 | Facilities Improvement | 172,926 | - | 30,000 | 10 | | | |
| 21 | Park Development | 133,500 | 53,500 | 53,500 | 53,500 | | | |
| Tightly Restricted - Spendable | | | | | | | | |
| 6 | Coastal Transit | 1,095,429 | 960,729 | 782,754 | 602,919 | 450,000 | 300,000 | 150,000 |
| 9 | CFD ESHA | 221,815 | 229,565 | 238,315 | 247,065 | 240,000 | 240,000 | 240,000 |
| 25 | Supplemental Law enforcement | 31,863 | 600 | 600 | 600 | - | - | - |
| 1 | Art In Public Places | 117,954 | 117,954 | 117,954 | 117,954 | 117,954 | 117,954 | 117,954 |
| 1 | Cash Flow Reserve | 3,287,380 | 3,377,000 | 3,630,000 | 3,645,040 | 3,718,401 | 3,794,417 | 3,909,456 |
| 1 | Emergency Reserve | 6,574,760 | 6,754,000 | 7,261,000 | 7,381,080 | 7,436,803 | 5,579,218 | 2,906,565 |
| 1 | CIP Reserve | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Custodial Funds - Not Usable by Dana Point | | | | | | | | |
| 7 | TBID | 1,727,768 | 1,680,768 | 1,442,768 | 1,202,768 | 1,100,000 | 1,000,000 | 900,000 |
| 27 | CFD 2006-1 Maintenance | 372,645 | 336,817 | 178,617 | 212,017 | 200,000 | 200,000 | 200,000 |
| 31 | Agency Trust | 3,837,242 | 4,700,000 | | | | | |
| 33 | CFD Bondholder Fund | 5,009,116 | 5,000,000 | | | | | |
| TOTAL Funds | | 39,514,467 | 32,554,619 | 20,829,527 | 18,417,059 | 16,021,172 | 13,731,589 | 10,923,975 |
| General Fund Total 2016 CAFR&Buc Funds 2-25 (without 7) | | 20,164,600 | 15,639,056 | 15,673,075 | 15,679,263 | 14,031,172 | 11,991,589 | 9,433,975 |
| Total Dana Point Spendable Funds | | 8,403,096 | 5,197,978 | 3,535,067 | 1,323,011 | 690,000 | 540,000 | 390,000 |
| Total Dana Point Spendable Funds | | 28,567,696 | 20,837,034 | 19,208,142 | 17,002,274 | 14,721,172 | 12,531,589 | 9,823,975 |
| Annual Change in Funds | | (2,859,217) | (7,730,662) | (1,628,892) | (2,205,868) | (2,281,102) | (2,189,583) | (2,707,614) |

Attachment B

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

CITY OF DANA POINT - 5 YEAR PROJECTIONS

MIKE KILLEBREW'S ADDITIONS

| | <i>Amended Budget</i> | <i>Proposed Budget</i> | <i>Proposed Budget</i> | <i>Projected</i> | <i>Projected</i> | <i>Projected</i> |
|-------------------------------------|---------------------------|----------------------------|----------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| 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) |
| Structural Solutions 2020* | - | - | - | 1,648,090 | 1,648,090 | 1,648,090 |
| Structural Solutions 2021* | - | - | - | - | 391,493 | 391,493 |
| Structural Solutions 2022* | - | - | - | - | - | 518,030 |
| 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) |
| Net surplus/(deficit) | (4,325,033) | 34,019 | 6,187 | - | - | - |
| 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) |
| Unassigned fund balance end | \$ 2,890,102 | \$ 2,164,121 | \$ 2,035,188 | \$ 1,906,104 | \$ 1,678,057 | \$ 1,464,590 |
| Reserves | \$ 12,748,954 | \$ 13,508,954 | \$ 13,644,074 | \$ 13,773,158 | \$ 14,001,205 | \$ 14,214,673 |
| Unassigned fund balance, end | 2,890,102 | 2,164,121 | 2,035,188 | 1,906,104 | 1,678,057 | 1,464,590 |
| Total General Fund | \$ 15,639,056 | \$ 15,673,075 | \$ 15,679,262 | \$ 15,679,262 | \$ 15,679,262 | \$ 15,679,262 |

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

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

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

Attachment C

CITY OF DANA POINT - 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

Attachment D

| RUTAN AND TUCKER COSTS FY07-FY17 (unaudited) | | | | | | | | | | | | 10 months |
|----------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| 05/13/2017 | | | | | | | | | | | | Jul-Apr |
| DESCRIPTION | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | |
| | All | All | All | All | All | All | All | All | All | All | All | All |
| Non Reimbursable: | | | | | | | | | | | | |
| Administrative Services | 11,613 | 26,524 | 8,094 | 16,155 | | | | | | | | |
| Beach Cities Collective | | | | 30,613 | 170,704 | 120,647 | 98,025 | | 1,942 | | | |
| Beach Cities vs Dana Point | | | | | 72,675 | 28,899 | 49,929 | | | | | |
| CA Hide It Lock It | | | | 242 | 11,780 | 282 | 421 | | 458 | 386 | | |
| Cable TV | 3,558 | 9,693 | 7,236 | 7,461 | 412 | | | | | | | |
| Capo by the Sea | | | | | | | | | | 13,360 | 31,297 | |
| City Clerk | 19,023 | 26,873 | 31,455 | 19,607 | 11,068 | 9,449 | 3,040 | 8,293 | 9,970 | 19,126 | 35,786 | |
| City Council | 51,293 | 46,132 | 4,282 | 3,238 | 1,145 | 3,568 | | | | | | |
| City Manager | 122 | | | | | | | | | | | |
| City of Dana Point NPDES Test Claim | | | | | 18,023 | 366 | 1,006 | | 26,817 | 2,308 | 21,284 | |
| City Prosecutor | 66,407 | 105,713 | 54,660 | 48,913 | 82,786 | 81,861 | 64,611 | 105,465 | 152,169 | 100,960 | 63,115 | |
| Code Enforcement | 59,975 | 45,552 | 37,508 | 181,854 | 110,976 | 108,382 | 194,083 | 98,092 | 114,630 | 105,944 | 143,615 | |
| Community Development | 33,496 | 36,496 | 28,873 | 12,590 | 4,036 | 18,898 | 35,021 | 33,534 | 77,612 | 105,643 | 79,481 | |
| County: Muni Code | | 1,084 | | | | | | | | | | |
| Dana Point Beach Collective | | | | 2,646 | 684 | | | | | | | |
| Development Processing | | 7,998 | 10,344 | | | | | | | | | |
| Doheny House | 4,291 | 5,260 | | | | | | | | | | |
| DP Harbor Collective | | | | 2,615 | 1,668 | | | | | | | |
| General IP | | | | | | | | | 265 | 470 | | |
| Hamilton v. City of D. Point | 9,311 | | | | | | | | | | | |
| Harboring the Gd Life | 584 | 1,914 | 985 | 625 | | | | | | 645 | | |
| Headlands Indemnity & Fee Dispute | | | | | | | | | | 19,850 | 54,464 | |
| Holistic Health | | | | 8,056 | 258,543 | 91,322 | 16,965 | | 476 | 1,036 | | |
| Holistic Health vs Dana Point | | | | | 21,795 | 38,182 | | | | | | |
| Housing Element | 8,113 | 1,628 | 1,947 | 115 | | | | | | | | |
| IRS Appeal | | | | 32,050 | 109,030 | 15,420 | | | | | | |
| Jeffrey Schwartz | | | | | | | 26,529 | | 313 | | | |
| Jonathan Michael French | | | | | | | | | | | 397 | |
| Lexington Bad Faith | | 34,797 | | | | | | | | | | |
| Litigation General | 1,393 | 13,059 | 1,492 | 16,583 | 183 | 18,761 | | 48 | 1,063 | 245 | 50 | |
| Luminance Health Group | | | | | | | | | | | 6,047 | |
| Malinda Trout | | | | 41,173 | 115,296 | 79,243 | | | | | | |
| Miscellaneous IP | | | 346 | 1,191 | 1,989 | | | | | | | |
| Nonretainer General | 103,600 | 115,572 | 196,671 | 195,287 | 100,788 | 163,804 | 117,742 | 90,403 | 153,407 | 134,121 | 193,718 | |
| NPDES Permit | 124 | 17,482 | 14,570 | 30,287 | 14,179 | 11,565 | 13,561 | 7,668 | 12,284 | 65,394 | 14,883 | |
| Patterson Receivership | | | | | | | | | | 7,439 | 6,444 | |
| Personnel | 7,752 | 12,542 | 1,947 | 3,687 | 8,765 | 8,679 | 10,320 | 6,573 | 1,879 | 4,266 | 2,334 | |
| Privacy Policy | | | | | | | | | | | 3,546 | |
| Public Works | 44,762 | 43,042 | 58,792 | 20,936 | 2,313 | 36,444 | 8,230 | 12,099 | 14,437 | 9,601 | 15,185 | |
| Ramesh Manchada | 33,146 | | | | | | | | | | | |
| Redwood Sanctuary | | | | 2,802 | 741 | | | | | | | |
| Retainer General | 94,380 | 103,200 | 107,328 | 106,984 | 107,328 | 107,345 | 109,479 | 95,182 | 112,476 | 112,505 | 96,640 | |
| Safe Access | | | | | 19,913 | | | | | | | |
| Sobertec LLC | | | | | | | | | | 5,688 | 25,075 | |

| RUTAN AND TUCKER COSTS FY07-FY17 (unaudited) | | | | | | | | | | | 10 months |
|----------------------------------------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 06/13/2017 | | | | | | | | | | | Jul-Apr |
| DESCRIPTION | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 |
| | All | All | All | All | All | All | All | All | All | All | All |
| Solid Waste Issues | 5,050 | 1,692 | | 4,077 | | 1,078 | | 850 | 6,248 | 16,116 | |
| Strand Gate LCPA | | | | | | | | | | 506 | 13,895 |
| The Point Alternative Care | | | | 20,593 | 145,133 | 7,486 | 608 | | | | |
| Town Center Prop Acquis | | | 1,672 | 15,922 | 41,579 | 15,517 | 12,620 | | 819 | 3,163 | 5,159 |
| Town Center Dev Impact Fee | | | | | | | 19,538 | | 121 | | |
| Town Center Voter Initiative | | | | | | | | | 5,905 | 37,717 | 3,199 |
| Two Doheny, LLC | | | 298 | 77,962 | 40,245 | 664 | | | | | |
| Waterford Point HOA | 19,366 | | | | | | | | | | |
| Total - Non-Reimbursable Costs | 577,357 | 656,254 | 568,500 | 904,265 | 1,473,779 | 967,862 | 781,728 | 458,207 | 693,289 | 766,489 | 815,616 |
| Reimbursable: | | | | | | | | | | | |
| A&M Capital R/E | | | | | | 13,482 | | | 17,754 | | |
| Arbor Life Consulting*** | 800 | | | | | | | | | | |
| Breathtaking That's the Point | | | | | | | 694 | 1,873 | 145 | 1,242 | |
| CC&R Review | 4,416 | 25,664 | 5,919 | 1,197 | 98 | | | | 196 | | |
| Chula Vista Appeal | 14,864 | 320 | | | | | | | | | |
| Coastal Community Access | | | | 31,861 | 190,970 | 147,778 | 55,881 | 118,150 | 109,082 | 394,881 | 50,133 |
| Dana Point and Design | | | | | | | 1,142 | 2,016 | 145 | 1,176 | |
| Dana Point Breathtaking | | | | | | | 1,295 | 2,343 | 6,046 | 1,671 | |
| Development Processing | | | | | | | | | | | 17,173 |
| Doheny House | | | 35,582 | | | | | | | | |
| Draz/Doheny Hotel | | | | | | | 18,856 | 70,565 | 15,435 | 2,628 | 1,250 |
| Finnegan Receivership | | | | | | | | | | 24,416 | 13,192 |
| Headlands CFD | | | 4,151 | 32,372 | 90 | | 380 | | 2,827 | | 3,592 |
| Headlands Fonfa Foreclosure | | | | | | 300 | | | 4,682 | | |
| Headlands CFD RMB Foreclosure | | | | | | | | | | 3,626 | |
| Headlands Processing | 25,137 | 48,183 | 21,160 | 122,514 | 10,464 | 9,682 | 8,107 | | 684 | | |
| International B | | | 2,542 | 8,789 | 18,401 | | | | | | |
| James Seitz | 48 | | | | | | | | | | |
| Majestic Housing and Dev | | | | | | | | | 9,632 | 15,803 | 4,689 |
| MAKAR General Plan | 1,440 | 49,358 | 24,065 | 3,458 | | | | | | | |
| Nieves Landscaping*** | 29,845 | | | | | | | | | | |
| Pepi Weitzman | 18,009 | | | | | | | | | | |
| Robert Traphagen | 36,255 | 1,065 | | | | | | | | | |
| Scenic Drive | | 12,691 | | | | | 2,542 | 2,751 | 525 | 53 | |
| Seaside Inn | | | | | | | | | | | 38,393 |
| S. OC Waste/ Makar | | | | 118,808 | 53,345 | 418 | | | | | |
| South Shores Church | | | | 24,799 | 85 | 170 | 3,705 | | 63,188 | 2,175 | |
| TBID | | | | | | | 1,193 | 239 | 7,656 | 5,415 | 1,637 |
| Terese Coppi | | | | | | | 198,431 | 234,528 | 20,748 | | |
| Thomas D Vegh Foreclosure | | | | | | 3,179 | | | | | |
| Zephyr Partners CFD | | | | | | | | | 2,874 | 40,662 | 39,480 |
| Total Reimbursable Costs | 130,814 | 137,281 | 93,419 | 343,797 | 273,452 | 161,528 | 292,226 | 432,465 | 243,864 | 493,747 | 169,538 |

| RUTAN AND TUCKER COSTS FY07-FY17 (un | | | | | | | | | | | | |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|
| 06/13/2017 | | | | | | | | | | | | |
| DESCRIPTION | FY7 | FY8 | FY9 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | |
| | Routine | Routine | Routine | Routine | Routine | Routine | Routine | Routine | Routine | Routine | Routine | |
| Non Reimbursable: | | | | | | | | | | | | |
| Administrative Services | | | | | | | | | | | | |
| Beach Cities Collective | | | | | | | | | | | | |
| Beach Cities vs Dana Point | | | | | | | | | | | | |
| CA Hide It Lock It | | | | | | | | | | | | |
| Cable TV | | | | | | | | | | | | |
| Capo by the Sea | | | | | | | | | | | | |
| City Clerk | 19,023 | 26,873 | 31,455 | 19,607 | 11,068 | 9,449 | 3,040 | 8,293 | 9,970 | 19,126 | 35,786 | |
| City Council | | | | | | | | | | | | |
| City Manager | | | | | | | | | | | | |
| City of Dana Point NPDES Test Claim | | | | | | | | | | | | |
| City Prosecutor | 66,407 | 105,713 | 54,660 | 48,913 | 82,786 | 81,861 | 64,611 | 105,465 | 152,169 | 100,960 | 63,115 | |
| Code Enforcement | 59,975 | 45,552 | 37,508 | 181,854 | 110,976 | 108,382 | 194,083 | 98,092 | 114,630 | 105,944 | 143,615 | |
| Community Development | 33,496 | 36,496 | 28,873 | 12,590 | 4,036 | 18,898 | 35,021 | 33,534 | 77,612 | 105,643 | 79,481 | |
| County: Muni Code | | | | | | | | | | | | |
| Dana Point Beach Collective | | | | | | | | | | | | |
| Development Processing | | | | | | | | | | | | |
| Doheny House | | | | | | | | | | | | |
| DP Harbor Collective | | | | | | | | | | | | |
| General IP | | | | | | | | | | | | |
| Hamilton v. City of D. Point | | | | | | | | | | | | |
| Harboring the Gd Life | | | | | | | | | | | | |
| Headlands Indemnity & Fee Dispute | | | | | | | | | | | | |
| Holistic Health | | | | | | | | | | | | |
| Holistic Health vs Dana Point | | | | | | | | | | | | |
| Housing Element | | | | | | | | | | | | |
| IRS Appeal | | | | | | | | | | | | |
| Jeffrey Schwartz | | | | | | | | | | | | |
| Jonathan Michael French | | | | | | | | | | | | |
| Lexington Bad Faith | | | | | | | | | | | | |
| Litigation General | | | | | | | | | | | | |
| Luminance Health Group | | | | | | | | | | | | |
| Malinda Trout | | | | | | | | | | | | |
| Miscellaneous IP | | | | | | | | | | | | |
| Nonretainer General | 103,600 | 115,572 | 196,671 | 195,287 | 100,788 | 163,804 | 117,742 | 90,403 | 153,407 | 134,121 | 193,718 | |
| NPDES Permit | | | | | | | | | | | | |
| Patterson Receivership | | | | | | | | | | | | |
| Personnel | 7,752 | 12,542 | 1,947 | 3,687 | 8,765 | 8,679 | 10,320 | 6,573 | 1,879 | 4,266 | 2,334 | |
| Privacy Policy | | | | | | | | | | | | |
| Public Works | 44,762 | 43,042 | 58,792 | 20,936 | 2,313 | 36,444 | 8,230 | 12,099 | 14,437 | 9,601 | 15,185 | |
| Ramesh Manchada | | | | | | | | | | | | |
| Redwood Sanctuary | | | | | | | | | | | | |
| Retainer General | 94,380 | 103,200 | 107,328 | 106,984 | 107,328 | 107,345 | 109,479 | 95,182 | 112,476 | 112,505 | 96,640 | |
| Safe Access | | | | | | | | | | | | |
| Sobertec LLC | | | | | | | | | | | | |

| RUTAN AND FUCKER COSTS FY07-FY17 (un) | | | | | | | | | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------|
| 06/13/2017 | | | | | | | | | | | | |
| DESCRIPTION | FY7 | FY8 | FY9 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | |
| | Routine | Routine | Routine | Routine | Routine | Routine | Routine | Routine | Routine | Routine | Routine | Routine |
| Solid Waste Issues | | | | | | | | | | | | |
| Strand Gate LCPA | | | | | | | | | | | | |
| The Point Alternative Care | | | | | | | | | | | | |
| Town Center Prop Acquis | | | | | | | | | | | | |
| Town Center Dev Impact Fee | | | | | | | | | | | | |
| Town Center Voter Initiative | | | | | | | | | | | | |
| Two Doheny, LLC | | | | | | | | | | | | |
| Waterford Point HOA | | | | | | | | | | | | |
| Total - Non-Reimbursable Costs | 429,393 | 488,990 | 517,233 | 589,858 | 428,062 | 534,863 | 542,525 | 449,641 | 636,580 | 592,167 | 629,875 | |
| Reimbursable: | | | | | | | | | | | | |
| A&M Capital R/E | | | | | | | | | | | | |
| Arbor Life Consulting*** | | | | | | | | | | | | |
| Breathtaking That's the Point | | | | | | | | | | | | |
| CC&R Review | | | | | | | | | | | | |
| Chula Vista Appeal | | | | | | | | | | | | |
| Coastal Community Access | | | | | | | | | | | | |
| Dana Point and Design | | | | | | | | | | | | |
| Dana Point Breathtaking | | | | | | | | | | | | |
| Development Processing | | | | | | | | | | | | |
| Doheny House | | | | | | | | | | | | |
| Draz/Doheny Hotel | | | | | | | | | | | | |
| Finnegan Receivership | | | | | | | | | | | | |
| Headlands CFD | | | | | | | | | | | | |
| Headlands Fonfa Foreclosure | | | | | | | | | | | | |
| Headlands CFD RMB Foreclosure | | | | | | | | | | | | |
| Headlands Processing | | | | | | | | | | | | |
| International B | | | | | | | | | | | | |
| James Seitz | | | | | | | | | | | | |
| Majestic Housing and Dev | | | | | | | | | | | | |
| MAKAR General Plan | | | | | | | | | | | | |
| Nieves Landscaping*** | | | | | | | | | | | | |
| Pepi Weitzman | | | | | | | | | | | | |
| Robert Traphagen | | | | | | | | | | | | |
| Scenic Drive | | | | | | | | | | | | |
| Seaside Inn | | | | | | | | | | | | |
| S. OC Waste/ Makar | | | | | | | | | | | | |
| South Shores Church | | | | | | | | | | | | |
| TBID | | | | | | | | | | | | |
| Terese Coppi | | | | | | | | | | | | |
| Thomas D Vegh Foreclosure | | | | | | | | | | | | |
| Zephyr Partners CFD | | | | | | | | | | | | |
| Total Reimbursable Costs | | | | | | | | | | | | |



COMMUNITY SERVICES

Community Activities

81-2410

**Creating community through people, parks and programs
by providing recreational and cultural arts programs for all ages.**

- ❖ Strengthen community image and sense of place
- ❖ Strengthen safety and security
- ❖ Promote health and wellness
- ❖ Foster human development
- ❖ Increase cultural unity
- ❖ Provide recreational experiences

4th of JULY FIREWORKS SHOW



| 4 th of July | FY 16* | FY 18 | FY 19 |
|----------------------------|---------|---------|---------|
| Show | 133,262 | 125,000 | 130,000 |
| Shuttle Bus | 10,987 | 13,000 | 13,000 |
| Police | 32,022 | 34,560 | 34,560 |
| SWRCB Permit | 2,062 | 2,500 | 2,500 |
| Restrooms | 1,758 | 2,000 | 2,000 |
| Staff OT | 2,902 | 3,000 | 3,000 |
| Traffic Control | 7,119 | 7,250 | 7,250 |
| Misc. (Ads, flyover, etc.) | 1,331 | 1,500 | 1,500 |
| TOTAL | 191,443 | 188,810 | 193,810 |

- **Attendance: 200,000+**

CEREMONIES



| Ceremonies | FY 16* | FY 18 | FY 19 |
|-------------------|--------|-------|-------|
| Ceremonies/events | 703 | 2,500 | 2,500 |
| TOTAL | 703 | 2,500 | 2,500 |

- **Attendance: Varies**

SUMMER CONCERTS



| Summer Concerts | FY 16* | FY 18 | FY 19 |
|----------------------|----------------|----------------|----------------|
| 7 Concerts | 123,974 | 135,000 | 140,000 |
| Shuttle Bus | 16,401 | 17,000 | 17,000 |
| Police (4 per event) | 17,920 | 17,920 | 17,920 |
| Staff OT | 9,887 | 10,000 | 10,000 |
| TOTAL | 178,281 | 179,920 | 184,920 |

- **Attendance:** 3000+ per
- **Avg. Cost:** \$25,469

HALLOWEEN SPOOKTACULAR & MOVIE



| Halloween Spooktacular | FY 16* | FY 18 | FY 19 |
|------------------------|--------------|---------------|---------------|
| 3 Events | 7,397 | 10,000 | 10,000 |
| Police | 0 | 0 | 0 |
| Staff OT | 784 | 800 | 800 |
| TOTAL | 8,181 | 10,800 | 10,800 |

- **Attendance: 1,800**
- **Avg. Cost: \$2,727**

EGG HUNTS



| Egg Hunts | FY 17* | FY 18 | FY 19 |
|------------------------|--------|--------|--------|
| Event | | | |
| Supplies/Entertainment | 14,728 | 14,000 | 14,000 |
| Police | 0 | 0 | 0 |
| Staff OT | 287 | 300 | 300 |
| TOTAL | 15,015 | 14,300 | 14,300 |

- **Attendance: 2,000+**
- **Avg. Cost: \$7,508**
(Two locations – Pines Park & Sea Canyon Park)

JUNE MOVIES IN THE PARK



| Movies in the Park | FY 16* | FY 18 | FY 19 |
|--------------------|---------------|---------------|---------------|
| Movies | 26,687 | 30,000 | 30,000 |
| Police | 6,400 | 6,400 | 6,400 |
| Staff OT | 1,127 | 1,500 | 1,500 |
| TOTAL | 34,214 | 37,900 | 37,900 |

- **Attendance:** 1,000 per movie night – 5,000 total
- **Avg. Cost:** \$6,843

WINTER FESTIVAL & TREE LIGHTING



| Winter Festival/ Tree Lighting | FY 16* | FY 18 | FY 19 |
|-----------------------------------|--------|--------|--------|
| Festival | 35,482 | 33,000 | 35,000 |
| Police | 1,280 | 1,280 | 1,280 |
| Staff OT | 3,555 | 4,000 | 4,000 |
| TOTAL | 40,317 | 38,280 | 40,280 |

- **Attendance: 3,000+**

FESTIVAL OF WHALES CONCERT & BBQ



| Festival of Whales Concert/BBQ | FY 17* | FY 18 | FY 19 |
|--------------------------------|---------------|---------------|---------------|
| Concert/BBQ | 15,975 | 17,500 | 17,500 |
| Shuttle Bus | 5,700 | 5,700 | 5,700 |
| Police | 1,817 | 1,817 | 1,817 |
| Staff OT | 1,060 | 1,100 | 1,100 |
| TOTAL | 24,552 | 26,117 | 26,117 |

- **Attendance: 2,000+**

FESTIVAL OF WHALES PARADE



| Festival Of Whales Parade | FY 16* | FY 18 | FY 19 |
|---------------------------|---------------|---------------|---------------|
| Parade | 39,345 | 45,000 | 45,000 |
| Shuttle Bus | 6,600 | 6,600 | 6,600 |
| Police | 15,752 | 15,752 | 15,752 |
| Staff OT | 1,726 | 2,000 | 2,000 |
| Marketing | 10,992 | 11,000 | 11,000 |
| Traffic Control | 14,954 | 15,000 | 15,000 |
| TOTAL | 89,369 | 95,352 | 95,352 |

- **Attendance: 5,000**

SPONSORSHIP EVENTS

| Sponsorship Events | FY 18 Budget | FY 19 Budget | Estimated Attendance |
|---------------------------------|-----------------|-----------------|-------------------------|
| | | | |
| Grad Night DHHS | 3,000 | 3,000 | 400 |
| Relay For Life | 7,000 | 7,000 | 700 |
| Art Festivals | 12,000 | 12,000 | 750 |
| Ocean Institute- Youth Programs | 25,000 | 25,000 | 115,000 |
| Ocean Institute- CCC | 31,250 | 31,250 | 700 |
| Capo Valley Boys & Girls Club | 25,000 | 25,000 | 2,300 |
| Dana Point Grand Prix | 10,000 | 0 | 300 |
| Dana Point Symphony | 20,000 | 20,000 | 3,000 |
| Turkey Trot | 20,000 | 20,000 | 17,000 |
| Festival of Whales | 30,000 | 30,000 | 50,000 |
| TOTAL | 183,250 | 173,250 | 190,150 |