



MINUTES

CITY OF DANA POINT

INVESTMENT REVIEW COMMITTEE

TUESDAY, JUNE 16, 2009

LOCATION: City Hall, First Floor, Suite 102, 33282 Golden Lantern, Dana Point, CA 92629

CALL TO ORDER: Mayor Lisa Bartlett called the meeting to order at 3:10 p.m.

ROLL CALL: Committee Members

Lisa Bartlett, Chair
Scott Schoeffel, Vice Chair
Larry Rolapp, Public Member
Nancy Baumann, Public Member
Doug Chotkevys, City Manager
Mike Killebrew, Asst. City Manager/Administrative Services Director

Staff Present

Brad Fowler, Director of Public Works
Sea Shelton, Sr. Management Analyst
DyAnne Weamire, Administrative Secretary

Also Present

Bill Marticorena, Attorney, Rutan & Tucker
Jim Fabian, Principal, Fieldman, Rolapp & Associates

Absent

Andy Glass, Accounting Manager

PUBLIC COMMENTS:

No Public Comments

REORGANIZATION:

1. It was moved by Member Chotkevys and seconded by Member Rolapp to select Mayor Lisa Bartlett as Chair and Council Member Scott Schoeffel as Vice Chair.

APPROVAL OF MINUTES:

2. It was moved by Member Rolapp and seconded by Member Baumann to approve the minutes of November 25, 2008 Investment Review Committee as presented.

NEW BUSINESS:

- 3. Review possible funding options and recommend alternatives for the PCH/Del Prado Street Improvement Project Phase I (Town Center Project).**

Since Member Rolapp's firm is the current Financial Advisor to the City on the Town Center project he recused himself as a member of the IRC at 3:16 p.m. with respect to the committee's review of possible funding options for the PCH/Del Prado Street Improvement Project Phase I (Town Center Project).

Member Chotkevys provided a brief background and history on the Town Center Project including the added level of public outreach effort that was undertaken. He explained how Director of Public Works, Brad Fowler, continues the effort and is working closely with business and property owners on specifics of the design in order to complete the final design. He emphasized that the City's conservative fiscal practices has put it in a much more stable position than many of its local government counterparts. Member Chotkevys also talked about how the project would require additional investment by the City and that considering the current economic recession, it would be difficult for the City to commit funds to the project unless there is a significant turnaround in the economy. He communicated that it will not be until at least six months from now that the City would be able to tell if it can financially support the Town Center Project.

Member Killebrew concurred with Member Chotkevys's statements and reiterated that a conservative approach must be taken. Member Killebrew then turned the Committee's attention to the presentation handout that was distributed to the attendees and gave an overview and outlook on the City's budget.

Mr. Rolapp suggested that the Investment Review Committee look carefully at the various financing options available to the City and lay out some facts and alternatives during this first meeting.

Director of Public Works, Brad Fowler provided an estimate of costs associated with the Town Center preliminary design plan of approximately \$19.1 million. He explained that the cost was based on the preliminary design and December 2008 construction costs. The estimate also does not include the cost of any financing or design costs that have already been spent. Actual construction bids would be based on final design, plans and specifications. The final design was estimated to be completed Winter of 2009-2010. Mr. Fowler stated that they were very conservative in their estimate and absent any

major changes to the design, he felt that the final cost would be relatively close to the estimated of \$19.1 million.

Mr. Rolapp indicated that, if it was the City's intent to do so, a bond sale could be initiated after bids are received, but prior to the award of a construction contract.

Member Chotkevys explained that he did not feel that the project would be funded 100% with bond financing, and there would likely need to be a cash commitment from the City of possibly \$3 to \$5 million.

Chair Bartlett asked if cost savings on the road improvements relative to the current positive bidding market had been factored into the cost. Brad Fowler answered that it had because the estimate was recently prepared.

Member Chotkevys explained that the current market for commodities such as steel and concrete will be a factor in final project cost. Mr. Rolapp explained that some of the stimulus money is out there and that the price of steel and concrete is expected to increase as stimulus projects commence.

Mr. Fowler explained that he has a very detailed estimate that provides a breakdown of costs for the \$19.1 million project as of 2008, but explained that prices have more than likely changed since the preliminary design and the cost of this project does not include financing. Mr. Fowler further explained that the final design estimate would be complete sometime in Winter 2009/10 and that construction of the project would conservatively take one year to 15 months to complete.

Member Killebrew stated that during the bidding process the City could pull together the documentation for financing needed for the project, assuming the economy and the City's finances improve.

Mr. Fowler explained that during their last board meeting, the South Coast Water District discussed a \$6 million utilities project that included installing water, sewer, and reclaimed water lines. Mr. Rolapp asked if the SCWD project and the Town Center project could be timed to coincide with each other or would the Town Center project need to wait for the SCWD project to be completed. Mr. Fowler explained that the City is encouraging SCWD to move ahead with their project as it is part of their master plan. He explained that the City would do its best to limit interruption of Town Center business during construction.

Mr. Fowler explained that the projected maintenance cost for the Town Center Project after project completion is estimated at approximately \$100,000 per year at the outset.

Member Chotkevys explained that the completion of the project would generate more property and sales tax which would help pay for debt service and maintenance.

Member Killebrew stated the City's current financial condition reflects a FY2010 year-end General Fund Balance of \$19.5M. He further explained that the City's Transient Occupancy Tax revenue budget was adjusted down in the current fiscal year by \$2.1 million, and sales tax is down 10%. He also stated that the City finished last Fiscal Year financially strong and that the City responded to \$3 million in revenue reductions this

fiscal year with \$3 million in expenditure reductions. Additionally, the area hotels are working together with their new Tourism Business Improvement District to joint-market the City.

Jim Fabian of Fieldman Rolapp & Associates explained that the financing options that are being presented to the City are for discussion and not necessarily recommendations. Options being presented include: Pay-As-You-Go, cash contributions, Developer Fees including Parking in-lieu, General Obligation Bonds, Community Facilities Districts, Lease Revenue Bonds/Certificates of Participation, growth of tax revenue from Town Center Area and/or some combination of all the options explained. Mr. Fabian explained that General Obligation Bonds (GO's) require a 2/3rds voter approval under Article XVI, Section 18 of the California State Constitution and that debt would be payable from ad valorem property taxes in an amount sufficient to pay principal and interest on bonds coming due each year. In addition, GO's can only be used to finance the acquisition or improvement to real property and there is no ability to fund ongoing maintenance using General Obligation Bonds. He further explained that "GO's" have the lowest borrowing cost given they are considered a very strong credit.

Chair Bartlett asked if the survey the City is proposing to send out to the community would include asking the community's opinion of financing for Town Center. Staff member Sea Shelton explained that the survey will briefly address this issue.

Jim Fabian explained another funding option available to the City - Community Facilities District Bonds ("CFD's"). The Mello-Roos Community Facilities Act of 1982 provides a mechanism for cities to finance the construction or acquisition of facilities and to fund certain services such as ongoing maintenance costs. This option requires a 2/3rds vote of registered voters within the CFD, or by landowners if less than 12 persons within the CFD boundaries are registered to vote, and the CFD may issue bonds secured by an annual levy of special taxes per the City's Adopted Local Goals and Policies and a special tax formula known as Rate and Method of Apportionment ("RMA"). Mr. Fabian added that the CFD's are the most flexible of the financing options but there is a higher borrowing cost. Mr. Marticorena stated that projects that generally pass with a 2/3 voter approval provide 100% community benefit, such as a library.

Mr. Fabian explained another financing option, Lease Revenue Bonds/Certificates of Participation ("LR/COPs"). "LR/COPs" credit ratings are based on the City's credit and health of the General Fund. The City is in good financial health and should be able to secure a stable credit rating. This funding option does not require a citizens vote but does require a Council vote and is more expensive than "GO's." The City would need to establish a non-profit corporation or joint powers authority to issue "LR/COPs." He further explained that the "LR/COPs" are quick to implement, with an approximate 90-day turn around and believes the City's credit rating will be high. The City would be required to pledge an unencumbered City asset as collateral.

Member Chotkevys suggested that some cities conduct polls to gauge the interests of the community prior to financing certain projects.

Mr. Rolapp stated that the City could also use a Business Improvement District to help fund the maintenance costs. The area business owners would need to support creation of such a district.

Member Chotkevys suggested that the City review the budget mid-year and the City will need to make a recommendation to the Council at that time.

Mr. Marticorena stated that staff can look at a culmination of all the funding options.

ADJOURNMENT:

There being no further business before the Investment Review Committee at this session, Chair Bartlett declared the meeting adjourned at 5:10 p.m.

CERTIFICATION:

I, Kathy M. Ward, City Clerk of the City of Dana Point, do hereby certify that a copy of the foregoing Agenda was posted at Dana Point City Hall, the Dana Point Post Office, the Capistrano Beach Post Office and the Dana Point Library, on Thursday, June 11, 2009 in accordance with law.

KATHY M. WARD, CITY CLERK

DATE

PURSUANT TO THE AMERICANS WITH DISABILITIES ACT, PERSONS WITH A DISABILITY WHO REQUIRE A DISABILITY-RELATED MODIFICATION OR ACCOMMODATION IN ORDER TO PARTICIPATE IN A MEETING, INCLUDING AUXILIARY AIDS OR SERVICES, MAY REQUEST SUCH MODIFICATION OR ACCOMMODATION FROM THE CITY CLERK AT (949) 248-3500 (TELEPHONE) OR (949) 248-9920 (FACSIMILE). NOTIFICATION 48 HOURS PRIOR TO THE MEETING WILL ENABLE THE CITY TO MAKE REASONABLE ARRANGEMENTS TO ASSURE ACCESSIBILITY TO THE MEETING.