



## **MINUTES**

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

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

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

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

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

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

Staff Present: Acting City Manager Mike Killebrew, Assistant City Attorney Jennifer Farrell, Accounting Manager Beverly Brion, Management Analyst Kate Lasso, and Deputy City Clerk Bobbi Ogan.

#### **NEW BUSINESS:**

##### **1. Minutes of Financial Review Committee meeting, March 27, 2017**

Member Rolapp suggested that on page 5 the word Authority should be inserted after "representation on the Board" and on page 9 a period after the word TOT to complete the sentence.

Vice-Chairman Hill felt that the minutes were not detailed enough and stated that there were no summaries of either presentation included. He stated that he would like to see more detailed minutes if possible.

Acting City Manager Killebrew replied that staff would have to bring in someone else in order to accomplish that. He asked the Committee if they would like an item included in the budget to provide for additional detail. He stated that a lot of staff time was already put into producing the minutes. He added that it was the City's tradition to provide action minutes and that staff has tried to include some detail of the discussion so they are considered summary minutes but these are not verbatim minutes. He stated that it was up to the Committee if they want to expend more resources to have more extensive minutes.

Vice-Chairman Hill stated that he would like the major discussions to have more detail.

Member Wall asked what the budget was for the committee meetings.

Acting City Manager Killebrew replied that there was no budget.

Vice-Chairman Hill suggested making the recording of the meetings available on the web and not create minutes.

Member Nelson asked for staff to just be consistent when drafting the minutes. She stated that if they are summary minutes then it should be for everything or detailed minutes for everything. She felt a summary should be sufficient.

IT WAS MOVED BY MEMBER NELSON, SECONDED BY MEMBER WALL, THAT THE COMMITTEE APPROVE THE MINUTES WITH AMENDMENTS AS PROPOSED BY MEMBER ROLAPP.

The motion carried by the following vote:

AYES: Chairman Porter, Member Nelson, Member Rolapp, and Member Wall

NOES: None

ABSTAIN: Vice-Chairman Hill

## **2. Statement of Safekeeping and Investment of Public Funds (“Investment Policy”)**

Acting City Manager Killebrew provided a staff report.

Member Wall asked who was on the treasury oversight.

Acting City Manager Killebrew replied that he was. He explained that the City Manager by Municipal Code is the City Treasurer and then the Administrative Services Director and the Accounting Supervisor oversee the investment portfolio. He stated that every month they provide a report to the City Council which shows the five treasury notes, the Local Agency Investment Fund and any money the City has in Bank of America, the City's checking account. He added that there is also the monthly bank reconciliation and the annual audit as well.

Vice-Chairman Hill asked how much cash was in the latter T bill category.

Acting City Manager Killebrew replied right around \$16 million.

Vice-Chairman Hill stated that he would be inclined to look at that carefully as the projected balances were declining rapidly. He felt that staff could be cashing T bills at a loss with the trend of interest rates.

Acting City Manager Killebrew replied that the City's cash flow projections do not show that staff will have to cash out any five year T bills any time soon.

Vice-Chairman Hill stated that the forecast shows an ending balance was 20 million.

Acting City Manager Killebrew replied no, that Vice-Chairman Hill was looking at the General Fund.

Vice-Chairman Hill asked if staff could help the Committee understand this.

Acting City Manager Killebrew replied that he would sit down with the members.

Member Nelson asked if the Committee could have a discussion on what the internal reviews and controls were in regards to wire transfers.

Acting City Manager Killebrew replied yes.

Member Rolapp suggested that the first line of the statement of safe keeping after the City of Dana Point should include "Investment Policy" in parentheses.

IT WAS MOVED BY MEMBER ROLAPP, SECONDED BY MEMBER WALL, THAT THE COMMITTEE RECOMMEND THAT THE CITY COUNCIL APPROVE THE CITY'S INVESTMENT POLICY WITH THE INCLUSION OF THE LANGUAGE "INVESTMENT POLICY" AS SUGGESTED BY MEMBER ROLAPP.

The motion carried by the following vote:

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

NOES: None

ABSTAIN: None

### **3. City Accounting Structure Overview (Presentation)**

Acting City Manager Killebrew provided an overview of the City's Accounting Structure and answered questions of the Committee Members.

Vice-Chairman Hill stated that there is a Financial Review Committee because Council is asked to make decisions on capital improvement projects and management of CIPs are a big thing. He added that the Committee needs a list of approved projects and those that will be coming. He stated that Council wants help getting this out and being transparent to the public. He felt that

developing policies were not the job of the Committee because Council makes decisions on policy.

Acting City Manager Killebrew reiterated what the charter of the Committee was which included developing policies.

#### **4. Discussion of potential future Financial Review Committee work plan ideas**

##### **a. Long-Term Financial Plan Model – Government Finance Officers Association**

Member Rolapp reported that he had been directed by the Chairman to meet with Acting City Manager Killebrew and that meeting was held last week. He stated that they had agreed that there was a need to develop financial policies and principles. He stated that Acting City Manager Killebrew had contacted GFOA with the possibility of them coming out to meet with the Committee. He described the San Clemente process for developing a long term financial plan. He stated that the problem here in Dana Point is that our staff has to present the budget in three weeks and it was not feasible to develop a long term financial plan prior to that. He suggested that the Committee get started on this process now and would suggest to the Committee that they recommend to the Council or staff to move forward on the initial process of developing a long term financial plan.

Member Nelson asked if this was the same guy she had found that had worked with San Clemente.

Member Rolapp replied yes, that his name is Shayne Kavanaugh and he had worked with the cities of San Clemente and San Juan Capistrano.

Member Nelson asked what the cost would be for the consultant.

Acting City Manager Killebrew replied that Mr. Kavanaugh was working up a cost. He stated that the consultant was suggesting that he interview Council Members, Financial Review Committee members, and the executive city staff to get a sense for the lay of the land and from those discussions he would draft financial principles. He added that the consultant would then feed those principles into actual financial policies. He stated that Shayne had suggested revenue and user fees, and general fund reserve policies followed by capital asset management policy, and operating budget policy. He added that there were still other polices to create but that would be enough to kick off a first round of a long range financial plan document. He stated that it would take the consultant a couple of weeks to put together a proposal.

Member Nelson stated that she did not anticipate a 200 page document similar to San Clemente's.

Acting City Manager Killebrew felt that a capital and fee policy would be a good place to start.

Chairman Porter stated that as a group that they need to get Council approval to move forward and asked if there was a motion.

Motion made by Member Rolapp, seconded by Member Nelson to direct staff to include a budget line item to include funding for a long range financial plan.

Member Nelson asked if the motion could include an overview of the financial forecast for the next five years including financial policies and principles.

Member Rolapp agreed.

Vice-Chairman Hill asked what the ballpark cost was.

Acting City Manager Killebrew replied that he had no idea.

IT WAS MOVED BY MEMBER ROLAPP, SECONDED BY MEMBER WALL, THAT THE COMMITTEE DIRECT STAFF TO INCLUDE A BUDGET LINE ITEM IN THE NEXT YEAR'S BUDGET THAT INCLUDES FUNDING THE INITIAL WORK FOR A LONG TERM FINANCIAL PLAN WHICH WOULD INCLUDE FINANCIAL POLICIES AND PRINCIPLES AND AN OVERVIEW OF THE FINANCIAL FORECAST FOR THE NEXT FIVE YEARS.

The motion carried by the following vote:

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

NOES: None

ABSTAIN: None

#### b. Budget

Chairman Porter asked if the City had a commission to put together a five year plan.

Acting City Manager Killebrew replied that there was no commission. He stated that everything needs to be updated as they feed into each other. He added that the consultant was recommending that the City begin updating the Strategic Plan to start.

Acting City Manager Killebrew stated that he would like to bring the fee study consultant to explain the fee study and provide insights after completion of the budget. He submitted the fee study for the record.

Member Nelson stated that the City has not adjusted fees in 20 years and felt that we were leaving money on the table that we should not. She added that the City should be recouping costs that the market could bear and that staff knows what the market would allow.

Member Nelson made a motion that the FRC recommend that the Council create a policy for recouping full costs for permit and user's fees that the market will bear, Vice-Chairman Hill seconded the motion.

Acting City Manager Killebrew felt that the City did not have a large enough facility for a meeting to deal with the backlash from raising the fees. He stated that we need to look at the fees line by line to see who is impacted by them and determine if there was greater public benefit to not charge the full rate.

Member Nelson stated that she would not suggest that the City charge the full rate on anything, just what makes sense to our City.

Acting City Manager Killebrew recommended that the Committee make the recommendation to move part of the way.

Member Nelson stated that it should be what makes sense to Dana Point.

Acting City Manager Killebrew suggested moving to recommend to the Council a 1/5<sup>th</sup> increase.

IT WAS MOVED BY MEMBER NELSON, SECONDED BY MEMBER WALL, THAT THE COMMITTEE RECOMMEND TO COUNCIL THAT THEY ACT IMMEDIATELY TO ADOPT A GENERAL POLICY THAT THE CITY WILL ATTEMPT TO RECOUP THE FULL COST OF USER FEES AND PERMITS BUT IT WOULD BE MODIFIED TO THE EXTENT THAT STAFF FEELS WOULD BE SUSTAINABLE TO THE GENERAL PUBLIC AND NO MORE THAN 1/5TH INCREASE FROM WHAT THE REPORT INDICATES.

The motion carried by the following vote:

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

NOES: None

ABSTAIN: None

There was discussion regarding Member Nelson's sensitivity analysis. Staff felt that the projections were not accurate and would not be supporting the recommendations if they were presented to Council.

Member Nelson asked if the recommendations on page 22 and 23 of her presentation would be forwarded to Council.

Acting City Manager Killebrew replied that they would be included with the minutes.

Member Nelson stated that she was under the impression that the Committee was going to review the information and decide whether to forward the recommendations to the City Council and asked if they could make a motion to do that.

The Committee had further discussion regarding Member Nelson's recommendations.

Vice-Chairman Hill stated that it was important to get the numbers in front of the Council so they could make an informed decision and felt that was not

happening. He used the example of providing the Council with a list of capital projects including when they will be spent and what they were for so they would have the total.

Member Nelson stated that she had done a lot of analysis which was presented at the last meeting. She added that it shows that in the last 10 years, the City has spent more than it has taken in. She stated that the total governmental funds have declined from a high of 55 million down to a projected 21 million. She felt that it makes sense to tell the Council that the City is running out of money and that they should only spend what is brought in.

Acting City Manager Killebrew responded that if you look at the history of the operation, the City has been spending what they take in except for extraordinary projects that the Council had approved over the years.

Member Nelson asked if staff was saying the City would not have extraordinary projects again.

Acting City Manager Killebrew replied that the City is working at a budget pace to pay for current operations and what we need to make as regular investments into the capital improvement program to maintain the existing infrastructure and buildings. He stated that staff will be suggesting that the Council address keeping the services that we are providing currently and what do we do as a community to move forward if we want to do some of these other projects.

Member Nelson made a motion to take the recommendations on pages 22 and 23 in the document entitled "City of Dana Point Financial Overview" and pass them along to the Council as recommendations of the FRC. She stated that she would make the presentation.

Assistant City Attorney Farrell suggested that it would be helpful for Brown Act purposes to put this item on the next agenda and include the recommendations.

Acting City Manager Killebrew replied that this was consistent with the budget discussion.

Chairman Porter amended the motion to allow Member Nelson to attend the next Council meeting to present the information so she could answer questions that they have.

Member Rolapp asked if Member Nelson was representing the Committee or making a presentation on behalf of herself.

Chairman Porter replied that she had made the presentation to the Committee so now she would make the presentation to the Council.

Member Rolapp stated that Member Nelson as a citizen could make any presentation she wanted to the Council. He felt uncomfortable that she would be representing the Committee based on tonight's discussion and questions of interpretation of the information.

Vice-Chairman Hill seconded Chairman Porter's amended motion to have Member Nelson present the information to Council.

Member Nelson stated that the only thing that she would adjust is to change the revenue numbers and remove the intergovernmental numbers. She added that it is basically the same story, revenue not climbing but expenses are.

Member Rolapp stated that there was a substantial disagreement in the presentation of the numbers.

Acting City Manager Killebrew stated that the severity of the trend lines were his concern and that the conclusions were changing on Page 19. He added that over the next two years staff was looking at revenues and expenditures in the General Fund to throw off somewhere between 1.6 and 2 million dollars available for capital projects. He stated that he was not recommending increases in anything in the coming budget.

Chairman Porter asked for clarification on whether Member Nelson would be representing herself or the Committee.

Acting City Manager Killebrew replied that she indicated she would be representing the Committee.

IT WAS MOVED BY MEMBER NELSON, SECONDED BY VICE-CHAIRMAN HILL, THAT THE COMMITTEE ALLOW MEMBER NELSON TO PRESENT THE DOCUMENT "CITY OF DANA POINT FINANCIAL OVERVIEW" TO THE CITY COUNCIL ON APRIL 18TH AND THAT THE RECOMMENDATIONS ON PAGES 22 AND 23 REPRESENT THE RECOMMENDATIONS OF THE FINANCIAL REVIEW COMMITTEE.

The motion failed by the following vote:

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

**OLD BUSINESS:**

There was no old business

**PUBLIC COMMENTS:**

There were no Public Comments.

**COMMITTEE MEMBER COMMENTS:**

Member Rolapp requested that if there were handouts from staff if they could be three hole punched. He felt that it would also be helpful if a member had a presentation for the



Committee and the public, if documents could be provided early so that they could be included in the agenda packet.

Vice-Chairman Hill referred to his handouts that he had for the Committee regarding the unfunded pension liability problem. He stated that the State has a huge unfunded pension liability and felt that the Committee should look at this because it was going to be budget inflation that we are not predicting at the moment. He felt that the CalPers numbers were grossly underestimated. He stated that the Council needs to think about how new employees should have a defined contribution plan rather than a defined benefit plan.

Acting City Manager Killebrew stated that staff has been watching what CalPers is doing and they have made adjustments. He added that Dana Point is in a pool with the other agencies in the State which is split between classic employees and new employees are paying half of the annual contribution.

**ADJOURNMENT:**

Chairman Porter adjourned the meeting at 5:57 p.m. Staff stated that they would coordinate with the Committee to set a date for the next meeting.