

# CITY OF DANA POINT

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**CITY COUNCIL  
SPECIAL  
MEETING**



**TUESDAY  
MAY 23, 2017  
6:00 P.M.**

## **MINUTES**

**Location: City Council Chamber, 33282 Golden Lantern, Suite 210, Dana Point, California 92629**

### **CALL TO ORDER**

The Regular Meeting of the City Council of the City of Dana Point, California, was called to order by Mayor Lewis at 6:00 p.m. in the City Council Chambers, 33282 Golden Lantern, Dana Point.

### **ROLL CALL OF CITY COUNCIL MEMBERS:**

Debra Lewis, Mayor  
Paul N Wyatt, Mayor Pro Tem  
Joseph L. Muller, Council Member  
John A. Tomlinson, Council Member  
Richard A. Viczorek, Council Member

### **CLOSED SESSION**

City Attorney Munoz stated that there was a need for Closed Session as follows:

A. PUBLIC EMPLOYMENT, Government Code § 54957: Title: City Manager recruitment

Mayor Lewis recessed the meeting into a Closed Session at 6:01 p.m. pursuant to Government Code Section 54956 et seq.

### **RECONVENE CITY COUNCIL MEETING – CALL TO ORDER**

Mayor Lewis reconvened the meeting at 8:09 p.m. All Council Members were present.

STAFF PRESENT: Patrick Munoz, City Attorney; Mike Killebrew, Acting City Manager; Kathy Ward, City Clerk; Mike Rose, Director of Emergency Services; Lt. Russ Chilton; Mark Denny, Deputy City Manager; Matthew Schneider, Planning Manager; Matthew Sinacori, Deputy Director of Public Works and Engineering; and Bobbi Ogan, Deputy City Clerk.

### **PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Council Member Muller

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## **PUBLIC COMMENTS**

There were no Public Comments.

## **UNFINISHED BUSINESS**

### **1. FISCAL YEARS 2017-18 AND 2018-19 BUDGET WORKSHOP**

The Mayor opened this item for Public Comments.

Buck Hill, Dana Point, applauded the efforts of the Council and provided a handout for Council's review. He stated the bars and the total funds that are spendable (and leave out agency funds). In 2008, the cash fund balance was 55 million dollars; there is \$20.8 million for this fiscal year and in 2022, it drops to \$9.8 million dollars. Mr. Hill stated that we used to have two years of total expenses in the bank and now it will go down to 25-30% of a year's spending, which means we will have to use reserves. Mr. Hill also stated that there is a FRC Budget Workshop tomorrow from 4:00 – 6:00 pm which is open to the public.

Mayor Lewis closed the Public Comments.

Mayor Pro Tem Wyatt stated he requested this workshop to discuss ideas among the Council. He worked with Acting City Manager Killebrew and Deputy City Manager Denny to create a stabilizing budget for a year and looked at Strategic Plan priorities.

The budget presented last week met the basic goal of holding expenses flat for the 2017/18 and 2018/19 budgets. He stated he looked at the offsets and \$2.6 million set aside for Capital/Facilities Improvements. He noted that most departments are down from 2017 to help offset those savings.

Mayor Pro Tem Wyatt spoke about Page 20 titled "Proposed Operating and Capital Improvement Budget Extension of Revenues and Expenditures Through FY 22" to reduce the \$1,648,090 projected deficit in 2020 before that time. He wanted to discuss how the City could work further to reduce this deficit and suggested to go through the budget (each department).

Mayor Lewis asked Mayor Pro Tem Wyatt to explain how we got to where we are now.

Mayor Pro Tem Wyatt replied that projected revenues and expenses are more realistic and cut expenses in departments to offset and add Capital Improvement Funds as a budget item and still hold the General Fund total balance level. He explained that we also had to offset reserves because as revenues increase, so do the reserve levels. He stated he still wants to address the rest of the \$1.648 million before 2020, possibly spread out/balance in the next three years.

Council Member Tomlinson asked for clarification for the budget as presented.

Acting City Manager Killebrew spoke about the changes/inclusions to the budget and it also includes the CIP improvements. There is a change in philosophy from ultra conservative to less conservative on revenues and expenditures. Given that, there will not be as much surplus (to carryover) at the end of future fiscal years. Mr. Killebrew also noted that Mr. Hill's handout didn't include the structural solution to the \$1.648 million deficit.

Council Member Muller spoke about Page 20 that Mayor Pro Tem Wyatt referenced, asking about the \$760,000 growth in reserves.

Acting City Manager Killebrew stated that the growth in revenue raises the reserves – 30% of growth in revenue (per policy).

Acting City Manager Killebrew provided a PowerPoint presentation. He noted that the Capital Improvement expenditures were included in this year's budget (Capital or Facilities Improvement items more than \$50,000). The graph on Page 1 showed a \$1.6 million deficit in 2020 plus \$500,000 in 2021 and 2022. He stated that there will be an approximate \$1.5 million dollar surplus this fiscal year, but also suggested that we look at the surplus as one-time monies and not solutions to the projected structural deficit in FY 20, 21 and 22. One-time monies should be set aside for a specific purpose or to fund one-time projects.

Acting City Manager Killebrew then referred to the list of facilities improvements page that are unfunded or deferred (Page 3) and spoke about the unfunded CIP projects on Page 4. He suggested not to use the surplus to plug the \$1.6 deficit hole in 2020 and prefers to make tough decisions now.

Council Member Muller agreed with Mr. Killebrew's idea to use the surplus for one-time use now because it will be back in 2021. He also asked if the projections include any of the new hotels in the pipeline.

Acting City Manager Killebrew replied that the latter half of 2020 includes two hotels, 150+ rooms, 3 star, at 70% occupancy coming online mid-fiscal year 2020 and fully online 2021. \$750,000 is included in these projected numbers, but we will still have a \$1.6 million dollar deficit.

Council Member Muller stated that if these two hotels are not operational in 2020, this deficit could be substantially higher.

Acting City Manager Killebrew replied that this is correct and this also assumes that the Sheriff's contract will have a 5% increase and personnel costs will increase. He also stated that on the revenue side, staff is more conservative with calculations.

Mayor Pro Tem Wyatt asked the Council if they wanted to discuss individual budgets.

Council Member Muller asked if it made sense to discuss individual budgets before we have a Strategic Planning session.

Mayor Pro Tem Wyatt replied that he thought about the upcoming Strategic Plan discussion in the next 6 months, but also looking to find \$200 - \$300,000 (reductions) in this year's budget. He gave an example on Page 131, City Council, Community Activities, the Council has \$25,000 budgeted for the State of the City Sponsorship and \$5,000 (Other) for a total of \$30,000.

Mayor Lewis approved the \$30,000 reduction from the City Council budget.

Acting City Manager Killebrew will make this adjustment at the June 6<sup>th</sup> Budget Hearing if Council concurs.

Councilman Viczorek agreed that we should look through these items and ask Acting City Manager Killebrew to bring back a list of the items for the June 6<sup>th</sup> meeting.

Acting City Manager Killebrew noted that the FRC is also preparing a list of items for discussion. There was consensus among the City Council to remove \$30,000 from the City Council budget.

Council Member Muller asked about the Community Services Contract Classes, \$180,000/ year on Page 224.

Acting City Manager Killebrew replied that the split between the instructors is 70/30 (the City receives 30%).

Council Member Muller asked how many people attend our classes.

Deputy City Manager Denny replied that we have 504 classes with 3,800 people that participate in those classes.

City Attorney Munoz added that we were audited by the IRS some years ago. The IRS wanted us to hire all the recreation program leaders as employees instead of contractors. We fought them in Federal court and won. The financial impact could have been in the hundreds of thousands of dollars.

Mayor Pro Tem Wyatt asked about the value of the Federal Legislative Advocate on Page 135 of the City Manager budget - \$24,000.

Acting City Manager Killebrew stated that the City pays \$2,000/month for this purpose (lobbyist) and has been used for the possibility of moving the Post Office.

Mayor Lewis asked how long have we been paying for this and can we come back when we need it in the future.

Deputy City Manager Denny replied that we have been paying for this service since around 2000 and we could come back in the future.

Acting City Manager Killebrew pointed out that this item is not listed in the FY 19 budget.

There was consensus among the City Council to remove \$24,000 from the City Manager budget.

Council Member Muller asked about the GASB 68/75 OPEB Consultant on Page 140 in Administrative Services (\$2,500 in FY18 and \$14,000 in FY19).

Acting City Manager Killebrew replied that this is a requirement of auditing reporting to produce information on post-employment benefits. CALPERS does not do this and it has gotten complicated with implementation of new accounting standards, so we contract this item out.

Council Member Viczorek asked why the price increased drastically from FY18 to FY19.

Acting City Manager Killebrew replied that this work is done by an Actuary, not an accountant.

Council Member Muller asked why we are paying Bank of America Banking Services fee at \$8,000/year.

Acting City Manager Killebrew replied that Bank of America handles a lot of services and transactions for the City.

Mayor Lewis asked about the \$19,000 cost of credit card services.

Acting City Manager Killebrew responded that the City is not allowed to pass along the cost of credit card transaction fees. Visa does not allow us to charge the fee and the payment separately.

Council Member Muller stated we should look at this during the Fee Study.

Council Member Viczorek asked how we can reduce this.

Acting City Manager Killebrew will ask staff to look into this (limit the top end amount).

Mayor Pro Tem Wyatt asked about the Public Information Contract Services on Page 145 - \$100,000 for FY 18 and FY 19.

Acting City Manager Killebrew replied that social media has become much more active (i.e. Nextdoor). He feels we have a requirement to make an investment in a professional managing our Public Information. We are held accountable for the accuracy of the information we release. We need to have a comprehensive public information presence and create structured platforms for those discussions re: City priorities, programs and projects. No consultant has been identified and if Council approves, Staff would engage Council on how best to move forward on a scope of work.

Acting City Manager Killebrew asked Lt. Chilton to provide an example of the accuracy of social media. Lt. Chilton read a post from Nextdoor – Man Killed Bird at Harbor and some of the comments from Nextdoor on this item. The woman who posted this item on Nextdoor also called the police and reported what she said to the police in her report. Sgt. Himmel also monitors these posts daily now and pushes out the facts to these postings.

Lt. Chilton also spoke about an article in National Geographic by Editor Susan Goldberg. The article stated: What's even scarier in the digital era is how errors of fact proliferate instantly and that so many people embrace the alternate realities. The trust gap between the public and experts after widening for decades, is now a chasm. And as certified experts decline in stature, self-declared experts ascend.

Lt. Chilton stated that this is what we are dealing with and it is very important to manage that message and get in front of it.

Mayor Lewis stated she is concerned about the cost of \$100,000 for taking care of postings.

Acting City Manager Killebrew replied that this is being done with a position that cost \$300,000/year, but it's not just the Police Department, it's whatever is evolving in the City. Most cities have a professional that provide this service.

Mayor Lewis stated that paying professional for managing information would not reduce the costs of the Police Department. The information officer would still need to get the facts from the

Police Department, so Sgt. Himmel would be spending the same time giving information to the information officer as he spends putting the information on Nextdoor.

Council Member Muller stated that he is in favor of this as a place holder. This needs to be investigated and discussed with the Strategic Plan (priority list).

Council Member Viczorek agreed to leave it in for now, the amount seems high, but views this as an issue of transparency in getting the information to the public.

Council Member Tomlinson agreed with Council Members Muller & Viczorek.

Council Member Muller asked about the New Short Term Rental Program Tracking System listed in the Building Department, Page 165.

Acting City Manager Killebrew stated this is new technology, hosted application and analytics used by various Cities.

Council Member Muller and Council Member Tomlinson agreed that this technology will be helpful to our Short Term Rental Program.

Acting City Manager Killebrew added that staff has been investing in technology and is automating other areas (like scheduling building inspections and the Code Enforcement CMMS System – an app to report issues in the City).

Mayor Lewis asked about the Street Maintenance Program on Page 182 and noted that our Street Maintenance Program keeps us at a specific level, and asked what is the possibility of having a different level of maintenance without compromising the quality of our streets and can we balance the costs.

Acting City Manager Killebrew explained the street maintenance process.

Deputy City Manager Denny stated that the Council will receive a report of the conditions for our streets with the June 6<sup>th</sup> agenda packet. We scored 84 out of 100 and two years ago, we were 86 out of 100. He stated the challenge is as the streets get worse, it gets more expensive to repair. Currently, Mission Viejo has the highest rated street and Santa Ana may have the lowest rated streets.

Acting City Manager Killebrew asked Council if they want to change to a different level.

Mayor Pro Tem Wyatt stated he is concerned about deferred maintenance.

Mayor Lewis stated that 84 out of 100 had no specific meaning to her. She asked staff to give Council ratings for neighboring city streets and streets that had lower ratings so she could drive them and see the difference. It seemed possible to achieve something between the best streets in Orange County and ruined streets. Since street maintenance is a big ticket item, it seemed that there is room here for savings to fill some of the \$1,648,000 structural deficit projected for 2020.

Mayor Pro Tem Wyatt asked about the Banner/Holiday Decorations in Public Works on Page 182 re: the increase from \$100,000 to \$160,000.

Acting City Manager Killebrew replied that this was an actual increase to both banner and holiday decorations.

Mayor Pro Tem Wyatt asked about Page 191, Public Works Solid Waste and Recycling

Council Member Muller and Council Member Tomlinson both agreed to ask staff to look at Franchise Agreements.

Council Member Muller asked about the replacement of our generator on Page 214 in Emergency & Support Services and asked if we need to replace it, can we sell it.

Mike Rose replied that he wasn't sure, but will look into selling it back to the vendor.

Mayor Pro Tem Wyatt asked about the costs to the City Attorney budget – Page 218.

Acting City Manager Killebrew stated we have been very active on litigation this year.

Council Member Tomlinson stated that the public asked us to look at various items, but thinks we need to look at the cost before we go forward in the future.

Council Member Muller stated we should look at the cost benefit.

There was consensus by Council to continue to monitor expenses.

City Attorney Munoz offered to provide the Council with the monthly breakdown of all City Attorney/litigation expenses.

Mayor Pro Tem Wyatt wanted to discuss the Community Activities listed on Page 225 in Community Services.

Mayor Lewis asked staff for the goals of each activity, how much is the actual true cost (including overhead, overtime, Police Services, etc) and would like to see metrics on results of each community activity.

Deputy City Manager Denny stated that staff will provide this information to the Council for these events.

Mayor Pro Tem Wyatt was concerned if staff could provide this in the next three weeks.

Council Member Muller feels some events fall under Arts & Culture and could possibly generate revenue to the City.

Council Member Viczorek stated that Council needs to start making some tough decisions and is a reflection of Council's priorities. He gave a couple of examples that the City could or is phasing out the City's contributions (bike race and Dana Point Symphony).

Mayor Lewis stated that she was not comfortable in making any changes to events without the information she requested (what the true cost is and what the City is getting from them). Mayor Lewis did not want to just cut events arbitrarily with no information on benefits and costs to city.

Mayor Pro Tem Wyatt asked about the Concerts in the Park and how do we come up with that number of concerts.

Acting City Manager Killebrew stated that we have consistently budgeted for the same number of concerts each year; however, one year there was eight concerts instead of seven.

Council Member Viczorek stated he wants to make decisions on these events.

Council Member Muller asked about the Bee Extermination on Page 232 in Parks.

Acting City Manager Killebrew clarified that staff has changed the name to Bee Relocation.

Mayor Pro Tem Wyatt stated he was surprised that the maintenance of the Landscape Medians was as high as the maintenance to landscape the parks.

Deputy City Manager Denny replied that there are items that need repair and replacement (on Selva), but will work with Council for direction.

Council Member Muller stated that as we go toward more drought tolerant plants, the costs of maintenance go down, but there is a replacement cost.

Deputy City Manager Denny replied that this is correct and new maintenance contracts for the medians and parks were awarded last year.

Mayor Lewis stated she was trying to find a way to cut costs and look at these expenditures by type before 2020 with the projected \$1,648,000 deficit. She also stated that she was interested on what the FRC comes up with.

Council Member Muller asked about the Quiet Zone premium on Page 241 in Risk Management.

Acting City Manager Killebrew replied that JPIA covers this insurance for rail crossing since February 2013 and we have \$2 million dollar policy. The Cities of San Juan Capistrano, San Clemente and Dana Point participate in this unique policy.

Council Member Muller stated he would like to see the value of this insurance cost (\$17,000) and would like more information on this.

Acting City Manager Killebrew stated that per the Federal rules, we are the agency that asked for the quiet zone so we created the perceived liability, if there is a liability. If we decide to go without insurance, it would be difficult to recommend to keep the Quiet Zone. There is a notification process to notify the agencies before they start blowing the horns again.



Mayor Pro Tem Wyatt asked about funding of Library Hours on Sunday on Page 245 under Non-Departmental (\$45,000)

Deputy City Manager Denny stated that there will be a point at which the City will not have to pay the extra cost. We are currently at 6.5 days per week and will soon reach a threshold for a full seven (7) days per week of library service. We have asked for information from the County.

### **CLOSED SESSION (Continued)**

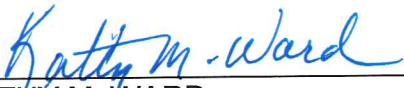
Mayor Lewis adjourned the meeting to Closed Session at 11:01 p.m.

### **RECONVENE CITY COUNCIL MEETING – CALL TO ORDER**

Mayor Lewis reconvened the meeting at 11:27 p.m. All Council Members were present.

### **ADJOURNMENT**

There being no further business before the City Council at this session, Mayor Lewis adjourned the meeting at 11:27 p.m. and announced that the next Regular Meeting of the City Council will be June 6, 2017, at 5:00 p.m. in the City Council Chamber located at 33282 Golden Lantern, Suite 210, Dana Point, California.



KATHY M. WARD  
CITY CLERK

APPROVED AT THE MEETING OF JUNE 6, 2017