



MINUTES

CITY OF DANA POINT

INVESTMENT REVIEW COMMITTEE

THURSDAY, February 21, 2008

2:30 P.M.

LOCATION: City Hall, Second Floor, St. 203, 33282 Golden Lantern, Dana Point, CA 92629

CALL TO ORDER: Chair Harkey called the meeting to order at 2:30 p.m.

ROLL CALL: Committee Members – All Members Present

Diane Harkey

Mayor Pro Tem Lisa Bartlett

Larry Rolapp, Public Member

Nancy Baumann, Public Member

Doug Chotkevys, City Manager/City Treasurer

Mike Killebrew, Director of Administrative Services

Staff Liaison

Andy Glass, Accounting Manager

Others Present:

Brad Fowler, Director of Public Works

Sea Shelton, Management Analyst

DyAnne Weamire, Administrative Secretary

PUBLIC COMMENTS: None

APPROVAL OF MINUTES:

1. Approve minutes of November 30, 2007.

Moved by Member Rolapp, seconded by Member Bartlett and carried 6-0 to approve the minutes as presented.

NEW BUSINESS:

No new business.

UNFINISHED BUSINESS:

1. Headlands Community Facilities District – Staff Update

Member Rolapp recused himself from voting on CFD Bond Issuance due to his status of Financial Advisor on the project.

a. Headlands Reserve LLC – Community Facilities District

Member Killebrew reported that the Headlands Reserve LLC has recently requested the City commence CFD bond sales activities to acquire and finance public improvements for the Headlands development project. In addition, they requested that the CFD bond issuance be staged, with the size of the first series of bonds limited to the Special Tax revenue generated by the lots already sold. Currently, 29 Residential Parcels have been sold at an Average Value of \$5.9 million per parcel. The aggregate assessed value of these lots is approximately \$163,970,000 versus a proposed CFD bond of \$10 million would provide a 16.4 to 1 estimated net value to lien ratio. Note that the City Council adopted CFD Statement of Goals and Policies requires at least a 3 to 1 value to lien ratio.

b. Report on status of Public Improvements

Grading of the site, previously identified by the City as an important milestone for the development, is 97% complete as reported by Brad Fowler, Director of Public Works, and the remaining 3% is estimated to be complete by March 31, 2008. Brad Fowler has given the majority of the IRC members, separately, a tour of the public improvements completed to date. Member Baumann will be given a separate tour of the public improvements when possible.

c. Report on Special Taxes and Debt Loads

Member Killebrew reported that there are two Special Taxes contemplated. 1) Facilities Tax: \$25,700.00 per residential parcel for public improvements and 2) Maintenance Tax: \$2,100.00 per residential parcel for ongoing maintenance. A \$15,000.00 per acre tax is levied for commercial lots.

It was noted that residential Lot #51 has prepaid the Special Tax (not including the smaller maintenance tax) in advance and therefore, will not be making an annual Facilities Tax payment but will be required to make annual Maintenance Tax payments. The tax burden of each parcel varies based on price ranging from 1.33% to 1.78% and are based solely on unimproved lot values. Some lots have already closed and current owners have voted and agreed to the Special Tax.

d. Appraisal and Absorption Study

Member Killebrew stated that there will be an appraisal and absorption study done for all unsold parcels to estimate how soon the expert believes the parcels will be sold. The consultants will look at what the land value is worth today. The bonds will be based on what is actually closed and the entire project is the collateral.

Member Chotkevys stated that he would like the Council to approve the bond issuance in a time frame such that the special taxes can be placed on the tax roll by the August deadline.

Chair Harkey stated that she is satisfied with the percentage of grading done and public improvements made to date and is agreeable to moving forward with the bond issue.

Moved by Chair Harkey, seconded by Member Bartlett and carried 5-0-1 (Rolapp abstained) to proceed

2. General Discussion of City Investment Policy and Investment Strategy.

Member Chotkevys stated that when Member Killebrew came to the City of Dana Point he thoroughly reviewed the City's current investments and would like to discuss with the IRC other potential opportunities for investment. Currently, the City has a significant investment in a Local Agency Investment Fund (LAIF). The City currently invests 50% of its money into LAIF, a liquid account, to pay for CIP's. At a December 2007 CJPIA meeting, there was talk about a run on LAIF by various municipalities and the safety of the LAIF. However, after review by Member Killebrew it was determined that there does not appear to be a run on LAIF.

Member Chotkevys also stated that the City has ample reserves which have allowed the city to be secure and conservative in its investments.

Member Killebrew stated that it is a good idea to periodically review investment strategies.

Andy Glass noted that interest rates have been down significantly recently and the most current matured T-note was reinvested at 1.88%. Is this the appropriate way to handle our money in the current market or is it another reason to review our current investment strategy.

Member Killebrew stated that various City Treasurers from other cities had the opportunity to review our current Investment Policy and investment strategy and commented that our City has a very conservative investment strategy but that there may be opportunities to invest differently without compromising the safety of our investments. It was further suggested that the City consider hiring an Investment Consultant to provide assistance in formalizing and improving current strategies.

Member Rolapp stated it is prudent to have someone come in to review the current strategy and make possible recommendations. Member Killebrew says that it may cost approximately \$5,000.00 for a professional analyst to review our current strategy.

Member Chotkevys made a motion recommending that the city obtain proposals from several qualified firms for this service and provide them to the IRC for review.

Moved by Chair Harkey , seconded by Member Bartlett and carried 6-0.

ADJOURNMENT:

The meeting was adjourned at 3:30 p.m.

Prepared by,

DyAnne Weamire
Administrative Secretary