



MINUTES

CITY OF DANA POINT

INVESTMENT REVIEW COMMITTEE

FRIDAY, FEBRUARY 10, 2006

APPROVED: May 15, 2006

LOCATION: Administrative Conference Room, 33282 Golden Lantern, Suite 203, Dana Point, CA 92629

CALL TO ORDER: Chairman Rayfield called the meeting to order at 9:05 a.m.

ROLL CALL: All Members were present.

Committee Members

Wayne Rayfield, Councilmember
Diane Harkey, Councilmember
Larry Rolapp, Public Member
James Kettler, Public Member
Doug Chotkevys, City Manager
Sharie Apodaca, Director of Administrative Services

Staff Liaison

Andy Glass, Accounting Manager

1. **PUBLIC COMMENTS:** None.
2. **APPROVAL OF MINUTES:**
 - a. Approve minutes of December 6, 2005.

The minutes were approved with amendments to Item 3.b. to add the word "annual" as follows:

- Cash Flow: Maintain at a reserve level of a minimum of 10% of annual GF Revenues
- Emergency/Uninsured Claims: Maintain at a reserve level of 20% of annual GF Revenues

3. UNFINISHED BUSINESS:

- a. Receive and file Council Minutes of January 11, 2006 regarding the City Council's approval of the Investment Review Committee's recommendation to repay the \$2,925,000 remaining principal balance of Certificate of Participation ("COP") debt at the earliest possible date (August 1, 2006), using funds from the City's undesignated General Fund reserve, and modifying the fiscal year 2007 General Fund operating budget accordingly

The item was received and filed.

- b. Review and consider 5-Year Projection and Reserve Analysis; provide further direction to staff regarding long-term policy goals for establishment of City reserves including the Capital Improvement Program Fund reserve.

The committee reviewed the financial analysis which showed actual General Fund revenues and expenditures in FY 2002 through 2005, and projections in expenditures and revenues through FY 2010 based on a 5% increase each year across the board in nearly all funds.

Committee members noted that the Parks Division had a large increase in actual expenditures in FY 2005 compared to actual expenditures in the prior three fiscal years; and further, FY 2006 expenditures show a variance of nearly \$1 million over the prior year. Also, that the Engineering Division budget showed a marked increase in projected expenditures in FY 2006 compared to actual expenditures in prior fiscal years. The committee asked staff to review those budgets and to email their findings substantiating the variances to the committee in March.

Staff was also asked to review the spreadsheet to determine if the projected 5% increase in expenditures for the all City department budgets is feasible; and, to adjust those percentages if needed.

The committee also reviewed the reserve fund for "Emergencies" which was previously assigned a reserve level of 20% of annual General Fund revenues by the committee. Following discussions, the committee agreed to cap the Emergency Reserve Fund level at 20% of total annual General Fund revenues with the caveat that the Council has the discretion to adjust the reserve level based on revenue projections. It was also suggested that staff describe circumstances and develop a list of possible events which warrant an emergency expenditure, i.e. major flooding or landslide.

With respect to transfers out to the CIP and Facilities funds, the committee asked staff to separate out capital costs and maintenance costs.

Staff noted that the required annual General Fund operating transfers to the Capital Improvements Fund in future years for infrastructure maintenance has been increased from \$3 million to a revised estimate of \$4.6 million in FY 2008 and then adjusted for inflation. It was noted that this figure represents estimated costs to maintain *existing* facilities, and does *not* include funds for future improvements to streets, parks, drainage, or general City beautification projects.

The committee agreed to meet again in March to review the financial projections and reserve analysis based on the direction provided above.

4. **ADJOURNMENT:** The meeting was adjourned at 10:00 a.m.

Respectfully submitted,

Sharie L. Apodaca
Director of Administrative Services