



MINUTES

CITY OF DANA POINT

INVESTMENT REVIEW COMMITTEE

TUESDAY, DECEMBER 6, 2005

APPROVED: The Minutes approved on February 10, 2006.

CALL TO ORDER:

Mayor Rayfield called the meeting to order at 3:09 p.m. in the Administrative Conference Room, 33282 Golden Lantern, Suite 203, Dana Point, CA 92629.

ROLL CALL: Committee Members

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

Staff Liaison

Andy Glass, Accounting Manager

1. **PUBLIC COMMENTS:** None.
2. **APPROVAL OF MINUTES:**
 - a. Approve minutes of October 25, 2005.

Moved by Member Rolapp, seconded by Member Harkey and carried unanimously to approve the minutes as presented.

3. UNFINISHED BUSINESS:

- a. Receive and file final adopted Statement of Safekeeping and Investment of Public Funds policy.

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.

This item was considered after Item 4.a.

Accounting Manager Glass gave a brief staff report and reviewed a summary spreadsheet which provided historical fiscal information in terms of General Fund revenues, expenditures, and net operating surplus for FY 2002 through 2005 (actuals), and projections for FY 2006 through 2010. He noted the purpose of the analysis is to provide insight into the levels of projected surpluses being generated by the City's General Fund, which is the principle funding source for capital improvement projects. He stated this exercise was intended to assist the committee in the development of adequate reserve levels for existing reserve fund categories, i.e. cash flow, emergencies, while also committing a certain percentage of surplus funds each year to capital projects.

Mr. Glass noted that approximately \$3 million is transferred from GF surplus each year to the CIP Budget for the maintenance of the City's existing infrastructure.

He also noted that the spreadsheet also assumes the pay off of the existing COP debt (see Item 4.a below). Committee members suggested listing "investment income" in the revenue section of the spreadsheet. It was also suggested that the recommended payoff of the debt service (COP) be footnoted in some manner to define a \$3 million increase in total expenditures in FY07 above FY06 expenditures.

The committee reviewed the existing and recommended reserve levels for the current GF Balance Designations. The committee concurred on the following recommendations:

- Cash Flow: Maintain at a reserve level of a minimum of 10% of annual GF Revenues
- Uninsured Claims: Combine this fund with Emergency Fund
- Emergency/Uninsured Claims: Maintain at a reserve level of 20% of annual GF Revenues
- Vehicle/Equipment Replacement: Sunset these funds into operating budgets
- Art in Public Places: No change – based on developer fees
- Undesignated: To be determined based on future discussion relative to a CIP reserve policy

Staff was directed to re-agendize discussions relative to a reserve structure at the next meeting and to include justifications for the recommended reserve levels noted above. Staff was also asked to include the City's GF Reserve Fund table and associated footnotes prepared previously, and approved CIP budget schedules.

4. NEW BUSINESS:

- a. Certificate of Participation (COP) debt: Consider making a recommendation to the City Council that the \$2,925,000 remaining principal balance of Certificate of Participation ("COP") debt be repaid at the earliest possible date (August 1, 2006), using funds from the City's undesignated General Fund reserve, and modify the fiscal year 2007 General Fund operating budget accordingly.

Item 4.a was considered prior to Item 3.b.

Accounting Manager Glass summarized the staff report which recommends the committee make a recommendation to the City Council to pay off the existing debt on an outstanding COP by August 1, 2006 with existing City fiscal resources. He stated the debt could be paid off with Undesignated General Fund Reserve funds. He also stated that other options to consider are to retire the debt early by issuing new debt at a lower rate of interest, or to take no action and let the debt retire at its scheduled maturity in 2012. It was noted that paying off the debt early in its entirety is the most fiscally advantageous to the City in terms of interest savings. Mr. Glass also noted that the City must provide sixty days notice to the Trustee prior to paying off the debt.

Following discussion, it was moved by Member Kettler, seconded by Member Harkey and carried unanimously to promptly submit a recommendation to the City Council that the City Council authorize the retiring of the entire debt (\$2,925,000) using Undesignated General Fund Reserve funds, subject to encumbering the necessary funds and not releasing the funds until the last possible date.

5. ADJOURNMENT:

The meeting was adjourned at 4:06 p.m.

Submitted by,

Sharie Apodaca
Director of Administrative Services