

CITY OF SAN CLEMENTE

City Council Minutes

Adjourned Regular Meeting – February 24, 2009

An Adjourned Regular Meeting of the San Clemente City Council was called to order on February 24, 2009 at 4:00 p.m. in the Council Chambers, located at 100 Avenida Presidio, San Clemente, California.

PRESENT: ANDERSON, BAKER, DAHL, EGGLESTON, MAYOR DONCHAK

ABSENT: NONE

STAFF PRESENT: George Scarborough, City Manager; Pall Gudgeirsson, Assistant City Manager; Joanne Baade, City Clerk

A. **CLOSED SESSION**

MOTION BY COUNCILMEMBER ANDERSON, SECOND BY MAYOR PRO TEM DAHL, CARRIED 5-0, to recess to Closed Session at 4:00 p.m. to discuss the following:

PUBLIC EMPLOYEE PERFORMANCE EVALUATION, pursuant to Government Code Section 54957.

Title: City Manager

All members of the City Council were in attendance.

MEETING RECONVENED

Council reconvened in open session at 5:00 p.m., with all members present.

CLOSED SESSION REPORT

Mayor Donchak reported that Council completed the performance review for the City Manager during Closed Session; noted that the issue of the City Manager's compensation will be agendized for open session at the Council meeting of March 17, 2009.

1. **FY 2009 2nd Quarter Financial Report and Mid-Year Adjustments**

Report from the Assistant City Manager/City Treasurer concerning the FY 2009 2nd Quarter Financial Report and mid-year adjustments.

Assistant City Manager Gudgeirsson narrated a PowerPoint presentation entitled “FY 2009 2nd Quarter Report” and responded to Council inquiries. A hard copy of Mr. Gudgeirsson’s report, dated February 24, 2009, is on file with the City Clerk.

MOTION BY COUNCILMEMBER ANDERSON, SECOND BY COUNCILMEMBER BAKER, CARRIED 5-0, to approve and authorize a transfer of \$387,440 from the Fleet Replacement Fund (Account 065-824-47250) to the Clean Ocean Fund (Account 057-000-39290).

MOTION BY COUNCILMEMBER ANDERSON, SECOND BY COUNCILMEMBER EGGLESTON, CARRIED 5-0, to accept the FY 2009 2nd Quarter Financial Report.

2. **Oral Communications (Part 1)**

None.

3. **2009 Long Term Financial Plan (LTFP)**

City Manager Scarborough provided introductory comments, noting that the proposed 2009 Long Term Financial Plan provides the Council and community with information needed to better understand and address the significant financial challenges the City will face in future years; stated that the Plan proposes steps to reduce expenditures in preparation for the challenges created by the national recession; noted that the City’s operating position for FY 2009 will end with a \$1.9 million operating surplus, which is greater than the surplus figure that was assumed one year ago when the budget was adopted; pointed out that the City’s financial challenges will become much more significant next year, and budget reductions will be necessitated, in each of the following four years if the economy does not improve; explained that most cities in the state will face a much greater financial challenge than San Clemente and they will have fewer tools than San Clemente to successfully address those challenges.

Assistant City Manager/City Treasurer Gudgeirsson narrated a PowerPoint presentation entitled “2009 Long Term Financial Plan – Financial Overview” as well as a PowerPoint presentation entitled “2009 Long Term Financial Plan - Fiscal Policy” and responded to Council inquiries. Hard copies of Mr. Gudgeirsson’s presentations, dated February 24, 2009, are on file with the City Clerk.

During the course of his presentation, Mr. Gudgeirsson reported that Page 104 of the Long Term Financial Plan has been modified to delete the following verbiage (the substance of which is adequately addressed elsewhere in the LTFP document) because it could lead a reader to believe that it is allowable for expenditures to exceed the budget: *“It is allowable for total expenditures to exceed revenues in a given year; however undesignated fund balance can only be used to fund capital improvement projects or other ‘one-time’ non-recurring expenditures.”*

Additionally, Mr. Gudgeirsson advised that Page 104 of the Long Term Financial Plan has been expanded to include the following verbiage: *“The City will establish a Park Asset Replacement Reserve for the accumulation of funds for replacement of park assets including building, fencing, lights, equipment and seating in the future.”*

Senior Accountant Chiswick narrated a PowerPoint presentation entitled “2009 Long Term Financial Plan – Trends” and responded to Council inquiries. A hard copy of Ms. Chiswick’s presentation, dated February 24, 2009, is on file with the City Clerk.

In response to Council inquiry, Finance Manager Rendina advised that the City has experienced a 10% drop in Transient Occupancy Tax (TOT) revenues during the first seven months of FY 2009; provided a status report on the City’s vacation rental TOT program, noting that it is expected that the program will be ready to implement by May 1, 2009.

Accounting Supervisor Rahn narrated a PowerPoint presentation entitled “2009 Long Term Financial Plan – Reserves” and responded to Council inquiries. A hard copy of Mr. Rahn’s presentation, dated February 24, 2009, is on file with the City Clerk.

During the course of discussion, it was noted that an error is contained on Page 94 of the LTFP. Specifically, Paragraph 2 incorrectly specifies that earth movement and employment practices are excluded from the liability insurance coverage purchased through the California Joint Powers Insurance Authority (CJPIA); noted that the inclusion of the subject coverage was a primary factor in the City's decision to join the CJPIA.

Assistant City Engineer Rebensdorf narrated a PowerPoint presentation entitled "2009 Long Term Financial Plan – Capital Projects Analysis" and responded to Council inquiries. A hard copy of Mr. Rebensdorf's presentation, dated February 24, 2009, is on file with the City Clerk.

Council indicated an interest in visiting the Upper Chiquita Reservoir site, either individually or as a group Study Session.

Finance Manager Rendina narrated a PowerPoint presentation entitled "2009 Long Term Financial Plan – Debt Analysis and Gap Closing" and responded to Council inquiries. A hard copy of Mr. Rendina's presentation, dated February 24, 2009, is on file with the City Clerk.

Larry Rolapp, of Fieldman, Rolapp & Associates (the City's financial advisor) explained the differences between Assessment District and Community Facilities District funding (including implementation processes) and suggested that a CFD would be a more-appropriate mechanism to fill the funding gap for the La Pata/Vista Hermosa Community Park.

City Manager Scarborough clarified for the record that the La Pata/Vista Hermosa Community Park is proposed to be funded from the sale of the City-owned 9-acre site at the corner of Avenida La Pata and Avenida Vista Hermosa and that the Civic Center project is proposed to be funded from the sale of the existing City Hall site; explained that the funding sources identified are submitted only as possible funding alternatives.

In response to Council inquiry, Mr. Rolapp confirmed that a CFD could be established to fund capital depreciation and maintenance for parks and park improvements. Mr. Rolapp agreed to investigate whether such funding could be applied to existing parks, or whether it would be limited to future parks.

Council noted that construction costs are currently in the City's favor; requested that Staff analyze the financial implications of delaying construction of the La Pata/Vista Hermosa Community Park for one year versus incurring \$1.5 million in operating and maintenance costs.

Central Services Officer Elston narrated a PowerPoint presentation entitled "2009 Long Term Financial Plan – Financial Forecast" and responded to Council inquiries. A hard copy of Ms. Elston's presentation, dated February 24, 2009, is on file with the City Clerk.

Assistant City Manager/City Treasurer Gudgeirsson narrated a PowerPoint presentation entitled "2009 LTFP Summary, Revised Forecast and Recommendations" and responded to Council inquiries. A hard copy of Mr. Gudgeirsson's presentation, dated February 24, 2009, is on file with the City Clerk.

Council noted that a carnival, hosted by the Beaches, Parks and Recreation Foundation, will be conducted on April 17-19, 2009 at the La Pata/Vista Hermosa Community Park site; urged citizens to support this event to help raise funds for the construction of the park.

Council commended the City's Finance team for its outstanding efforts that have enabled the City to avoid significant financial setbacks as a result of the economic downturn.

MOTION BY COUNCILMEMBER ANDERSON, SECOND BY COUNCILMEMBER EGGLESTON, CARRIED 5-0, to adopt the "Core Values of Financial Sustainability" and amend the fiscal policy as follows:

- a. Amend the fiscal policy statement for capital improvement projects to include "Projects that are not fully funded must be removed or delayed until adequate funding exists for design, construction, operating and maintenance."

Action continued on next page

- b. Amend the fiscal policy statement for Enterprise Depreciation reserves to require “a minimum reserve level equal to the projected three-year capital and major maintenance costs.”
- c. Add the fiscal policy statement “The City will establish a Park Asset Replacement Reserve for the accumulation of funds for replacement of park assets in the future.”

4. **Oral Communications (Part 2)**

None.

5. **Adjournment**

MOTION BY COUNCILMEMBER ANDERSON, SECOND BY MAYOR PRO TEM DAHL, CARRIED 5-0, to adjourn at 7:15 p.m. to an Adjourned Regular Council Meeting to be held on Saturday, February 28, 2009 at 9:00 a.m. in the 2nd Floor Conference Room of the Community Development Department facility, located at 910 Calle Negocio, San Clemente, California, for the purpose of conducting a team-building session.

The next Regular Council Meeting will be held on March 3, 2009 in the Council Chambers, located at 100 Avenida Presidio, San Clemente, California. Closed Session items will be considered at 5:30 p.m. The General Session will commence at 7:00 p.m.

CITY CLERK of the City of
San Clemente, California

MAYOR of the City of
San Clemente, California