

**CITY OF DANA POINT
AGENDA REPORT**

Reviewed By:	
DH	<u> X </u>
CM	<u> X </u>
CA	<u> </u>

DATE: APRIL 7, 2020

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: MIKE KILLEBREW, CITY MANAGER

SUBJECT: MID-FISCAL YEAR 2019-20 BUDGET STATUS REPORT

RECOMMENDED ACTION:

That the City Council:

Receive and file the Mid-Fiscal Year 2019-20 Budget Status Report and authorize the budget amendments detailed within this report.

BACKGROUND:

The first draft of the annual mid-fiscal year 2019-20 budget status report was produced by Staff on March 10, 2020 and placed on the March 17, 2020 City Council meeting agenda. It included some downward revenue adjustments based on late word from some hoteliers that they were incurring a large number of room reservation cancellations due to emerging public concerns regarding the COVID-19 pandemic. A few days prior to the March 17, 2020 City Council meeting, some hoteliers further informed Staff about the enormity of the room cancellation impact and stated they would likely not be renting rooms to guests for a period of time.

Given that information, Staff asked the City Council to defer discussing the mid-fiscal year budget status report while Staff assessed the extent of the COVID-19 impact on City finances. Then on March 19, 2020, the Governor issued a stay-at-home order to protect the health and well-being of all Californians and slow the spread of COVID-19, which began what currently is a constant series of actions that affect City revenues and expenses.

Though our financial assessment will be underway for the foreseeable future, it is important that the City Council and community begin discussing the extent and possible duration of the financial downturn, along with steps to mitigate it. Though this report supersedes the March 17, 2020 mid-fiscal year budget status report, it is still based on limited and developing direction by the State and County in regards to some of the City’s major revenue sources; as such, estimates used to make some projections will likely change, and Staff will be returning to the City Council for continued discussions and recommended actions.

In regards to the City’s General Fund, this report simply provides updates, and no budget adjustments are proposed at this time. General Fund budget adjustments and operational changes will be necessary, and will be brought to the City Council for consideration in the near future. There are, however, budget adjustments recommended for other City funds

that are largely restricted as to use and where most were discussed in the March 17, 2020 budget status report.

The City's original two-year Operating and Capital Improvement Budget covers fiscal year's 2019-20 ("FY20") and 2020-21 ("FY21"), and was adopted in June 2019. Subsequent to adoption, the City Council has approved various adjustments to the budget, including the FY19 carry-over encumbrances on September 17, 2019, and individual adjustments at a number of Council meetings related to approval of specific contracts and emerging issues (See [Supporting Document A](#)).

This report provides an update on the City's FY20 financial performance, covering the first eight months of the fiscal year from July 2019 through February 2020.

DISCUSSION:

Update on General Fund Finances

Adopted last year on June 4, 2019, the original FY20 General Fund revenue budget was \$39,916,996, of which \$572,396 was a transfer-in from other funds. Since adoption, the revenue budget has been amended and currently stands at \$40,406,760, with transfers in from other funds reduced to \$0.

The original FY20 General Fund expenditure budget was \$39,915,304, and included transfers-out to other funds totaling \$3,649,910. Since adoption, the expenditure budget has been amended and currently stands at \$42,844,277, with transfers out to other funds now totaling \$4,614,473.

Changes to the FY20 Revised Base Budget Since 7/1/19:

This section details City Council approved changes to the General Fund budget since adoption, and the resulting impact on the budgeted unassigned ending fund balance. The General Fund finished FY19, and thus began FY20 with an audited unassigned fund balance of \$6,151,902.

In accordance with the City Council adopted General Fund Reserve Policy, on July 1, 2019 the Economic Stability Reserve and Extreme Event Reserve accounts were increased to equal 11 percent and 9 percent of the FY20 budgeted operating revenue, respectively. In addition, the City Council has amended the General Fund budget since the beginning of the fiscal year, with those amendments affecting the budgeted ending fund balance. All changes to the current Revised General Fund Budget as of this writing are shown in the following table:

Unassigned Fund Balance, July 1, 2019 (Audited)	\$ 6,151,902
Increase Economic Stability Reserve (07/01/19)	(47,707)
Increase Extreme Event Reserve (07/01/19)	(39,033)
Establish General Plan Update Reserve (09/17/19)	(1,000,000)
FY20 Base Budgeted Revenues & Transfers-In	39,916,996
FY20 Base Budgeted Expenditures & Transfers-Out	(39,915,304)
FY20 Revenue & Transfers In Budget Adjustments	489,764
FY20 Expenditure Budget Adjustments	(2,928,973)
Art in Public Places funds received and Placed in Reserve in FY20	(35,985)
Budgeted Unassigned Fund Balance @ June 30, 2020*	\$ 2,591,660

*The budgeted Unassigned Fund Balance at June 30, 2020 adheres to Council Policy which requires the City to maintain a minimum of 4%-7% of the original budgeted General Fund recurring operating revenue.

Assessment of Current Economic Conditions

Staff would typically provide in this section a range of current economic information from sources such as regional forecasts from local university business schools, the State Legislative Analyst's Office, hotel industry, sales tax monitoring firms, County Assessor and other sources deemed relevant to the City's finances. However, given the unprecedented financial issues associated with Governor's COVID-19 Stay at Home Order, Staff is working diligently to update financial projections and will provide a detailed assessment of the economic outlook in the near future.

Current City General Fund

The City's reserves remain fully funded, and in addition to reserves, the City began this fiscal year with \$6.15 million in Unassigned Fund Balance.

	FY20 Base Budget	02/29/20 Current Amended Budget*
Beginning Unassigned Fund Balance, 7/1/19*	\$ 2,879,237	\$ 6,151,902
Revenues	39,344,600	40,406,760
Transfers In	572,396	--
Total Inflows	<u>39,916,996</u>	<u>40,406,760</u>
Expenditures	36,265,394	38,229,804
Transfers Out	3,649,910	4,614,473
Total Outflows	<u>39,915,304</u>	<u>42,844,277</u>
Budgeted Change in Fund Balance	1,692	(2,437,517)
Less: Transfers to Reserves	--	(1,122,725)
Ending Unassigned Fund Balance, 6/30/20	<u>\$ 2,880,929</u>	<u>\$ 2,591,660</u>

City Reserves

A quick summary of the City's Adopted General Fund Reserve Policy ([Supporting Document B](#)), which currently yields a total of **\$10,460,580** of funds set-aside as follows:

- *Economic Stability Reserve*: to preserve City services from dramatic drops in General Fund revenues; set and funded at 11% of annual operating revenue (currently \$4,327,906).
- *Extreme Event Reserve*: to quickly respond to man-made or natural extreme events; set and funded at 9% of annual operating revenue (currently \$3,541,014).
- *Unassigned Fund Balance*: (Working Capital): to ensure funding for continued operations by covering cash flow timing differences between revenues and expenses; set to range from 4% to 7% (currently budgeted to finish the fiscal year at \$2,591,660).

In addition, the General Fund Reserve Policy allows for the City Council to take action to set aside and designate funds for special purposes. Currently, additional designated City monies that are not legally restricted as to use total **\$15,009,230**, with details as follows:

- *General Fund Designated for Special Purposes* totaling \$6,000,000, including:
 - Pension Liability funded at \$5,000,000
 - General Plan Update funded at \$1,000,000
- *Capital Improvement Fund* totaling \$6,557,999, including:
 - Community Investments funded at \$5,037,315
 - Doheny Village Beautification funded at \$825,631
 - Unassigned 6/30/20 Fund Balance of: \$695,053
- *Facilities Improvement Fund* including:
 - Unassigned 6/30/20 Fund Balance of \$2,451,231

The City's General Fund Reserves are fully funded, as follows:

Fund Balance Designations:	FY20 Base Budget	Current Amended Budget
Economic Stability Reserve (1)	\$ 4,327,906	\$ 4,327,906
Extreme Event Reserve (2)	3,541,014	3,541,014
Special Purpose (3)	5,000,000	6,000,000
Art in Public Places Reserve (4)	312,424	348,409
Unassigned Fund Balance	2,880,929	2,591,660
Total Budgeted Fund Balance, 6/30/20	<u>\$ 16,062,273</u>	<u>\$ 16,808,989</u>

- (1) *Set by Council Policy at 11% of budgeted annual operating revenue.*
- (2) *Set by Council Policy at 9% of budgeted annual operating revenue.*
- (3) *Set by Council action; includes \$5M designated for an Unfunded Pension Liability Section 115 Trust, and \$1M designated for a General Plan Update.*
- (4) *Set by City Code and restricted for art in public places; in FY20 an additional \$35,985 of AIPP revenue has been received and reclassified from Unassigned Fund Balance into the AIPP Reserve account.*

FY20 Year-To-Date Budget Summary – July 2019 through February 2020

For the General Fund, fiscal year to date revenues and expenditures through February 2020 totaled \$24,819,469 and \$25,499,006, respectively.

General Fund revenues and transfers in over the first eight months of the fiscal year are up \$979,476, or 4.1%, compared to the same period in FY19. Discussion regarding the City's major revenues is covered below in this report in the General Fund Revenues section. In summary, notable year over year differences in revenue collections fiscal year to date include:

- Property Transfer Tax (up \$280,251, or 101.2%);
- Property Tax (up \$231,838 or 4.6%);
- In-Lieu Property Tax (up \$102,842), or 4.8%);
- Transient Occupancy Tax (TOT) (up \$186,918, or 2.2%);
- Short-Term Rental Transient Occupancy Tax (down \$57,024, or 11.7%);
- Sales Tax (up \$90,634, or 2.9%);
- Building Plan Check Fees (up \$225,656, or 74.3%);
- Building-related Permit Fees (down \$114,656, or 13.5%)

General Fund expenditures and transfers out to other funds for the first eight months of the fiscal year were \$25,499,006, up \$2,548,762 or 11.1%, compared to the same period in FY19. Notable year over year differences in expenditures fiscal year to date include:

- Transfers-out to the CIP Fund increased by \$809,820, or 111.3% due to Council direction to add funds to designated accounts, including to the Community Investment Account (+\$1,438,466) and the Doheny Village Account (+\$98,493), offset by a prior year transfer to the Doheny Village Account (\$727,139);
- Storm Drain maintenance costs are up \$426,297, or 152.2% compared to last year, mainly due to one-time emergency sand bag repairs of a Capistrano Beach storm outlet; and,
- City Attorney costs are up \$509,070, or 73%. However, due to timing issues only six months of billings were reflected in the prior year amount, compared to eight months this fiscal year;
- Personnel expenses are up \$157,637, or 2.8%; this is mainly due to an expected increase in the unfunded pension liability payment and merit increases, offset by salary savings due to vacant positions;
- Police Services increased an expected \$148,767, or 1.8% compared to the prior year;
- Community Services increased \$97,398, or 25.6%, mainly due to a timing difference associated with payment of the annual sponsorship to the Ocean Institute last year.

The City of Dana Point operates under a two-year budget cycle, with the current FY20 being the first year of the current cycle. Typically, at this point in the update, Staff would provide explanations for recommended revenue and expenditure adjustments; however, Staff is still assessing the impact of the Governor's Stay at Home Order on current and projected City finances, so no General Fund budget adjustments are recommended at this time.

CONTINUED ON NEXT PAGE

General Fund Revenues

The following table summarizes General Fund revenues through February 29, 2020:

General Fund Revenue			
Fiscal Year To Date February 29, 2020 (67% of Fiscal Year Completed)			
	Current FY20 Amended Budget	Fiscal Year to Date February 29, 2020	Percent of Budget Received
Property Tax	\$ 9,095,000	\$ 5,244,673	58%
Property Transfer Tax	500,000	557,193	112%
Franchise Fees	1,350,000	619,004	46%
Transient Occupancy Tax (TOT)	12,750,000	8,825,995	70%
Short Term Rental TOT	800,000	430,380	54%
Sales & Use Tax	5,915,000	3,182,636	54%
In-Lieu Property Tax	4,410,000	2,233,194	51%
Homeowners Property Tax Relief	50,000	22,535	45%
Licenses & Permits	2,067,100	1,251,387	61%
Fines & Forfeitures	345,000	151,884	44%
Use of Money & Property	432,800	410,086	95%
Intergovernmental	489,000	258,552	53%
Charges for Services	2,083,860	1,564,079	75%
Other	119,000	67,871	57%
Transfers from Other Funds	--	--	--
Total Revenues	\$ 40,406,760	\$ 24,819,469	62%

Transient Occupancy Tax (Current Budget \$12,750,000):

Transient Occupancy Tax (TOT), or hotel tax, is set at 10% of nightly room rates, and represents the City's largest single revenue source. Past TOT collections (excluding Short-Term Rental TOT) were as follows:

	Amount (in millions)	% Increase/ (Decrease) vs. Prior Year
FY11	\$ 8,338,000	15.5%
FY12	9,382,000	12.5%
FY13	10,086,000	7.5%
FY14	11,007,000	9.1%
FY15	12,071,000	9.7%
FY16	11,648,000	(3.5%)
FY17	12,600,000	8.2%
FY18	12,989,000	3.1%
FY19	13,343,000	2.7%
FY20 (Budget)	12,750,000	(4.4%)

Through February 29, 2020, TOT collected fiscal year to date totaled \$8,825,995, which was \$186,918 or 2.2% ahead of last year's collections for the same period. The four major resorts in town saw little change over the same eight month period last fiscal year, with a combined decrease

of \$74,000, or 0.9%. TOT collections stood at 70% of the annual budget, which was well ahead of the typical and roughly 65% collected for the first eight months of a fiscal year.

Use of historical trends for collections to this point in the fiscal year would have resulted in projections to finish FY20 at or above \$13.4 million. However, given the devastating impact the COVID-19 pandemic has had on travel, what would otherwise have been a likely \$550,000 proposed budget increase, Staff sees TOT finishing closer to \$9.5 million, or \$3.25 million below budget. The currently adopted budget for FY21 will also be reviewed and will also require a recommendation to lower the budget prior to the start of the fiscal year

Modeling for these early forecasts is based on extensive discussions with hoteliers over the past several weeks, input from travel industry sources, and is applied to many years of by-property TOT collection data.

Short-Term Rental Transient Occupancy Tax (Current Budget \$800,000):

In addition to TOT received from the hotels and resorts, the City receives Short Term Rental TOT from a limited number of properties permitted to operate. This tax is due quarterly in arrears (staggered by month so all are not on a calendar quarter). FY20 receipts as of February 29, 2020 were \$430,380, which was \$57,024, or 11.7% behind the same period last year and shaped an estimate to finish FY20 about \$75,000 under the \$800,000 budget. Given the negative impact to tourism travel due to COVID-19, and the fact that April and June are typically some of the higher revenue generation months, Short Term Rental TOT will finish this fiscal year as much or more than \$300,000 under budget. The currently adopted budget for FY21 will also be reviewed and likely to result in a recommendation to lower its budget prior to the start of the fiscal year.

Secured and Unsecured Property Tax (Current Budget \$9,095,000):

Property taxes are imposed by the County at a rate of 1% of assessed value, which is initially established by the price a new buyer pays for the property. The assessed value may be increased each year as the market for a property increases, but by no more than 2% per year. During economic downturns, and as the market value of properties decrease, the County Assessor can and does reduce assessed values of properties on the tax role; this, in turn, decreases the amount of property tax due.

Following reductions in assessed values, and as the economy and property values grow, the County Assessor can and does increase assessed values, and does so in a manner that can return the assessed value back to what it would have been had the base value been increased all along at up to 2% per year. For the January 1, 2019 valuation date which is used for the FY20 tax bills, total assessed value of property in Dana Point grew \$636.4 billion, or 5.0%.

The City receives roughly 7.6 cents for every \$1 of property tax paid. The other 92.4 cents goes to other agencies and special districts, with the largest beneficiaries being the school district at 39 cents per \$1 paid, the State at 16.6 cents, the Fire Authority at 12.2 cents and the Community College District at 9.6 cents, among others. Property Tax may be paid by property owners in two installments, December and April, and thus is not received evenly throughout the year. Taxes are due no later than April 10 each year.

On March 25, 2020 the Orange County Treasurer-Tax Collector (TTC) published a press release stating that she does not have the ability to extend the April 10 deadline for property tax payments, but did extend her "full support for waiver of penalties, costs and other charges as allowed by

existing state law for taxpayers that fail to make a timely payment.” This past weekend the TTC provided additional information, stating that legally they can only waive penalties and costs if a taxpayer is “unable to deliver your timely payment due to hospitalization or illness from COVID-19.”

Through February 2020, and prior to the Governor's COVID-19 Stay at Home Order, property tax revenue was projected to exceed the \$9,095,000 FY20 City budget by about \$80,000. Staff is fairly confident that most of the property tax payments owed will be paid, with some expected uptick in payment delinquencies. This is the case because there is no ability for the County to provide widespread penalty waivers. Given the current situation, however, and pending the upcoming late-April property tax remittance that the City receives from the County each year, Staff is not prepared at this time to make a recommendation in regards to a budget adjustment.

Sales & Use Tax (Current Budget \$5,915,000):

The City receives 1% of taxable sales occurring in Dana Point, along with a proportionate share of Use Tax allocated from the county pool. Fiscal year to date through February 29, 2020, the City collected \$3,182,636, which was \$90,634, or 2.9% more than the same period last fiscal year. The FY20 Sales Tax budget had been tracking at budget, and no adjustments would have been recommended absent impacts of the COVID-19 Stay at Home Order, particularly as it relates to group and room cancellations experienced at our hotels.

Staff has been working the past two weeks with the City's contract Sales Tax Auditor/Consultant to update projections to finish FY20, and on what is ahead for FY21. A complicating factor is the Governor's continued direction to escalate the extent to which Sales Tax payments could be extended for businesses whose quarterly tax payments are less than \$1 million. Regardless of the timing of required tax payment dates, it is certain that since the middle of last month through whenever the hotels reopen, restaurant and retail sales will be well off historical levels.

There is continuing discussions by the League of California Cities and member agencies to encourage the State to cover to some extent the tax revenue it otherwise would have collected had it not enacted tax-payment deadline extensions.

In-lieu Property Tax (Current Budget \$4,410,000):

In-Lieu Property Tax is the result of the State taking Vehicle License Fees (“VLF”) away from cities back in 2004, and replacing 98 percent of it with the State's portion of property tax. This revenue is received in two equal payments, one in January and the other in May. The January 2020 allocation was \$2,233,194, and doubling that results in this fiscal year's payment projected to be \$4,466,388, or \$56,000 more than budget. There has been no discussion about the current economic situation affecting this protected revenue stream.

Property Transfer Tax (Current Budget \$500,000):

Property Transfer Tax is assessed on the sale of a property, with the City and the County each receiving 55 cents for every \$1,000 of sales value. Other than large numbers of existing residential properties selling, as occurred the few years prior to the recession, the variance from year to year for this particular revenue is most impacted by high dollar sales, such as hotels and substantive numbers of parcels in the Strand and Monarch Beach neighborhoods.

Property Transfer Tax is currently budgeted at \$500,000 for FY20, which is slightly higher than FY19 actuals. As of February 2020, the City received \$557,193, or 11.5% more than budget. Just over \$250,000 of the increase is due to a one-time receipt from the sale of a large resort in town. Another resort was also in escrow, and may result in another one-time receipt of about \$180,000.

Prior to the COVID-19 Stay at Home Order, Staff was projecting this revenue to finish the fiscal year at \$400,000 over budget; given that property sales have also appear to have been negatively impacted by the Order, this projection will also be amended downward. Staff is working to gather updated collections information from the County and will update the projection as appropriate.

Fines & Forfeitures (Current Budget \$345,000):

This category is made up of Vehicle Code, Parking, and various Municipal and Health & Safety Code fines, and forfeited funds for breach of Construction & Demolition Deposit Agreements ("C&D"). The combined budget is \$345,000 for FY20. Fiscal year to date through February 2020, revenue for this category totaled \$151,884, which was \$18,378 or 10.8% less than same period the prior year. Based on year to date collections this category is trending about \$35,000 under budget. Staff will update projections prior to seeking City Council authorization to amend the budget as mentioned above.

Use of Money & Property (Current Budget \$432,800):

This category includes Rental of Property, Investment Income, and City Plaza Rental Revenue. The FY20 General Fund budget for this category is \$432,800. A budget adjustment will be recommended for Investment Income when adjustments to all other General Fund budget items are brought back to Council in the near future. Prior to the COVID-19 Stay at Home Order, Interest Income was trending to come in more than \$150,000 better than budget. Given the impact on City revenues caused by COVID-19, Staff is updating its projection for Interest Revenue to finish this fiscal year, but still expects it to finish above budget.

Intergovernmental Cost Reimbursements (Current Budget \$432,800):

The City receives a variety of cost reimbursements from other governmental agencies, particularly certain State mandated activity for which cities must be reimbursed per State law, reimbursement for San Onofre related emergency preparedness costs, and revenue allocations associated with non-Orange County entities' use of the local landfill. Collections to date indicate this source of revenue will exceed the annual budget, and the following adjustments are expected to be recommended when Staff returns with budget updates for the General Fund in the near future.

01-50-6505	Motor Vehicle in Lieu	\$ 12,000 Increase
01-50-6513	Local Coastal Program Grant	\$ 48,000 Increase
01-50-6514	Waste Disposal Allocation	\$ 31,000 Increase
01-50-6515	Nuclear Power Program	\$ 9,000 Increase
01-50-6521	Intergovernmental Cost Reimb.	<u>\$ 40,000 Decrease</u>
Net Change		\$ 60,000 Increase

Licenses & Permits and Charges for Services

City Licenses & Permits, and Charges for Services revenue categories are mainly derived from development activity, along with a development impact fee and recreation related charges. The City has seen record levels of development activities the past several years, and though activity

was at high levels, to be conservative it was also projected with this year's budget that development would be slowing.

Predicting the pace of development is incredibly difficult, and even more so to predict timing of particular projects. Even prior to the COVID-19 Stay at Home Order, Staff was reporting that the general level of development activity was gradually slowing. It is important to note that the timing of development activity, in particular of larger projects, results in sizeable swings in revenue collections in any given period. Staff has spent the last three weeks adapting to changes to the work environment in response to COVID-19, including but not limited to closure of the Development lobby, conversion to split-shift telecommuting, and setting up online, interactive options for customers.

Licenses & Permits (Current Budget \$2,067,100):

Fiscal year to date February 2020, Licenses & Permits revenue totaled \$1,251,387, which was comparable to the same period last fiscal year. The \$2,067,100 FY20 budget for this category is comparable to last year's actual collection of \$2,028,099. Prior to the Governor's Stay at Home Order, the Licenses & Permits category of revenue had been trending to finish the year about \$8,000 under budget.

With the advent of the Stay at Home Order, Staff has been busy establishing the ability for customers to electronically submit documents, has achieved much success in doing so, and has also established safe distancing protocols for customers to drop off and pick up plans and other documents. Activity waned a bit as the community was also adjusting to the COVID-19 Stay at Home Order, but appears to be picking up again now that the City and its customers are settling in to new routines. Staff is currently evaluating what impacts the Stay at Home Order may have on development activity and the resultant impact on revenue for the balance of this fiscal year, and will return to the City Council with any recommended adjustments.

Charges for Services (Current Budget \$2,083,860):

Fiscal year to date February 2020, Charges for Services revenue totaled \$1,564,079, which was comparable to the same period last fiscal year. The \$2,083,860 budget for this category is \$373,844, or 15.2% less than last year's actual collections. Prior to the Stay at Home Order, this category of revenue was trending to come in roughly \$98,000 over the FY20 budget.

Of that amount, the FY20 Recreation-related revenue budget is \$185,000, and had been projected to come in about \$30,000 over budget; however, with the Spring recreation classes cancelled as a result of the Stay at Home Order, fees collected for those classes are currently being refunded. Revenue projections are still being developed, and it is expected that in total these will now come in slightly under budget.

Legal Reimbursements are budgeted at \$235,000, and \$203,713 has been collected to date; these revenues may still finish the year close to budget. Police Services reimbursements for mostly overtime costs incurred to staff special events such as concerts is budgeted at \$170,000, and \$120,043 had been collected to date; though these revenues will likely fall short of budget, the associated overtime costs will also be lower than expected.

The budget for Art in Public Places fee revenue is established as funds are received, and then set-aside into a General Fund reserve that is restricted as to use. Through February 2020, \$35,985 has been received.

The remainder of the Charges for Services category of revenue relate to Planning, Building and Engineering plan check and certain inspection services. As is the case with the Licensing & Permits category, Staff is evaluating what impacts the Stay at Home Order may have on development activity and will return to Council with recommendations for budget adjustments.

General Fund Expenditures

The following discussion is in regards to General Fund expenditure budgets:

Operations Contingency Account (Dept. 99)

In adopting the FY20 budget, the City Council established a \$250,000 General Fund Operations Contingency Reserve budget (Acct. 01-99-20-0000-2999). The intent of the reserve is to cover unexpected and emergency maintenance, repairs and procurements that are difficult to foresee. This account is considered as a structural expense for projections. As it is within the City Manager's authority to move budget between line items as long as it does not affect fund balance, nor run counter to City Council policy, Staff is simply reporting adjustments being made, and a budget adjustment is not requested for its use.

A total of \$120,967 of the \$250,000 Contingency Reserve account budget (01-99-20-0000-2999) is being allocated to the accounts listed below and used for the following purposes:

Engineering and Support Services for Senate Bill 743

In December 2018, Governor Brown signed Senate Bill (SB) 743 which creates a process to change the way that transportation impacts are analyzed under the California Environmental Quality Act (CEQA). Such measurements of transportation impacts may include vehicle miles traveled, vehicle miles traveled per capita, automobile trip generation rates, or automobile trips generated. The new criteria under SB743 must promote the reduction of greenhouse gas emissions, the development of multimodal transportation networks, and a diversity of land uses, and must be implemented by the City by July 1, 2020. A \$29,000 contract for consulting services was issued to complete this task.

Parks and Facilities Emergency Repairs

While Staff does budget for unexpected emergency repairs to facilities and parks, the City has experienced an inordinate amount of vandalism, along with extraordinary structural and plumbing repairs this fiscal year. Three park vandalism events occurred which resulted in broken glass within playground areas, with two at Dana Crest Park requiring the removal and replacement of play sand, wood chips, and rubberized surfacing, and the other at Pines Park required the removal and replacement of play sand within the playground area. These repairs in total cost \$41,900.

There were also several unexpected emergency facilities repairs including two mainline water line breaks at the Community Center, a sewer leak within the lower parking garage at City Hall, the structural failure of a header beam located in the Community Development offices, and mainline valve failures during a switch over from potable to reclaimed irrigation. These items combined for a total of \$32,867 in unbudgeted emergency repairs.

Investigation Services

An employment discrimination claim was made against the City early in calendar 2019. In addition to costs incurred for City Staff and City Attorney work, the City also paid independent investigators

a total of roughly \$22,500. None of these costs were budgeted. Of those contract investigator costs, approximately \$13,200 was incurred in the current fiscal year, and are being covered by the Operations Contingency Account.

Legal Code Updates

The City subscribes to Thomson Reuters West's Annotated California Codes for its published California Codes volumes. This service costs an additional \$4,000, and is required for the City Attorney's Department.

City Attorney Contract (Dept. 71)

The original budget for City Attorney costs for FY20 was \$985,000. Fiscal year to date costs incurred through February 2020 totaled \$1,201,949, an increase of \$307,391, or 34.4% over the same period last fiscal year. As mentioned in the 2nd Quarter Financial Report, the bulk of the increase is associated with Council-directed litigation associated with code enforcement matters.

An estimate was made in the March 17, 2020 budget status report that recommended a budget increase of \$597,000. However, given the Governor's Stay at Home Order, and the impact mainly on the court system, many of the matters being handled by the City Attorney have been placed on hold. Given that, new cost estimates to complete this fiscal year and recommended budget adjustments will be brought back to City Council for consideration along with all of the other General Fund budget updates mentioned above.

Note that the City did receive the expected payment for a \$200,000 legal settlement that occurred last year, and still has several matters currently in the courts for which reimbursement for legal costs may occur.

As mentioned at the beginning of this General Fund Revenue and Expenditure discussion, no General Fund Budget adjustments are being recommended at this time.

OTHER FUND ADJUSTMENTS

Gas Tax (Fund 02)

No budget adjustments are requested at this time for this fund. State gasoline tax exists per Article 9 of the State Constitution, and is allocated to counties based on gasoline sales, and then to cities based on population. Use is restricted to street construction and maintenance. Per direction from the State, monies flowing through this fund are to be accounted for separate from the recently enacted SB 1 Road Repair and Rehabilitation Act (See RMRA Fund 08 below). The FY20 Gas Tax Fund revenue budget is \$901,288, and actual collections had been expected to come in at budget; however, in light of the Governor's COVID-19 Stay at Home Order, it is obvious that vehicle travel in the State has been severely reduced, and is layered onto the fact that cost of fuel has been reduced due to international oil prices tumbling.

These funds are received and recorded based on the Section of the State Code that enacted them. Certain of these funds may be used to reimburse the City's General Fund for street maintenance costs; however, beginning in FY20 all of these funds are being allocated to the Capital Projects Fund for street construction projects.

This fund had \$570,016 in actual beginning fund balance this fiscal year, and coupled with the expected revenue budget was expected to have \$1,471,304 available to allocate. The fund is

budgeted to only transfer \$1,151,288 to the Capital Projects Fund in FY20. The currently budgeted FY20 ending fund balance is \$320,016, but given the impacts mentioned above the FY20 revenue budget will likely be lowered and thus this balance will be reduced.

Road Maintenance and Rehabilitation Act (RMRA) (Fund 08)

No budget adjustments are requested at this time for this fund. The Road Repair and Accountability Act of 2017 (RMRA) (commonly referred to as SB1) was passed by the legislature to provide additional funding for basic road maintenance, rehabilitation and critical safety needs on both state highways and local streets and road system. This fund began the fiscal year with \$602,526 in fund balance, and currently has a \$563,931 revenue budgeted, and \$582,793 in budgeted transfers to the Capital Improvement Fund. As with Gas Tax, the remaining available funds may be reduced due to current economic events.

Coastal Transit (Fund 06)

This fund is used to account for the City's Trolley operations. Funds for the program derive from Measure M Project V grant funds (Project V), and historically a City required funding match has been provided from a one-time developer contribution that the City has had on account since the early 2000's. This fund began the fiscal year with a fund balance of \$327,836. It is important to note that the OCTA administers the Project V funds, and typically takes upwards of six months after the summer Trolley program end before they reimburse the City for costs incurred.

The City began having to front the Project V funding portion of the Trolley program using the Coastal Transit Fund as of this fiscal year. The original developer monies in the Coastal Transit Fund will be depleted by FY21, and Staff intends to recommend use of eligible funds in the City's AB2766 Clean Air account to cover the City's match requirement, but can only do so for three consecutive fiscal years. The long-term funding of the Trolley Program has been identified as an issue in the City's Long Term Financial Plan.

The FY20 adopted Measure M Project V revenue budget is \$450,000, and actual revenue stands currently at \$525,782; therefore, a budget adjustment of \$75,782 is recommended. Also, other reimbursements received to date total \$32,174, and a revenue budget increase is recommend to recognize this as well. Adding the beginning Fund Balance to the updated revenue collections and expected interest income of \$10,000 results in \$927,966 available to spend.

The FY20 adopted expenditure budget is \$610,000; and, expenses incurred fiscal year to date are \$527,748, leaving \$82,252 in currently available appropriation. The adopted budget did not take into account the recently approved expansion to the dual-direction Trolley service and associated ancillary costs this coming season; in addition, Staff is working to update the weathered paint on the Trolleys. A budget adjustment of \$193,000 is requested to cover the additional expenses. With the proposed increase in the revenue and expenditure budgets, the revised budgeted ending fund balance would be \$82,792. **Budget adjustments recommended for this fund are as follows:**

06-50-6521	Intergovernmental Cost Reimbursement	\$ 75,782 Increase
06-60-6685	Reimbursed Expenses	\$ 32,174 Increase
06-99-2230	Professional Services	\$ 193,000 Increase

Facilities Improvements Fund (12)

The Facilities Improvements Fund has enabled the City to take on needed projects and update its facilities, and was designed to evolve as Staff works through the recently conducted Facilities Assessment and addresses the issues with our aging facilities. Initial funding estimates, as previously explained, were rough-order estimates requiring much refinement to the actual scope of work of each individual project; to date, most projects have been managed within those initial estimates.

However, some of the larger parks projects are requiring additional work due to Americans with Disabilities Act (ADA) requirements that create the need to modify hardscape features, and result in higher project costs. In addition, the additional review done on the initial assessments has resulted in reordering the priority and timing of some projects that were initially set to occur in future fiscal years, but based on need, have been moved up to FY20.

Several projects budgeted in FY20 have been completed or are near completion. The table below shows the re-allocated budget and proposed adjustments by project, which are further explained on the next page. Since City Council adoption of the budget last June, Staff has implemented use of separate project accounting in this fund.

CONTINUED ON NEXT PAGE

The first column below shows the current FY20 Amended Budget, allocated to new project account numbers that utilize the Priority One projects listed in adopted budget book. The second column entitled FY20 Proposed Budget shows Staff's proposed reprioritization and cost adjustments, and the third column shows the budget adjustments currently proposed for Council action.

Facilities Improvement Fund 12 Project Accounts			
Project Description/Acct. #	FY20 Amended Budget	FY20 Proposed Budget	Adjustment Proposed
Facilities Improvements 12-99-30-0000-3030	\$ - -	\$ - -	\$ - -
City Hall Roof Mechanical Well 12-99-30-2001-3030	100,000	100,000	- -
City Hall HVAC 12-99-30-2002-3030	70,000	70,000	- -
City Hall Parking Structure 12-99-30-2003-3030	100,000	135,000	35,000
Community Center Parking Lot* 12-99-30-2004-3030	75,000	- -	(75,000)
Scenic Drive Overlook/Trail Ext 12-99-30-2005-3030	25,000	25,000	- -
Scenic Drive Overlook Mitigation 12-99-30-2006-3030	5,000	5,000	- -
Scenic Drive Overlook CEQA 12-99-30-2007-3030	35,000	35,000	- -
Lantern Bay Park* 12-99-30-2008-3030	200,000	65,000	(135,000)
DHHS Sports Park Restroom 12-99-30-2009-3030	35,000	35,000	- -
Shipwreck Park Renovation* 12-99-30-2010-3030	250,000	35,000	(215,000)
Sea Canyon Restroom Rehab 12-99-30-2011-3030	160,000	110,000	(50,000)
Bluff Top Trail Railing 12-99-30-2012-3030	150,000	250,000	100,000
Salt Creek Treatment Plant 12-99-30-2013-3030	60,000	60,000	- -
City Hall Interior Finishing/Flooring 12-99-30-2014-3030	- -	50,000	50,000
EOC Upgrade** 12-99-30-2016-3030	- -	65,000	65,000
Council Chambers A/V Upgrade 12-99-30-4001-3040 PEG Fees	233,116	233,116	- -
Total	\$ 1,498,116	\$ 1,273,116	\$ (225,000)

*Project moved to FY21

**New project added to FY20

City Hall Parking Structure – Work will be done in the near term to seal non-structural cracks to avoid rain water from penetrating through from the upper level to the lower level. There will be two

project phases with the first taking place April 2020, and the second in early summer 2020. Staff is requesting an additional budget of \$35,000 from fund balance for this project.

Lantern Bay Park – This Project's preliminary design phase is concluding, and final design is commencing for amenities to include new picnic areas, shade structures, ADA compliant walkways, landscaping improvements, tree removal and replacement, and other improvements. The scope of this project was increased, and thus the projected cost, particularly given the need to replace playground surfacing and structures. The final budget for this project will be brought to the City Council for contract and budget authority in FY21.

Shipwreck Park – Design for this project is roughly 75 percent complete, and is expected to be completed this fiscal year; construction could begin the first half of FY21. The work includes replacing the aged playground structure, as well as other park improvements including those necessary for ADA compliance. The final project will be brought to Council for contract and budget consideration in FY21.

Sea Canyon Restroom Rehab – The restrooms at Sea Canyon and South Strands are being upgraded to improve the interior and exterior appearance, as well as the functionality of the facility. This work is in the planning stage, and may be completed before the end of this fiscal year. Costs for this project are estimated to be \$50,000 less than originally budgeted.

Bluff Top Trail Railing – This project is still in the preliminary design phase. However, after further review the current design is recommended to include structural improvements that Staff is requesting additional budget of \$100,000 to cover.

City Hall Interior Finishing/Flooring – This project was originally included in the FY21 adopted budget. However, the project was completed this fiscal year, and the \$50,000 budget is recommended to be moved up to FY20.

Dana Point Emergency Operations Center (EOC) Upgrade – The equipment within the EOC is outdated and in need of replacement and maintenance. This project is not currently budgeted in the Facilities Fund, but was added to ensure the EOC is fully functioning in the event of an emergency. Staff requests budget of \$65,000 to cover the cost.

Supplemental Law Enforcement Services Fund (SLESF) (Fund 25)

These State grant funds are used to supplement funding currently available for costs associated with public safety including personnel, equipment and programs. The funds are not meant to supplant any other existing funding. Currently the City uses the funds to help maintain the following programs:

- School Resource Officer position
- Bike Patrol Program
- Project Hide It, Lock It, or Lose It
- Parent Project Classes
- Motorcycle Deployment
- Special Enforcement Program
- National Night Out Program
- Trunk or Treat
- Disaster Response Program

These funds are not guaranteed and thus are not budgeted until received. This fund began the fiscal year with a \$40,870 fund balance, and added to the revenue collected this fiscal year to date of \$15,343, brings the balance available to appropriate to \$196,213. A total of \$49,500 was appropriated in the FY20 carry-over adjustments approved by Council on September 17, 2019. Based on this, **Staff requests a budget increase to both the revenue and expenditure budgets to equal the amount available for appropriation.**

25-50-6501	Citizens Opt for Public Safety Revenue	\$ 154,043 Increase
25-60-6685	Reimbursed Expense Revenue	\$ 1,300 Increase
25-99-2572	SLESF Expenditures	\$ 146,713 Increase

Headlands CFD Maintenance Fund (27)

This fund is used to account for special tax revenues assessed on properties located within the Community Facilities District associated with the Strand development, and that are restricted for the maintenance of certain public facilities within District boundaries. Certain Headlands-area storm drain facilities that used to be managed by the County were added to the CFD as part of the development entitlements; they are now managed by the City but paid for from CFD funds. Best Management Practices (BMP) for water quality requires the replacement of storm drain filters every three years, are required to be completed this fiscal year, and the cost was inadvertently left out of budget. **Staff is requesting \$39,000 of appropriation from this fund to cover the costs**, and the revised budgeted ending fund balance following the appropriation would be \$467,742.

27-99-2650	County Facilities	\$ 39,000 Increase
-------------------	--------------------------	---------------------------

NOTIFICATION/FOLLOW-UP:

None

FISCAL IMPACT:

There is no fiscal impact to the General Fund as no budget adjustments are proposed in This report. Fiscal impacts to the City’s Non-General Funds are detailed in the text above.

ALTERNATIVE ACTIONS:

To modify proposed budget adjustments, or provide other direction, at Council’s discretion.

ACTION DOCUMENTS:

PAGE #

None

SUPPORTING DOCUMENTS:

A. FY20 Budget Adjustments by Account Number.....	18
B. General Fund Reserve Policy dated 6/30/19.....	20

SUPPORTING DOCUMENT A FY20 Budget Adjustments by Account Number

LISTING OF FY20 BUDGET ADJUSTMENTS BY ACCOUNT #, THROUGH 6-30-20									
Fund #	Dept	Acct	Exp(E) Rev(R)	Amount	Description	Bud. Adj. #	Council Approved	Date	
12	99	3040	Exp(E)	\$ (90,000)	Budget transfer for council chambers systems upgrade	1	x	6/18/2019	
12	99	4001	Exp(E)	\$ 233,116	CC Approved Budget Adjustment	1	x	6/18/2019	
12	99	3030	Exp(E)	\$ (170,000)	Budget Transfers for roof and HVAC projects	2		9/12/2019	
12	99	2001-3030	Exp(E)	100,000	Budget Transfers for roof and HVAC projects	2		9/12/2019	
12	99	2002-3030	Exp(E)	70,000	Budget Transfers for roof and HVAC projects	2		9/12/2019	
1	21	2230	Exp(E)	19,750	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	41	2230	Exp(E)	38,400	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	42	2230	Exp(E)	208,250	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	44	2230	Exp(E)	18,450	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	52	2230	Exp(E)	43,000	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	52	2510	Exp(E)	335,000	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	52	2350	Exp(E)	100,000	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	55	2550	Exp(E)	34,400	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	56	2230	Exp(E)	45,000	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	31	1200	Exp(E)	40,000	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	31	2230	Exp(E)	20,000	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	99	9050	Exp(E)	964,563	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
11	90	6901	Rev(R)	964,563	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	90	6903	Rev(R)	(572,396)	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
2	99	9030	Exp(E)	(572,396)	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
4	99	9050	Exp(E)	558,900	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
11	90	6904	Rev(R)	558,900	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
11	99	1291	Exp(E)	70,117	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
11	99	1298	Exp(E)	164,762	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
11	99	1300	Exp(E)	104,250	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
11	99	1309	Exp(E)	2,496,525	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
11	99	1314	Exp(E)	100,000	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
25	99	2572	Exp(E)	49,500	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
2	99	9050	Exp(E)	572,396	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
11	90	6903	Rev(R)	572,396	Council approved FY19 carry-over budget adjustments, 9/17/19, item #20	3	x	9/17/2019	
1	99	2999	Exp(E)	(5,670)	CC approved transfer to cover new costs for parking lease, 9/17/19, item #21	4	x	9/17/2019	
1	44	2340	Exp(E)	5,670	CC approved transfer to cover new costs for parking lease, 9/17/19, item #21	4	x	9/17/2019	
12	99	3030	Exp(E)	(1,095,000)	Budget transfer to detail project expenditure accounts	5			
12	99	2003-3030	Exp(E)	100,000	Budget transfer to detail project expenditure accounts	5			
12	99	2004-3030	Exp(E)	75,000	Budget transfer to detail project expenditure accounts	5			
12	99	2005-3030	Exp(E)	25,000	Budget transfer to detail project expenditure accounts	5			
12	99	2006-3030	Exp(E)	5,000	Budget transfer to detail project expenditure accounts	5			
12	99	2007-3030	Exp(E)	35,000	Budget transfer to detail project expenditure accounts	5			
12	99	2008-3030	Exp(E)	200,000	Budget transfer to detail project expenditure accounts	5			
12	99	2009-3030	Exp(E)	35,000	Budget transfer to detail project expenditure accounts	5			
12	99	2010-3030	Exp(E)	250,000	Budget transfer to detail project expenditure accounts	5			
12	99	2011-3030	Exp(E)	160,000	Budget transfer to detail project expenditure accounts	5			
12	99	2012-3030	Exp(E)	150,000	Budget transfer to detail project expenditure accounts	5			
12	99	2013-3030	Exp(E)	60,000	Budget transfer to detail project expenditure accounts	5			
1	41	2240	Exp(E)	35,000	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	42	2230	Exp(E)	150,000	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	42	2230	Exp(E)	65,000	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	56	2240	Exp(E)	650,000	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	20	6203	Rev(R)	20,000	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	20	6205	Rev(R)	22,300	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	20	6209	Rev(R)	82,000	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	20	6211	Rev(R)	24,000	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	20	6215	Rev(R)	23,500	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	20	6217	Rev(R)	3,500	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	20	6223	Rev(R)	10,000	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	20	6225	Rev(R)	335,000	Council approved budget adjustments, Item #10	6	x	12/3/2019	
1	20	6226	Rev(R)	10,000	Council approved budget adjustments, Item #10	6	x	12/3/2019	

LISTING OF FY20 BUDGET ADJUSTMENTS BY ACCOUNT #, THROUGH 6-30-20								
1	20	6227	Rev(R)	33,000	Council approved budget adjustments, Item #10	6	x	12/3/2019
1	20	6609	Rev(R)	3,000	Council approved budget adjustments, Item #10	6	x	12/3/2019
1	20	6611	Rev(R)	6,500	Council approved budget adjustments, Item #10	6	x	12/3/2019
1	20	6613	Rev(R)	4,700	Council approved budget adjustments, Item #10	6	x	12/3/2019
1	20	6623	Rev(R)	30,000	Council approved budget adjustments, Item #10	6	x	12/3/2019
1	20	6631	Rev(R)	50,000	Council approved budget adjustments, Item #10	6	x	12/3/2019
1	20	6639	Rev(R)	2,500	Council approved budget adjustments, Item #10	6	x	12/3/2019
1	20	6641	Rev(R)	250,000	Council approved budget adjustments, Item #10	6	x	12/3/2019
1	20	6692	Rev(R)	10,000	Council approved budget adjustments, Item #10	6	x	12/3/2019
1	20	6694	Rev(R)	(20,000)	Council approved budget adjustments, Item #10	6	x	12/3/2019
1	50	6523	Rev(R)	160,000	Council approved budget adjustments, Item #13	7	x	12/3/2019
1	41	2230	Exp(E)	160,000	Council approved budget adjustments, Item #13	7	x	12/3/2019
1	42	2010	Exp(E)	1,500	Budget Transfer for building communications	8		2/12/2020
1	42	2070	Exp(E)	(1,500)	Budget Transfer for building communications	8		2/12/2020
1	43	2290	Exp(E)	1,900	Budget Transfer for auto allowance/mileage	8		2/12/2020
1	43	2070	Exp(E)	(1,900)	Budget Transfer for auto allowance/mileage	8		2/12/2020
1	81	1010	Exp(E)	47,000	Budget Transfers to adjust CS personnel budgets for second half of FY20	9		2/24/2020
1	81	1030	Exp(E)	11,900	Budget Transfers to adjust CS personnel budgets for second half of FY20	9		2/24/2020
1	81	1050	Exp(E)	5,000	Budget Transfers to adjust CS personnel budgets for second half of FY20	9		2/24/2020
1	81	1140	Exp(E)	1,100	Budget Transfers to adjust CS personnel budgets for second half of FY20	9		2/24/2020
1	21	1010	Exp(E)	(60,000)	Budget Transfers to adjust CS personnel budgets for second half of FY20	9		2/24/2020
1	21	1050	Exp(E)	(5,000)	Budget Transfers to adjust CS personnel budgets for second half of FY20	9		2/24/2020
11	99	6903	Rev(R)	250,000	Council approved budget transfers, Item #15	10	x	2/18/2020
11	99	3110	Exp(E)	250,000	Council approved budget transfers, Item #15	10	x	2/18/2020
2	99	9050	Exp(E)	250,000	Council approved budget transfers, Item #15	10	x	2/18/2020
11	99	3110	Exp(E)	(73,000)	Council approved budget transfers, Item #15	10	x	2/18/2020
11	99	3110	Exp(E)	73,000	Council approved budget transfers, Item #15	10	x	2/18/2020
1	99	2999	Exp(E)	(29,000)	Transfer to fund consultant work for SB743 implementation	11		2/28/2020
1	53	2230	Exp(E)	29,000	Transfer to fund consultant work for SB743 implementation	11		2/28/2020
1	56	1050	Exp(E)	15,000	Budget Transfer to fund staff overtime, project deadlines, and general staffing needs	12		3/9/2020
1	52	2490	Exp(E)	(15,000)	Budget Transfer to fund staff overtime, project deadlines, and general staffing needs	12		3/9/2020
1	99	2590	Exp(E)	(20,000)	Budget Transfer to cover increase costs in phone service transition	13		3/9/2020
1	99	2010	Exp(E)	20,000	Budget Transfer to cover increase costs in phone service transition	13		3/9/2020
1	12	1010	Exp(E)	(15,000)	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	1030	Exp(E)	15,000	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	1100	Exp(E)	(11,000)	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2030	Exp(E)	(5,000)	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2040	Exp(E)	700	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2090	Exp(E)	500	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2110	Exp(E)	(22,000)	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2230	Exp(E)	6,200	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2290	Exp(E)	8,000	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	3010	Exp(E)	21,100	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2190	Exp(E)	(1,000)	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2070	Exp(E)	(250)	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2270	Exp(E)	(2,500)	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2290	Exp(E)	500	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2030	Exp(E)	4,500	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	12	2290	Exp(E)	250	Budget Transfers to adjust EM, PA & FC personnel budgets	14		3/9/2020
1	31	2150	Exp(E)	2,000	Budget Transfer for deputy city clerk training	15		3/11/2020
1	31	2230	Exp(E)	(2,000)	Budget Transfer for deputy city clerk training	15		3/11/2020
1	60	6685	Rev(R)	2,160	Budget adjustment to increase reimbursed expenses for trolley use reimbursement	16		3/18/2020
1	52	2230	Exp(E)	2,160	Budget adjustment to increase reimbursed expenses for trolley use reimbursement	16		3/18/2020

SUPPORTING DOCUMENT B**CITY OF DANA POINT
COUNCIL POLICY**

SUBJECT:	PAGE:	EFFECTIVE DATE:	POLICY NO.:
General Fund Reserve Policy	1 of 3	6/30/19	233

BACKGROUND:

A General Fund reserve is one of the City of Dana Point's most important hedges against risk. It helps ensure that the City can provide consistent, uninterrupted municipal services in the event of economic disruption or an extreme event. For example, the City's primary revenue source is transient occupancy tax (TOT), which was shown to be sensitive to the Great Recession's economic downturn. Further, like many other cities, Dana Point could be damaged by extreme events like an earthquake, tsunamis, or landslide, among others. Maintaining sufficient financial reserves would assist in maintaining a high level of creditworthiness which would be helpful should the City need access to financing; furthermore, it allows the City to meet its fiscal obligations per the adopted budget, despite normal cash flow fluctuations.

This policy establishes the amount the City will strive to maintain in its General Fund reserve, how the reserve will be funded, and the conditions under which the reserve may be spent.

AMOUNTS HELD IN RESERVE

The City will strive to hold the amount listed below in its designated (not legally restricted) General Fund balance, expressed as a percentage of the City's budgeted and ongoing General Fund operating revenue. One-time revenues should be excluded from this annual calculation. The designated reserves are broken into the following two separate categories, each with their associated target amount:

- **11% of annual operating revenue - Economic Stability Reserve.** Available to protect and preserve City services from dramatic drops in General Fund revenues that are highly sensitive to economic conditions, mainly transient occupancy tax.
- **9% of annual operating revenue - Extreme Event Reserve.** Available to respond quickly and decisively to man-made or natural extreme events. This reserve could fund the initial public safety response or repairs and reconstruction of public property required in the aftermath of an event.

If, based on use and/or the City staff's analysis and forecasting, the target amount is not being met or is likely not going to be met at some point within a five-year time horizon, then a plan to meet the target balance will be developed. This plan will be presented to the City Council for consideration.

In addition to the amounts above, the City may choose to designate additional amounts for purposes other than those described above. For example, the City may wish to set aside monies for a one-time investment in a special project or program; or, to fund an unfunded pension or other post-employment benefit liability. Any such designated reserve will be accounted for separately.

SUBJECT: General Fund Reserve Policy	PAGE: 2 of 3	EFFECTIVE DATE: 6/30/19	POLICY NO.: 233
--	------------------------	-----------------------------------	---------------------------

from the Economic Stability Reserve and Extreme Event Reserve; this separation is to prevent the funds the City needs to respond quickly and decisively to emergency situations from being tied up by other potential uses. Funds designated for capital projects or facility projects should be transferred to and set aside in a specific, designated reserve in the Capital Projects Fund or Facilities Fund, respectively.

Finally, though not a designated reserve, the City shall maintain an adequate amount of working capital on hand in order ensure smooth operations through normal differences between the timing of the City’s revenue inflows and expenditure outflows. Generally, an amount equal to 4% to 7% of General Fund budgeted, ongoing revenue will be maintained as a minimum, unassigned fund balance. The City will aim to fund at the top of this range.

Priority Funding of the Designated Reserve Targets

Funding of the unassigned fund balance and the two designated (not legally restricted) reserves, will come generally from one-time revenues (e.g., unusually large receipts from transient occupancy, property, sales taxes, etc.), and projected General Fund revenues in excess of projected expenditures. Replenishing these accounts will generally occur in the following priority order:

1. Working capital (unassigned fund balance)
2. Extreme event reserve
3. Economic stability reserve

CONDITIONS FOR USE OF RESERVES

A. Use of Reserves. The City shall limit use of the General Fund’s designated reserves to address unanticipated, non-recurring needs or known and planned future obligations. Designated reserves shall not under normal circumstances be applied to recurring, annual operating expenditures. The Economic Stability reserve may be used to allow time for the City to restructure its operations in a deliberate manner (such as might be required in the case of a severe economic downturn), but such use will only take place in the context that the City will concurrently adopt a plan to reach a sustainable, balanced budget structure.

If necessary, the City should only use up to 50% of either designated reserve to continue operations. The use of the reserves is limited in this way so that a reserve balance will be available to help address additional financial issues or extreme events encountered in the subsequent year. Further, use of a significant portion of the Economic Stability Reserve in any given year should be accompanied by analysis of the fiscal outlook and, if necessary, consideration of reductions to ongoing operations to ensure fiscal sustainability.

SUBJECT:	PAGE:	EFFECTIVE DATE:	POLICY NO.:
General Fund Reserve Policy	3 of 3	6/30/19	233

- B. Authority to Use Reserves.** The City Council may authorize the use of the designated reserves. In all cases, the City Council and management shall only use reserves for purposes consistent with the purposes described in this policy.
- C. Replenishment of Reserves.** In the event designated reserves are used in an amount that takes them below the City's target amounts, the City Manager shall propose a plan within 180 days to the City Council for the replenishment of the reserve(s). The City will strive to replenish the reserves within one year of use, but will fully replenish it within five years of use.