

**CITY OF DEL MAR**  
**FINANCE COMMITTEE MEETING AGENDA**  
**JANUARY 22, 2019, 4:30 P.M.**  
**CITY OF DEL MAR TOWN HALL**  
**1050 CAMINO DEL MAR**

*Civility Works: The Del Mar Code of Civil Discourse: Together we will promote inclusion; listen to understand; show respect; be clear and fair; and focus on the issue.*

**Council Liaisons:** Sherryl Parks, Terry Gaasterland

**City Staff:** Scott Huth, Kristen Crane, Monica Molina, Rosanna Arguelles

**Members:** Tom McGreal, Chair, Al Corti, Bud Emerson, Clive Freeman, Robert Gans, Jas Grewal, Scott MacDonald, Jeffrey Sturgis, Tom Tullie

1. Call to Order/Roll Call
2. Public Comment followed by Committee discussion

Anyone may address the Finance Committee for three minutes on any items listed on the agenda. If there are several speakers on an item, your time available to speak may be limited to two minutes. When the Committee Chairperson recognizes you, please step forward and state your name and address of residence clearly for the record. The committee may ask questions of you, to which you may respond.

For items not on the agenda, please indicate you would like to speak during Oral Communications.

3. Oral Communications (Non-Action Items)

State law precludes the Committee from acting on any topic which is not an action item on the posted agenda. Your information may be received, placed on the next agenda, or referred to the Committee Chairperson.

4. Comments by Council Liaison(s)
5. Comments by Staff
6. Approval of Minutes of meeting on December 4, 2018.
7. Discussion Items:
  - a. Discussion on Measure Q Funds
  - b. Review and Discussion of FY 2019 Expenditure Budget Levels
  - c. Review of Budgetary Process and Financial Systems
  - d. Discussion of Revenue Generating Measures
  - e. Update from Metrics Subcommittee
  - f. Update from Sheriff's Subcommittee
  - g. Update from Pension Subcommittee
  - h. Update from Long Range Planning/Measure Q Subcommittee
  - i. Update from Affordable Housing Subcommittee

8. New Business

9. Adjournment

**Minutes for the Meeting of the Finance Committee  
December 4, 2018  
4:30 P.M. – Council Chambers, Town Hall, Del Mar Civic Center**

**Attendees**

**Council Liaison:** None

**City Staff:** Scott Huth, Kristen Crane, Rosanna Arguelles, Monica Molina

**Members:** Tom McGreal (Chair), Bud Emerson, Bob Gans, Jas Grewal (By Teleconference), Scott MacDonald, Jeffrey Sturgis, Tom Tullie

1. The meeting was called to order at 4:34 P.M.
2. There were no comments by Council liaison.
3. City Manager Scott Huth reported the following: (i) Bruce Foltz, who briefly served as Director of Finance, has resigned to return to his former employer. Former City Finance Officer Monica Molina has returned to the staff, currently on a part-time basis, and is engaged in assisting through the transition as Rosanna Arguelles assumes the position of Finance Officer in the absence of Mr. Foltz; (ii) Recently elected City Council members Terry Gaasterland and Dwight Worden are scheduled to be installed on December 10, with the first meeting of the new City Council to be convened on December 17. Dave Drucker and Elle Haviland are expected to be elected by the new council as the new Mayor and Deputy Mayor, respectively; (iii) The City Advisory Utility Undergrounding Committee is scheduled to issue a report in mid-January, which will include preliminary time and cost estimates for undergrounding, as well as financing proposals for private property connections to newly undergrounded lines.
4. On motions duly made and seconded, the minutes of the meetings of the Finance Committee held on August 21, 2018, and October 23, 2018, were approved.
5. The Committee unanimously recommended that Tom McGreal remain as Chair for the coming year, and that Jeff Sturgis serve as co-chair. Messrs. McGreal and Sturgis each agreed to serve in these respective roles.
6. Ms. Molina presented the City's preliminary unaudited financial results for Fiscal 2017-18, noting that both General Fund and Measure Q revenues exceeded budget, while expenditures came in slightly below budget. Ms. Molina further reported that the City concluded the fiscal year with a general fund contingency reserve of approximately 23%. A discussion ensued regarding the overall year-end results including the following: (i) the reasons for the positive variances from budget; (ii) the reasons that Measure Q revenues exceeded local sales and use tax revenues; and (iii) the extent to which the City's fiscal

results represented a favorable change from the update that staff provided to Council at mid-year, along with the reasons these variances were not detected at mid-year. At the conclusion of this discussion, Mr. McGreal and Ms. Molina agreed to meet regarding the City's mid-year update procedures to gain a better understanding of the reasons that the positive variances were not understood earlier.

7. Ms. Molina also presented the City's Fiscal 2018-19 Updated Budget, which included an analysis of projected revenues, expenditures and reserve balances. Ms. Molina noted that the current budget forecast contemplates a 20% contingency reserve, and also continues to segregate the accounting for Measure Q funds. A discussion ensued regarding the various components of the forecast, with particular emphasis on the rate of year-over-year expenditure growth compared to the growth in revenues, in the context of the City's compliance with the Finnell Plan. The Committee expressed concern that the rate at which projected expense growth exceeds revenue growth under the current updated budget could jeopardize future compliance with the Finnell Plan, which provides for annual revenue growth to exceed annual expenditure growth by 1.4%.
8. Scott Huth reviewed various unfunded items included in the Fiscal 2019 budget, totaling approximately \$954,000, as well as Staff's present recommendation to delay bringing these items forward to the Council at the current time given the current rate of expenditure growth. After discussion, the Committee endorsed Staff's recommendation, and reiterated its continuing commitment to the Finnell Plan.
9. Mr. Huth also provided an update on the first quarter of Fiscal 2019, reporting that revenues and expenditures are generally tracking to budget. Mr. Huth noted that legal expenditures exceeded expectations based on a variety of matters, and therefore represent an area of exposure in the current budget.
10. Mr. McGreal reported the following recommendations on behalf of the Metrics Subcommittee: (i) that the general fund contingency reserve be raised from 20% to 25%, representing 90 days of coverage; and (ii) that the Finnell Plan remain in place in its current form. Mr. McGreal further reported that the subcommittee is continuing to examine metrics to evaluate appropriate debt levels, and is currently focused on the utility of measuring annual debt service as a percentage of annual free cash flow as a metric to limit borrowing. A discussion ensued regarding the basis for the subcommittee's recommendations. At the conclusion of this discussion, the Committee endorsed the subcommittee's recommendations with respect to the general fund contingency and the Finnell Plan, as well as the subcommittee's continuing examination of debt level metrics. Mr. McGreal agreed to meet with Staff to discuss the subcommittee's recommendations.
11. There was no update on behalf of the Sheriff's Subcommittee.
12. There was no update on behalf of the Pension Subcommittee.
13. There was no report on behalf of the Long Range Planning/Measure Q Subcommittee.

14. Scott MacDonald, reporting on behalf of the Affordable Housing Subcommittee, reviewed various changes to the method of calculating payment standards in connection with the rental subsidy program, which were recently implemented by the Housing Authority of the County of San Diego. Mr. MacDonald explained that the changes allow for increased subsidy payments by benchmarking affordability to individual zip codes rather than broader regional areas. As a result of these changes, the Housing Corporation intends to request an additional \$60,000 allocation from the Council to increase the number of subsidized residences from five to eight. A discussion ensued regarding the specifics of the new standard, the current implementation of the rental subsidy program, and the importance of the City achieving its “22 in 5” affordable housing goals.

There being no further business to come before the Committee, the meeting was adjourned at 6:50 P.M.

The next meeting of the Committee will occur on **Tuesday, January 22, 2019, at 4:30 PM**, in the Council Chambers, Town Hall, Del Mar Civic Center.

Respectfully submitted,

Bob Gans, Secretary for the meeting