

**Minutes for the Meeting of the Finance Committee  
February 23, 2021  
3:00 PM – via Teleconference (Zoom) only**

**Attendees**

**Council Liaison:** Dan Quirk, (Terry Gaasterland – absent)

**City Staff:** Ashley Jones, Kristen Crane, Monica Molina, Kseniia Izgarskaia

**Members:** Tom McGreal (Chair), Karen Lare, Judd Halenza,  
Scott MacDonald, Jeffrey Sturgis, Alan Lonbom

1. The meeting was called to order at 3:00 PM Pacific time (a quorum being present).
2. There were no oral communications.
3. There were no liaison(s) comments.
4. City Staff Comments: Kseniia Izgarskaia advised the Committee that the required ethics training needs to be completed by March 31, 2021, that if committee members did not participate on the February 11<sup>th</sup> sexual harassment training, there will be an online training resource via web-based Training Solutions, and finally that Form 700 is due by April 1<sup>st</sup>.

Interim City Manager Ashley Jones commented that staff is continuing to work hard and keeping vigilant with respect to the budget. The Del Mar City Council will be holding a workshop this coming Saturday, February 27<sup>th</sup> at 09:30AM to go over Council priorities.

5. Committee Comments: Tom McGreal made several announcements:

- He welcomed Ashley Jones as the interim City Manager.
- Meeting minutes from the previous Finance Committee meeting were not available but will be distributed so that they can be approved at the next meeting.
- The pension subcommittee put together a spreadsheet and made some summary comments: CalPERS missed their funding return target, 4.7% versus 7.0%. NAL is increasing faster than the fund assets, and the UL is up 5.2%. Total unfunded liability (TUL) is \$14.1 million at the 7% discount rate. At a 6% discount rate, the unfunded liability is valued at \$20.7 million. 6% is closer to the real target. The CalPERS amortization assumes that the plan will be fully funded in 2044 if the 7% return is not missed. Del Mar's pension plan targeted being fully funded in 2030. The City has forgone pension sinking fund contributions for two years in a row. Jeff Sturgis commented that at the current hypothetical termination value (3.25% discount rate) is \$84 million. Monica is currently running the pension software that was purchased over a year ago and Ashley mentioned that they will re-engage with the Pension subcommittee regarding the modeling.

## 6. Committee Discussion Items:

Ashley provided an executive summary, and Monica reviewed the FY 2020-21 Second Quarter Financial Report.

Key takeaways are as follows:

- Staff is recommending increasing General Fund revenues by roughly \$370,000 and expenditures by \$105,940, resulting in an GF Contingency of 15.89% (58 operating days).
- Staff is not recommending any adjustments to property/transfer tax revenue. The total property tax received by the City for FY 2020-21, is \$2,638,238. In comparison to prior year collections, current receipts indicate that property tax is coming in around 6% higher and transfer tax is 27% higher.
- Staff is recommending adjustments to the TOT projections for the remainder of the fiscal year (increased losses based on guidance), before returning to the projected 50% losses in May and June.
- Sales tax receipts (not including pooled receipts) are higher than projected, and non-pooled receipts showed a net gain for the first two quarters, but pool receipts (online sales) allocated to the City of Del Mar are coming in lower than anticipated. Since approximately 50% of the City's sales tax revenue comes from Fairground's activity, staff has conservatively reduced revenue projections by \$200,000 for the next two quarters.
- Staff is recommending increases for both parking meter and violation revenue by \$250,000 each, resulting in a new projection of \$750,000 for parking violations, and \$1.35 million in parking meter income. Parking meter and violation revenue for the first six months of the fiscal year came in approximately 33% higher than the prior year.
- Planning, building, and engineering services continue to see an increase in activity, with the first six months of the fiscal year generating an average of 27% more revenue than the same period last year. Staff is recommending increasing revenues by \$113,070 for a new projection of \$937,570 in planning services revenue.
- Staff is recommending other minor General Fund revenue adjustments, an increase in the Emergency Expenditure Fund, a total decrease of \$133,200 in the Open Space fund revenues, and an increase of \$225,000 in the Special Projects Fund revenues to reflect funding from two grants.
- Staff will be recommending a total of \$105,940 in General Fund expenditure adjustments, which are primarily comprised of salary increases as detailed in the side letter agreements with the Del Mar Firefighters Association, and the Del Mar City Employees Association.
- Staff is requesting an adjustment to decrease the Wastewater Infrastructure Improvements by \$300,000 due to the timing of the project.
- Staff does not anticipate the entire \$300,000 currently available in Economic Uncertainty Reserve will be needed during this fiscal year. However, there will be higher than normal leave liability cash out activity this fiscal year resulting from employee separations and staff is recommending the transfer of \$100,000 from the

Economic Uncertainty Reserve to the Leave Liability Reserve, resulting in a new Leave Liability balance of \$207,278.

- Staff recommends continuing to take a very conservative approach to spending, with the goal of restoring reserve balances as funds become available to do so. In July 2020, the City Council adopted a resolution that prioritized how any additional revenues beyond what is projected would be used (Attachment D). Staff is not recommending any changes to the prioritization included in Resolution No. 2020-41 at this time. However, as part of the upcoming two-year budget process, staff will be asking the City Council to consider adopting a Reserve Balance Policy. As envisioned, the policy would lay out a framework for how each reserve fund would be calculated annually; how reserves will be replenished; how the City may deal with future economic emergencies; and may include changes to the Finnell Plan (if needed).
- Staff is not recommending any changes to the Measure Q revenues projections for the second half of the fiscal year, and that no transfer from the Measure Q fund is necessary.

There were comments and feedback from the Finance Committee:

Tom McGreal asked about the cash flow report (Attachment E and slide 21 on GF Reserves). Based on what was budgeted as of June, the City is up \$70,000 in cash flow.

Judd Halenza commented on the pension reserve as well as the GF contingency.

Scott MacDonald asked about tax revenue for Q2 on Slide 7 and the projected revenue from the Fairgrounds. Ashley commented that there was a recent meeting between the City and the Fairgrounds, and that there will not be a normal fair. Jeff also commented that the receipts from the Fairgrounds were so minimal that they should be zeroed out from the City's revenue model.

Monica replied to Scott's question that the hotels are open for business and in full operation.

There was a brief question about TOT from private home rentals. Ashley commented that there is no formal discussion to do that, and that the City is not contemplating anything at this time.

There was a question about the clean water fund about a carry over and that those carry overs are included in encumbrances. CIP will be discussed in the May budget workshop.

Alan asked about slide 13 to understand about the 50% increase in violations, what the factors are that caused the increase, and whether or it is realistically sustainable. The parking assumptions were that nobody would be here. Monica commented that everyone was in Del Mar and that the City parking enforcement was fully staffed.

There was a discussion about Measure Q revenues and affordable housing. There may be penalties from the state regarding housing.

Tom asked if we included a special election expense, and Ashley replied that it is not included at this time. Estimates range from \$100,000 = \$175,000.

Karen Lare asked about the risk of being conservative (e.g., is there something we should be less conservative about?) and staff's reply is that all department heads are closely monitoring the situation.

On motion duly made, seconded, and passed unanimously: The Finance Committee recommends that the City Council adopt the recommendations as outlined in the February 23 Staff report for Revenue and Expenditure increases and the resulting General Fund Reserve adjustments to the FY 2021 Budget. The Finance Committee is also very interested in reviewing the proposed Reserve Balance Policy prior to the Budget Workshop in May to help create a policy that restores General fund Reserves to the levels targeted prior to the Covid budgets.

There being no further business, the meeting was adjourned at 4:18 PM.

The next meeting of the Committee will occur on **Tuesday, May 18, 2021.**

Respectfully submitted,

A solid black rectangular box redacting the signature of Jeffrey G. Sturgis.

Jeffrey G. Sturgis  
For Secretary, Bob Gans