



REGULAR MEETING OF THE BUDGET AND FINANCE COMMISSION – 6:30 P.M.

A. CALL TO ORDER

A Regular Meeting of the Redondo Beach Budget and Finance Commission was called to order at 6:30 p.m. by Chair Castle, in the City Hall Council Chambers, 415 Diamond Street, Redondo Beach, California.

B. ROLL CALL

Commissioners Present: Allen, Jeste, Marin, Woodham, Samples, Sherbin, Chair Castle

Commissioners Absent: None

Officials Present: Eugene Solomon, City Treasurer
Stephanie Meyer, Interim Finance Director
Nilesh Mehta, Chief Deputy City Treasurer
Erin Smith, Administrative Analyst

C. SALUTE TO THE FLAG

Chair Castle led in a salute to the flag.

D. APPROVE ORDER OF AGENDA

Motion by Commissioner Woodham, seconded by Commissioner Allen, to approve the order of agenda. Motion carried 7-0.

E. BLUE FOLDER ITEMS - ADDITIONAL BACK UP MATERIALS

E.1. BLUE FOLDER

Administrative Analyst Smith confirmed there were no Blue Folder Items.

F. CONSENT CALENDAR

F.1. APPROVAL OF AFFIDAVIT OF POSTING FOR THE REGULAR BUDGET AND FINANCE COMMISSION MEETING OF NOVEMBER 14, 2024

Motion by Commissioner Allen, seconded by Commissioner Woodham, to approve the order of the Consent Calendar. Motion carried 7-0.

G. EXCLUDED CONSENT CALENDAR ITEMS

None.

H. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

None.

I. ITEMS CONTINUED FROM PREVIOUS AGENDAS

None.

J. ITEMS FOR DISCUSSION PRIOR TO ACTION

J.1. ANNUAL REVIEW OF CITY'S STATEMENT OF INVESTMENT POLICY 2024

**J.2. CITY TREASURER'S QUARTER 1 FISCAL YEAR 2024-2025 REPORT
CONTACT: EUGENE SOLOMON AND NILESH MEHTA**

City Treasurer Solomon stated he has several items to go over including the regular reporting of the City's investment policy for this year; noted they have a change the City is requesting the Commission to review in the City's investment policy which is to add the ability to include a JPA within their policy itself; mentioned Commissioner Allen has raised the idea of using a JPA as a tool in the past; stated they have a recommended vendor for the Commission's review; introduced Chief Deputy City Treasurer Nilesh Mehta

Chief Deputy City Treasurer Mehta stated he would be joined by Kyle Tanaka from California Asset Management Program (CAMP); presented a PowerPoint on the recommended investment policy for 2024; which included:

- Introduction of the topic
 - Section 23 of the City's Investment Policy specifies that the City Treasurer present the City's statement of investment policy for annual review and adoption by the City Council as well as the Budget and Finance Commission.
- Recommendation of Amendments
 - Recommendation to add Section N (Joint Powers Authority, maximum limit 20%)
 - Established under California Government Code Section 6509.7.

- Joint Powers Authority must meet certain criteria.
 - Is registered or exempt with the SEC
 - Has a minimum of five years' experience
 - Manages assets under in excess of \$500,000,000
- Introduction to JPA CAMP
 - Noted that Kyle Tanaka (CAMP) is there to answer any questions.
 - Stated CAMP is ideal for operating funds, separate accounting, and proceeds of debt issues
 - Rated AAAM by S&P Global (highest rating for local government pool)
 - Listed the benefits of using CAMP
 - Explained the value of going with CAMP instead of current companies
- Cash Reserve Portfolio Characteristics as of August 31, 2024
 - Kyle Tanaka took over the presentation
 - Update of current numbers; assets in the fund closed at \$17.8 billion as of that day.
 - Explained the Sector Composition
 - Topics covered: pool investments, pooled investment comparison, GASB 79 Compliance

Commissioner Woodham asked a question about the way CAMP invests in comparison to the City's current investment company (L.A.I.F).

Kyle Tanaka responded with examples and comparisons with other investment companies including Leif; explained yield disparity; continued with the presentation.

- Explained what GASB 79 compliance means for the City

Commissioner Simpson asked "if you're using an amortized cost to value your assets, how do you determine your market value on an interim basis?"

Kyle Tanaka responded stating GASB 79 allows for you to value your market value as your share price because they utilize GASB 79.

More discussion followed between Commissioner Simpson and Kyle Tanaka; continued on with the presentation.

- Advised by a Pioneer in the LGIP Industry
 - CAMP helped pioneer the first grassroots LGIP
 - They have 18 different pools across the country
 - \$81 billion in assets in different pools
- Professional Service Providers
 - PFM is both the investment advisor and the administrator

- Custodian is U.S. Bank National Association
- Auditor is E&Y, LLP
- Legal Counsel is Nossaman LLP

- Fund Rating Disclosures
- Recommendation – Review Statement of Investment Policy as amended

Discussion and questions followed the presentation including more explanation on Joint Powers Authority; Kyle Tanaka noted that about 45% of their shareholders are JPA members the other 55% are investors; gave a list of several cities in the area that work with CAMP and mentioned 45 counties as well.

Commissioner Samples asked City Treasurer Solomon if the City has considered the idea of becoming a JPA member and asked what that would entail.

City Treasurer Solomon responded and stated that it would require a resolution of the City Council; explained what the City is seeking in their investment policy is in two steps: to invest with a JPA and the second part being the City selected CAMP as a JPA for them to work with as an investor; added the City did not look into joining as an investor.

More discussion ensued regarding JPAs. Commissioner Allen mentioned in her research of JPAs CAMP was the longest running, had the most competitive fees and the highest yield.

Rick Phillips (via Zoom), external investment advisor, added they have other clients that use CAMP and as an investment advisor approve of the City working with CAMP.

Administrative Analyst Smith confirmed there were no public comments.

Motion by Commissioner Allen, seconded by Commissioner Samples, to approve adding JPA California Asset Management Program (CAMP) to the City's investment policy as presented to the Commission and as recommended by Staff. Motion carried 7-0.

Vote by Roll Call:

AYES:	Allen, Jeste, Marin, Woodham, Samples, Sherbin, Chair Castle
NOES:	None
ABSENT:	None
ABSTAIN:	None

J.2. CITY TREASURER'S QUARTER 1 FISCAL YEAR 2024-2025 REPORT
CONTACT: NILESH MEHTA

Chief Deputy City Treasurer Mehta explained what the Commissioners received in their packets:

- Treasurer's portfolio summary
- Investment reporting guidelines
- Investment Report by Meeder Investment, which included:
 - Portfolio summary
 - Investment policy compliance
 - Investment Activity Report
 - Economic and market update

Chief Deputy City Treasurer Mehta stated he would be presenting a PowerPoint to include:

- Investment reporting objectives/guidelines
- Policy compliance
- Quarterly performance
- Historical book value
- Cash flow analysis
- Month-end portfolio book yield
- Maturity distribution
- Trading activity
- Fiscal impact

Chief Deputy City Treasurer Mehta stated the City Treasurer maintains the City's cash flows while earning a competitive rate of return on the investments within the constraints of the City's investment policy and state law; spoke about safety, liquidity, and yield; stressed the importance of remembering whose money it is and to act in a responsible stewardship capacity; stated an investment manager's objective is to earn a reasonable rate of return, while preserving capital in the overall portfolio (the City should not be put at an unacceptable level of risk); noted that failures in public investing happen when: policies are unclear, inappropriate, not followed, or oversight was inadequate. Chief Deputy City Treasurer Mehta went on to list questions a City Treasurer should ask regarding investment programs. He went over the investment policy compliance for the quarter; stated the City was in compliance; showed the FY 2024-25 performance for the quarter; noted the amounts and percentages the City has in their investment portfolio; compared the FY 2023-24 performance in L.A.I.F. with the current numbers; showed the breakdown performance from FY 2022-23 and noted significant change in the interest earned YTD from two years ago.

Commissioner Woodham asked if the City uses L.A.I.F. and money markets interchangeably depending on the rate of return and liquidity.

Chief Deputy City Treasurer Mehta responded that is correct; stated if the City increases in the money market, they decrease the balance in the L.A.I.F.

Chief Deputy City Treasurer Mehta continued the presentation with the historical book value by FY going back to 2021; noted that at that time there were at about \$75 million and now the City is at about \$97 million; showed a chart going back to 2009 showing the ups and downs in the City's portfolio; showed the cash flow analysis for the quarter; stated

the City has met the cash flow needs for the quarter and expect to meet the expenditure requirements for the upcoming period; showed a chart for the month-end portfolio book yield going back to October 2023 noting the City was at about 2.5% and currently at about 3%; stated that 42% of the City's maturity distribution are maturing within zero to one year, almost 23% within one to two years, about 30% within two to three years, and about 5% within three to four years; went over trading activity, transaction report, and fiscal year-to-date earnings; introduced Rick Phillips to talk about the benchmark versus the City's yield.

Rick Phillips (via Zoom) stated that since the portfolio is a buy hold portfolio, they try to replicate a yield benchmark vs the portfolio's yield and the universe is zero to five years for the investment policy; they take the zero to five year treasury index and do a 30 month moving average to try to replicate over time how they would purchase investments in the portfolio; stated the benchmark theoretically purchases and sells every month and went on to explain the process; stated the City's portfolio is "lumpy" depending on when property taxes come in or big cash flows go out; mentioned the City has larger than average cash outflows this last year; stated in October \$10 million went out and that was much larger than in the past; mentioned the challenges they have had over the past years during covid; mentioned that the benchmark will start to rollover around January/February because interest rates have come down; asked if anyone had questions.

Commissioner Woodham referred back to September and said it looked like there was a 150-basis point difference between the benchmark and the portfolio; questioned the variance and stated he doesn't understand the reasons why and asked if it is a shorter maturity portfolio.

Rick Phillips (via Zoom) explained the reason why the benchmark has gone up is because the benchmark gets to invest every single month and explain the challenges they have to work with; referred to the bubble chart in the PowerPoint and stated due to cash flow needs they can not reinvest into the higher rates.

Commissioner Woodham restated his question and asked how the City's return compares to that of other cities or counties with similar portfolios.

Rick Phillips stated the yield on the portfolio is lower than average for other clients primarily because the City's cash needs have been greater on a percentage than their other clients.

More discussion ensued regarding the City of Redondo Beach's needs for cash; stating the inability to reinvest; noting that Redondo Beach has unique needs; went over different perspectives on how to look at the portfolio and its performance.

Rick Phillips continued the presentation; stated year-to-date interest earned was \$615, 313, the General Fund contribution rate is 60% (approximately \$369,188), and budgeted contribution of interest to the GF for the entire FY is \$1.5 million.

Commissioner Woodham asked if the Commission gets the monthly report that the Budget and Finance Department sends to the City Council on their dedicated city email. Chief Deputy City Treasurer Mehta responded yes; City Treasurer Solomon added that it is also on the RB website under the Treasurer's page.

Commissioner Allen asked the Commissioners if they would be interested in adding a slide of what the City purchases every quarter; discussion followed and they decided to add it to the Commissioner's consent calendar going forward; Rick Phillips mentioned there is a transaction report on their monthly report that they receive.

Commissioner Samples asked City Treasurer Solomon if based on the City's interest income and investment performance for the first quarter if he could project over the next three quarters if the City will make the \$1.5 million target.

City Treasurer Solomon gave examples of the different factors to consider in the market; mentioned with things considered it looks good but would not want to make any predictions.

More discussion followed.

Administrative Analyst Smith confirmed no public comments.

Motion by Commissioner Samples, seconded by Commissioner Woodham, to receive and file the City Treasurer's Quarter 1 Fiscal Year 2024-2025 Report. Motion carried 7-0.

Vote by Roll Call:

AYES:	Allen, Jeste, Marin, Woodham, Samples, Sherbin, Chair Castle
NOES:	None
ABSENT:	None
ABSTAIN:	None

J.3. NOMINATIONS AND ELECTION OF CHAIRPERSON AND VICE-CHAIR

Chair Castle noted that traditionally the newest members are selected as Chair and Vice Chair; mentioned the Commission could go with the traditional policy unless anyone has other thoughts; going with tradition meant Commissioner Sherbin would be Chair and Commissioner Allen would be Vice Chair.

Both Commissioner Sherbin and Commissioner Allen had no objections to the decision.

Administrative Analyst Smith confirmed no public comments.

Motion by Chair Castle, seconded by Commissioner Woodham, to accept Commissioner Sherbin as Chair and Commissioner Allen as Vice Chair of the Budget and Finance Commission. Motion carried 7-0 by roll call.

Vote by Roll Call:

AYES: Allen, Jeste, Marin, Woodham, Samples, Sherbin, Chair Castle
NOES: None
ABSENT: None
ABSTAIN: None

J.4. FISCAL YEAR 2024-25 Q1 FINANCIAL REPORTING: JULY 2024-SEPTEMBER 2024

CONTACT: STEPHANIE MEYER

Interim Finance Director Meyer presented a PowerPoint on the Financial Reporting for Q1 Fiscal Year 2024-2025; stated the presentation shows FY 2024-25 actual revenue and spending compared to budget for Q1 FY 2024-25 from July 1 through September 30; noted data tables include prior year first quarter comparison to capture regular spending/revenue trends; main points of the presentation included:

- **General Fund Taxes Q1 FY 2024-25**
 - Tax revenue receipts are consistent with prior year and on track with budget
 - Broke out the major sources: property taxes, sales tax, transient occupancy tax (TOT), utility users tax (UUT), franchise fees and business license tax
- **General Fund Non-tax Q1 FY 2024-25**
 - Non-tax revenue is in line with prior year; noted overhead journal is completed in October
 - Listed Revenue sources: charges for service (city fees only), license and permits, and other revenue
 - Actuals vs prior year
 - Notes regarding revenue sources and actuals vs. prior year
- **Other Fund Revenue Q1 FY 2024-25**
 - Other fund revenue is in line with prior year – decrease from prior year reflects internal services timing
 - Switched to Revenue Q1 FY 2024-25 so the Commission could look at the other funds; summary of everything she is talking about
 - Internal service fund journal entry is made in October
- **All Funds % Received – Q1 FY 2024-25 vs. Q1 FY 2023-24**
 - Includes General Fund, Special Revenue Funds, Capital Improvement Funds, Enterprise Funds, Internal Services Funds, Debt Service Funds and Fiduciary Funds
 - Notes Enterprise Funds reflects pending Transit revenue and Internal Service Funds reflects overhead not charged yet
- **General Fund Spending Q1 FY 2024-25**

- General Fund spending through September is in line with budget and consistent with prior year.
 - Personnel spending is higher than in the prior year, reflecting the MOU increases (took affect midway 2023-24)
 - Contracts and services spending ahead of prior year; remains within budget
- Total City spending is in line with regular operations
 - Spending total and rate consistent with prior year apart from Special Revenue Funds
- Expenditure Q1 FY 2024-25
 - Detailed out General Fund Expenditures including personnel, fringe benefits, materials and supplies, equipment M & O, contracts and services, internal services, capital outlay, and other expenditures
 - Other funds total

Commissioner Allen asked what Special Revenue Funds means.

Interim Finance Director Meyer stated there is a wide variety of funds but pointed out the biggest one is the Grants Fund; defined Special Revenue Funds are any funding source that the City spends for a specific purpose; she listed several funds that fall into the category and stated she will add it next time.

- All Funds Expenditure Rate by Fund Q1 FY 2024-25 vs. Q1 FY 2023-24
 - Explained why the higher % spent to date reflects lower FY 2024-25 budget because carryover was not yet posted; Council had not yet approved carryover.
- Next Steps
 - Q2 Review February 13, 2025
 - FY 2024-25 Midyear Budget – Jan/Feb 2025

Commissioners asked Interim Finance Director Meyer some questions regarding the presentation; Interim Finance Director Meyer reiterated that the purpose of the presentation was to show the progress of the City's ongoing revenue and spending; mentioned reserves will be in the Carryover Report mid-year.

More discussion regarding reserve spending.

Administrative Analyst Smith confirmed there were no public comments.

Motion by Commissioner Allen, seconded by Commission Woodham, to receive and file the Fiscal Year 2024-25 Q1 Financial Reporting for July 2024 – September 2024 as presented. Motion carried 7-0 by roll call.

Vote by Roll Call:

AYES: Allen, Jeste, Marin, Woodham, Samples, Sherbin, Chair Castle
NOES: None
ABSENT: None
ABSTAIN: None

J.5. RESERVE POLICIES-COMPARATIVE RESEARCH
CONTACT: STEPHANIE MEYER

Interim Finance Director Meyer referenced from the last meeting that the Commission had asked for some kind of benchmarking information about reserve and reserve policies, GFOA recommendations and some information about other cities; introduced Erin Smith as the new Budget and Finance liaison and analyst.

Interim Finance Director Meyer highlighted some information with a PowerPoint and mentioned they are in their packet:

- Overarching Recommendations
 - Entities adopt a formal policy
 - Basic policy has a minimum two months of regular General Fund operating revenues or expenditures
- Considerations
 - Government's particular situation (ie. Exposure to risks, one-time needs, revenue volatility)
 - Look at reserves in a long-term context
- Redondo Beach Reserves
 - General Fund Reserve: 8.33% of General Fund operating – established in Financial Principles
 - Listed uses including natural disasters, unforeseen deficiencies of major revenue sources, etc.
 - Additional available funds
 - PERS Reserve est in FY 2010-11
 - Internal Services Funds
 - External assessment of RB reserve policies
 - Aa1 (Moody's); Aa+(S&P)
 - 2012 LA County Grand Jury charter city financial review-highest rating
- Reserve Policy Review

- Reserve Policies included in review: 17 California cities and many cities have reserve policies for other funds in addition to a GF including for Enterprise and Internal Service
- Reserve Policy Reference Summary included:
 - Number of cities with GF reserves under 6%
 - Number of cities with GF reserve policies between 6% and 9%
 - Number of cities with GF reserve policies between 20% and 25%
 - Number of cities with GF reserve policies over 25%
 - Highest GF reserve policy
 - Lowest GF reserve policy

Interim Finance Director Meyer opened up to questions and discussions; clarified that the purpose of this presentation is to give the Commission a “jumping off point” to discuss amongst themselves and she is not there to make recommendations.

Commissioner Allen thanked Interim Finance Director Meyer for all her work; asked if Finance Director Meyer remembered what the Finance Department had recommended to Council on how much the reserves should be at that time; Finance Director Meyer stated they follow the 8.33% formal policy.

Discussion followed regarding the reserves and PERS reserves.

Interim Finance Director Meyer read a statement that came from the Mayor, “While the City maintains an unrestricted fund balance slightly below GFOA recommendation the City has adopted reserve policies that allocate funding for six critical areas of PERS payments, workers’ compensation, post retirement employee health benefits, vehicle equipment replacement liability insurance and capital improvement.”; she explained where it came from and did not know if it had any great significance; mentioned there is \$8 million in the PERS reserves.

Commissioner Allen mentioned the City should not mix funds. More discussion followed.

More discussion ensued regarding use of the PERS fund and if any other cities have used it; talk of money received from the Federal Government during disasters; talks of new assessments needed to see if the 8.33% is enough or not; more discussion followed regarding disaster measures and costs.

Commissioner Samples noted that the City would have to figure out how to cut budgets in departments to come up with a million dollars a year or generate an extra million dollars a year to put towards disaster funds.

Discussion followed regarding situations or risks that the Commission could take to Council for them to reconsider the 8.33% for the Reserves Fund adopted in 2001; noted that the Reserves Fund are separate from the other funds the City has and are for unforeseen emergencies.

Motion by Commissioner Samples, seconded by to recommend to the City Council that the current policy of 8.33% be reviewed and updated to reflect current risks, the Budget and Finance Commission considers a starting point of double the current amount subject to further review with a goal of achieving that within 7 to 10 years.

Administrative Analyst Smith confirmed no public comments.

Commissioner Allen asked Staff to include all the attachments that Staff had included for the Commissioners to Council when they present their recommendations.

Interim Finance Director Meyer wanted to get clarification from the City Clerk or from City Treasurer on whether a letter from the Commissioners or a formal communication from the Commission would be a better way to present the recommendation.

City Treasurer Solomon felt that a drafted letter would be the best way to present this to Council; stated that as far as Council's process is concerned they may have to agendaize a discussion of this or they could make a referral to have this discussion take place during the budget season; gave some suggestions to the Commissioners on what should be included in the letter such as if they want this to happen prior to budget season or in the budget season; felt it would also help if they had this discussion prior to budget season for the City Finance Department in creating the budget; stated the Finance & Budget Department will get too busy during budget season.

Commissioner Samples stated it should happen as soon as possible since everyone would need to prepare for this in their budgets.

City Treasurer Solomon suggested they choose someone from the Commission to draft the letter.

Amended motion by Commissioner Samples, second by Commissioner Marin, to suggest that the Commission approve the Chair draft a letter to the City Council recommending what was just recorded (stated they would watch Zoom later to recapture the information) and recommend the City Council agendaize it and discuss it at Council's earliest opportunity. Motion carried 7-0 by roll call.

Vote by Roll Call:

AYES:	Allen, Jeste, Marin, Woodham, Samples, Sherbin, Chair Castle
NOES:	None
ABSENT:	None
ABSTAIN:	None

K. MEMBER ITEMS AND REFERRALS TO STAFF

Commissioner Woodham mentioned the City approved the \$90 million bond issue for Fire and Police and asked if the Commission would be involved in the RFP and asked for clarification on how that would be handled.

City Treasurer Solomon responded that when the final results come forward, which is hopefully up where they are currently at the 71% level with the voters' approval, they will have an internal discussion on the process and would go out to select the municipal advisory group, bond counsel and the group that would help them with the bond issuance and all of that would help in the selection of the candidates and the RFP process would follow.

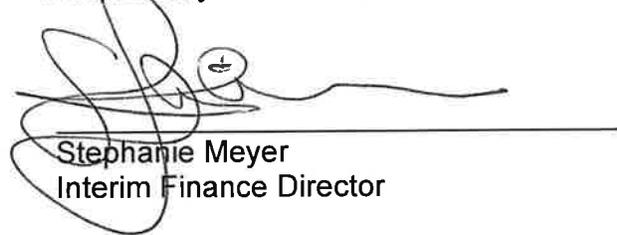
Interim Finance Director Meyer added that once they have their recommendations in all parts of the process, they would share it with the Commission for their input; mentioned taking an item to Council on December 3rd and that would be the first overview of the process and they will keep the Commission updated and involved.

L. ADJOURNMENT – 8:26 P.M.

There being no further business to come before the Budget and Finance Commission, Chair Castle adjourned the meeting at 8:26 p.m. to a Regular meeting to be held at 6:30 p.m. on Thursday, December 12, 2024 in the Redondo Beach City Hall Council Chambers 415 N. Pacific Coast Hwy. Redondo Beach, California. There being no objections, Chair Castle so ordered.

All written comments submitted via eComment are included in the record and available for public review on the City website.

Respectfully submitted:



Stephanie Meyer
Interim Finance Director

