

BLUE FOLDER ITEM

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BUDGET & FINANCE COMMISSION MEETING JULY 10, 2025

F.1 APPROVAL OF THE MINUTES FROM THE SPECIAL JOINT MEETING OF THE PUBLIC WORKS & SUSTAINABILITY AND BUDGET AND FINANCE COMMISSION OF APRIL 28, 2025; AMENDED MINUTES FROM THE REGULAR BUDGET AND FINANCE COMMISSION MEETING OF MAY 8, 2025 AND THE REGULAR MEETING OF JUNE 12, 2025

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

- May 8, 2025, Minutes Addendum – Provided by Chair Allen

May 8, 2025, Minutes Addendum

<https://www.youtube.com/watch?v=Mc31cFTBcfs>

J.1: page 1

J. 2: page 5

J.1. City Treasurer's Quarter 3 Fiscal Year 2024-25 Report

@ 51:05

CHAIR JASMINE ALLEN: The CalPERS reserves that you mentioned - that's not part of your investments? it resides somewhere else?

TREASURER EUGENE SOLOMON: It's a separate fund. Yes.

CHAIR JASMINE ALLEN: And where is that getting invested? You probably don't know because that's not probably under you. Is that

TREASURER EUGENE SOLOMON: I believe the CalPERS reserve fund is coded as part of the general fund overall. And I don't know if we have an ECR (earnings credit rate) for that. I don't believe so. But the CalPERS Reserve is part of the General Fund. It's coded as the CalPERS Reserve.

FINANCE DIRECTOR STEPHANIE MEYERS: It's a separate fund

CHAIR JASMINE ALLEN: So is it part of this \$80million (that Treasury invests)

TREASURER EUGENE SOLOMON: It is not. Not to my knowledge

CHAIR JASMINE ALLEN: It's not?

TREASURER EUGENE SOLOMON: It's not

CHAIR JASMINE ALLEN: Stephanie, do you know if it's not? I just want to make sure.

FINANCE DIRECTOR STEPHANIE MEYERS: I agree with the Treasurer.

CHAIR JASMINE ALLEN: I'm not disagreeing with you, I just want to make sure (laughs). So if it's not in this fund, then where is it getting invested?

TREASURER EUGENE SOLOMON: It's either in our bank in one of our subsidiary accounts that we have. It doesn't receive an investment credit.

CHAIR JASMINE ALLEN: So it's just cash sitting there?

TREASURER EUGENE SOLOMON: Yes

CHAIR JASMINE ALLEN: So you know what my advice is going to be to you – take that money and invest. Laughs. Okay. It is an advisory committee. So that would be my advise.

TREASURER EUGENE SOLOMON: We'll have a discussion about our abilities to do that. Thank you.

CHAIR JASMINE ALLEN: If it's just cash sitting there

TREASURER EUGENE SOLOMON: I'd be happy to do that. Whether it be in the money market or in something else. Want to make sure that's within our investment policy and within government code guidelines.

CHAIR JASMINE ALLEN: you're the Treasurer, you should have the upper hand in that. And speaking of cash – there is a lot of cash. I know you're receiving yield on cash in bank, and I know that LAIF and CAMP pay more than cash in bank. And if you're doing your cash flow analysis on daily basis, weekly basis, monthly basis. So as an advisory committee, my advice is to not have more than 3-5% in your checking account. That amount of \$85 million, that's 15% that's way too much sitting in a checking account. So that's one, the other is you have \$10million in money market. There is no reason for that money to be in the money market because the yield in CAMP or in LAIF is higher than the money market. And the other advise I wanted to give you – and I know these are the numbers as of March. On page 9 of the presentation from the deputy treasurer where is – for some reason I can't see CAMP.

TREASURER EUGENE SOLOMON: It's part of LGIP

CHIEF DEPUTY TREASURER MEHTA: And the other thing I'd like to just point out is when we mention the word money market that is CAMP and CAMP and money market.

CHAIR JASMINE ALLEN: Okay.

CHIEF DEPUTY TREASURER MEHTA: Yeah

CHIEF DEPUTY TREASURER MEHTA: So they're two different accounts. Thank you for clarifying that. Money market is a different account and it gives different yields. I would separate those because when you're calculating your yield, money market is like right now 4.24 probably and CAMP is 4.45 that's going to change... I would separate them and put them exactly where they are.

CHIEF DEPUTY TREASURER MEHTA: So on page 10 you'll see money market funds has been separated with the yield. It's on the back screen right there. Page 10 so you'll see the first one is U.S. Bank and the second one is CAMP. So they are separated.

CHAIR JASMINE ALLEN: Yes, so when you do your summary would you also put it in that way, please, if possible? Thank you.

CHIEF DEPUTY TREASURER MEHTA: Okay

CHAIR JASMINE ALLEN: So you do have money in CAMP. Oh good. Okay. I thought all of that was in money market. Now you can put another \$10 million from the checking account in there. And the other the probably the last thing I want to mention – thank you for including the trading activity on the presentation. The purchase you make. So if you look at page 14 of the presentation from deputy city treasurer for one to two years majority / most of the investments are already in one to two years. I don't know if there is going to be a big expense coming up in two years, but I would advise to lock in for longer duration. So instead of buying something that matures in two years, I would buy something that matures in three, four, five years.

TREASURER EUGENE SOLOMON: We're trying to stagger some of those funds into application towards some debt service or some other service such as CalPERS payment, a supplemental payment or a debt service payment. (56:12) The reason in part that we've stayed shorter is the cash flow need. So it's been – this budget cycle as an example – I think the City Manager has described it as a bridge year for us. And we'll be releasing the budget next week for charter. You'll see some of the revenues are relatively flat and there is some uncertainties, so going out a little bit longer; we've been going where we can one to two years, two years towards the top end, I agree with you – I'd be very happy to go ahead and take on and secure current rates at 4 or 5 years, but I felt it to be imprudent considering our cash flow need at this time.

CHAIR JASMINE ALLEN: So in two years we're going to have a lot of expenses coming up:

TREASURER EUGENE SOLOMON: Well, we're – if the revenues that we're expecting come online, we should be okay and we'll be able to then reinvest out longer (57:08), but there is uncertainty.

CHAIR JASMINE ALLEN: what kind of uncertainty

TREASURER EUGENE SOLOMON: Economic uncertainty on a macro basis and uncertainty within the city itself. Some of the projects that we had that we had hoped would come online for revenue source like the Legato Hotel for example, have taken a little bit longer to come online. We had the Marine Avenue hotels, which were not paying us our TOT for a period of time. So while we were waiting for that AFR (annual financial rate), the authority funded reserve to be refreshed, to the level at which we would begin receiving TOT again, the date of that was uncertain. So while these

revenues are either future predictive, uncertain, or currently uncertain, we haven't been going out longer. So that in the event that we had to access those funds in a shorter period of time.

CHAIR JASMINE ALLEN: Okay. I had no idea we were in little bit of a trouble. Okay

TREASURER EUGENE SOLOMON: Some of the future revenues haven't come on as quickly as we had hoped they would.

CHAIR JASMINE ALLEN: And when you say the revenues don't come in, usually they might be late for a month or so, not for an entire year. Is that why you're saying that something is going to come a year later than expected?

TREASURER EUGENE SOLOMON: With regard to the Legato Hotel or with regard to the Marine Avenue hotels?

CHAIR JASMINE ALLEN: In regards to revenue in general

TREASURER EUGENE SOLOMON: In general?

CHAIR JASMINE ALLEN: in general. The revenue that you're afraid that we will need in two years, well that we won't receive.

TREASURER EUGENE SOLOMON: As an example, usually we don't get our supplemental CalPERS billing for two years later. So if we see markets are not doing well we know that we're going to have a CalPERS payment probably an additional or supplemental payment in two years. It's not going to be four or five years out. It's going to be in two years. So we want to try and account for that. With regard to macroeconomic trends, we're looking this year at seeing tourism be down. So we're wondering whether or not in the 25-26 fiscal year we might have some of that money trailing in. but then for those delays in 26-27 they may not be available to us or it might be reduced (59:21). So we don't want to go out for five years when we might see a need for that in 18 months to two years. With regard to property taxes, you have lots of folks that are going to be in the Palisades and Altadena and we get our property taxes as part of a pool, the LA County pool. So those funds could be reduced (59:41). We won't see that. That'll be on a trailing basis perhaps in 12 to 18 months where we'll see the impact of that. So we're staying a little bit shorter to be in a position to be able to address that potential shortfall. So when I say uncertainties, those are a few examples of what I mean.

CHAIR JASMINE ALLEN: Yeah, that's not good news, but thank you for explaining. Yeah, but that's not a good news.

So I would like to follow up later, if we can maybe if you remember and if you would like you know, if you would, of course you don't have to – follow up on the CalPERS reserves.

TREASURER EUGENE SOLOMON: Absolutely.

CHAIR JASMINE ALLEN: I want to see if there's a way that you can get your hands on it and start investing or at least find out what's going on. You're the Treasurer

TREASURER EUGENE SOLOMON: I've taken that note and appreciate the suggestion.

CHAIR JASMINE ALLEN: Thank you

J2: Q3 2025 Quarterly Budget and Spending Presentation

1:09:24

CHAIR JASMINE ALLEN: Can I, Stephanie, interject – Correct me if I'm wrong. Any department, any of these numbers in the exception of city treasurer – these are cost recovery, right?

Stephanie: Yes, they are at or below cost recovery. So normally we the City does never sets fees to make money. So, we are at cost recovery and in many cases we are below cost recovery either as a policy choice or just because we haven't yet updated our fees to appropriately reflect all of the city's costs.

CHAIR JASMINE ALLEN: I wanted to make sure that we're clear in case anybody is watching – the city is not generating revenue other than the city treasurer's investments.

Stephanie: Yes, that is a great clarification. Thank you

1:13:34

CHAIR JASMINE ALLEN: Can I interject one more time please. So for the revenue, thank you for providing it by department, but you don't have how much we receive from property taxes or sales taxes.

FINANCE DIRECTOR STEPHANIE MEYERS: I did not include that breakdown of the specific tax detail, but I can definitely do that.

CHAIR JASMINE ALLEN: The way – Don't you always have that?

FINANCE DIRECTOR STEPHANIE MEYERS: I usually do that. I had kind of pulled the detail back up based on the feedback from the group, but I am very happy to add that back.

Jasmine: Oh, that yes, please. That always needs to stay. We don't think we meant to make – yeah, very important.

Commissioner Jeste: Pardon me. Well, that would make more sense than showing revenues by department because you don't create, you don't generate revenues. And I'm really surprised that you're showing so much revenue by department. I've never seen something like this.

FINANCE DIRECTOR STEPHANIE MEYERS: So I was showing revenue by department because the commission expressed interest in seeing any budget item that we shared listed by department.

CHAIR JASMINE ALLEN: It was more about the expenses.

FINANCE DIRECTOR STEPHANIE MEYERS: Okay, yeah, so I did it for expenses as well and I'm happy to take the feedback and add in the tax detail.

CHAIR JASMINE ALLEN: So you always, - I mean every city I've seen and I've looked at a lot of budgets, they all have where the money comes from. So when we receive for example and they see this in a bank for cash flow – the property taxes coming in, the sales tax is coming in, the grants. So you should have

FINANCE DIRECTOR STEPHANIE MEYERS: So this is all the revenue by source. I didn't present this citywide by source which I'm happy to do, but this is the revenue by source which is what you're talking about. What I didn't include this time that I definitely can is the breakout by our specific tax types.

CHAIR JASMINE ALLEN: Okay. Perfect Thank you

Commissioner Sherbin (1:15:35): Just a quick comment too if I can on this slide – on the revenue side. We have received \$69 million out of \$188 million, so we've got about 42% left to receive and we're in the third quarter, fourth quarter. So it would be a very helpful tool if we could develop something to look at the asymmetrical type of revenue that we're getting in, like a lease payment and a you've got quarter to quarter that's not difficult to forecast. But the revenue that's difficult to forecast would be your asymmetrical kind of revenue – the kind that comes in say on your TOT or your sales tax. And those have what we call a seasonality kind of an aspect to them. And like your TOT and your sales tax, would have a big hit in December and also the summer time and perhaps we could get a look at that balance of the unreceived revenue by looking at historically, quarterly, for maybe five years in the past and look and see what percentage of their total were received in each quarter.

Summarize those, come up with a mean for the last 5 years and compare that with the current year and you'll have a nice historical background. And then what you can do is you could probably you could (don't want to try to help you too much on the architecture but if you added two columns to this, maybe one would be your indexed number being your five year what would I expect to see as a percentage at this point of the budget and then the next one being your variance from the mean. So, how far you can look at a chart and see these lines flowing off. One's your five-year average of what I expect to see quarter by quarter, month by month. And the other one is what I actually receive on these asymmetrical funds and get an idea about if those lines are obviously are not together. Then there is a gap ad that your mean variance between those lines that we could focus on ahead of time. And say this historically hasn't been the case, we may be heading new territory, as our Treasurer Solomon said (1:18:30) we may be the TOT or sales tax may be impacted by current economic conditions that didn't happen in the five years. But I think that would be some good visibility for us to look at that unsorted charted territory of that part of the revenue that we expect to receive. And that gives us a chance to act on that ahead of the conclusion where we get a report that says here's what we did for the year. There is nothing that the finance and budget commission can do about that. So that kind of ties our hands in that case. So thank you.

CHAIR JASMINE ALLEN: One more question on the revenue. So this 50 – so far we have received 58.2% of the revenue. Is that what you were expecting or is that lower than what you were expecting?

FINANCE DIRECTOR STEPHANIE MEYERS: So, like I said – in the TOT it's a little bit less than what we're expecting. We're watching that. Our UUT is a little bit less than what we're expecting. We're looking at that. But again, so it's the short answer it's a little bit less than what we're expecting. I don't think it's alarmingly less than we were expecting.

CHAIR JASMINE ALLEN: Okay, thank you, thank you.

Commissioner Ramcharan: I want to ask the question slightly differently. So when you look back at this point in the fiscal year, what's the percentage that you would normally have at this point?

FINANCE DIRECTOR STEPHANIE MEYERS: So this tracks pretty well with what we'd expect to receive. And again, I will to your point Commissioner Sherban, we're happy to add in our prior year at the same point. We actually usually have this in our template and have received mixed feedback about the usefulness of this. I think we end up spending a lot of time saying well this happened third quarter last year but you have to remember third quarter last year XY and Z happened but definitely we look at that and that's the first think I

do when I'm putting this together as I look through and say where are we, where were we last year, what are averages you know so we're doing all of this and I'm happy add that detail.

Sherman: That would be a nice comment for us to see also. When you do have a big variance on these revenue sources to say here's the reason the explanation we got about the TOT from our treasurer Solomon was excellent in that way. We can helped us understand what the underlying causes for that are. Thank you.

Jasmine: Now I remember from the previous report – that was included.

FINANCE DIRECTOR STEPHANIE MEYERS: It was.

CHAIR JASMINE ALLEN: Okay. So when did we change the way we were doing the report?

FINANCE DIRECTOR STEPHANIE MEYERS: I thought of trying something new because I heard some comments that it was a bit repetitive and it was kind of a lot.

CHAIR JASMINE ALLEN: Numbers are never a lot for the finance commission. Not for us.

FINANCE DIRECTOR STEPHANIE MEYERS: I am very happy to take that feedback. We will put it in all numbers. I did get somewhat of a sense that some eyes glazing over a bit on slide, you know, however many that I was walking through. So very very happy to do that again.