



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

A. CALL MEETING TO ORDER

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

B. ROLL CALL

Commissioners Present: Marin, Jeste, Allen, Sherbin, Turner, Chair Woodham

Commissioners Absent: Ramcharan

Officials Present: Eugene Solomon, City Treasurer
Stephanie Meyer, Finance Director
Jacob Kamsvaag, Administrative Analyst

C. SALUTE TO THE FLAG

Chair Woodham led in the salute to the flag.

D. APPROVE ORDER OF AGENDA

Motion by Commissioner Marin, seconded by Commissioner Jeste, to approve the order of the agenda as presented.

Motion carried 6-0-1 by voice vote. Commissioner Ramcharan was absent.

E. BLUE FOLDER ITEMS - ADDITIONAL BACK UP MATERIALS

E.1. For Blue Folder Documents Approved at the Budget and Finance Commission Meeting

Analyst Kamsvaag reported three Blue Folder items for J.2.

Motion by Commissioner Allen, seconded by Commissioner Sherbin, to receive and file the Blue Folder items.

Motion carried 6-0-1 by voice vote. Commissioner Ramcharan was absent.

F. CONSENT CALENDAR

F.1. APPROVAL OF AFFIDAVIT OF POSTING FOR THE REGULAR BUDGET AND FINANCE COMMISSION MEETING OF FEBRUARY 12, 2026

F.2. APPROVAL OF THE MINUTES FROM THE REGULAR MEETING OF JANUARY 8, 2026

Chair Woodham commented that they appreciated receiving the minutes from the last meeting prior to that evening's meeting so they could review the discussions from the prior meeting.

Motion by Commissioner Marin, seconded by Commissioner Sherbin, to approve the Consent Calendar as written.

Motion carried 6-0-1 by voice vote. Commissioner Ramcharan was absent.

G. EXCLUDED CONSENT CALENDAR ITEMS - None

H. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

H.1. For eComments and Emails Received from the Public

Analyst Kamsvaag reported no one online and no eComments.

I. ITEMS CONTINUED FROM PREVIOUS AGENDAS - None

J. ITEMS FOR DISCUSSION PRIOR TO ACTION

J.1. CITY TREASURER'S SECOND QUARTER, FISCAL YEAR 2025-26 REPORT

CONTACT: EUGENE SOLOMON, CITY TREASURER

City Treasurer Solomon stated they have the regularly scheduled reporting for the Commission for the second quarter of FY 2025 report.

Nilesh Mehta reported that he was also online.

City Treasurer Solomon provided a Treasurer's Report for Redondo Beach presentation; reported that the Treasurer's Portfolio Summary, Investment Reporting Guidelines, and report by Meeder Investments were included in their packets; stated that they would review the investment policy reporting objectives and guidelines, policy compliance, quarterly performance, cash flow analysis, maturity distribution, trading activity, and the fiscal impacts; listed the key investments objectives as: safety (protect the principal), liquidity, and yield (to maximize earnings but with safety and liquidity in mind); stated they always need to remember that it is the community's money and they need to act accordingly in a responsible stewardship capacity; stated it should never be an

investment manager's goal to earn maximum returns on the City's portfolio since that would expose the City to an unacceptable level of risk; reported that failures occur in public investing when: policies are not clear, policies are inappropriate, policies are not followed, or oversight is inadequate; went over questions an investment manager should ask to make sure what they are providing is clear and understandable; reported that staff are providing monthly investment reports to everyone on the Commission via their City email so if anyone is not receiving them they should let him know; showed the City's policy compliance matrix and noted that the non-compliant segment section has a glitch or a feature of Clearwater where it is not recognizing the City's compliance was based on the concentration at the time the securities were purchased; stated that the City is in compliance with their investment policy but the Clearwater feature does not recognize the manner in which it is set up; noted that the Commission will likely see that change in their next quarter as the City's investments change.

Chair Woodham asked about the maturity date of that bond.

City Treasurer Solomon responded that the bond matures this spring (June 2026), but with the cash flow changes, they will also see a change in the amount they have there; moved to the City's performance and second quarter, highlighted some of the areas the City has cash: banks, money market, CAMP, LAIF, agency issues, medium term notes, and treasuries; reported the total investment portfolio is up from the first quarter at \$79,848, 030; stated the portfolio effective rate of return is 3.28, the LAIF yield is 3.97, and the benchmark being 4.25.

Chair Woodham asked, on the effective rate of return, is that coupon income versus book value.

City Treasurer Solomon stated he was correct.

Chair Woodham asked if they ever have a huge difference between the actual rate of return based on market value.

City Treasurer Solomon stated that they focus on the book value but they do analyze it as a component; continued with his presentation and showed the interest earned year-to-date at \$1,074,643, noted the target General Fund contribution for the year for all four quarters is \$1.5 million; reported year to date between the first quarter and the second quarter, they are \$990,000 of that goal; went over previous years and stated they are on par with interest earned year to date and with their General Fund contribution; briefly reviewed the cash flow analysis, sector allocation, maturity distribution, and fiscal impact; summarized that the year to date interest earned was \$1,074,634, General Fund contribution is 60% or \$644,781, and the other 40% goes into pooled cash.

Chair Woodham confirmed that the 60% is an approximate figure and can vary; asked City Treasurer Solomon who owns the other 40% and asked if they have a spreadsheet showing who owns the actual dollar amount of the \$80 million investment funds.

City Treasurer Solomon stated they can present a breakdown to them as they have before; asked Nilesh Mehta to provide some input.

Nilesh Mehta responded that it is correct, 40% is allocated to the various other funds and 60% is towards the General Fund and City staff base it on the General Fund since they budget from the \$1.5 million over investment activity.

Finance Director Meyer added that the other funds in the City's pooled cash that receive investment income are the Enterprise Funds such as: Tidelands, Uplands, Transit, Wastewater, and Internal Service Funds.

Chair Woodham questioned the report always stating 60% and 40% when it is never exactly at 60%.

Finance Director Meyer said he is correct and that is why, when they do the interest allocation, they do it based on the actual balance; stated staff would be able to get the Commission the actual percentage information if needed but it is roughly correct.

Chair Woodham said it would be interesting to know who the owners of the other 40% are other than the General Fund.

City Treasurer Solomon said he could provide that to him at their next presentation.

Commissioner Allen asked if Enterprise Fund means funds that the City receives for services the City provides from their customers.

Finance Director Meyer stated the City's most traditional fund is their Wastewater Fund or Sewer Fund because it is based on ratepayers; clarified that the Tidelands and Uplands funds are managed through Enterprise Funds, but they are primarily funded through lease revenue.

Commissioner Allen asked if the City subsidizes any of the funds.

Finance Director Meyer responded that the City does not regularly subsidize any of those funds but will sometimes subsidize on a one-time basis the Tidelands and Uplands funds.

More discussion followed and Director Meyer spoke about special revenue funds which are funded by grants and other sources.

Commissioner Allen stated she is thinking out loud and wondering why they don't just leave the 40% in the General Funds and explained her reasoning.

Finance Director Meyer said she would have to look into the rules surrounding the revenue in the City's Enterprise Funds because generally speaking the revenue generated from those funds can only be used for those funds.

More discussion followed.

Chair Woodham added the concept to keep in mind is the investment portfolio that the City Treasurer manages is a combination of the excess funds from several different entities and there are several different owners of that.

Commissioner Marin asked where they are projecting the City's end balance to be in the 4th quarter in terms of the total portfolio balance.

City Treasurer Solomon stated it depends on a lot of factors that they can project but he couldn't say with certainty due to fluctuations they sometimes see, for example from property taxes in December; went into more detail on types of fluctuations they may see depending on time of year.

More discussion followed.

Commissioner Allen commented that it looks like they will not have any funds to invest through December.

City Treasurer Solomon responded that they just received some funds from a reimbursement from a lawsuit and some other funds which they invested and they purchased two securities in the past month.

More discussion followed. City Treasurer Solomon showed that they have some US Treasuries maturing and stated they will have opportunity to reinvest those funds over the next quarter and then analyze what the City's cash flow is like; noted that they will see the trade tickets and transactions for the securities purchased in the Monthly Report they receive.

Commissioner Marin asked if they anticipate keeping a decent amount in LAIF going forward.

City Treasurer Solomon said he could see it being more LAIF focused right now considering the inversion that happened between CAMP rates and LAIF rates; continued with the presentation and moved onto the Investment Report; provided observations and expectations they have for the past year; noted that the Chairman of the Federal Reserve spoke of two .25% basis point cuts in 2026, the Chairman's current term is expiring, and a new nominee had been selected; went over Bloomberg's predictions for a slowing of GDP for Q4 of 2025 and a climb in inflation for 2026, spoke about the yield curve rate, mentioned the securities they purchased are running a bit short but will probably improve over the duration, and showed a summary of the City's portfolio overview; provided a slide with the City's compliance overview; stated they are restricted on what they can buy due to their investment policy and government code; stated their preference is to look for AA or better rated securities; provided a slide with a summary of the City's holdings, noted that the Commission receives the reports on a monthly basis where they can review, see where the holdings are, what the yield maturity is, what the unrealized gain or loss might be based on book value, and what the breakdown is between LAIF and CAMP; concluded with some slides of breakdowns of the projected cash flows coming from the investments the City has.

Chair Woodham referenced the report sent with the agenda which showed a slide of the balances in checking accounts for General Fund and all the other entities and asked if the City is earning interest on the balances or are they just transaction balances.

City Treasurer Solomon responded that some of them earn interest; stated they took the advice from the Commission and for areas where they have an opportunity with Housing Authority or Financing Authority they are able to earn interest; stated for some of the funds it is not available for them to do that, such as the Workers' Comp Fund.

Chair Woodham opined that \$21 million in a checking account seems high and wondered if there was any way to reduce that.

Nilesh Mehta explained that Bank of America charges a very hefty monthly account analysis fee for having their accounts so the City has taken a portion of the monies to offset the fees and then the remaining portion earns about 3%; stated that it is recommended that they keep about \$9 million in the checking account just for cash flow purposes; reported that they did follow the Commission's recommendation and they did some transfers into LAIF to earn a higher yield but explained that the Bank of America fees account for about \$90,000 to \$100,000 annually but they have avoided paying those fees by utilizing the high balances; commented that is a big benefit to the Finance Department because they do not see those fees as an expense.

Chair Woodham asked how the funds are redeemed from the accounts, how are they spent, and what controls does the City have to ensure that none of the money leaves and goes with a person to Mexico.

City Treasurer Solomon said they have a series of internal controls and two signatories are required for everything; reported that if an AP is necessary, they would receive a notification from the Finance Dept. along with the invoice or bill, his department would review it, approve it, and the money would be transferred into an account to pay the invoice or bill; stated there are internal controls going back to Finance to make certain the funds were allocated to that AP.

Chair Woodham confirmed that the person requesting the money is never the person who can redeem the security.

City Treasurer Solomon responded that he was correct.

Commissioner Turner commented that Bank of America and Chase Bank are considered fee heavy; asked what the City's process is in benchmarking which bank they are using, and does the City go out and get competitive bids from banks to make sure they are remaining competitive.

City Treasurer Solomon responded that they do get bids; explained that every 2 to 3 years they go through a Request for Information process where they go out to a variety of different banks with the services they need and ask the banks to come back with their best pricing; reported that they had gone through the RFI a couple of years ago and 4 to 5 vendors wanted to work with them and they were able to increase their Earned Credit Rate from 1.75 to 3.75, which is the offset they need for the banking fees.

Motion by Commissioner Allen, seconded by Commissioner Turner, to receive and file the report.

Analyst Kamsvaag reported no eComments and no one online.

Motion carried 6-0-1 by voice vote. Commissioner Ramcharan was absent.

J.2. FISCAL YEAR 2024-25 YEAR END REPORT

Finance Director Meyer stated she was there to present the City's FY 24-25 Year-End-Report with staff's recommendations for assignments for 25-26; provided an overview noting that they bring the numbers to the Commission prior to their final audit and for their input before sharing it with Council, it is also a step in their 24-25 audit process, and provided a high-level summary of the General Fund; reported that revenues exceeded estimates by 3% and the budget is about 2% below expenditures, and one-time funds will level out over the next few years; stated that staff's recommendations for them that evening was to review the information and provide input that staff can share with Council at next week's Council meeting; provided a slide titled Revenue which showed the City's major categories led by the City's taxes, noted that taxes as a whole came in above budget as did property tax, documentary transfer tax, UUT, and use of money and property; stated that their transfers in is below budget but explained, in this case, it is reflected in different ways they ended up recording revenue; reported overall they are \$3.2 million or 2.6% better than their revised budget; provided a slide titled Tax Revenue which showed a breakdown of tax revenue including some additional years for the Commission's analysis; stated they will pay more attention to the City's franchise fees since it is a large percentage below budget and they will think about adjusting it for mid-year; mentioned that the City's property tax in lieu of VLF tends to be a strong revenue source for the City; provided charts to show the City's tax revenue; pointed out that the City has a site specific tax agreement with three hotel properties (Residence Inn, Hilton Garden Inn, and Homewood Suites) whereby, if they are not able to cover their debt service and operating payments, they are able to invoice the City for the TOT that they paid to the City; explained that last year the auditors recommended the City record TOT as gross revenue and gross expense, which makes more sense, but stated they will see the impact of that reclassification in the jump between 22-23 and 23-24.

Chair Woodham asked where that equation stands.

Finance Director Meyer stated the City did receive and were able to retain TOT for the first two months of this FY and they are now back into an invoicing TOT phase with the hotels; noted that the hotels are having challenges with revenue; showed a chart with the City's total tax revenue trend over the last five years; provided a slide titled Expenditure and reported they are almost exactly in budget if transfers out were excluded; stated that they budgeted much less generously in 24-25 than they had in prior years for salaries and benefits combined with stronger hiring resulted in fewer vacancies and higher spending; stated they are also seeing a full year of some of the MOU increases that Council had adopted; provided the City's expenditure by department and noted that all but Fire and Community Development were within budget; explained that Fire had additional pays, fringe benefits, and overtime that impacted their budget and they have a better projection of that for this year; reviewed the Expenditure slide and pointed out that the transfers out is a much higher number and reflects some of the one-time spending

she mentioned for 24-25; reported that they allocated one-time funds for a transfer to the Self-Insurance Fund in 24-25 and for their \$3.2 million Unfunded Liability Payment, and they also transferred about \$3 million from the City's General Fund to the City's Capital Projects Fund so they could move those projects into the Capital Projects Fund (noted that had a net zero impact on the General Fund); stated they recorded the expenses for their payments to the City's hotel properties in transfers out because it is not a departmental expense.

Chair Woodham asked what categories the City could cut back on if they didn't have the money to fund.

Finance Director Meyer responded that the one-time funds transfers would not be done every year, noted that the contracts and services category is often one-time projects; explained that during budget they include one-time requests and ongoing requests and she and the City Manager try to determine where funds for contracts and services should be allocated; spoke about using hiring freezes and vacancies to generate savings when needed.

Commissioner Allen asked what types of contracts fall under contracts and services.

Finance Director Meyer commented that it is across the board but gave some examples such as consulting services, auditors, tax consultants, etc. and stated they are working on a breakdown of contractual vs professional.

Commissioner Allen said the reason she asked is because, excluding transfers out, that's the one line that since 2019-2020 moved.

Finance Director Meyer reported that is the City's bond payment for 2021A Lease Revenue Bonds.

Commissioner Allen clarified that she is talking about Contracts and Services and not Transfers Out on the slide; noted that it has more than doubled since 2019-2020.

Finance Director Meyer said she would have to look into that further and get more detail to answer that.

Commissioner Allen recommended that an analysis be done on the Contracts and Services to see why is doubled over the past 6 years and list them out and said they could do the same for Transfers Out.

Finance Director Meyer said she would be happy to include it; noted that due to increased costs and inflation over the last 5 years she is surprised the other categories haven't increased more.

More discussion followed on what types of contracts are included in that category and what types of expenses may be driving the increase in the amount.

Chair Woodham asked where was the CalPERS payment in FY 21.

Finance Director Meyer stated it is in Fringe Benefits.

Discussion followed regarding the fringe benefit and the bond payment.

Finance Director Meyer provided a slide titled Personnel Detail (All Funds); reviewed the categories: Permanent Salaries, Medical Insurance, Retirement Contributions, Unfunded Accrued Liability, and 2021A Debt Service and provided more details on each; stated she noticed the City's budgeted payment for the 21-22 year was \$15 million and they substituted it with a \$13 million bond payment and said it was going up potentially at a significantly higher rate; clarified she was showing for all funds and not just General Fund and wanted to capture the City's full UAL payment.

Commissioner Allen commented that personnel is 40% of all the funds and asked what percentage it is of General Funds.

Finance Director Meyer said she would have to calculate that but knew the Commission was interested in looking at the pension costs over time.

Chair Woodham commented that normally personnel is a much higher percentage of expenses than 40% and asked what he is missing.

Finance Director Meyer said her information is for purposes of looking at the City's retirement contributions so she did not include part-time, overtime, and the remainder of their fringe; stated if she added all that in it would add up to the City's personnel costs but she focused on the permanent salaries for that evening because that is what is directly connected to their retirement contributions.

Chair Woodham stated someone is doing a great job with holding down costs in medical insurance.

Discussion followed.

Finance Director Meyer continued her presentation and moved on to the City's calculation of estimated available fund balance; explained it is what they provide to Council each year and recommend assignments at the end of the FY; stated the City's estimated balance before this is about \$16 million for the General Fund and it is rounded down because they have not finalized the audit; went down each item on the slide and reported the City's total remaining available estimated balance is about \$5.2 million.

Commissioner Allen asked if the \$5 million included the \$4 million reserves that the City has.

Finance Director Meyer responded it does not because they are looking at 24-25 and Council approved that for 25-26; clarified that she is just focused on the General Fund Reserve and not the CalPERS Reserve.

Commissioner Allen asked if the \$5 million includes the \$4 million reserves.

Finance Director Meyer stated the City has \$8.6 million in reserves and clarified that it was under Committed Items Policy-Designated Contingency.

Chair Woodham stated with \$8.6 million in the contingency reserve, the City still has \$8 million in the CalPERS reserve at this point.

Finance Director Meyer responded yes, as of 6/30/25; stated, when she and the City Manager looked at the 25-26 budget, they did not have the final audited number for 23-24 yet and they didn't have the numbers for the FY so they were very conservative in projecting revenues for the end of the year and in looking at the City's General Fund balance; reported that, with their final audit, the General Fund balance was better than anticipated and they brought in more revenue than they had forecasted; stated their recommendations to Council will include: limited department requests, address known funding gaps (replenishing the CalPERS Reserve Fund, and funding for the Harbor Uplands Fund), and focus on replenishing where they know the City has funding needs.

Commissioner Marin asked what they are recommending for the one-time items.

Finance Director Meyer said she and the City Manager are still discussing it but the proposal totals around a million; stated that they will post the item on Friday, Council will look at it next Tuesday and give direction, and staff will come back to the Commission shortly after; said she is aiming for the next meeting to provide mid-year analysis; stated staff's recommendation is to receive and file the report, discuss, and provide any comments that they would like staff to share with Council for next week.

Chair Woodham asked if she is recommending that they replace the entire amount in the CalPERS Reserve Fund.

Finance Director Meyer stated the total is \$5.2 million and if they replaced all \$3.5 million it would not leave a lot for them to apply to any potential adjustments at mid-year but said it is something she and the City Manager are still discussing.

Commissioner Allen confirmed Director Meyer is presenting to Council on Tuesday and asked if she had dollar amounts for the Recommended Use of Balance.

Commissioner Marin pointed out that they are not done yet so they can not make a recommendation.

Commissioner Allen asked if she would have those numbers by Tuesday before she presents to Council.

Finance Director Meyer stated yes, she would have the numbers then but she is still discussing it with the City Manager; said it would be helpful if the Commission provided input on what they felt is the most important for Council to allocate funds towards.

Discussion followed on the types of recommendations they could provide to Council, what the one-time requests include, and what things the City must pay versus things that would be nice to do.

Finance Director Meyer said the one item that is a must pay is the AES bankruptcy of \$400,000 and the others are just smaller items related to one-time projects.

Discussion followed regarding the \$4.2 million for 26-27 and the need to plan ahead and what makes sense to hold funds back.

Chair Woodham said the thought occurs if they don't replace the \$3.5 million into the CalPERS Reserve come 27 budget, they are going to take the rest of the CalPERS Reserve away and there will be a zero balance; stated they should decide whether there are comments they want to make to attach to the report regarding specific items; stated he would be in favor of strongly advising that CalPERS Reserve Fund be replenished by that with a full \$3.5 million.

Commissioner Allen agreed with Chair Woodham and said the rest should go to items that are a must such as the AES bankruptcy.

More discussion followed regarding using the \$5.2 million towards the \$3.5 CalPERS Reserves Fund, \$400,000 to the AES bankruptcy proceeding, and the rest going to UAL payment; explanation was requested regarding the AES bankruptcy.

Finance Director Meyer said she will need to answer that at the next meeting so she can get a briefing on where the City is at in that process.

Discussion continued on allocating the \$5.2 million.

Commissioner Allen summarized that \$3.5 million would go to the CalPERS Reserve Fund, \$400,000 to AES, and \$1.3 million to the UAL payment and then, for budgeting purposes if anything else goes down, they will need to look through the contracts to see where money can be saved.

Chair Woodham asked if Director Meyer could attach their comments to her report and she stated yes.

Commissioner Allen wanted to recommend that staff do a zero-based budgeting, which requires justification for all expenses; commented that she believes they currently do a line-item budgeting, which takes whatever they spent last year and base it on that; explained her reasoning for her recommendation.

Discussion followed that the suggestion is a good idea, but it would be a huge undertaking and that it might need to be discussed separately and not be part of the report; decided it should be discussed separately and a good time to address it would be at the start of the budgeting process.

Finance Director Meyer suggested they form a subcommittee, noted that staff have started budget preparation so the earlier the Commission has recommendations related to budget the sooner they should bring it back so they can share it with the Council early on.

Commissioner Allen said an analysis of why contracts have increased so much is needed and the same for transfers out.

Finance Director Meyer said she included some details for the 24-25 in the General Fund Financial Report which is included with the Blue Folder items they sent on Tuesday; reiterated it only includes 24-25 and they are happy to do the transfers out detail.

Analyst Kamsvaag reported no eComments and no one online.

Motion by Commissioner Allen, seconded by Commissioner Sherbin, to allocate \$3.5 million back to the borrowed reserves, \$400,000 to AES, and \$1.3 million to 26-27 UAL.

Motion carried 6-0-1. Commissioner Ramcharan was absent.

Motion by Commissioner Turner, seconded by Commissioner Allen, to receive and file the Year-End Report.

Motion carried 6-0-1. Commissioner Ramcharan was absent.

J.3. CIP SUBCOMMITTEE QUESTIONS

Finance Director Meyer stated she put it on to give the CIP subcommittee a chance to report out on their discussion and meeting with City staff.

Commissioner Turner said there was still some follow up to be done; stated the questions they have were more to understand the procedures in place for change orders, trying to understand discrepancies between the initial engineer estimates versus the final cost of the project; gave some background on why the subcommittee was formed and the questions they had for the Planning Committee to better understand the procedures and the approval process; stated that they found that the procedure that is in place seems to be appropriate, it has proper thresholds in place, points where it goes to a vote, and when it is brought to Council's attention for voting; noted that they did spend most of their time on one specific project; stated they have decided to take a deeper dive and look at three specific projects (TBD by the subcommittee) to try to identify commonalities between the processes and the reasonings behind change orders; said after they do that they will come back with a more comprehensive report for the Commission.

Commissioner Sherbin wondered if there was any categories that they had come up with that could serve as benchmarks for the reasons for the change orders.

Commissioner Turner said it seemed the most consistent reasoning was unexpected but necessary discoveries during construction and provided an example; explained that the majority of the change orders seemed to be based out of necessity rather than enhancing the scale of the original work.

Some discussion followed.

Commissioner Jeste differed in opinion and felt the whole planning process needs a major overhaul; stated the project they viewed was issued on August 17, 1993 which is 33 years old and lots of things have changed and the City has not changed their processes; stated that he still has not gotten an answer on the change order itself; noted that it makes sense if you have an unplanned emergency but reported that he went through 15 projects that were completed in 2025 and very little money was spent on unplanned emergencies; stated that he found most of the projects had a change in scope because funds became available or because some other things cropped up and they just lumped it in with the existing project and issue a change order; stated that it bothers him that due to change orders there is no incentive or reason to go out and solicit bids so the contract is given to the same contractor; said what makes it worse is on the major projects the scope gets changed because funding becomes available and now the contractor knows that there are additional funds available, how much is available, and that they are not going to go out for bids; voiced his concerns that 80% of the money the City is spending is on change orders where there are no competitive bids and no incentives to give them the best price.

Commissioner Allen said that is the main issue that was never addressed.

Commissioner Jeste stated that the projects he looked at went up to 5 times as high as it started out and the money spent was not on unplanned emergencies; said it shows two problems: 1) the City does not do enough good planning to begin with, and 2) when the City realizes that there are other things that can be done or should be done because funds become available they just lump that into a bunch of change orders; highlighted a project on Manhattan Beach Blvd and Inglewood Ave. intersection had five change orders lumped together and the engineer's authority was increased to accommodate the amount so he didn't have to go to the City Council to get approval; felt it has gotten out of control and the question he has been asking is why isn't the City getting bids for change orders.

Chair Woodham wanted to focus on one of the things Commissioner Jeste said which was 80% of the expenditure for CIP is change orders and asked if that is for one project or across the board.

Commissioner Jeste stated it is for all completed projects in 2025 and based on the data Finance Director Meyer provided.

Finance Director Meyer asked if he is comparing initial project costs to final project costs because those aren't all change orders; clarified that they are additions to funding but aren't specifically change orders.

Commissioner Jeste said all subsequent appropriations is what he is including.

Finance Director Meyer stated subsequent appropriations are slightly different than change orders.

Discussion followed that the main issue is that there is no additional bidding regardless for 80% of those.

Commissioner Jeste reviewed the amounts from the data Director Meyer provided, stated subsequent appropriations accounted for 80% of the total cost of the projects that were completed and he did not see any project where the City went out for bids twice; stated additional work was given to the same contractor.

Commissioner Allen clarified that they are not questioning the process of change orders, they are questioning the reason they spend 80% more without bidding.

Commissioner Turner stated part of what the awarded contractor presents in his proposal is an itemized list, a cost per material used based on square footage, or based on different types of materials and as change orders come up they are still held accountable to that same itemized list.

Commissioner Jeste said in two specific projects the scopes changed completely and there was no similarity between what they started out with and what they changed with.

Commissioner Turner stated that in some instances there was a specific budget allocated for a project, then additional funding during the project was later made available, and the Council decided to expand the scope of work; said what Commissioner Jeste is suggesting is that, if the scope of work is increased, the additional scope should be bid out to make sure they are getting the most competitive bid, which he agrees with and they asked that question; stated that the response was that the contractor is held to the itemized price list originally submitted when they were awarded the contract, accounting for the amount of time and cost in stopping the project in mid-project to go through the bidding process, and then if another contractor is awarded the additional scope of work then they would need to spend time and resources to clean up the original contractor's crew and equipment, and overall the timeframe to complete the projects would probably exceed the difference in bidding out the additional work.

Commissioner Jeste said most of the time the same contractor would likely continue but at least he would be more careful in bidding the second time; referenced the Manhattan Beach Blvd. and Inglewood Ave. intersection project and said the scope of work completely changed so there should have been no reason not to go out for bids.

Commissioner Turner stated if the scope of work increases it is not the decision of the contractor.

More discussion followed.

Commissioner Turner confirmed that what Commissioner Jeste is saying is to go and take it to a bidding process just to create leverage to renegotiate the existing contractor.

Commissioner Jeste said absolutely and said that outsiders well versed in how contractors operate have said contractors know the City is not going out for competitive bids so they know it is their chance to make money.

Commissioner Allen opined it is an RFP problem and whoever wrote the planning or the RFP did not have the right scope or the right oversight.

Commissioner Turner spoke about the project they concentrated on and in that case the engineer estimated the original scope of work based on funding that was available and later on more funding became available, and the Council voted to expand the scope of the work.

Commissioner Allen opined that whoever is leading should foresee what else needs to be done and what the additional cost would be; felt it is a planning issue.

More discussion followed regarding the engineer's role, Council's role, and how estimates are determined and that the plan may need to be changed.

Commissioner Sherbin commented that it might be a difference between coming out with a RFP that's specific and using this process as a placeholder; used the Fire and Police bond as an example and stated the bond was passed without any specific plans or defined objective and no real idea of the amount it would cost was known; pointed out that unless that discipline is put in place at the very beginning of the RFP, you are dealing with variance analysis with ending project costs and they are going to say the scope changed so the dollar amount changed; stated that unless there is a defined RFP that is being bid against, you can't make that analysis.

Commissioner Allen stated that to get another bid in the middle of a project would take another five to six months because of the process.

More discussion followed. Commissioner Jeste stated that is why they need to do a better job at planning.

Commissioner Turner provided a scenario with an original scope of work for three traffic lights for an intersection, the engineer gives an estimate for those three lights, and during that scope of work more funding becomes available and now the City says lets go ahead and do 10 traffic lights; stated that would be a significant amount of money to show on a change order, the contractor would be accountable to the prices on the list, but with Commissioner Jeste's analysis he is saying that the engineer should have had a better understanding of the scope of work; asked in his scenario how the engineer would have estimated for the 10 traffic lights when they did not know the end goal was going to be 10 and not just the three; said that the one project they concentrated on during their meeting had a similar type of case; mentioned that during the meeting the subcommittee decided they would dive deeper into two or three projects looking for consistency in the scenarios and that is what they will report back on after doing the research.

Commissioner Jeste stated he looked at about five different projects and they were all completely different from each other; referenced the Manhattan Beach Blvd. and Inglewood intersection again and said in that project they added new designs and new equipment and they had five change orders that they lumped together, which they gave all to the same contractor; spoke of the project being complicated but that it should have been streamlined, given more thought, and more participation by more than one contractor; felt there is no incentive for the administration to get more bids because change orders are approved with no questions by the City Council.

Commissioner Allen asked Commissioner Jeste to share the projects he looked at with the subcommittee.

Commissioner Turner stated the Manhattan Beach Blvd. and Inglewood intersection would be a good project to add to their sample size.

Commissioner Allen stated Jim Mueller had a project to share.

More discussion followed regarding other projects Commissioner Jeste reviewed and the need to share those with the subcommittee they had formed.

Chair Woodham noted that he is having difficulty with the discussion because they need to have examples of various scenarios and the percent of the total projects that fit into each category; stated it would matter to see if the abusive system takes place 1 out of 50 times or 49 out of 50 times; suggested additional work is needed by the subcommittee to look at specific projects and come back with a report of the findings; commented that he finds it hard to believe that anyone in Public Works would not be concerned about overrunning the budget but their objective is to find issues that cause them to suggest a change is needed in the planning process or the approval process; stated he has not seen enough documented evidence yet of abuse to say there is a problem but there may be a potential problem.

More discussion followed.

Chair Woodham stated the next step would be for the subcommittee to finish the process of reviewing the projects, including the ones Commissioner Jeste mentioned, and then they should have the same discussion after that report is finished.

More discussion followed on how they would proceed with the research for the subcommittee.

Chair Woodham invited public comments.

Jim Mueller stated the real issue is who controls the expenditure of money in the City; reported having dialogue with Andy Winje and said he admires him because he is making use of the existing controls and management of money to get his job done in the way he sees fit; referenced the Anita St. project and explained that Public Works had a grant from Metro of \$2.5 million and his original estimate for the project was \$230,000; stated, during his discussion with Andy Winje, he was told that staff kept finding things that could make that particular intersection better; said that he has no doubt that Andy Winje is acting in the best interests of the City, but the problem he sees is, that of the four change orders for that project, only one of them went to the Council and three of them were initiated internally; noted that all the change orders were done in accordance with procurement regulations of the City but that the project ended up costing over \$700,000; stated that is not a unique situation and that a lot of the projects have the same characteristics; suggested that the Commission advises the Council on how to get better control of the expenditure of money.

Chair Woodham commented that he agreed with Mr. Mueller; stated that they need to proceed with the subcommittee completing its work and bringing the findings back for discussion and then they can make recommendations, if any, to the Council.

More discussion followed.

Analyst Kamsvaag reported no eComments and no one online.

Motion by Commissioner Marin, seconded by Commissioner Allen, to continue the item to the next meeting.

Motion carried 6-0-1. Commissioner Ramcharan was absent.

J.4. PROFESSIONAL SERVICES PROCUREMENT DATA

Finance Director Meyer said that it was continued on the agenda but staff did not promise to bring the next set of data identifying all the professional versus contractual services and informed the Commission that they do not have it that evening; asked Commissioner Allen to share a spreadsheet she had shared with the group and reported it was included as an attachment to the packet.

Commissioner Allen asked Jim Mueller if he could come up and explain some numbers he had sent and present the item.

Jim Mueller reported he had gotten the numbers when the Financial Transparency Facility was up on the City website and got the proposed numbers from the Proposed Budget; reported finding that 8% to 10% of the City's budget is spent on Professional Services, noted that there is a variance from the numbers that Finance Director Meyer provided; said from the numbers he got \$12.4 million was spent, in 2025, on Professional Services; stated that 41% of the 2026 budget for Professional Services is proposed to be on Comm Services which he assumes is Communication Services; said as a CFO that would be the first place he would investigate to look at to see if processes are being followed that make the most of the City's money; explained in more detail what he uncovered and noted that some of the investigations might include evaluating how contracts are awarded, felt the City's procurement regulations are loosey goosey, and according to the municipal code no competitive bidding is needed for professional services; voiced concern that at Council meetings quotes given do not have explanations for how the number was determined; suggested that the Commission focus on the adjustment of the procurement regulations; gave his thoughts on the lack of bidding for the professional services contracts and noted that the procurement regulations and the municipal code are more than 10 years old.

Chair Woodham stated that they had decided at the last meeting to have Finance Director Meyer gather information on this item to show the Commission what annual expenditures the City has had in the Professional Services category so they can attempt to identify what percent is awarded to non-competitive bidding; opined that is where they should start; asked Director Meyer to let them know what she could get them that data and then they could bring it back as a discussion item; spoke more about the need to have the data to analyze before they can determine if there is abuse or wasting of money.

Commissioner Allen commented that they are not necessarily choosing the cheapest consultant, but the City does want to look for the best value; pointed out that if consultants know that the City is going to analyze their contract, and there are competitors out there, they will be more careful on the prices they offer.

Analyst Kamsvaag reported no eComments and no one online.

Motion by Commissioner Turner, seconded by Commissioner Allen, to continue the item to some future meeting once they have the data.

Motion carried 6-0-1. Commissioner Ramcharan was absent.

K. COMMISSION MEMBER ITEMS AND FUTURE COMMISSION AGENDA TOPICS

Commissioner Allen reported that she would not be at the March meeting and asked to add a discussion item regarding the Finance section on the City's website on the April meeting.

Finance Director Meyer asked what specific part of the website she wanted to discuss.

Commissioner Allen stated she wanted to know what information is available for the public to see regarding the budget.

Chair Woodham said they should discuss the new balance or increased balance in UAL that the City took care of with the bond issue in the beginning of fiscal 22; reported that they refinanced the project four years ago and went from 6.8% to 2.8% on \$215 million so there was a substantial savings; reported they now have about \$50 million UAL and interest rates have changed so it is worth looking at; stated that CalPERS has underperformed the 6.8% by almost 2% per year and compounded over the last four years equals the \$50 million in additional UAL; said he did some quick numbers at \$50 million at 4% saves the City about \$700,000 a year; asked to put it on the agenda for a future discussion.

Commissioner Allen asked to continue the Professional Services discussion at the April meeting since she would not be there for the March meeting; noted that the April meeting would be on the 23rd.

L. ADJOURNMENT

Motion by Commissioner Marin, seconded by Commissioner Allen, to adjourn the meeting at 8:40 p.m.

Motion carried 6-0-1. Commissioner Ramcharan was absent.

The next meeting of the Redondo Beach Budget & Finance Commission will be a regular meeting to be held at 6:30 p.m. on March 12, 2026, in the Redondo Beach Council Chambers, at 415 Diamond Street, Redondo Beach, California.

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

Respectfully submitted:

Stephanie Meyer
Finance Director