



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 Allen, in the City Hall Council Chambers, 415 Diamond Street, Redondo Beach, California.

B. ROLL CALL

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

Commissioners Absent: Castle

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

C. SALUTE TO THE FLAG

Chair Allen led in a salute to the flag.

D. APPROVE ORDER OF AGENDA

Motion by Commissioner Samples, seconded by Commissioner Woodham, to move Item J.1 before Item I.1 and approve the order of agenda. Motion carried 6-0-1.

Vote by Roll Call:

AYES: Marin, Jeste, Vice Chair Sherbin, Woodham, Samples, Chair Allen

NOES: None

ABSENT: Castle

ABSTAIN: None

E. BLUE FOLDER ITEMS - ADDITIONAL BACK UP MATERIALS

E.1. BLUE FOLDER

Administrative Analyst Smith confirmed there was a Blue Folder item from the City Treasurer (Item J.1.).

Motion by Commissioner Samples, seconded by Commissioner Woodham, to receive and file the Blue Folder item J.1. as presented from the City Treasurer.

Motion carried 6-0, by voice vote.

F. CONSENT CALENDAR

F.1. APPROVAL OF AFFIDAVIT OF POSTING FOR THE REGULAR BUDGET AND FINANCE COMMISSION MEETING OF FEBRUARY 13, 2025

CONTACT: STEPHANIE MEYER, INTERIM FINANCE DIRECTOR

Motion by Commissioner Marin, seconded by Commissioner Samples, to approve the order of the Consent Calendar as presented. Motion carried 6-0-1, by voice vote. Commissioner Castle was absent.

F.2. APPROVAL OF THE MINUTES FROM THE REGULAR BUDGET AND FINANCE COMMISSION MEETINGS OF MARCH 29, 2024

CONTACT: STEPHANIE MEYER, INTERIM FINANCE DIRECTOR

Chair Allen commented that the minutes are from almost a year ago; stated she has a solution for this because it is not realistic for them to remember what happened that far back and approve it; asked, moving forward, that the minutes be caught up in a way that next time the previous meeting's minutes and April 2024 minutes are both brought to the Commission so they can approve two sets of minutes.

Administrative Analyst/Liaison Smith clarified that the March 29, 2024 minutes were from a special meeting that must have slipped through the cracks for some reason; stated that there was also a special meeting in May that will be brought to the Commission and that should catch them up; noted that she has received December's minutes and they will be presented for approval at the next Commission meeting and possibly January's as well.

Motion by Commissioner Marin, seconded by Commissioner Samples, to approve the order of the Consent Calendar as presented. Motion carried 6-0-1. Commissioner Castle was absent.

Vote by Roll Call:

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

ABSTAIN: None

G. EXCLUDED CONSENT CALENDAR ITEMS

None.

H. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

Administrative Analyst Smith confirmed there is a visitor on Zoom and Greg Balls is here; stated no items were received from the audience; noted that the City did receive an email which she read to the Commission: "I respectfully request the status from the Budget and Finance Commission of replacing the Veterans Memorial plaques that were stolen a year ago. The City needs to find the funds to replace these plaques and to honor our veterans. This should be put on the agenda for discussion and action and as a high priority." From Kathy McLeod.

Chair Allen requested that be added to the agenda for the next meeting.

Interim Finance Director Meyer stated she wanted to add one item; noted it is the subject of a Budget Response Report that they will provide to City Council along with the mid-year presentation next Tuesday the 18th; stated they can add it to the agenda and that may provide the responses that Kathy McLeod is looking for.

I. ITEMS CONTINUED FROM PREVIOUS AGENDAS

I.1. HOMELESS FUNDING

CONTACT: STEPHANIE MEYER, INTERIM FINANCE DIRECTOR

Interim Finance Director Meyer summarized what the Commission was requesting, how her department could pull the information together, and when Staff has the capacity to focus on the task; stated they are able to answer one of the basic questions the Commission had asked; noted she spoke to the City Manager and other City Staff internally and identified the documents they have shared with the Commission to help answer their question; referred to FY 2023 document that provides a comprehensive overview of the various buckets related to homelessness and the funding sources; additionally she has provided the Commission with all the reports that have gone to Council in the past two FYs related to homelessness funding; recognized this is not exactly what the Commission is asking for but wanted to bring something to support their conversation on this topic.

Chair Allen stated her understanding was that the Finance Department was going to give the Commission a summary and explain what numbers they should look at; asked Interim

Finance Director Meyer to open the files she sent to the Commission and explain what they should be looking at.

Commissioner Samples noted that many of the files that were sent have been closed out; clarified that the Commission is asking about the current year and going forward what is this costing the City to fund and manage the homeless situation.

Interim Finance Director Meyer reiterated that what she has prepared for them is not meant to be a comprehensive response to all the questions that were brought up at the last meeting; noted she was not the author of the document she provided but felt the document breaks it out into pieces such as Public Works, Fire, Police, grant funding and the City Attorney's office; it is a basis to which the Commission can look at the categories it has broken out and decide moving forward if that is how they would like it to be spelled out; stated that the Finance Department would like to have more direction from the Commission on what they would like to see; suggested that the Commission let Council know what they are looking for.

Chair Allen stated that Commissioner Jeste asked for information on what money the City has spent so far on homelessness and would like to know how they can find those numbers.

Interim Finance Director Meyer stated that unfortunately she was not able to commit to Commissioner Jeste last time that she would be able to come back this meeting with this information.

Vice Chair Sherbin stated he has had extensive background in cost accounting over the last 30 years initiating and managing cost accounting; felt the first step would be to categorize the grants and understood that the Finance Department seems to have a good handle on the incoming side but need to develop an architecture, that the City may not even have in place, in order to be able to determine what the specifics are in handling the homeless situation; suggested that each department that deals with the homeless should have an ability to track what resources are used; noticed that estimates have been provided in the past but that they need to be able to put an actual value on the services provided or funds used; gave some examples of situations and how to track them.

Interim Finance Director Meyer stated she has looked at other programs and what other cities have done; stated this will require a lot of time and effort to set up all the structures that the Commission is asking of the department; stated that Council has not directed the Finance Department to prepare this in the past and it is not the way their budgets are set up; stated it is not something they cannot do but they will need direction from Council to do that.

Vice Chair Sherbin suggested that the Commission make City Council know how important this is so that they can give the Finance Department direction.

Interim Finance Director Meyer steered it back to the document she provided; stated it is one reason she shared it with the Commission as it goes through the areas on this item.

Discussion followed regarding the materials Interim Finance Director Meyer provided; highlighted items in the document that may or may not be needed; questioned grant funding supporting homelessness and what happens if there is no grant funding; the need to find out exactly how much money the City is spending on the homeless situation and how to figure out the future spending.

Discussion continued on asking the City Manager, Public Works, Police and Fire to be prepared to answer these questions during the budget meeting coming up.

Chair Allen referred back to the last meeting where they asked for a rough estimate plus or minus 20% of how much the City has spent on the homeless; voiced her concerns and asked Interim Finance Director Meyer what the City has budgeted this year for the homelessness.

Interim Finance Director Meyer stated she does not have that number.

More discussion ensued on the City's lack of architecture to track the spending; suggested to start with tracking the grant funding since that is an easy thing to track.

Interim Finance Director Meyer stated that each department that handles homeless issues does some level of tracking; noted that it is not consistent and Council has not made it a priority to report information in this fashion to the departments.

More discussion ensued about transparency and creating an action plan to be able to track homeless funding; drafting an email to Council requesting direction on tracking resources used for homeless.

Administrative Analyst Smith confirmed there were no public comments but they do have an eComment from Austin Carmichael; Analyst Smith read the email out loud.

Chair Allen asked for that eComment to be attached to the agenda for next time.

Administrative Analyst Smith confirmed there were no other public comments.

Discussion followed regarding the motion and if the letter to Council should be included, who should draft the letter, and how it should be reviewed, signed and delivered to Council.

Chair Allen, Vice Chair Sherbin and Commissioner Jeste agreed to be the committee to draft the letter.

Motion by Commissioner Samples, seconded by Commissioner Marin, to direct Chair Allen, Vice Chair Sherbin and Commissioner Jeste to put together a letter to the City Council and move it forward at the earliest opportunity. Motion carried 6-0-1. Commissioner Castle was absent.

Interim Finance Director Meyer mentioned that after the letter is created that the committee can email it to herself and Erin Smith to format it for them before sending it over to Council.

I.2. BUILDING MAINTENANCE/REPLACEMENT PLANNING

CONTACT: STEPHANIE MEYER, INTERIM FINANCE DIRECTOR

Interim Finance Director Meyer stated that her department does not have anything on this topic tonight; noted that the Commission wanted to keep it on the agenda; mentioned the Commission will see the Public Works director in the lead up to the budget process; stated she spoke to the City Manager and they agreed they would like the Commission's expertise in the coming year on the internal service funds and advanced planning.

Motion by Commissioner Samples, seconded by Commissioner Marin, to receive and continue the item on the agenda to the next meeting. Motion carried 6-0-1. Commissioner Castle was absent.

J. ITEMS FOR DISCUSSION PRIOR TO ACTION

J.1. CITY TREASURER'S QUARTER 2 FISCAL YEAR 2024-2025 REPORT

CONTACT: EUGENE SOLOMON, CITY TREASURER

City Treasurer Solomon presented a PowerPoint of the fiscal year 2024-2025 Quarter 2 report ending on December 31, 2024; introduced consultant Greg Balls from the Meeder Group and Deputy City Treasurer Nilesh Mehta.

Deputy City Treasurer Mehta took over the presentation; stated the information is all in the packet they received; the presentation included:

- Treasurer's Quarterly Admin Report
 - Treasurer's portfolio summary
 - Investment reporting guidelines
 - Investment report by Meeder Investment
 - Portfolio summary
 - Investment policy compliance
 - Investment activity report
 - Economic and market update
- Treasurer's Report PowerPoint Presentation
 - 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
- Key Investment Objectives for Municipal Investing – 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.
 - Safety – Protect principal
 - Liquidity – Provide necessary liquidity to cover both ongoing and unexpected cash needs
 - Yield – Maximize earnings recognizing need for safety and liquidity, and subject to restrictions specified by state statutes and the local governing body
- Investment Reporting Guidelines – CMTA
 - Always remember whose money it is and act according in a responsible stewardship capacity
 - An investment manager’s objective is to earn a reasonable rate of return on the City’s investments but not expose the City to an unacceptable level of risk
 - Failures in public investing occur when either: policies were not clear, policies were inappropriate; policies were not followed or oversight was inadequate
 - Questions to ask

Deputy City Treasurer Mehta went over the investment policy compliance; summarized and gave amounts for book value, percentage of portfolio, percentage allowed by policy and if it was in compliance.

Chair Allen asked for an update on CAMP.

Deputy City Treasurer Mehta stated, after getting it approved by City Council last quarter, they opened the account with CAMP and at the end of December the City received about \$20 million in property taxes; stated, in January, they invested a significant portion into CAMP and will give more detail at the next presentation; continued with the presentation:

- Performance breakdowns
 - Gave comparison of Investment Portfolio Positions F.Y. 2024-2025
 - Compared 1st Quarter and 2nd Quarter

Commissioner Woodham noted that there was a greater decline from first quarter to second quarter this year than last year; asked what accounted for that decline.

Deputy City Treasurer Mehta stated that it is a combination of two things: one is that there has been an increase in expenditures; the second is the \$20 million that came from property taxes since that came at the end of the quarter it was not accounted for in the chart.

- FY 2023-2024 quarter by quarter comparison of Investment Portfolio Positions
- FY 2021-2022 quarter by quarter comparison of Investment Portfolio Positions
- Noted to look at the interest earned in prior years versus the interest earned now
- Cash Flows Analysis
 - The City has met the cash flow needs of the City for the quarter and expect to meet the expenditure requirements for the upcoming period
- Sector Allocation
 - Noted the data shown was for the end of December and will significantly change because their LGIP (Leif Camp money market fund) had a significant increase in value as of January
- Maturity Distribution
 - Showed percentages from investments that were invested between zero to four years
- Fiscal Impact
 - Interest earned YTD is \$1,070,841.28
 - The general fund contribution rate is 60%. Approximately \$642,505 contributed to the general fund through investment activity
 - Budgeted contribution of interest to the general fund for the entire FY is \$1.5 million

Deputy City Treasurer Mehta turned the presentation over to Greg Balls (via Zoom) from the Meeder Group at approximately 6:46 p.m.

- 2024 Year In Review – highlights
 - The Federal Reserve cut rates; Fed funds rate dropped from 5.5% to 4.5%
 - Economic growth was better than expected
 - U.S. Treasury yield uninverted
 - U.S. Federal debt topped \$36 trillion
 - U.S. unemployment rate climbs from 3.7% to 4.2%
 - Reviewed yielded rates from Dec 2023 comparing 3-month, 2 year, and 3 year percentages
 - Globally banks begin widespread lowering of rates
 - CPI dropped from 3.4% to 2.7%
 - S&P 500 closed near an all time high, up 23% for the year

- “FIGEY” Model of Interest Rates: Fed Policy, Inflation, Growth (GDP), Employment, and Yields
 - Reviewed the Fed Funds
 - Inflation
 - Growth or GDP – Economists’ expectations, Bloomberg survey, and uncertainty of the Trump administration
 - Employment – Unemployment claims
 - Yield Curve Change – U.S. Treasury Yield Curve Change

Chair Allen asked what Meeder’s purchase strategy is based on the information they presented.

Greg Balls responded that it really depends on the cash flow needs of the City; they do know that there are more expenditures coming up for the City.

Chair Allen interjected to clarify her question; asked, minus the liquid the City needs to pay expenses, how is Meeder going to make purchases.

City Treasurer Solomon answered stating they are looking to take more duration to take advantage of some of the higher yields with the safety they have now.

More discussion followed regarding expenses and cash flow.

Interim Finance Director Meyer added that this conversation is an ongoing conversation between the City Treasurer’s office and the Finance Department.

More discussion ensued.

Chair Allen asked to see the chart of maturing investments and City Treasurer Solomon pulled up page 9 of the presentation that listed all the City’s investments with Meeder and when they mature.

Chair Allen asked what investments they have made this year; City Treasurer Solomon stated that no investments were made last quarter outside of money market CAMP.

Commissioner Samples stated that over the last few years the City Treasurer’s office seems to be more on top of this issue more than prior years; commented on the current state of affairs with the new administration, new global economics and thanked the City Treasurer’s office for all they have been doing; stated his only question is can the Commission be reasonably assured that the City’s investments are going to keep pace with or exceed inflation.

City Treasurer Solomon stated the City is always looking at safety first, for liquidity, and then for yield; mentioned in their matrix they would like to be aggressive in outpacing inflation and they focus on liquidity and safety first; if they are allowed to be more

aggressive and don't need to worry about liquidity, they lock in a duration of 2 to 5 years; noted they have a monthly meeting with Meeder where they discuss this topic.

Commissioner Woodham spoke about interest rate matching or exceeding inflation and reminded everyone that inflation can be volatile; stated that the Treasury is at about 4.2% inflation and the City's portfolio return is at about 3.5% and if they can keep inflation below 3% or less, the City can meet that requirement; noted inflation is unpredictable.

City Treasurer Solomon stated when they have opportunities and do not need the liquidity factor met, they do look to lock into 4-to-5-year durations.

Chair Allen asked if the City's next opportunity would be in May and City Treasurer Solomon said it will be July.

Administrative Analyst Smith confirmed there were no public comments.

Motion by Commissioner Samples, seconded by Commissioner Woodham, to receive and file the City Treasurer's Quarter 2 Fiscal Year 2024-2025 Report as presented. Motion carried 6-0-1, by voice vote. Commissioner Castle was absent.

J.2. FISCAL YEAR 2024-25 Q2 FINANCIAL REPORTING: JULY 2024-DECEMBER 2024

CONTACT: STEPHANIE MEYER, INTERIM FINANCE DIRECTOR

Interim Finance Director Meyer first acknowledged all the hard work Analyst Smith has put into the presentation; the presentation included the following:

- General Fund Taxes Q2 FY 2024-25
 - Tax revenue receipts are consistent with prior year and on track with budget
 - Detailed Revenue Source, Actuals vs Prior Year, and Notes
 - Noted that Transient Occupancy Tax is expected to come in the second part of the year when they receive TOT from the Marine Ave hotels
- General Fund Non-tax Q2 FY 2024-25
 - Non-tax revenue is trending higher than prior year
 - Detailed Revenue Source, Actuals vs Prior Year, and Notes
- Other Fund Revenue Q2 FY 2024-25
 - Other fund revenue is in line with prior year
 - Enterprise Funds delta to prior year is driven by the Transit Fund
- Revenue Q2 FY 2024-25
 - Summarized the report
- General Fund Spending Q2 FY 2024-25

- General Fund spending through Dec is in line with budget and consistent with prior year.
 - Personnel spending is higher than in the prior year, reflecting the MOU increases
 - Contracts and services spending ahead of prior year, remains within budget
- Other Fund Spending
 - Total City spending is in line with regular operations
- Expenditure Q2 FY 2024-25
- General Fund Expenditure Rate by Category Q2 FY 2024-25 vs Q2 FY 2023-24
 - CIP Project budget was transferred from the GF to the Capital Projects Fund at Carryover
- All Funds Expenditure Rate by Fund Q2 FY 2024-25 vs Q2 FY 2023-24
- Midyear Overview
 - Proposed changes show revenue upside
 - Taxes: +\$1.2M
 - Charges for Services: positive revenue offsets one-time reduction
 - Internal Services increases: +3.2 million/9%
 - Reflect anticipated cost increases, expect to moderate in next few years
 - Listed out the increased items
 - Net \$1.9 million General Fund increase

Interim Finance Director Meyer noted that they would like to look into reviewing the Internal Services funds in detail and would like the Commission's involvement in that.

- Anticipated approximately \$2.2 million ending fund balance following proposed changes
- Propose no action pending budget discussion/future needs
- Next Steps
 - Budget input with the City Manager

Chair Allen referenced a prior request by Commissioner Jeste; he asked for a budget that is department by department.

Interim Finance Director Meyer responded favorably to the request and asked what the Commission is looking for.

Commissioner Jeste stated he is more interested in what the IT department is doing to keep the City's data safe from cyber attacks and whether the City can utilize AI to help compute information more quickly; requested that Mike Cook come to a Commission meeting and present to them.

More discussion followed on a representative from IT coming to the next meeting, adding it to the agenda, and capital updates; noted that they are blending items J.2 and J.3.

Motion by Commissioner Samples, seconded by Commissioner Marin, to receive and file J.2 as presented. Motion carried 6-0-1, by voice vote. Commissioner Castle was absent.

J.3. DISCUSSION AND POSSIBLE ACTION REGARDING FY 2024-25 MIDYEAR BUDGET

CONTACT: STEPHANIE MEYER, INTERIM FINANCE DIRECTOR

Chair Allen wanted to put on the next agenda an item to discuss the budgets department by department.

Interim Finance Director Meyer stated that Analyst Smith runs department reports every month with the breakdowns the Commission is requesting and they can share that with the Commission.

Motion by Commissioner Marin, seconded by Commissioner Samples, to receive and file J.3 as presented. Motion carried 6-0-1, by voice vote. Commissioner Castle was absent.

J.4. PROPOSED SPECIAL MEETINGS FOR MARCH AND APRIL 2025

Chair Allen asked the Commission if the March and April meetings could be rescheduled since she has conflicts in her schedule; proposed to move the March meeting to March 20th and the April meeting to April 17th.

Discussion followed on the changes and the conflicts; Vice Chair Sherbin did not want to have the meeting dates changed; Interim Finance Director Meyer interjected that the March date would need to be changed anyways due to the City Clerk's office using the room to count ballots.

More discussion followed.

Motion by Vice Chair Sherbin, seconded by Commissioner Marin, to move the March 13th meeting to March 20th. Motion carried 6-0-1, by voice vote. Commissioner Castle was absent.

Administrative Analyst Smith confirmed there were no public comments.

K. COMMISSION MEMBER ITEMS AND FUTURE COMMISSION AGENDA TOPICS

Chair Allen mentioned she is going to put together a list of priority items to discuss and asked to add that to next meeting's agenda; commented on the posting of the Finance Director position and the Commission's involvement in the interview process.

Discussion followed and it was decided that the Commission would be overstepping to ask to be involved in the interview process.

Vice Chair Sherbin asked if the fire impacts the grants for the City; Interim Finance Director Meyer said that is something the City is looking at closely.

L. ADJOURNMENT – 8:30 P.M.

There being no further business to come before the Budget and Finance Commission, motion by Commissioner Samples, seconded by Commissioner Marin, to adjourn the meeting at 8:30 p.m. to a Regular meeting to be held at 6:30 p.m. on Thursday, March 20, 2025 in the Redondo Beach City Hall Council Chambers 415 N. Pacific Coast Hwy. Redondo Beach, California. There being no objections, Chair Allen 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