



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, Ramcharan, Woodham, Samples, Chair Allen

Commissioners Absent: Sherbin

Officials Present: Stephanie Meyer, Finance Director
Eugene Solomon, City Treasurer
Nilesh Mehta, Deputy City Treasurer
Jesse Reyes, Capital Projects Program Manager
Erin Smith, Administrative Analyst/Liaison

C. SALUTE TO THE FLAG

Chair Allen led in the salute to the flag.

D. APPROVE ORDER OF AGENDA

Chair Allen asked to move items J.1 and J.2 since they have a consultant on the line.

Motion by Commissioner Woodham, seconded by Commissioner Samples, to approve the order of the agenda as requested.

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

E. BLUE FOLDER ITEMS - ADDITIONAL BACK UP MATERIALS

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

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

Analyst Smith reported one Blue Folder item

Motion by Commissioner Samples, seconded by Commissioner Woodham, to receive and file the Blue Folder item.

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

F. CONSENT CALENDAR

F.1. APPROVAL OF AFFIDAVIT OF POSTING FOR THE REGULAR BUDGET AND FINANCE COMMISSION MEETING OF AUGUST 14, 2025

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

F.2. 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, THE REGULAR MEETING OF JUNE 12, 2025, AND THE REGULAR MEETING OF JULY 10, 2025

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

Chair Allen discussed her request to have her notes attached to the July 10, 2025 minutes.

Analyst Smith explained they are attached to the July 10, 2025 minutes as an attachment.

Chair Allen stated for transparency that the minutes are really focused on what City staff says and if they want something written in the minutes, they need to request it.

Motion by Commissioner Marin, seconded by Commissioner Woodham, to approve the Consent Calendar.

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

G. EXCLUDED CONSENT CALENDAR ITEMS - None

H. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

Jim Mueller spoke about the City's professional services budget being a substantial portion of the budget; stated the City's budget is tight and careful procurement and contract management can save money and listed off items that could have financial consequences; mentioned he was a procurement officer in the United States Air Force and spoke of the hundreds of proposals and contracts the City currently has out and had two questions about them: 1) In regards to the proposed contract with FM3 for the cannabis survey, felt the requirement seemed generic and there are several companies that could handle the survey but that the City chose a sole source in FM3 and asked why FM3 is the only survey company that can do the job; noted their cost is twice the cost of other vendors because they are the sole source, and 2) spoke about the second contract for the selection of art on Artesia Blvd being two years, which he felt is too long; noted

four milestones were given for the project and even though it was signed on May 13th no timeline has been seen from the vendor; opined tight contract management is needed to ensure adequate progress and completion; stated it is incumbent of the Budget & Finance Commission to question these contracts; felt there is very little procurement and contract administration being done by the City and suggested the Commission take it on as a project.

Chair Allen mentioned she would bring it up on item K.

J.1 and J.2 were moved before I by Chair Allen.

I. ITEMS CONTINUED FROM PREVIOUS AGENDAS

I.1. CIP PROJECTS REPORTED BY PROJECT

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

This item was moved after J.2.

Jesse Reyes, Capital Projects Program Manager, provided a flow chart for the Commission; stated this was prompted by the last meeting in April regarding the City's CIPs funding and expenditures; noted the excel file was attached which broke down all the projects the City has completed in the last FY; reported the breakdown of the spreadsheet was in four categories: Project Information, Budget Information, Bid Information (noted they added some direct links to some reports and bids that were put out), and Supplemental Information; reviewed the flow chart which went as follows:

- ⇒ Initial appropriated amount
- ⇒ Subsequent appropriations
- ⇒ Total appropriations
- ⇒ Total project spending
- ⇒ Total remaining fund
- ⇒ A. engineer's estimate
- ⇒ B. number of bids received
- ⇒ C. bid award
- ⇒ D. change orders
- ⇒ E. final project cost
- ⇒ Accept as Complete by Council and date (links available)

Capital Projects Program Manager Reyes provided an example (Anita/PCH) to show how it works for a project; explained the example provided to show the Commission how the process works for one project; referenced the spreadsheet and asked the Commission if anyone had any questions.

Commissioner Jeste mentioned the project Jesse Reyes reviewed as an example went from \$2.5 million down to \$400,000 and commented that was a significant change.

Capital Projects Program Manager Reyes responded, stating it was a Metro approved project and when they initially planned the project they thought it would be much larger, they got into design, had issues with Hermosa from Caltrans, the scope of the project changed, and it ended up being a much smaller project than originally planned and gave more details of the changes.

Commissioner Jeste asked with a change of that magnitude, does the City go out for new bids or do they simply use the same contractor they selected.

Capital Projects Program Manager Reyes stated it is currently under construction, and they will go through a Change Order procedure and that is governed by the City's Administrative Policy and Procedure (APP) and explained how that process works; noted if the amount exceeds the limit they need to go back to Council for approval.

Discussion followed regarding the cost of the project being \$711,000 and not \$2.5 million and that it was Metro and grant funded and any remaining funds after the project is closed go back to Metro and South Bay COG.

Commissioner Marin stated it would be good to have on the spreadsheet more information on the remaining funds, where they came from, if the City was on target, and if the money can continue to be spent.

Capital Projects Program Manager Reyes stated he can add a column where the funding came from.

More discussion followed regarding project funding, how the allocation of funds are distributed, staff needs approval from Council for all projects, and more examples were discussed.

Commissioner Jeste stated according to the Mayor the budget deficit are due to some deferred projects that are now included in this year's budget; wanted information on which projects were deferred and why they are doing them when the City has a bunch of deficits.

Capital Projects Program Manager Reyes stated he did not know which projects the Mayor was referring to; mentioned a lot of appropriations were made to Waterfront projects that have taken a lot longer to start than anticipated and has put some strain on the Tidelands fund; spoke of other Pier projects that have taken place during the year; commented that they have Council appropriate funding and often times, it takes them longer to get to those projects due to limited resources.

Chair Allen asked if most of the CIP projects were not funded by the General Fund.

Capital Projects Program Manager Reyes reported the vast majority are through discretionary funding.

More discussion followed regarding General Funds, capital funding, and discretionary funding.

Capital Projects Program Manager Reyes noted that Council, especially during the pension reform where there was \$5 million left over, appropriated a lot of the money to capital during that time.

Chair Allen asked if he could show an example of one of those; speculated that the Mayor probably meant one of those projects.

Capital Projects Program Manager Reyes reviewed some of the projects that used discretionary funds; mentioned a good portion of the City's projects are through grant funding or restricted funding.

Chair Allen clarified to Commissioner Jeste that she asked because her thought was it was one of those projects that was initially General Fund that got transferred to CIP; thanked Jesse Reyes for all the effort he put into providing the information.

Commissioner Jeste referenced the letter the Mayor wrote for the Easy Reader on July 24th stated the deficit this year was largely driven by the need to invest in City infrastructure that was neglected and in which maintenance was deferred by previous Councils; noted he was not very specific and that is why he was wondering what they are paying for despite the deficit.

More discussion followed regarding the funds and if a column could be added to show where the money came from for the projects.

Capital Projects Program Manager Reyes stated he could add the column; stated historically Council would transfer about a million dollars every year during mid-year from the General Fund to capital funds and given the City's economic situation over the past two years that has not happened; reported the only money transferred over the last 2-3 years has been from an old bond from the Galleria which was \$800,000 and once that dries up there won't be any discretionary funds on the capital side and it will be strictly on the restricted funds and grant funds to fund the projects.

Commissioner Samples recalled that there were issues that came up regarding deferred maintenance on all the fire stations improvements such as replacing roofs; mentioned those would be CIP projects and there's no grant funds to do it and it must be done.

Chair Allen asked if maintenance is part of CIP.

Capital Projects Program Manager Reyes mentioned they have traditional CIPs and then they have maintenance CIPs and funded mostly by capital discretionary funds; reported they have a major facilities repair that is funded through ISF.

More discussion followed on what maintenance falls under CIP, how a project falls under CIP and what are the limits.

Capital Projects Program Manager Reyes explained what falls under CIP, stating it is normally something that gets capitalized over \$60,000, mentioned in the Budget Book in the transmittal letter they describe their thought process on what goes into a CIP as

opposed to maintenance; explained the difference between maintenance and a project, maintenance being a repair of a hose and a CIP being a full replacement of an HVAC system.

Commissioner Samples spoke of a change in the City's charter but in general, the City has some requirements of the path of a project and just maintenance if someone can go out and, as an example, repair a curb.

Capital Projects Program Manager Reyes stated the charter change defined maintenance or repair, and they have an ordinance that defines maintenance which is a wider definition now; gave more explanation of the definitions.

Commissioner Samples clarified the intent of his statement; spoke of what used to be considered maintenance before is now required to go through the CIP process; mentioned it could be funded by the City through the General Fund or through a grant but if the project overruns and there is a difference the City will have to cover the additional funds needed from the General Fund; stated there are several reasons the City should transfer money into the CIP.

More discussion followed.

Commissioner Samples mentioned two things were missed: 1) the City is bound by the parameters of the grant and can be very narrow and limiting and some grants require matching funds, the process is very complex and 2) it sounds like the City overall manages it pretty well and the Commission can review it but he doesn't know how they would do it any different.

Commissioner Jeste referenced Jim Mueller's comments about three projects he felt were costing the City twice as much; wondered who determines if it is reasonable enough to award the projects.

Capital Projects Program Manager Reyes responded that in general Jim Mueller is speaking about professional projects and not CIPs; stated on the capital side staff always goes with the lowest bid, it is a sealed process, the City Clerk opens each bid at 9:00 am and reads each bid and they are bound by law to go with the lowest bid if they meet all the requirements.

Commissioner Jeste asked what happens if the bid is too high.

Capital Projects Program Manager Reyes stated if they do not have the funding to accept any of the bids, they reject all the bids and return to Council with needed adjustments; they will not award a bid if they can't afford it.

Chair Allen recalled that a consultant is hired to determine approximate price.

Capital Projects Program Manager Reyes pointed out on the spreadsheet there is an "Engineer's Estimate" and as they go through the design process at the end they provide an engineer's price estimate, and it is included in the bid that goes out; reported that

current estimates have been on point and they are comfortable with the engineer's estimates.

Commissioner Samples thought there is a law that prevents bids from going out if the funding associated with it is not available.

Capital Projects Program Manager Reyes wasn't sure if there is a law but felt it is definitely a best practice; provided an example of a situation where there was a shortfall and how Council handled it.

More discussion followed regarding the bidding practice, and how bidders know what they should bid.

Commissioner Jeste asked if the City has any analytical tools or software that could produce the results they are looking for.

Chair Allen stated that it is not within Jesse Reyes' scope and they could wait to speak to Finance Director Meyer; asked the Commissioners how they wanted to proceed with this discussion.

More discussion followed regarding if they wanted to continue the item to the next meeting.

Analyst Smith reported no eComments, no one on Zoom and no public comments; suggested they receive and file the report for today, so they have it for the record but they can bring it back for the next meeting if they desired.

Capital Projects Program Manager Reyes stated he could add the column that shows the funding source.

Motion by Commissioner Samples, seconded by Commissioner Woodham, to bring back the report with the addition of the source column.

Jim Mueller clarified that what he spoke about earlier was regarding the procurement of professional services and not the construction; felt what Capital Projects Program Manager Reyes presented sounded normal for the industry and he was impressed with the detail.

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

I.2. BUILDING MAINTENANCE/REPLACEMENT PLANNING

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

Chair Allen stated she placed this item on the agenda for Jim Mueller so that they would be able to discuss it with him and they could focus on his concerns.

Jim Mueller stated his original concern was when Measure FP came out, it was so huge, and so many vital parts of the City were part of it; mentioned so many facilities had been

neglected for so many years and he felt either the City had no program for regular maintenance for vital facilities or the Council had decided not to do the regular maintenance that other people had recommended; said he couldn't believe that the Chief of Police would allow his people to be in substandard conditions for years and the same with the Fire Department and stated he was concerned; noted he brought it to the Budget & Finance Commission because he figured it must be a money problem.

Chair Allen asked Jesse Reyes if there is a program for regular maintenance and does it fall under the Public Works Department.

Capital Projects Program Manager Reyes stated it is under Public Works but it's on the operations side in the building maintenance division and funded through the ISF; mentioned they also have an ISF called Major Facilities Repair and explained what their funding goes towards; spoke about a team they have that does regular maintenance that is paid through ISF but that the buildings are very old and there is only so much repair the teams can do with the resources they have.

Commissioner Samples asked who makes the decisions to have these projects completed and what the process is for recommendations to be made.

Capital Projects Program Manager Reyes explained that over the past 10 years they had done their best to maintain the facilities and other decisions are made by staff and managers; mentioned assessments are done and things are ranked based off need and emergencies and others are driven by Council decisions.

More discussion followed regarding funds that support the facilities, if there is a way to assess future needs, and for the Council to better plan for these types of facility needs.

Finance Director Meyer stated the City has a Building Occupancy Fund that is contributed to annually and a Major Facilities Repair Fund that Council has put funds into but there is not much in those funds; mentioned that the Council asked for an inventory of all City properties in the Strategic Plan this year; reported that the City's insurance provider also comes out and does an assessment annually.

Capital Projects Program Manager Reyes stated they have had this conversation with their new Public Works Director Andy Winje to internally assess all the facilities in Public Works.

Commissioner Samples felt more transparency is needed for the public to understand the importance of having the facilities repaired over other City requests; asked why some funds are requested as "one-time" requests when they are needed on a continual basis such as protective gear for the police force.

Finance Director Meyer explained that some of their coding is done for internal purposes and "one-time" draws their attention to bring it back to Council to alert them of how much it costs.

More discussion followed regarding the definition of “one-time” costs, and better planning needed by the City.

Chair Allen asked the Commission how they wanted to proceed with the item.

More discussion followed.

Motion by Commissioner Woodham, seconded by Commission Samples, to bring the item back for discussion at the next meeting.

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

I.3. HOMELESSNESS FUNDING AND ACCOUNTABILITY

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

Finance Director Meyer provided a spreadsheet of a high level overview split by type of expense, department, and funding source with some indication of the vendors included; went over the City’s spending for the last FY as an example and noted she provided a short description with an overview of the City’s major programs in order to help explain the City’s approach with the enhanced response to homelessness program; listed the positions dedicated to the homelessness program: Quality of Life Officer, Homeless Housing Navigator, Homeless Housing Supervisor, and Administrative Assistant (part-time); explained the services and programs offered by the City and their major efforts; noted most of the program is run through the City Attorney’s Office since it was a program the former City Attorney, Mike Webb, started; reported there is also an officer in the Police Department dedicated as a homeless liaison and other services the Police Department is involved in; noted that the Public Works Department is also involved in the capital projects building in the pallet shelter and noted that the City Engineer’s time is paid through the City but the projects are grant funded; reported about a million dollars was spent last year; reviewed the contractual services and reported they are 100% grant funded; spoke about the programs and services the City offers for homelessness including the pallet shelters, overnight hotel emergencies, and longer-term stays; mentioned they do have a contract attorney that assists with the homeless court and the number is very low because that person provides the services pro bono and the amount is only to cover insurance (which comes out of the General Fund); stated the City does pay for utilities for the pallet shelter which is about \$27,000; reported combined personnel and non-personnel came to about \$2 million; spoke about the pallet shelter expansion being 100% grant funded, \$100,000 was spent on design and they have about \$1 million left of grant funds to spend over the course of the project; stated of the \$2 million spent on homelessness funding about \$600,000 is from the General Fund, \$1.2 million in grants, and \$250,000 on the City’s Housing Successor Agency; noted the Police Chief is strongly supportive of the programs and thinks the resources spent on these programs significantly decrease the amount of time and energy that the Police have given to homelessness issues in the past.

Chair Allen thanked Finance Director Meyer for putting the presentation together and getting them the information; understood they are spending about \$2 million a year; and asked how many people has the City saved.

Finance Director Meyer responded that the City Attorney's office could answer that question.

More discussion followed regarding the statistics and numbers that the City has regarding the homeless population, how many there were in the past as compared to today; Finance Director Meyer stated the City Attorney's office would have that information; each department involved with homelessness has their own line item in their budget.

Commissioner Marin asked if the City is required to apply for the Intergovernmental Grants Fund every year.

Finance Director Meyer responded that the vast majority of the funding the City Attorney's Office applies for on an ongoing basis and they do a lot of outreach; spoke about the funding from LA County and from longer term grant funding, mentioned due to their success with the program they have been successful in obtaining grant funding.

Commissioner Woodham spoke about the City paying about \$600,000 in funding and the rest is from outside funding but wondered what happens if the outside funding disappears; asked does the City pay through the General Fund or would they let the program fall.

More discussion followed regarding the number of homeless the program currently has, the functional zero number, and where the homeless people come from or if they are Redondo Beach residents.

Commissioner Samples pointed out that the majority of employed staff that work with the homelessness program would still work with the City if they did not have a homeless project, they would just be assigned different duties; felt it was important to note that most of those personnel costs would still lie with the City if this program was available or not; stated the City's biggest exposure is the \$855,000 not covered by the General Fund and what do they do about that.

Commissioner Woodham commented that this information should be updated year to year so they can track what is changing.

Discussion continued about the importance of having the information that was supplied by the Finance Director and that the City Council should see this information.

Commissioner Ramcharan inquired if there is any federal component to the grants because of the changing climate.

Finance Director Meyer said the only federal funds for housing are related to Section 8.

Discussion followed on the best way to get the information to City Council and if it needed further information added.

Chair Allen suggested a subcommittee be formed to write a letter; Finance Director Meyer suggested Commissioner Marin could write the letter, Chair Allen can proofread and sign and then send to her to submit to Council.

Analyst Smith stated there is one public comment from the audience, no eComments and no one online.

Jim Mueller thanked Stephanie Meyer for putting the information together; felt the risks they have identified in the grant programs are valid and many other California cities are struggling with financing their homeless programs; wondered if there are alternate grants offered and felt it necessary to secure a backup to fund the programs; suggested tracking the soft costs, such as EMT services, as a trend year-by-year.

Chair Allen asked if any of the Commissioners could contact the City Attorney's office to inquire about the homelessness numbers; Commissioner Ramcharan volunteered to do it.

Eugene Solomon, District 1 and City Treasurer, stated there are other parts of the program that are non-monetary and policy reasons why it was done; mentioned achieving functional zero homelessness, and according to a Supreme Court decision you had to achieve functional homelessness in order to enforce non-camping ordinances; spoke about the importance of homeless court for the unhoused because they can appear there and have charges dismissed or adjudicated, with violations on their record they would not be able to find housing; brought these points up to explain that there are other issues beyond the numbers that the City does for the homelessness and to improve the community as a whole; felt the letter to Council should also contain the value proposition as a whole.

Commissioner Woodham recognized that if they did not spend this money on the homelessness programs, the City would incur significant cost due to the presence of the homeless and the issues that would cause; stated they are currently spending about \$2 million but wondered what they would be spending if it was not going towards the programs.

Motion by Commissioner Samples, seconded by Commissioner Woodham, to provide a summary and its transmittals for the conversations that the Commission has had regarding homelessness to the City Council.

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

J. ITEMS FOR DISCUSSION PRIOR TO ACTION

J.1. ANNUAL REVIEW OF THE CITY'S STATEMENT OF INVESTMENT POLICY 2025, AS AMENDED

CONTACT: EUGENE SOLOMON, CITY TREASURER

This item was moved before item I.

City Treasurer Solomon noted that Rick Phillips from Meeder, the City's investment partner, was also on the line with them that evening; reported that there were two principal changes this year and are specified within their current investment policy to bring it back

to the Budget and Finance Commission once a year for review and also the City Council for review; stated the first change is an increase in LAIF from a \$65 million maximum to a \$75 million maximum as permitted by state law; stated the second change is to align the City's code to the state's code in their investment policy, so they recommended some changes in their language with regard to the City's JPA within their investment policy to mirror the state code; noted Niles Mehta, the Deputy City Treasurer, was also available to answer questions.

Chair Allen reported technical difficulties at 6:45 p.m.

City Treasurer Solomon recognized Commissioner Samples and reported that evening would be his second to last meeting with the B&F Commission; thanked him for his eight years of service on the Commission; congratulated Commissioner Woodham on his re-appointment to the Commission.

Discussion followed regarding the retirement and re-appointment.

Commissioner Marin asked what drove them to make the changes to the LAIF.

City Treasurer Solomon stated it was to align with the state code.

Commissioner Woodham asked what the approximate asset allocation of LAIF was/

City Treasurer Solomon responded under the City's investment policy, believed they can allocate as much as a100% of their assets into LAIF; mentioned the guardrails are by percentage or by dollar amount.

Deputy City Treasurer Niles Mehta supported the statement and added it used to be \$65 million but now in 2025, the amount is \$75 million.

Commissioner Woodham asked if LAIF invested similar to a money market fund.

City Treasurer Solomon responded that LAIF invests in a variety of different vehicles to achieve their investment return but acts like a money market since it is very liquid and the City has access to the funds; noted they take less risk than the JPAs do; asked Rick Phillips with Meeder to respond to what other vehicles LAIF may invest in.

Rick Phillips stated the June report had 55% treasuries, 25% agencies, 9% CDs, 6% commercial papers, and less than 1% of corporate bonds; noted it is typical of them to stay heavy into treasuries and agencies.

Commissioner Marin asked how heavily the City tends to stay in LAIF product.

City Treasurer Solomon stated it would vary depending on the City's cashflow needs and what's available within their percentages; said they would look into the investment returns for that sort of liquid vehicle, and they would compare it with CAMP to see where it would be best to put their money within the guidelines allowed.

Analyst Smith reported no eComments and no comments from the public.

Motion by Commissioner Woodham, seconded by Commissioner Samples, to approve the Annual Review of the City's Statement of Investment Policy 2025, as amended.

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

J.2. CITY TREASURER'S FOURTH QUARTER, FISCAL YEAR 2024-25 REPORT EUGENE SOLOMON, CITY TREASURER

CONTACT: EUGENE SOLOMON, CITY TREASURER

City Treasurer Solomon introduced the item; reported Rick Phillips was online to assist, noted, Mr. Phillips is the Senior VP and Chief Investment Strategist with Meeder and provided other background information on his experience; noted Deputy City Treasurer Mehta was also there to assist and present information.

Deputy City Treasurer Mehta stated the Commissioners should have received the Treasurer's Quarterly Admin Report in their packets which included: Treasurer's Portfolio Summary, Investment Reporting Guidelines, Investment Report By Meeder Investment; reviewed what the presentation would include, which was: Investment Reporting Objectives/Guidelines, Policy Compliance, Quarterly Performance, Cash Flow Analysis, Maturity Distribution, Trading Activity, and Fiscal Impact; presented:

- Key Investment Objectives for Municipal Investing – focuses on:
 - Safety – protect the principal
 - Liquidity – Provide necessary liquidity to cover ongoing and unexpected cash needs
 - Yield – maximize earnings subject to restrictions specified by state statutes and the local governing body
- Investment Reporting Guidelines – CMTA
 - Always remember it is the community's money, be responsible
 - It should never be an investment manager's goal to earn max returns on the City's portfolio as that exposes the City to risk
 - Failures occur when policies are unclear, inappropriate, not followed, and oversight is inadequate
 - Listed questions to ask before investing
- Reviewed policy compliance
 - Provided a table of: Rule Name, Policy Limit, Actual Value, and Compliance Status – showed that the City was compliant in all categories

FY 24-25 Performance

- Provided a chart breakdown of: Comparison of Investment Portfolio Positions F.Y. 2024-2025 with amounts for each quarter.
- Noted the benchmark for LAIF was 4.27 and the yield on the benchmark was 4.4

Chair Allen interjected that last time she was looking for CAMP and mentioned they added; stated staff were going to break it down and not include it just with money market so that they could keep the money market separate.

City Treasurer Solomon wanted to clarify if she was asking for the yield on CAMP or the total assets within CAMP.

Chair Allen referred to a summary presentation and thought staff would put that into this presentation.

City Treasurer Solomon again asked to clarify if she meant to separate CAMP from LAIF.

Chair Allen asked to go back to the slide with the breakdown of FY 24-25 Performance and referred to the column for Money Market under the 4th Quarter.

Deputy City Treasurer Mehta asked if she was referring to the \$22,461,667 number and mentioned it is a combination of CAMP and money market.

Chair Allen replied yes to that number and thought they spoke about staff separating that number.

Deputy City Treasurer Mehta stated he can do that in the future; continued with his presentation:

- Cash Flows Analysis
 - Provided a chart with breakdowns for FY 24-25 which includes columns for: Beginning Balance, Total Deposits/Credits, Total Debits, and Ending Balance

Deputy City Treasurer Mehta reported they have met the cash flow needs of the City for the quarter and expect to meet the expenditure requirements for the upcoming period.

- Sector Allocation
 - U.S. Treasuries – 36.09%
 - U.S. Agencies – 27.18%
 - Money Market Funds (including CAMP) – 24.88%
 - Corporate Bonds 11.74%
 - LGIP (which is LAIF) – 0.12%
- Maturity Distribution
 - Noted 25% of the investments are maturing immediately
 - 32.5% maturing 0-1 year
 - 36.9% maturing in 1-2 years
 - 5.5% maturing in 2-3 years

Chair Allen stated this is the slide that prompted her to ask the City Treasurer several questions because this slide led her to believe that the City was running out of money;

explained that it was a red flag to her because they are not investing up to five years and 95% of the investments are only up to two years.

Deputy City Treasurer Mehta continued with the next slide that provided the Historical Earnings and Book Rate of Return Performance; it featured a graph of the Fiscal Year-to-Date Earnings and a table of which showed the month-to-month year to date earnings with the comparison highlighted in red; provided another slide with the Historical Book Values for July 2009 of the entire portfolio.

Commissioner Ramcharan asked if changes in earnings are coming not because of any change in the portfolio but because the yield has gone up on short-term debt.

City Treasurer Solomon responded that it is more than the changes in rate, it's the maturities that are coming due that are able to re-invest at a higher rate and yes, to answer his question, it is a higher interest rate.

Commissioner Ramcharan to state it differently, the extra income is not coming because they are not taking on more risk per se but because the risk-free rate has gone up; City Treasurer Solomon replied yes.

Commissioner Marin asked if there are purchases coming up because it looks like the money market fund has jumped up pretty high quarter over quarter and inquired about the City Treasurer's plan.

City Treasurer Solomon mentioned they had some maturities that were invested for five years at less than 1% in 2020 that have come available and others that have become available; mentioned they are discussing the situation internally and possibly investing those out for a longer term.

Deputy City Treasurer Mehta continued the presentation and showed a slide with the trading activity which detailed their purchasing activity for the quarter; mentioned the trade ticket which included the issuer, the coupon maturity, and the QIP number; provided a slide which included:

Fiscal Impact

- Interest earned year to date of \$2,793,124
- The GF contribution rate of 60%, approx \$1,675,874 contributed to the GF
- Budgeted contribution of interest to the GF for the entire FY was \$1,500,000, so they have exceeded their estimates.

Commissioner Ramcharan asked if 40% is re-invested.

Deputy City Treasurer Mehta stated no, it is divided up into other funds within the City; City Treasurer added it is referred to as pooled cash.

Rick Phillips, Meeder, gave some background of Meeder Investment Management; referred back to the Historical Book Values slide and stated it is the balance history from 2009; spoke about FY patterns, pointed out that the general trend was going higher until

2020 when COVID impacted everything but then stimulus put them up to an all-time high and then it dropped over 25% in value; noted it was an unusual situation and are careful to compare other cities since each is different; mentioned they like to study patterns so they can provide more liquidity where they see necessary.

Commissioner Ramcharan interrupted to clarify the previous slide and referenced the y-axis the millions is the balance that they have under management for the City and asked if that was accurate.

Rick Phillips responded that it is the total investment pool that the City has of the mixture of assets of CAMP, LAIF, and other securities.

Commissioner Ramcharan noted that the series has become relatively stationary over the last five to six years and asked for his explanation; questioned whether the City is drawing out funds faster than the funds are flowing in so that is why the balance is constant.

Rick Phillips stated they look at it from a top level and basically less revenue coming in and more expenses going out would have the balance drop and vice versa; stated that is where the Treasury team gets into the nuance with the Finance Department to give more insight.

Commissioner Ramcharan asked if they draw down the balances faster than the investment is growing then you don't get the appreciation in balances and stated that is what the picture would imply.

Rick Phillips stated that is correct and gave other examples of those situations.

City Treasurer Solomon interjected to add that in 2021 the City refinanced their pension debt and issued roughly \$29 million worth of lease revenue bonds, noted there was \$13 million that was under management for a while that was spent by a Council; spoke about another situation involving CIP funds and stated some of those funds are investable and then get spent; mentioned ARPA funds and other federal stimulus funds to give an example of the nuances that impact their fluctuations within their investment pool.

Commissioner Woodham asked City Treasurer Solomon if they had an estimate of what it would look like over the next five years; noted he understood revenue streams are uncertain.

City Treasurer Solomon stated his best estimate is that it would relatively stabilize and gave the reasons for his estimate including that the property tax base has been stable and other information and reports he has seen; spoke about the structural revenues they anticipate coming on along with other factors.

Commissioner Ramcharan mentioned if this were a country they would scale it by the GDP and asked what is the right way to interpret what they are providing.

Rick Phillips stated one of the better ways to look at it would be as a per capita basis for each city; noted that each city does have their own unique projects to be aware of.

More discussion followed on the types of differences each city must account for.

Chair Allen stated that basically the Commission wants to know how do they know they have healthy revenue coming in and felt that is more of a finance question and they can get to that when they get to the budget item.

Commissioner Jeste mentioned the report by the state auditor back in 22-23 had every city audit for every city in the State of California; noted that he published a report of what each city's financial condition was at that time but has not seen another since; asked if there is a report like that one available.

City Treasurer Solomon responded that he is not aware of one, but the City presents their audited financial reports to the state every year, the ACFR; felt there would be a consolidation of all those things and reviewed by the state auditor but he is not sure where the report would be.

More discussion followed regarding the S&P ratings and what rating RB has; City Treasurer Solomon stated RB has AA rating and has had no reports stating they had any problems, Commissioner Jeste reported positive financial news from reports he has seen regarding RB except for tax revenue and City Treasurer Solomon felt that shows that it is a matter of context for each city.

Commissioner Jeste asked what contributes to Book Value.

City Treasurer Solomon responded that Book Value approximates their investment portfolio; noted that sales tax revenue could contribute towards it.

More discussion followed regarding what affects Book Value, that preserving capital is the highest priority for the Treasurer's Office, the effects of spending more than they are earning and if that is considered to be high risk.

City Treasurer Solomon stated they operate on the revenue and investment side and not the expenditure side; mentioned it is not within their purview to look at expenditures, but the Treasurer's Office looks at investments under management, monitoring, and auditing.

Rick Phillips continued the presentation; stated that public funds don't invest in high-risk instruments and they are governed by code and they have to invest in A-rated and above; mentioned they need to look at liquidity because they never want to have to sell something early to provide liquidity; in light of the uncertainty, Meeder has shortened the duration of the portfolio; referenced the graph on the screen and said based on that the best return is between 1 ½ and 2 ¼ years for the City; reviewed the details of the slide and explained reasons for the fluctuations; stated they look at market rate of return over economic cycles and spoke about terms, interest rate volatility, and prior history that affects their decisions to give the Commission context; used Anaheim as an example to look at; mentioned RB's yields aren't higher because they have had to keep things shorter for liquidity purposes;

showed a slide that he called the Yield Pipeline and pointed out that they don't have any investments past the three-year mark and they are by every six months and showed the six month yield in the six month bucket; reviewed the bubbles in the slide; stated the goal is stabilizing the portfolios month-end balances and having the stability to be able to invest longer; provided a comparison slide with Anaheim.

Commissioner Woodham recognized the difficulty of providing a benchmark for a fund like the City's; asked with the liquidity issues that the City has, how do they decide whether the returns are as they should be, do they have a benchmark; does Meeder feel that the City's rate of return is good.

Rick Phillips referenced the "weighted average maturity and book yield" slide; explained how they look over economic cycles as it dictates in the investment policy because they are buy and hold portfolios which makes them different than the S&P or pension funds; stated if they look at the chart they have met their goal because safety and liquidity are the goal; spoke more about the index and felt the City would continue to go up with yields; mentioned they look at the long run and if the City is earning a market rate of return; stated their benchmark is really the City's investment policy and cash flows because each city is unique.

City Treasurer Solomon added some information about the City's portfolio; spoke about the adherence to policy and taking those opportunities where they have maturities coming online and available for them to re-invest at a better rate.

Commissioner Marin asked what the City's plans are, what their liquidity needs are, and are they able to get back to the target zone regarding duration.

City Treasurer Solomon said they can meet both the short-term liquidity goals and invest a segment of that money for a longer term.

Commissioner Ramcharan questioned why the City doesn't invest in a 3-month treasury instead of taking the liquidity risk by tying it up in a 5-year bond if the rates are not too different at the time and roll the bond over every three months and enjoy the liquidity.

City Treasurer Solomon noted it is a valid question, but he was not in the position at the time in question.

Commissioner Ramcharan made other points just to put it into context; wondered how to avoid paying costs.

More discussion followed.

Chair Allen referenced a discussion they had a year ago; pointed out swapping is allowed, they can sell in government but that it is very difficult, and a lot of analysis is needed.

More discussion followed regarding swapping.

Rick Phillips added some comments regarding the uncertainty of situations.

More discussion followed regarding term premium and the lack of being able to time the market.

Chair Allen asked Rick Phillips if they buy callables for the City.

Rick Phillips stated they have when they expected interest rates to go down but they shy away from callables.

Chair Allen mentioned she has used callables but they take a lot of work, focus, and you need to be careful.

More discussion followed regarding callables.

Rick Phillips continued with the presentation; the next slide he called his FIGEY model: Fed Policy, Inflation, Growth (GDP), Employment, and Yields; spoke about Fed Funds and the rate of 4.33% being what the money market rates and short-term rates like LAIF and CAMP are earning; mentioned the September meeting is 4.11%, which he did two weeks prior to meet publishing deadlines; stated there is almost a 100% chance that the future's market is expecting the Fed's to lower rates and explained his numbers further; opined that is why they would want to get longer securities in the portfolio if liquidity is met; went over inflation data, mentioned the rate of change has come down a ton, and that there is a debate at the Fed where half say to cut and the other half say they should stay in place; showed a slide on Growth: Rebound of GDP for Q2 that featured a bar graph; spoke of last quarter's GDP was at 0.5% primarily due to imports subtracting from GDP to beat the tariffs, Q2 showed a solid rebound to 3.0%, and growth is expected to show later this year; next slide featured a bar graph on Employment: Nonfarms Plunge (Nonfarm Payrolls) and reviewed the data; next slide was on Unemployment Rate Higher...But Still Very Low and reviewed the information on that slide; next slide showed a graph chart on Yields: Since Jan 2023 noted shorter rates are more correlated with Fed policy and longer rates are more correlated with growth, inflation, and employment expectations and went over the data.

Commissioner Ramcharan asked what happens if they decide to invest long-term and the unanticipated inflation happens and the real rate falls; wondered if that is a risk that Meeder sees and if they invest short at least they would have the option to roll over the higher short rate; asked how they look through that.

Rick Phillips stated that is why they look over the longer run, mentioned the 3-month bill again and explained Meeder's process and what they look over; noted they do tons of analysis but that no one can time the market and interest rates.

Commissioner Ramcharan stated if they look at historical data it will not be useful because they have never been through this.

Rick Phillips disagreed and said they have definitely been through cycles like this.

Commissioner Ramcharan said we have never had inflation be out of the target for this long ever; stated this is the first time the Fed is dealing with a disinflation and a unknown

tariff situation; opined there is a lot of risk at this point with inflation and locking in long opens up the potential to get hit hard with an unexpected surge in inflation; felt going short-term is less risky and sensible.

Rick Phillips moved to the next slide which was titled Yield Heatmap: Still a Prudent Strategy to Invest Longer Term; the data provided was from 1990 and he went three months to five years out and explained the data featured on the slide; noted they haven't seen those rates in the past 17 years except over the last two years; went over the scenario Commissioner Ramcharan gave with locking in for a short duration and stated that is not the way Meeder's analysis shows that they should manage a public fund portfolio.

Commissioner Ramcharan spoke about the Japanese investors exiting the Treasury market because of the potential risks and that the European market is following suit; wanted to point out that there are a lot of moving parts that they don't understand.

Rick Phillips responded that the only way they hedge is to stay shorter duration but with the risk that the Fed would lower rates even more; stated the market is at rates they haven't seen in 17 years, and they want to lock in those; noted that the rates may go higher but the data shows that is a lower probability.

City Treasurer Solomon interjected that it is all a measure or approximation in all these scenarios of risk; noted they look over all the different types of risks and try to reach the best conclusion with certain priorities of safety and liquidity as Rick has described as 1 and 1A; stated they make the best decisions based on all the factors with the key focus as safety and liquidity for the City.

Chair Allen directed a question to Rick Phillips, referencing the previous meeting he was not at, regarding a purchase of a treasure bond of 3.9% for two years and asked why they did not go for five years.

City Treasurer Solomon reported that he made that decision based on liquidity.

More discussion followed.

Rick Phillips noted that they discuss everything with the Treasurer and the final decisions are made by the Treasurer.

Analyst Smith reported no eComments and no one on Zoom

Commissioner Ramcharan asked if they could go over the management fees.

City Treasurer Solomon reported it is all public documents; Meeder is on a contract with the City at \$18,000 a year, no trading fees and other components, such as Clearwater (a software management program), that is built into the contract.

Rick Phillips added that the City was one of their first clients and they have kept the fee low for them.

Motion by Commissioner Woodham, seconded by Commissioner Marin, to accept and file the quarterly report as presented.

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

J.3. RESERVES AND BUDGET CONCERNS

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

Motion by Commissioner Woodham, seconded by Commissioner Samples, to move this discussion to the next meeting.

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

K. COMMISSION MEMBER ITEMS AND FUTURE COMMISSION AGENDA TOPICS

Discussion followed regarding putting an item on the agenda to discuss the City's professional services procurement process.

Finance Director Meyer noted that the City charter code does not require any competitive bidding for professional services; stated the City does, as a practice, apply thresholds over a certain amount and recommend getting quotes; commented, per the Mayor, City staff have been more focused on contract writing and the newest assistant to the City Manager has a lot of background on contract management; reported she will be creating Citywide procedures and going through professional services contracts; said the Finance Department is looking into their purchasing administrative policy and procedure practices.

Chair Allen asked about the ACFR.

Finance Director Meyer announced she should have it by the September meeting, and the auditors have not reported any issues to them; said due to new auditors and turnover in staff they have been behind.

Chair Allen stated she will email to have the professional services procurement added to the next agenda.

L. ADJOURNMENT – 9:32 P.M.

Motion by Commissioner Marin, seconded by Commissioner Woodham, to adjourn at 9:32 p.m.

The next meeting of the Redondo Beach Budget & Finance Commission will be a regular meeting to be held at 6:30 p.m. on September 11, 2025, in the Redondo Beach Council Chambers, at 415 Diamond Street, Redondo Beach, California.

Respectfully submitted:

Stephanie Meyer
Finance Director