

A. CALL TO ORDER

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

B. ROLL CALL

Commissioners Present: Castle, Woodham, Conroy, Samples, Solomon, Vice Chair Jeste and Chair Marin

Commissioners Absent: None

Officials Present: Steven Diels, City Treasurer
Nilesh Mehta, Chief Deputy City Treasurer
Doug Kaku, Grants Financial Administrator

C. SALUTE TO THE FLAG

Chair Marin led the Commissioners in a Salute to the Flag.

D. APPROVE ORDER OF AGENDA

Motion by Commissioner Woodham, seconded by Commissioner Conroy, to approve the order of the agenda. Motion carried unanimously, with no objection.

AYES: Castle, Woodham, Conroy, Samples, Solomon, Vice Chair Jeste and Chair Marin.
NOES: None.
ABSENT: None.

E. BLUE FOLDER ITEMS - ADDITIONAL BACK UP MATERIALS

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

Grants Financial Administrator Kaku confirmed that there were no Blue Folder Items.

F. CONSENT CALENDAR

Commissioner Samples stated for the record that he will be abstaining from Item F.2. He was absent for those meetings and cannot approve the minutes.

F.I. APPROVE AFFIDAVIT OF POSTING FOR THE REGULAR BUDGET AND FINANCE COMMISSION MEETING OF NOVEMBER 10, 2022

Motion by Commissioner Solomon, seconded by Commissioner Castle, to approve the affidavit of posting for the Regular Budget and Finance Commission Meeting of November 10, 2022. Motion carried unanimously, with no objection.

AYES: Castle, Woodham, Conroy, Samples, Solomon, Vice Chair Jeste and Chair Marin.
NOES: None.
ABSENT: None.

F.2. APPROVAL OF THE MINUTES FROM THE SPECIAL BUDGET AND FINANCE COMMISSION MEETING OF SEPTEMBER 19, 2022 AND THE REGULAR BUDGET AND FINANCE COMMISSION MEETING OF OCTOBER 13, 2022

Motion by Commissioner Woodham, seconded by Commissioner Conroy, to approve the Special Budget and Finance Commission Meeting Minutes of September 19, 2022, and the Regular Budget and Finance Commission Meeting Minutes of October 13, 2022. Motion carried unanimously, with no objection.

AYES: Castle, Woodham, Conroy, Samples, Vice Chair Jeste and Chair Marin.
NOES: None.
ABSTAIN: Samples.
ABSENT: None.

G. EXCLUDED CONSENT CALENDAR ITEMS

None.

H. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

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

Chair Marin opened the floor to public comments.

Grants Financial Administrator Kaku confirmed that there were no public comments received and read the comment submitted via eComment by Mark Nelson.

Seeing no requests to speak, Chair Marin closed the floor to public comments.

Motion by Commissioner Samples, seconded by Commissioner Woodham, to close the floor to public comments. Motion carried unanimously, with no objection.

AYES: Castle, Woodham, Conroy, Samples, Solomon, Vice Chair Jeste and Chair Marin.
NOES: None.
ABSENT: None.

I. ITEMS CONTINUED FROM PREVIOUS AGENDAS

Commissioner Samples inquired about the continuation from the Budget and Finance Commission meeting of October 13, 2022, the discussion of bonds and for the City Manager and other City staff members to be present at the November 10, 2022, meeting to answer questions and provide clarification.

Grants Financial Administrator Kaku provided an update that the continuation of the item will be discussed at a future meeting due to the City Manager's schedule and other pressing matters.

Motion by Commissioner Solomon, seconded by Commissioner Samples, to close Items Continued from Previous Agendas. Motion carried unanimously, with no objection.

AYES: Castle, Woodham, Conroy, Samples, Solomon, Vice Chair Jeste and Chair Marin.

NOES: None.

ABSENT: None.

J. ITEMS FOR DISCUSSION PRIOR TO ACTION

J.1. CITY TREASURER'S QUARTER 1 FISCAL YEAR 2022-2023 REPORT

City Treasurer Diels introduced Chief Deputy City Treasurer Mehta and FHN Financial, Financial Main Street Advisor Rick Phillips.

Chief Deputy City Treasurer Mehta and City Treasurer Diels provided the PowerPoint presentation regarding the Treasurer's Report, FY 22/23 Q1. The PowerPoint presentation included the following details:

- Treasurer's Quarterly Admin Report
- Treasurer's Report PowerPoint Presentation
- Key Investment Objectives for Municipal Investing
- Investment Reporting Guidelines – CMTA
- Guidelines Continued
- Policy Compliance
- FY 22-23 Performance
- Historical Book Value by Fiscal Year
- Historical Book Value
- FY 20-21 Performance
- Cash Flows Analysis
- Month-End Portfolio Book Yield
- Maturity Distribution
- Trading Activity
- Fiscal Impact

Discussion followed regarding prior report including a slide that demonstrates compliance to include that information for future reports, important to reflect the requirement, prior liquidity report contained additional information and request to add that additional information, commercial paper for corporates forward thinking reporting, moving money to money market, interest rates compared to the projections for the budget, checking account analysis to determine if that is the minimum, property tax incoming as expected, money market rates being high, current interest reported to for this quarter vs 2021-2022 first quarter, allocations to maximize

return, rate of return, fixed income investment (safety, liquidity, and yield), how decisions are made on when to buy, and addition of details of who owns the remaining percentage under the general fund.

City Treasurer Diels and Chief Deputy City Treasurer Mehta responded and provided clarification to the Commissioners' questions.

Financial Main Street Advisor Phillips continued the PowerPoint presentation regarding the Investment Program Update. The PowerPoint presentation included the following details:

- Economic/Market Snapshot and Probabilistic Expectations
- Higher Inflation Has Drives Rates Higher
- Massive Fiscal Stimulus is Done...Consumers Probably Won't Be as Strong
- M2 Growth Has Crashed...Expected to Push Inflation Lower
- Supply Chain Challenges Better: Shanghai to LA Shipping Rates are Sinking
- The Market & Fed Expects Inflation/Unemployment to Get to Target Zone
- The Fed's Projected .9% Increase of Unemployment...Take the Over
- Inflation Components
- Housing Disinflation is Expected...But With a Big Lag (12-15 Months)
- Interest Sensitive Sector of Housing is Recessionary
- Used Vehicles Are Falling at Their Fastest YOY Rate...Ever!
- Fed's 2nd Mandate (Full Employment): Slowest Job Growth This Year
- Stocks Lower > Wealth Effect Lower > Inflation Lower
- Dollar's Rise is Disinflationary
- Fed Funds Futures Pricing In a 5.25% Peak...Then Cut in Late 23/Early 24
- Fed's Terminal Rate Has Been Above CPI Peak...Probably Not This Time
- Massive Move in Yields...A Big Yay for Portfolios!
- Fed's Fav Curve Metric Has Inverted
- What's Ahead
- "It's Tough Making Predictions...Especially About the Future!" Yogi Berra
- Portfolio Summary
- Historical Book Values
- Historical Earnings & Book Return Performance
- Historical Yield At Cost vs Benchmark
- Total Return Performance
- Disclosure

Discussion followed regarding GDP changes, stagflation due to salary increases, shifting to money market funds and commercial paper as opposed to certificates of deposit (CDs) to get a higher yield on the liquid side of the assets, sector allocations, excess funds, inflation and how that will affect the decisions by the City on the expenditure side, and steps taken due to salaries, etc.

Financial Main Street Advisor Phillips and City Treasurer Diels responded and provided clarification to the Commissioners' questions.

Chair Marin opened the floor to public comments.

Grants Financial Administrator Kaku confirmed that there were no eComments or public comments received.

Seeing no requests to speak, Chair Marin closed the floor to public comments.

Motion by Commissioner Solomon, seconded by Commissioner Samples, to receive and file the Quarter 1 Fiscal Year 2022-2023 Report. Motion carried unanimously, with the following roll call vote:

AYES: Castle, Woodham, Conroy, Samples, Solomon, Vice Chair Jeste and Chair Marin.
NOES: None.
ABSENT: None.

J.2. ANNUAL REVIEW OF CITY'S STATEMENT OF INVESTMENT POLICY 2022

City Treasurer Diels provided a brief statement regarding the Investment Policy.

Discussion followed regarding the decision to not make any changes for 2022, City's custodian and how much they are paid, list of qualified brokers dealers every twelve months, exhibit C and the headers for the items (2, 3, and 5) being the same headers or in parenthesis be more clear what the information that is being presented, statement of investment policy monthly report (item 7) that is provided to City Council to include the Budget & Finance Commissioners', item 17 regarding competitive bidding in the current policy, monitoring of the competitive bidding, and compensation received by FHN.

Commissioner Solomon requested for the City Treasurer to send the monthly investment reports that are sent to the Mayor, City Council, City Manager, City Clerk, and Financial Services Director and include the Budget & Finance Commissioners' for the monthly review. Fellow Commissioners' conquered with the request.

City Treasurer Diels stated that the quarterly report is provided to the Budget & Finance Commission and the monthly report sent to the elected officials is based on the policy. Suggested maybe publishing online for the public. Further noted, that it is not a recommendation but will look at options and advisement.

City Treasurer Diels, Chief Deputy City Treasurer Mehta, and FHN Financial, Financial Main Street Advisor Rick Phillips responded and provided clarification to the Commissioners' questions.

Chair Marin opened the floor to public comments.

Grants Financial Administrator Kaku confirmed that there were no eComments or public comments received.

Seeing no requests to speak, Chair Marin closed the floor to public comments.

Motion by Commissioner Samples, seconded by Commissioner Woodham, to receive and file the annual review of City's Statement of Investment Policy 2022. Motion carried unanimously, with the following roll call vote:

AYES: Castle, Woodham, Conroy, Samples, Solomon, Vice Chair Jeste and Chair Marin.
NOES: None.
ABSENT: None.

K. MEMBER ITEMS AND REFERRALS TO STAFF

Commissioner Woodham inquired about the CalPERS presentation in December. Requested for an annual presentation for both the Budget & Finance Commission and also include City Council to receive such annual presentation from CalPERS.

Grants Financial Administrator Kaku provided an update regarding the process and would have to confirm with the City Manager as to the proper procedure.

Commissioner Samples inquired about bonds as discussed at the last meeting. Conducting a meeting that includes the City Manager and staff that can provide clarification regarding bonds.

Grants Financial Administrator Kaku provided an update regarding his conversation with the City Manager regarding the Commissioners' inquiry.

Commissioner Samples commented that presentations can be done via Zoom if it allows flexibility from the presenters schedule.

Commissioner Conroy inquired about the policy for Commission meetings.

Grants Financial Administrator Kaku responded with the current policy and procedures for conducting Commission meetings.

Commissioner Solomon spoke on the City Council meetings and the placement of the procurement procedures on the March elections and thanked City Treasurer Diels and everyone else involved for getting the work done and placing that item on the March elections.

Commissioner Solomon requested to receive in early 2023 quarter a presentation and an opportunity to discuss the City's code regarding competitive bidding and procedures used to secure professional services.

Grants Financial Administrator Kaku asked for clarification.

L. ADJOURNMENT

Motion by Commissioner Conroy, seconded by Commissioner Samples, to adjourn the meeting at 8:43 PM. Motion carried unanimously, with no objection.

AYES: Castle, Woodham, Conroy, Samples, Solomon, Vice Chair Jeste and Chair Marin.
NOES: None.
ABSENT: None.

The next meeting of the Redondo Beach Budget & Finance Commission will be a Regular Commission Meeting to be held at 6:30 PM on December 8, 2022, in the Redondo Beach Council Chambers, at 415 Diamond Street, Redondo Beach, California and via teleconference.

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

Doug Kaku
Grants Financial Administrator