

OPENING SESSION

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

ROLL CALL

Commissioners Present: Johnson, Marin, Nguyen, Solomon, Woodham, Chair Conroy
Commissioners Absent: Samples
Officials Present: Marni Ruhland, Finance Director
Doug Kaku, Grants Financial Administrator

SALUTE TO THE FLAG

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

APPROVAL OF ORDER OF AGENDA

Motion by Commissioner Solomon, seconded by Commissioner Nguyen, to approve the Order of Agenda as presented. Motion carried unanimously, with the following roll call vote:

AYES: Johnson, Marin, Nguyen, Solomon, Woodham, Chair Conroy
NOES: None
ABSENT: Samples

BLUE FOLDER ITEMS

Finance Director Ruhland said the presentation from Dan Massiello, Kosmont Transactions Services (KTS), will be provided after the meeting.

Motion by Commissioner Woodham, seconded by Commissioner Marin, to receive and file Blue Folder items for Items J.1. and J.2. Motion carried unanimously, with the following roll call vote:

AYES: Johnson, Marin, Nguyen, Solomon, Woodham, Chair Conroy
NOES: None
ABSENT: Samples

CONSENT CALENDAR

F.1. APPROVAL OF AFFIDAVIT OF POSTING for the Regular Budget and Finance Commission Meeting of May 27, 2021.

F.2. APPROVAL OF THE MINUTES from the Regular Budget and Finance Commission Meeting of March 11, 2021.

Motion by Commissioner Nguyen, seconded by Commissioner Woodham, to receive and file the Consent Calendar. Motion carried unanimously, with the following roll call vote:

AYES: Johnson, Marin, Nguyen, Solomon, Woodham, Chair Conroy
NOES: None
ABSENT: Samples

There were no Zoom or eComments.

EXCLUDED CONSENT CALENDAR – NONE

PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

There were no Zoom or eComments.

ITEMS CONTINUED FROM PREVIOUS AGENDAS (OLD BUSINESS) – NONE

ITEMS FOR DISCUSSION PRIOR TO ACTION (NEW BUSINESS)

J.1. DISCUSSION AND POSSIBLE ACTION REGARDING REFINANCING THE CITY'S CALPERS UNFUNDED ACCRUED LIABILITY WITH BONDS

Finance Director Ruhland gave a brief summary and introduced Dan Massiello from Kosmont Transactions Services.

Mr. Massiello provided background information and the following:

- Lease Revenue vs. Pension Obligation Bonds
- KTS has been evaluating the City's assets and has determined that the City has adequate assets to lease/lease back to cover anticipated bond size and the City will have ample unencumbered assets remaining to finance future capital projects, if needed
- Lease revenue bonds (LRB) anticipated to close in mid-July; pension obligation bonds (POB) could not close before mid-Fall
- Pension Plan Funding Levels/Bond Sizing
- Type of Repayment Structure
 - Level
 - "Hybrid"
 - Ascending
- Commission input will be taken to June 1 City Council meeting
- Ramirez will provide their analyses
- Next Steps and Preliminary Financing Schedule

In response to Chair Conroy regarding the unencumbered assets, Mr. Massiello said they have proposed using the real estate the streets are sitting on, focusing on streets that would be able to be leased without any defect, flaws or problems.

Commissioner Solomon asked about the credit risk to the City. Mr. Massiello replied that he believes the City's credit rating would not change.

In response to Commissioner Marin regarding the City's credit rating, Raul Amezcua (banker) said LRBs are an extremely common structure and by far the most common way cities finance projects, from city halls to police stations and libraries, etc. He said because the City is a solid AA, he does not believe investors are concerned about a default.

In response to Commissioner Woodham regarding the CalPERS UAL payment, he said if the City makes the payment before the end of July, it will recognize a 3% discount. There would be two wire payments – one to pay the UAL amortization payment and the other to pay the remaining UAL outstanding balance.

Mr. Massiello said the Commission is also being asked to weigh in on the level of funding that the City should have in its pension plan. He said Ramirez has performed analyses that look at bringing the funding level to 80%, 90%, or

100% and analyzed the probability and impact of potential overfunding or super-funding scenario. In addition, an analysis was performed on how funding levels or bond sizes would affect the budgetary savings to be realized.

Mike Mejia from Ramirez & Co.'s Los Angeles office gave the following presentation:

- Structuring Summary
 - CalPERS target funding levels: 80%, 90% and 100%
 - Pension liability structures: Ascending, Level and Hybrid
- Analysis uses Monte Carlos Simulations (1,000+ scenarios) to determine:
 - CalPERS projected returns throughout the life of the financing
 - Optimization of all scenarios for maximum savings
 - Risk of overfunding
- Monte Carlo Simulations
 - CalPERS is projected to earn 6.60% over the life of the bonds
 - 90% probability that CalPERS will earn between 5.47% and 7.68%
- Funding Level Options
- Hybrid, Level and Ascending Structure Overview
- Savings Optimization Process Evaluates all UAL Bases
- Savings Detail – Target Funding of 100%, 90% and 80%
- Projected CalPERS Funding Ratio of Maturity
- Overfunding Prior to Final Maturity of the Bonds

Chair Conroy stated he had asked for a survey of recent, similar City funding levels, to which Mr. Mejia replied that Manhattan Beach funded at 98%, the City of El Segundo funded at 95%, the City of Orange funded at 100%, and Chula Vista at 100%.

In response to Chair Woodham regarding overfunding in the future, Mr. Mejia said it would offset following UALs.

Mr. Massiello commented that CalPERS has rescinded the ability to take payment holidays.

In response to Commissioner Solomon regarding CalPERS underperforming and the risk of the City having to make up the difference, Mr. Mejia explained that the analysis focused on the projected funding levels, rather than the actuarial analysis.

Commissioner Solomon said he agrees with the analyses by Ramirez, likes the hybrid model, and is in favor of funding for less than 100%, because of unknown events. He is in favor of funding between 90-100%. In addition, he noted that having more PEPRAs employees will help.

Mr. Massiello provided closing remarks, next steps and a preliminary financing schedule.

There were no Zoom or eComments.

In response to Commissioner Woodham regarding overfunding, Mr. Massiello reiterated that the payment holiday is no longer offered by CalPERS.

Commissioner Marin is in favor of funding at 100%, using the hybrid model.

Commissioner Woodham is in favor of 95% or 100%.

Commissioner Nguyen said he is in favor of the hybrid model and 95% or over.

Mr. Massiello asked if any of the Commissioners are in favor of the POB, rather than proceeding with the LRB.

In response to Chair Conroy regarding what the next UAL payment might be, Mr. Massiello said he will contact CalPERS and hopes to have the answer before the City Council meeting.

Chair Conroy said he would be open to a recommendation from the Commission between 95-100%.

Commissioner Solomon said he would support 98%, due to the unknown factors.

Motion by Commissioner Solomon, seconded by Commissioner Woodham to recommend funding between 95-100%, with a reference towards the higher end of the range, with the hybrid model and LRBs. Motion carried, with the following roll call vote:

AYES:	Marin, Nguyen, Solomon, Woodham, Chair Conroy
NOES:	None
ABSTAIN:	Johnson
ABSENT:	Samples

J.2. DISCUSSION AND POSSIBLE ACTION REGARDING THE FISCAL YEAR 2021-2022 CITY MANAGER'S PROPOSED BUDGET AND THE FISCAL YEAR 2021-2026 CITY MANAGER'S PROPOSED FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

Finance Director Ruhland provided background and an overview of the budget.

- Proposed Balanced Budget – FY 2021-22
- Proposed FY 2021-22 Budget Decision Packages
 - 57 Recommended Decision Packages
- Proposed FY 2021-22 Budget Response Reports
- Budget Calendar

Chair Conroy questioned the decision to hire back positions that were on hold. Finance Director Ruhland said that was City Council's direction as they adopted the FY 2020-21 budget, however, the Commission could recommend another year of retaining the vacancies.

Finance Director Ruhland clarified that staff had recommended deauthorizing the vacant positions permanently, however, when City Council adopted the FY 2020-21 budget, they wanted to defund the positions for only one year and have them brought back the following year.

Chair Conroy also noted the promotions being proposed in the City Attorney's office, promoting two Deputy City Attorneys to Senior Deputy Senior Attorneys. He questioned promoting staff at a time when there is a large budget deficit.

Finance Director Ruhland explained that the promotion is in the context of the enhanced response to homelessness and for the two attorneys to take on additional duties related to dealing with those that are experiencing homelessness. She mentioned that the City Attorney questioned City Council on whether they wanted to continue the enhanced response, and during his presentation, he laid out these components. She suggested Chair Conroy review the meeting, for a more detailed explanation.

Commissioner Solomon said a lot of the response to the homelessness has a ticking clock on it, which may not be able to be continued beyond the emergency authorization, if the grants don't come through. He questioned whether someone from a different department could respond, rather than an attorney.

Finance Director Ruhland said they could make recommendations to not adopt a Decision Package, or suggest other options to the Decision Packages.

Chair Conroy asked if the savings in dollars is available if the positions are held vacant for an additional year. Finance Director Ruhland said she believes it is approximately \$2 million.

In response to Commissioner Woodham regarding the increase in personnel expenses, Finance Director Ruhland said it included the approved salary contracts, however, the largest dollar figure is the CalPERS UAL.

In response to Commissioner Marin regarding medical insurance going up, Finance Director Ruhland said the new labor agreements include some increased funding to the employees for medical coverage.

Chair Conroy asked if the City charges customers to use a credit card. Finance Director Ruhland explained that currently the City charges \$3 per transaction for online payments. She said a 3% credit card acceptance fee will be charged in person and online; the fee will be applied to offset the credit card fees that the City currently incurs.

Chair Conroy commented that several Decision Packages are related to the Fire Department. He asked if the County is in the process of providing a proposal to City Council related to taking over the Fire Department operations. Finance Director Ruhland said there will be a budget response report related to that.

In response to Commissioner Johnson regarding Decision Package #25, the Enhanced Response to Homelessness, Commissioner Johnson questioned the need for a purchasing a vehicle for full-time use. Finance Director Ruhland replied that this would be for use by the proposed new staffing. She said a vehicle was donated to Harbor Interfaith for transportation of the homeless when assisting them in obtaining things they need.

Commissioner Woodham asked about Decision Package #57, clarifying that the use of bond proceeds for reimbursement is a part of FY 2022 payment. Finance Director Ruhland said if the mid-July closing of the bonds is made, it will be the savings between the bond payment made during the fiscal year and the UAL payment that would have been made. She explained that the way it plays out would depend on when the bonds close, before July 31, or not.

In response to Commissioner Solomon regarding Decision Package #56, the COVID Recovery Fund, Finance Director Ruhland said the application is currently being processed, so the first payment should be received in June, and the second payment twelve months later.

Commissioner Nguyen asked about Decision Package #25, regarding purchasing a vehicle for the homeless project, and asked if other cities transport homeless people to our homeless shelter. Finance Director Ruhland said she understands the pallet housing is for Redondo Beach residents only.

In response to Commissioner Nguyen regarding the \$217,000, related to the Transit center, Finance Director Ruhland said it is for janitorial services, lighting, general facility costs beyond those needed for the current facility. Commissioner Nguyen asked if Redondo Beach is responsible for all of the costs. Finance Director Ruhland said she is aware of an annual analysis that is done each year as to whether sufficient transit allocations are being received to cover those costs, or whether additional costs are needed from other cities. She said in the last couple years sufficient allocations have been received, so funding from other cities has not been necessary.

There were no Zoom or eComments.

Motion by Commissioner Solomon, seconded by Commissioner Nguyen, to receive and file Item J.2. Motion carried unanimously, with the following roll call vote:

AYES: Johnson, Marin, Nguyen, Solomon, Woodham, Chair Conroy
NOES: None
ABSENT: Samples

J.3. DISCUSSION AND POSSIBLE ACTION REGARDING A FISCAL YEAR 2020-21 THIRD QUARTER BUDGET UPDATE

Finance Director Ruhland reported there is still uncertainty at the end of the third quarter. She said the General Fund actual revenue and expenditures are tracking with last year's when looking at a percentage of the budget – revenues are at 61.3% of budget and expenditures are at 72.8%.

Finance Director Ruhland said that all the General Fund's major revenue sources were tracking well, with property transfer tax leading the way. She said since the report was written, the April property transfer tax remittance was received, ensuring that it would be at least \$200,000 over the budgeted amount.

She said the transient occupancy tax (TOT) was most negatively impacted by the pandemic, however, it is anticipated that it will exceed the budgeted amount for FY 2020-21. However, it is significantly below normal operations.

Finance Director Ruhland said the revenues for the Recreation Services classes and facilities rental income were significantly reduced at mid-year, as were the expenditures for staffing. With COVID restrictions lifting, both sides of the equation will be impacted.

Harbor funds were impacted as well, and there is a recommended in FY 2021-22 Decision Packages to transfer \$1 million to the Harbor Uplands fund.

In analyzing the expenditure side, it appears that there are some areas that need to be addressed:

- Banking fees
- Constant manning overtime
- Workers' compensation and general liability claims
- Harbor Patrol operations

In response to Chair Conroy regarding increasing the total city sales tax, Finance Director Ruhland said it was not approved by City Council.

Chair Conroy called for public comment via Zoom and eComment.

Councilmember Obagi thanked the Commissioners for going through the bond and budget. He encouraged them to think about how the budget is proposed and how it could be better proposed and presented in the future. He also questioned why two attorneys are being promoted and suggested perhaps someone other than a City Attorney could handle some of the homeless issues.

There were no eComments.

Motion by Commissioner Solomon, seconded by Commissioner Nguyen, to receive and file Item J.3. Motion carried unanimously with the following roll-call vote:

AYES: Johnson, Marin, Nguyen, Solomon, Woodham, Chair Conroy
NOES: None

ABSENT: Samples

J.4. DISCUSSION AND POSSIBLE ACTION REGARDING THE IMPLEMENTATION OF INTERNAL CONTROL MEASURES

Finance Director Ruhland said Financial Services has not been able to make a lot of progress during the most recent quarter, as the items have been in others' hands. The ordinance creating the Financial Services Department is still in review in the City Attorney's office, and Moss Adams only recently returned the Purchasing card policy. Moss Adams also looked at the Internal Service Fund policy, however, it became evident that it needs to be on hold until they are able to research the allocation bases presented in the policy.

Finance Director Ruhland said with the assumption that the Moss Adams contract will be refunded, the policy will be put on hold and make part of the FY 2021-22 work plan the deeper dive.

In response to Commissioner Solomon regarding the Waste, Fraud & Abuse program, Finance Director Ruhland said the only work done by Moss Adams was the review of two policies because there was carryover funding available for that work. She said assuming the funding is restored, the Waste, Fraud & Abuse program will be included in the FY 2021-22 workplan.

Commissioner Solomon asked about the reorganization of the City Clerk and Treasurer roles and responsibilities segment of the report and the draft ordinance. Finance Director Ruhland said it is in review with the City Attorney's Office. She said they are being asked if it conflicts with the City Charter before it is taken to City Council.

There were no Zoom or eComments.

Motion by Commissioner Nguyen, seconded by Commissioner Johnson, to receive and file Item J.4. Motion carried unanimously with the following roll-call vote:

AYES: Johnson, Marin, Nguyen, Solomon, Woodham, Chair Conroy
NOES: None
ABSENT: Samples

J.5. DISCUSSION AND POSSIBLE ACTION REGARDING CALPERS AND WORKERS' COMPENSATION SUBCOMMITTEE

Commissioner Solomon asked if the actuary has created the report for the Fire department overtime. Finance Director Ruhland said the actuary is still waiting for the information from the third-party administrator.

K. MEMBER ITEMS AND REFERRALS TO STAFF

Chair Conroy thanked Finance Director Ruhland, on behalf of the Commission, for her 39 years of continuous and dedicated service to the City of Redondo Beach and wished her the best in her future endeavors.

ADJOURNMENT OF BUDGET & FINANCE COMMISSION – 10:48 P.M.

There being no further business to come before the Commission, Commissioner Nguyen moved, seconded by Commissioner Woodham, to adjourn the meeting at 10:48 p.m., to a Regular Meeting to be held at 6:30 p.m., on June 10, 2021, in the Redondo Beach Council Chambers at 415 Diamond Street, Redondo Beach, California. Motion carried unanimously, with the following roll call vote:

AYES: Johnson, Marin, Nguyen, Solomon, Woodham, Chair Conroy
NOES: None
ABSENT: Samples

Respectfully submitted,

Marni Ruhland
Finance Director