

### OPENING SESSION

Via teleconference, a Regular Meeting of the Redondo Beach Budget and Finance Commission was called to order by Chair Conroy at 6:31 p.m., in the City Hall Council Chambers, 415 Diamond Street, Redondo Beach, California.

### ROLL CALL

Commissioners Present: Johnson, Marin, Nguyen, Samples, Solomon, Woodham, Chair Conroy  
Commissioners Absent: None  
Officials Present: Marni Ruhland, Finance Director  
Doug Kaku, Grants Administrator

### SALUTE TO THE FLAG

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

### APPROVAL OF ORDER OF AGENDA

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

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

### BLUE FOLDER ITEMS

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

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

### CONSENT CALENDAR

**F.1. APPROVAL OF AFFIDAVIT OF POSTING** for the Regular Budget and Finance Commission Meeting of February 11, 2021.

**F.2. APPROVAL OF THE MINUTES** for the Regular Budget and Finance Commission Meeting of January 14, 2021.

**F.3. RECEIVE AND FILE** the Budget and Finance Commission's Tentative Calendar for 2020/2021.

Motion by Commissioner Woodham, seconded by Commissioner Solomon, to approve items F.1. – F.3. Motion carried, with the following roll call vote:

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

**EXCLUDED CONSENT CALENDAR – NONE**

**PUBLIC PARTICIPATION ON NON-AGENDA ITEMS – NONE**

**ITEMS CONTINUED FROM PREVIOUS AGENDAS (OLD BUSINESS) - NONE**

**ITEMS FOR DISCUSSION PRIOR TO ACTION (NEW BUSINESS)**

**J.1. CITY TREASURER’S QUARTER 2 FISCAL YEAR 2020-2021 REPORT**

City Treasurer Diels gave a brief opening comment to the presentation, noting that the size of the portfolio declined to 2014 levels, and while they were unable to buy any securities for nearly a year, they were finally able to do so.

Deputy City Treasurer Mehta provided the following report:

- Investment Reporting Objectives/Guidelines
- Policy Compliance – in compliance with the City’s policy
- Quarterly Performance
- Cash Flow Analysis
- Fiscal Impact – interest earned year-to-date \$815,051; General Fund contribution rate is 49%
- Month-End Portfolio Book Yield – currently approximately 2%
- Maturity Distribution
- Sector Allocation
- Historical Book Value
- Trading Activity

In response to Commissioner Solomon regarding items coming to maturity and where they are deposited, City Treasurer Diels said LAIF is the first place the money goes if there’s a big balance in the General Fund, and then from LAIF it will refill the General Fund as needed.

In response to Commissioner Woodham regarding the audit of the City’s finances, City Treasurer Diels replied that Wells Fargo serves as a holding agency and they could furnish the proof of what the City is holding.

In response to Chair Conroy regarding areas in addition to COVID, that are affecting the City’s revenues, City Treasurer Diels said there is the inability for economic development, the Waterfront being tied up, political debate and lawsuits. He noted that surrounding cities have been able to invest, and there is what is called leakage, where residents are going outside the area, and visitors are not coming in. He said the biggest revenue stream that has been noticeably hit by COVID is the Transient Occupancy Tax (TOT); sales tax doesn’t look too bad and property tax is up.

Commissioner Solomon noted that Larry Kosmont and Dan Massiello said the City has an AA+ financial rating, and asked if the rating is in danger, or looking to erode. City Treasurer Diels said that is a credit rating, and because bills are being paid, it has not affected the rating. He said the rating itself is not a function of the City’s economic development. Commission Solomon said an eroding investment portfolio could affect the City’s credit rating.

Finance Director Ruhland said she spoke to Torrance who just issued bonds, and because of revenues being down due to the pandemic, their credit rating for their most recent bond issue was down from their historic levels.

Motion by Commissioner Woodham, seconded by Commissioner Johnson, to receive and file the City Treasurer's Quarter 2 Fiscal Year 2020-2021 Report. Motion carried unanimously, with the following roll call vote:

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

## **J.2. DISCUSSION AND POSSIBLE ACTION REGARDING THE MIDYEAR BUDGET REPORT**

Finance Director Ruhland provided the following report:

- Severe pandemic related financial challenges with a projected \$1.4 million General Fund shortfall, beyond that which was "fixed" with the budget adoption.
- General Fund revenues down \$2.8 million from what had been estimated when the budget was adopted. Adopted revenues were \$88.7 million, current projection is \$85.9 million.
- Property taxes up from what was estimated by \$700,000.
- Sales tax up \$110,000; higher than the low estimates, not back to what they were.
- UUT up \$100,000.
- TOT at budget adoption had estimated they would come in a lot lower, overall throughout the FY about approximately 50% lower than revenue in recent years; now having to take that projection down by \$150,000 more.
- Property transfer tax estimate is remaining the same – Fall had good property sales.
- Remaining taxes up approximately \$170,000.
- Rents & Percentages – down \$1.8 million.
- Recreation User Pay programs & activities – down \$1.4 million.
- Overhead and Internal Services Fund update – no substantial changes.
- Total General Fund Revenue - down \$500,000.
- Appropriations adjustments – ISF and overhead annual update, as well as maintenance and operations savings.
- Eight Decision Packages recommended – not all General Fund.
- Fund Balance summary schedule – Decision Packages show line items separately to indicate how each fund is impacted.
- With decision packages, there is a General Fund net savings; in addition to the departmental maintenance and operations savings, there are personnel savings.
- \$1.4 million shortfall – transferring from the CalPERS Reserve Fund to bring the General Fund into balance.
- Anticipated \$1 million to \$2 million was expected to be transferred at FY 19-20 year end, however, it was delayed with the impact of the pandemic being felt in FY 20-21.

In response to Commissioner Solomon regarding parking revenue, Finance Director said it is a separate line item and there are no decreases in parking.

In response to Commissioner Johnson regarding exhausting other avenues of closing the budget gaps before going to the CalPERS Reserve Fund, Finance Director Ruhland said there were projected savings in both M&O and personnel vacancies before the transferred dollar amount was determined.

Motion by Commissioner Johnson, seconded by Commissioner Woodham, to receive and file the Discussion and Possible Action regarding the Midyear Budget Report. Motion carried unanimously, with the following roll call vote:

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

### **J.3. DISCUSSION AND POSSIBLE ACTION REGARDING THE IMPLEMENTATION OF INTERNAL CONTROL MEASURES**

Finance Director Ruhland provided the following report:

- Maintaining progress on items not requiring Moss Adams' ongoing assistance.
- CalCard policy - provided edits to Moss Adams, awaiting response.
- ISF policy – City's initial response was the inability to implement controls Moss Adams recommended with the information provided. Meeting scheduled with Moss Adams to review concerns with and request alternate controls that could be implemented.
- Ordinance creating the Financial Services Department - City Attorney will advise if the way the ordinance is currently written conflicts with the City Charter or not.
- Trainings – will occur upon completion of policies.

Commissioner Solomon asked about the Fraud, Waste and Abuse program that was listed as a priority with Moss Adams. Finance Director Ruhland replied that the items listed are those that can be completed without Moss Adams' assistance. She reminded them that the funding for Moss Adams' contract was omitted during the budget adoption. In addition, Moss Adams' suggestions for the operation of the Fraud, Waste and Abuse program was predominately work by them, therefore, the contract needs to be reinstated before anything can be done with it.

In response to Commissioner Samples regarding the P-card (CalCard) guidelines and signature authorities, Finance Director Ruhland said the program has individual dollar limits and type of purchase limits.

In response to Chair Conroy regarding Moss Adams' recommendation to have a more formal process for grants training, Finance Director Ruhland said individuals from the various departments that work with grants will be trained.

Motion by Commissioner Solomon, seconded by Commissioner Nguyen, to receive and file the Discussion and Possible Regarding the Implementation of Internal Control Measures. Motion carried unanimously, with the following roll call vote:

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

### **J.4. DISCUSSION AND POSSIBLE ACTION REGARDING CALPERS AND WORKERS' COMPENSATION SUBCOMMITTEE**

Chair Conroy said per the Commission's directive, the subcommittee drafted a letter to City Council requesting they review the Kosmont presentation regarding refinancing CalPERS unfunded accrued liabilities with bonds. During the February 9, 2021 meeting, City Council agreed to invite Kosmont back for a presentation similar to what the Commission received.

Commissioner Solomon said staff brought the Kosmont presentation and a contract to City Council that could allow Kosmont or another vendor to go forward with the analysis of obtaining the bonds and bringing them to an underwriter. He said the presentation that this Commission saw will be presented at the next City Council meeting.

Commissioner Johnson noted that in his experience, one would see the presentation similar to that from a number of vendors before being so enthusiastic about making a recommendation or charting a course of action. He asked if Kosmont is a premiere vendor in this realm, and what the process is for finding out.

Chair Conroy said he understood that the City had previously worked with them, they have done similar bond issuances with local municipalities recently, and it would make sense to hear what they have to say.

Commissioner Solomon said City Council specifically discussed what they were obligating themselves to, by approving the item and the possibility of creating an RFP for other firms to perform the work.

Commissioner Samples said the concept appears attractive, however, he believes there should be more due diligence before a contract is awarded to move forward.

In response to Commissioner Woodham regarding the possibility of paying the UAL monthly, Finance Director Ruhland said the prepayment would be lost and she understood that it was trying to beat the invoicing which could be paid up front, or monthly.

Commissioner Woodham said the overriding issue is to keep the process going because there is an opportunity to save \$50-\$89 million dollars over the next 20 years.

In response to Commissioner Nguyen regarding the process of determining the number of vendors to interview, Finance Director Ruhland said it varies.

Commissioner Samples said if the City decides it's a professional services contract, there is no requirement to put it out to bid. He said it is up to City Council and the City Manager to make those decisions.

Motion by Commissioner Johnson, seconded by Commissioner Woodham, to receive and file the Discussion and Possible Action Regarding CalPERS and Workers' Compensation Subcommittee. Motion carried unanimously, with the following roll call vote:

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

#### **K. MEMBER ITEMS AND REFERRALS TO STAFF**

Commissioner Johnson thanked staff for assisting with establishing his connectivity to the meeting.

#### **ADJOURNMENT OF BUDGET & FINANCE COMMISSION – 8:16 P.M.**

There being no further business to come before the Commission, Commissioner Solomon moved, seconded by Commissioner Nguyen, to adjourn the meeting at 8:16 p.m., to a Regular Meeting to be held at 6:30 p.m., on March 11, 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, Samples, Solomon, Woodham, Chair Conroy  
NOES: None  
ABSENT: None

Respectfully submitted,

For:   
Marni Ruhland  
Finance Director