

OPENING SESSION

Via teleconference, a Regular 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: Marin, Nguyen, Samples, Solomon, Woodham, Chair Conroy
Commissioners Absent: Johnson
Officials Present: Marni Ruhland, Finance Director
Joe Hoefgen, City Manager
Mike Witzansky, Assistant City Manager
Steve Diels, City Treasurer
Nilesh Mehta, Chief Deputy City Treasurer
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 Nguyen, seconded by Commissioner Solomon, to have Item J.1. presented last. Motion carried unanimously, with the following roll call vote:

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

BLUE FOLDER ITEMS

Motion by Commissioner Solomon, seconded by Commissioner Nguyen, to receive and file a presentation for Item J.1. and public comment on Item J.1. Motion carried unanimously, with the following roll call vote:

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

CONSENT CALENDAR

- F.1. APPROVAL OF AFFIDAVIT OF POSTING** for the Regular Budget and Finance Commission Meeting of June 10, 2021.
- F.2. APPROVAL OF THE MINUTES** from the Special Budget and Finance Commission Meetings of April 22, 2021 and May 27, 2021.

There were no Zoom comments.

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

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

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.3. CITY TREASURER’S QUARTER 3 FISCAL YEAR 2020-2021 REPORT

Chief Deputy City Treasurer Mehta provided the following:

- Treasurer’s Portfolio Summary
- Investment Reporting Guidelines
- Investment Report by FHN Main Street
 - Portfolio Summary
 - Investment Policy Compliance
 - Investment Activity Report
 - Economic and Market Update
- Key Investment Objectives for Municipal Investing: Safety, Liquidity, Yield
- Interest earned year-to-date is \$1,198,761
- General fund contribution rated is 49%. Approximately \$587,393 contributed to the general fund through investment activity.

In response to Chair Conroy regarding the yield curve, City Treasurer Diels explained that there is a risk putting money out in the future due to the uncertainty of interest rates, but generally the yield curve rises with time and more money is earned in the future.

There were no Zoom or eComments.

Motion by Commissioner Solomon, seconded by Commissioner Woodham, to receive and file the City Treasurer’s Quarter 3 Fiscal Year 2020-2021 Report. Motion carried unanimously, with the following roll call vote:

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

J.2. REVIEW OF CITY’S STATEMENT OF INVESTMENT POLICY

City Treasurer Diels pointed out two typos; the presented report is in fact, not amended, and on the last page where coordination is referenced, the policy is currently under review by the City Attorney.

Chief Deputy City Treasurer Mehta provided amendments and noted that the City’s Investment Policy is in compliance with the 2021 changes.

City Treasurer Diels added that agencies that have more than \$100 Million in investment assets may not invest more than 40% of their portfolio in eligible commercial paper and a 25% maximum on commercial paper remains in effect for agencies with assets less than \$100 Million. He also said no more than 10% of total assets may be invested in commercial paper and medium-term notes of any single issuer.

Commissioner Solomon confirmed that there were no changes since the last review, November 2019. City Treasurer Dies replied that if policy changes are made, they will re-present the policy to the Commission.

There were no Zoom or eComments.

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

AYES: Marin, Nguyen, Solomon, Woodham, Chair Conroy

NOES: None

ABSENT: Johnson, Samples

J.1. 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

City Manager Hoefgen made opening comments regarding the review.

Finance Director Ruhland provided the following information:

- \$96.9 Million Core General Fund Budget (before Decision Packages)
- \$58 Million CIP Budget
- \$8.1 Million General Fund Reserve – based on expenditures in General Fund
- 423 Full Time Employees (before Decision Packages)
- 422 Full Time Employees (after Decision Packages)
- \$5.5 Million General Fund Deficit (before Decision Packages)
- \$0 Deficit = Balanced Budget (after Decision Packages)
- 57 Decision Packages
- Budget Response Reports

Assistant City Manager Witzansky thanked the Commission for their efforts on the bond consideration which helped inform City Council on the decisions available to them.

Assistant City Manager Witzansky gave the following report on the CIP:

- FY 2021-21 CIP Accomplishments
- FY 2020-21 CIP Current Projects
- FY 2020-21 CIP Projects in Design
- FY 2020-21 CIP Carryover Funding
- FY 2021-2022 Recommended CIP (New) Funding
- Street Improvement Projects
- Waterfront Improvement Projects
- Park Improvement Projects
- Public Facility Improvement Projects

Commissioner Nguyen said there is definitely a need for a pickleball court, acknowledged the need for the Manhattan Beach Boulevard plan, asked about a slurry seal schedule, and asked about the bicycle plan by Dale Page park.

In response to Commissioner Solomon regarding Quimby funds, Assistant City Manager Witzanksy said he believes the Quimby fund for next year will be \$600,000-\$700,000, which does not include the prospect of potentially receiving the Legado \$860,000 that will eventually be paid.

Chair Conroy asked about the appropriation for the Path of History at Vincent Park. He said the Historical Commission has an outstanding bill that needs to be paid, and he asked for assistance. Assistant City Manager Witzanksy said he would be happy to help get the vendor paid.

Commissioner Woodham asked how many vacant positions will be filled this year. City Manager Hoefgen explained that staff recommended that the positions be permanently deauthorized, but City Council had said the positions could be held vacant for one year, and re-visited the next year. City Manager Hoefgen said the current core budget has all of them reinstated, except the positions listed in the Decision Packages.

Assistant City Manager Witzansky added staff is optimistic that over the next two years as revenues recover, the City will be confidently structurally balanced. He said the TOT is projected at \$4.1 Million this fiscal year, property tax is holding strong and exceeding expectations, with the expectations of continued growth for the next couple of fiscal years.

In addition, Assistant City Manager Witzansky said the savings on the unfunded accrued liability for pension has added to the confidence level that the City will return to structural balance in the next two to three years.

Commissioner Woodham asked how much is being spent on the homeless issue this year, how it is being funded, and what the forecast is going forward. Assistant City Manager Witzansky said with all the services dedicated to homelessness it is a little over \$1 Million in aggregate expense. He noted that none of it has come out of the general fund to date, however, there is a Decision Package for next fiscal year for \$400,000 of general fund expenses.

City Manager Hoefgen added that federal CDBG funds have been committed to the next thirteen months of funding the pallet program. He said a much higher percent of the Police and Fire budgets were directed towards calls related to homeless issues.

Commissioner Solomon questioned hiring an additional Community Services person at the cost of \$79,000, represented in Decision Package #29. Assistant City Manager Witzansky said that position is actually twice that amount split between two funds – half general fund and half Successor Agency funds to help with management of affordable housing agreements with developers. He said the costs are fully loaded, top step, however, the person may be hired at a lower step.

Commissioner Solomon asked about the roughly \$2.5 Million dollars in Decision Package #57, in One Time receipt in pension debt bond proceeds and asked for clarification of where the money is coming from. Assistant City Manager Witzansky explained that the core budget has funding for a little more than \$15 Million UAL payment that is expected to be made at the end of July. He said City Council has the ability to pick what it will pay the bond holders once the proceeds are received and the bonds are issued. He said the budget proposal sets the number at \$12.5 Million rather than \$15 Million.

City Manager Hoefgen added that this year there will be a unique opportunity to determine a much lower payment for the first year. He said City Council could structure an \$11.5 Million payment, rather than a \$12.5 Million payment, however, there is a cost associated with that in the years of the debt repayment.

Commissioner Solomon said looking at the core budget and number of employees, it nets out at one fewer than the previous fiscal year. He asked if the employee yields a higher, same, or less personnel total cost. Assistant City Manager Witzansky said long term contracts have been executed with the various labor associations and pay and benefit increases are incurring year-over-year from year-over-year changes in the contract structure, most notably the increases in the medical insurance line item.

In response to Chair Conroy regarding the UAL payment, Assistant City Manager Witzansky clarified that two checks will be made to CalPERS; bond for the amount that is on the books through FY 2019, but also bond for the anticipated assessment in August for CalPERS and performance through fiscal year 2020.

Assistant City Manager Witzansky said it is possible that the supplemental assessment that is provided by CalPERS in August/September 2022 will be neutral or credit because this fiscal year could end with an 18% return. If that is the case, they could amortize credit.

Chair Conroy referenced Decision Package #25, the City's response to homelessness. He clarified that the City's efforts to date have been funded through grants and/or the County. He questioned the City's decision to hire a full-time person as a homeless housing navigator and the promotions of two Deputy City Attorneys to Senior Deputy City Attorneys when there are already two on staff, without knowing how permanent the program would be and suggested using grant funding and county money for it.

Assistant City Manager Witzansky added that in the prosecution area, the two deputy prosecutors are working additional hours to manage the response provided through the homeless court and activities associated with homelessness prosecution.

Commissioner Solomon expressed concern that permanent costs would be accrued for a program that is possibly temporary and asked if a fleet survey was done to see if there is a vehicle available rather than purchasing a new one.

Assistant City Manager Witzansky said City Council gave direction to look at committing to a couple years' service, hence, the ongoing expenses. He said it would make sense to purchase the vehicle and amortize its replacement in the future.

Assistant City Manager Witzansky mentioned that the City donated a used police van to Harbor Interfaith which is what she currently uses. He said if she is hired as an employee, she should be equipped properly to do it right. He acknowledged the Commission's point regarding the ongoing commitment, however, he believes the problem will be here for the next few years.

Commissioner Solomon suggested continuing it as is for another year, trying to get more grant money, or utilizing the grant budget for the expenses rather than adding more general fund money.

City Manager Hoefgen said the grant work was done by City Attorney Webb, Councilmember Horvath, and Mayor Brand, along with COG and county connections.

Assistant City Manager Witzansky said the Commission's comments to push for continued regional funding are well understood and noted that the team has worked hard to procure regional grants.

In response to Commissioner Solomon regarding other cities sharing resources, City Manager Hoefgen said there is a housing navigator that was funded through the Measure H grant and a portion of the person is paid for by the county grant received by the cities of Manhattan Beach, Hermosa Beach, and Redondo Beach.

In addition, he said if the housing navigator is hired by Redondo Beach, there would possibly be agreements with the other cities to have her work with them. He said City Council has directed the City Attorney to start discussions with the cities of Manhattan Beach and Hermosa Beach related to homeless court access.

City Manager Hoefgen said the concentrated effort is to keep the situation from getting worse and noted that the feedback that the City Attorney's office and the Police department have received is that there are fewer impacts today than before these programs were put in place.

Finance Director Ruhland pointed out that it is not unusual for these types of grants to require a city match that would come out of the general fund.

City Manager Hoefgen said whichever department took on the additional duties and responsibilities, additional funds would be allocated to the effort. He added that the City Attorney has been clear that if his department continues to take the lead, the promotions need to happen. He said if it is not approved, he will withdraw his services, because he does not have the staff time and does not think it's fair to the staff to have the additional duties assigned without some additional compensation provided.

Assistant City Manager Witzansky added that the attorneys are receiving the compensations currently, it just hasn't been placed as an ongoing commitment, with the adjustment in title.

In response to Commissioner Samples regarding the change in scope, Finance Director Ruhland said the salary range from the top of one to the top of the other is a 15% increase.

In response to Chair Conroy regarding the process of changing the titles, Assistant City Manager Witzansky said City Council has approved this as one-time expenses the last couple years, this would be recognizing that the programmatic effort is here to stay and would make the reclassification permanent.

Commissioner Solomon questioned the addition of a Human Resources Analyst position, in Decision Package #31, in the amount of \$156,000. He suggested using technology to do the job, or existing third-party contracting to extract an additional service at a lower expense. He noted that the duties of the new analyst would be to oversee activities associated with Workers' Compensation claims and various benefit programs and asked if the current staff could manage that with the existing third-party administrator that is helping with claims and benefit programs.

Assistant City Manager Witzansky said two positions were eliminated in the Human Resources department and while many processes utilize technological interfaces and third parties, there is still a lot of internal customer interface. He said with managing employee benefits, payroll changes, hiring, recruitment, health care questions, etc., the three staff are not able to get the work done.

City Manager Hoefgen added that although there is a third-party administrator, there is still a lot of work on the City's side coordinating the interface, providing information they need, and ensuring they don't miss deadlines.

In response to Commissioner Solomon regarding Decision Package #29, adding a position in Community Services, Assistant City Manager Witzansky explained this is bringing back the Administrative Analyst to help with an increased demand on oversight in the affordable housing covenant agreement monitoring side.

Commission Woodham referenced page 73 regarding personnel costs increasing and noted that it increased almost 11% and asked for a breakdown of the \$6.2 Million. Assistant City Manager Witzansky said it includes previously held positions which are being restored, fully loaded year-over-year changes in the various contract labor commitments, and the increased contributions towards medical premiums for the miscellaneous group. In addition, there is \$2 Million in UAL, which is assigned to the personnel category.

In response to Commissioner Nguyen regarding the allocation for the Library, Assistant City Manager Witzansky said the Library Commission has asked for the materials budget to be restored on an ongoing basis.

Commissioner Nguyen had a concern regarding Decision Package #17, for the transit center. He echoed that it is a regional facility and wanted to confirm that other cities are contributing as well. Assistant City Manager Witzansky said the City does not receive direct payments from the partner operators, the cities all share from the same regional federal pot of monies.

Commissioner Nguyen commented on the pallet housing Decision Package and asked if it would be possible to contract with the individual, rather than hiring the housing navigator position.

City Manager Hoefgen said when she was a Harbor Interfaith employee, the City did not have access to her all the time, and there were restrictions in terms of her activities. He explained that the City would have additional controls when it is a full-time employee.

In response to Commissioner Solomon regarding Decision Package #55, regarding the vehicle replacements, Assistant City Manager Witzansky noted this is the second year of the action that was adopted last fiscal year to force the extension of all vehicles for one year. He said that anything that is being proposed for replacement is already at least one year behind schedule and the departments have assessed the vehicles that are in greatest need and have made those recommendations.

Commissioner Solomon asked if the ISF policies and procedures will be updated to explain how ISF funds for vehicles are assessed. Assistant City Manager Witzansky said City Council has asked questions regarding amortization schedules, value of vehicles, and the type and nature of the vehicles that are being funded. He believes it is time to look at the full replacement cycle and see if there are areas they want to modify given current technology.

There were no Zoom or eComments.

Commissioner Solomon expressed concern with appropriating the \$2.5 Million for bonds that got approved for issue, but not yet sold and deposited in the City's accounts. He suggested it being characterized as borrowing from the CalPERS reserve, because the money may be needed to pay the CalPERS payment. Chair Conroy and Commissioner Nguyen also expressed a desire to wait for the bonds to close.

The Commissioners agreed as a group to have Finance Director Ruhland draft a letter based on the discussions tonight and have Chair Conroy review it before forwarding the letter to City Council.

Commissioner Woodham expressed concern with filling the extra 25 positions, and the 11% increase in compensation and payroll.

The Commissioners expressed concern regarding filling the positions because the City has not yet recovered.

In response to Chair Conroy, Finance Director Ruhland said she has noted the 6% increase to general fund personnel costs is too much, and City Council reauthorizing the non-safety positions that were held vacant during FY 2020-21.

Regarding Decision Package #42, Commissioner Solomon suggested having City Council ask Chief Kauffman to use some asset forfeiture funds to offset some costs rather than using general fund monies.

Commissioner Solomon commented on Decision Package #25, enhanced response to homelessness, objecting to the ongoing appropriation to the general fund of \$421,000, due to the uncertainty of the length of time this will be needed. He suggested approving it on a possible one-year basis, noting homelessness is a regional issue and other cities should share the costs.

Finance Director Ruhland clarified that it is currently a pilot program, and Decision Package #25 extends the pilot program, therefore extends the bump up (of the attorneys).

Chair Conroy suggested keeping them keeping them at the same title, but giving them the additional pay as long as the program is in effect.

In response to Commissioner Samples, Finance Director Ruhland said there is no reason why a lease is not allowed.

Chair Conroy made a friendly amendment to find or lease a vehicle.

Commissioner Solomon recapped the Commission's comments; to extend the pilot program and the expenses to be a one-time appropriation, to include the bump in pay for the prosecutors, approve hiring the part-time person, hiring the housing navigator, and to possibly lease a vehicle, or source the current fleet, rather than purchasing a vehicle.

Chair Conroy added he would like them to extend the program for one year, give them financing except the purchase of the vehicle.

Commissioner Nguyen asked if the City would be open to liability in the event that an accident occurred while the housing navigator was transporting a pallet home occupant. Commissioner Solomon replied that the liability would be similar for anybody in use of a vehicle such as staff, guests, ride-alongs, or unhoused persons being transported.

Commissioner Solomon noted that if the operating permit expires and the pallet shelter is removed, the occupants would need to be evicted, which would create the unintended consequence of legal fees that could be incurred as a result of its operation.

Commissioner Woodham said he does not anticipate the problem going away in a year or two. He does not see a solution, except it continuing and he doesn't disagree with the recommendations made so far.

In response to Chair Conroy, Commissioner Solomon clarified the general assertion of managing personnel expenditures, trying to mitigate the \$6 Million or 11% increase to the budget.

In response to Finance Director Ruhland regarding Decision Package #57, Commissioner Solomon said they would like the other items looked at regardless of whether Decision Package #57 is approved or not.

Motion by Commissioner Solomon, for staff to draft a letter to City Council and work with the Chair for signature for the Tuesday meeting. Motion carried unanimously, with the following roll-call vote:

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

Motion by Commissioner Marin, seconded by Commissioner Solomon, to receive and file J.1. Motion carried unanimously, with the following roll-call vote:

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

K. MEMBER ITEMS AND REFERRALS TO STAFF

Chair Solomon thanked Finance Director Ruhland for working with the Commission over the years.


Finance Director Ruhland said it is possible that the July meeting will be cancelled.

ADJOURNMENT OF BUDGET & FINANCE COMMISSION – 11:08 P.M.

There being no further business to come before the Commission, Commissioner Woodham moved, seconded by Commissioner Nguyen, to adjourn the meeting at 11:08 p.m., to a Regular Meeting to be held at 6:30 p.m., on July 8, 2021, in the Redondo Beach Council Chambers at 415 Diamond Street, Redondo Beach, California. Motion carried unanimously, with the following roll call vote:

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

Respectfully submitted,


For _____
Jennifer Paul
Finance Director