

**City of South Pasadena Finance Commission
Minutes for Meeting of:
August 24, 2016, 7:00 p.m.**

Location: Burke Triolo Studio
538 Mission Street
South Pasadena, CA 91030

- I. Roll Call** Commissioner Adrian – Present
Commissioner Burke – Present
Commissioner Catania – Present
Commissioner Peters – Present
Commissioner Wood – Present
City Council Liaison Mahmud – Present
City Treasurer Pia – Present
Staff Liaison / Finance Director Batt – Present
Asst. Finance Director Lieu – Present

II. Public Comment

None.

III. Approval of Minutes of the May 16, 2016 and June 22, 2016 Meetings

Minutes of May 16, 2016 Approved 3-0 (Commissioners Adrian and Catania abstained).

Minutes of June 22, 2016 Approved 4-0 (Commissioner Burke abstained).

IV. New Business

a. Election of Chair, Vice-Chair and Secretary

Motions were made to elect Commissioner Catania as Chair, Commissioner Peters as Vice-Chair, and Finance Director Batt as Secretary.

Passed 5-0.

Closed.

b. FY 2016-17 Investment Policy

Finance Director Batt said that the Investment Policy being considered is identical to the existing Policy. However, there is a reference to the City's former bank, Bank of America, which should now read Bank of the West. He also said that the City Council has brought up the issue of socially responsible investing, and that in the staff report on this issue being presented to the City Council, he pointed out that the Commission has addressed this and that due to the extreme complexity of the issue, recommended that the Council hold a special meeting, and invite the City's investment brokers to discuss ways of drafting such a policy.

Council Liaison Mahmud said that the Council had asked about refraining from investing in gun manufacturers and petroleum companies. Commissioner Burke said that he would not care to get into the philosophical pros and cons of these specific industries but would rather craft general guidelines for building a socially-responsible portfolio or creating a list of investments the City should avoid. City Treasurer Pia said that going down the socially-responsible path becomes incredibly complex.

Commissioner Wood suggested that the Commission should look at Policies from other cities to see what they do.

Vice-Chair Peters made a motion to accept the Investment Policy as written with the change from Bank of America to Bank of the West, and that the Council adopt the Policy.

Passed 5-0.

Closed.

V. Continuing Business

a. 2009 Water Bond Refinancing

Finance Director Batt said that he, Asst. Finance Director Lieu and City Treasurer Pia interviewed two firms and chose Fieldman, Rolapp, and Associates to serve as financial advisor for the bond refinancing. He said that keeping the same 23 year term as the current bonds would save around \$400,000 in annual debt service and millions of dollars overall. Shortening the term of the new bonds would save more, but that would all be in the last few years of the issue. He said he discussed this with the Public Works Director, and it was felt that due to the enormous backlog of capital projects it would be better to make use of the savings now. Commission Chair Catania asked how the 2% redemption premium is handled, and also what effect the refinancing would have on water rates. Finance Director Batt said that the premium would be paid from earnings on the escrow. Water rates may have to increase not because of the bond issue, but because the City is trying to secure a \$10 million loan from the State to reconstruct Graves Reservoir, and the State may require a rate increase as a condition of approval.

After discussion of the various options, Commissioner Burke made a motion that the Council should proceed with the refinancing and select the proposed 23 year term.

Passed 5-0.

Continued.

b. Update on Water Projects

Finance Director Batt said that the Garfield Reservoir project is proceeding and will be completed in around 1 year, and will use up all the remaining bond proceeds. The City is also undertaking a new water and sewer rate study.

c. Update on the Downtown Project

Finance Director Batt said that the City Council approved a Bond Expenditure Agreement between the City and the Successor Agency, allowing the transfer of the remaining \$900,000 of bond proceeds from the Agency to the City, which removes the funds from the County's purview.

VI. Commissioner Comments

City Treasurer Pia said he's been monitoring the City's relationship with Morgan Stanley and Western Asset. He said they've been doing a very good job, and are very responsive, but they don't do anything unless they're asked, such as delivering the quarterly performance report. He also pointed out that the investment objectives on the report bear no relation to the Investment Policy.

Vice-Chair Peters said that the San Pasqual Stables Subcommittee is in the process of hiring a consultant to look into possible accounting issues at the stables.

Commissioner Burke asked if there was any progress regarding the Arroyo Seco Golf Course. Council Liaison Mahmud said that things were on hold until the Cultural Heritage Commission makes a decision about the clubhouse.

Commissioner Adrian requested that Commission meetings be changed from Wednesday to either Tuesday or Thursday. The Commission agreed to reschedule the next meeting for the fourth Thursday of October.

VII. Council Liaison Comments

Council Liaison Mahmud said that members of the education community were concerned that the City was proposing to increase the LLMD taxes at the same time as the school bond measure. She said that the LLMD increase would be very modest, but the City Council agreed to not move forward with the increase until after the election. She requested that the Finance Commission help with getting the word out about the necessity of the LLMD increase.

VIII. Staff Liaison Comments

Finance Director Batt said that he will contact the City's insurance brokers regarding the change in meeting date.

IX. Next Meeting – October 27, 2016

X. Adjournment

The meeting was adjourned at 8:15 p.m

Accepted:



Commission Chair

10-27-16

Date