

**City of South Pasadena Finance Commission
Minutes for Special Meeting of:
August 24, 2017 6:30 p.m.**

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

- I. Roll Call** Commission Chair Catania – Excused
Commission Vice-Chair Adrian – Present
Commissioner Burke – Present
Commissioner Corey – Present
Commissioner Wood – Present
City Council Liaison Schneider – Present
City Treasurer Pia – Present
Staff Liaison / Finance Director Batt – Present
Asst. Finance Director Cruz – Present

Also Present: Kristine Courdy, Public Works Operations Manager

II. Public Comment

None.

III. Approval of Minutes

Minutes of May 24, 2017 Approved 4-0 (Catania Absent).

IV. New Business

a. Water and Sewer Rate Study

PW Operations Manager Courdy gave an overview of the recently completed Water and Sewer Rate Study. Due to the greatly increased cost of water being projected over the next five years, along with new treatment regulations and ongoing capital improvement projects, rates are being proposed to increase by an average of 9% the first year, 7% the following year, and 6% for the next three years. One of the biggest changes in the new structure is the result of a court decision which mandates that costs must be spread proportionally. Consequently, Tier 1 rates will increase the most, while Tier 3 rates will decrease, since cities can no longer use the rate structure to further conservation goals.

Changes are also being proposed to the sewer rates. Currently commercial customers pay the same basic rate as residential customers. This will change to a flow-based rate so commercial customers will be paying more, while residential rates will be reduced. Schools will be charged based on attendance.

There was discussion about why water costs are so much higher in So. Pasadena than in other neighboring cities. Generally, differences may be related to different infrastructure costs and debt service, as well as substantially increased Watermaster charges. Council Liaison Schneider asked Finance Director Batt to let the City Manager know she should be prepared to answer the question of why our costs are higher than surrounding cities when this issue comes before the Council.

Commissioner Burke made a motion to support the recommendations of the consultant with the caveat that the Commission is concerned about the high cost of water in the City relative to other comparable cities, and would like some investigation done on the subject for further discussion.

Motion passed 4-0 (Catania absent).

Continued.

b. FY 2017-18 Investment Policy

City Treasurer Pia said that the Policy is essentially the same as presented in prior years. Finance Director Batt said there were some slight technical changes in the Government Code relating primarily to the scores given by rating agencies, and these have been incorporated into the current Policy.

Commissioner Corey made a motion to recommend that the City adopt the Investment Policy for Fiscal Year 2017-18.

Motion passed 4-0 (Catania absent).

Closed.

V. Continuing Business

a. FY 2017-18 Budget Issues

There was discussion of possible revenue measures that could be taken to address the projected deficits resulting mostly from the increased PERS costs, including a public safety tax and marijuana licensing.

Continued.

b. Review of City Investments

City Treasurer Pia reported that a few months earlier Morgan Stanley raised the possibility of increasing the 8 basis points being charged to the City to 25; this would be on top of the 17 basis points being charged by Western Asset. This led to exploring whether the City could find alternatives to Morgan Stanley while maintaining its relationship with Western Asset. However, Morgan Stanley called and said that as a result of some internal changes, they would be able to continue their services at the existing rate.

City Treasurer Pia said that our investments are doing very well given the constraints of our Investment Policy.

Continued.

VI. Commissioner Comments

None.

VII. Council Liaison Comments

Council Liaison Schneider said that the City Manager needs to start a serious inquiry into revenue generation.

VIII. Staff Liaison Comments

Finance Director Batt said the City is establishing an ad hoc committee to look into the financial issues, and that the City Council wants it to include two members from the Finance Commission. Commissioner Corey agreed to serve, and Commission Chair Catania was proposed for the second position.

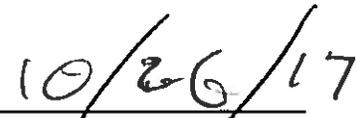
IX. Next Meeting – October 26, 2017

The meeting was adjourned at 8:00 p.m

Accepted:



Commission Chair



Date