

**City of South Pasadena Finance Commission
Minutes for Special Meeting of:
January 18, 2018 6:30 p.m.**

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

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

II. Public Comment

None.

III. Approval of Minutes

Minutes of October 26, 2017 Approved 4-0 (Corey Absent).

IV. New Business

- a. Election of Chair, Vice-Chair, and Secretary

**Commission Chair Catania was elected as Chair.
Commission Vice-Chair Adrian was elected as Vice-Chair.
Finance Director Batt was appointed as Secretary.**

Closed.

- b. 1/1/17 Retiree Health Care Actuarial

Finance Director Batt said this was the biannual actuarial study of Other Post-Employment Benefits (OPEB). The City's liability actually went down slightly from the amount reported two years ago and is now \$16.112 million, and the City pays nearly \$600,000 per year on a pay-as-you-go basis. The actual Annual Required Contribution is \$1.4 million.

One way to reduce the liability would be to establish and fund a trust. Finance Director Batt said that these are usually set up by agencies that have surplus funds to set aside irrevocably, and that trust funds investments are not constrained by the Government Code so can earn somewhat more than regular investments. He said that because the City is facing a profound financial crisis due to the challenge to the UUT and the PERS rate spikes,

there really are no surplus funds available, nor in his view, should any existing funds be set aside irrevocably. The City already has \$1,000,000 for retiree health and pension costs in a reserve, and this money will probably need to be drawn down in the next couple of years to cover the upcoming budget deficits.

There was considerable discussion on the pros and cons of trusts. The consensus was that it wouldn't be appropriate to set aside any resources irrevocably where the City Council can't access them in an emergency. Also, since PERS spikes are driving the upcoming budget deficits, any monies set aside into a trust will have to be withdrawn almost immediately to balance the budget. Additionally, any interest earnings benefit to a trust is going to be offset by the costs of the setting it up, and fees, etc. along with the minimal amount of time that the trust will have any funds at all.

Commission Chair Catania made a motion that in consideration of the City's financial situation going forward, the City Council is requested to consider not establishing a retiree health or pension trust, and continue with our current arrangements. The Commission wanted to point out that it doesn't think poorly of trusts, but considering it now in the context of the financial challenges the City's facing, it is not practicable at this time. The Commission agreed to revisit the issue in the future if circumstances warrant it.

Approved 4-0 (Corey absent).

Closed.

c. Research Regarding Possible Public Safety Parcel Tax

Commission Chair Catania said that he put this on the agenda at the request of Council Liaison Schneider. However, since Council Liaison Schneider is not available at this time, he suggested this item be continued to a future meeting.

Continued.

V. Continuing Business

a. FY 2017-18 Budget Issues

Finance Director Batt said this is tied in with the mission of the Ad Hoc Financial Sustainability Committee, which will be looking at these issues.

Continued.

b. Review of City Investments

City Treasurer Pia reported our portfolio continues to perform as expected. He said that Western Asset has been following our suggestions by not adding any new petroleum paper or similar investments into the portfolio.

We're not selling any such investments that we currently have right now, but as they mature they will not be replaced with investments of that type.

Continued.

VI. Commissioner Comments

Commissioner Burke wished to thank former Public Works Director Paul Toor for the water rate comparison charts that had been requested earlier. He also asked that an analysis be made of the cost of local police and fire services versus the cost of going with the County and that this be brought back for discussion at a future meeting.

VII. Council Liaison Comments

None.

VIII. Staff Liaison Comments

City Treasurer said that with regard to the effort surrounding the UUT referendum, how we communicate non-verbally is going to as important as what we see, and that he is recommending the production of a video dealing with the issue.

IX. Next Meeting – February 22, 2018

The meeting was adjourned at 7:45 p.m

Accepted:



Commission Chair

2-22-2018
Date