City of South Pasadena Finance Commission
Minutes for Meeting of:
February 22, 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 – Present
Commissioner Wood – Excused
City Council Liaison Schneider – Present
City Treasurer Pia – Present
Staff Liaison / Finance Director Batt – Present
Asst. Finance Director Cruz – Present

II. Public Comment

None.

III. Approval of Minutes

Minutes of January 18, 2018 Approved 4-0 (Corey Abstain).

IV. New Business

a. FY 2016-17 Comprehensive Annual Financial Report

Finance Director David Batt reported that similar to the last several years, revenues and expenditures were status quo as revenues typically go up a bit and expenditures are generally under control. The City received a clean opinion from the auditors on this report. The City's pension liabilities did go up rather substantially from $24 million to $30 million. The City's capital assets increased as a result of the water reservoir construction and street projects, thus the City's net assets continue to rise. Beyond this, revenues and expenditures are similar to last year, property taxes did go up a bit. Some of the other categories went up a little and others went down a little, in particular miscellaneous revenues experienced a big windfall, one time revenues, but that is a volatile source, the City does not budget on that basis. Because of the PERS spike, for Police and Fire the PERS costs continue to increase. The City's interest earnings are increasing substantially each year, even though they are showing small amounts or decreases because the City is required to book the unrealized losses in the City's investment portfolio. Generally, the City holds them so that we do not realize those losses but general accounting rules and GASB requires the City book it. The City saw impacts in November, around election time, unrealized losses were enormous and fell across the board but overall the City's cash at hand interest have increased.

Commissioner Corey asked about prior discussions regarding current funded retirement monies at about a value of about a million dollars, he inquired what else could these funds be used for other than paying that unfunded amount.

Finance Director David Batt responded that the amount is half for pensions and the other half for retiree healthcare that is currently in a designated reserve as approved by city council. As the city goes forward with budget issues there are deficits being driven by PERS increases, these funds would be possibly be drawn down just to balance the budget, not to fund any operations.

As the discussion continued regarding the unfunded PERS bill and the interest associated with the rates. The increase in the unfunded liability was partly affected by CAL PERS revising their mortality rates due to people living longer, causing the first spike for the City a few years ago. PERS also reduced the discount that the city used to receive. The City pays about five to six hundred thousand dollars a year for health benefits while the City's annual required contribution is over a million a year. The question if paying the entire amount all at once to reduce the overall interest and offset the increasing costs would be an option. Finance Director David Batt explained that if the amount was paid all at once, then city would omit an unfunded liability which the city cannot afford to lose at this point.

Commissioner Burke asked what is the Mission Meridian Parking Lot Garage Project that is listed as ongoing and scheduled to be funded. Finance Director David Batt responded that that project is a deficit run-up to assist the city with the costs of running the parking garage; the city would receive any additional revenues. The discussion continued for the city to seek out possible revenue outlets in the near future.

Commissioner Chair Catania made a motion to receive and file the 2016-2017 CAFR.

Motion passed 4-0 (Wood absent).

Closed.

b. 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.

Currently the city has a parcel tax to support the library that was last extended in 2015 municipal election for an additional eight years that passed with an 82% yes vote, it generates about $312,000 per year and the tax parcel itself varies from $16-$64 per unit.

Additionally, Commission Chair Catania reported that the City of San Marino has had a public safety tax for many years. San Marino's public safety tax was extended for an additional four years in 2015 with about a 74% yes vote.

The tax per parcel varies from $281-$2,500. It generates about $3.1 million per a year which covers the cost of police and fire and emergency services.

Commission Chair Catania continued by stating that the other option would be a sales tax increase, which as a general tax it would require a majority vote, alternatively as a special tax a two-thirds vote would be required. Over the last three years, Los Angeles County has had 13 attempts at general tax, of which 11 were approved and 8 attempts at a special tax, which only 3 were approved.

Commission Chair Catania suggested that the City Council receive and file this item. Should staff and council decided to go forward with this the commission can participate but now Commissioner Chair Catania recommended is best to be wary of the upcoming 2018 election emphasizing the severity of passing once again the UUT.

Council Liaison Schneider added that the specific purpose of the tax would only be used for Safety Services, continuing that the UUT is the primary concern and that the city will not be moving on the public safety tax before the year 2020.

Commission Chair Catania made a motion to receive and file the Research Regarding Possible Public Safety Parcel Tax.

Motion passed 4-0 (Wood absent).

Closed.

V. Continuing Business

a. FY 2017-18 Budget Issues

Finance Director Batt stated that these issues are discussed at every meeting and that the commission recently had a discussion that dovetailed into the budget issues and if commissioners have anything else to add it would be appropriate under this item of the agenda.

There was discussion continued on the topic of putting two tax measures on the ballot as previously discussed in the last item, continuing by that there is opportunity to take advantage of educating voters on both measures.

Continued.

b. Review of City Investments

City Treasurer Pia reported the market activity for the month of January included the net income of $45,700 to the portfolio. There was a decline in asset value, the corporate and government bonds declined. City Treasurer Pia clarified that the majority of the City's assets are government securities. Overall, net the portfolio was down in value. It is important to emphasis that

one month is not enough to declare the overall status for the City; there is volatility when it comes to investing.

Commission Chair Catania stated the commission would like to keep this item recurring on the agenda for each meeting, should there be no report the commission will just continue to the next item.

Continued.

VI. Commissioner Comments

City Treasurer Pia asked the commission found the formatting of the investment report was helpful.

Commissioner Adrian stated the report was very helpful.

City Treasurer Pia asked the commission if it would be possible to schedule the commission meetings to a different day of the week.

The discussion continued to find an alternative date, the commissioners will consider switching the day to either a Monday or Tuesday.

City Manager Stephanie DeWolfe stated that the Finance Director is retiring and that the recruitment process for the potential candidate will begin next week.

Closed.

VII. Council Liaison Comments

None.

VIII. Staff Liaison Comments

None.

IX. Next Meeting – April 26, 2018

The meeting was adjourned at 7:45 p.m

Accepted:

05-18-2018

Commission Chair

Date