

City of South Pasadena Finance Commission
Minutes for Regular Meeting of:
April 26, 2018 6:30 p.m.

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

- 1. Roll Call** Commission Chair Catania – Present
Commission Vice-Chair Adrian – Present
Commissioner Burke – Present
Commissioner Corey – Present
Commissioner Wood – Present
City Council Liaison Schneider – Present
City Treasurer Pia – Excused
Staff Liaison / Interim Finance Director Ko – Present

2. Public Comment

None.

3. Approval of Minutes

Minutes of February 22, 2018, approved 5-0.

4. New Business

- a. Organizational Review of Finance Department and Long Range Fiscal Planning by Citygate Associates, LLC.

Interim Finance Director Ko provided the Commission with a brief presentation of the organizational review of the Finance Department and long range fiscal planning prepared by Citygate Associates, LLC. The City contracted with Citygate Associates, LLC to provide a review of the City's Finance Department operations, to identify potential improvements, provide long term fiscal planning, and to analyze some of the City's liabilities and long term financial challenges. Citygate will be reviewing current processes and making recommendations in connection with potential technology improvements for things like payroll and purchasing, which are largely manual processes, and implementing overall best practices.

As a part of the review process, the consultant will be conducting one-on-one interviews with all the Finance Department staff, and meeting with other department directors. The consultant has already started with the City. It is anticipated that the consultant will be at the City several weeks to conduct the review and research, and to put together a plan of recommendations.

Commission Chair Catania raised a question as to the timing of this review in the absence of a Finance Director. Interim Finance Director Ko explained that this is precisely why this review is being done at this time when there is a

vacancy, to review operations, and draft a new operating model that a new Finance Director can use as a tool and guide in assisting them in shaping the department under their own direction.

A question was also raised by Commissioner Corey as to the deliverables and if this report would be made public. Interim Finance Director Ko responded that all of the report, except for personnel matters, will be presented and made available to the public. Interim Finance Director Ko reiterated that this review will take approximately 10 weeks to complete, and said that it is anticipated that a new Finance Director be recruited by July 1. All candidates interviewing for the Finance Director position, will be made aware that this independent review is being conducted and is underway. Commission Chair Catania asked if this report is informational or if any specific action is required. Interim Finance Director Ko stated that the report is being presented as information. Commissioner Corey asked what the timing is on the recruitment for the new Finance Director. Interim Finance Director Ko stated that May 4th is the cutoff for the applications, and the City hopes to have a qualified candidate selected and in place by July 1. A panel would be used for the screening process, which could include both outside and internal panel members as well.

The report was received and filed, approved 5-0.

b. Proposal to Increase Master Schedule of Fees by Consumer Price Index

Commissioner Adrian asked who had this item added to the agenda. Commission Chair Catania responded that it was added by the Interim Finance Director and he had approved it.

Principle Management Analyst Aceves provided Commissioners with copies of the report, and stated that a comprehensive fee study is anticipated to be done in November for FY18-19. Principle Management Analyst Aceves stated that this increase is to bring the fees current from 2010 to 2017, representing a 10.57% cumulative percent increase (2011 to 2017), effective July 1, 2018. Thereafter, there will be a recommendation to adjust fees annually using a CPI index.

Commissioner Adrian inquired what type of background Principle Management Analyst Aceves had. Principle Management Analyst Aceves responded that she had an AA degree in accounting and her undergraduate degree was in Spanish, language and literature. She said she had worked for her parent's business doing auditing. She said she also worked for SCAG prior to coming to the City auditing payments to cities in connection with funding.

Following discussion by the Commission, Commissioner Wood requested that a comparison be made with some of the surrounding cities to compare fees relative to South Pasadena when the comprehensive fee study is done. Principle Management Analyst Aceves also clarified that the cost recovery rate is 40% - 60% for building and planning fees and includes all staff time associated with these type of costs.

The report was received and filed, approved 5-0.

Closed.

5. Continuing Business

a. FY 2017-18 Budget Issues

A question was raised by Commissioner Corey who was leading the budget development process this year, Principle Management Analyst Aceves stated that she would be working on it. Commissioner Corey also wanted to gauge where the City would end up through the budget process and the status of the UUT tax repeal.

Principle Management Analyst Aceves stated that the \$500,000 budget deficit for FY19-20 that was originally forecasted, has been reduced to approximately \$200,000, and with certain changes, that gap can be closed as well. She highlighted that analysis will be done in connection with the loss of UUT taxes, in addition to utilizing several other strategies for the next budget process, including looking at using more local return funds to fund various projects to reduce the burden on the General Fund. She pointed out that an example is Measure R, which is currently paying for Monterey Road improvements. In the past, Measure R funds were not used for various reasons, but going forward, the plan will be to more fully utilize other available funding. Principle Management Analyst Aceves said this budget will also include for the first time a complete multi-year CIP list with available funding sources.

Commissioner Burke asked how the City would fund a deficit, using reserves or cutting services. City Council Liaison Schneider stated that the City would start by cutting services. He said the reserves are accounted for and committed for the most part, to fund the rising PERS costs. He also stated that the General Fund reserves are about \$13 million, half designated and half undesignated. City Council Liaison Schneider said that CalPERS affects all 400 plus cities, and about half look like they may go bankrupt. Commissioner Burke directed his next question to the Mayor, is there anything the Commission should recommend to the Council to look at, like shared county services, etc.

City Council Liaison Schneider responded that this message could be used as education during the UUT discussions. He discussed another point that the General Fund has been paying the electricity costs for the Water Enterprise Fund, and suggested that these costs be included in the water rates in order to release the General Fund of these costs. He stated that the Enterprise Funds should be self-sufficient and the General Fund should not be subsidizing, and the water rates should be raised the next time to cover all operating costs.

Commission Chair Catania made a suggestion to give the City Manager a little help, presented a motion that was seconded, that the City aggressively use local return funds in lieu of General Funds whenever possible, and that the City continue looking for other sources of funding that would offset General Fund expenditures wherever possible. The motion carried and was approved, 5-0.

b. Review of City Investments

Continued.

6. Commissioner Comments

Commission members inquired about the timeline for the Finance Director recruitment. Interim Finance Director Ko responded that the recruitment would close May 4th. She stated that the City has had a very positive response and received over 50 applications. Once screened for qualifications, a candidate pool would be selected for interviews with a panel. The new Finance Director is anticipated to be on board by July 1.

7. Council Liaison Comments

None.

8. Staff Liaison Comments

Interim Finance Director Ko and Principle Management Analyst Aceves thanked the Commission for their attendance.

9. Next Meeting – June 28, 2018

The meeting was adjourned at 7:46 p.m.