



**CITY OF SOUTH PASADENA
FINANCE COMMISSION
REGULAR MEETING AGENDA**

Commissioners to participate via ZOOM

Meeting ID: 986 4691 2668

Password: 257187

April 29, 2021, at 6:30 pm.

CALL TO ORDER:	Commission Chair Elsner
ROLL CALL:	Chair Elsner, Vice Chair Choi, Commissioners Findley, Tao and Wood, and City Treasurer Pia
COUNCIL LIAISON:	Council Member, Jack Donovan
STAFF PRESENT:	Interim Assistant City Manager, Elaine Aguilar

NOTICE OF PUBLIC PARTICIPATION AND ACCESSIBILITY

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, the Special Meeting of the Finance Commission for **April 29, 2021** will be conducted remotely and held by video conference, beginning at 6:30 p.m. The Meeting will be broadcast live on the City's local cable channel and the City's website at: (www.southpasadenaca.gov/financecommission).

Please be advised that pursuant to the Executive Order, and to ensure the health and safety of the public by limiting human contact that could spread the COVID-19 virus, the Council Chambers will not be open for the meeting. Commissioners will be participating remotely and will not be physically present in the Council Chambers.

If you would like to comment on an agenda item, or make a general public comment, members of the public may submit their comments in writing for Commission consideration, by emailing them to: fcpubliccomment@southpasadenaca.gov.

Public Comments must be received by 6 p.m., April 28, 2021 to ensure adequate time to compile and post. Public Comment portion of the email is limited to 150 words. Please make sure to indicate: 1) your name; 2) what agenda item you are submitting public comment on, or if it is a general public comment; and 3) clearly state if you wish for your comment to be read.

PUBLIC COMMENT

Public Comments received by 6 p.m. April 28, 2021 will be read during this time, limited to 150 words. Public comments received will be posted to the website and entered into the record of the meeting.

ACTION/DISCUSSION

1. Consider Revising Monthly Treasurer Investment Report: 6-month Projection
2. Appoint a Commissioner to the Community Services Ad Hoc Lease Committee
3. Report from the Finance Ad Hoc Committee
4. Approval of Minutes from the March 25, 2021 Meeting

ADJOURNMENT

FUTURE FINANCE COMMISSION MEETINGS

May 27, 2021

Virtual Meeting

PUBLIC ACCESS TO AGENDA DOCUMENTS

Prior to meetings, agenda related documents are available for public inspection at, City Hall, 1414 Mission Street, South Pasadena, CA 91030. The complete agenda packet may also be viewed on the City’s website at: www.southpasadenaca.gov/financecommission

ACCOMMODATIONS



The City of South Pasadena wishes to make all of its public meetings accessible to the public. Meeting facilities are accessible to persons with disabilities. If special assistance is needed to participate in this meeting, please contact the City Clerk's Division at (626) 403-7230. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities. Hearing assistive devices are available in the Council Chamber. Notification at least 48 hours prior to the meeting will assist staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting (28 CFR 35.102-35.104 ADA Title II).

I declare under penalty of perjury that I posted this notice of agenda on the bulletin board in the courtyard of City Hall at 1414 Mission Street, South Pasadena, CA 91030, and on the City’s website as required by law.

4/26/2021

Date



Finance Commission Agenda Report

ITEM NO. _____

DATE: April 29, 2021

FROM: Elaine Aguilar, Interim Assistant City Manager

SUBJECT: **Consider Revising Monthly Treasurer Investment Report: 6 Month Projection**

Recommendation

It is recommended that the Finance Commission, in consultation with the City Treasurer, provide a recommendation to the City Treasurer regarding a methodology to determine that there is “sufficient investment liquidity to meet the City’s expenditure requirements for the next six months,” as indicated on the City’s monthly Treasurer’s Report.

Discussion/Analysis

This is an item from the Finance Commission’s 2021 work plan. The 2021 work plan included an item to, “revise the monthly Treasurer’s Report” to develop a thorough estimate of the city’s six-month financial needs. Finance Manager Albert Trinh will provide examples of various calculation methods at Thursday evening’s Commission meeting.

Background

The Government Code Section 53646 requires a certification on the City’s monthly Treasurer’s Report that there is sufficient investment liquidity to meet the City’s expenditure requirements for the next six months and that all investments are in compliance with the City’s Statement of Investment Policy.

Staff prepares a draft report that is reviewed and certified by the City Treasurer. There are a number of ways that the “six month estimate” can be developed and staff will be presenting a few methods for the Commission’s discussion.

Fiscal Impact

There is no fiscal impact associated with this item.

Public Notification of Agenda Item

The public was made aware that this item was to be considered this evening by virtue of its inclusion on the legally publicly noticed agenda, posting of the same agenda and reports on the City’s website and/or notice in the *South Pasadena Review* and/or the *Pasadena Star-News*.



Finance Commission Agenda Report

ITEM NO. _____

DATE: April 29, 2021

FROM: Elaine Aguilar, Interim Assistant City Manager

SUBJECT: **Report from Finance Ad Hoc Committee – Revisions Recommended for the FY 2021-2021 Financial Policy**

Recommendation

It is recommended that the Finance Commission, receive and file this report.

Discussion/Analysis

This is a standing item on the Finance Commission's agenda, At the April 21, 2021 meeting, the City Council took action to establish an ad hoc committee to work with staff to review the existing terms of City leased recreational facility agreements to develop proposed new terms to be used for negotiation of new agreements. A copy of the April 21, 2021 staff report is attached.

Background

The Arroyo Seco Golf Course, Arroyo Seco Racquet Club, San Pascual Stables, and All-Star Baseball and Batting Cages are the City's four recreational facilities. Each is operated through a lease contract or agreement. The Community Services Director manages these agreements. Three of the four agreements either end their contract, complete a term of the agreement or have expired and presently operate on a month-to-month basis

The Council Ad Hoc Committee would assist staff to identify each agreement's possible options. The Council Ad Hoc Committee would not be subject to the Brown Act, as it would be created to assist staff with operational work. Ultimately, the recommendations of staff, as assisted by the Council Ad Hoc Committee, would be reviewed by the City Council at a public meeting.

The Council previously took action to establish the Ad Hoc Committee, to appoint Mayor Pro Tem Cacciotti and Councilmember Donovan to serve on the Ad Hoc Committee, and to invite the Parks & Recreation, NREC, and Finance Commissions to nominate up to two members from their respective commissions to participate on the Ad Hoc Committee. There was no information provided regarding the possible term of the appointment or the potential meeting dates/times.

Fiscal Impact

There is no fiscal impact associated with this item.

Public Notification of Agenda Item

The public was made aware that this item was to be considered this evening by virtue of its inclusion on the legally publicly noticed agenda, posting of the same agenda and reports on the City's website and/or notice in the *South Pasadena Review* and/or the *Pasadena Star-News*.

Attachment: April 21, 2021 Staff Report



City Council Agenda Report

ITEM NO. _____

DATE: April 21, 2021

FROM: Sean Joyce, Interim City Manager

PREPARED BY: Sheila Pautsch, Community Services Director

SUBJECT: **Consideration of Appointment of City Council City Leased
Recreational Facility Ad Hoc Committee**

Recommendation

It is recommended that the City Council consider establishing an ad hoc committee to work with staff to review existing terms of City leased recreational facility agreements to develop proposed new terms for negotiation and appoint two City Council members to serve on the ad hoc committee.

Commission Review and Recommendation

A commission did not review the above matters. The Parks and Recreation Commission reviews the agreements periodically while the staff liaison updates the Commission on the annual revenue produced from all leases.

Discussion/Analysis

The Arroyo Seco Golf Course, Arroyo Seco Racquet Club, San Pascual Stables, and All-Star Baseball and Batting Cages are the City's four recreational facilities. Each is operated through a lease contract or agreement. The Community Services Director manages these agreements. Three of the four agreements either end their contract, complete a term of the agreement or have expired and presently operate on a month-to-month basis:

1. The Arroyo Seco Golf Course management agreement with Donovan Bros Golf, Inc. ended in June 2020. Donovan Bros Golf, Inc. is operating on a month-to-month basis. However, the restaurant has not re-opened since the closure due to COVID – 19. Though the golf course continues to operate and create revenue for the City, there is an opportunity to look at possibilities to increase revenue by soliciting requests for a new operator, new food and beverage contract, or negotiating an amendment to the current agreement.
2. John Letts, the owner of I-Tennis, holds the lease for the Arroyo Seco Racquet Club. The lease's current term ends on December 31, 2021. Mr. Letts has submitted a request for capital improvements to the Parks and Recreation Commission at the December 14, 2020 meeting. He has asked for rent credits for the completion of the capital projects which the

Commission affirmly recommended. The options to be considered are: approving the capital projects and rent credits, sending out a request for proposals for a new operator, or continuing the current agreement into the final term expiring in December of 2031.

3. Dylan and Tao Gaines hold the lease for the All-Star Baseball School and Batting cages. The Gaines, who built the batting cages, have leased the facility since June 2003. During the fourth amendment negotiations, an extension term was granted for three years ending June 2021 with two possible one-year extensions. Possible options would be extending the agreement by one or two years, soliciting requests for a potential new operator, or re-negotiating and considering adding capital improvements to the batting cages.

The Council Ad Hoc Committee would assist staff on each agreement's possible options. The Council Ad Hoc Committee would not be subject to the Brown Act, as it would be created to assist staff with operational work. Ultimately, the recommendations of staff, as assisted by the Council Ad Hoc Committee, would be reviewed by the City Council at a public meeting.

Legal Review

The City Attorney has reviewed this item.

Public Notification of Agenda Item

The public was made aware that this item was to be considered this evening by virtue of its inclusion on the legally publicly noticed agenda, posting of the same agenda and reports on the City's website and/or notice in the *South Pasadena Review* and/or the *Pasadena Star-News*.



Finance Commission Agenda Report

ITEM NO. _____

DATE: April 29, 2021

FROM: Elaine Aguilar, Interim Assistant City Manager

SUBJECT: **Report from Finance Ad Hoc Committee – Update Regarding FY 2021-2022 Financial Policy**

Recommendation

It is recommended that the Finance Commission receive and file the update from the Finance Ad Hoc Committee, to be provided by Chair Elsner or Commissioner Findlay.

Discussion/Analysis

The Ad Hoc Committee discussed a number of items. A summary will be presented by either Chair Elsner or Commissioner Findlay.

The purpose of this report is to highlight one area of discussion, pertaining to the City's Financial Policy. As the Commission is aware, the City's Annual Budget includes the City's Financial Policy. This is a general policy that provides direction to staff regarding the City Council's goals/requirements pertaining to financial matters such as: balanced budgets, self-supporting enterprise funds, a goal for general fund reserves, and other financial matters. This policy is adopted when the Council approves the budget.

It is acknowledged that there are a number of policies and procedures that need to be created or updated. The first policy recommended to be revised at this time is the City's Financial Policy. Given the timing of the recently approved FY 2021 Annual budget, the policy was not significantly altered. Additionally, given the amount of time to produce the Fiscal Year 2022 Budget, in addition to completing the FY 2020 CAFR, there is not adequate time for a complete overhaul. The Ad Hoc committee has discussed and recommended that during the upcoming fiscal year, the Commission consider recommending that professional services be obtained to expeditiously and professionally prepare the various policies and procedures.

In the meantime, the City's FY 2022 Budget is being prepared, and it will include a Financial Policy for the fiscal year. After discussion, the Ad Hoc Committee recommended that at a minimum the following areas be updated, enhanced and strengthened:

- The requirement for quarterly financial reports to the City Council, on the Council's agenda.
- Presentation of a staff report, on the Council's agenda, providing a summary of legal expenses, consultant expenses, and lobbyist expenses, at least twice per year.
- A better defined General Fund Designated Reserve policy, with a requirement for an annual review.
- A better defined Internal Service Fund, including Insurance Fund policy.

Lastly, there is a significant amount of work to be done in order to prepare the draft FY 2022 Annual budget. Staff seeks the Commission's indulgence, as it may be necessary to schedule one or more special meetings to ensure the efficient work flow and project completion.

Background

Staff will be working on drafting the proposed language to be included in the FY 2021-2022 Annual Budget. The draft budget with the draft policy will return to the Commission in late May, or early June.

The purpose of this report is only to provide an update regarding the Ad Hoc Committee's recommendation, and seek Commission input, prior to staff returning with the Policy.

Fiscal Impact

There is no fiscal impact associated with this item.

Public Notification of Agenda Item

The public was made aware that this item was to be considered this evening by virtue of its inclusion on the legally publicly noticed agenda, posting of the same agenda and reports on the City's website and/or notice in the *South Pasadena Review* and/or the *Pasadena Star-News*.

Attachments: Fiscal Year 2020-2021 Financial Policy

FY 2020/2021 Financial Policies

Note: This Financial Policy has not been significantly altered from previous fiscal years. It is acknowledged that these policies should be updated and strengthened to achieve maximum compliance with governmental budgeting guidelines, and to provide for strengthened controls, and additional transparency. These policies will be revised and updated upon presentation in the FY 2021/2022 Budget.

1. BALANCED BUDGET

We will strive to maintain a balanced operating budget for all governmental funds (all funds except the enterprise funds), with total on-going revenues equal to or greater than total on-going expenditure, so that at year end all these funds have a positive fund balance and the General Fund balance is maintained.

The Adopted FY 2020/2021 Budget includes a balanced operating budget for some of the funds. The City's General Fund is balanced.

Exceptions to this policy include:

- Fund 103 – Insurance Fund
- Fund 201 – MTA Pedestrian Improvement Fund
- Fund 211 – CTC Traffic Improvement
- Fund 220 – Business Improvement Tax
- Fund 226 – Mission Meridian Public Garage
- Fund 232 – County Park Bond
- Fund 238 – MSRC Grant
- Fund 239 – Measure W
- Fund 241 – Measure H
- Fund 242 – Prop C Exchange
- Fund 245 – Bike and Pedestrian Paths
- Fund 248 – BTA Grants
- Fund 249 – Golden Streets Grant
- Fund 260 – CDBG
- Fund 274 – Homeland Security Grant Fund 277 – HSIP Grant
- Fund 310 – Sewer Capital Projects
- Fund 506 – SRF Loan

The majority of these fund deficits will be resolved upon completion of the FY 2019/2020 Audit, or upon invoicing of grant funds. Staff will resolve to promptly invoice granting agencies.

The MTA Pedestrian Improvements Fund deficit is due to expenses that remain unreimbursed pending the resolution of funding for the Hook Ramp Rogan project. The Mission Meridian Garage Fund does not have a significant revenue source at present, so it will continue to operate at a deficit. The operational deficits in the County Park Bond Fund, BTA Grants Fund, Golden Streets Grant Fund, MSRC Grant, Homeland Security Grant Fund, Prop C Exchange Fund, and HSIP Grant, result from expenses that will be reimbursed by grants. The deficit in the Business Improvement Tax is due to decreased revenues resulting from pandemic related business losses. The deficit in Measure W Fund is due to the lag in receipt of revenues from the measure. The

deficit in the Sewer Capital Projects fund is the result of a loan, with the loan proceeds included in the Sewer Fund (210).

2. APPROPRIATIONS AND BUDGETARY CONTROL

The City Council holds public hearings and adopts the City's annual budget and may modify appropriations with majority approval. Increases in appropriations at the fund level during the year must be submitted by the City's departments for City Council review and approval. The legal level of expenditures is controlled at the fund level, and appropriations lapse at the end of each fiscal year unless encumbered for re-appropriation by the City Council in the following fiscal year. Department heads may, without Council approval, amend individual line items within any fund in the maintenance and operations portions of the budget without increasing total appropriations for that division. The City Manager may, without Council approval, amend individual line items within any fund, and between divisions and programs, in the personnel costs, maintenance and operations, capital outlay and capital projects portions of the budget without increasing total appropriations for that fund.

This policy has been met.

Staff will implement at least quarterly financial reports to the City Council beginning with the FY 2021/2020 Budget. In the meantime, staff will present a final quarterly update for the current fiscal year at the June 2021 City Council meeting.

3. ENTERPRISE FUND

We will require that our water, sewer, and golf course funds be self-supporting.

The sewer fund was recognized as an enterprise fund starting in FY 2009/10, with the requirement of self-supporting funding. Water and sewer rate increases will assure that revenues exceed operating expenditures, including debt service. Budgeted water capital projects will be paid from a \$37.8 million 2016 Water Bond issuance. Bond debt service will be paid out of water revenues. Sewer revenues along with a revolving loan from the State will pay for sewer capital improvements.

The Water Fund will maintain a reserve equal to 30% of revenues. This policy has been met.

4. GENERAL FUND RESERVE

We will strive to attain a General Fund undesignated fund balance equal to 30% of General Fund revenues at year end.

This policy has been met and exceeded.

5. GENERAL FUND DESIGNATED RESERVE

The total designated reserves have been established for FY 2020/2021 is as follows:

- Arroyo Golf Course; \$600,000

- CalTrans Vacant Lot Purchases; \$392,000
- Legal Reserve; \$500,000
- Maint. Yard/ Community Center; \$267,067
- Library Expansion; \$200,000
- Renewable Energy Source Reserve; \$700,000
- Retiree Pension Reserve; \$500,000
- Retiree Medical Reserve; \$500,000
- Tree Replacement; \$50,000
- Stormwater; \$600,000
- Library Park Drainage Reserve; \$147,000
- Financial Sustainability Reserve; \$900,000
- Slater Reimbursement Reserve; \$345,876
- Vehicle Replacement Reserve \$100,000
- SR-100 Interchange Project \$1,410,000

Staff will be seeking the City Council's direction regarding the one-time cell tower revenues in the amount of \$4,374,439 which is currently in undesignated reserves.

6. INFRASTRUCTURE

We will maintain a long-range fiscal perspective through the use of a Capital Improvement Program to maintain the quality of City infrastructure, including streets, sidewalks, sewers, drains, lighting, buildings, parks, and trees.

Beginning FY 2013/14, the City has been committing a minimum of \$2,000,000 per year towards street improvements. This year the City did not commit to this funding, to have the most flexibility in maintaining a balanced budget throughout the year.

7. ACCOUNTING AND REPORTING STANDARDS

We will comply with all requirements of generally accepted accounting principles. We will publish a Comprehensive Annual Financial Report (CAFR) in compliance with generally accepted accounting principles, prepared in coordination with our independent auditors, during the first quarter of each calendar year. The CAFR, along with the Auditor's report on internal controls and compliance, will be presented to the City Council at a public meeting,

The City Council has approved the FY 2018/2019 CAFR. The FY 2019/2020 CAFR is currently being prepared. Staff anticipates presenting the FY 2019/2020 CAFR at the July 1, 2021 City Council meeting, or as soon as possible.

8. RISK MANAGEMENT

We will identify and quantify all areas of financial and operating risk, and prepare contingencies for those risks, including legal liabilities, infrastructure maintenance, emergency response, and contract and employee obligations. We will work with our Retirement system and Insurance Pool to seek full coverage of actuarially projected needs.

Current insurance costs are fully funded with a retention of \$100,000 for general liability, and \$125,000 for workers' compensation. Funding on a pay-as-you-go basis for leave liabilities, claims and judgments, and retiree health insurance costs remains the City's practice. In accordance with GASB 45, a third-party actuarial valuation of the City's liability for annual retiree medical costs has been completed every two years since FY 2008/09. An updated actuarial valuation is being prepared for the FY 2019/2020 Audit.

9. DEBT AND INVESTMENTS

We will consider the use of debt when the cost of debt is lower than the City's investment return, and when operating revenues are available to pay the debt. We will maximize the investment return on City Cash balances within the higher concerns of safety and liquidity.

In FY 2020/2021 staff will continue to contract with financial advisory services to evaluate various options to leverage existing revenue streams.

10. CONTROL OF FINANCIAL ASSETS

All financial assets will be under the direct authority of the City Treasurer and Finance Director.

This policy has been met.

11. FINANCIAL MANAGEMENT

We will seek to realize the maximum use of all tax dollars to public benefit.

This policy has been met through the review, and City Council approval of the annual budget.

**City of South Pasadena Finance Commission
Minutes for Special Meeting of:
March 25, 2021 6:30 P.M.**

Broadcast via ZOOM conference call.

- I. Roll Call
 - Commission Chair Elsner – Present
 - Commission Vice-Chair Choi – Present
 - Commissioner Findley – Present
 - Commissioner Tao – Present
 - Commissioner Wood – Absent
 - City Treasurer Pia – Present
 - City Council Liaison Donovan – Present
 - Interim Assistant City Manager Aguilar – Present
 - Finance Manager Trinh - Present
 - Accounting Manager Trashian - Present

- II. Public Comment - None

- III. Action/Discussion
 1. Update Regarding City Financial Policy
 - i. Motion by Commissioner Findley to receive and file the Updated City Financial Policy, Second by Vice Chair Choi, Approved 4-0.
 2. Finance Dept. Policy and Procedures Update
 - i. Motion by Commissioner Findley to receive and file the Updated Finance Dept. Policy and Procedures Update, Second by Vice Chair Choi, Approved 4-0.
 3. Discussion Regarding Budget & CIP Fiscal Year 2020-2021 and 2021-2022
 - i. Motion by Commissioner Findley to receive and file the Report on the Fiscal Year 2020-2021 & 2021-2022 Budget, Second by Vice Chair Choi, Approved 4-0.
 4. Financial Sustainability Plan Update
 - i. Motion by Commissioner Findley to receive and file the Financial Sustainability Plan Update, Second by Vice Chair Choi, Approved 4-0.
 5. Refinancing of City's Water Bonds
 - i. Awaiting an update from the City's Financial Advisor
 6. Report from the Ad Hoc Committee
 7. Approval of Minutes (3/4/2021)
 - i. Motion by Commissioner Findley approve the minutes for the March 4th, 2021 Finance Commission Meeting, Second by Vice Chair Tao, Approved 4-0.

- IV. Communications
 1. NONE

Next regular meeting – April 29, 2021

Meeting Adjourned at 7:38 PM