



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

VIRTUAL MEETING
October 7, 2021, at 6:30 pm.
Meeting ID: 890 4732 8263
LINK: <https://us06web.zoom.us/j/89047328263>

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 Finance Director, Kenneth Louie

NOTICE OF PUBLIC PARTICIPATION AND ACCESSIBILITY

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, Commissioners will be participating remotely and will not be present in the Council Chambers.

The Meeting will be available:

- Via web link: www.southpasadenaca.gov/financecommission and
- Via Zoom: <https://us06web.zoom.us/j/89047328263>

If you would like to comment on an agenda item, or make a general public comment, members of the public may submit their comments for Finance Commission's consideration by one of the following options:

Option 1: Participants will be able to "raise their hand" using the Zoom icon during the meeting, and they will have their microphone un-muted during comment portions of the agenda to speak.

Option 2: Email your public comment(s) to fepubliccomment@southpasadenaca.gov
Public Comments must be received by 6 p.m., October 6, 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

ACTION/DISCUSSION

- 1. Introduction of the City Manager – Arminé Chaparyan
- 2. Presentation by Morgan Stanley and Western Asset Management on City’s Investments and Review City’s Investment Policy
- 3. COVID Related Past Due Utility Payments
- 4. Approval of the revised minutes from the May 27th meeting

ADJOURNMENT

FUTURE FINANCE COMMISSION MEETINGS


December 16, 2021

In Person Hybrid

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.

Date 10/4/21 Interim Finance Director – Kenneth Louie





Finance Commission Agenda Report

DATE: October 7, 2021

FROM: Ken Louie, Interim Finance Director
Armine Trashian, Accounting Manager
Albert Trinh, Finance Manager

SUBJECT: **Presentation by Morgan Stanley and Western Asset Management on City's Investments and Review City's Investment Policy**

Recommendation

It is recommended that the Finance Commission receive and file the presentation and review of the City's updated Investment Policy.

Discussion/Analysis

The Finance Commission is being requested to review the updated City Investment Policy, before the Policy is forwarded to the City Council.

Background

The Finance Commission is being asked to review the City's Investment Policy, to be in compliance with California Government Code Section 53646 which requires an annual submission of an investment policy to the legislative body. Upon review of the Policy, it will be forwarded to the City Council for formal approval.

The proposed Investment Policy for FY 2021-22 is similar to the FY 2020-21 Policy with the exception of minor technical corrections made by the State Legislature relating primarily to permissible portfolio allocations, and minor language edits in the Table of Notes. The Investment Policy also includes the restriction of investing in fossil fuel related businesses.

Fiscal Impact

The City's investment portfolio is managed by Western Asset Management Company and adheres to the City's Investment Policy and to the guidance provided by the "prudent investor" standard, as codified in California Government Code Section 53600.3.

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*.

Presentation by Morgan Stanley and Western Asset Management on City's Investments and
Review City's Investment Policy
October 7, 2021
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Attachments

1. Investment Policy FY 2021-22 Redlined

“EXHIBIT A”
CITY OF SOUTH PASADENA
INVESTMENT POLICY
FY
~~2020/21~~2021-
22

1. Introduction

The purpose of this document is to define the City’s policy for investment and cash management. In accordance with California law and the public trust, it is the City’s policy to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands.

2. Scope

This policy covers all financial assets and investment activities under the direct control of the City of South Pasadena.

3. Prudence

The City adheres to the guidance provided by the “prudent investor” standard, as codified in Government Code Section 53600.3. This obligates a fiduciary to insure that:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Accordingly, the overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

4. Objectives

The primary objectives of investment activity, in order of priority, are shown below, and shall be in conformity with California Government Code Section 53600.5:

Safety - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity - The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements as prescribed by state law and which might be reasonably anticipated. An adequate portion of the portfolio should be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements. Since unanticipated cash requirements do, indeed, arise, most investments will be in securities with active secondary or resale markets. Emphasis shall be on marketable securities with low sensitivity to market risk.

Yield - Yield should become a consideration only after the more basic requirements of safety and liquidity have been met. The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles commensurate with the City's investment risk restraints and the cash flow characteristics of the portfolio.

5. Delegation of Authority

Authority to manage the City's investment program is derived from California Government Code Sections 53600 *et seq.* By adoption of this policy, the City Council delegates investment authority to the City Treasurer. Such authority may be revoked by the City Council in writing at any time. The Treasurer shall establish procedures for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. By adoption of this policy, the City Treasurer appoints the Finance Director and Finance Manager as Deputy City Treasurer(s). The names of those persons to whom investment authority is delegated will be submitted to City Council for approval. No person may engage in an investment transaction except as provided under the terms of this policy and its related procedures. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the investment activities.

6. Reporting

The City Treasurer shall submit a monthly investment report to the City Council and copied to the Finance Commission based on summaries provided by the Finance Department. This report will include the following required elements:

- A. A report of investment activity for the month
 1. Maturities, withdrawals, sales and called investments
 2. New investments

- B. A statement of investment balances at month end
 1. Type of investment and par value, if applicable
 2. Issuing institution
 3. Date of maturity
 4. Amount of deposit or cost of security
 5. Current market value of securities with maturity in excess of twelve months
 6. Rate of interest or yield to maturity at purchase date
 7. Rate of interest or yield to maturity at the report date
 8. A representation certifying compliance of the City's investment activities to the City's Statement of Investment Policy.
 9. A representation as to the availability of cash to meet the City's expenditures over the next six months, as required in Section 53646 (2) (b) (3), based on cash flow projections provided by the Finance Department.

7. Authorized and Suitable Investment Instruments

Purchase of investments will be made with surplus funds available. The investments will be paid for, in full, as soon as practical after the time of trade. Purchases will not be made using

leverage, margin accounts, or other unfunded mechanisms. No investments shall conflict with Government Code section 53601.

Additionally, investments towards fossil fuel related businesses will not be permitted.

Eligible vehicles for the investment of funds shall be limited to the following table: _____

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE
 (AS OF JANUARY 1, ~~2019~~2021)^A APPLICABLE TO ALL LOCAL AGENCIES^B

Investment Type	Maximum Remaining Maturity ^C	Maximum Specified % of Portfolio ^D	Minimum Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations: CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40% ^E	None
Commercial Paper: Non-pooled Funds ^F (<u>under \$100,000,000 of investments</u>)	270 days or less	25% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H
<u>Commercial Paper: Non-pooled Funds^F (min. \$100,000,000 of investments)</u>	<u>270 days or less</u>	<u>40% of the agency's money^G</u>	<u>Highest letter and number rating by an NRSRO^H</u>
Commercial Paper: Pooled Funds ^I	270 days or less	40% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H
Negotiable Certificates of Deposit	5 years	30% ^J	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	50% ^K	None
Placement Service Certificates of Deposit	5 years	50% ^K	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^L	20% of the base value of the portfolio	None ^M
Medium-term Notes ^N	5 years or less	30%	"A" rating category or its equivalent or better
Mutual Funds and Money Market Mutual Funds	N/A	20% ^O	Multiple ^{P,Q}
Collateralized Bank Deposits ^R	5 years	None	None
Mortgage Pass-through and Asset Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple ^S
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund ^T	N/A	None	None
Supranational Obligations ^U	5 years or less	30%	"AA" rating category or its equivalent or better
Public Bank Obligation	5 years	None	None

TABLES OF NOTES

A	<p>Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.</p> <p>Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, and 53635.8.</p>	L	Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
B	Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.		
C	Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.	M	Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
D	Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.	N	“Medium-term notes” are defined in Section 53601 as “all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.”
E	No more than 30 percent of the agency’s money may be in bankers’ acceptances of any one commercial bank.	O	No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.
F	Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.	P	A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years’ experience investing in instruments authorized by Sections 53601 and 53635.
G	Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.	Q	A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years’ experience investing in money market instruments with assets under management in excess of \$500 million.
H	Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated “A-1” or higher, or the equivalent, by a nationally recognized statistical rating agency.	R	Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
I	Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).	S	A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years’ experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
J	No more than 30 percent of the agency’s money may be in negotiable certificates of deposit that are authorized under Section 53601(i).	T	Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
K	<p>No more than 30 percent of the agency’s money may be invested in deposits, including certificates of deposit, through a placement service (excludes negotiable certificates of deposit authorized under Section 53601(i)).</p> <p><u>Effective January 1, 2020, no more than 50 percent of the agency’s money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain</u></p>	U	Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American

subject to a maximum of 30 percent of the portfolio.

Development Bank (IADB), with a maximum remaining maturity of five years or less.

9.8. Maturities

To the extent possible, the City of South Pasadena will attempt to match its investments with anticipated cash flow requirements. Securities shall not be purchased which have maturity dates of more than five years. At the time of purchase, no more than one third of the investment portfolio shall have a maturity date in excess of three years into the future.

All investment instruments will be acquired with a view toward holding such instruments to their maturity, thereby avoiding risks to loss of principal due to market fluctuations.

10.9. Portfolio Adjustments

The moneys entrusted to the City Treasurer will be a passively managed portfolio. However, the City Treasurer will make best efforts to observe, review, and react to changing conditions that affect the portfolio. Should any investments exceed a percentage-of-portfolio limitation due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Treasurer shall consider restructuring the portfolio basing his decision on the expected length of time the portfolio will be unbalanced. If this occurs, the City Council shall be notified by information contained in the next monthly report as required in Section 6 of this policy.

11.10. Authorized Banks and Security Dealers

In selecting financial institutions for the deposit or investment of City funds, the Treasurer shall consider the credit-worthiness of institutions, and utilize only those depositories that are qualified public depositories as established by state law. In addition, only broker-dealers that are authorized in the state of California will be utilized. The Treasurer shall continue to monitor financial institutions' credit characteristics and financial history throughout the period in which City funds are deposited or invested.

All broker-dealers who desire to become qualified bidders for investment transactions must supply the treasurer with the following items: audited financial statements; Financial Industry Regulatory Authority (FINRA) certification; proof of state registration; and certification of awareness of, and familiarity with South Pasadena's investment policy.

From time to time, the Finance Director will review the broker-dealer relationships, fees and charges for reasonableness and competitiveness.

12.11. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any financial interests in financial institutions that conduct business within the City of South Pasadena, and they shall further disclose any large personal financial investment positions that could be related to the performance of the City, particularly with regard to the timing of purchases and sales.

13.12. Safekeeping and Custody

At a minimum, securities will be held in safekeeping in an account in the name of the City of South Pasadena at a broker which is adequately insured by Securities Investor Protection

Corporation. Securities purchased from broker/dealers may be on a “delivery versus payment” basis and held in a third party custodian account in a manner that establishes the City's right of ownership.

14.13. Internal Control

The City Treasurer and Deputy City Treasurers are responsible for ensuring compliance with the City's Investment Policy as well as for establishing systems of internal control designed to prevent losses due to fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by City officers and employees. No investment personnel may engage in an investment transaction except as provided under the terms of this policy. No investment transaction, other than cash movements between Bank of the West and LAIF, will occur without the authorization of the City Treasurer and one of the Deputy City Treasurers as defined in Section 5 of this policy. In the absence of the City Treasurer, the Mayor shall authorize investment transactions on his/her behalf.

To strengthen internal control there are specific limits set on the locations to which the Treasurer or his representative may make transfers of funds via telephone. The Treasurer hereby has the limited authorization to make telephone transfers of funds *only* between the City's bank account, the City's investment accounts at the LAIF and the City's broker-dealer after an investment decision has been made. Telephone transfers can only be made among these three accounts. Any other transfers of funds must be executed through written means (such as a check or warrant) or normal electronic funds transfers with adequate written documentation and approval. The City's bank, broker-dealer, and the Local Agency Investment Fund are informed in writing of these limitations.

At the time of the annual audit of the City's financial statements, the audit program by the independent auditor will include an evaluation and report to the City Council regarding the compliance with the City's investment policy.

15.14. Statement of Investment Policy

The Statement of Investment Policy shall be updated annually in the month of August by the City Treasurer and Finance Commission, and submitted to the City Council for review and adoption.

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF SOUTH PASADENA, CALIFORNIA,
ADOPTING AN INVESTMENT POLICY FOR
FISCAL YEAR 2021-22**

WHEREAS, the City Council of South Pasadena recognizes the need for prudent investment management; and

WHEREAS, investment management strategies are normally outlined in a document defined as an “Investment Policy”; and

WHEREAS, California Government Code Section 53646 requires an annual submission of an investment policy to the legislative body.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SOUTH PASADENA, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The Investment Policy attached hereto and incorporated herein as “Exhibit A” is hereby adopted as the Investment Policy of the City of South Pasadena for Fiscal Year 2021-22.

SECTION 2. This resolution shall become effective immediately upon adoption.

SECTION 3. The City Clerk of the City of South Pasadena shall certify to the passage and adoption of this resolution and its approval by the City Council and shall cause the same to be listed in the records of the City.

PASSED, APPROVED AND ADOPTED ON this 20th day of October, 2021.

Diana Mahmud, Mayor

ATTEST:

APPROVED AS TO FORM:

City Clerk
(seal)

Teresa L. Highsmith, City Attorney

I HEREBY CERTIFY the foregoing resolution was duly adopted by the City Council of the City of South Pasadena, California, at a regular meeting held on the 20th day of October 2021, by the following vote:

AYES:

NOES: None

ABSENT: None

ABSTAINED: None

City Clerk
(seal)



Finance Commission Agenda Report

DATE: October 7, 2021

FROM: Ken Louie, Interim Finance Director

SUBJECT: **Update Regarding Unpaid Water, Sewer Bills Due to the Pandemic**

Recommendation

It is recommended that the Finance Commission receive and file this report, until additional information is available regarding the State Water Board grant for water and wastewater systems' unpaid bills related to the pandemic.

Discussion/Analysis

The purpose of this report is to provide the Commission with an update regarding the status of pandemic related water/sewer unpaid bills, and possible funding sources and alternatives to receive payment of the past due amounts.

In March 2020, the City Council approved Resolution No. 7646 declaring a local emergency, restricting private and public gatherings, establishing protections for residential and commercial tenants unable to pay all or a portion of their rent due to the loss of income from the COVID-19 statewide emergency, and ceased the imposition of late fees and turn-off procedures for customers unable to pay city water/sewer bills.

Between March, 2020 to July, 2021 subsequent resolutions have been approved by the City Council continuing the proclamation of a local emergency, with the exception in July 2021, when the resolution was revised to allow the city to begin reinstating late payment penalties beginning "September 20, 2021 utility billing cycle." The upcoming resolution to the City Council will take the next step in reinstating regular turn-off procedures for non-payment of bills that occur after a specified date/billing cycle. It is important to note that late fees, or turn-off procedures do not currently apply to any bills that occurred between the start of the pandemic and the reinstatement of late fees or turn-off procedures.

In March/May 2021, the total estimated unpaid water and sewer bills amounted to approximately \$620,000. The total amount unpaid as of the current month is approximately \$400,000. The chart on the next page shows the unpaid water and sewer revenues by fiscal year.

Unpaid Water and Sewer Billing Revenue Per Fiscal Year

FY 2019-2020	FY 2020-2021	FY 2021-2022	Total
\$44,947	\$247,240	\$104,069	\$396,256

As of September 2021, there are 671 residential accounts out of a total 5,636 accounts, or 12% of accounts that have an unpaid balance that occurred during the period of the pandemic. The total approximate total unpaid is \$385,000.

For non-residential accounts, 27 accounts out of 543 total non-residential accounts, or 5% have an unpaid balance that occurred during the period of the pandemic. The total approximate total unpaid is \$15,000.

Of the approximately \$400,000 in unpaid bills, 82% is unpaid water bills, 13% reflects unpaid sewer charges, and 5% reflects unpaid Utility Users Taxes on the water and sewer bills.

The unpaid amount has been decreasing over the past four months, with the total unpaid amount decreased from \$640,000 in March/May, to the current \$400,000. Customers only recently began receiving notice that the city would be resuming regular collection processes for post September 2021 bills, and this may have had an impact on customers (who are able to pay), to bring their accounts current.

Background

During the pandemic, staff has been monitoring the amount of unpaid water/sewer bills, and was initially concerned when the unpaid amounts continued to increase. It has only been over the past few months that the unpaid amounts have been decreasing. A number of customers have reached out to the city for a payment plan. (The city can offer a payment plan of up to 12 months.)

Initially, it was envisioned that the City would need to develop a program for customers to pay the past due pandemic related amounts. However, it is not necessary to do so at this time because the State Water Board has received \$985 million in Federal funding to provide relief to water and wastewater systems for unpaid bills related to the pandemic. The funding will cover unpaid bills accrued between March 4, 2020 and June 15, 2021, which is also the period of time when the city incurred the majority of the unpaid amounts. The city has applied to the grant program and should receive notice by the end of the calendar year, regarding any grant funds received.

Another possible funding source are the Federal ARPA funds. A program to assist individuals with utility bills is an eligible source of the funds. The Council has initiated a strategic planning process for the use of these funds. But it is difficult to know how much additional funding will be needed, until final notification from the State Water Board regarding the city's grant application.

Two other possible alternatives are to either back-fill any balance using General Fund dollars, or to direct that Finance department to "write-off" the amounts owed as bad dept. Any action in

this regard will ultimately depend on the amount that remains unpaid, and whether or not more aggressive collection efforts should initially be pursued, in an attempt to collect as much unpaid revenues as possible.

As an additional note, funds were also provided to the California Department of Community Services and Development for a water and wastewater utility assistance program for income-qualified customers. The program will open in late fall 2021. Staff will monitor the initiation of the program and notify customers via a notice in water bills.

Fiscal Impact

At this time the amount of unpaid water/sewer bills amounts to approximately \$400,000. This is revenue that the water and sewer fund (and UUT revenues) have not received. Until the outcome of the State Water Board grant funds, it is difficult to determine what amount, if any, will remain outstanding. If an unpaid amount remains after receipt of the grant, the Council could decide to use a portion of the Federal ARPA funds as assistance to water/sewer customers, or the Council could decide to “back-fill” the unpaid amounts with General Fund dollars, or direct that the outstanding amounts essentially be “written off as bad debt.” Or the Council could direct that more aggressive collection procedures be implemented. At this time it is not possible to make a recommendation, regarding assistance in paying water/sewer bills, because it will depend on the ultimate amount that remains uncollected.

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.

City of South Pasadena Finance Commission
Minutes for Regular Meeting of:
May 27, 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 – Present
 - City Treasurer Pia – Present
 - City Council Liaison Donovan – Present
 - Interim Assistant City Manager Aguilar – Present
 - Finance Manager Trinh - Present
 - Accounting Manager Trashian - Present
- II. General Public Comment - None
- III. Action/Discussion
 1. Review and Recommendation Regarding the FY 2021-2022 Proposed Budget
 - *Public Comment by Sally Kirby, Ella Hushagen, Michael Siegal, Alan Erlich, Helen Tran*
 2. Motion by Commissioner Findley to recommend the City Council approve the proposed budget for Fiscal Year 2021-2022, second by Commission Vice-Chair Choi. Approved 5-0
 3. Motion by Commissioner Tao to set aside cell tower lease revenue as a separate designated reserve until there is further discussion on pension liabilities, account to be named by the Finance Department staff, second by Commissioner Findley. Approved 5-0
 4. Motion by Commissioner Wood to recommend the City Council use general fund money to offset the following fund: 211 (\$23), 215 (\$18,000), 245 (\$5,000), 249 (\$14,170), 260 (\$307), second by Commissioner Findley. Approved 5-0.
- IV. Minutes – April 29, 2021
 - i. Motion by Commissioner Findley to approve the minutes with amendments, second by Commission Vice-Chair Choi
- V. Communications
 1. City Treasurer Pia – Thanked the public for their participation and welcomed them to voice these opinions via the City Council Budget meeting
 2. Council Member Donovan – Thanked Staff and the Commission for their work on the budget

Next regular meeting – June 24, 2021

Meeting Adjourned at 7:58 PM