



**CITY OF SOUTH PASADENA
FINANCE COMMISSION
REGULAR MEETING AGENDA
IN-PERSON HYBRID MEETING**

*Location: Emergency Operations Center (EOC)
Please enter at the Fire Department entrance - 817 Mound Ave*

Link: <https://us06web.zoom.us/j/86080509410>

Meeting ID: 860 8050 9410

September 23, 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 Interim Finance Director, Kenneth Louie

NOTICE OF PUBLIC PARTICIPATION AND ACCESSIBILITY

Pursuant to Executive Order(s), and to ensure the health and safety of the public, staff, and the Finance Commission as the Council Chambers will be open to the public for the meeting and members of the public may attend and/or participate in the in-person meeting, all are kindly reminded to follow Los Angeles County Public Health and CDC regulations and guidelines that are in place and may be posted. The In-Person Hybrid meeting will be conducted live in the City Council Chambers and on Zoom.

The Meeting will be available -

- In Person: Emergency Operations Center (EOC), 817 Mound Ave
- Via web link: www.southpasadenaca.gov/financecommission and
- Via Zoom: <https://us06web.zoom.us/j/86080509410>

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 fcpubliccomment@southpasadenaca.gov
Public Comments must be received by 6 p.m., September 22, 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. Pension and OPEB Liability Alternatives
2. Finance Dept. Policy and Procedures Update
3. Sales Tax Update
4. FY 2021 ACFR Status (on every agenda)
5. Approval of Minutes from May & July Meetings (3)

ADJOURNMENT

FUTURE FINANCE COMMISSION MEETINGS

October 7, 2021

Special 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.

9/20/2021

Date

Interim Assistant City Manager, Elaine Aguilar



Finance Commission Agenda Report

DATE: September 23, 2021

FROM: Ken Louie, Interim Finance Director

SUBJECT: **Funding Alternatives for Pension and Other Post-Employment Benefits Liability (OPEB)**

Recommendation

It is recommended that the Finance Commission make a recommendation to the City Council regarding the Commission's preferred funding alternative and funding amount.

Discussion/Analysis

Bartel Associates, LLC ("Bartel") has been secured to perform a thorough analysis of both the City's pension obligations as well as the City's OPEB obligations. Upon completion of their analysis (actuarial and financial) they will provide the City a detailed breakdown and recommendation. At the time of this report, Bartel has not submitted their report or recommendations but still plan to make a full presentation at this meeting. The report will be forwarded to the Commission as soon as it is received.

Background

The City provides government employee pensions through the California Public Employee Retirement System (CalPERS). In addition, pursuant to law and various memorandum of understanding with the City's bargaining units, eligible employees may receive reimbursement of health insurance costs. The health insurance reimbursements are "Other Post-Employment Benefits" or OPEB. There are on-going annual and "long term" costs associated with the provision of OPEB and pensions. The City Council has been aware of these looming liabilities, and previously requested that the Finance Commission evaluate funding alternatives to assist in paying for these costs. In addition, this item is listed on the Finance Commission's 2021 Work Plan.

During Fiscal Year 2020-2021, the City Council approved a new cell tower lease that resulted in the City receiving a one-time payment of \$4,374,439, in lieu of receiving annual payments. When the funds were received, the City Council asked the Finance Commission to comment on the possible use of these one-time funds. When the Finance Commission reviewed the budget for the current fiscal year, one of the discussion items was the possible use of these funds. There was Commission concurrence that the Council should consider using the entirety of the cell tower revenues towards the pension and OPEB liabilities. This was reported back to the City

Council as part of the FY 2022 Budget approval process. As of this date, the City Council has not made a final determination regarding the use of the cell tower funds, however, the Council did direct staff to pull the revenue out of Undesignated General Fund Reserves, and allocate the funds to a new General Fund Designated Reserve, Cell Tower Revenue. The intent was to keep these funds separate until the Council takes formal action to spend the funds.

In addition to the one-time cell tower revenues, the City will be receiving one-time Federal COVID recovery funds, known as ARPA funding. The ARPA funding is currently estimated at \$6,059,235. Before allocating any of these one-time funding sources, the Council embarked on a strategic planning process that will among other things, assist in allocating these funds. Information regarding the strategic planning process can be found at the two links below:

<https://www.southpasadenaca.gov/Home/Components/News/News/2677/714?backlist=%2f>

<https://www.southpasadenaca.gov/government/departments/management-services/strategic-plan>

Members of the public and Finance Commissioners are encouraged to participate. The goal is to use the strategic plan to lead into the preparation of the budget and allocation of these one-time funds.

In order to be prepared for the upcoming planning process, additional information needed to be prepared regarding the City's funding alternatives for its pension and OBEB liabilities, and to provide information about future liability if additional funds, above the annual amounts required, were allocated. The City Manager authorized staff to secure the services of Bartel Associates to assist in preparing the financial analysis. In order to have a potential funding amount, staff asked Bartel Associates to assume the use of the \$4 million allocation, as this amount is roughly the amount of the cell tower revenues.

Fiscal Impact

The cost of the services provided by Bartel Associates, is \$23,000. The agreement was previously approved by the City Manager, and funds were included in the FY 2021-2022 Annual Budget for this expense (Finance Department, Contract Services 101-3010-3011-8180).

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.

Attachments

1. Bartel Associates Report – To be forwarded separately



Finance Commission Agenda Report

DATE: September 23, 2021

FROM: Elaine Aguilar, Interim Assistant City Manager
Ken Louie, Interim Finance Director

SUBJECT: **Finance Department Policies & Procedures Update**

Recommendation

It is recommended that the Finance Commission authorize staff to present the proposal from Management Partners for the development of comprehensive Finance Department Policies and Procedures (the Manual), to the City Council for approval.

Discussion/Analysis

As the Commission is aware, for a number of years, the City's auditors have noted a finding that reflects the lack of up to date, complete Finance Department policies and procedures. After assessing staffing availability and the time it will take to create the Policy Manual in-house, both the Finance Ad Hoc Committee and the Finance Commission had discussed the possibility of securing consultant services to complete the project as expeditiously as possible. Ultimately, timing became more urgent with the allocation of Federal ARPA funds. A major impediment to receiving and expending the funds is the absence of up to date, current, and basic Finance Department Policy and Procedures Manual.

The City Manager authorized staff to reach out to potential consultants, and recommends proceeding with Management Partners. They have more than 25 years of business experience, and the expertise and technical staff needed for this project. A copy of their proposal is attached, as is a more detailed scope of work prepared by staff. The total project cost is \$43,900, and the project is expected to take five months to complete.

Once complete, the City will have an official Finance and accounting policies and procedures manual for internal controls that meets GAAP and Federal Single Audit Act of 1984 with amendments in 1996 requirements, and that includes the necessary documentation of internal controls as set forth in the US Governmental Accountability office (GAO) Government Auditing Standards ("Yellow Book") and the GAO Standards for Internal Control in the Federal Government ("Green Book")

Background

The lack of a set of Finance Department Policy and Procedures has been a concern to the City's auditors for a number of years. While this has been a concern for some time, an enhanced urgency resulted from the Federal government's approval of ARPA funds to local government. One of the Federal requirements for expenditure of the funds is the requirement that the agency

possess current Finance Department Policy and Procedures. As the Council will soon begin a strategic planning process for the allocation of ARPA funds, it is important that the preparation of the Finance Department Manual begin as soon as possible.

After speaking with two firms, the City Manager, Interim Assistant City Manager and Interim Finance Director recommend that the services of Management Partners be secured for the work. A copy of the proposal is attached. It should be noted that pursuant to the City's Municipal Code Section 2.99-29 (12), contracts for services of specially trained and professional persons or businesses are exempt from bidding requirements.

In preparing the scope of work, staff identified seven major business cycles to be included in the Manual. The seven business cycles are (not in priority order):

- Capital Improvements/Fixed Assets
- Purchasing and Accounts Payable
- Utility Billing (will be a brief summary of the accounting required for the activity)
- General Ledger Maintenance (month end, yearend close, bank reconciliations, journal entry review and approvals, etc.)
- Accounts Receivable and Cash Receipts
- Treasury/Cash Management
- Payroll (This section of the Manual will be toward the end of the project, due to the implementation of in-house payroll, while the Manual is being drafted.)

The project is divided into three sections. The first section is primarily the project kick off.

The second section involves data gathering, including reviewing existing policies, and documenting current practices. In addition the consultant will be conducting interview of staff members. Samples of other similar agency manuals will also be obtained and reviewed.

The third section involves the drafting, the review and ultimate approval of the Manual. This step also includes two public meetings, most likely to be one meeting with the Finance Commission and one City Council meeting.

At this time, staff's recommendation is that the seven basic Finance functions described above be included in the Manual. These are the basic policies that auditors and the Federal Government will need to know exist. It is acknowledged that there are a number of other policies and procedures that should be documented such as credit cards, inter-fund loans, stale dated checks, etc. These are policies that can be prepared by staff and included in the Manual, if the policy conforms to the Municipal Code, or is administrative in nature. The recommendation is that the City Council approve the Manual created as a result of this project, but include language authorizing staff to perform routine updates and add administrative policies that do not require a modification to the Municipal Code. For example, the Accounts Payable policy will include the

current “process” using the purchasing limits/requirements currently stated in the Municipal Code. In the future, if the “process” changes, but the limits designated by the Municipal Code do not change, staff can administratively revise/update the policy, with City Manager approval. However, if staff was recommending a change to a Municipal Code section, such as increasing the purchasing dollar limits, then the policy would need to go to the City Council for review and consideration, along with a Municipal Code amendment. The intent is to permit the Manual to be revised with City Manager approval, as procedures and processes change, but to not exceed staff’s authority per the Municipal Code.

Staff will work with the Finance Commission as policies are updated or new policies are added (that do not exceed Municipal Code authority). The City Council will only need to approve policies that result in changes to the Municipal Code.

Fiscal Impact

The total not to exceed cost for this project is \$42,900, and it will be necessary for the City Council to appropriate funds from General Fund, Water and Sewer fund reserves to pay for the costs. The amount for each fund will be determined when the report goes to the City Council.

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.

Attachments:

1. Management Partners Proposal
2. Detailed Scope of Work
3. Project Timeline

Management Partners



September 8, 2021

Ms. Armine Chaparyan
City Manager
City of South Pasadena
1414 Mission Street
South Pasadena, CA 91030

Dear Ms. Chaparyan:

Based on our meeting with Interim Assistant City Manager Elaine Aguilar and Interim Finance Director Ken Louie on September 8, Management Partners is pleased to provide this revised proposal to the City of South Pasadena to develop comprehensive Finance Department Policies and Procedures. We understand that the City currently lacks an official accounting policies and procedures manual that would provide the framework for internal cash management and controls for the City. Without such a manual, the City might not be able to meet the documentation requirements of the Federal Single Audit Act of 1984 needed to support the City's use of American Rescue Plan Act (ARPA) funds.

Management Partners will develop a comprehensive accounting policies and procedures manual that establishes guidelines for seven business cycles identified by the City. The accounting manual will include personnel roles and responsibilities, describe appropriate procedures for recording significant transactions in finance and accounting systems, define and set procedures for management oversight and review, establish key internal controls, and help ensure accounting and reporting requirements established by generally accepted accounting principles (GAAP) are followed.

The manual will include the following elements, among others that may be identified as we carry out our work:

- Descriptions of functions each position performs,
- Specific duties and responsibilities (desk procedures),
- Minimum required qualifications or standards,
- Council and management approved policies relating to specific transactions,
- Procedures for processing specific financial activities, and
- Appropriate monitoring and review controls.

We propose to collect information about existing procedures, interview each Finance Department staff member, gather examples of accounting manuals from other cities, and prepare a comprehensive manual. It is important to us that we develop a manual tailored to your needs with employee input. Before we describe our project plan, we would like to share some brief information about our firm.

About Management Partners

Management Partners was founded in 1994 with a specific mission to help local government leaders improve their service to the public. Since then, we have worked with cities, counties, towns, and special districts of all sizes across the United States to help them work more effectively and run more efficiently. We offer a balance of perspectives with a practitioner's bias and a proven track record of successful consulting engagements. This experience gives us a sensitivity that produces positive outcomes. We are proud to say that as a result of our quality work, many of our clients ask us to complete subsequent assignments.

- *We Know Local Government.* Our associates have served in local governments, so we have a deep understanding of the operating and political environments in which you work.
- *We Take a Collaborative Approach.* We consider ourselves part of your team and strive to ensure our work supports your overall corporate strategy and goals.
- *We Have Extensive Experience.* Each of our more than 100 associates is an expert in one or more service areas, and our firm has assisted hundreds of jurisdictions in 44 states.
- *We Have Developed Proven Methodologies.* We understand the importance of a holistic approach to improving organizations, using field-tested methods for each aspect of the work.
- *Our Work Plan is Tailored to Your Needs.* Each of our projects is individually tailored to our client's unique needs, starting with a careful learning process.
- *We Take Pride in the Quality of Our Work.* Our internal processes ensure first-rate, complete staff work and adherence to the highest of ethical standards in public service.
- *We Are Focused on Implementation.* As practitioners, our recommendations make practical sense and are able to be implemented.
- *We Provide a Full Suite of Services.* Management Partners' services include everything required to support local government leaders, including organization assessments, performance management, process improvement, strategic planning, and financial planning, budgeting and analysis.

Plan of Work

Based on our experience, we have prepared a plan of work to develop a comprehensive accounting manual to meet GAAP and the requirements of the Federal Single Audit Act. All work will be conducted remotely. (A detailed scope of work is included as Attachment A to this proposal.)

Activity 1 – Start Project

Management Partners will begin the project by meeting with you, your assigned project coordinator, and other appropriate staff. The project start-up activity forms the foundation of the relationship between Management Partners' team and your staff. During this initial meeting, we will confirm project deliverables and due dates to ensure the project is completed on time and on budget and that our proposed scope of work is aligned precisely to meet your goals.

We will have provided a data request prior to this meeting and will review the material collected by staff to identify any other data needs. We understand that the work associated with this review is in addition to the normal work of the organization. Our goal is to integrate our activities in a manner that is thoughtful and minimizes disruption to the department.



Activity 2 – Gather Information

We will gather information by reviewing and documenting existing processes to the extent possible, conducting individual interviews with staff, and gathering examples from other cities' accounting manuals. Each is described below.

- **Review background materials and document current processes.** We will review the material requested in Activity 1 to begin to document the current processes for the Finance Department. This review will cover any authorizing policies and written procedures that exist (including informal procedures) for seven business cycles chosen by the City. Based on our initial understanding of the City's operations, we would suggest the following business cycles:
 - Capital Improvements/Fixed Assets,
 - Purchasing and Accounts Payable,
 - Utility Billing,
 - General ledger maintenance (month-end/year-end close and bank reconciliations),
 - Account Receivable/Cash Receipts,
 - Treasury/Cash Management, and
 - Payroll¹

- **Conduct Interviews.** We will interview up to seven staff members whose input is needed to create the manual. Interviews will cover the following items:
 - List of functions performed,
 - Description of major tasks for each of the functions (including frequency and/or scheduling),
 - References to and copies of authorizing policies and/or written procedures that currently exist (including informal procedures) for the functions performed,
 - Notation on missing or incomplete policies and procedures that should be developed related to the functions performed,
 - Suggestions for technology or other changes that would aid in the efficiency of the function performed, and
 - Other information that would be useful in developing the accounting manual.

We understand that some staff may have responsibilities for multiple functions. We are estimating each interview will take about two hours. This should allow us to hear about their work and what is needed to be prepared, as well as what is already available that can be easily incorporated into the manual.

At the conclusion of the interviews, we will compile the results and analyze them to identify themes, consistencies, and material to be used in the manual development.

- **Collect Sample Manuals.** We will obtain copies of accounting manuals from peer cities for comparison and to inform the development of the manual. While every city is unique and we will seek to understand what distinguishes South Pasadena's practices from others, the use of GAAP by other cities is likely to create an opportunity to learn from their manuals. We will

¹ We understand that the City is converting payroll systems from an outsourced solution to an in-house payroll system effective January 1, 2022. Documenting this business cycle will be scheduled after the new system is live and the procedures are in place.



conduct additional research as appropriate into best practices used by municipal departments to supplement our work.

At the conclusion of this activity, we will compile the results to identify themes, document current processes to the best extent possible, and identify opportunities for improvement.

Activity 3 – Develop Manual and Present Results

Next, we will prepare an outline of the manual. We will meet with you and others you designate to review the outline to ensure we have captured all the procedures and policies you wish to have included. We will then prepare a draft manual.

We will review the draft manual with you and finalize it based on your feedback. The final policies and procedures manual will conform with GAAP, meet the necessary requirements of the Federal Single Audit Act of 1984 with amendments in 1996, which includes the necessary documentation of internal controls as set forth in the US Government Accountability Office (GAO) Government Auditing Standards (“Yellow Book”) and the GAO Standards for Internal Control in the Federal Government (“Green Book”).

Once the manual is finalized, we will attend up to two public meetings of the City’s governing bodies (e.g., Finance Commission, City Council) to present the new manual.

Our Experience and Qualifications

The following list shows jurisdictions that we have assisted in the recent past with process improvement projects. We are also currently assisting 11 jurisdictions in California, Florida, and Oregon with process improvement engagements. In addition to the references below, our website, managementpartners.com, has information about our past clients, which includes hundreds of jurisdictions in 44 states, and you are welcome to contact any of them about our performance.

- Beverly Hills, California
- Blue Ash, Ohio
- Boynton Beach, Florida
- Chatham County, Georgia
- Cincinnati, Ohio
- Contra Costa Water District, California
- Dallas County, Texas
- DeKalb County, Georgia
- Dublin, California
- Fremont, California
- Gilroy, California
- Lake Forest, California
- Largo, Florida
- Long Beach, California
- Miami, Florida
- Monroe, Ohio
- Oakland Park, Florida
- Pasadena, California
- Pleasant Hill, California
- Port Hueneme, California
- Sacramento, California
- San Jose Public Library, California
- San Jose, California
- Santa Clara, California
- Santa Clarita, California
- Santa Rosa, California
- Sedgwick County, Kansas
- Solid Waste Authority of Central Ohio
- Stockton, California

Our Team

We have a strong project team that is well qualified to complete this work for South Pasadena. Steve Toler will serve as project director and will oversee the substantive work of the project. Rick Haydon will serve as project manager and will be responsible for execution of the project. They will be supported by Pete Gonda and Michelle New. Brief qualifications for each team member are provided below.



Steve Toler, Partner

- Experienced in **budgeting and revenue forecasting**, financial management and reporting, accounting, purchasing, information technology management, water and wastewater rate modeling, regional shared services planning, organizational development and training, labor relations and negotiations, business continuity planning, risk management, economic development and redevelopment, tax ballot measures, and **public engagement**.
- Joined Management Partners after spending **nearly 20 years in local government public service** working for the cities of Cupertino, Foster City and Millbrae, California.
- Served in management positions ranging from **assistant city manager** to information technology manager.
- Serves clients across the Pacific Northwest and West Coast, including recent engagements for the cities of Belmont, East Palo Alto, El Cerrito, Scotts Valley, Tracy, and Union City in California, as well as Mercer Island, Newcastle and Kenmore in King County, Washington.



Rick Haydon, Special Advisor

- Has more than 30 years of municipal government experience, with an expertise in strategic planning, goal setting, organizational and policy analysis, project management, long-range forecasting, and budgeting.
- Served as City Manager for the California Central Coast cities of Santa Maria and Solvang.
- Worked for five cities, a county and a joint powers authority over the course of his career.
- In Santa Maria, oversaw a full-service city of more than 100,000 residents, a workforce of over 700 employees and an annual operating budget of \$163 million; responsible for the day-to-day operations of the City and coordinated the budget process.
- Responsible for Santa Maria's 21 consecutive California Municipal Finance Officer's (CSMFO) Excellence in Budgeting Awards and 10 consecutive biennial Government Finance Officers Association (GFOA) Distinguished Budget Presentation Awards.
- Prior to joining Management Partners, operated his own management consulting firm that specialized in goal setting workshops for city councils, strategic planning, and organizational analysis.



Pete Gonda, Senior Manager

- More than 20 years of experience in municipal government, with an emphasis on **analytics, budgeting, procurement management, contracts and performance measurement**.
- Served as purchasing officer for the City of Sunnyvale, California for nine years, where he **managed an award-winning centralized purchasing division** with \$42 million in annual operational spending. Bid and awarded \$80 million in capital projects under a federally funded local economic stimulus program at a 30% savings and implemented continuous process improvements for a variety of services.
- Served as a senior management analyst in Sunnyvale's Finance Department, where his responsibilities included **intergovernmental relations, policy analysis and revenue/expenditure management**, including cost of service studies and related activities.



- Also worked in Sunnyvale's Department of Public Safety, the City of San Jose's Office of Economic Development, and the City of Saratoga's City Manager's Office.
- Recent clients include the California cities of Palo Alto, Sunnyvale, Alameda, Beverly Hills, Hillsborough, Campbell, Scotts Valley, Marina, San Jose, Sacramento, South San Francisco, Milpitas, Walnut Creek, Santa Rosa, Gilroy, Newark, San Leandro, Fullerton, Costa Mesa, Modesto and Monte Sereno; Pinellas County, FL; Gainesville, FL; Yakima, WA; Contra Costa Water District; and the Dublin San Ramon Water District

Michelle New, Senior Management Analyst

- Joined Management Partners in 2021 after 15 years with the City of Santa Maria where she worked first as a management analyst in the City Manager's Office and then as the human resources manager, responsible for oversight of all aspects of the human resources function.
- During her tenure, Michelle developed an award-winning succession planning program, streamlined multiple paper processes, actively participated in employee negotiations, coordinated the city's performance, disciplinary and investigative issues and was involved in the citywide budget.
- She also participated in the coordination of the city's COVID-19 response as one of two contact tracers.
- Michelle graduated from Cal Poly, San Luis Obispo with a bachelor's degree in political science and from California State University with a master's degree in public administration, San Luis Obispo with a bachelor's degree in political science and from California State University with a master's degree in public administration.
- She served as a Central Coast regional co-chair of the Municipal Management Association of Southern California (MMASC) and is the founding member of the region's annual Women in Leadership event.
- Since joining Management Partners has prepared **personnel handbooks**, conducted **recruitments**, assisted with **strategic planning** projects, completed detailed **analysis**, gathered and analyzed information for **organization assessments**, and assisted with a variety **complex projects**.



Hours, Cost and Timeline

Management Partners anticipates devoting 280 hours of our staff time to complete the plan of work described above. The total cost of this project is a fixed-fee amount of \$43,900, which includes all fees and expenses. We anticipate that all of our work and meetings will be conducted remotely using video conference technology. If City leaders wish us to be onsite for any meetings, any travel and related costs will be billed separately as incurred.

The proposed timeline for this project assumes that the City issues a professional services agreement that is executed on or about October 15, 2021. We anticipate launching the project the week of October 18 and providing the draft manual for City review in late-January 2022, with a final manual completed by February 28, 2022. A detailed timeline is provided as Attachment B to this proposal.



The table below summarizes the hours, costs, and projected timeline for each activity.

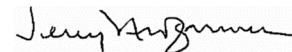
Activity	Hours	Cost	Timeline
1 – Start project	18	\$ 3,300	October 2021
2 – Gather information	124	19,000	November 2021 to Mid-January 2022
3 – Develop manual and present results	138	21,300	Mid-November 2021 to February 2022
TOTALS	280	\$43,900	

The table below indicates the hourly rates that the City would be charged for any additional work that might be required beyond the scope of our proposed workplan. Subject to mutual agreement, the contract would be amended and additional work would be charged at the following rates.

Position	Hourly Rate
Senior Vice President	\$ 280
Vice President	240
Partner	220
Special Advisor	210
Senior Manager	190
Peer Review	140
Senior Management Advisor/Analyst	130
Management Analyst	90

The ultimate test of a quality project is that the client is pleased with the results, and we are committed to achieving that goal. Please contact Steve Toler at SToler@managementpartners.com or at (650) 918-7017 if we can provide any additional information.

Sincerely,



Jerry Newfarmer
President and CEO

Accepted for the City of South Pasadena by:

Name: _____

Title: _____

Date: _____



Attachment A – Detailed Scope of Work

Outcome: An official Finance and accounting policies and procedures manual for internal controls that meets GAAP and Federal Single Audit Act of 1984 with amendments in 1996, which includes the necessary documentation of internal controls as set forth in the US Governmental Accountability office (GAO) Government Auditing Standards (“Yellow Book”) and the GAO Standards for Internal Control in the Federal Government (“Green Book”)

The Seven Business Cycles identified by the City:

1. Capital Improvements/ Fixed Assets;
2. Purchasing and Accounts Payable;
3. Utility Billing;
4. General Ledger Maintenance : month end close, yearend close, including bank recs;
5. Accounts receivable/Cash receipts;
6. Treasury/Cash management; and
7. Payroll.

Detailed scope of work

- **Activity 1 – Start Project** (Outcome: start project with clear understanding of objectives and expected outcomes)
 - Project launch meeting with assigned project coordinator and other appropriate staff
 - Confirm project deliverables and due dates
- **Activity 2 – Gather Information** (Outcome: Understand and document existing processes)
 - Identify personnel roles and responsibilities
 - Conduct interviews with up to seven City staff members
 - List of functions performed
 - Description of major tasks for each of the functions
 - References to and copies of authorizing policies and or written procedures that currently exist
 - Notation on missing or incomplete policies and procedures that should be developed related to the functions performed
 - Suggestions for technology or other changes that would aid in the efficiency of the function performed
 - Other information that would be useful in developing the accounting manual
 - Compile the results and analyze them to identify themes, consistencies and material to be used in the manual development
 - Obtain examples of accounting manuals from other cities
 - Conduct additional research as appropriate into best practices used by municipal departments to supplement the consultant’s work.
 - Compile the results to identify themes, document current processes to the best extent possible, and identify opportunities for improvement.
- **Activity 3 – Develop Manual and Present Results**
 - Prepare an outline of the manual
 - Review the draft manual with the city and make revisions based on staff feedback
 - Features of the draft manual:

- Describe appropriate procedures for recording significant transactions in finance and accounting systems
- Define and set procedures for management oversight
- Establish key internal controls
- Ensure accounting and reporting requirements established by generally accepted accounting principles are followed
- Meet the necessary requirements of the Federal Single Audit Act of 1984, US GAO Government Auditing Standards (“Yellow Book”) and
- Components of the draft manual:
 - Descriptions of functions each position performs
 - Specific duties and responsibilities (desk procedures)
 - Minimum required qualifications or standards
 - Council and management approved policies relating to specific transactions
 - Procedures for processing specific financial activities, and
 - Appropriate monitoring and review controls
- Finalize the manual
- Present the manual at up to two public meetings

Attachment B – Detailed Project Timeline

Project Schedule																					
Finance Policies and Procedures Manual City of South Pasadena		Start	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Activity 1: Start Project		10/18	10/25	11/1	11/8	11/15	11/22	11/29	12/6	12/13	12/20	12/27	1/3	1/10	1/17	1/24	1/31	2/7	2/14	2/21	2/28
1.1	Prepare launch agenda, workplan, document request																				
1.2	Conduct launch meeting																				
1.3	Request background material																				
1.4	Finalize work plan and schedule																				
Activity 2: Gather Information		10/18	10/25	11/1	11/8	11/15	11/22	11/29	12/6	12/13	12/20	12/27	1/3	1/10	1/17	1/24	1/31	2/7	2/14	2/21	2/28
2.1	Review background materials and document current processes																				
2.2	Conduct interviews - 7 interviews @ 2hrs each																				
2.3	Collect sample manuals																				
2.4	Review and Analyze manuals																				
2.5	Summarize Results																				
Activity 3: Develop Manual		10/18	10/25	11/1	11/8	11/15	11/22	11/29	12/6	12/13	12/20	12/27	1/3	1/10	1/17	1/24	1/31	2/7	2/14	2/21	2/28
3.1	Prepare outline of new manual																				
3.2	Review outline with city officials																				
3.3	Develop draft manual - prepare procedures																				
3.4	Review with City officials																				
3.5	Finalize manual																				
3.6	Present manual at up to 2 public meetings																				

Key:

Blue = Schedule; Red = Meeting dates; Grey = Holiday



Finance Commission Agenda Report

DATE: September 23, 2021

FROM: Elaine Aguilar, Interim Assistant City Manager

SUBJECT: Sales Tax Update

Recommendation

It is recommended that the Finance Commission receive and file the sales tax and property tax update.

Discussion/Analysis

The City of South Pasadena uses the services of HDL Coren & Cone to provide information regarding the City's sales tax, including Measure A. One of the items on the Commission's work plan is the presentation of the sales tax data to the Commission. The city remains on trend with respect to the budgeted sales tax receipts in the FY 2022 Budget.

Background

The City receives information from HDL Coren & Cone regarding sales tax data. Attached is the most recent sales tax newsletter.

The newsletter for the first quarter of 2021 is attached. The first quarter is for the period of January to March 2021. As shown on the attached newsletter, the impacts of COVID continue to be reflected in the sales from restaurants and fuel (service stations) when comparing Q1 2021 with Q1 2020. But the declines are not as steep as in previous quarters. Receipts from the State and County Pools continue to show growth compared to the previous quarter.

The results of Q1 2021 did not necessitate a revision in the city's current total estimated sales tax receipts, or Measure A receipts. The newsletter explains that while Q1 2021 total receipts are 27% higher than last year, this amount is artificially inflated due to the State authorized deferral of tax payments a year ago. After the deferral is factored in, actual South Pasadena sales tax activity decreased by 7.7%. Also new for this quarter, sales tax receipts from restaurants have returned to the number 1 spot, in terms of total sales tax receipts, surpassing all other business groups. Recent, new "fast-casual eateries" showed very good performance in Q1 2021.

Fiscal Impact

There is no fiscal impact associated with this item.

Sales Tax Update
September 23, 2021
Page 2

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.

Attachments:

1. Sales Tax Update Q1 2021

CITY OF SOUTH PASADENA

SALES TAX UPDATE

1Q 2021 (JANUARY - MARCH)



SOUTH PASADENA

TOTAL: \$ 476,840

-7.7%

1Q2021



2.6%

COUNTY



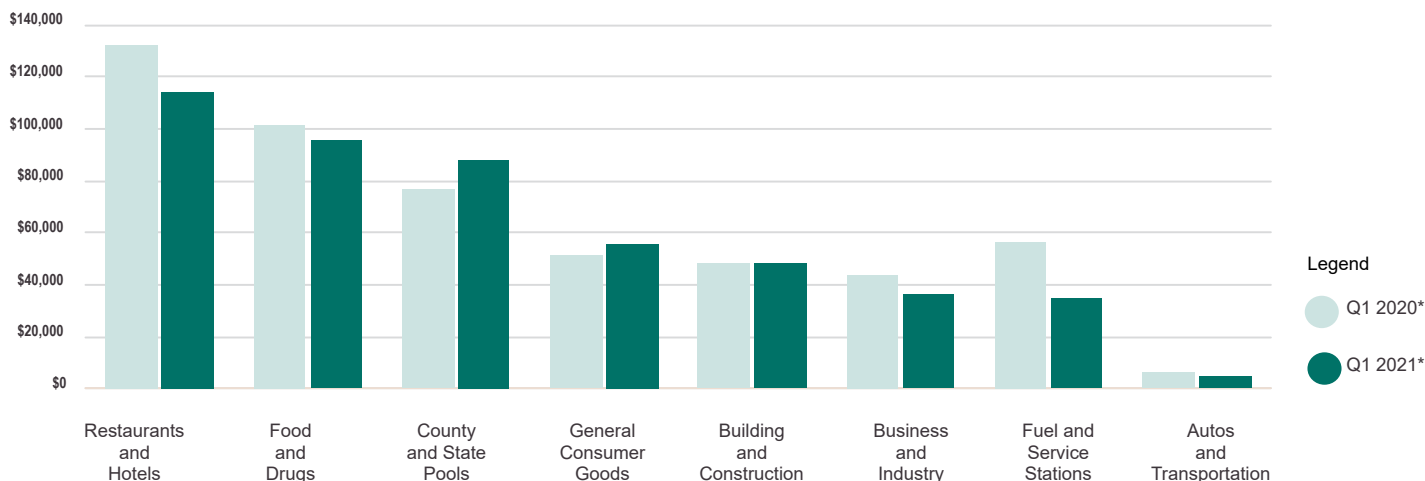
9.5%

STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



Measure A

TOTAL: \$521,702



CITY OF SOUTH PASADENA HIGHLIGHTS

Receipts from South Pasadena's January through March sales were 27.4% higher than the same quarter last year. However, due to the Governor's sanctioned deferral of tax payments a year ago this comparison is temporarily exaggerated. After this and other accounting aberrations are factored out, actual sales activity decreased 7.7%.

Continued low fuel consumption dropped service station revenues 38.2%. Also, in line with county and statewide negative results, restaurant returns were down 13.9%. However, fast-casual eateries were up 54.3% boosted by new openings.

Partially offsetting the losses are continued strong online sales which boosted the City's share of the countywide use tax pool 14.2%. Additionally, led by brisk electronic-appliance store sales, most categories of general consumer goods improved boosting group results 9.0%.

Voter-approved Measure A, the City's transactions and use tax, added \$521,702 to the above discussed amounts.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.6% over the comparable time period; the Southern California region was up 9.0%.



TOP 25 PRODUCERS

- | | |
|-----------------------------|------------------------|
| Ace Hardware | Oak Tree Inn |
| Bristol Farms | Panda Express |
| Chipotle | Ralphs |
| Fair Oaks Arco | Rite Aid |
| G & M Oil | Shell |
| Gus's BBQ | T Mobile |
| Habit Burger Grill | Tokoro Restaurant |
| Hi Life Burgers | Tomato Pie Pizza Joint |
| M3 Office | Trader Joes |
| Mamma's Brick Oven Pizza | Urban Pet |
| McDonalds | Vons & Pavilions |
| Mission Arco | |
| Mission Tile West | |
| Mission West Kitchen & Bath | |



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring January through March, was 9.5% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The Shelter-In-Place directive began one year ago which had the impact of immediate store and restaurant closures combined with remote/work from home options for employees which significantly reduced commuting traffic and fuel sales. When comparing to current period data, percentage gains are more dramatic. Furthermore, this pandemic dynamic combined with the Governor’s first Executive Order of last spring allowing for deferral of sales tax remittances explained why non-adjusted cash results were actually up 33%.

These initial recovery gains were not the same everywhere. Inland regions like Sacramento, San Joaquin Valley, Sierras, Far North and the Inland Empire area of Southern California performed much stronger than the Bay Area, Central Coast and metro areas of Southern California.

Within the results, solid performance by the auto-transportation and building-construction industries really helped push receipts higher. Weak inventories and scarcity for products increased the taxable price of vehicles (new & used), RV’s, boats and lumber which appeared to be a major driving force for these improved returns. Even though e-commerce sales activity continued to rise, brick and mortar general consumer retailers also showed solid improvement of 11% statewide.

An expected change occurred this quarter as a portion of use tax dollars previously distributed through the countywide pools was redirected to specific local jurisdictions.

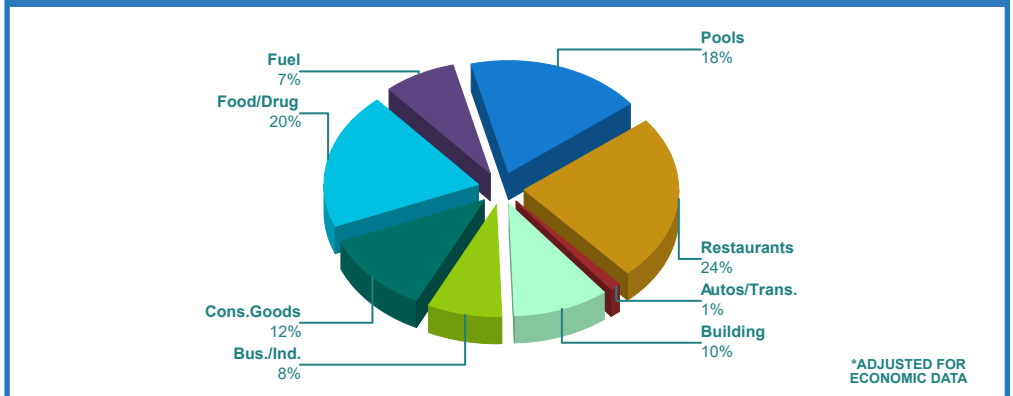
Changes in business structure required a taxpayer to determine where merchandise was inventoried at the time orders were made. Therefore, rather than apportion sales to the county pool representing where the merchandise was shipped, goods held in California facilities required allocations be made to the agency where the warehouse resides. With this modification, the business and industry category jumped 18% inclusive of steady gains by fulfillment centers, medical-biotech and garden-agricultural suppliers. Even after the change noted, county pools surged 18% which demonstrated consumers continued desire to make purchases online.

Although indoor dining was available in

many counties, the recovery for restaurants and hotels still lagged other major categories. Similarly, while commuters and travelers slowly began returning to the road, the rebound for gas stations and jet fuel is trailing as well. Both sectors are expected to see revenues climb in the coming quarters as commuters and summer tourism heats up.

Looking ahead, sustained growth is anticipated through the end of the 2021 calendar year. As a mild head wind, pent up demand for travel and experiences may begin shifting consumer dollars away from taxable goods; this behavior modification could have a positive outcome for tourist areas within the state.

REVENUE BY BUSINESS GROUP South Pasadena This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

South Pasadena Business Type	Q1 '21	Change	County Change	HdL State Change
Grocery Stores	75,734	-5.3%	-7.3%	-6.2%
Casual Dining	50,051	-31.7%	-25.7%	-18.9%
Quick-Service Restaurants	36,134	-4.8%	-2.8%	1.1%
Service Stations	34,913	-38.2%	-10.0%	-4.0%
Fast-Casual Restaurants	23,471	54.3%	-2.3%	1.2%
Specialty Stores	14,355	21.0%	5.8%	9.0%
Electronics/Appliance Stores	10,774	50.6%	1.8%	9.0%
Home Furnishings	9,818	-38.9%	14.4%	19.3%
Business Services	6,693	-14.4%	-20.7%	-18.0%
Jewelry Stores	5,357	45.4%	33.0%	32.3%

*Allocation aberrations have been adjusted to reflect sales activity

**City of South Pasadena Finance Commission
Minutes for Regular Meeting of:
May 20, 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. Public Comment - None

- III. Action/Discussion
 1. Draft Master Fee Schedule Fiscal Year 2021-2022
 - i. Motion and Recommendation by Commissioner Finley to present a 2% Transaction Fee to be added to the Master Fee Schedule and pass the presented Master Fee Schedule for Fiscal Year 2021-2022, Second by Commissioner Wood. Approved 5-0
 2. Draft Financial Policies
 - i. Motion by Commission Chair Elsner to approve the Financial Policy with amendment to the dates, second by Commissioner Findley. Approved 5-0
 3. Sales Tax Update
 - i. Motion to receive and file the Sale Tax update for CY 2020 Q4 by Commissioner Findley, Second by Commission Chair Choi. Approved 5-0

- IV. Communications
 1. NONE

Next regular meeting – June 24, 2021

Meeting Adjourned at 7:39 PM

**City of South Pasadena Finance Commission
Minutes for Special 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. Public Comment - None

- III. Action/Discussion
 1. Review and Recommendation Regarding the FY 2021-2022 Proposed Budget
 - i. Motion by Commission Chair Elsner to approve the minutes for the April 29th, 2021 Finance Commission Meeting, with and I vote, Approved 4-0.
Commissioner Wood abstained (not present at the meeting)

- IV. Communications
 1. NONE

Next regular meeting – June 24, 2021

Meeting Adjourned at 7:58 PM

**City of South Pasadena Finance Commission
Minutes for Special Meeting of:
July 14, 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. Public Comment - None

- III. Action/Discussion
 1. Review FY 2020 Annual Comprehensive Financial Report
 - i. Motion by Commissioner Wood to make a recommendation to the City Council to approve the Fiscal Year 2019-2020 ACFR, second by commissioner Findley. Approved 5-0.

- IV. Communications
 1. NONE

Next regular meeting – September 23, 2021

Meeting Adjourned at 7:33 PM