DEPARTMENT OF FINANCE
Notice of a Regular Meeting of the
FINANCE COMMITTEE
4:00 p.m. – Monday, January 23, 2017
Pasadena City Hall - Council Chambers Room S249

NOTICE IS HEREBY GIVEN that a regular meeting of the Finance Committee will be held **Monday, January 23, 2017** at **4:00 p.m.** in the Council Chambers Room S249, at City of Pasadena City Hall, 100 N. Garfield Ave., Pasadena, California.

A. CALL TO ORDER

B. PUBLIC COMMENT

C. APPROVAL OF MINUTES
- January 4, 2017
- December 12, 2016

D. NEW BUSINESS
1. Adoption of a Resolution and the First Reading of an Ordinance Authorizing the Invitation of Bids for the Purchase of Water Revenue Refunding Bonds, 2017A Series of Said City; Approving a Notice of Intention to Sell Bonds, a Preliminary Official Statement, and a Notice Inviting Bids; Authorizing the Publication of a Notice of Intention to Sell Bonds; Authorizing the Issuance by the City of Not to Exceed $17,370,000 Aggregate Principal Amount of City of Pasadena Water Revenue Refunding Bonds, 2017A Series, Payable Out of the Water Fund; Approving the Execution and Delivery of a Fifth Supplement to Water Revenue Bond Indenture, an Escrow Agreement, a Continuing Disclosure Agreement, and Authorizing Certain Actions in Connection Therewith*

E. CLOSED SESSION
CITY COUNCIL CONFERENCE WITH LABOR NEGOTIATORS pursuant to Government Code Section 54957.6
Agency Designated Representatives: Jennifer Curtis and Steve Mermell
Employee Organization: Pasadena Firefighters Association (PFFA)

F. ADJOURN

*Attachments in City Council packets.

Terry Tornek, Mayor
Finance Committee Chair

This notice, in its entirety, was posted at City Hall and distributed as indicated below by 5:30 p.m., Thursday, January 19th, 2017.

Lori Eubanks, Recording Secretary
Finance Committee

Distribution:

City Council	Central Library	Pasadena Now
City Manager	Pasadena Independent	Pasadena Star News
City Attorney	Los Angeles Times	Pasadena Weekly
Public Information Officer	Pasadena Journal	La Opinion

Special Meeting Minutes
FINANCE COMMITTEE MEETING
Wednesday, January 4, 2017 ▪ 4:00 p.m.
Council Chambers Room S249, Pasadena City Hall

A. CALL TO ORDER: The special meeting of the Finance Committee was called to order at 4:00 p.m.

Attendees (Absent as indicated):

Council Members	Staff	
Mayor Tornek	Leslie Cheung	Steve Mermell
Victor Gordo	Jennifer Curtis	Jon Trautwein
John Kennedy (Absent)	Julie Gutierrez	Alex Souto
Margaret McAustin	Matthew Hawkesworth	Bertral Washington

Recording Secretary: Lori Eubanks

B. PUBLIC COMMENT
There was no public comment.

C. CLOSED SESSION
CITY COUNCIL CONFERENCE WITH LABOR NEGOTIATORS pursuant to Government Code Section 54957.6 Agency Designated Representatives: Jennifer Curtis and Steve Mermell
Employee Organization: Pasadena Firefighters Association (PFFA)

D. Adjourn
With no further business to come before the Finance Committee, the meeting adjourned at 6:17 p.m.

_____
Mayor Tornek Date
Chair, Finance Committee

_____
Lori Eubanks, Date
Recording Secretary

Special Meeting Minutes
FINANCE/AUDIT COMMITTEE MEETING
December 12, 2016 ▪ 4:00 p.m.
Council Chambers Room S249, Pasadena City Hall

A. CALL TO ORDER: The special Finance/Audit Committee meeting was called to order at 4:05 p.m.

Attendees (Absent as indicated):

Council Members	Staff/Guests*	
Mayor Tornek	Mark Cousineau*	Matthew Hawkesworth
Victor Gordo	Fred Dock	Ruthe Holden
John Kennedy	Theresa Fuentes	William Huang
Margaret McAustin (4:55 p.m. Arrival)	James Godsey*	Scott Johnson*
	Julie Gutierrez	Mark Jomsky
	Jon Hamblen	Michele Logan
	Brenda Harvey-Williams	Steve Mermell
		Tim Park

Recording Secretary: Lori Eubanks

B. PUBLIC COMMENT – None.

C. APPROVAL OF MINUTES
- October 24, 2016
- October 10, 2016

The minutes were approved as submitted.

D. NEW BUSINESS

1. **Award of Purchase Order to PCS Mobile for the Purchase and Maintenance of Two License Plat Recognition Readers for an Amount Not to Exceed $164,358**

   Jon Hamblen, Parking Manager, Department of Transportation, presented this report. Staff recommended entering into a purchase order contract with PCS Mobile, for an amount not to exceed $164,358 for labor and materials for License Plate Recognition Readers and to appropriate $164,358 for the purchase and maintenance of two license plate recognition readers. The committee approved forwarding this report to the City Council.

2. **Approval of Commitment of General Fund Balance for the General Fund Emergency Contingency Commitment for Fiscal Year 2017**

   Matthew Hawkesworth, Director of Finance, presented this report. Staff recommended adopting a resolution approving the City's 2017 General Fund Emergency Contingency Commitment of fund balance for the General Fund in the amount of $36,451,483. The committee approved forwarding this report to the City Council.

3. **Amendments to Fiscal Year 2017 Capital Improvement Program Budget**

Brenda Harvey-Williams, Finance and Management Services Administrator, Department of Public Works, presented this report. Staff recommended amending the Fiscal Year 2017 Capital Improvement Program Budget to include remodeling the kitchen at the Jackie Robinson Center and to approve a journal voucher with a net increase of $936,196 to amend five projects in the Fiscal Year 2017 Capital Improvement Program Budget as detailed in the corresponding agenda report. The committee approved forwarding this report to the City Council.

4. **Amendments to Fiscal Year 2017 Adopted Operating Budget**

Tim Park, Principal Analyst, Budget Division, Department of Finance, presented this report. Staff recommended amending the Fiscal Year 2017 Adopted Operating Budget to reflect changes that would result in a net decrease in unappropriated fund balance across all funds by $1,241,482, and net decrease of the General Fund unappropriated fund balance from $12,096,782 to $11,610,101. Mayor Tornek and Councilmember Kennedy requested more in-depth information prior to presenting to the City Council, regarding the Workforce Investment Fund budget amendment under the Housing and Career Services Department. Specifically, the request was for more detail about the impact to services as compared to services for 2017 as a result of the reduction in revenues to the Workforce Investment Act Fund. The committee approved forwarding this report to the City Council.

5. **Approval of Annual Adjustments to the Fiscal Year 2017 Schedule of Taxes, Fees, and Charges Related to New Year's Day and the Rose Bowl**

Michele Logan, Principal Analyst, Budget Division, Department of Finance, presented this report. Staff recommended approval of the scheduled rate increases as set forth in the agenda report, for the Grandstand Permit Application, the Rose Bowl Admission Tax, and the New Year's Day Related Business Grandstand Seat Surcharge, effective February 1, 2017. Mayor Tornek inquired why approval of the rate adjustments was requested so far in advance of the effective date of February 1, 2017. Staff was unsure of the reason but committed to return with a response. It was suggested that the timeline was dictated by a clause in the Pasadena Municipal Code. The committee approved forwarding this report to the City Council.

E. INFORMATION ONLY

1. **Final Fraud Risk Assessment Report – Phase 1**

James Godsey, Partner and Mark Cousineau, Director, of the firm Macias, Gini, and O'Connell (MGO) presented this report which is a separate, comprehensive assessment of the City's fraud risk for six departments of the City (Housing & Career Services, Human Services & Recreation, Public Heath, Transportation, Finance, and Public Works). Councilmember Kennedy inquired why Water and Power was not included in the Phase I assessment. Julie Gutierrez, Assistant City Manager, responded that Water & Power would be the only department in a Phase II risk assessment commencing in January 2017. Mayor Tornek commented that lacking in the report was identification of risk severity for items needing corrective action. Mr. Godsey responded that future reports will include a matrix prioritizing risk severity.

2. **Internal Audit Quarterly Status Update**

   Ruth Holden, Internal Auditor, updated the Audit Committee on the progress of the approved audit plan and the external audits received by the City, the status of open audit recommendations, and provided a summary of fraud hotline issues and City's updated Fraud Prevention Policy.

3. **Reponse to Various Finance, Audit, and Tyler Munis Questions from Councilmember Kennedy**

   Steve Mermell, City Manager, thanked Councilmember Kennedy for bringing forward his concerns regarding implementation of the Tyler Munis system. The City Manager acknowledged challenges with the implementation, but felt confident progress is being made. Councilmember Kennedy requested follow-up on unresolved items. This request will be addressed at a March 2017 Finance Committee meeting.

4. **FY 2017 Capital Improvement Programs Budget First Quarter Monitoring Report**

   There were no questions from the committee regarding this report.

5. **Quarterly Investment Report – Quarter Ending September 30, 2016**

   There were no questions from the committee regarding this report.

F. ADJOURN

With no further business to come before the Finance/Audit Committee, the meeting adjourned at 5:45 p.m.

_____

Mayor Tornek Date
Chair, Finance Committee

_____

Lori Eubanks, Date
Recording Secretary

Agenda Report

January 23, 2017

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Finance Department

SUBJECT: ADOPTION OF A RESOLUTION AND THE FIRST READING OF AN ORDINANCE AUTHORIZING THE INVITATION OF BIDS FOR THE PURCHASE OF WATER REVENUE REFUNDING BONDS, 2017A SERIES OF SAID CITY; APPROVING A NOTICE OF INTENTION TO SELL BONDS, A PRELIMINARY OFFICIAL STATEMENT, AND A NOTICE INVITING BIDS; AUTHORIZING THE PUBLICATION OF A NOTICE OF INTENTION TO SELL BONDS; AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED $17,370,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA WATER REVENUE REFUNDING BONDS, 2017A SERIES, PAYABLE OUT OF THE WATER FUND; APPROVING THE EXECUTION AND DELIVERY OF A FIFTH SUPPLEMENT TO WATER REVENUE BOND INDENTURE, AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not subject to the California Environmental Quality Act (CEQA) as defined in section 21065 of CEQA and section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for this report;

2. Adopt a resolution authorizing the invitation of bids for the purchase of water revenue refunding bonds, 2017A series of said city, approving a notice of intention to sell bonds, a preliminary official statement, and a notice inviting bids, authorizing the publication of a notice of intention to sell bonds, and authorizing certain other actions in connection therewith; and

3. Conduct the first reading of **"AN ORDINANCE OF THE CITY OF PASADENA AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED $17,370,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA WATER REVENUE REFUNDING BONDS, 2017A SERIES, PAYABLE OUT OF THE WATER FUND, AND APPROVING THE EXECUTION AND DELIVERY OF A FIFTH SUPPLEMENT TO WATER REVENUE BOND INDENTURE, AN ESCROW AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION THEREWITH."**

BACKGROUND:

In 2007, the City issued its Water Revenue Bonds, 2007 Series to finance the continued implementation of the Master Plan and the costs of construction and improvements to the Water System. In developing the funding requirements for the Master Plan Capital Improvement Program, staff utilized the cost of service study and conducted an analysis to determine a financial structure that supports the needed capital investments and minimizes the rate impacts on water customers.

The proposed action is a pure refinancing of the outstanding 2007 bonds. It does not contemplate any new borrowing nor does it extend the term on the bonds. Currently the Water Fund pays an average rate of 4.46% on the outstanding 2007 bonds. At today's market rates, as of December 30, 2016, the City could refund these bonds at a true interest cost of 3.26% and realize a net present value savings of $1.53 million; however, the competitive bidding of the proposed refunding bonds is not scheduled until March 2017. Given the recent sharp increase in interest rates and the market's anticipation for possible higher rates in 2017, there is no guarantee that the same economic savings from the refunding could be achieved in March 2017 when the competitive bidding occurs; therefore, it is staff's recommendation to proceed with the refunding and the competitive sale of the 2017 Water Revenue Refunding Bonds as long as the City anticipates a net present value savings of a minimum $1 million or 5.75% of the refunded bonds.

ENVIRONMENTAL ANALYSIS:

The proposed actions are governmental fiscal activities that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project to CEQA, no environmental document is required.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic planning goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

The 2017 Water Revenue Refunding Bonds will be sold on a competitive basis with a maximum term of 20 years and will bear fixed interest rates. It is estimated that the bonds will have an average life of 11 years with final maturity in fiscal year 2036. The refunding will not extend the term on the bonds and debt service savings are expected in every year. The True Interest Cost is currently estimated at 3.26% based on current market rates, which is subject to change until the actual bidding is complete on the scheduled March 13, 2017 date. Due to the high recent volatility in interest rates, it is staff's recommendation to proceed with the refunding and the competitive sale of the bonds only if the transaction is expected to generate a minimum of $1 million of net present value savings or 5.75% of the existing principal amount of the refunded bonds. Debt service payments will be made from the Water Fund and will be addressed by utilization of existing budgeted appropriations in Account #42008300-8967700. Funds for the debt service payments are available from currently approved water rates.

Respectfully submitted,

MATTHEW E. HAWKESWORTH
Director of Finance
Department of Finance

Prepared by:

Vic Erganian
City Treasurer/Deputy Director of Finance

Concurred by:

BAWA GURCHARAN
Interim General Manager
Water & Power Department

Approved by:

STEVE MERMELL
City Manager

Attachments: (2)
1) Preliminary Official Statement
2) Appendix A