Regular Meeting Minutes
FINANCE COMMITTEE
Thursday, May 28, 2020 ▪ 2:00 p.m.
Council Chambers Room S249, Pasadena City Hall

A. CALL TO ORDER: The special meeting of the Finance/Audit Committee was called to order at 2:06 p.m. with Mayor Tornek and Councilmembers Gordo, McAustin and Kennedy comprising the quorum.

Attendees (Absent as indicated):

Councilmembers	**Staff**	**Guests**
Mayor Tornek, Chair	Steve Mermell	Doug Kranwinkle
Victor Gordo	Julie Gutierrez	Richard Shammel
John Kennedy (Arrived at 2:13 p.m.)	Michele Bagneris	Mo Salama
Margaret McAustin	Matthew Hawkesworth	George Cunningham
	Ara Maloyan	Jens Weiden
	Tim Park	Darryl Dunn

Recording Secretary: Gloria Acevedo

B. PUBLIC COMMENT - None.

C. NEW BUSINESS

1. AUTHORIZATION TO ENTER INTO A CONTRACT WITH WHITE NELSON DIEHL EVANS LLP FOR AUDIT SERVICES FOR FISCAL YEARS 2020 – 2022, WITH TWO ONE YEAR OPTIONS

Robert Ridley, Controller, presented this report. Staff recommend that the City Council enter into a contract with White Nelson Diehl Evans LLP to perform the annual audits of the financial statement for the City of Pasadena in the amount of $678,260 for three years, and award two one-year extensions in Fiscal Year 2023 for the amount of $237, 470 thousand and Fiscal Year 2024 for an amount of $244, 600 thousand.

Councilmember McAustin inquired about “how fees this year compared to prior years.” Robert Ridley, Controller responded that fees for LSL in 2019 were $236,731 thousand compared to $223, 850 thousand this year resulting in a reduction in fees. “

The Finance Committee approved forwarding this report to the full City Council.

2. ROSE BOWL OPERATING COMPANY FINANCIAL DISCUSSION

Doug Kranwinkle, President of the Rose Bowl Operating Company, started off the discussion with a PowerPoint entitled, “ FY 2021 Fiscal Scenarios and Trends “ that outlined three scenarios for the recommended RBOC Fiscal Year (FY) 2021 budget.

Richard Schammel, Treasurer, continued the discussion, the budget was based on the first scenario where the FY 2021 Operating budget assumes events resume August 29th, 2020 (the first UCLA home game), and a negative fund balance of $1.4 million at year-end and planned cost reductions of $300 thousand. In scenario number two, the assumption is that college football begins in March of 2021, a College Semi-Finals Play-off game takes place in June 2021 and a planned cost reduction of $1.3 million. Lastly, scenario three assumes no major events, six-months of minor events and Flea Market, and planned cost reductions of $1.9 million. Scenario number three is the more likely for the RBOC; therefore, requiring the City to appropriate funds for the Fiscal Year 2021 in the amount of $11.5 million in order to make their first debt service payment that is due in August of 2020.

Councilmember McAustin inquired about a slide with details on making operating expenses even if the stadium is shut down and if the $2 million in reductions were from reductions in personnel or operating expenses. Mr. Schammel indicated the reductions were from both and that he would provide additional details in June. Councilmember McAustin stated that a better understanding is needed given the amount of revenue that is needed just to keep the lights on. Mayor Tornek echoed Councilmember McAustin's comment regarding the $7.8 million annual operating expense with the no events scenario and requested additional details. Councilmember Kennedy agreed $700 thousand a month to run the stadium is unsustainable, however the City of Pasadena is in it together, stated this is novel learning, and that it would be helpful if the RBOC provided in depth knowledge of what other facilities are doing to survive this economic downturn across the world to the committee and the Council. Mr. Schammel indicated the RBOC staff have done some queries of other facilities and the results can be provided at the next committee meeting. In addition Councilmember Kennedy recommended the RBOC staff to go bare bones, to which Mr. Schammel shared that the staff is already at bare bones and cautioned future deductions could have a negative impact as the stadium needs to be ready to put on events. Councilmember Kennedy also recommended for the RBOC to consider bringing in some youth to deal with the unprecedented circumstance, where unprecedented youth could help us get out of this unusual and unprecedented situation.

Councilmember Kennedy inquired about the bond indebtedness, and whether the RBOC has an equity line of credit that it can draw down from to time-to-time. Mr. Schammel, responded it does not. Councilmember Kennedy also inquired about what the RBOC is anticipating learning internally between now and June that they have not shared, which would move the needle toward being in the black. Mr. Schammel indicated they may have an indication from UCLA on what their intentions are for the stadium that would help the RBOC in moving forward with making some decisions and some short-term revenue items may come to pass. Councilmember Kennedy requested Mr. Schammel scrub anyway he could.

Councilmember Gordo reminded the committee, that as early as 2018 conversations Between the RBOC Board and the City Council had begun, regarding the future financial health of the RBOC. He asked Mr. Mermell and Mr. Hawkesworth to share insights based on meeting with the RBOC Board of how to move forward with RBOC's operations. Mr. Mermell does not favor a mothballed stadium and is aware the RBOC is

looking at paring down monthly cost of operations and is pursuing revenue opportunities. Mr. Hawkesworth acknowledged discussions of what the needs are in the short and long term, about a formal plan of the stadium operational cash, and how to fund the debt service so the RBOC can be sustainable moving forward. Councilmember Gordo also pointed out unlike like the Pasadena Operating Company (PCOC), the Rose Bowl puts up the upfront cost of events and cautioned about cutting out a year or two of events and that the reason conversations about the PCOC 's debt service are not in talks, is because their debt service is baked into the budget. Mr. Hawkesworth confirmed that due to the operational agreement with PCOC they get proportional share of the City's Transient Occupancy Tax (TOT) tax, an annual transfer of up to $10.5 million. Councilmember Gordo pointed out that at some point the City would need to look at where to find dollars to backfill that gap, because the City relies on TOT dollars to meet our obligation to PCOC that's the backstop. Mr. Hawkesworth responded that PCOC will face a shortfall next year and will need to rely on their reserves, which are enough to cover their debt service.

Mayor Tornek asked, whether the Flea Market was a permitted event in the County Health Order. Mr. Mermell responded it was. Mr. Dunn, Rose Bowl General Manager stated that after conversations with the Flea Market proprietor it was decided to wait 30 to 60 days to see how things are going before making a decision to open as the Flea markets generally brings in crowds of up to 16,000 and significant modifications would need to take place.

The consensus of the committee was for the RBOC to provide detailed information on the status of the operating capital in order for the City to prepare to make the RBOC's debt service payment for FY 2021. The committee asked that the item be returned to the City Council through the next Finance Committee slated for June 11, 2020 and to the City Council on June 15, 2020.

3. FY 2021 RECOMMENDED OPERATING BUDGET DISCUSSION

City Manager Steve Mermell, kicked off the discussion by reviewing the work plan that was outlined subsequent to bringing forward the operating budget to the City Council, which stated the Fiscal Year (FY) 2021 budget was lower than FY 2020 and recommended additional reductions identified late in the budget season to offset the impacts of the economic turn associated with COVID-19. He also advised future discussions should focus on avoiding spending more than what is generated to ensure the City has sufficient resources to invest in capital needs. In addition, Mr. Mermell stated that thanks to funds from Measure I, staff had recommended to appropriate $8.5 million in General Fund dollars to the City's Capital Improvement Program budget for the FY 2021. However, those funds have been reprogrammed to the Operating Budget to maintain City services in the event of a drop in revenue. Lastly, he stated the fully funded budget maintains essential services with no reduction in City staff by eliminating vacant positions that the City can do without, recommended adopting the FY 2021 budget as outlined on June 15, closely monitoring expenses and revenues, and meeting with the Committee and Council as appropriate, work methodically to identify cost reduction opportunities as operating deficits are likely to follow in future fiscal years.

Director of Finance, Matthew Hawkesworth continued the discussion by giving an overview of the General Fund Revenue Forecast for FY 2021, which includes revenues of $270 million, an additional $1.85 million in proposed General Fund reductions, and a projected loss of $13.8 million. He also pointed out the FY 2021 budget is balanced with a forecasted fund balance of $963,427. Mr. Hawkesworth steered the focus on the Sales Tax and Transient Occupancy Tax (TOT) details as they are both major revenue sources with significant losses from COVID-19 that will be ongoing and revealed the budget unlike other cities is not dependent on a single category, which is a real benefit to the City.

Mayor Tornek, wanted to bring attention to the fact that the discussion will lead to paying the RBOC debt service and inquired about the funds coming from reserves. Mr. Mermell recommends the RBOC debt service of $8 million comes from the City's General Fund's 5% Operating Reserve budget and the remaining $3.3 million come from another debt service reserve fund, later described by Mr. Hawkesworth as coming from the Pension Obligation Bonds (POB) fund for the Fire and Police Retirement System which were refunded in FY 2020, have existing cash available, and the City no longer needs to maintain a cash reserve.

Councilmember McAustin inquired about whether the proceeds from the sale of the Concord were going towards paying pension obligation bonds. Mr. Mermell responded that the closing of the sale of the concord would relieve the General Fund of making $3.3 million in supplemental contributions to the POB Fund in the current year and should fund the system at a higher ratio that no future supplemental contributions be necessary from the General Fund to the system.

Mayor Tornek, stated that he received suggestions by colleagues that the Finance Committee should begin discussions about across the board salary reductions, furloughs, or other standard emergency conversation and inquired about the City's ability to impose such reductions. Mr. Mermell responded that reductions are subject to the parameter of our contracts. Michele Bagneris, City Attorney, stated that in respect to represented groups the City would need to confer; however, there are a number of unrepresented employees, where the proposed salary reductions could be imposed. Councilmember Gordo pointed out the City of Los Angeles has negotiated a retirement incentive program and the Council should prepare to discuss similar possibilities.

Councilmember Gordo inquired about the projected $13 million loss being greater than the original amount projected and what has staff done to reassess. Mr. Hawkesworth indicated staff is constantly reassessing and the original number was $10.3 million and that today's number of $13.8 million, which includes an assumed additional loss of $500 thousand from the TOT category, is $3 million larger. Councilmember Gordo suggested creating a dashboard to track month-to month trends and showed concerns for the receipts of property taxes. Mr. Mermell agreed to provide a dashboard and Mr. Hawkesworth revealed the City consults with consultants for tax analysis and indicated he was confident property taxes will not take a hit.

Mayor Tornek suggested alerting the Council if they had specific questions about the budget to address them directly to Steve Mermell in lieu of meeting with departments

and if related to policy, that they get reported to the Council. He also committed to suggesting to the City Council to move ahead with the budget and proposed schedule for adoption on June 15.

4. AMENDMENTS TO FISCAL YEAR 2020 ADOPTED OPERATING BUDGET

It was recommended that the City Council authorize the City Manager to amend the Fiscal Year 2020 Adopted Budget as detailed in the proposed "Budget Amendments" agenda report. The proposed amendments are as follows; 1) California State Library Act (LSTA) Shared Vision Grant - appropriate $250,000 in the Library series fund (212), 2) Substance Abuse Prevention and Control- recognize revenue and appropriate $31,702 in the public Health Fund (203), and 3) Police Foundation Donation – recognize and appropriate $13,812 in the General Fund (101).

The Finance Committee approved forwarding this report to the full City Council.

5. AMENDMENTS TO FISCAL YEAR 2020 CAPITAL IMPROVEMENT PROGRAM BUDGET

Ara Maloyan, Director of Public Works, presented this report. Staff recommended that the City Council authorize the City Manager to amend Fiscal Year 2020 Capital Improvement Program Budget as detailed in Attachment A of the agenda report.

Councilmember Gordo was pleased with the proceeding of outreach on concepts with the community, that there is technology in place, and that people are engaged.

The Finance Committee approved forwarding this report to the full City Council.

D. INFORMATION ONLY

6. Capital Improvement Program FY 2020 Quarter Monitoring Report Activity Through March 31, 2020

The Committee acknowledged the report and will address any questions directly to Ara Maloyan, Director of Public Works.

7. Work Plan for Upcoming Finance Committee Meeting

Matthew Hawkesworth presented this report. It was recommended that in order to provide the Finance Committee and ultimately the City Council with the information necessary to make key decisions regarding the budget throughout the year, a work plan is necessary to ensure all key areas are reviewed. The work plan was developed based on conducting two meetings per month.

Mayor Tornek requested to leave room for budgeting revisions and updates. Mr. Hawkesworth agreed and presented the idea that the second meeting of each month would be reserved for the reviewing of the prior month's key assumptions and

revenues. He also agreed with Mr. Gordo's recommendation of a providing a dashboard on the timelines, which will shape some of the conversations.

The Finance Committee approved forwarding this report to the full City Council.

E. Approval of Minutes

- February 10, 2020
- February 24, 2020
- March 9, 2020
- March 23, 2020
- April 13, 2020
- April 27, 2020
- May 11, 2020
- May 25, 2020

The minutes were approved as submitted.

F. ADJOURN

With no further business to come before the committee, the meeting adjourned at 4:18 p.m.

/s/ Terry Tornek 6.11.20

Mayor Tornek Date
Chair, Finance Committee

ATTEST: 6/11/20

Gloria Acevedo, Date
Recording Secretary