Meeting Minutes
SPECIAL FINANCE COMMITTEE
Thursday, June 11, 2020 ▪ 2:00 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 2:06 p.m. with Mayor Tornek and Councilmembers Gordo, McAustin and Kennedy comprising the quorum.

Attendees:

Councilmembers	Staff	Guests	
Mayor Tornek, Chair	Steve Mermell	Doug Kranwinkle	RBOC
Victor Gordo (Arrived at 2:10 p.m.)	Julie Gutierrez	Richard Shammel	RBOC
John Kennedy	Michele Bagneris	Mo Salama	RBOC
Margaret McAustin	Matthew Hawkesworth	George Cunningham	RBOC
	Tim Park	Jens Weiden	RBOC
	Theresa Fuentes	Darryl Dunn	RBOC
	Arlene Gallardo	Phil Hawkey	RBOC
		Robert Lowe	Alliant

Recording Secretary: Gloria Acevedo

B. NEW BUSINESS

1. ROSE BOWL OPERATING COMPANY (RBOC) FINANCIAL REVIEW

a. Presentation by RBOC Regarding Overhead Costs

Darryl Dunn, General Manager, opened the presentation with a Power Point labeled "Rose Bowl Operating Company," he reminded the Committee that the Rose Bowl Operating Company (RBOC) up to FY 2021 had remained financially self-sufficient. Remarks were made by Phil Hawkey, RBOC Board Member regarding the early beginnings of the Rose Bowl Operating Company Richard Shammel, Treasurer, continued the presentation by giving a recap of the three scenarios the RBOC was contemplating and later announced that although, not final, there will be UCLA football in the fall. He continued to give an overview of the RBOC's operating expenses and provided details on proposed expense reductions related to the previously discussed third scenario where no major events were held, where full-time employees are reduced from 35 to 26, therefore reducing the payroll expense by $1.2 million compared to the FY 2020 budget, and implementing a 10% pay reduction for all non-hourly staff. The results would bring down the overall monthly operating expenses to $533,000.

Mayor Tornek inquired about the drop in employees from 35 to 26. Mr. Dunn explained that five employees have been identified to take the early retirement and should there be no events in FY 2021 then there would be an additional four more positions reduced. Mayor Tornek, asked when UCLA may have an answer in regards to the return of the football season. Mr. Dunn responded UCLA had committed to making their announcement within 30 days.

Mayor Tornek, inquired on the availability of an organizational chart and wondered what part of the operation will be impacted by the proposed reductions. Councilmember Kennedy echoed Mayor Tornek's inquiry and added it would be helpful to have the organizational chart with job descriptions readily available to provide to the public and to know in what areas are employees cross-trained. Mr. Kranwinkle, President, responded, that in some areas staff is cross trained and that the organizational chart will become available after the current modification to reflect the reduction in staffing by those taking the early retirement package.

b. Rose Bowl Operating Company Related Debt Service Payments

Steve Mermell, City Manager, started the discussion by indicating the City is aware the RBOC will likely not be able to pay debt service payment in FY 2021. Therefore, Staff recommended that the Finance Committee provide direction regarding the appropriation of funds for Fiscal Year (FY) 2021 to fund $11.5 million of Rose Bowl Operating Company (RBOC) related debt service payments. Funding would come from the $3.3 million (available from the refunded Pension Obligation Bonds for the Fire and Police Retirement System), which is already included in the FY 2021 Operating Budget and the remaining $8.2 million from the General Fund's 5% Operating Reserve.

Mayor Tornek inquired on whether the $11.5 million would cover the total FY 2021 debt service for RBOC. Mr. Mermell responded it would and that Council could appropriate a lower amount and transfer funds back to the City if the funds were not needed. Mayor Tornek requested clarification on whether future Legacy funds would cover future Capital Improvement projects. Mr. Schammel, responded they would.

Councilmember McAustin asked for clarification of the RBOC's total debt service. Matthew Hawkesworth, Director of Finance, responded the total debt service is $14.5 million, however the RBOC receives $3 million in subsidies from the IRS and interest earnings in escrow funds. He also explained, the Rose Bowl will most likely need additional operating capital to front the cash needed to put on large events, which is considered a short-term loan for of a 30, 60, or 90 day period and not an expense to anyone. Councilmember McAustin also inquired about where the authority to make the transfer would come from, she indicated the Finance Committee and the Council should be made aware of these short-term transactions. Mr. Hawkesworth responded he would work with Vic Erganian, the City Treasurer, to develop the terms as how it would work, such as the Finance Committee could set a limit of say $3-5 million, and commit to providing monthly updates.

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

2. AUTHORIZATION AND APPROVAL TO RENEW CITY OF PASADENA INSURANCE PROGRAM FOR FISCAL YEAR 2021

Michele Bagneris, City Attorney/City Prosecutor, introduced the agenda item and Arlene Gallardo, Risk & Insurance Administrator, gave an overview of the Fiscal Year 2021 premiums, which have an increased from $3.1 million to$ 4.7 million an overall increase of 50% over last year. Public entities in California have experienced significant losses due to COVID-19 and civil unrest. Additional factors contributing to the increase are hardened markets, social inflation, large entity vehicle settlements, City exposure, and change in total insured vehicles. In a hardened market, insureds are faced with higher premiums, cuts in capacity, and limited coverage terms. City exposures include the need to report liability cases reserved above 50% of the City's self-insured retention, cases were identified, and some properties had questionable values since they had not been appraised in some time given the previous broker offered limited property appraisal services. Moving forward, properties with a value of $5 million or more will be appraised every five-years; lastly, newly added vehicles were added that were previously not listed resulting in a substantial premium increase.

Councilmember McAustin requested an explanation on the 81% increase for the Power Plant. Mr. Robert Lowe, Vice President with Alliant Insurances Services, responded it was due to severe reduction in capacity in the overall Power Market and the lack of battery testing, insurance carriers view the lack of testing as an increased possibility of a loss occurring. Therefore the rates are charged based on what the exposure rate is at that time. Councilmember McAustin also inquired about how much of the increase in the premium was due to the failure to test. Mr. Lowe indicated it is 50% due to reduction in capacity and 50% to the risk profile. He also indicated the previous insurance carrier did not ask for this data and that PWP is aware now, and agreed that moving forward the department will conduct the testing on an annual basis. Councilmember McAustin requested staff provide information to the Municipal Service Commission on testing protocols of what should have been done and will be done moving forward.

Councilmember Gordo found the lack of testing troubling and requested the discussion with MSC to be shared with the Council. He also inquired if there was a breakdown of claims by class and department so that any trends could be addressed. Ms. Bagneris committed to providing the information to the Council. Ms. Gallardo indicated, that a request for proposal was issued for a new Risk Management System to better track data in real time and is in the final review phase slated for completion at the end of the month.

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

3. FY 2021 RECOMMENDED OPERATING BUDGET DISCUSSION

Matthew Hawkesworth, Director of Finance, provided a memo with a table that provided sales tax data comparison by industry group between FY 2019 actuals

thorough the FY 2022 forecast. He also discussed the addition of three additional items to the FY 2021 Operating Budget: the appropriation of $500,000 to fund youth support and training opportunities, the recognition and appropriation of $3,372,793 of the ESG-Cares funding given towards the homeless and at risk, the Housing Department is requesting funding go to add a limited term 1.0 FTE Program Coordination and lastly to recognize and appropriate $208,919 in grant funds to continue the Black Infant Health Program, which will maintain a grant funded limited term 1.0 FTE Program Coordinator and a 1.0 FTE Community Service Representative.

PUBLIC COMMENT – Recording Secretary Gloria Acevedo read aloud comments related to the Recommended Operating Budget, including advocating for youth support, training opportunities, and increase funding of the Rose Summer Program.
Jazmine, Pasadena Resident
Jazmin Jimenez, Pasadena resident
Gabriella Villegas, Pasadena resident
Giovani Cervantes Robles, Pasadena resident
Jennifer Jimenez, Pasadena resident

Councilmember McAustin inquired whether there would be some sort of report on how the $500,000 allocated to youth programs would be spent. Councilmember Kenney concurred with Councilmember McAustin and also requested that a condition be set that before the end of their tenure participants provide an exposition of the benefit of being in the program and it be shared with the Council. Councilmember Gordo agreed with Councilmembers McAustin and Kennedy and added that an outline should be presented on how the money is planning to be spent, reminded the committee that nonprofits do not charge overhead, and recommended staff reach out to the organization Partnership for Youth and Families for partnership opportunities.

Mayor Tornek acknowledge the FY 2021 Operating budget would need to be modified as conditions evolved, look at how to allocate resources in areas where the City was not willing or able to engage into that would need to come out of the Police Department Budget, and that people need to be aware that their suggestions are not being ignored instead the Council is trying to figure them out.

Councilmember McAustin shared that at a recent Arroyo Verdugo JPA meeting, it was announced that the Measure M fund had suffered tremendous losses that will affect many City Capital Improvement Projects and that moving forward the Council had to be careful on how funds are spent. Councilmember Gordo agreed that utilization of existing resources was important, that investing in youth and families and the networks that support them were equally important, and should be done so on an ongoing basis. Mr. Gordo also requested staff provide a dashboard to assist tracking the assumptions being made related to the budget on a real-time basis.

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

4. **JOINT ACTION: FISCAL YEAR 2020-2021 INVESTMENT POLICY AND INVESTMENT STRATEGY**

Matthew Hawkesworth, Director of Finance, provided a high level overview and pointed out there are no new amendments to the investment policy other than the previously approved ability for the City to purchase its own variable demand bonds.

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

C. INFORMATION ONLY

5. **QUARTERLY INVESTMENT REPORT – QUARTER ENDING MARCH 31, 2020**

Matthew Hawkesworth, Director of Finance, provided a PowerPoint summarizing the agenda item. He highlighted the Boeing investment was downgraded to a Baa2 rating, but was still safe to keep until its maturity in four-months. He also indicated Treasurer, Vic Erganian would continue to manage liquidity for the City, that all available callable bonds were called, pointed out that the opportunity to gain significantly in the portfolio is limited, and that the ability to earn 2% is dwindling.

The Committee acknowledged and filed the report.

6. **PREPAYMENT OF UNFUNDED ACCRUED LIABILITY FISCAL FOR YEAR 2021**

Mathew Hawkesworth, Director of Finance, presented the agenda item and recommended the Finance Committee move forward with the prepayment of the Fiscal Year 2021 Unfunded Accrued Liability. The prepayment will provide a savings to the City of approximately $1.4 Million.

Mayor Tornek inquired about the ability to pay more and if there is a benefit to doing so. Mr. Hawkesworth indicated that due to market volatility it was not recommend. Councilmember Gordo agreed with Mr. Hawkeswoth's recommendation.

The Committee acknowledged and filed the report.

D. Approval of Minutes

- May 28, 2020 Special Finance/Audit Meeting

The minutes were approved as submitted.

E. ADJOURN

With no further business to come before the committee, the meeting adjourned at 4:42 p.m.

/s/ Terry Tornek 6.25.20

Mayor Tornek Date
Chair, Finance Committee

Gloria Acevedo 6/25/20

ATTEST: Gloria Acevedo, Date
Recording Secretary