Special Meeting Minutes
FINANCE/AUDIT COMMITTEE
Thursday, September 10, 2020 ▪ 2:00 p.m.
Videoconference/Teleconference Council Chambers Room S249, Pasadena City Hall

A. CALL TO ORDER: The special meeting of the Finance/Audit Committee was called to order at 2:00 p.m. with Mayor Tornek and Councilmembers Gordo and Kennedy comprising the quorum.

Attendees (Absent as indicated):

Councilmembers	Staff	Guests
Mayor Tornek, Chair	Steve Mermell	James Hamill
Victor Gordo	Julie Gutierrez	Danny Kim
John Kennedy	Michele Bagneris	Edmund Soong
Margaret McAustin (Absent)	Matthew Hawkesworth	
	Ruthe Holden	
	John Perez	
	Rebecca Takahashi	
	Kimberly Siemen	
	Vic Erganian	
	Gurcharan Bawa	

Recording Secretary: Gloria Acevedo

B. APPROVAL OF MINUTES

- August 26, 2020 Special Meeting

The minutes were approved as submitted.

C. OLD BUSINESS

1. POLICE DISCUSSION FOLLOW UP ITEMS

Matthew Hawkesworth, Director of Finance provided a memo with the follow-up responses to questions posed during the August 26, 2020 Finance Committee meeting.

Councilmember Kennedy suggested revisiting either in a future Finance Committee, or in a Public Safety meeting whether the Police Department Budget is right-sized for the size of the City. The suggestion does not include reducing the budget, rather ensuring the resources are allocated appropriately.

Steve Mermell, City Manager added he and staff understand the nationwide conversations regarding the services being provided by police departments. Mr. Mermell and City staff are exploring conversations such as, are there areas in the department that could be served better by other sections or non-profits.

Mayor Tornek agreed the topic merited further discussion and committed to discussing it with the full City Council to make a determination as to how to appropriately move forward. Mayor Tornek also mentioned he is aware that the nationwide term defunding the Police Department has been rebranded to reorganizing the Police Department.

The Finance/Audit Committee acknowledged the report.

D. NEW BUSINESS

2. WATER REVENUE/REFUNDING OF BONDS-SERIES 2020A

Vie Erganian, Deputy Director/City Treasurer presented the agenda item, recommending the refinancing of the outstanding 2010A bonds and the borrowing of an additional up to $25 million in new bond proceeds to fund capital improvements project for the water system.

PUBLIC COMMENT – Recording Secretary, Gloria Acevedo read aloud a comment related to the Water Revenue/Refunding of Bonds – Series 2020A. The comment reminded the committee "the borrowing of up to $25 million in new proceeds to finance capital improvement project to the Water System with maturities from June 1, 2021 through June 1, 2050" – the 2002 Water Mater Plan expires this year without a succession plan.

Mayor Tornek requested clarification on when the interest will start on the new money, whether the timing made operational sense, and inquired about the start date for the Sunset Reservoir project. Mr. Erganian, responded the money is borrowed and then placed in a project fund where it is then invested, it does not collect the same interest as bond yields resulting in a negative arbitrage. Gurcharan Bawa, General Manager of Water & Power responded, not borrowing the money now would cause capital expenses to run into negative numbers in about two years and that the groundbreaking of the Sunset Reservoir project, which is the most expensive project is two-to-three years out.

Councilmember Gordo stated the projects were a negative arbitrage and asked if they had been factored in the City's forecast. Mr. Erganian responded that it depended on the short term rates in today's market, currently at a negative 2%. As rates increase the negative arbitrage decreases, therefore making it difficult to forecast, the results will be known after the rates are reviewed in the next five-to-six years.

Councilmember Kennedy asked if the proposed refinancing entitled the City to any tax exemptions. Mr. Erganian responded the Build America Bonds will no longer be a part of the refinance, therefore there are no tax exemptions available. Councilmember Kennedy requested the following items to be revisited by the appropriate committee: carcinogenic substances detected in the water system; interpretation of the Environmental Protection Agencies' reference to parts per billion and ten parts per trillion; the installation of smart electrical meters; the disincentives related to electric vehicles; a review of the codes regarding storage of water for fire sprinkler safety by mixed-use buildings and large wooden housing; the progress of the overhead power line project; and the need to redirect Water & Power's profits to its aging 1920's

infrastructure instead of backfilling the City's Budget. Mayor Tornek agreed to bring the topics to future Municipal Services Committee meetings.

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

3. COMMERCIAL PACE

Matthew Hawkesworth, Director of Finance presented the agenda item, recommending to allow the California Statewide Communities Development Authority to facilitate a Commercial PACE financing program within the City of Pasadena.

Mayor Tornek, inquired on the qualifications to be considered a small property, the participation rate from multi-family unit owners, and about the size of PACE's portfolio. James Hamill, California Statewide Communities Development Authority responded the program's minimum requirement is four units or a minimum amount of $100,000 for any improvements, the participation rate for multi-family projects is less than 5%, and PACE has completed 32,000 residential projects and 32 commercial projects.

Councilmember Gordo requested additional information on the residential PACE financial program be brought to the committee for further review. Mayor Tornek agreed as the delinquency rate on the 32,000 completed residential projects stood at less than 4%. Mr. Hawkesworth agreed to bring a report to the committee at a later date.

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

E. INFORMATION ONLY

4. INTERNAL AUDIT STATUS REPORT

Ruthe Holden, Internal Audit Manager, presented the agenda item as a follow-up to the June 20, 2020 Audit Committee meeting. An outline was presented indicating the completed reviews, the audits that were in process, the additional projects completed, the status of recommendations by ranking, and the internal quality assessments completed. A brief summary of the fraud hotline issues received and closed was presented along with a report on the creation of a new logo & infographic created to promote the fraud hotline.

Mayor Tornek inquired whether item one of the staff report's open audit recommendations table as of June 30, 2020 was a consolidation from the KPMG, LLP matrix. Ms. Holden indicated it was the recommendation to audit the payroll system, which was placed on hold until the payroll & time keeping updates were completed. The audit should be completed this year.

The Finance/Audit Committee acknowledged the report.

5. KEY PERFORMANCE INDICATORS

Mayor Tornek recommended rescheduling the agenda item.

6. QUARTERLY INVESTMENT REPORT FOR THE QUARTER ENDING JUNE 30, 2020

The Finance/Audit Committee acknowledged receiving the report.

F. ADJOURN

With no further business to come before the committee, the meeting adjourned at 3:05 p.m.

/s/ Terry Tornek 9/28.20

Mayor Tornek Date
Chair, Finance Committee

9/28/20

ATTEST: Gloria Acevedo, Date
Recording Secretary