

**City of South Pasadena Finance Committee
Minutes for Meeting of:
May 16, 2016, 6:30 p.m.**

Location: Burke Triolo Studio
538 Mission Street
South Pasadena, CA 91030

- I. Roll Call** Commissioner Adrian – Excused
Commissioner Burke – Present
Commissioner Catania – Excused
Commissioner Peters – Present
Commissioner Wood – Present
City Council Liaison Mahmud – Present
City Treasurer Pia – Present
Staff Liaison David Batt – Present
Asst. Finance Director Lieu – Present

II. Public Comment

None

III. Approval of Minutes of the January 12, 2016 Meeting

Approved 2-0 (Wood Abstained)

IV. New Business

- a. Election of Chair, Vice-Chair and Secretary

Commissioner Burke made a motion to hold this item over until a meeting when all five Commissioners are present.

Passed 3-0.

Continued.

- b. Establishment of Terms

Finance Director Batt explained that under the new ordinance, two Commissioners will have three-year terms and be eligible for one additional three-year term, two members would serve a two-year term, and be eligible for two additional three-year terms, and one member would serve a one-year term, and be eligible for two additional three-year terms. The consensus of the City Council was that the terms be assigned based on seniority on the Finance Committee. Therefore, Commissioners Peters and Wood would have initial terms of three years, and Commissioner Catania would have an initial term of two years. Since Commissioners Adrian and Burke were appointed on the same day, they could decide which one would have the one-year term and the other would have the remaining two-year term.

Commissioner Burke made a motion to accept the initial one-year term, and that Commissioners Adrian and Catania would have initial two-year terms, and that Commissioners Peters and Wood would have initial three-year terms

Passed 3-0.

Closed.

c. **Appointment to the Arroyo Seco Golf Course Subcommittee**

By consensus, the Commission appointed City Treasurer Gary Pia to serve on the Arroyo Seco Golf Course Subcommittee.

Closed.

d. **Appointment to the San Pascual Stables Subcommittee**

By consensus, the Commission appointed Commissioner Stephen Peters to serve on the San Pascual Stables Subcommittee.

Closed.

e. **Commission Projects for the Upcoming Year**

i. **Lighting and Landscape District Assessments**

Finance Director Batt said that Public Works Director Toor would like the Commission to discuss increases to the City's Lighting and Landscape District Assessments. These amounts have not been adjusted for around thirty years, and the District has been needing subsidies from the General Fund in order to operate. Director Toor is planning on bringing the issue to the City Council in July, so he is hoping that the Commission can schedule a meeting in late June or early July. He has hired a consultant to assist with the rate setting process, who will also attend the Commission meeting.

The Commission set a meeting date of June 22, 2016 to discuss this issue.

Continued.

ii. **General Liability and Workers' Compensation Insurance**

Finance Director Batt said that while General Liability costs have remained fairly stable over the last few years, workers compensation costs have increased enormously. When the City switched providers from CJPIA to CESAC, there were expected savings of around \$250,000 per year. However, in the second year of the three-year contract with CESAC, workers comp increased by around \$100,000, from \$775,000 to \$885,000, and for the upcoming fiscal year, the cost is increasing to \$1.1 million. The City Manager and staff met with our insurance brokers

to find out why this happened, and there are a number of factors that led to these changes. Workers comp costs have increased across the board for many agencies, and the costs of South Pasadena's prior claims have gone up in some cases by factors of 10 and 20 in the last three years. When these changes are put into the actuarial models, the result is a substantial increase in premium costs.

Finance Director Batt said he will ask Conor Boughey and Michael Simmons from Alliant Insurance Services to come out and talk to the Commission about these issues at a later meeting.

Continued.

iii. Business License Ordinance Revisions

Finance Director Batt said that the City's Business License ordinance is based on a very old model, and is very difficult to administer, since every license needs to be evaluated individually and that there are different criteria for different types of licenses, e.g. flat rate, gross receipts, number of full- and part-time employees, etc.. The ordinance language is also very ambiguous. For these reasons, he will be proposing a radical overhaul of the ordinance, changing it to a system that is based on gross receipts. A study will be conducted to determine the appropriate tax amounts.

Continued.

iv. Purchasing Ordinance Revisions

Finance Director Batt said that this is another example of an ordinance that hasn't really been looked at for decades, and that some of the provisions e.g. levels of purchasing authority, may no longer be appropriate.

Continued.

V. Continuing Business

a. Update on the Downtown Project

Finance Director Batt said that with ending of the Genton project, the City is now looking to transfer the remaining bond proceeds that are held by the Successor Agency to the City, so that they can be used for projects within the Downtown Project Area.

b. Update on Water Projects

Finance Director Batt said the Garfield Reservoir project was on track to be finished next year, and that it would use up the remainder of the bond proceeds. Regarding the Graves Reservoir, this is a \$10 million project, and the City has put together a package to the State for a low-interest loan.

However, the loan would not be approved unless the City could demonstrate that debt service requirements would be met, and that this would require a water rate increase.

Council Liaison Mahmud presented information regarding the issue of the MS 4 Storm Water Permit which will cost the City \$34 million to comply with. The Commission will schedule a meeting later to discuss this in more detail.

c. Update on Investments

City Treasurer Pia gave a presentation on the City's investments with Western Asset. From December 2014 through May 2015, the City has earned 1.67% on our portfolio, net of fees. Because the City's investment policy limits the type of investments we can have, this is actually a very good return, and that Western Asset is not leaving anything on the table with their management.

VI. Next Scheduled Meeting - TBD

The next scheduled meeting of the Finance Commission will be held on June 22, 2016. The consensus of the Commission was to hold regular meetings on the fourth Wednesday of even-numbered months.

VII. Commissioner Comments

Commissioner Burke asked about the current status of our relationship with Global Water. There was a brief discussion about possible future actions on the City's part to resolve ongoing issues.

Council Liaison Mahmud and Commissioner Wood expressed concerns with the amount of money being placed into designated reserves.

VIII. Adjournment

The meeting was adjourned at 9:00 p.m.