



## MINUTES FINANCE COMMISSION

Wednesday, October 27, 2021 - 5:00 P.M.  
City of Huntington Beach  
Zoom Webinar  
Civic Center – Lower Level Conference Room B-8  
2000 Main Street  
Huntington Beach, CA 92648

For the audio recording of the October 27, 2021 Finance Commission Meeting, please visit the City's website at: <https://huntingtonbeach.legistar.com/Calendar.aspx>\*

*\*Due to technical difficulties, the audio from :33 to 31:53 is not available*

Chair Stephanie Gledhill called the meeting to order at 5:07 p.m. and led the Pledge of Allegiance.

MEMBERS PRESENT: Stephanie Gledhill, Chair  
Frank Lo Grasso, Commissioner  
Robert Sternberg, Commissioner  
Jamie Craver, Commissioner  
Janet Michels, Commissioner  
Tony Strickland, Commissioner

MEMBERS ABSENT: Lawrence Owen, Commissioner

STAFF PRESENT Dahle Bulosan, Chief Financial Officer  
Sunny Rief, Assistant Chief Financial Officer  
Linda Wine, Administrative Assistant  
Thuy Vi, Administrative Aide, Finance

**ORAL COMMUNICATIONS** None.

### **INTRODUCTION OF NEW COMMISSIONERS**

Chair Stephanie Gledhill introduced newly appointed Finance Commissioners Janet Michels and Tony Strickland.

### **ELECTION OF VICE CHAIR**

**Motion: Moved by Chair Gledhill and seconded by Jamie Craver to nominate Robert Sternberg as Commission Vice-Chair**

Ayes: Gledhill; Lo Grasso; Sternberg, Craver, Michels, Strickland

Noes: None

Absent: Owen

**Approved: 6-0-1 (Owen-Absent)**

## **MINUTES**

Commissioner Frank Lo Grasso requested correction of the September 28, 2021 draft Minutes, and that questions asked and answered during meeting presentations be added to meeting minutes. Discussion ensued regarding the detail of meeting minutes. The Commission agreed that the link for the audio recording should be added to the meeting minutes.

**Motion: Moved by Lo Grasso and seconded by Jamie Craver to add the questions asked and answered, and a link to the audio recording to the Finance Commission Meeting Minutes.**

Ayes: Gledhill; Lo Grasso; Sternberg, Craver, Michels, Strickland  
Noes: None  
Absent: Owen  
**Approved: 6-0-1 (Owen-Absent)**

### **DISCUSSION ITEMS AND POTENTIAL RECOMMENDATIONS**

#### **Investments, Debt and Refinancing Opportunities**

Chief Financial Officer Dahle Bulosan gave a presentation on the City's Investments, Debt and Refinancing Opportunities.

Bulosan provided an update on the City's investments. He stated that the City's elected City Treasurer, Alisa Backstrom, manages the investment of all City funds with the oversight of the Investment Advisory Committee. Bulosan indicated that the primary goals of the City's Investment Policy are: Safety – no principal losses; Liquidity - sufficient funds for operating needs; Prudently managed – no compliance issues; Reasonable rate of return within policy and legal parameters.

Bulosan stated the City's policy is to invest in: no stocks; "A" rated bonds and higher; 5 year max term; US treasuries; Local Agency Investment Fund (LAIF) and the OC Investment Pool. He stated that the the Total Portfolio Value as of 6/30/2021 is \$309.7 million, with Portfolio Earnings in FY20/21 of \$3.4 million, and an Effective Rate of Return for FY20/21 of 1.41%.

Bulosan provided an Economic and Market Overview, noting the continued historically low U.S. Treasury rates. He listed the City's investments by type as of June 30, 2021, which include: 37% Federal Agency Issues; 21% OC Investment Pool; 15% Corporate Bonds; 13% Local Agency Fund (LAIF); 10% Medium Term Notes; and 4% Treasury Securities.

Craver asked and Bulosan confirmed that the funds invested are typically conservative and in line with other cities. Craver asked if the Treasurer monitors 100% compliance. Bulosan stated that the City Treasurer monitors compliance and posts monthly reports on the Treasurer's page of the City's website.

(31:54) Bulosan provided detail on the City's recent success in lower borrowing costs. He stated that City staff continually monitors for opportunities to lower the City's borrowing costs. In

FY2020/21, the City reaffirmed its AAA Fitch Rating due to the City's strong financial position and prudent fiscal management. Bulosan noted that a higher Fitch rating provides the City with lower borrowing costs. In August 2020, the City refinanced two bonds (2010 & 2011 LRB) to realize \$6.7 million in savings. Rates were lowered from 3.31%-4.13% to 1.08%-1.361%, respectively. On March 1, 2021, the City Council approved to refinance 85% of our pre-existing pension debt at a historically low interest rate of 2.925% from 7% to save \$166.7 million during the next 24-year period. Sternberg noted that the City Council chose to refinance 85% versus 100% of the pension debt. Bulosan stated that the decision by the Council was a good idea, and that the City would have been superfunded with refinancing at 100%.

Bulosan stated that in June 2021, all capital equipment leases were refinanced to a low 1.249% from rates between 1.7% and 2.2% saving \$43,000. Sternberg asked for the timeframe of the savings. Assistant Chief Financial Officer Sunny Rief stated that the savings is over a period of seven years. Lo Grasso asked if there were refinancing costs. Bulosan stated that the costs are factored into the refinancing amount.

Sternberg asked about additional equipment for Police and Fire. Bulosan stated that capital purchases are reviewed, and if the purchases are small amounts, the City will pay from that year's budget versus extending the payment over time. Bulosan noted that the borrowing market has been good, and the City is looking to acquire helicopters and a fire truck. Rief stated that the City has received grant money for purchase of body worn cameras and federal funding to acquire police vehicles.

Bulosan reviewed how municipal bond refinancing works. He stated that municipal governments have a unique opportunity to utilize low cost tax-exempt bonds to borrow funds to meet long-term capital needs. Cities can refinance (refund) higher cost debt with lower cost debt similar to refinancing your home mortgage, but there are differences. The federal government instituted rules for municipal bond refinancing to prevent municipalities from taking advantage of arbitrage opportunities. He noted that typically, bonds have a 10-year call option and can be refunded within 90 days of the call date to maintain the bonds' tax-exempt status. Bonds can be advance refunded before the 10-year call option, but the bonds are taxable and will have a higher rate than a tax-exempt bond. A tax-exempt bond can only be advance refunded once. He stated that the City works with a Financial Advisor to help monitor refinancing opportunities. Sternberg asked if the cost to refinance is considered along with refinancing rates. Bulosan said that transaction costs are also considered.

Bulosan stated that the City is looking at the City's Lease Revenue Bonds, that 2014 Series A are callable on 9/1/2024 and may be advance refunded on a taxable basis. He noted that the terms "refinancing" and "refunding" can be used interchangeably. A preliminary refunding analysis does not generate any significant savings to recommend proceeding (current rate 3.024%, taxable advance refi rate 2.1%). Bulosan stated that typically, a 5% net present value (PV) savings is preferred for advance refundings. The 2014 Lease Revenue Bonds may only be refunded tax-exempt 90 days before the 9/1/2024 call date – 6/3/2024 is the earliest date. A preliminary tax-exempt refunding analysis indicates approximately \$740,000 net PV savings or 7.5% of the refunded bonds (tax-exempt refi rate 1.4%).

Bulosan stated that the recommended action to the Finance Commission is to direct staff to continue to monitor refinancing opportunities, and also to direct staff to refinance the 2014 Lease Revenue Bonds when the PV savings of refinancing is approximately 5%. Sternberg asked if the 5% included the fees. Bulosan stated that fees are included, a net 5%, or one-half million dollars.

Lo Grasso asked for the bond terms, and if they have to be voted on. Bulosan stated that bonds can range between 20 to 30 years, standard terms. He stated that lease revenue bonds are approved by the City Council. General obligation bonds that are not secured by leases or buildings would go to the public for vote, and we currently do not have those type of bonds.

**Motion: Moved by Chair Gledhill and seconded by Tony Strickland to direct staff to continue to monitor refinancing opportunities, and to direct staff to refinance the 2014 Lease Revenue Bonds when the net present value savings of refinancing is approximately 5%.**

Ayes: Gledhill; Lo Grasso; Sternberg, Craver, Michels, Strickland

Noes: None

Absent: Owen

**Approved: 6-0-1 (Owen-Absent)**

#### Boards, Commissions & Committees Review and Reconfiguration

(41:29) Bulosan gave a presentation on the Boards, Commissions & Committees (BCC) Review and Reconfiguration. He stated that the City Council created a subcommittee to review the boards and commissions citywide. He provided background noting that the City has over 41 different boards and commissions that include: 11 separate City Council Committees / Boards; 23 separate Citizen Boards / Commissions; 7 separate Ad Hoc City Council Committees. There are dozens of outside agency groups on which the City Council and/or staff serve.

Bulosan stated that the City Council directed that staff coordinate a comprehensive review of current City BCC. Over time, the purpose and roles of some BCC have shifted without corresponding updates to authorizing documents. Additionally, some BCCs have been inactive for more than a year, while others are in need of updates given revised City practices.

Bulosan shared the current BCC structure, and noted the three BCCs that had a financial focus: Citizen Participation Board; Finance Commission; and Investment Advisory Board. The ad-hoc City Council committee formed to assess BCC structure.

He stated that as part of the 2021 Strategic Planning and Policy Priority document, staff was directed to work with City Council to develop recommended updates. The goals of the review included streamlining / modernizing the City's system of advisory boards while maximizing civic engagement opportunities for the public, and to ensure the most efficient use of City Council, Board/Commission, and staff time and resources so that we better serve HB community collectively. An Ad-hoc Committee of three City Council Members was formed on March 15, 2021 and met six times. Based on Committee feedback, staff reviewed the HBMC and other formation documents, and also met with affected departments to gather input. Through those efforts, a list of recommended adjustments was finalized for full City Council consideration.

Bulosan indicated that the Committee recommendations were dissolution, consolidation and reformation of certain boards, committees and commissions. With regard to the Finance Commission, the recommendations were to reform by updating the structure, to amend HBMC Chapter 2.109 via ordinance, maintain commission makeup of seven individuals each appointed by a member of the City Council, preferably with a finance / budget background; reduce standing meeting frequency from monthly to every other month (six times per year) as follows:

- *January* – Mid Year Budget Review & Budget Kickoff
- *March* – Year End Audit, Single Audit, and New GASB Standards Review
- *May* – CIP & Infrastructure Calculation Review
- *July* – Adopted Budget Review
- *September* – Investment Update & Debt and Refinancing Opportunities
- *November / December* – Year-End Review and Celebration

For the vacant months, additional items may be added for review by the City Council, or by Finance Commission request with the approval of the City Council.

Lo Grasso asked if the Commission would be able to provide input and dialogue on any of the discussion items, and whether they would receive presentations in advance of the meeting in order to be prepared with questions. Sternberg asked if the Commission would have time to give input on items prior to Council voting on an item. Sternberg and Craver suggested that the presentations be sent to the Commission one week before the meeting date. Bulosan stated that the Commission members can individually call or email him if they have any questions or concerns, and that he would do his best to provide the Commission with the presentations one week before the meeting.

Craver asked when the Commission would meet to discuss the DBFOM project. Michels suggested that for scheduling purposes, the Commission hold open the off month meeting dates for any follow up or new topic discussions.

Bulosan reviewed the major highlights of the BCC review, noting that the total number of BCCs were reduced from 41 to 35, and the Boards/Commissions with Individual Appointments were reduced from 7 to 6. He stated that the subcommittee reviewed and noted that the BCC should comport with HBMC Chapter 2.100 related to operating policies for boards and commissions which include: No one may serve more than 1 group at a time; Terms are 4 years, unless otherwise specified; Majority of terms shall end in odd-numbered years; Individuals are limited to 2 consecutive terms on any one board; if a person was a member for more than 2 years of someone else's term, that counts as 1 complete term; A person who has served 2 consecutive terms is re-eligible to apply after 30 days; PT/FT employees may not serve, unless otherwise specified; Members shall serve until their respective successors are appointed and qualified; Members will automatically vacate upon a 5<sup>th</sup> unexcused absence during a calendar year or 3+ consecutive, unexcused absences during their term

Bulosan stated that on October 19, 2021, the City Council approved the Ad-hoc Committee's recommended adjustments with the following changes: revise Environmental Board title to Environmental and Sustainability Board; Disability Advisory Committee to be formed as a stand-alone committee; return to Council in one year with a status report. Council directed staff to:

develop the appropriate Resolution(s), Ordinance(s), and / or documents / reports necessary to: implement City Council directed adjustments; City Council Liaisons and staff to review and enforce service terms for all citizen appointees; plan an appropriate event annually to recognize citizen appointees who will be retiring for their contribution and provide continued trainings.

Michels asked if there was a deadline to complete the required training. Bulosan stated that there was no deadline, and encouraged the Commissioners to complete the training in the near future.

Bulosan reviewed the Committee Task List (CTL) that the Finance Commission approved on March 24, 2021, and sent to the City Council for review. He noted that the Commission had put together a format to bring items for Council approval before discussing the items at a meeting. The CTL process sought to codify the following procedures related to Finance Commission discussion items: 1) Chair would be in contact with City Manager to gather topics of interest and submit to FC for consideration; 2) submit CTL for Council Consideration, semi-annually or as deemed necessary; 3) proposal list would be limited to 5 items with no subcategories; 4) submission guidelines – 1 title sentence with 1 paragraph with no more than 500 words.

Bulosan stated with the Council approved recommendations by the subcommittee, adjustments will be applied to the CTL to align with the new procedures. If any Commissioner would like to add a discussion item to the Finance Commission agenda, the following CTL process would be engaged:

1. Any Commissioner can submit to the City Manager and / or CFO a topic for full Finance Commission consideration
2. Upon receiving the request, the City Manager and / or CFO will place that discussion topic item on the next available Finance Commission agenda for consideration
3. If a majority of the Commissioners vote affirmatively to consider the matter, the item will be identified as a formal CTL discussion topic request
4. Upon approval of the CTL discussion topic request by the Finance Commission, the City Manager shall agendaize matter for consideration by the full City Council at their next available meeting
5. If the CTL discussion topic request is approved by the City Council, the matter will then be referred to the Finance Commission for formal review

Sternberg confirmed that if the City Council wanted the Commission to review an item, it would be on the next agenda.

### **COMMISSIONER COMMENTS**

(1:02:54) Commissioner Janet Michels stated that in reviewing the Finance Commission meeting minutes to understand the Commission's common topics, she noticed that the topic of Joint Powers Authorities (JPAs) generated confusion and wanted to find out where she could obtain more education. Bulosan stated that he could facilitate training and provide resources for the Commission.

### **COMMISSIONER ITEMS**

None.

**ADJOURNMENT**

(1:04:47) Chair Gledhill adjourned the meeting at 6:07 p.m.

Submitted by:

Dahle Bulosan, Chief Financial Officer

By: Linda Wine, Administrative Assistant  
Thuy Vi, Administrative Aide, Finance