



COUNCIL BUDGET & FINANCE COMMITTEE MEETING
Meeting Minutes of October 20, 2021

Call to Order: 5:03 p.m.

Members Present: Mayor Barbara Halliday, Councilmember Aisha Wahab,
 Councilmember Sara Lamnin

Members Absent: None

Staff: Kelly McAdoo, Dustin Claussen, Nicole Gonzales, Nicholas Mullins,
 Rick Rivera, Crissy Mello, Nick Tabari

Guests: Monique Spyke, PFM
 Vikki Rodriguez, Maze & Associates
 Dan Matusiewicz, GovInvest, Inc.

Public Comments: None

1. Approval of Meeting Minutes from September 15, 2021

At the direction of Councilmember Lamnin, the fourth major bullet point under Agenda Item 3, Overview of East Bay Community Foundation, will be changed to read:

“Councilmember Lamnin was supportive in providing the remaining COVID-19 Relief funds to the South Hayward Parish to support existing programs as well as healthcare needs identified last year related to the winter shelter.”

Action: Motions were made by Councilmember Lamnin to approve the minutes of September 15, 2021, with a correction. Motions were seconded by Councilmember Wahab and passed with unanimous approval.

2. Investment Portfolio Review and FY 2022 Statement of Investment Policy Update

- Director Claussen introduced Monique Spyke, Managing Director for PFM and provided a brief history and overview of PFM’s relationship with the City.

- Ms. Spyke informed the Committee that there had been no changes to the California Government Code that necessitated changes to the City's Investment Policy.
- Ms. Spyke presented the Committee with an overview of the investment market and its effects on the City's investment portfolio.
 - The COVID-19 pandemic continues to be the major influence on the economy, keeping bond prices high and yields low.
 - PFM continues to actively manage the City's investments and seek greater yield opportunities within the bounds set by the investment policy.
 - The City's investment portfolio continues to primarily be securities with 1-to-3-year maturities, with investments in longer maturities to offset the difficult market.
 - Income continues to be strong, but a slight decline is expected this year compared to prior fiscal years. The City's yields continue to trend slightly above market.
- In response to a question from Councilmember Lamnin, Director Claussen discussed the potential for using investment income to pay unfunded liabilities. Investment income is currently reinvested into the actively managed portfolio.

Action: The Committee received the presentation and provided feedback.

3. FY 2021 Annual Audit Process (Oral Presentation)

- Director Claussen introduced Vikki Rodriguez, Partner with Maze & Associates. Maze & Associates is the independent auditor for the City.
- Ms. Rodriguez provided the Committee with an overview of the FY 2021 Annual Audit Process.
 - The Auditor is responsible for providing an opinion on whether the City's financial statements are fairly stated.
 - The Auditor develops and provides a materiality threshold benchmark for reasonable assurance that it did not detect any material misstatements.
 - The Auditor reviews the City's financial activities, fiscal controls, transactions, balances, and compliance with regulations and grant terms.
 - The Auditor performed sampling in June 2021 and completed all fieldwork in late Summer. They expect to issue the Audit Report in December and complete the audit shortly thereafter.
 - Prior to the report, the Auditor requires an information disclosure letter.
- Ms. Rodriguez asked the Committee fraud disclosure questions as part of the annual audit process. The Committee did not have affirmative answers to any of the disclosure questions.

Action: The Committee received the presentation and answered the Auditor's fraud disclosure questions.

4. CalPERS Update

- Director Claussen introduced Dan Matusiewicz, Senior Public Finance Consultant for GovInvest, Inc. The City has contracted GovInvest, Inc to develop and provided expert support for pension and OPEB modeling software.
- Mr. Matusiewicz provided the Committee with an overview of the current CalPERS landscape.
 - The presentation began with a review of pension basics, including defined benefit programs, prefunding, and investment earning sensitivity.
 - The current state of CalPERS is due to changes implemented in 2012 as part of the PEPRA legislation.
 - CalPERS' risk mitigation policy dictates that surplus in higher return years be used to reduce risk in the investment portfolio. Current economic trends have resulted in lower-risk securities providing low-to-no returns.
 - The CalPERS Board is currently discussing lowering to the current discount rate of 7%. A lower discount rate would reduce the City's funded status. The expected new discount rate will be established after the Board's meetings in November.
- As a next step, Mr. Matusiewicz advised that the CalPERS Board meetings include an opportunity for comments advocating on behalf of the City and its bargaining groups.
- City Manager McAdoo proposed preparing advocacy talking points for members of the Committee and City bargaining groups who wish to testify at the CalPERS Board meetings.

Action: The Committee received the presentation and provided feedback.

5. Future Agenda Items

- The Committee reviewed the FY 2022 Meeting Schedule
- Director Claussen informed the Committee that the next session will include an update on Public Banking.

Action: Councilmember Lamnin requested further discussion of a parcel tax in February to coincide with the Mid-Year Budget process. Councilmember Wahab requested that the Public Banking discussion include a comparison with credit unions and conventional banks. Mayor Halliday requested further discussion of the Hayward Foundation, specifically the East Bay Community Foundation's process for providing acknowledgement letters and tax documents.

Committee Members/Staff Announcements:

None

Adjournment: The meeting was adjourned at 6:48 p.m.