



Legislation Details (With Text)

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Enactment date: **Enactment #:**

Title: ACCEPT: Finance Committee Meeting Highlights of December 2, 2011

COMMITTEE RECOMMENDATION: Schedule authorization of sale of pension obligation bonds to refinance outstanding Side Fund obligations of the City to the California Public Employees Retirement System (CalPERS) (listed as Action Item 10.B.)

COMMITTEE RECOMMENDATION: Schedule authorization of inter-fund loan of \$6 million to pay down CalPERS Public Safety Side Fund (listed as Action Item 10.C.)

Sponsors: James O'Leary

Indexes:

Code sections:

Attachments: 1. 12022011Finance Committee-, 2. FC Memo Re Legal Fees and Self-Insurance, 3. Legal Fee Attachments 1-4, 4. Legal Fee Attachment 5 SanLeandro_SIR_Council Agenda, 5. FC Memo Re Authorizing Sale POB Side Fund, 6. Side Fund Resolution 12-2-11, 7. Indenture of Trust, 8. San Leandro POB POS (Fin Comm 11 29 11), 9. Bond Purchase Agreement, 10. FC Memo Re \$6 Million Inter-Fund Loan from WPCP, 11. Resolution WPCP Inter-Fund \$6 Million Loan, 12. December 2, 2011 FC Sign-in Sheet

Date	Ver.	Action By	Action	Result
12/19/2011	1	City Council	Accepted as Submitted	Pass

Finance Committee Meeting Highlights of December 2, 2011

CITY OF SAN LEANDRO CITY COUNCIL FINANCE COMMITTEE

December 2, 2011
8:15 a.m. - 9:45 a.m.
San Leandro City Hall
835 East 14th Street
San Leandro, California
(Sister Cities Gallery)

HIGHLIGHTS

Committee Members: Mayor Cassidy, Councilmember Gregory, Councilmember Souza

City Staff Present: Interim City Manager Marshall, City Attorney Williams, Interim Finance Director O'Leary, Deputy Finance Director Rodriguez, Budget & Compliance Manager Perini, Administrative Assistant III Perez

Public Present: Robert Larkin

The meeting was called to order at 8:15 a.m.

1. Discussion on Legal Fees and Claim Settlement/Judgments Budget and Expenditures

- **2011-12 Budget, Legal Fees and Claim Settlements/Judgments**
- **Legal Fee Budget and Expenditures 2008-09 thru 2010-11**
- **Liability and Workers' Compensation Claims Costs and Settlements 2008-09 thru 2010-11**
- **Review of \$1 million Liability Self-Insured Retention**

Interim Finance Director O'Leary presented five attachments to the Finance Committee for the discussion on legal fees.

Attachment 1- 2011-12 Budget, Legal and Claim Settlements/Judgments, reflected City Council Adopted Budget, as amended. Mr. O'Leary explained to the Committee that the amended budget to the Legal Fee line item reflects the increase to the City Attorney's retainer that was erroneously left out during the budget process as well as the consolidation of General Fund appropriations that were previously separated; this includes line items in the Human Resources, Police Administration, and Red Light budgets. Staff has amended the way legal fees are shown in the budget so that it is clear how much is being spent on legal fees and how much is paid in Settlements/Judgments.

Attachment 2 - Legal Fee Budgets and Expenditures, compares the legal fee budget and expenditures from 2008-09 through 2010-11 and showed how the expenditures within Settlements/Judgments included legal fees for both liability and workers compensation. Beginning in 2011-12, legal fees will be charged to a separate line item.

Attachment 3 - Self Insurance Claim Settlements/Judgments, compares the budget and expenditures for Workers' Compensation, Unemployment, and General Liability and Fire Settlements/Judgments for 2008-09 through 2010-11. Mayor Cassidy commented on how the budgets have decreased over the years but the expenditures have increased. Interim City Manager Marshall stated that this coming fiscal year, staff will look into increasing the budget. Expenses have increased primarily due to lawsuits within the Police Department. City Attorney Williams explained that a lawsuit does not incur expenses in the year that it is filed but perhaps 2 or 3 years in the future.

Attachment 4 - Summary of Liability Claims by Type, provided a summary of claims by type from 2003-04 through 2010-11. The type of claims included Trip and Falls, Sewer and Water, Police, Streets, Parks and Pools, and other. Other claims are related to parking garage and operations, labor practices, and contract issues.

Attachment 5 - AON Report on \$1 Million Liability Self-Insured Retention Analysis, Mr. O'Leary presented the analysis AON has completed as requested by the City to evaluate if the \$1 million Self-Insurance Retention (SIR) is adequate, as well as to provide some financial benchmarks to evaluate its fund balance. According to the analysis, the current SIR, historically, has saved the City money. Mayor Cassidy inquired about lowering the SIR to \$500,000. Mr. O'Leary stated that the SIR can be lowered to \$500,000; however, the premium would increase \$30,000 annually. Mayor Cassidy asked

staff to inquire about reducing from \$1 million to \$500,000 for the remainder of the fiscal year. If this is possible, Mayor Cassidy stated that staff can bring this action directly to the City Council, and it does not have to come back to the Finance Committee. Staff will inquire with our risk pool, California Joint Powers Risk Management Authority (CJPRMA).

Mayor Cassidy would like to see how much has been spent in legal fees and would like an analysis if the Settlements/Judgments budget should be increased for this year. Ms. Marshall stated that staff will be analyzing the budgets and will bring to Finance Committee with the Mid-Year Adjustments.

Mayor Cassidy inquired about the future of the Finance Committee. Ms. Marshall stated the Department Heads will be making recommendations for Council consideration regarding the various committees in January at the City Council retreat.

2. Continued Discussion Regarding Plan for Refinancing CalPERS Public Safety Retirement Plan Side Fund

- **Draft Resolution Authorizing the Sale of Pension Obligation Bonds to Refinance Outstanding Side Obligations**
- **Resolution Authorizing Inter-Fund Loan and Appropriation of \$6 Million to Pay Down CalPERS Public Safety Side Fund**

Interim City Manager Marshall introduced two reports for the Refinancing of CalPERS Public Safety Retirement Side Plan. Mr. O'Leary updated the Finance Committee on the process of the refinancing. The courts have approved the first step in the sale of the bonds and staff anticipates the validation process to be complete by the beginning of January 2012. Mr. Robert Larkin of Morgan, Keegan & Company, Underwriters for the refinancing, also spoke to the Finance Committee and stated that although interest rates have gone up, they are still attractive.

Mayor Cassidy asked staff to brief the Committee in a future meeting on the other debts and their rates.

Recommendation to City Council

Finance Committee recommends going to Council with the Resolution Authorizing the Sale of the Pension Obligation Bonds to Refinance the Outstanding Side Obligations as well as the Resolution Authorizing Inter-Fund Loan and Appropriation of \$6 million to Pay Down CalPERS Public Safety Side Fund.

3. Continued Discussion Regarding Budget Development for 2012-13 City Budget

Mr. O'Leary informed the Finance Committee that the 2012-13 budget process was officially kicked-off on December 1, 2011. Departments have been instructed to "hold the line" in preparing the 2012-13 budget.

4. Public Comments

None

5. Committee Member Comments

None

6. Adjourn

The meeting was adjourned at 9:35 a.m.