

WEST COVINA CITY COUNCIL ELECTION 2020

*Elected and Appointed*ELECTED OFFICIAL POSITIONS ON SELECTED ISSUES ¹

Item: Financial - Pension Obligation Bonds (POBs)

2019 & 2020

Compiled by Jerri Potras, September 2020

City councils act as the policy and legislative branch of local government. Accordingly, their votes on actions that come before the city council reflect their positions on an issue. This sheet shows elected official votes on selected issues of concern to residents.

City Treasurer Role: The duties of the West Covina City Treasurer are limited and prescribed by ordinance.² The City Treasurer does not vote on actions that come before the city council but does occasionally comment in support or opposition for an item under consideration. The City Treasurer is an voting member of the Finance & Audit Committee. The City Treasurer's public comments, when made, are shown under the city council vote section.

Elected officials running for City Council in the upcoming election are shown in brown.

Meeting Date	Action Under Consideration	Councilmember Votes				
		Dario Castellanos	Lloyd Johnson	Letty Lopez-Viado	Jessica Shewmaker	Tony Wu
Pension Obligation Bonds (POBs) ³						
February 4, 2020	Issue Pension Obligation Bonds through Superior Court <i>No collateral required.</i> ^{4, 5}	Aye	Aye	Aye	No	Aye
July 7, 2020	Issue Lease Revenue Bonds for pension obligations. <i>Collateral required.</i> ⁴	Aye	Aye	Aye	No	Aye
City Treasurer Colleen Rozatti	Approved City Council Meeting Minutes show Rozatti spoke on Oral Communications at the July 7, 2020 meeting. <i>Meeting video comment summary:</i> Rozatti reviewed the "Investment Report" prepared by staff. Her remarks did not include or address pension obligation bonds.					
Related Issue: Fiscal Impact	Stated Goal: "Achieve fiscal sustainability and financial stability. The City will align projected revenues/ projected expenditures and adopt best management practices" (from meeting presentations). ^{6, 7}					

Notes:

¹ The data in this chart was compiled using Approved Regular and Special City Council Meeting Minutes posted on the City Clerk's page of West Covina website as of September 22, 2020.

² West Covina Ordinance No. 2298 Section 2-171: The duties of the office of City Treasurer shall be the following: to review and present monthly investment reports; to participate in investment strategy discussions; to participate in the development of the Investment Policy; to serve as a member of the Audit Committee, and to perform other duties at the discretion of the City Council. Any duties or responsibilities not specifically delegated to the City Treasurer are the responsibility of the Chief Finance Officer.

³ October 23, 2019 Finance & Audit Committee Special Meeting: The City Manager arranged for Hilltop Securities to make a presentation on pension obligation bonds (POB). Committee Members Jim Grivich and **Colleen Rozatti** requested a comparison of specific costs estimates between PERS payments in amortization tables format. The City Manager did not provide specific cost estimates to the Finance & Audit Comparison. Instead he provided a vague graph to the City Council at their February 4, 2020 (POB) and July 7, 2020 (LRB) council meetings that purported to show that an unknown amount of money would be saved.

⁴ The City Manager and website use the terms POB and LRB interchangeably. There are legal differences between the two. During the meeting presentations, the bonds were defined as follows:

- **Pension Obligation Bond (POB):** A bond issued by a municipality from which the proceeds are used to reduce the accrued unfunded liabilities of its pension system (in this case, CalPERS).
- **Lease Revenue Bond (LRB):** Lease revenue bonds require a leased asset, in this case a portion of City streets will be pledged as the leased assets.

There has been no explanation regarding why the city changed from Pension Obligation Bonds to Lease Revenue Bonds.

⁵ At the February 4, 2020 Council Meeting, the City Manager mentioned the POB was discussed with the Finance & Audit Committee. He did not say the Committee requested additional information and did not vote or take a position on this issue.

⁶ The City Manager and Mayor **Tony Wu** discussed and emphasized POBs as a refinance similar to a home mortgage, e.g., lower the interest rate the city is paying. When Mayor **Wu** opened the POB discussion, he referred to the agenda item as "more like bond reform." Councilmember **Jessica Shewmaker** did not appear to share that view. She asked questions and raised issues on other aspects of the bond process. When **Shewmaker** cast her vote, she clearly stated, "No, and it is not a refinance."

⁷ City Council meetings are recorded and available on the City of West Covina YouTube channel. To review the bond discussions:

- Pension Obligation Bonds: February 7, 2020 Approximate Timestamp: 1:22:42
- Lease Revenue Bonds: July 7, 2020 Approximate Timestamp: 2:03:16