

CITY OF SANTA MONICA
AUDIT SUBCOMMITTEE MEETING

MINUTES

TUESDAY, JANUARY 16, 2018

A special meeting of the Santa Monica Audit Subcommittee was called to order by Chair Himmelrich, at 6:27 p.m., on Tuesday, January 16, 2017, at Ken Edwards Center, 1527 Fourth Street, Santa Monica, CA 90401

Roll Call: Present: Committee Member Greg Morena (*arrived at 6:35 p.m.*)
Committee Member Pam O'Connor (*arrived at 7:22 p.m.*)
Committee Member Elizabeth Van Denburgh
Vice Chair Tony Vazquez
Chair Sue Himmelrich

Also Present: Director of Finance Gigi Decavalles-Hughes
City Attorney Lane Dilg
City Clerk Denise Anderson-Warren

CONVENE

On order of Chair, the Audit Subcommittee convened at 6:27 p.m., with Committee Members Morena and O'Connor absent.

CAFR

2. Presentation of the Comprehensive Annual Financial Report (CAFR) to the Audit Subcommittee, was presented.

There were no members of the public present to speak on this item.

*Committee Member Morena
arrived at 6:35 p.m.*

Brandon Young, LSL CPA presented the results of the city's financial audit, including the Big Blue Bus, Federal NTD Report, Air Quality Management District (AWMD) Audit, and the Federal Single Audit (in-progress). The auditors presented their Unmodified Report for the City's Financial Statements, meaning that there is nothing materially misstated in the CAFR. Audit communication letters to fulfill the Statement on Auditing Standards (SAS) No. 114, The Auditors Communication with Those Charged with Governance and SAS 115, and, Communicating Internal Control Related Matters Identified in an Audit were also provided. Information transmitted included Internal control deficiencies (deposit payables in the Resource Recovery and Recycling Fund and the timing of payroll entries), significant transactions (Airport Loan Forgiveness and CalPERS Additional Payment), Accounting Estimates (Net Pension Liability and OPEB), and Management Letter Representations.

Questions asked and answered by staff and the auditors included: Provide an explanation about the reason for the Airport loan forgiveness; since the pension obligation is \$60 million more than it was last year, what does it mean for our unfunded liability; now that this is LSL's second year, what

recommendations would LSL make to improve our financial standing; when does the Enterprise Resource Planning (ERP) system come into effect, and how will that be used in the preparation of the CAFR; what is the auditor's experience with the benefits of the new system; is there any particular area that would be more efficient and effective or that can be improved upon; once the interim audit is completed, can the committee members meet with the auditor; how do settlements relate to the amount of remediation liability; are there other funds that have estimates of costs with no methodology for calculation of costs; fund balance questions relating to the settlement amounts; and, are there other funds out there similar to this that are not known to everyone.

Considerable discussion ensued on topics including: the timing of capital assets completion; the new ERP system and its benefits; and improving deposits.

With questions about Pension Liability, Director of Finance Gigi Decavalles-Hughes provided an overview on the City of Santa Monica Pension Basics, and explained Unfunded Liability to the committee.

*Committee Member
O'Connor arrived at
7:22 p.m.*

Questions asked and answered by staff included: clarification of the different retirement tier groups; how paying down the liability affects the city's total; why the number fluctuates with CalPERS; what is the timing; how the city is reconciling the unfunded liability with those adjustments that are being made throughout the year; how the discounted rates affect our unfunded liability; what the difference is between the governmental activities and business type activities on the net pension liability.

Discussion ensued on topics, including, but not limited to: providing additional information as it relates to CalPERS prior to the next Compensation meeting and making sure there is an understanding of CalPERS without providing a full presentation, as it does not fall within the Compensation Study Advisory Committee's scope of work.

Motion by Committee Member Morena, seconded by Chair Himmelrich, to receive and file the presentation and comments received. The motion was unanimously approved by voice vote, with all members present.

ADJOURNMENT

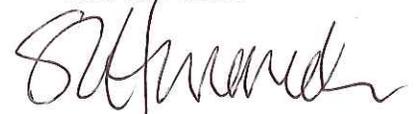
On order of the Chair, the Santa Monica Audit Subcommittee meeting adjourned at 8:00 p.m.

ATTEST:



Denise Anderson-Warren
City Clerk

APPROVED:



Sue Himmelrich
Chair