

CITY OF LOS ALAMITOS

3191 Katella Avenue
Los Alamitos, CA 90720

AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING

Monday, July 22, 2019 – 6:00 p.m.

NOTICE TO THE PUBLIC

This Agenda contains a brief general description of each item to be considered. Except as provided by law, action or discussion shall not be taken on any item not appearing on the agenda. Supporting documents, including staff reports, are available for review at City Hall in the City Clerk's Office or on the City's website at www.cityoflosalamitos.org once the agenda has been publicly posted.

Any written materials relating to an item on this agenda submitted after distribution of the agenda packet are available for public inspection in the City Clerk's Office, 3191 Katella Ave., Los Alamitos CA 90720, during normal business hours. In addition, such writings or documents will be made available for public review at the respective public meeting.

It is the intention of the City of Los Alamitos to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee, or a participant at this meeting, you will need special assistance beyond what is normally provided, please contact the City Clerk's Office at (562) 431-3538, extension 220, 48 hours prior to the meeting so that reasonable arrangements may be made. Assisted listening devices may be obtained from the City Clerk at the meeting for individuals with hearing impairments.

Persons wishing to address the Committee on any item on the agenda will be called upon at the time the agenda item is called or during the Committee's consideration of the item and may address the Committee for up to three minutes.

1. CALL TO ORDER

2. ROLL CALL

Council Member Chirco
Council Member Hasselbrink

3. CONSENT CALENDAR

A. Approval of Minutes

Approve the Minutes of the Special Meeting on May 7, 2019

4. DISCUSSION ITEMS

A. Review of 115 Trust Investment Options and related items (Finance)

Presentation and review of the PARS 115 Trust investment options by PARS and HighMark staff.

Recommendations:

1. Presentation by PARS and HighMark representatives of the various 115 Trust investment strategies; and,

2. Discussion of possible dates for funding trust based on maturity dates of City General Fund investments and City cash flow needs; and,
3. Discussion about revising Reserve policy for General Fund due to funding of 115 Trust
4. Seek feedback and provide direction on the future timeline of funding 115 Trust and updating reserve policy.

**B. Community Priority Survey Focus and Community Meetings
(Finance)**

Review the sample survey questions and determine what key areas the City should focus during the formal community survey. Evaluation of future community stakeholder meetings and identifying community patriots.

Recommendations:

1. Review and discuss the community survey sample questions and, future Community Engagement Meetings; and,
2. Discuss future BSC meeting discuss topics.

C. Discussion Item – Pro’s & Con’s Lists (Finance)

5. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted at the following locations: Los Alamitos City Hall, 3191 Katella Ave.; Los Alamitos Community Center, 10911 Oak Street; and, Los Alamitos Museum, 11062 Los Alamitos Blvd.; not less than 24 hours prior to the meeting.

Eric Hendrickson

Eric Hendrickson, Finance Director

07/18/19

Date

MINUTES OF THE BUDGET STANDING COMMITTEE OF THE CITY OF LOS ALAMITOS

SPECIAL MEETING
Tuesday, May 7, 2019 – 6:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 6:00 p.m., Tuesday, May 7, 2019, at City Hall, 3191 Katella Avenue, Council Members Chirco and Hasselbrink presiding.

2. ROLL CALL

Present: Committee Members: Council Member Chirco
Council Member Hasselbrink

Absent: Committee Members: None

Present: Staff: Bret Plumlee, City Manager
Eric Hendrickson, Finance Director
Eric Nunez, Police Chief
Sean Connolly, Police Captain
Chris Karrer, Police Captain
Les Johnson, Development Services Director
Ron Noda, Recreation Manager
Dave Hunt, City Engineer
David Cain, Fiscal Sustainability Manager

3. CONSENT CALENDAR

A. Approval of Minutes

Motion/Second: Chirco/Hasselbrink

Unanimously Carried: The Budget Standing Committee approved the Minutes of the Special Meeting on April 2, 2019

4. DISCUSSION ITEMS

Council Member Hasselbrink opened the item for public comment. There being no one present wishing to speak, Council Member Hasselbrink closed the item for public comment.

A. 7-Year Capital Improvement Program

The Budget Standing Committee reviewed and discussed the Preliminary Seven-Year Capital Improvement Program for Fiscal Year 2019-20 through 2025-26. Feedback was received regarding which park projects

were to be prioritized. Other discussion ensued regarding future funding for capital projects.

B. Vehicle & Equipment Replacement Schedule

The Budget Standing Committee reviewed and discussed the Vehicles & Replacement Schedule. The Committee recommended the purchase of two new vehicles and one floor machine.

C. Continued Fiscal Year 2019-20 General Fund Budget Gap Measures

The Budget Standing Committee reviewed and approved recommendations for closing the remaining budget gap. As of the April 15, 2019 meeting, there was a budget gap of \$64,700. The Committee recommended certain measures, including expenditure savings from police patrol, reduction in one-time bonuses due to ineligible employees, and savings from projected outreach costs.

D. Other Funds' Budget Fiscal Year 2019-20

The Budget Standing Committee reviewed and discussed the budgets for all other funds not included in previous reports. This includes most of the Special Revenue Funds, Internal Service Funds, and Capital Funds.

E. Budget and Fiscal Sustainability Calendar; Review of 115 Trust; and Community Engagement Opportunities

The Budget Standing Committee reviewed the proposed Fiscal Sustainability Calendar and suggested topics for the balance of the 2019 calendar year; community engagement opportunities and reviewed the PARS 115 Trust option. Staff proposed open meetings to discuss the long-term fiscal sustainability of the City of Los Alamitos and anticipated budget challenges.

5. ADJOURNMENT

The Budget Standing Committee adjourned at approximately 8:00 p.m.

Eric Hendrickson, Finance Director

City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: July 22, 2019

ITEM NUMBER: 4A

To: Budget Standing Committee Members

Presented By: David D. Cain, Fiscal Sustainability Manager

Subject: Review of 115 Trust Investment Options

SUMMARY

City Council authorized the formation of a Section 115 trust with PARS for the placement of funds for both PERS pension and OBEP retire medical funding requirements at the June 17, 2019 Meeting. The City has the opportunity to choose from five different investment strategies. Representatives from PARS and HighMark Capital Management will present an overview for the five strategies.

RECOMMENDATIONS

1. Presentation by PARS and HighMark representatives about the 115 trust and various investment strategies; and,
2. Discussion of possible dates for funding trust based on maturity dates of City General Fund investments and City cash flow needs; and,
3. Discussion about revising Reserve policy for General Fund due to funding of 115 Trust; and,
4. Seek feedback and provide direction on the future timeline of funding 115 Trust and updating reserve policy.

BACKGROUND & DISCUSSION

A 115 trust is a vehicle for segregating agency funds from general assets for the purpose of funding essential governmental functions. A Section 115 trust can be used to set aside monies to meet future pension and OPEB contributions or liabilities. Funds placed in a 115 trust are irrevocably committed for the essential government function specified in the applicable trust agreement (e.g., pension obligations). Therefore, the monies held in such trusts can be invested in accordance with the rules governing such special purpose accounts. The benefit of creating such a trust is potentially earning a higher rate of return on monies set aside for future pension obligations. These investments are designed for a longer term horizon and thus can produce higher investment returns ranging from 3 to 7 percent annually – given the increased flexibility and range of investment choices in comparison to the City’s adopted Investment Policy. The City has the option to choose between five different investment options, ranging from conservative to “capital

appreciation” that is based on the timing in which the funds would be withdrawn and the City’s investment objectives.

The City has already committed ‘assigned’ reserves which are to be used for both future pension and OPEB obligations, in the amount of \$3,620,000 and \$500,000 respectfully. As a result, it is recommended that the City Council formally authorize establishing a PARS 115 trust for both pension and OPEB funds. Staff discussed that the trust could improve investment earnings on these funds and could further reduce the unfunded liabilities and lower costs which impact the General Fund. Funds from these assigned reserves would be transferred to the trust account as various City investments matured. There is no cost to the city for authorizing the formation of 115 trusts and fees will only be incurred when there are funds placed into the account. The City Council approved the agreement with PARS at the June 17, 2019 City Council meeting.

At this time the Committee will have the opportunity to review the five investments options prior to making any commitment to place funds into the account. Representative from both PARS and HighMark Capital Management will be making a brief presentation about the plan and the investment options and answer any questions the committee members may have.

City staff will also review the City’s invested funds and ongoing cash flow needs which impact the future funding of the 115 Trust.

It is recommended that the Committee members provide feedback and suggestions on the PARS 115 trust investment strategies.

Exhibit A: HighMark Q1 Investment Strategies

Exhibit B: City Investments – March 2019

FISCAL IMPACT

None

Submitted By: David D. Cain, Fiscal Sustainability Manager

Reviewed By: Eric Hendrickson, Finance Director

Approved By: Bret M. Plumlee, City Manager

PARS DIVERSIFIED PORTFOLIOS CONSERVATIVE

Q1 2019

WHY THE PARS DIVERSIFIED CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

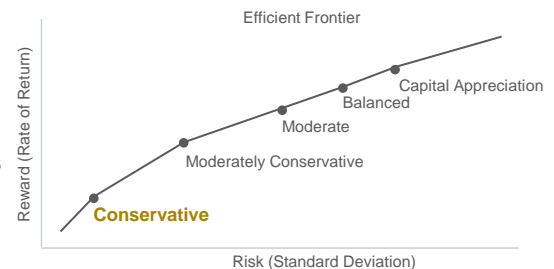
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide a consistent level of inflation-protected income over the long-term. The major portion of the assets will be fixed income related. Equity securities are utilized to provide inflation protection.



ASSET ALLOCATION — CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	5 – 20%	15%	16%
Fixed Income	60 – 95%	80%	78%
Cash	0 – 20%	5%	6%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

Current Quarter*	4.60%
Blended Benchmark*,**	4.03%
Year To Date*	4.60%
Blended Benchmark*,**	4.03%
1 Year	4.26%
Blended Benchmark**	4.34%
3 Year	4.00%
Blended Benchmark**	3.47%
5 Year	3.37%
Blended Benchmark**	3.23%
10 Year	5.66%
Blended Benchmark**	4.52%

Index Plus Composite (Passive)

Current Quarter*	4.28%
Blended Benchmark*,**	4.03%
Year To Date*	4.28%
Blended Benchmark*,**	4.03%
1 Year	4.36%
Blended Benchmark**	4.34%
3 Year	3.36%
Blended Benchmark**	3.47%
5 Year	3.06%
Blended Benchmark**	3.23%
10 Year	5.07%
Blended Benchmark**	4.52%

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 - Present: 7.5% S&P500, 1.5% Russell Mid Cap, 2.5% Russell 2000, 1% MSCI EM (net), 2% MSCI EAFE (net), 52.25% BBG Barclays US Agg, 25.75% ICE BofAML 1-3 Yr US Corp/Gov't, 2% ICE BofAML US High Yield Master II, 0.5% Wilshire REIT, and 5% FTSE 1 Mth T-Bill. From 4/1/2007 – 9/30/2012, the blended benchmark was 12% S&P 500; 1% Russell 2000, 2% MSCI EAFE (net), 40% ICE BofAML 1-3 Year Corp./Gov't, 40% BBG Barclays US Agg, 5% FTSE 1 Mth T-Bill. Prior to April 2007: the blended benchmark was 15% S&P 500, 40% ICE BofAML 1-3Yr Corp/Gov, 40% BBG Barclays US Agg, and 5% FTSE 1 Mth T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

2008	-9.04%
2009	15.59%
2010	8.68%
2011	2.19%
2012	8.45%
2013	3.69%
2014	3.88%
2015	0.29%
2016	4.18%
2017	6.73%
2018	-1.35%

Index Plus Composite (Passive)

2008	-6.70%
2009	10.49%
2010	7.67%
2011	3.70%
2012	6.22%
2013	3.40%
2014	4.32%
2015	0.06%
2016	3.75%
2017	5.52%
2018	-1.09%

PORTFOLIO FACTS

HighMark Plus (Active)

Composite Inception Date	07/2004
No of Holdings in Portfolio	18

Index Plus (Passive)

Composite Inception Date	07/2004
No of Holdings in Portfolio	12

HOLDINGS

HighMark Plus (Active)

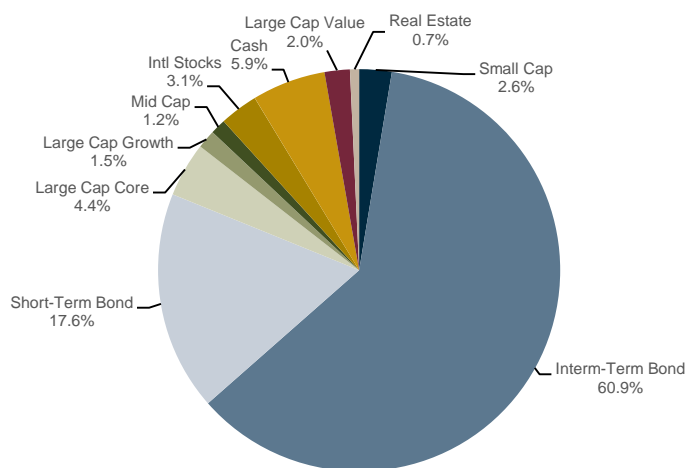
Columbia Contrarian Core I3
 Vanguard Growth & Income Adm
 Dodge & Cox Stock Fund
 Harbor Capital Appreciation - Retirement
 T. Rowe Price Growth Stock - I
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 Undiscovered Managers Behavioral Value-R6
 Victory RS Small Cap Growth - R6
 DFA Large Cap International Portfolio
 Dodge & Cox International Stock
 MFS International Growth - R6
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
 PIMCO Total Return Fund - Inst
 PGIM Total Return Bond - R6
 DoubleLine Core Fixed Income - I
 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
 iShares S&P 500 Value ETF
 iShares S&P 500 Growth ETF
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 iShares Russell 2000 Value ETF
 iShares Russell 2000 Growth ETF
 iShares MSCI EAFE ETF
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Invest-Grade Adm
 iShares Core U.S. Aggregate
 First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark's Portfolio Management Group (PMG) with full investment authority according to the PARS Conservative active and passive objectives.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofAML US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofAML 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofAML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

HIGHMARK CAPITAL MANAGEMENT

350 California Street
 Suite 1600
 San Francisco, CA 94104
 800-582-4734

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has nearly 100 years (including predecessor organizations) of institutional money management experience with \$7.6 billion in assets under management and \$8.3 billion in assets under advisement*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
 Investment Experience: since 1994
 HighMark Tenure: since 1997
 Education: MBA, University of Southern California; BA, University of Southern California

Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager
 Investment Experience: since 2004
 HighMark Tenure: since 2014
 Education: BA, Colgate University

J. Keith Stribling, CFA®

Senior Portfolio Manager
 Investment Experience: since 1985
 HighMark Tenure: since 1995
 Education: BA, Stetson University

Christiane Tsuda

Senior Portfolio Manager
 Investment Experience: since 1987
 HighMark Tenure: since 2010
 Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®

Senior Portfolio Manager
 Investment Experience: since 1987
 HighMark Tenure: since 2007
 Education: BA, University of California, Santa Barbara

Randy Yurchak, CFA®

Senior Portfolio Manager
 Investment Experience: since 2002
 HighMark Tenure: since 2017
 Education: MBA, Arizona State University; BS, University of Washington

Asset Allocation Committee

Number of Members: 16
 Average Years of Experience: 28
 Average Tenure (Years): 15

Manager Review Group

Number of Members: 7
 Average Years of Experience: 19
 Average Tenure (Years): 7

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. Assets under advisement ("AUA") include assets for which HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies) for client assets of its parent company, MUFG Union Bank, N.A.

PARS DIVERSIFIED PORTFOLIOS
MODERATELY CONSERVATIVE

Q1 2019

WHY THE PARS DIVERSIFIED MODERATELY CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

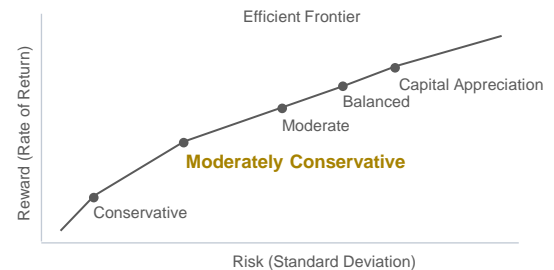
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide current income, with capital appreciation as a secondary objective. The major portion of the assets is committed to income-producing securities. Market fluctuations should be expected.



ASSET ALLOCATION — MODERATELY CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	20 - 40%	30%	31%
Fixed Income	50 - 80%	65%	66%
Cash	0 - 20%	5%	3%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
Current Quarter*	6.08%	Current Quarter*	5.98%
Blended Benchmark*,**	5.76%	Blended Benchmark*,**	5.76%
Year To Date*	6.08%	Year To Date*	5.98%
Blended Benchmark*,**	5.76%	Blended Benchmark*,**	5.76%
1 Year	4.27%	1 Year	4.69%
Blended Benchmark**	4.77%	Blended Benchmark**	4.77%
3 Year	5.47%	3 Year	4.90%
Blended Benchmark**	5.05%	Blended Benchmark**	5.05%
5 Year	4.18%	5 Year	4.09%
Blended Benchmark**	4.32%	Blended Benchmark**	4.32%
10 Year	7.29%	10 Year	6.69%
Blended Benchmark**	6.44%	Blended Benchmark**	6.44%

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 - Present: 15.5% S&P500, 3% Russell Mid Cap, 4.5% Russell 2000, 2% MSCI EM (net), 4% MSCI EAFE (net), 49.25% BBG Barclays US Agg, 14% ICE BofAML 1-3 Yr US Corp/Gov't, 1.75% ICE BofAML US High Yield Master II, 1% Wishire REIT, and 5% FTSE 1 Mth T-Bill. From 4/1/2007 - 9/30/2012: the blended benchmark was 25% S&P 500; 1.5% Russell 2000, 3.5% MSCI EAFE (net), 25% ICE BofAML 1-3 Year Corp./Gov't, 40% BBG Barclays US Agg, 5% FTSE 1 Mth T-Bill. Prior to April 2007, the blended benchmark was 30% S&P 500, 25% ICE BofAML 1-3Yr Corp/Gov, 40% BBG Barclays US Agg, and 5% FTSE 1 Mth T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
2008	-15.37%	2008	-12.40%
2009	18.71%	2009	11.92%
2010	10.46%	2010	9.72%
2011	1.75%	2011	3.24%
2012	10.88%	2012	8.24%
2013	7.30%	2013	6.78%
2014	4.41%	2014	5.40%
2015	0.32%	2015	-0.18%
2016	4.94%	2016	5.42%
2017	9.56%	2017	8.08%
2018	-2.60%	2018	-2.33%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Composite Inception Date	08/2004	Composite Inception Date	05/2005
No of Holdings in Portfolio	18	No of Holdings in Portfolio	12

HOLDINGS

HighMark Plus (Active)

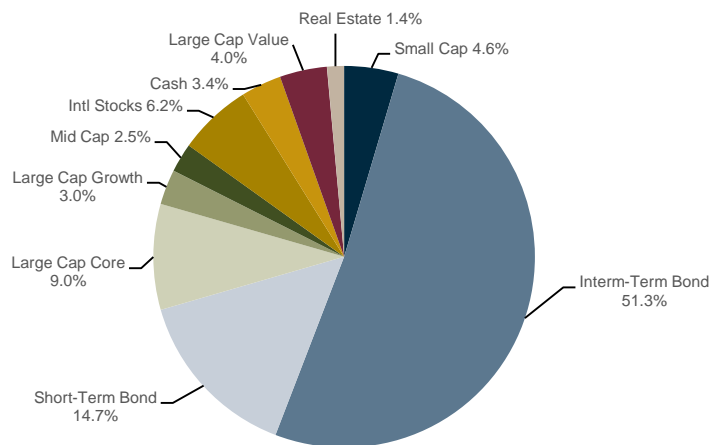
Columbia Contrarian Core I3
 Vanguard Growth & Income Adm
 Dodge & Cox Stock Fund
 Harbor Capital Appreciation - Retirement
 T. Rowe Price Growth Stock - I
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 Undiscovered Managers Behavioral Value-R6
 Victory RS Small Cap Growth - R6
 DFA Large Cap International Portfolio
 Dodge & Cox International Stock
 MFS International Growth - R6
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
 PIMCO Total Return Fund - Inst
 PGIM Total Return Bond - R6
 DoubleLine Core Fixed Income - I
 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
 iShares S&P 500 Value ETF
 iShares S&P 500 Growth ETF
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 iShares Russell 2000 Value ETF
 iShares Russell 2000 Growth ETF
 iShares MSCI EAFE ETF
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Invest-Grade Adm
 iShares Core U.S. Aggregate
 First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Accounts are managed by our Portfolio Management Group (PMG) with full investment authority according to the PARS Moderately Conservative active and passive objectives.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofAML US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofAML 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofAML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

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HIGHMARK CAPITAL MANAGEMENT

350 California Street
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ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has nearly 100 years (including predecessor organizations) of institutional money management experience with \$7.6 billion in assets under management and \$8.3 billion in assets under advisement*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

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Senior Portfolio Manager
 Investment Experience: since 1994
 HighMark Tenure: since 1997
 Education: MBA, University of Southern California; BA, University of Southern California

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Asset Allocation Committee

Number of Members: 16
 Average Years of Experience: 28
 Average Tenure (Years): 15

Manager Review Group

Number of Members: 7
 Average Years of Experience: 19
 Average Tenure (Years): 7

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. Assets under advisement ("AUA") include assets for which HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies) for client assets of its parent company, MUFG Union Bank, N.A.

PARS DIVERSIFIED PORTFOLIOS
MODERATE

Q1 2019

WHY THE PARS DIVERSIFIED MODERATE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

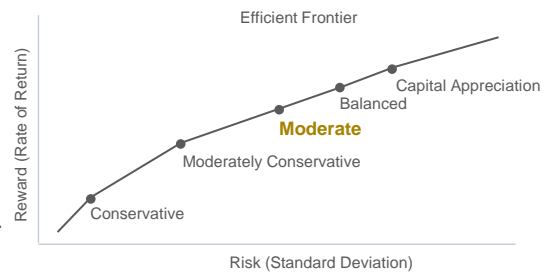
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide current income and moderate capital appreciation. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.



ASSET ALLOCATION — MODERATE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	40 - 60%	50%	51%
Fixed Income	40 - 60%	45%	46%
Cash	0 - 20%	5%	3%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

Current Quarter*	8.24%
Blended Benchmark*,**	7.94%
Year To Date*	8.24%
Blended Benchmark*,**	7.94%
1 Year	4.64%
Blended Benchmark**	5.18%
3 Year	7.53%
Blended Benchmark**	7.13%
5 Year	5.33%
Blended Benchmark**	5.62%
10 Year	9.09%
Blended Benchmark**	8.80%

Index Plus Composite (Passive)

Current Quarter*	8.17%
Blended Benchmark*,**	7.94%
Year To Date*	8.17%
Blended Benchmark*,**	7.94%
1 Year	4.88%
Blended Benchmark**	5.18%
3 Year	6.91%
Blended Benchmark**	7.13%
5 Year	5.20%
Blended Benchmark**	5.62%
10 Year	8.85%
Blended Benchmark**	8.80%

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 – Present: 26.5% S&P500, 5% Russell Mid Cap, 7.5% Russell 2000, 3.25% MSCI EM (net), 6% MSCI EAFE (net), 33.50% BBG Barclays US Agg, 10% ICE BofAML 1-3 Yr US Corp/Gov't, 1.50% ICE BofAML US High Yield Master II, 1.75% Wilshire REIT, and 5% FTSE 1 Mth T-Bill. From 4/1/2007 – 9/30/2012: the blended benchmark was 43% S&P 500; 2% Russell 2000, 5% MSCI EAFE (net), 15% ICE BofAML 1-3 Year Corp./Gov't, 30% BBG Barclays US Agg, 5% FTSE 1 Mth T-Bill. Prior to April 2007: the blended benchmark was 50% S&P 500, 15% ICE BofAML 1-3Yr Corp/Gov, 30% BBG Barclays US Agg, and 5% FTSE 1 Mth T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

2008	-22.88%
2009	21.47%
2010	12.42%
2011	0.55%
2012	12.25%
2013	13.06%
2014	4.84%
2015	0.14%
2016	6.45%
2017	13.19%
2018	-4.03%

Index Plus Composite (Passive)

2008	-18.14%
2009	16.05%
2010	11.77%
2011	2.29%
2012	10.91%
2013	12.79%
2014	5.72%
2015	-0.52%
2016	7.23%
2017	11.59%
2018	-4.03%

PORTFOLIO FACTS

HighMark Plus (Active)

Composite Inception Date	10/2004
No of Holdings in Portfolio	18

Index Plus (Passive)

Composite Inception Date	05/2006
No of Holdings in Portfolio	12

HOLDINGS

HighMark Plus (Active)

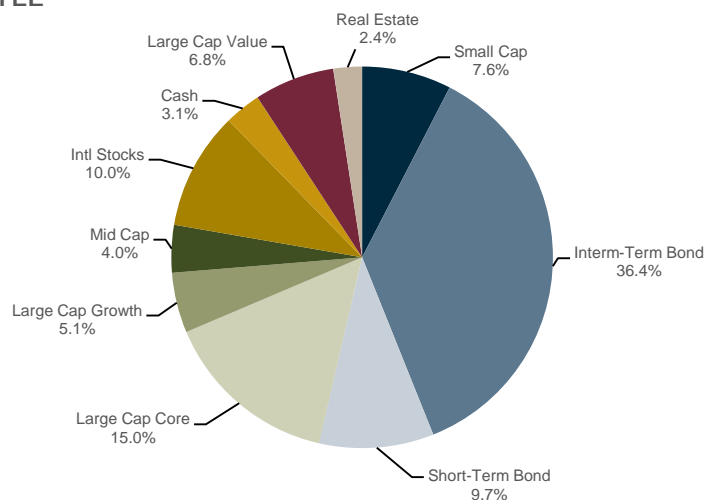
Columbia Contrarian Core I3
 Vanguard Growth & Income Adm
 Dodge & Cox Stock Fund
 Harbor Capital Appreciation - Retirement
 T. Rowe Price Growth Stock - I
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 Undiscovered Managers Behavioral Value-R6
 Victory RS Small Cap Growth - R6
 DFA Large Cap International Portfolio
 Dodge & Cox International Stock
 MFS International Growth - R6
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
 PIMCO Total Return Fund - Inst
 PGIM Total Return Bond - R6
 DoubleLine Core Fixed Income - I
 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
 iShares S&P 500 Value ETF
 iShares S&P 500 Growth ETF
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 iShares Russell 2000 Value ETF
 iShares Russell 2000 Growth ETF
 iShares MSCI EAFE ETF
 Vanguard FTSE Emerging Markets ETF
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STYLE



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Asset Allocation Committee

Number of Members: 16
 Average Years of Experience: 28
 Average Tenure (Years): 15

Manager Review Group

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 Average Years of Experience: 19
 Average Tenure (Years): 7

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PARS DIVERSIFIED PORTFOLIOS
BALANCED

Q1 2019

WHY THE PARS DIVERSIFIED BALANCED PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

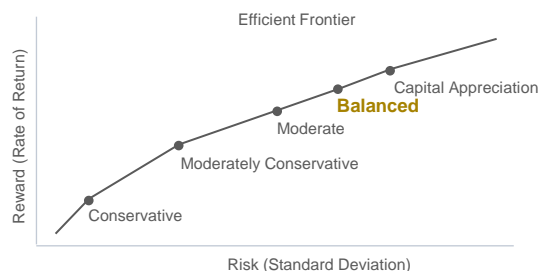
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Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide growth of principal and income. While dividend and interest income are an important component of the objective's total return, it is expected that capital appreciation will comprise a larger portion of the total return.



ASSET ALLOCATION — BALANCED PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	50 – 70%	60%	61%
Fixed Income	30 – 50%	35%	36%
Cash	0 – 20%	5%	3%

(Gross of Investment Management Fees, but Net of Embedded Fund Fees)

ANNUALIZED TOTAL RETURNS

HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
Current Quarter*	9.42%	Current Quarter*	9.21%
Blended Benchmark*,**	9.04%	Blended Benchmark*,**	9.04%
Year To Date*	9.42%	Year To Date*	9.21%
Blended Benchmark*,**	9.04%	Blended Benchmark*,**	9.04%
1 Year	4.73%	1 Year	4.78%
Blended Benchmark**	5.32%	Blended Benchmark**	5.32%
3 Year	8.61%	3 Year	7.85%
Blended Benchmark**	8.16%	Blended Benchmark**	8.16%
5 Year	5.83%	5 Year	5.70%
Blended Benchmark**	6.26%	Blended Benchmark**	6.26%
10 Year	9.91%	10 Year	9.71%
Blended Benchmark**	10.05%	Blended Benchmark**	10.05%

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 – Present: 32% S&P500, 6% Russell Mid Cap, 9% Russell 2000, 4% MSCI EM (net), 7% MSCI EAFE (net), 27% BBG Barclays US Agg, 6.75% ICE BofAML 1-3 Yr US Corp/Gov't, 1.25% ICE BofAML US High Yield Master II, 2% Wilshire REIT, and 5% FTSE 1 Mth T-Bill. From 4/1/2007 – 9/30/2012: the blended benchmark was 51% S&P 500; 3% Russell 2000, 6% MSCI EAFE (net), 5% ICE BofAML 1-3 Year Corp./Gov't, 30% BBG Barclays US Agg, 5% FTSE 1 Mth T-Bill. Prior to April 2007: the blended benchmark was 60% S&P 500, 5% ICE BofAML 1-3Yr Corp/Gov, 30% BBG Barclays US Agg, and 5% FTSE 1 Mth T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
2008	-25.72%	2008	-23.22%
2009	21.36%	2009	17.62%
2010	14.11%	2010	12.76%
2011	-0.46%	2011	1.60%
2012	13.25%	2012	11.93%
2013	16.61%	2013	15.63%
2014	4.70%	2014	6.08%
2015	0.04%	2015	-0.81%
2016	6.81%	2016	8.25%
2017	15.46%	2017	13.39%
2018	-4.88%	2018	-5.05%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Composite Inception Date	10/2006	Composite Inception Date	10/2007
No of Holdings in Portfolio	18	No of Holdings in Portfolio	12

HOLDINGS

HighMark Plus (Active)

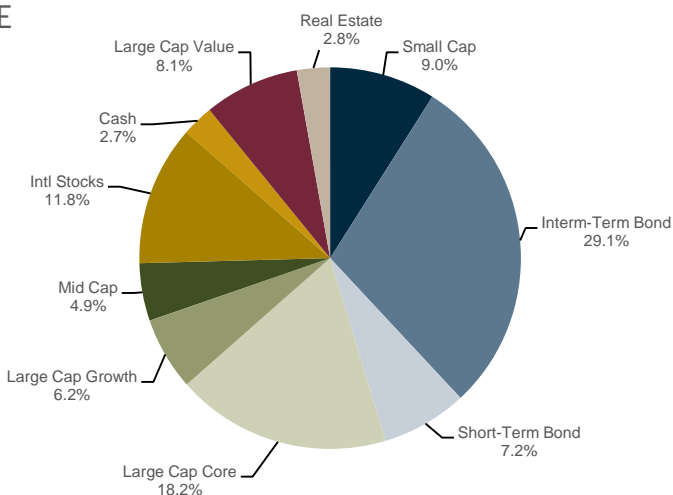
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
Harbor Capital Appreciation - Retirement
T. Rowe Price Growth Stock - I
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Victory RS Small Cap Growth - R6
DFA Large Cap International Portfolio
Dodge & Cox International Stock
MFS International Growth - R6
Hartford Schroders Emerging Markets Eq
Vanguard Short-Term Invest-Grade Adm
PIMCO Total Return Fund - Inst
PGIM Total Return Bond - R6
DoubleLine Core Fixed Income - I
First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
iShares S&P 500 Value ETF
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
iShares Russell 2000 Value ETF
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STYLE



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The composite name has been changed from PARS Balanced/Moderately Aggressive to PARS Balanced on 5/1/2013. The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

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WHY THE PARS DIVERSIFIED CAPITAL APPRECIATION PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

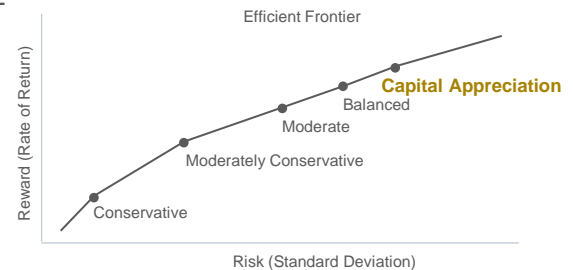
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide growth of principal. The major portion of the assets are invested in equity securities and market fluctuations are expected.



ASSET ALLOCATION — CAPITAL APPRECIATION PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	65 - 85%	75%	76%
Fixed Income	10 - 30%	20%	22%
Cash	0 - 20%	5%	2%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

Consolidated Composite

Current Quarter*	10.88%
Blended Benchmark*, **	10.61%
Year To Date*	10.88%
Blended Benchmark*, **	10.61%
1 Year	4.83%
Blended Benchmark**	5.27%
3 Year	9.67%
Blended Benchmark**	9.63%
5 Year	6.72%
Blended Benchmark**	7.06%
10 Year	11.11%
Blended Benchmark**	11.90%

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: 39.5% S&P500, 7.5% Russell Mid Cap, 10.5% Russell 2000, 5.25% MSCI EM (net), 10.25% MSCI EAFE (net), 16% BBG Barclays US Agg, 3% ICE BofAML 1-3 Yr US Corp/Gov't, 1% ICE BofAML US High Yield Master II, 2% Wilshire REIT, and 5% FTSE 1 Mth T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

Consolidated Composite

2008	N/A
2009	23.77%
2010	12.95%
2011	-1.35%
2012	13.87%
2013	20.33%
2014	6.05%
2015	-0.27%
2016	8.81%
2017	16.72%
2018	-5.82%

PORTFOLIO FACTS

Consolidated Composite

Composite Inception Date	01/2009
No of Holdings in Portfolio	18

HOLDINGS

HighMark Plus (Active)

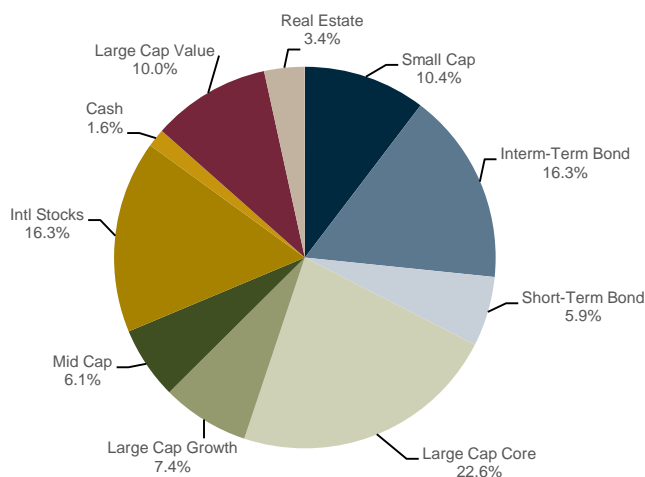
Columbia Contrarian Core I3
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
Harbor Capital Appreciation - Retirement
T. Rowe Price Growth Stock - I
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
Undiscovered Managers Behavioral Value-R6
Victory RS Small Cap Growth - R6
DFA Large Cap International Portfolio
Dodge & Cox International Stock
MFS International Growth - R6
Hartford Schroders Emerging Markets Eq
Vanguard Short-Term Invest-Grade Adm
PIMCO Total Return Fund - Inst
PGIM Total Return Bond - R6
DoubleLine Core Fixed Income - I
First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
iShares S&P 500 Value ETF
iShares S&P 500 Growth ETF
iShares Russell Mid-Cap ETF
Vanguard Real Estate ETF
iShares Russell 2000 Value ETF
iShares Russell 2000 Growth ETF
iShares MSCI EAFE ETF
Vanguard FTSE Emerging Markets ETF
Vanguard Short-Term Invest-Grade Adm
iShares Core U.S. Aggregate
First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composite of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark's Portfolio Management Group (PMG) with full investment authority according to the PARS Capital Appreciation active and passive objectives.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofAML US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofAML 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofAML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**

HIGHMARK CAPITAL MANAGEMENT

350 California Street
Suite 1600
San Francisco, CA 94104
800-582-4734

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has nearly 100 years (including predecessor organizations) of institutional money management experience with \$7.6 billion in assets under management and \$8.3 billion in assets under advisement*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager
Investment Experience: since 2004
HighMark Tenure: since 2014
Education: BA, Colgate University

J. Keith Stribling, CFA®

Senior Portfolio Manager
Investment Experience: since 1985
HighMark Tenure: since 1995
Education: BA, Stetson University

Christiane Tsuda

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Randy Yurchak, CFA®

Senior Portfolio Manager
Investment Experience: since 2002
HighMark Tenure: since 2017
Education: MBA, Arizona State University; BS, University of Washington

Asset Allocation Committee

Number of Members: 16
Average Years of Experience: 28
Average Tenure (Years): 15

Manager Review Group

Number of Members: 7
Average Years of Experience: 19
Average Tenure (Years): 7

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. Assets under advisement ("AUA") include assets for which HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies) for client assets of its parent company, MUFG Union Bank, N.A.



CITY OF LOS ALAMITOS
Pooled Investment Portfolio Holdings
March 31, 2019

DESCRIPTION OF SECURITY	COUPON RATE	MATURITY DATE	INVESTMENT RATING	PURCH DATE	AMORTIZED COST	YIELD ON MATURITY	MARKET VALUE
<u>MONEY MARKET ACCOUNTS</u>							
US Bank	Varies	Varies	Coll. ¹	Varies	222,428.22	0.50%	222,428.22
SUBTOTAL MONEY MARKET ACCOUNTS					222,428.22		222,428.22
LOCAL AGENCY INVESTMENT FUND (LAIF)	Varies	Varies	NR	Varies	5,720,690.39	1.00%	5,721,531.07
<u>CERTIFICATES OF DEPOSIT</u>							
Barclays Bank (FDIC Gtd)	2.10%	07/23/19	FDIC	07/23/14	248,000.00	2.10%	247,891.58
American Express Federal Savings Bank (FDIC Gtd)	2.05%	07/31/19	FDIC	07/31/14	248,000.00	2.05%	247,826.59
Sallie Mae Bank (FDIC Gtd)	2.15%	10/15/19	FDIC	10/15/14	243,847.16	2.15%	244,824.94
Goldman Sachs Bank (FDIC Gtd)	2.15%	11/12/19	FDIC	11/12/14	245,000.00	2.15%	244,797.99
American Express Centurion (FDIC Gtd)	2.10%	06/03/20	FDIC	06/08/15	245,000.00	2.10%	247,397.33
Ally Bank (FDIC Gtd)	3.00%	07/26/21	FDIC	07/26/18	246,000.00	3.00%	246,000.00
Discover Bank (FDIC Gtd)	1.75%	11/02/21	FDIC	11/02/16	248,000.00	1.75%	248,000.00
BMW Bank North America (FDIC Gtd)	3.10%	08/10/22	FDIC	08/10/18	246,000.00	3.10%	246,000.00
Wells Fargo Bank (FDIC Gtd)	3.25%	09/28/22	FDIC	09/28/18	249,000.00	3.25%	249,000.00
Morgan Stanley (FDIC Gtd)	3.20%	05/17/23	FDIC	05/17/18	246,000.00	3.20%	246,000.00
Synchrony Bank (FDIC Gtd)	3.30%	07/20/23	FDIC	07/20/18	246,000.00	3.30%	246,000.00
Capital One Bank (FDIC Gtd)	3.30%	09/21/23	FDIC	09/21/18	245,000.00	3.30%	245,000.00
SUBTOTAL CERTIFICATES OF DEPOSIT					2,955,847.16		2,958,738.43
<u>U.S. GOVERNMENT AGENCY SECURITIES</u>							
Federal Home Loan Mortgage Corporation	2.25%	01/29/21	AAA	07/29/18	247,279.75	2.25%	249,555.25
Federal National Mortgage Association	1.75%	06/20/19	AAA	11/17/15	506,097.00	1.75%	499,136.50
Federal National Mortgage Association	1.60%	11/23/21	AAA	11/23/16	750,000.00	1.60%	737,410.50
SUBTOTAL U.S. GOVERNMENT AGENCY SECURITIES					1,503,376.75		1,486,102.25
MISCELLANEOUS CASH					3,500.00		3,500.00
TOTAL POOLED CASH & INVESTMENTS					10,405,842.52		10,392,299.97

¹ Collateralized in accordance with Section 53652 of the CA state code.

City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: July 22, 2019

ITEM NUMBER: 4B

To: Budget Standing Committee Members

Presented By: David D. Cain, Fiscal Sustainability Manager

Subject: Community Survey and Engagement Opportunities

SUMMARY

This item seeks the Budget Standing Committee's (Committee) feedback on the proposed Community Survey focus areas and future community engagement opportunities.

RECOMMENDATIONS

1. Review and discuss the community survey sample questions and, future Community Engagement Opportunities; and
2. Discuss future BSC meeting discussion topics.

BACKGROUND

As part of the City's Fiscal Sustainability process the City developed a 10 year financial plan which shows the City must take extraordinary measures to mitigate the projected structural budget deficits and loss of cash balances. Staff has been working with the Committee to review and evaluate the pros and cons of cost cutting and revenue enhancement options available to the City. Another part of this process involves the need to engage community stakeholders and obtain their feedback on essential City service priorities. The process of engaging the Community early on in the process is essential in order to gauge public support and to assess their priorities, before recommending any reductions in essential City services or revenue enhancement options. The City is developing an overall strategy as to how to conduct public outreach, polling, education workshops, community meetings, informational activities, web and social media communications, etc.

DISCUSSION

The City has been proactively developing a long term fiscal sustainability process to endure that the City can maintain essential City services utilizing ongoing revenues to cover ongoing costs. Over the last year, City staff has worked closely with the Committee

to review all the pros and cons of cost cutting and revenue enhancement opportunities. A ten year mid-term financial plan was developed that showed the City's General Fund would run out of cash in just a few years and a structural budget deficit would grow to over \$3.4 million dollars per year without the City taking extraordinary measures to mitigate the projected budget shortfall. Without significant changes to revenue enhancements or expenditure reductions, the anticipated deficit will eliminate the City's ability to maintain the required designated reserves in the City's General Fund. The current Council policy requires emergency reserves of 25% of General Fund appropriations. These fund balances are actually used by the City to deal with uneven cash flow due to the varied timing of receiving property tax revenues and other city revenues. Without changes, the current reserve policy will preclude the City from utilizing the "emergency reserves" to balance the budget even in the short term and will have impacts on cash required to fund day-to-day operations.

The City has already taken a number of steps over the past decade to cut costs, which have included the reduction of a variety of City programs and services and reducing full time staff by 25 employees. The steps taken have been primarily due the reduction of revenues due to the State of California taking property taxes (cumulative \$12.3M or \$770,000 on going per year), not reimbursing the City for mandated programs and imposing other State legislative requirement on the City. Another contributing factor to the City's financial challenges is the increased costs to providing City services as well as the paying for the unfunded and ongoing pension and OPEB obligations due to CalPERS changes in a variety of actuarial retirement plan assumptions.

General Fund Budget and Reserves Overview:

The General Fund currently has a \$14.4M operating budget which provides funding for the many essential City services and programs provided its residents and business community. The City has adopted a balanced budget for Fiscal Year 2019-20 but not without making many difficult decisions, including freezing positions, delaying hiring, and deferring replacement of equipment and infrastructure. Limits on raising revenue have hampered efforts to maintain structurally balanced budgets.

Over the next ten years it's estimated there will be a growing annual structural budget deficit that will reach as high as \$3.4M in 2028-29. Based upon current revenue and expenditure projections, the City will have exhausted all cash reserves long before that date. As stated at the time of the 2019-20 budget adoption, "the City of Los Alamitos is not fiscally sustainable in the long run" without making some significant changes to ongoing revenues required to fund essential ongoing City services, programs and projects.

The City's budget policy requires a balanced budget, meaning expenditures should not exceed revenues. Deficit spending means the City must tap into reserves to bridge revenue shortfalls or reduce essential City Services. In addition to a budget policy, the City gauges its General Fund as a benchmark tool to assess financial performance and sustainability.

The City also has adopted City Council reserve policies including non-spendable, restricted, committed and assigned reserves. The only reserves which could be used for “balancing” a given budget is the “unassigned” balance which is less than \$50k as of June 30, 2018. In order to maintain targeted reserve levels in accordance with the adopted policy, further service cuts will be required or revenue enhancement measures need to be considered starting in Fiscal Year 2020-21. Doing nothing is not an option for the City going forward.

There are only two options to address the forecasted annual structural budget deficits:

1. Make major cuts to essential programs and services currently provided to the community, including level of public safety services, senior and youth programs, public works activities, street and park maintenance, capital projects and other essential programs.
2. Enhance revenues, including the consideration of extraordinary revenue measures. Either raising the Transient Occupancy Tax (Hotel Bed Tax) rate or implementing paid parking meters, without considering significant additional revenue enhancements, will not solve the projected budget deficit.

Both options should be a focus of the community survey. It is critical to get feedback from the community on priorities and views on revenue enhancement options.

Soliciting Community Engagement and Education

The City has started the education process in the community with a presentation last month to the Chamber of Commerce and various community members. The process of engaging the Community is essential in order to gauge the public’s priorities, before making formal recommendations for reductions to City services or proposing revenue enhancement options.

The City has a written proposal from a professional firm which could provide public opinion research for the City of Los Alamitos. The firm provided a detailed list of relevant experience, with a focus on Orange County; Methodological considerations; Survey Sampling Sizing and costs based on the margin of sampling error interviews. The firm provided similar services to the City of Fountain Valley and has provided for our review and consideration a sample set of survey questions. It should be noted that once a firm has been selected then questions and formatting will be made uniquely for Los Alamitos. The sample survey questions provide a guideline for the committee members to provide feedback on what they see should be the focus areas of the key stakeholders survey.

Timeline

Staff would like to take the months of August – October to commence public outreach and polling to gauge the Community’s priorities. Staff and the consultant will report back to the City Council the results of the public’s opinions as to what actions to take in light of the growing projected structural budget deficits. Now is the time for proactive action including and community outreach program and survey.

Community Engagement and Education Meetings:

The City started the education process in the community last month with a presentation to the Chamber of Commerce and various community members. Staff will be presenting a proposed calendar of upcoming community meetings to the Budget Standing Committee on July 22, 2019. Staff will also be presenting material to explain the City's Fiscal Sustainability picture and plan to the community during National Night Out on August 6, 2019.

The process of engaging the Community is essential in order to gauge the public's priorities, before making formal recommendations for reductions to City services or proposing revenue enhancement options. The motivation for a community survey is to design and employ a methodology that would provide the City with a statistically reliable understanding of its residents' satisfaction, priorities, and concerns related to services and facilities provided by the City. The results of the survey will provide City Council and staff with information that can be used to make sound, strategic decisions in a variety of areas including services improvements and enhancements, measuring and tracking internal performance, budgeting, policy, planning, and community engagement.

Committee Calendar:

The BSC approved monthly meeting dates, for the balance of 2019, to discuss the long-term Fiscal Sustainability for the City of Los Alamitos at the May 7, 2019 committee meeting. Staff is scheduling future meetings to discuss options for closing future budget gaps; developing options for an ongoing balanced budget; and creating a long term sustainable financial plan which would provide for maintaining essential city services, including public safety. Schedule Meeting dates for July – December 2019 with staff and the Budget Standing Committee:

Scheduled Meeting Dates*
July 22
August 12*
September 23
October 14*
November 4
December 9*

*Some meeting dates would be the second Monday of the month.

During these meetings, staff will present to the Budget Standing Committee a variety of topics and discussion items. The topics and focus areas could include the following:

- Overview of “Long Term Sustainability” – What is it?
- Review of State & Local Relationship and specific impacts on Los Alamitos
- Resident and Business Survey on community priorities on essential city services
- 2018-19 FY Final Results and review of fund balance policies
- Update Reserve Policies 2019-20 (Include PARS requirements)

- Presentation of a 20-year Long Term Financial & CIP Plan
- Update from each operating department about their essential service programs and the status based on an updated 20 year long term financial plan
- Economic Development enhancement options (including possible P3 project)
- Update on the 2019-20 Budget (Mid-Year)
- Update on revenue enhancement opportunities
- Review of proposed 2020-21 Budget Schedule (to be discussed in fall of 2019)
- Review of the Audited 2018-19 CAFR

Staff is soliciting suggestions and feedback on any other areas or topics the committee would like see on future agendas.

FISCAL IMPACT

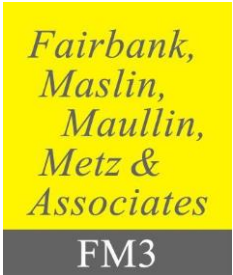
None.

Exhibit A: Sample Survey Questions

Submitted By: David D. Cain, Fiscal Sustainability Manager

Reviewed By: Eric Hendrickson, Director of Finance

Approved By: Bret M. Plumlee, City Manager



CITY OF FOUNTAIN VALLEY BENCHMARK ISSUES SURVEY
220-4329 (PHONE)
 N=
MARGIN OF SAMPLING ERROR ±X.X% (95% CONFIDENCE INTERVAL)
FINAL - 3
CONSULTANT WORKING DRAFT. NOT FOR PUBLICATION. CA GOVT CODE 6254.

Hello, I'm _____ from California Opinion Research, an independent public opinion research company. We're conducting a public opinion survey about some important issues facing citizens of the City of Fountain Valley. **(IF RESPONDENT REPLIES IN VIETNAMESE FOLLOW THE ESTABLISHED PROCEDURE FOR HANDING OFF TO AN INTERVIEWER WHO SPEAKS VIETNAMESE.)** We are not telemarketers trying to sell you anything or ask for a donation. May I please speak to _____? **(MUST SPEAK TO LISTED VOTER.)**

Before we begin, I want to give you some information about the purpose of this research. We are conducting an independent survey of City of Fountain Valley residents to obtain feedback on key issues facing your community; to identify residents' concerns and priorities, measure satisfaction with city services, and examine public opinion towards policies the City is currently considering.

I want to assure you that your participation and responses to this survey will be completely confidential. In reporting the results of this survey, we will never identify individual respondents or their answers. Survey results will only be presented as aggregated data, so that individual respondents cannot be identified.

A. Before we begin, I need to know if I have reached you on a cell phone, and if so, are you in a place where you can talk safely without endangering yourself or others? **(IF NOT ON A CELL PHONE, ASK: Do you own a cell phone?)**

- Yes, cell and can talk safely----- 1
- Yes, cell but cannot talk safely ----- **TERMINATE**
- No, not on cell, but own one----- 2
- No, not on cell and do not own one ----- 3
- (DON'T READ) DK/NA/REFUSED----- TERMINATE**

1. And, just to make sure that everyone is represented in the survey, with which racial or ethnic group do you identify yourself: Hispanic or Latino, White or Caucasian, Black or African-American, Vietnamese, an Asian descent other than Vietnamese, or some other ethnic or racial background?

- Hispanic/Latino ----- 1
- White/Caucasian ----- 2
- Black/African-American----- 3
- Vietnamese----- 4
- Asian/Pacific Islander----- 5
- Other (**SPECIFY _____**) ----- 6
- (DON'T READ) DK/NA/REFUSED ----- 7**

2. OK, let's begin. Would you say that things in _____ are generally headed in the right direction or do you feel that things are off on the wrong track?

RIGHT DIRECTION **WRONG TRACK** **(DON'T READ) DK/NA**

(DO NOT ROTATE)

- a. The City of Fountain Valley ----- 1 -----2----- 3
- b. Your local neighborhood ----- 1 -----2----- 3

3. Next, I'm going to mention a list of organizations. After each one, please tell me if you feel that organization is doing an excellent job, a good job, only fair job or a poor job.

(DON'T READ) DK/NA
ONLY
EXCLT GOOD FAIR POOR

(DO NOT ROTATE)

- a. Fountain Valley City Government overall ----- 1 ----- 2 -----3-----4----- 5
- b. The Fountain Valley City Council ----- 1 ----- 2 -----3-----4----- 5

(ASK SPLIT SAMPLE A ONLY)

- c. Fountain Valley Police Department ----- 1 ----- 2 -----3-----4----- 5

(ASK SPLIT SAMPLE B ONLY)

- d. Fountain Valley Fire Department ----- 1 ----- 2 -----3-----4----- 5

(RESUME ASKING ALL RESPONDENTS)

4. In your personal opinion, do you think there is a great need, some need, a little need, or no real need for additional funds to provide the level of city services that Fountain Valley residents need and want?

- Great need----- 1
- Some need----- 2
- Little need----- 3
- No real need ----- 4
- (DON'T READ) Don't know ----- 5**

- 5. Next, I'd like to ask you about a local measure that could appear on an upcoming ballot in the City of Fountain Valley. The measure may be titled the **Fountain Valley Police/9-1-1 Response/Essential City Services Measure** and may read as follows:

“Shall the ordinance to: maintain City of Fountain Valley services including fire stations, 9-1-1 emergency response, police officers/firefighters/paramedics, after-school (and) senior programs; upgrade first responder disaster communications; repair streets/potholes/storm water systems; other general city services, by establishing a one-cent sales tax providing eleven point five million dollars annually, until ended by voters, requiring public disclosure of expenditures, independent audits, and all funds only for Fountain Valley, be adopted?”

If the election were held today, do you think you would vote “yes” in favor of this measure or “no” to oppose it? **(IF YES/NO, ASK: “Is that definitely or just probably YES/NO?”)** **(IF UNDECIDED, DON'T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)**

- Definitely yes----- 1
- Probably yes----- 2
- Lean yes ----- 3
- Lean no ----- 4
- Probably no ----- 5
- Definitely no----- 6
- (DON'T READ) DK/NA ----- 7**

(IF Q5 IS CODED 2-7, ASK Q6)

- 6. If instead of establishing a local one-cent sales tax providing eleven point five million dollars, the **Fountain Valley Police/9-1-1 Response/Essential City Services Measure** that I just described established a local sales tax of three-quarters of a cent providing eight point five million dollars, would you vote yes in favor of this measure, or no to oppose it? **(IF YES/NO, ASK:)** “Is that definitely **(YES/NO)** or just probably?” **(IF NMI/UNDECIDED, DK/NA ASK: “What are you leaning towards, voting YES, or voting NO?”)**

- Definitely yes----- 1
- Probably yes----- 2
- Lean yes ----- 3
- Lean no ----- 4
- Probably no ----- 5
- Definitely no----- 6
- (DON'T READ) DK/NA ----- 7**

(IF Q6 IS CODED 2-7, ASK Q7)

7. And, if established a local half-cent sales tax providing five point five million dollars, would you vote yes in favor of this measure, or no to oppose it? **(IF YES/NO, ASK:)** “Is that definitely **(YES/NO)** or just probably?” **(IF NMI/UNDECIDED, DK/NA ASK:)** “What are you leaning towards, voting YES, or voting NO?”)

- Definitely yes----- 1
- Probably yes----- 2
- Lean yes ----- 3
- Lean no ----- 4
- Probably no ----- 5
- Definitely no----- 6
- (DON'T READ) DK/NA ----- 7**

(RESUME ASKING ALL RESPONDENTS)

8. Now, I would like to read you a series of statements that people have made about the City of Fountain Valley. After you hear each statement, please tell me if you believe it is accurate or inaccurate. **(IF ACCURATE/INACCURATE, ASK)** “Is that very **(ACCURATE/INACCURATE)** or just somewhat?” **(ROTATE)**

	<u>VERY</u> <u>ACC</u>	<u>SW</u> <u>ACC</u>	<u>SW</u> <u>INACC</u>	<u>VERY</u> <u>INACC</u>	<u>(DK/</u> <u>NA)</u>
[]a. The City of Fountain Valley’s finances are generally well-managed-----	1	2	3	4	5

(ASK SPLIT SAMPLE A ONLY)

[]b. The city’s crime rate has increased significantly in the last few years----- 1 ----- 2 ----- 3 ----- 4 ----- 5

[]c. Fountain Valley lacks its own Downtown area with shopping, dining and entertainment----- 1 ----- 2 ----- 3 ----- 4 ----- 5

(ASK SPLIT SAMPLE B ONLY)

[]d. The city has gotten safer in the last few years----- 1 ----- 2 ----- 3 ----- 4 ----- 5

[]e. Fountain Valley would be a better place to live if it had its own downtown area with shopping, dining and entertainment----- 1 ----- 2 ----- 3 ----- 4 ----- 5

(RESUME ASKING ALL RESPONDENTS)

9. I am going to read you a list of ways in which the funds generated by the **Fountain Valley Police/ 9-1-1 Response/Essential City Services Measure** could be spent and provisions that could be included. After I mention each one, please tell me how important that provision or use of funds is to you personally: is it extremely important, very important, somewhat important, or not too important? **(RANDOMIZE)**

	<u>EXT</u> <u>IMP</u>	<u>VERY</u> <u>IMP</u>	<u>SMWT</u> <u>IMP</u>	<u>NOT TOO</u> <u>IMP</u>	<u>(DK/</u> <u>NA)</u>
[]a. Offsetting state takeaways of local funds-----	1	2	3	4	5
[]b. Maintaining senior programs-----	1	2	3	4	5
[]c. Maintaining after-school programs-----	1	2	3	4	5
[]d. Repairing streets and potholes -----	1	2	3	4	5
[]e. Improving police and firefighter training -----	1	2	3	4	5
[]f. Maintaining anti-gang and anti-drug programs-----	1	2	3	4	5
[]g. Maintaining programs attracting businesses and creating jobs-----	1	2	3	4	5
[]h. Providing mandatory funding to the Orange County animal shelter -----	1	2	3	4	5
[]i. Repairing and upgrading the City rec center and sports park-----	1	2	3	4	5
[]j. Upgrading security at city buildings such as the police headquarters, senior center and rec center -----	1	2	3	4	5
[]k. Funds from the measure could only be used in Fountain Valley -----	1	2	3	4	5

(ASK SPLIT SAMPLE A ONLY)

[]l. Preventing the closure of a local fire station -----	1	2	3	4	5
[]m. Improving 9-1-1 emergency response times -----	1	2	3	4	5
[]n. Maintaining neighborhood police patrols -----	1	2	3	4	5
[]o. Maintaining the number of firefighters, paramedics and police officers -----	1	2	3	4	5
[]p. Replacing outdated radio equipment for police and firefighters -----	1	2	3	4	5
[]q. Repairing local storm water systems -----	1	2	3	4	5
[]r. Expenditures would be subject to independent audits -----	1	2	3	4	5
[]s. The measure would expire after 9 years -----	1	2	3	4	5
[]t. The measure can be ended by the voters-----	1	2	3	4	5

(ASK SPLIT SAMPLE B ONLY)

[]u. Maintaining local fire station services -----	1	2	3	4	5
[]v. Maintaining 9-1-1 emergency response times -----	1	2	3	4	5
[]w. Increasing neighborhood police patrols-----	1	2	3	4	5
[]x. Hiring additional firefighters, paramedics and police officers-----	1	2	3	4	5

EXT VERY SMWT NOT TOO (DK/
IMP IMP IMP IMP NA)

(ASK SPLIT SAMPLE B ONLY, CONTINUED)

- []y. Upgrading first responder disaster communications----- 1 ----- 2 ----- 3 ----- 4 ----- 5
- []z. Repairing local storm water systems to prevent flooding ----- 1 ----- 2 ----- 3 ----- 4 ----- 5
- []aa. The measure would require public review of all expenditures ----- 1 ----- 2 ----- 3 ----- 4 ----- 5
- []bb. The measure can be ended by the City Council---- 1 ----- 2 ----- 3 ----- 4 ----- 5
- []cc. The measure would expire after 20 years----- 1 ----- 2 ----- 3 ----- 4 ----- 5

(ASK IF Q1 CODED 4, "VIETNAMESE")

- []dd. Providing additional support for local cultural programs such as a Tet Festival ----- 1 ----- 2 ----- 3 ----- 4 ----- 5
- []ee. Increasing Vietnamese-language training for local police officers and firefighters ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

(RESUME ASKING ALL RESPONDENTS)

10. Next, I am going to read you some statements made by supporters of the **Fountain Valley Police/ 9-1-1 Response/Essential City Services Measure** we have been discussing. After hearing each statement, please tell me whether you find it very convincing, somewhat convincing, or not convincing as a reason to vote yes to support the measure. If you do not believe the statement, please tell me that too. **(RANDOMIZE)**

VERY SMWHT NOT DON'T
CONV. CONV. CONV. BELIEVE DK/NA

- []a. **(ACCOUNTABILITY)** This measure includes strict accountability provisions such as public spending reports and annual independent financial audits to make sure that every cent of our money is used effectively, efficiently and as promised to voters. ALL funds are required by law to remain local and can only be used in Fountain Valley----- 1 ----- 2 ----- 3 ----- 4 ----- 5
- []b. **(FIRST RESPONDERS)** Fountain Valley’s firefighters, paramedics and law enforcement are the first to respond in our communities when an emergency occurs. But the radio communications system they use is out-of-date and will not work unless it is upgraded. This measure provides funding for an updated radio communications system for all of Fountain Valley’s first responders so that they will be able to coordinate their response during emergencies. ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

<u>VERY</u>	<u>SMWHT</u>	<u>NOT</u>	<u>DON'T</u>	
<u>CONV.</u>	<u>CONV.</u>	<u>CONV.</u>	<u>BELIEVE</u>	<u>DK/NA</u>

(ASK SPLIT SAMPLE A ONLY)

[]c. **(RESPONSE TIMES - CRIME)** Response times for 9-1-1 calls are critical for stopping crime, protecting victims and saving lives. This measure will increase neighborhood patrols, put more officers on the street and improve law enforcement response times to all neighborhoods of our city. ----- 1 -----2----- 3 -----4----- 5

[]d. **(BUDGET/LOCAL)** Over the last several years, the State has shifted responsibility for many of its programs to the County and local cities, while taking away close to 100 million dollars in City funds. This has led to cutbacks to locally available services. All funds raised by this measure are legally required to be spent in Fountain Valley, ensuring that our tax dollars are used locally, with no money going to Sacramento. ----- 1 -----2----- 3 -----4----- 5

[]e. **(YOUTH)** Passing this measure will maintain City-funded after-school and summer recreational programs, youth job training programs, as well as gang prevention programs for at-risk youth. These programs provide more than 4,200 kids in our community each year with safe and supervised activities that keep these children and youth off the streets, away from gangs and out of trouble. ----- 1 -----2----- 3 -----4----- 5

(ASK SPLIT SAMPLE B ONLY)

[]f. **(RESPONSE TIMES - MEDICAL)** Over 85 percent of calls to the Fountain Valley Fire Department are related to medical emergencies. This measure will keep fire stations open and ensure that firefighters and paramedics can quickly respond to emergencies and save lives. ----- 1 -----2----- 3 -----4----- 5

[]g. **(QUALITY OF LIFE)** If this measure does not pass, the City will be forced to cut basic services such as police and fire protection, paramedics, senior services, youth programs, and stormwater upgrades that prevent pollution and flooding. We cannot let Fountain Valley turn into some of our nearby crime-ridden cities, with more gangs, graffiti and rundown streets. ----- 1 -----2----- 3 -----4----- 5

<u>VERY</u>	<u>SMWHT</u>	<u>NOT</u>	<u>DON'T</u>	
<u>CONV.</u>	<u>CONV.</u>	<u>CONV.</u>	<u>BELIEVE</u>	<u>DK/NA</u>

(ASK SPLIT SAMPLE B ONLY, CONTINUED)

[]h. (SALES TAX) A substantial portion of the sales tax revenue collected in Fountain Valley comes from residents of other cities. That means that this measure will require out-of-towners to contribute to local services such as police and fire protection and street repairs. And this measure will not be applied to prescription medication or food purchased as groceries. ----- 1 -----2----- 3 -----4----- 5

(RESUME ASKING ALL RESPONDENTS)

11. Now that you have heard more about it, let me ask you again about the **Fountain Valley Police/9-1-1 Response/Essential City Services Measure**. Again, it may read:

“Shall the ordinance to: maintain City of Fountain Valley services including fire stations, 9-1-1 emergency response, police officers/firefighters/paramedics, after-school (and) senior programs; upgrade first responder disaster communications; repair streets/potholes/storm water systems; other general city services, by establishing a one-cent sales tax providing eleven point five million dollars annually, until ended by voters, requiring public disclosure of expenditures, independent audits, and all funds only for Fountain Valley, be adopted?”

If there were an election today, do you think you would vote “Yes” in favor of it or “No” to oppose it? **(IF YES/NO, ASK: “Is that definitely or just probably?) (IF UNDECIDED, ASK: “What are you leaning towards, voting YES, or voting NO?”)**

Definitely yes----- 1
 Probably yes-----2
 Lean yes -----3
 Lean no -----4
 Probably no -----5
 Definitely no-----6
(DON'T READ) DK/NA/Refused ----- 7

12. Now I am going to read you some statements made by opponents of the local ballot measure we have been discussing. After hearing each statement, please tell me whether you find it very convincing, somewhat convincing, or not convincing as a reason to vote no to oppose the measure. If you do not believe the statement, please tell me that too. **(RANDOMIZE)**

<u>VERY</u>	<u>SMWHT</u>	<u>NOT</u>	<u>DON'T</u>	
<u>CONV.</u>	<u>CONV.</u>	<u>CONV.</u>	<u>BELIEVE</u>	<u>DK/NA</u>

[]a. (TAXES) The local economy is in a slow recovery and state and local taxes and fees are already going up. We just cannot afford another increase in local taxes. ----- 1 -----2----- 3 -----4----- 5

<u>VERY</u>	<u>SMWHT</u>	<u>NOT</u>	<u>DON'T</u>	
<u>CONV.</u>	<u>CONV.</u>	<u>CONV.</u>	<u>BELIEVE</u>	<u>DK/NA</u>

[]b. **(FOREVER)** We are going to be paying this “forever” tax every year and the costs will just keep going up and up. We need to say no to this kind of permanent increase in our local taxes. ----- 1 -----2----- 3 -----4----- 5

(ASK SPLIT SAMPLE A ONLY)

[]c. **(WASTE)** The City’s real problems are exorbitant salaries and pensions for city employees, out-of-control spending, and wasted tax dollars. We should vote no on this measure because we cannot trust the City with more of our hard earned money. ----- 1 -----2----- 3 -----4----- 5

(ASK SPLIT SAMPLE B ONLY)

[]d. **(RESERVES)** The City already has plenty of money; in fact, they’re sitting on 30 million dollars in reserve funds. We should vote no to send a message that the City should not ask for more of our hard earned tax dollars until they use what they already have. ----- 1 -----2----- 3 -----4----- 5

(RESUME ASKING ALL RESPONDENTS)

13. Sometimes, over the course of a survey people change their minds so let me ask you one final time about the possible local ballot measure that would maintain fire stations, public safety services, after-school programs and senior services among other general city services, by establishing a one-cent sales tax providing eleven point five million dollars annually for Fountain Valley only.

If there were an election today, do you think you would vote “Yes” in favor of it or “No” to oppose it? **(IF YES/NO, ASK: “Is that definitely or just probably?)** **(IF UNDECIDED/DK/NA, ASK: “What are you leaning towards, voting YES, or voting NO?”)**

Definitely yes----- 1
 Probably yes----- 2
 Lean yes ----- 3
 Lean no ----- 4
 Probably no ----- 5
 Definitely no----- 6
(DON'T READ) DK/NA/REFUSED ----- 7

14. Switching gears a little bit, I would like to ask you about another issue in Fountain Valley. The City has proposed leasing out the use of a 650 square foot digital readerboard, also known as an electronic billboard, along the 405 freeway at the Euclid Street off-ramp near the border with Costa Mesa. Leasing out the billboard will generate eight point three million dollars for the City over 30 years. In the first year alone, the deal would generate enough money to cover the cost of an additional Fountain Valley police officer including their necessary equipment and vehicle. However, some residents of Costa Mesa and Fountain Valley believe the light from the electronic billboard will disturb their homes and change the character of their neighborhood. Based on what you know, do you support or oppose Fountain Valley leasing out the use of the electronic billboard? (If **SUPPORT/OPPOSE**, ask: “Is that strong **SUPPORT/OPPOSE** or just somewhat?)

- Strongly support ----- 1
- Somewhat support ----- 2
- Somewhat oppose ----- 3
- Strongly oppose ----- 4
- (DON'T READ) DK/NA/REFUSED ----- 5**

THANK AND TERMINATE

SEX (BY OBSERVATION): Male----- 1
 Female ----- 2

LANGUAGE OF INTERVIEW (BY OBSERVATION): English----- 1
 Vietnamese----- 2

REGISTRATION: Democrat ----- 1
 Republican ----- 2
 No Party Preference----- 3
 Other ----- 4

NAME _____ Interviewer _____

ADDRESS _____ Cluster# _____

CITY _____ Voter ID# _____

ZIP CODE _____ FIPS CODE _____

COUNTY _____ PRECINCT _____

FLAGS

P06----- 1
 G06----- 2
 F08----- 3
 P08----- 4
 G08----- 5
 M09----- 6
 P10----- 7
 G10----- 8
 P12----- 9
 G12----- 10
 P14----- 11
 G14----- 12
 BLANK ----- 13

VOTE BY MAIL

1----- 1
 2----- 2
 3+ ----- 3
 BLANK ----- 4

PERMANENT ABSENTEE

Yes----- 1
 No----- 2

HOUSEHOLD PARTY TYPE

D1----- 1
 D2+ ----- 2
 R1----- 3
 R2+ ----- 4
 I1+----- 5
 Mixed----- 6

AGE

18-29----- 1
 25-29----- 2
 30-34----- 3
 35-39----- 4
 40-44----- 5
 45-49----- 6
 50-54----- 7
 55-59----- 8
 60-64----- 9
 65-74----- 10
 75+ ----- 11
 BLANK ----- 12

VOTER TYPE

June 2016 ----- 1
 November 2016----- 2

A/B SPLIT SAMPLE

Split A ----- 1
Split B ----- 2

OWN/RENT

Own ----- 1
Rent ----- 2

DISTANCE RINGS

0.0 - 1.5 miles ----- 1
1.6 to 2.1 miles ----- 2
More than 2.2 miles ----- 3

City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: July 22, 2019

ITEM NUMBER: 4C

To: Budget Standing Committee Members

Presented By: David D. Cain, Fiscal Sustainability Manager

Subject: Discussion of Pro's and Con's List

SUMMARY

The Budget Standing Committee and Staff had recently compiled multiple pro's and con's lists of potential ideas related to fiscal sustainability.

RECOMMENDATIONS

Discuss and receive feedback regarding the publication of these ideas and lists.

BACKGROUND & DISCUSSION

At the July 15, 2019 City Council meeting, Committee member Hasselbrink discussed the possibility of publishing the pro's and con's lists of potential ideas related to fiscal sustainability. Tonight's agenda item seeks further discussion and direction provided by the Committee.

Submitted By: David D. Cain, Fiscal Sustainability Manager

Reviewed By: Eric Hendrickson, Finance Director

Approved By: Bret M. Plumlee, City Manager