

TOWN OF PORTOLA VALLEY
Finance Committee
Monday, February 6, 2017 – 5:30pm
Town Hall Conference Room
765 Portola Road, Portola Valley, CA

Minutes – Monday, February 6, 2017 Meeting

Attendees:

Bill Urban, Chair	Craig Hughes, Mayor & Council Liaison
Ken Lavine	Jeremy Dennis, Town Manager
Michele Takei	Susan Cope, Town Administrative Svcs Mgr
Gary Nielsen	Mark Wong, CPA, Maze & Associates auditors
George Savage, Acting Secretary	Zach Korach, Maze & Associates auditors
Craig Taylor (member of public)	

The meeting was called to order by the chairman at 5:35pm.

Minutes

The minutes of the August 2016 meeting were approved as presented.

Committee Member Oral Communications

Chairman Urban reported that he has been chairman of the Finance Committee for the past two years. Upon the unanimous urging of the other members, he agreed continue in this capacity for one more term.

New Business

Audit review of Town financial reports with Maze & Associates auditors

The auditors reviewed their process of visits to the town to assess the adequacy of financial controls. They also described findings and conclusions.

An unqualified opinion letter was issued testifying to Town compliance with relevant financial standards.

Questions were asked by committee members and a full discussion ensued.

The net pension liability for the town is currently approximately \$82,000, which is very small absolutely and relative to other cities and towns. The auditors believe that this is a good sign for the Town's financial condition going forward.

Chairman Urban described Town policy, which is to bring the pension liability down to approximately zero each year, contingent on adequate cash reserves. However, official measurement dates for the audit may differ from the CalPERS dates, which explains the relatively minor discrepancy.

Mayor Hughes discussed the introduction of a new renewable energy plan for residents that is commencing in April of this year. PV is defaulting to the one-hundred percent renewable option, which costs more than today's PG&E rate. Residents interested in another choice can opt to stay with PG&E or select a fifty percent renewable blend from Peninsula Energy that is priced below current PG&E rates. The town assumption is that approximately 2.5 percent of residents will opt to select one of the non-default options due to the small difference in total cost weighed against the perceived environmental benefits.

The auditors discussed one minor issue detected. In closing accounts, a minor dollar amount was erroneously booked as cash rather than as accounts receivable. Town staff were unfamiliar with this year-end closing requirement. The issue was corrected and steps taken to prevent recurrence. There was no effect on fund balances.

The auditors concluded that they found no deficiencies or material weaknesses in the Town's accounting systems.

Chairman Urban described the Town's new cash investment plan and the self-management aspect to the auditors. They saw no problem with the new arrangement.

Motion

George Savage moved that the committee approve the financial audit report. The motion was seconded and unanimously approved.

The auditors were thanked and dismissed from the meeting at 6:21pm.

Chairman Urban reported on progress on LAIF alternatives for Town cash reserves. Chairman Urban and Ken Lavine formed a small committee to advise the Town Council on the new policy. Chairman Urban discussed the details with the Town Council and shared these with committee members.

The Town Council approved the plan. Town Manager Jeremy Dennis and Administrative Services Manager Susan Cope will manage the day-to-day activities associated with the plan.

Next steps include setting up an appropriate custodial account, determining the appropriate signature policies, and an initial amount to invest. The total amount not needed for routine operating needs is up to \$11.6 million.

Chairman Urban suggested a 6-12 month of gradual investment to become comfortable with the new procedures. Also, the potential for a rising interest rate environment could cause capital losses even as interest income increases. The Town Council needs to feel comfortable with the new policy.

A robust discussion ensued. Town Manager Dennis emphasized the need to draft procedures that would ensure transparency and preclude any conflict-of-interest.

After further discussion, a subcommittee was suggested and approved to assist Town staff.

George Savage and Michele Takei were appointed to this advisory subcommittee to assist Town staff in drafting controls over the next couple of months.

In response to questions from Craig Taylor, Chairman Urban emphasized that funds under management would be highly liquid. There will however be some risk of capital volatility. The investment policy approved by the Town Council will be administered by the Finance Committee and Town staff. However, any proposed change in plan would go back to the Town Council for evaluation and approval prior to implementation.

After further discussion, the sense of the committee was that quarterly review of investment allocation was the appropriate interval.

The next agenda item concerned possible changes to the Town Master Plan.

Chairman Urban asked about timing and when financial considerations should factor into Town Council deliberations.

Town Manager Dennis confirmed that many ideas are being considered, with a couple of expensive options (e.g., “daylighting” the creek running through Town Center grounds). However, there is much more work to be done before financial considerations are defined.

No additional land purchases are being considered for affordable housing efforts. There is some consideration of what to do if the Spring Downs area becomes available. However, the main focus is to use existing Town land wisely over the next 10-25 years.

There is an ad hoc “Town-Owned Property Committee” evaluating the possibility of constructing affordable housing units. Various possibilities were discussed. However, it was agreed that time is not yet ripe for Finance Committee involvement.

Old Business

Chairman Urban discussed an earlier discussion of a ballot initiative giving the Town Council the authority, at its election, to lower the Utility Users’ Tax rate annually.

The next Town Council election will be held in 2018 due to a reset election clock. Since the UUT expires at the end of June 2018, unless renewed, the Town is checking with authorities as to whether the renewal initiative can appear on a primary election ballot.

A vote-by-mail election option was discussed. San Mateo County estimates that such an election will cost approximately \$5-18,000.

There being no further business, the meeting adjourned at 7:13 pm.