

TOWN OF PORTOLA VALLEY
Finance Committee
Monday, February 12, 2018 – 5:30pm
Town Hall Conference Room
765 Portola Road, Portola Valley, CA

Minutes – Monday, February 12, 2018 Meeting

Attendees:

Bill Urban, Chair	Ann Wengert, Council Liaison
Michele Takei	Jeremy Dennis, Town Manager
George Savage, Acting Secretary	
Ken Lavine	Grace Zhang, Maise & Associates
	Starla Jerome-Robinson, Interim Finance Director

Call to Order

The Chair called the meeting to order at 5:31pm.

Roll Call

The Chair confirmed attendance as detailed above.

Oral Communication

No oral communications presented apart from the items on the Meeting Agenda

Approval of Minutes

The minutes of the October 31, 2017 meeting were approved after amendment to reposition the parenthetical in the RESOLUTION to the end of the statement. The amended RESOLUTION reads in full:

It was moved and unanimously agreed to recommend that the Town Council place a ballot measure on the June, 2018 primary election authorizing adjusting the UUT on an annual basis not to exceed 5.5% for the General Fund, using fiscal prudence.

Election of Committee Chair for 2018 and Identify Candidates for Committee

After thorough discussion, Mr. Urban agreed to serve as Committee Chair again in 2018, after stating his preference that this be his final consecutive term in the role.

Members acknowledged the departure of Gary Nielsen from the Committee after years of valued service. A discussion ensued about putting the word out to citizens of the Town to recruit Mr. Nielsen's replacement. Ms. Takei stated that she would reach out to her contacts in hopes of identifying a new 5th member.

New Business

Audit Review of FY2016-17

Grace Zhang from Town auditor Maise & Associates and Town Interim Finance Director Starla Jerome-Robinson led a discussion of the Audit and Financial Statements for the Town's fiscal year ending 30 June 2017.

Members asked extensive questions concerning the CalPERS assessment of Unfunded Pension Liability, which grew from \$82,000 in 2016 to an estimated \$523,000 in 2017. Key drivers include actual returns to the CalPERS portfolio and the agency's projected future returns. Mr. Dennis agreed to prepare an analysis on the value of paying the new estimated CalPERS unfunded pension and OPEB liability amounts and report back to the Committee.

Underspending in the Capital Projects budget was discussed. A significant proportion is related to timing effects between granting contracts and actually disbursing funds. The proposed five-year capital plan on tonight's Agenda is intended to improve overall visibility to capital spending as compared to assessing year-over-year cash outlays.

Committee members next asked further questions of the auditor and Town staff.

Utility Users' Tax receipts increased last year. Staff believe that this was a result of increased electricity use to fuel battery-powered vehicles and increased water usage after the end of the prior drought.

Ms. Zhang advised the Committee to be prepared for a new accounting rule next year, GASB 75, which will highlight the liability related to OPEB. The goal is increased visibility to future obligations.

Plans to Develop 5-Year Capital Plan and Cash Reserve Policy

Mr. Dennis presented a plan to develop a five-year capital project plan for the Town. The Committee reviewed examples of similar plans by other towns, including the Woodside 2017-2022 Capital Improvement Program. Most capital projects do not fit into the Town's fiscal year, usually extending across years due to phased work, or timing considerations inherent to the process of planning, permitting, and building.

The proposed plan will not alter the annual appropriations process but will provide a rolling five-year view of anticipated and/or desired projects, improving transparency for the public and assisting the Town Council in its deliberations.

A thorough discussion ensued, with committee members unanimously supportive of the new tool.

Attention then turned to the Town's cash reserve policy. Current policy, established by the Town Council in 2011, states a goal of maintaining a minimum unreserved fund balance of 60% of annual budgeted operating expenditures within the General Fund.

Mr. Dennis explained that there is enormous diversity in reserve policies across similar-sized California towns. He stated that he would send materials for review to Members

detailing current Town practice and providing examples from other municipalities so that we can evaluate Town policy at a future meeting.

Old Business

Pending General Fund UUT ballot measure—discussions with Town Council

The Committee held a discussion on its recommendation to renew a lower Utility Users Tax, lest it revert to the higher 5.5% permanent rate for the general-purpose tax (the additional 2% tax is permanent and dedicated to open space acquisition). The Committee previously recommended a ballot initiative providing flexibility for the Town Council to set the tax rate annually, at a rate not to exceed the current 4.5%.

Ms. Wengert shared that the Town Council supports the concept flexibility but is mindful of imposing an immediate demand on Town staff to forecast the appropriate rate. She proposed a ballot initiative that would renew the UUT at a maximum of 4.5% for the next four years. However, after two years the Town Council would have the flexibility to adjust the tax rate subject to the 4.5% cap. This would permit staff to anticipate the need to forecast the appropriate rate. As is Town practice, a further ballot measure would be required to renew the tax again after 4 ½ years (the additional half-year is to align with the new California election calendar).

RESOLUTION: The Finance Committee supports the proposed ballot initiative continuing the current 4.5% UUT maximum general-purpose tax rate and providing the Town Council the authority to adjust the tax, subject to the 4.5% cap, after the first two years following enactment.

The Committee voted to approve the resolution.

Implementation of Investment Fund and Initial Funding and Trade Ticket

Mr. Dennis expressed concern over the need to provide personal information in order to implement the new investment policy. After a discussion by Members of the identification requirements occasioned by the 9-11 terrorist attacks, Mr. Urban volunteered to look at this and discuss with Mr. Dennis.

The matter of Form 700 Economic Interests for Members disclosure was raised. The Town attorney has concluded that there is no present need for Committee Members to submit this form.

Improving Committee Effectiveness/Service and Annual Report to Town Council

The Members expressed an interest in enhancing communication between the Committee and the Town Council. Ideas were discussed, such as having the Chair and Town Council liaison communicate on a more regular basis, particularly ahead of any formal presentation of Committee recommendations to the Town Council. The Members also expressed an interest in adding additional value, wherever possible, to the Town Council.

A formal annual report to the Town Council was discussed, but it was agreed that serious consideration should be tabled until after development of the 5-year capital plan.

Adjournment

There being no further business, the Chair adjourned the meeting at 8:05pm.