



TOWN OF PORTOLA VALLEY
Finance Committee Meeting
Monday, November 30, 2020– 4:00 PM

Special Videoconference Meeting via Zoom

SPECIAL VIDEOCONFERENCE MEETING AGENDA

Join Zoom Meeting:

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Phone into Zoom Meeting:

1-669-900-6833

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Meeting ID: 912 6583 5139

1. Call to Order
2. Roll Call
3. Oral Communications and Announcements
4. Approve minutes from September 17, 2020 meeting
5. Committee/Council Workshop – January 27, 2021
6. Designate new lead “educator” on Town Investments
7. Budget Study Sessions
8. Adjournment

TOWN OF PORTOLA VALLEY
Finance Committee Minutes
Thursday, September 17, 2020 – 4:00pm
Video Conference

Attendees

Ken Lavine, Member	Jeremy Dennis, Town Manager
Lucy Neely, Chair	Craig Hughes, Council Liaison
Jason Pressman, Member	Cindy Rodas, Finance Director
George Savage, Acting Secretary	Jim Saco, Finance Consultant
Michele Takei, Member	Howard Young, Public Works Director
Bill Urban, Member	

Call to Order

The Chair called the meeting to order at 4:00pm.

Roll Call

The Chair confirmed attendance as detailed above.

Oral Communications and Announcements

Mr. Urban reported on the performance of the Portola Valley Investment Fund. From 18 July 2019 until 17 September 2020 the fund earned a total return of 4.86% on the initial \$4.5M in assets, bringing the current value to \$4.7M. Mr. Urban stressed that this return is much higher than is either normal or expected, resulting from plummeting market interest rates resulting from unprecedented COVID-19-related economic conditions. Of note, the annualized portfolio interest rate is 1.24%. The bulk of the past year's return is the result of capital gains due to declining market rates.

Mr. Urban announced his resignation from the Town of Portola Valley Finance Committee, effective after today's meeting. He expressed his willingness to provide continuing advice on the management of the investment fund and any other matter. The committee members unanimously expressed thanks for Mr. Urban's many years of public service to the Town as Committee member and longtime Chair.

Approval of Minutes

The minutes of the July 15, 2020 meeting were approved as presented.

New Business

Mr. Dennis and Ms. Rodas jointly presented the **proposed revised budget** for the 2020-21 fiscal year.

Two accounting systems were used in preparing the budget: Fund Balance, the legacy software package, provided 2019-20 actuals, while OpenGov, the newly implemented system, was used for 2020-21 budget development. OpenGov will be used going forward to track actual spending through the fiscal year. The new software has allowed the chart of accounts to be improved to reflect true departments within town

government. Visualization tools allow for better analysis of town spending. The plan is to provide public access to these tools via the town's website in 4Q2020.

The COVID-19 pandemic shifted the budget approval cycle this year and compressed the budget development timeline to two months from the usual four.

COVID also led to changes in forecast revenue and expenses. Revenue from classes and events is forecast to decline due to restrictions continuing on in-person events, while revenue from the Utility Users' Tax (UUT) is expected to increase due to the shift toward town residents working from home. Sales tax revenue is forecast to remain constant, which is conservative since The Alpine Inn is seeing a spike in business on account of its outdoor seating capability (the Town receives 100 basis points of the 9.25% total San Mateo sales tax rate). Town expenses related to COVID are forecast to rise due to the need for installation of protective barriers, provision of PPE to town staff, and establishment of work-from-home infrastructure for town staff. There are also modest increased expenses forecast for new construction permitting, software, including OpenGov and remote work services, and janitorial services needed for enhanced disinfection.

Annual road resurfacing contracting has been adjusted to get bids early, moving actual construction into the following year's budget. This allows the budget to accurately reflect bids and allows construction to be completed within one fiscal year, which simplifies reconciliation.

A grant is being sought to fund flashing crosswalk beacon repair near the Woodside Priory and installation near Alpine Hills Tennis and Swimming Club.

The Portola Valley budget is in good shape relative to other nearby cities and towns, which rely more on retail sales tax and visitor services that have been adversely affected by COVID-related public health measures.

Questions were asked by committee members and members of the public and a full discussion ensued. Notable topics included the funding of fire prevention and other wildfire-related services. Mr. Dennis pointed out \$122K budgeted for vegetation management along evacuation routes, as discussed with Fire Marshall Don Bullard. Wildfire mitigation work in the Stanford Wedge property is being financed and performed by the university, not the Town of Portola Valley.

Healthcare costs for Town staff have remained pretty flat. An apparent increase in spending on the medical benefit is an artifact of the new chart of accounts (i.e., the way costs are allocated across departments). However, the details are unclear. Mr. Dennis said he would look into this line item and report back to the committee.

The Open Space Fund is primarily directed toward purchasing land to add to the Town's permanent open space and bringing the newly acquired property up to standard. Routine maintenance is then an ongoing budget responsibility for the Town's general fund. Wildfire prevention-related spending from this fund is not allowed according to the

definition set by the voters as interpreted by the town's Open Space Committee, which advises the Town Council.

The Town budgets additional funds for open space management, with advice from the Conservation Committee. While not primarily directed at fire prevention, removal of invasive species of brush has this effect as a byproduct. For instance, maintenance of the Spring Downs open space is budgeted at \$25-30K for this purpose.

The Portola Valley Investment Fund has two components of value change, one is income due to the interest rate of the underlying bond portfolio; the other is capital gain (or loss) due to fluctuations in prevailing interest rates. Mr. Urban suggests that Town staff consider reporting these two components separately (e.g., "unrealized gain in a fund"). He also suggested that the forecast \$153K in value gain in the proposed budget is too aggressive given the unrepeatably decline in market interest rates over the past four months.

Work on reevaluating Town budget reserve methodology has been on hold for the past several months due to COVID. This remains on Mr. Dennis's list and the subcommittee of Ken Lavine and George Savage will reengage once more pressing priorities are addressed.

It was moved and unanimously agreed to recommend that the Town Council approve the Proposed Revised Budget for FY 2020-21.

Following passage of this motion Jason Pressman left the meeting at 5:30P.

Additional questions from members of the public led to additional discussion. For instance, Mr. Dennis fielded questions about fire prevention spending (increased from ~\$20K to ~\$125K for right-of-way clearance). Windy Hill OSP is the responsibility of the MROSD. The Town Council is working closely with the District to prioritize clearance of a fire easement surrounding the Sequoias retirement residences. Coyote bush removal is of particular importance.

One public comment advocated that the town's automated license plate recording system (ALPRS) is used fairly and without bias. Another comment asked to consider "people preparedness" as part of town fire prevention efforts in addition to "brush preparedness."

Net pension liability was discussed. Mr. Dennis reported that the Town is still awaiting an update from CalPERS. Prefunding is something to consider. However, there are fewer available investment vehicles than with OPEB.

This will be added back to the agenda when further data from CalPERS becomes available.

Old Business

Mr. Dennis said that the Town Council accepted the Finance Committee's previous recommendation to place 100% of the OPEB unfunded liability into the CalPERS

CERBT Strategy 1. However, no funding action will be taken until the next Town Council meeting. The rationale for one payment versus four remained unclear to the Town Council

Mr. Urban, who served on the relevant subcommittee with Mr. Pressman, reviewed the recommendation. The argument in favor of a lump sum payment rather than multiple payments is that Town assets are overwhelmingly (~\$16M) invested in low-yield instruments. The ~\$1M OPEB investment is into a diversified portfolio managed by CalPERS. This increases the overall diversification of the Town's portfolio. Therefore, there is no need to dollar cost average the OPEB payment as a form of additional diversification. However, there is no one right answer here. Either approach could be taken. Mr. Hughes thought Mr. Urban's explanation would clarify the Town Council's question.

Adjournment

There being no further business, the Chair adjourned the meeting at 6:02pm.

George Savage – Acting Secretary