



TOWN OF PORTOLA VALLEY
Finance Committee Meeting
Wednesday, May 5, 2021– 4:30 PM

Special Video Conference Meeting via Zoom

SPECIAL VIDEO CONFERENCE MEETING AGENDA

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Meeting ID: 999 8685 5005

Password: 328909

1. Call to Order
2. Roll Call
3. Oral Communications and Announcements
4. Approve minutes from November 30, 2020 meeting
5. Introduce and welcome new committee member — Stephen Cassani
6. OpenGov Report and Update
7. Quarterly Reports, concept and feedback
8. Schedule/frequency of future meetings
9. Review of the Committee Charter
10. Review of Town Financial Policies
11. Divestment – Discussion Led By Chair
12. Adjournment

TOWN OF PORTOLA VALLEY
Finance Committee Minutes
Monday, November 30, 2020 – 4:00pm Video
Conference

Attendees

Jeremy Dennis, Town Manager
Cindy Rodas, Finance Director
Jim Saco, Finance Consultant
Craig Hughes, Council Liaison
Ann Wengert, Council Liason
Sarah Wernikoff, Incoming Council Liason
Lucy Neely, Chair
Ken Lavine, Member
Jason Pressman, Member, Acting Secretary
George Savage, Member
Michele Takei, Member
Kristi Corley
Rita Comes
Caroline Vertongen
Betsy Morgenthaler
Nan Shostak
Other members of the Public

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

Nan Shostak discussed concerns about a potential earthquake or fire in Portola Valley and encouraged the Committee and Town Council to consider additional budgets.

Betsy Morgenthaler discussed her observation that the town reserves have decreased over the past few years. She also noted that several past meeting minutes were not available on the Town's website.

Approval of Minutes

The minutes of the September 17, 2020 meeting were approved as presented.

New Business

Committee/Council Workshop

Mr. Dennis discussed the upcoming committee/council workshop on January 27, 2021 for the upcoming 2020-21 fiscal year that enables committees to discuss new proposals that may be submitted to the town Council.

Designate new lead “educator” on Town Investments

With the departure of Bill Urban, who was previously the lead “educator” on Town Investments, there was a discussion as to whether someone from the committee could help in that role going forward. Jason Pressman volunteered to assist in this role.

Budget Study Sessions

Mr. Dennis discussed the upcoming budget sessions and how they will be presented to Council. He expressed a strong intent for the discussions to be open and unbiased. Ms. Neely asked the two council members, Ann Wengert and Craig Hughes to provide perspective on the guidance from Council about future budget direction, particularly around reserves management.

Mr. Dennis discussed some of the major changes that have occurred in the Town budget over the past 20 years and some other potential items that could change going forward.

Mr. Savage pointed out that the town has been quite aggressive, relative to other towns, at funding our pension liabilities with the conscious decision that in the event of a significant unforeseen expense such as repairs from a natural disaster could be funded with borrowing if needed.

Mr. Dennis reported that the ~\$1M OPEB investment into a diversified portfolio managed by CalPERS is being funded in four quarterly installments over the next year.

Mr. Dennis discussed the budget process and asked committee members what information would be useful to help drive discussions forward. Then Mr. Dennis provided an update on some major areas of spending and future uncertainty including public safety, pension obligations, wildfire prevention and safety.

Ms. Neely suggested that consideration be given to switching some funds from the UUT from Open Space Land Acquisition to Wildfire Prevention. Discussion ensued.

Betsey Morgenthaler pointed out that while she is new to the committee, she feels that the discussions could be more productive if historical financials were presented for context. She also suggested that some other unfunded state driven initiatives also should be considered.

Mr. Dennis note that until recently, the sort of historical financials and projections were not possible until this year with the implementation of OpenGov software.

Mr. Pressman and Mr. Lavine suggested that going forward a constructive way to forecast would be for Staff to put together a higher-level budget that showed some historical subjective commentary (e.g. law enforcement has increased by 3x over the past 20 years and we anticipate it to increase again when our contract expires in a few years) as well as areas for potential additional investment such as wildfire prevention. This budget and recommendation should be prepared and discussed and used to make recommendations to Council.

Adjournment

There being no further business, the Chair adjourned the meeting at 6:00pm.

Jason Pressman – Acting Secretary

FINANCE COMMITTEE CHARTER

OBJECTIVES

To develop, recommend and oversee the overall financial policies of the Town.

DUTIES AND FUNCTIONS

1. For Council approval, review and comment and/or recommend approval of annual and five-year budget plan as prepared by Town Administrator.
2. To monitor expenditures in relation to the budgeted amounts.
3. To make recommendations to the Council regarding the Town's investment portfolio
4. Make recommendations to the Town Council regarding appropriate reserve levels.
5. Advise the Town Council on other fiscal-related projects and matters.

RESPONSIBLE TO

The Town Council - all actions are advisory to the Council.

COORDINATION

Town Manager/Treasurer
Council Liaison

COMMUNICATIONS

1. Budget requests from Town officers, Commissions and Committees are received, entered into preliminary budget work sheets, and submitted to the Council.
2. Council decisions regarding the budget are received, translated into revised and final budgets, and submitted to the Council.

MEMBERSHIP

Up to seven members appointed by the Mayor with Town Council concurrence for one-year terms. Rotating chair selected by Committee.

MEETINGS

Held as required - weekly or bi-monthly during preparation of budget and as otherwise necessary.



Town of Portola Valley

Financial Policies & Procedures

Table of Contents

Section 1: Financial Policies

Financial policies are adopted by the Council and can only be revised by approval of that governing agency. The Town's financial policies conform to generally accepted accounting principles and applicable State and Federal laws.

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Section 2: Financial Procedures

Financial procedures are primary accounting functions performed by the Town for necessary fiscal management of Town operations. These procedures are updated as needed to allow for software updates and procedural revisions.

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Town of Portola Valley

Financial Management Policy Overview

The Town's financial management policy will conform to generally accepted accounting principles and state regulations. Any significant revisions, deletions or additions to the existing financial management policy(ies) will be reviewed and approved by the Town Attorney, the Finance Committee and Town Council before implementation.

Basis of Accounting

Basis of Accounting refers to the time when revenues and expenditures are recognized in the accounts and reported in the financial statements. The Town uses the modified accrual basis of accounting for monthly accounting purposes. Annual financial reports are prepared using the Governmental Accounting Standards Board Statement No. 34 (GASB 34), which is based on full accrual accounting.

Audits

General financial audits are performed annually by an independent auditor designated by the staff and approved by the Council. State Compensation Insurance Fund performs an annual audit of payroll. Other special purpose audits are conducted from time to time as needed. All employees are required to disclose and furnish information when called upon to do so as promptly as possible, in an open and honest fashion.

Budget

The Town maintains a balanced budget on an annual basis. Revenues and expenditures are estimated on the basis of reasonable and conservative assumptions. Funding for current expenditures comes from current revenues, with operating and capital budget items clearly distinguished and reported separately.

Budget preparation begins with Budget Request submittals from staff, committees, commissions, and consultants. The Town Manager reviews and finalizes these budget requests and presents the budget in draft form to the Finance Committee for review and approval. Finally, the budget is presented to the Council for review and adoption, along with the Town's Appropriations Limit and Investment Policy for the approved budget's fiscal year.

Reporting and Record Keeping

The Town provides reports to the Council on a monthly basis indicating the cash balances of all funds and investment(s) and a summary of monthly revenues and expenditures. Detailed revenue and expenditure reports are prepared monthly and also available for review, along with budget status information. Additional financial reports are prepared as needed when requested and required by staff and committee volunteers.

The Town maintains accurate and detailed **records of all financial activity** for a minimum of seven years, with the annual Financial Statements kept permanently.

Financial Institution Account Authorization

The Town's cash is pooled from all sources and funds and held in two financial accounts, a checking account with Bank of America, and an investment account with Local Agency Investment Fund (LAIF). For more information on LAIF, please refer to the Town's Investment Policy.

Bank of America checking account:

Revenue deposits (including direct deposits from the State of California) and payment of warrants (including EFT withdrawals) are transacted with the Town's account held at Bank of America. Warrants are signed by the Mayor or Vice Mayor, *and* the Town Manager or Assistant Town Manager (or another designated staff member if necessary). On an annual basis, the Town's signature card is updated with the required information and signatures of the new Mayor and Vice Mayor.

LAIF Investment account:

The Town's reserves are held solely with LAIF. Periodically, LAIF requests updated account access authorization for transfers of funds. Along with a member of the Council, the Town Manager and the Administrative Services Officer are authorized to transfer funds between the Bank of America account and the LAIF account. The account access authorization is updated with LAIF when required and/or as requested by LAIF.

Accounting System – Fund Accounting

The accounts of the Town are organized on the basis of fund and account groups (see attached [Fund Descriptions](#)), each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Town uses three fund types as follows:

Fund Classification: Governmental Funds

Fund Type: General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Fund Classification: Governmental Funds

Fund Type: Special Revenue Fund. These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Fund Classification: Fiduciary Funds

Fund Type: Agency Funds. These funds are used to account for assets held by the Town as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (receipts and other financing sources) and decreases (disbursements and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Capital assets used in governmental activities (general fixed assets) are accounted for in a separate capital asset accounting system, rather than in governmental funds. Depreciation is calculated on capital assets as required under GASB 34. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is unavailable. Donated capital assets are valued at their estimated fair value on the date donated.



Town of Portola Valley

Fund Descriptions

5	General Fund	The Town's operating fund; all general operating revenues and expenditures are processed through it.
8	Grants	Used to record all revenues and expenditures related to county, State, and Federal grants.
10	Safety Tax	A half-cent State sales tax revenue designated exclusively for local agency public safety services. (Sec. 35 of Art. XIII of Cal Const)
15	Open Space	Used for acquisition and support of open space parcels in Town.
20	Gas Tax	For maintenance and repairs to streets.
22	Measure M	County-generated vehicle registration revenue to be used for local streets and roads for congestion mitigation and water pollution prevention programs.
25	Library Fund	Library service revenue from San Mateo County Library JPA to be spent on library related activities as mutually agreed by the JPA and Town Council.
30	COPS – Public Safety	Citizens' Options for Public Safety: a supplemental State law enforcement fund for special law and traffic enforcement.
40	Park-in-Lieu	Subdivision developer's fee that can only be used for parks or recreational purposes.
45	Inclusionary-in-Lieu	A subdivision developer's fee, payable by fee or land, that can only be used for affordable housing.
50	Storm Damage	Initially created during the 1998-99 Alpine Road slide repairs, this fund is used as necessary to track federal or state-reimbursed storm-related road repairs.
60	Measure A Funds	A half-cent County sales tax revenue designated for the improvement of local transportation, including streets and roads.
65	Road Impact Fee	Recovers the cost of repairs from building permit applicants to Town roads due to wear and tear from construction vehicles. Collection of these fees was suspended by the Council in 2010.
75	Crescent M.D.	Maintenance District Funds
80	PVR M.D.	
85	Wayside I M.D.	
86	Wayside II M.D.	
90	Woodside H'lands M.D.	
95	Arrowhead M'dows M.D.	
96	Customer Deposits	Deposit fund for customer fees to pay for consulting costs associated with individual building projects. Any remaining deposit amounts are refunded to customer when project is completed.



Town of Portola Valley

Monthly Financial Records Maintained for Financial Archives

Each Month's Data Contains:

- Monthly Financial (Council) Summary
- Treasurer's Report
- UUT Summary Report
- Bank Reconciliation
- LAIF Statement
- Check Registers for Warrant Lists
- Warrant Lists, Signed/Sealed (2)
- Payroll Detail including Manual Journal Entry (2)
- Cash Balances Report
- Balance Sheet
- Trial Balances
- Income Statement
- Revenue/Expenditure Report YTD Summary
- Revenue/Expenditure Report MTD Detail
- Journal Entries for Month

For instructions on how to prepare the monthly reports above, please see [Monthly Reports](#) in Section Two of this manual.



Town of Portola Valley

Capital Assets Policy

Adopted: June 9, 2004

Revised: June 18, 2014

Overview

The Town will maintain a capital asset management system that will meet external financial reporting requirements and the needs of the Town in line with these policies.

Capital assets are recorded as expenditures in governmental funds at the time the assets are received and the liability is incurred. These assets will be capitalized at cost on the government wide financial statements.

The Town's Capital Assets Policy follows the recommended practices of the GFOA (Government Finance Officers Association) and the accounting standards of the Government Accounting Standards Board (GASB). In accordance with GASB Statement Number 34:

Capital Assets are defined as land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Infrastructure Assets are defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Buildings that are an ancillary part of a network of infrastructure assets are included.

Capitalization

Generally, the capitalization threshold for capital assets will be an original cost of \$5,000 or more (recorded as an asset on the balance sheet versus expensing the item). Specific capitalization requirements are described as follows:

- a. All land will be capitalized regardless of cost.
- b. Buildings, land improvements and infrastructure will be recorded if cost exceeds \$25,000.
- c. All infrastructure will be recorded
- d. All other assets must cost \$5,000 or more and have a useful life of two (2) or more years.
- e. The capitalization threshold is applied to individual units of capital assets rather than groups. For example, ten desks purchased for \$1,000 each will not be capitalized even though the total (\$10,000) exceeds the threshold of \$5,000.
- f. For purposes of capitalization, the threshold will generally not be applied to components of capital assets. For example a keyboard, monitor and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single asset. The capitalization threshold will be applied to a network if all component parts are required to make the asset functional.

- g. Repairs to existing capital assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. In this case the repair represents an improvement and is subject to the requirements described in item "h" below.
- h. Improvements to existing capital assets will be presumed by definition to extend the useful life of the related capital asset and therefore will be subject to capitalization if the cost exceeds \$5,000.

As a result of the above capitalization policies, the following *infrastructure* items will not be capitalized: street trees, street signs. Additionally, the following *capital equipment* will also not be capitalized: personal computers, handheld radios, telephones.

Capital Asset Acquisition

1. Purchase, Sale, Exchange or Lease of Real Property

At a regular public meeting in July of each year, the Town Council will determine if there is a compelling public purpose, including, but not limited to, open space, public facilities, and affordable housing, to acquire real property. If the Town Council identifies a compelling purpose, up to three negotiators, one of whom must be the Town Attorney, will be identified to conduct due diligence regarding potential site(s). If a site(s) is identified through this diligence process or an opportunity otherwise arises, the Town Council, prior to entering a duly noticed closed session, will provide an opportunity for interested members of the public to comment regarding the potential purchase, sale exchange or lease of the identified site(s). Negotiation of price and terms will be conducted in closed session. Approval of an agreement concluding real estate negotiations shall be reported publicly; such report shall include the approval action, the voting tally and the substance of the agreement.

2. Improvements to Land, Easements, and Buildings

The Town will notify property owners within 300-feet (and more broadly for projects anticipated to exceed \$1,000,000) of any Town-initiated proposal regarding improvements to land, easements or buildings.

3. Gift or Donation of Capital Assets

Prior to Town Council consideration of a gift or donation of capital assets, the Town Manager will work with the donor(s) to structure the gift/donation in a manner that minimizes upfront and ongoing town expenses and liabilities.

Leased Assets

Operating leased assets are usually short term and cancelable at anytime. The recording of an operating lease as a fixed asset is not required because the item is not purchased.

However, operating leases will be capitalized if one or more of the following criteria are met and the chance of cancellation is low:

- a. Ownership is transferred by the end of the lease term
- b. The lease contains a bargain purchase option
- c. The lease term is greater than or equal to 75 percent of the asset's service life
- d. The present value of the minimum lease payment is greater than or equal to ninety percent (90%) of the fair market value of the asset at the inception of the lease.

Capital lease items are capitalized at the beginning of the lease period, regardless of when the title transfers. Capital leases are recorded at net present value of lease payments.

Capital Asset Recording

The Town will keep appropriate records in order to monitor and accurately inventory all fixed assets.

Measuring the Cost and/or Value

Capital assets are recorded at their "historical cost," which is the original cost of the assets. Donations accepted by the Town will be valued at the fair market value at the time of donation. Costs include purchase price (less discounts) and any other reasonable and necessary costs incurred to place the asset in its intended location and prepare it for service. Costs could include the following:

Sales Tax	Demolition costs
Freight charges	Relocation costs
Legal and title fees	Architect and accounting fees
Closing costs	Insurance premiums and interest costs during construction
Appraisal and negotiation fees	In-house staff time and consultant fees
Surveying fees	
Land-preparation costs	

For the conversion of capital asset reporting effective the fiscal year ended June 30, 2004 and according to GASB 34, an estimate of the original cost is allowable in the absence of historical records. Standard costing is one method of estimating historical cost using a known average installed cost for a like unit at the estimated date of acquisition. Another recognized method is normal costing wherein an estimate of historical cost is based on current cost of reproduction new, indexed by a reciprocal factor of the price increase of a specific item or classification from the appraisal date to the estimated date acquired. When necessary the Town will use whichever method gives the most reasonable amount based on available information.

Recording Costs Incurred After Acquisition

Expenditures/expenses for replacing a component part of an asset are not capitalized. However, expenditures/expenses that either enhance a capital asset's functionality (effectiveness or efficiency), or that extend a capital asset's expected useful life are capitalized. For example, periodically slurry sealing a street would be treated as a repair (the cost would not be capitalized), while an overlay or reconstruction would be capitalized. Adding a new lane constitutes an addition and would therefore also be capitalized.

Disposition or Retirement of Capital Assets

It is the Town's policy that disposition of surplus, damaged or inoperative equipment will be at the discretion of the Town Manager, who will make all efforts to sell at a fair market price, donate or recycle such items.

Depreciation

The Town will record depreciation expense on all capital assets, except for land. The Town will use straight-line depreciation using the half-year convention. Depreciation will be calculated for half a year on the year of acquisition and the year of disposition. Depreciation will be calculated over the estimated useful life of the asset.

Useful Lives of Capital Assets

The Town follows GFOA Recommended Practices when establishing recommended lives for capitalizable assets. If the life of a particular asset is estimated to be different than these guidelines, it may be changed. Following is a summary of the estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Building Improvements	20 years
Improvements other than Buildings	35 years
Infrastructure	50 years
Equipment and Machinery	5 to 20 years

Control of Assets

The Town will exercise control over the noncapitalized tangible capital-type items by establishing and maintaining adequate control procedures. The Town's capitalization threshold of \$5,000 meets financial reporting needs.

Works of Art and Historical Treasures

GASB 34 encourages but does not require the capitalization of art that meets all of the following conditions:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain
- Protected, kept unencumbered, cared for, and preserved
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections

It is the Town's policy that proceeds from the sale of art be used to acquire other works of art. That being the case, the Town's works of art and historical treasures will not be capitalized.

Inventorying

The Town will perform a physical inventory of its capitalized assets, either simultaneously or on a rotating basis, so that all capital assets are physically accounted for at least once every five years.

Tagging

The Town will tag only moveable equipment with a value of \$5,000 or higher. Rolling stock items will not be tagged and will be identified by the VIN number.



Town of Portola Valley Investment Policy

Originally Adopted: December 10, 2003

Revised: June 27, 2012

1.0 MISSION STATEMENT

It is the policy of the Town of Portola Valley to invest public funds in a manner which will provide the maximum security with best investment returns, while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

2.0 SCOPE

This investment policy applies to all financial assets of the Town of Portola Valley. These funds are audited annually and accounted for in the Financial Statements. Funds include the General Fund, Special Revenue and Restricted Funds, Trust Funds and any other Town Funds or funds held for the exclusive benefit of the Town of Portola Valley and under the direction of Town of Portola Valley officials.

2.1 Pooling of Funds Except for cash in certain restricted funds, the Town will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

3.0 OBJECTIVES

In order of priority, the primary objectives of the investment activities shall be:

3.1 Safety Safety of the principal is the foremost objective of the investment program. Investments of the Town shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

3.2 Liquidity The investment portfolio will remain sufficiently liquid to enable the Town of Portola Valley to meet all operating requirements that might be reasonably anticipated.

3.3 Total Return The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

4.0 STANDARDS OF CARE

- 4.1 Prudence** Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence and discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used shall be the “prudent investor” standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s risk or market price changes, provided deviations from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments.
- 4.2 Delegation of Authority** Authority to manage the investment program is derived from California Government Code (CGC) 53600/1, et seq. Management responsibility for the investment program is hereby delegated to the Treasurer, who shall establish procedures and operate the investment program consistent with this investment policy. Procedures may include, but not be limited to, references to: safekeeping, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer.
- 4.3 Ethics and Conflict of Interest** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Town.

5.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer may select any financial institution/broker/dealer selected by credit worthiness that is authorized to provide investment services in the State of California. For broker/dealers of government securities and other investments, the Treasurer shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission and the National Association of Securities Dealers.

6.0 AUTHORIZED INVESTMENTS

6.1 Investment Types The Town of Portola Valley is empowered by CGC 53601 et seq. to invest in the following:

- Local Agency Investment Fund (LAIF), a special fund of the State Treasury in which local agencies are allowed to pool their funds for investment purposes up to a maximum of \$40 million. LAIF will have its own investment policy that will differ from the Town.
- United States Treasury Bills, Notes and Bonds, or mutual funds or exchange traded funds holding 80% or more of its total investments in these security types.
- Pools and other investment structures incorporating investments permitted in CGC 53601 and 53635, such as Local Government Investment Pools sponsored by Counties and Joint Powers Authorities. These entities may have their own investment policy that will differ from that of the Town.
- Negotiable Certificates of Deposit issued by federally or state chartered banks or associations. No more than 30% of surplus funds can be invested in certificates of deposit.

Investment in derivatives of the above instruments shall require authorization by the Town Council. Any concentrated equity or bond holding (including any private note held by the Town), however obtained, must be sold and converted into approved investments as quickly as practicable, considering market liquidity and trading restrictions on such securities.

6.2 Collateralization All certificates of deposit must be collateralized by U.S. Treasury obligations held by a third party with whom the Town has a current written custodial agreement. The Treasurer may waive this requirement up to the amount already insured by federal or state deposit insurance (FDIC).

7.0 APPROVAL AND REVISION

The Investment Policy shall be adopted by resolution of the Town of Portola Valley. The Policy will be reviewed as part of the annual budget process with any amendments to be approved by the Council.



Town of Portola Valley

Purchasing & Inventory Control Policy

Adopted: February 12, 2003

Revised: January 28, 2015

Purchasing:

Before making purchases or authorizing any work between **\$500.01-\$25,000**, employees must obtain a fully executed purchase order or short form contract. Purchase orders and short form agreements are authorized by the Town Manager. The Town Manager may delegate purchase order approvals to a staff member for purchases up to \$2,500.

Inventory Control:

All equipment items that qualify for capitalization (per the Capital Assets policy) are to be assigned an inventory tag. Per the Capital Assets policy, it is not necessary to tag rolling stock items (vehicles, tractors, etc.) as these can be inventoried by their VIN number.

Equipment purchases that can also be tagged include (but are not limited to) portable digital devices such as iPads, laptops, and projectors. While these items do not qualify for capitalization, it is recommended that the Town keep records on their location(s).

All inventory tagged items, both capitalized and non-capitalized, are included on the *Town Property Inventory* spreadsheet.

Surplusing Inventoried Items:

When a capitalized inventory item is no longer in use, is obsolete, and/or is damaged beyond repair, and the Town wishes to donate and/or dispose of the item, it must be declared surplus property by the Town Council prior to donation or disposal.

Non-capitalized inventory items may be donated, recycled, or disposed of at the discretion of the Town Manager.



Town of Portola Valley Signature Authority for Checks

Adopted: March 14, 2007

Revised: August 8, 2012

On August 8, 2012, the Town Council authorized a Signature Authority for Checks Policy which allows for the following signature threshold of Council-approved warrants:

- Either the Town Manager or Town Clerk is authorized to sign checks in the amount of \$2,000.00 or less. Only one signature is required.
- Any two of the following persons are authorized to sign checks in the amount of \$2,000.01 to \$5,000.00: Town Manager, Town Clerk, Mayor and/or Vice Mayor. Two signatures are required.
- Any check over \$5,000.01 requires the signature of *either* the Town Manager or Town Clerk **and** the signature of *either* the Mayor or Vice Mayor.

The Administrative Services Manager or designated finance staff member is responsible for annually updating and submitting the Bank of America authorized signature card with required information for the new Mayor and Vice Mayor.



Town of Portola Valley

Reimbursement Policy for Local Officials

May 24, 2006

NOTE: Per California law effective January 1, 2006, all local officials who receive reimbursement of expenses are required to receive two hours of ethics training every two years. The training must cover both ethics laws and ethics principles. The Town Clerk provides assistance in identifying a number of options for complying with this requirement and will also ensure that all Council and Commission Members are in compliance.

Authorized Expenses

Town funds, equipment, supplies (including letterhead), titles, and staff time must only be used for authorized Town business. The following types of expenses generally constitute authorized expenses, as long as the other requirements of this policy are met:

1. Communicating with representatives of local, regional, state and national government on Town adopted policy positions;
2. Attending educational seminars designed to improve officials' skill and information levels;
3. Participating in local, regional, state and national organizations whose activities affect the Town's interests;
4. Recognizing service to the Town (for example, thanking a long-time employee with a retirement gift or celebration of nominal value and cost);
5. Attending Town events;
6. Attending a charitable event for the Portola Valley School District; and
7. Travel within the Town attending to Town business.

As an example, attendance at meetings and events of the following organizations are considered important in representing the Town's interests and hearing, learning about and sharing the far-reaching concerns of the community:

- Association of Bay Area Governments (ABAG)
- California Legislature
- City/County Association of Governments (C/CAG)
- Cities Selection Committee
- Council of Cities (Council of Mayors)
- League of California Cities, both Peninsula Division and State
- SAMCEDA

All other expenditures require prior Town Council approval. The following expenses also require prior Town Council approval:

1. International and out-of-state travel;
2. Expenses which exceed the annual budget established by the Town Council for education and training.

Examples of expenses that the Town will not reimburse include, but are not limited to:

1. The non-business extension of any trip;
2. Political contributions or events;
3. Family expenses, including partner's expenses when accompanying an official on agency-related business, as well as children- or pet-related expenses;
4. Entertainment expenses, including theater, movies (either in-room or at the theater), sporting events (including gym, massage and/or golf-related expenses), or other cultural events;
5. Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline; and
6. Personal losses incurred while on Town business.

Any questions regarding the propriety of a particular type of expense should be resolved by the Town Council before the expense is incurred.

Cost Control

To conserve Town resources and keep expenses within community standards for public officials, expenditures should adhere to the following guidelines.

Transportation

The most economical mode and class of transportation reasonably consistent with scheduling needs must be used, using the most direct and time-efficient route. In the event that a more expensive transportation form or route is used, the cost borne by the Town will be limited to the cost of the most economical, direct, efficient and reasonable transportation form.

Automobile mileage is reimbursable at Internal Revenue Services rates presently in effect (see www.irs.gov). These rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls, which are also reimbursable.

Lodging

Lodging costs will be reimbursed or paid for when travel on official Town business reasonably requires an overnight stay. If such lodging is in connection with a conference, lodging costs should not exceed the group rate published by the conference sponsor for the meeting in question. For overnight stays in other contexts, costs will be reimbursed at Internal Revenue Service per diem rates for lodging, which include adjustments for higher cost locations. (See Publication 1542 at www.irs.gov or www.policyworks.gov/perdiem. The site also has references to hotels that have government rates at or below Internal Revenue Service per diem limits.)

Meals

Meal expenses and associated gratuities should be moderate, taking into account community standards and the prevailing restaurant costs of the area. A helpful source of guidance is Internal Revenue Service per diem rates for meals and incidental expenses, which include adjustments for higher cost locations (see Publication 1542 at www.irs.gov or www.policyworks.gov/perdiem).

Parking

Parking costs will be reimbursed only if no free parking is available within two (2) blocks of an event or if an official is disabled.

Telephone/Fax/Cellular

Officials will be reimbursed for actual telephone and fax expenses incurred on Town business. Telephone bills should identify which calls were made on Town business. For cellular calls when the official has a particular number of minutes included in the official's plan, the official can identify the percentage of calls made on public business.

Cash Advance Policy

From time to time, it may be necessary for an official to request a cash advance or payment directly to the host of an event or cover anticipated expenses while traveling or doing business on the Town's behalf. Such request for an advance should be submitted to the Town Manager at **least three (3) days** prior to the need for the advance with the following information:

- The purpose of the expenditure(s);
- The benefits of such expenditure(s) to the residents of the Town;
- The anticipated amount of the expenditure(s) (for example, hotel rates, meal costs, and transportation expenses); and
- The dates of the expenditure(s).

Any unused advance must be returned to the Town Manager within five (5) days of the official's return, along with an expense report and receipts documenting how the advance was used in compliance with this expense policy.

Expense Report Content and Submission Deadline

Expense reports must document that the expense in question met the requirements of the policy. For example, if the meeting is with a legislator, the local agency official should explain whose meals were purchased, what issues were discussed, and how those relate to the Town's adopted legislative positions and priorities.

Officials must submit their expense reports within thirty (30) days of an expense being incurred, accompanied by receipts documenting each expense. Restaurant receipts, in addition to any credit card receipts, are also part of the necessary documentation.

Inability to provide such documentation in a timely fashion may result in the expense being borne by the official.

Audits of Expense Reports

All expenses are subject to verification of compliance with this policy.

Reports to Governing Board

At the first Town Council meeting or meeting of the commission after the official has attended a reimbursable event, the official shall briefly report on meetings attended at Town expense. If multiple officials attended, a join report may be made.

Compliance with Laws

Town officials should keep in mind that some expenditures may be subject to reporting under the Political Reform Act and other laws. All agency expenditures are public records subject to disclosure under the Public Records Act and other laws.

Violations of This Policy

Use of public resources or falsifying expense reports in violation of this policy may result in any or all of the following: 1) loss of reimbursement privileges, 2) a demand for restitution to the Town, 3) the Town's reporting the expenses as income to the elected official to state and federal tax authorities, 4) civil penalties of up to \$1,000 per day and three times the value of the resources used, and 5) prosecution for misuse of public resources.



Town of Portola Valley General Fund Minimum Fund Balance Policy

Adopted: July 27, 2011

Purpose

The purpose of this policy is to establish a target minimum level of unreserved and spendable fund balance to be maintained in the General Fund for use by the Town Council in the event of natural disaster, severe unforeseen emergencies, economic uncertainties and/or replacement of major Town infrastructure.

Background

In order to protect the fiscal solvency of the Town, it is important to maintain a minimum unreserved and spendable fund balance within the General Fund. Although the Town has acted prudently when arriving at budgetary decisions, a written policy establishing a target minimum fund balance assists both the Council and staff in focusing on this important fiscal consideration.

The current *Best Practices* recommendations of the Government Finance Officers' Association (GFOA) are that a minimum General Fund reserve of 5% to 15% of operating revenues or one to two months of operating expenditures (8-17%) be maintained. In a 2007 survey performed by the GFOA, most of the participating cities had a minimum or target between 10% and 30%.

The GFOA also recommends that the adequacy of unreserved fund balance in the general fund should be assessed based on upon a government's own specific circumstances, and that smaller cities with a less diversified tax base are advised to hold reserve percentages at the higher end of the suggested range.

A minimum General Fund operating/emergency fund balance amount can be calculated in a variety of ways, ie. as a percentage of the operating budget, appropriations, expenditures, or projected or actual revenues. It can also be calculated as a minimum flat amount that can be increased by the CPI each year.

Recommendation

As a small town with the historical precedence and risk of local natural disasters (landslides, earthquake, wildfires) and less diversified tax base, it is fiscally prudent for Portola Valley to maintain a minimum unreserved and spendable fund balance within the general fund at a higher level. It is therefore recommended that the Town maintain a minimum of 60% of its annual budgeted operating expenditures within the General Fund's unrestricted fund balance. This amount is to be calculated annually via the adopted budget.

Example:

2011-12 Adopted Budget General Fund Expenditures	\$3,724,101
Multiplied by 60%	\$2,234,461
Current general fund unrestricted fund balance	\$2,242,966