

**TOWN OF PORTOLA VALLEY**  
**Finance Committee Minutes**  
**Thursday, May 30, 2019**  
**Town Hall Conference Room**  
**765 Portola Road, Portola Valley, CA**

**Attendees**

Lucy Neely – Chair	Jeremy Dennis – Town Manager
Michele Takei	Cindy Rodas – Interim Finance Director
Ken Lavine – Acting Secretary	Brandi de Garneau – Asst. to the Town Manager
Bill Urban	Howard Young – Public Works Director

**Call to Order**

The Chair called the meeting to order at 5:30 pm.

**Roll Call**

The Chair confirmed attendance as detailed above.

**Oral Communications**

Jeremy Dennis summarized recent town finance staff changes as follows. Doug Radtke resigned his position as Finance Director for credential purposes. Bob Adler was brought in to replace Doug, but did not work out. Consequently, Cindy Rodas was asked to step-up while the Town searches for a permanent director over the next six months.

**Approval of Minutes**

The minutes of the January 16, 2019 meeting were approved as presented.

**New Business**

**Proposed Town Budget for FY 2019-2020**

Staff informed the committee that general fund revenues and expenditures are expected to be in line with the previous year's numbers and expenditures should match revenues.

The significant difference in budgeted revenues is that interest earned will be greater than the previous year due to higher interest rates.

Budgeted expenditures are predicated on the following:

- Personnel is based on current expectations and include a new position in planning to replace an existing consultant.
- Staff compensation is based on a 3 ½ % COLA.
- Consultant services have some changes from the previous year.
- Software vendors are moving to a subscription model, so annual costs are expected to increase.
- Sheriff's costs will increase in accordance with the existing five-year contract.

Capital improvements were once again budgeted based on a five year projection system that was initiated last year. Staff believes budgeted capital improvements are more realistic than past experience due to continued use of the five year projection system. Road improvements are a major part of capital improvements and are predicated on maintaining a pavement condition index (PCI) of 80%. Included is a capital expenditure of \$285,000 for bike and

pedestrian improvements, a cross walk with flashing lights that was recommended by a town committee.

In the future, town staff will look at planning fees charged and anticipate proposing increases.

Staff reset the July 1, 2019 assigned balances for Unfunded Pension and OPEB obligations. The increases are significant and are based on the most recent audited projections. A discussion ensued of appropriate unfunded pension and OPEB account balances and reasonable needs. As in past years, the sense of the Committee was that there is value in using up-to-date estimates to set assignments.

## **Old Business**

### **Core Banking Operation Update (TechCU)**

Migration to Tech CU on hold

### **Investment Portfolio Performance (Schwab)**

The Town's cash balances are invested in two funds. Bill Urban reported the following:

- The bulk of the funds are invested at LAIF that had a return on investment of 2.1% for the year ending April 2019. LAIF's current yield is 2.3 to 2.4%.
- Approximately \$500,000 is invested in the Portola Valley Investment Fund (PV Fund) held at Schwab. The total return on investment in this fund between inception on July 20, 2018 and May 30, 2019 is 4.11% (annualized basis).
- Though future economic conditions are uncertain, the probability is that the PV Fund will outperform LAIF in the next year.

A discussion ensued and it was the sense of the committee that:

- To invest cash effectively, significantly more funds should be transferred from LAIF and invested in the PV Fund.
- Open Space funds are the elephant in the room. They are significant and have a very low probability of being used in the foreseeable future. Consequently, investing them in the PV Fund makes a lot of sense.

RESOLUTION: The Finance Committee recommends that the Town Council approve the proposed 2019/20 budget in substantially the draft form presented. However, the Town Council may want to note the Committee's thoughts with regard to investing cash effectively.

## **Adjournment**

There being no further business, the Chair adjourned the meeting at 7:30pm

Ken Lavine – Acting Secretary