

Finance Committee Minutes
Tuesday, October 8, 2019
Town Hall Conference Room

Attendees:

Bill Urban-Chair

Michele Takei

Ken Lavine

Jason Pressman

Cindy Rodas – Acting Finance Director

Jeremy Dennis – Town Manager

Howard Young – Public Works Director

Ann Wengert - Mayor

Jim Saco - Consultant

Craig Hughes – Council Liaison

The meeting was called to order by Bill Urban at 5:35 pm.

1. New Business – OPEB Trust Fund Discussion

- **Public Agency Retirement Services (PARS)**
 - Mitch Barker, Executive Vice President of PARS, and Andrew Brown, Director, Senior Portfolio Manager of High Mark Capital Management, made a presentation to the committee.
 - PARS is an IRS private letter ruling approved trust which enables the prefunding of Other Post-Employment Benefits (OPEB) and its investment earnings to be income tax free.
 - PARS has 5 risk tolerances portfolios (from 65-85% equity to 5-20% equity) and each portfolio can either be actively or passively managed.
 - Fees of **60 bp** (25bp for PARS and 35bp for High Mark) are only charged when the trust is funded with no plan set up fees.
 - PARS can reimburse up to 2 years of OPEB expenses.
 - \$5 million must be invested to have a custom portfolio.
- **California Employers' Retirement Benefit Trust Fund (CERBT)**
 - Alisa Perry, Customer Outreach & Support Manager, made the CERBT presentation to the committee.
 - CERBT also has an IRS private letter ruling which enables the prefunding of OPEB and its investment earnings to be income tax free.
 - CERBT has 3 asset class target allocations (from 59% equity to 22% equity) all passively managed.
 - Fees are **10 bp** of assets under management and is all inclusive. Alisa expect the fees to be reduced as assets growth exceed the growth of expenses.
 - CERBT can reimburse only 1 year's worth of OPEB expenses.
 - 80% of their clients are in the most aggressive strategy. If more strategies are added, Alisa thought they would add more conservative portfolios.
- **Action Item:** A subcommittee (Bill Urban & Jason Pressman) was formed to review options between PARS and CERBT. The subcommittee has the authority to make a recommendation to the Town Council.
- **Input and Action Items: Council Budget Study Sessions September-October.**

The Staff has at least 3 budget study sessions planned with the Town Council (Policy issues, Revenue, and Expenditure discussions). At their first study session, the Town Council requested that the Finance Committee prepare a Reserves Policy and examine the Town's General Fund Balance assignments. Next Finance Committee meeting date to be scheduled in early December or January for all members to attend and provide Council with recommendations.

- **Discussion, Audit Subcommittee/Charter Change**

Our auditors, Maze and Associates, have recommended that the name and charter of the Finance Committee be changed to Finance and **Audit** Committee. The committee approved the name change and the wording in Duties and Functions of the committee to "Provide independent review and **advice** of the Town's finance reporting processes, internal controls and independent auditors."

The Committee also requested that the Town Attorney be consulted to ensure that the name change doesn't add any liability to the Finance Committee.

2. Old Business

- a) **Core Banking Operations Update (TechCU)**

Bank of America is still being used until TechCU's positive pay is up and running. The Town will be a positive pay pilot test case in November.

Bill Urban asked what sources the Town has to lines of credit/loans that can be used in lieu of cash reserves.

- b) **Investment Portfolio Performance (Schwab)**

Bill Urban reported that from 7/18/19 (\$4 million added) to 10/8/19 the annualized total return was 5.18% versus 2.28% in the LAIF due to the reduction of interest rates.

The meeting was adjourned at 7:50 pm

Michele Takei – Acting Secretary