



TOWN OF PORTOLA VALLEY
Finance Committee Meeting
November 28, 2023
3:00 PM

George Savage, Chair
Stephen Cassani, Member
Kenneth Lavine, Member
Lucy Neely, Member
Jason Pressman, Member
Michele Takei, Member
William Urban, Member

SPECIAL MEETING

HISTORIC SCHOOLHOUSE – 765 PORTOLA RD. – PORTOLA VALLEY, CA

REMOTE MEETING ADVISORY: On March 1, 2023, all committees in Portola Valley will return to conducting in-person meetings. A Zoom link will be provided for members of the public to participate remotely; however, the Town cannot guarantee there will be no technical issues with the software during the meeting. For best public participation results, attending the meeting in-person is advised.

ASSISTANCE FOR PEOPLE WITH DISABILITIES

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Town Clerk at (650) 851-1700 or by email at towncenter@portolavalley.net. Notification 48 hours prior to the meeting will enable the Town to make reasonable arrangements to ensure accessibility to this meeting.

VIRTUAL PARTICIPATION VIA ZOOM

To access the meeting by computer:

<https://us06web.zoom.us/j/82793116966?pwd=50bQzyJh8y4hDY916bfzBZpM2qeZoO.1>

Webinar ID: 827 9311 6966

Passcode: 487732

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1-669-900-6833 or 1-888-788-0099 (toll-free)

*Mute/Unmute – Press *6 / Raise Hand – Press *9*

- 1. CALL TO ORDER & ROLL CALL**
- 2. ORAL COMMUNICATIONS FOR ITEMS NOT ON THE AGENDA**
Speakers' time is limited to three minutes.
- 3. ANNOUNCEMENTS and PRESENTATIONS:**
- 4. APPROVAL OF MINUTES:**
 - a. September 26, 2023
- 5. NEW BUSINESS:**
 - a. Audit status
 - b. Town manager update and finance plan discussion
 - c. Town cash investment policy: subcommittee report and discussion
- 6. OTHER BUSINESS:**
- 7. ADJOURNMENT**
This meeting body meets on an as-needed basis.

Land Acknowledgement:

The Town of Portola Valley acknowledges the colonial history of this land we dwell upon—the unceded territory of the Ramaytush (rah-my-toosh) Ohlone, Tamien Nation, and Muwekma (mah-WEK-mah) Ohlone, who endured a human and cultural genocide that included removal from their lands and their sacred relationship to the land. Portola Valley recognizes that we profit from the commodification of land seized from indigenous peoples and now bear the ecological consequences. We seek to understand the impact of these legacies on all beings and to find ways to make repair.

Finance and Audit Committee Minutes

September 26, 2023

Historic Schoolhouse

Attendees

George Savage – Chair	Sherif Etman, Town Manager
Ken Lavine, Member and Secretary	Cindy Rodas, Finance Director
Michele Takei, Member	Starla Jerome-Robinson, Finance/Transition Consultant
Jason Pressman, Member	Judith Hasko, Town Council Liaison
Lucy Neely, Member	Members of the public: Dave Cardinal, Karen Askey,
Stephen Cassani, Member	Gary Nielsen, Rita Comes, Betsy Morgenthaler,
Bill Urban, Member	Greg Franklin, Dana Breen

Oral Communications for Items Not on the Agenda

Public comments requested the Committee evaluate revenue received from the Alpine Inn's parking lease, noting that the amount received from the contract isn't supported by what the Town pays to use private parking adjacent to the town center. It was also requested that staff audit and review various Town contracts for compliance and need for updates. Lastly was a comment that questioned the wisdom of committee members working directly with staff to set priorities.

Welcome Sharif Etman, our new town manager

Committee Chair, George Savage extended a warm welcome to Sharif Etman. Sherif said he was pleased to be our new town manager and was optimistic for the future of the town. He reviewed his substantial background and experience in government finance.

Approval of Minutes

The minutes for the meeting of July 25 were approved.

Finance Related Priorities of Town Manager and Audit Status Update

Sharif Etman stated that he is confident that his background will lead to success in town finances. He credited Cindy Rodas, Finance Director as a department of one for doing a difficult job well. He indicated that more resources are needed and that new hires are starting soon. He has hired a financial consultancy to audit the town's financial resources and capabilities,, and make recommendations for improvements.

Sharif Etman believes that most policy decisions made by the town have a financial impact. Consequently, decision makers need to know what those impacts are in order to make optimal decisions.

A top priority is to catch-up with the annual audits. The Town needs a reset due to high employee turnover, it's not just the finance department. Sharif described his view of roles and responsibilities - his job is to focus resources to run the various departments. As Town Manager, he is fully responsible for town staff and contracts.

Michele Takai asked for an update on the two new finance department hires the committee was informed of at the last meeting. Unfortunately, one of the new hires was lost when they decided to stay at their current position. [Not sure about the second one] Consequently the audits have fallen behind

schedule. Cindy will re-evaluate the schedule with the help of the consultants mentioned above. Intend to present alternative schedules with a tradeoff of cost to execute versus time to complete.

Staff gave an historical view of finance department staffing. It's changed over time as new technology, including software causes need for new staffing. New regulations have also caused an increase in finance staff efforts. Sharif believes that in general, the town needs three levels of employees: department managers, planners and staff, and technicians. Managers and planners shouldn't do the work of technicians.

Public contributions to the discussion included requests to learn what roles existing finance department consultants would have moving forward, and whether the town would accept resident volunteers to fill in for technicians as needed. The committee learned that both Jim Saco and Starla were ramping down as consultants, and that resident volunteers are welcome, though the hope is to achieve a permanent, stable and adequate level of staffing.

[Judith Hasko left the meeting at 3:55 pm]

Town cash investment policy: Subcommittee report and discussion

Bill Urban reviewed the Portola Valley Finance Subcommittee Report on Enhanced Cash Management. The report states that the Subcommittee has failed to materially accelerate the adoption of an enhanced cash management approach; consequently no increased income has resulted. The report's findings and recommendations are well documented in the report, which is attached to the meeting's agenda.

Discussion followed. Staff reported that steps have been taken to make an initial transfer of \$1.1 million from LAIF to Schwab for investment in a higher yielding money market fund. This left approximately \$12 million invested in LAIF. Members of the Committee encouraged staff to target moving all funds from LAIF, but leave whatever minimum balance was necessary to maintain the account at LAIF.

Public comment supported moving most all funds to higher yielding accounts. They also encouraged staff to take advantage of the expertise and knowledge of all Portola Valley committee volunteers.

Adjournment

The meeting was adjourned at 4:37 pm.

November 21, 2023

Portola Valley Finance Subcommittee Follow-up Report on Enhanced Cash Management

On September 26, 2023, at its regular meeting, the Portola Valley Finance Committee received the report from the Subcommittee on Enhanced Cash Management. This follow-up report discusses developments since then and additional recommendations.

Reportable Activity since September 26

A transfer of cash in the amount of \$1,100,000, in a physical check cut September 21 from the Town's Tech CU bank account, was deposited and credited to the Town's investment account at Charles Schwab and Co. Inc. 13 days later on October 4. That entire amount was then invested into the target all-Treasury money market fund in a trade entered 16 days later on October 20.

There have been no further transfers of cash or trades made in the Schwab account since that time. No specific dollar amounts or schedule for future transfers and trades have been reported to the Subcommittee. During a phone call that the Town Manager initiated to the Subcommittee on November 8, the Subcommittee reiterated its strong recommendation that substantially all the cash balances be moved immediately or on an accelerated schedule to the money market account, except for funds necessary to cover the pending month's net disbursements plus payroll. The Town Manager expressed his intent to move further funds, but did not specify amounts and timetable. The \$1.1 million moved in October represents approximately 6-7% of the Town's total cash holdings and enhanced yield earning opportunity.

The Subcommittee had been unable to obtain, before September 26, reports of the cash balances in all Town bank accounts and the state-run LAIF account at the end of each month since April, 2023. These end of month balances are necessary in order to track the progress of the enhanced cash management effort, and to calculate the opportunity and amount of additional income yield available by transferring cash from these accounts into the Schwab account where they could be invested in the higher-yielding Treasury money market fund. Accordingly, on October 8, a Public Records Request (PRR) was filed on behalf of the Subcommittee asking for the starting and ending cash balances in each of the Town bank accounts and LAIF for each of the five months May through September, as well as the total receipts and disbursements from those accounts each month. On November 2, a second PRR was filed requesting the end of October cash balances. Both PRRs were fulfilled on November 16, 39 days after the first PRR submission.

Recommendations

The Subcommittee recommends that the Town Manager be asked to share his specific concerns, and reasons for his deferral of movement of substantial sums to the investment account as soon as possible, and any issues he has identified that he believes need resolution before proceeding.

Additionally, the Subcommittee report delivered September 26 included seven specific recommendations to complete and enhance the cash management project. These seven recommendations are reproduced at the end of this report. There has not yet been a specific response from Town staff to the Finance Committee. The Subcommittee recommends, at the November 28 regular Finance Committee meeting, that each of those original recommendations be addressed individually by the Town Manager, as

-agreed to, and either already completed or when completion is expected

-not agreed to, or

-not yet fully considered, but expected to be decided by a specific date

Consultant's Report and Recommendations on Town Finance

The Subcommittee offers no general comment on the Krisch & Co. consultant's report delivered to Council by the Town Manager at Council's regular November 8 meeting. However, the Subcommittee notes the consultant recommendation to issue an RFP to select an investment advisory firm to advise the Town. The Town Manager stated in his November 8 call to the Subcommittee that he intended to follow the recommendation and write a preliminary draft of an RFP that he would submit to the Finance Committee for review and advice.

The Subcommittee believes that the issues experienced in delaying, over the last seven months, the execution of an enhanced cash management program do not arise from any investment advisory issue or inability to analyze and properly select an investment choice suitable for cash holdings. The Finance Committee and Town staff had already identified the appropriate target money market investment vehicle for cash balances in this case, and had appropriately identified and purchased suitable exchange-traded fixed income funds as early as 2017, when the Portola Valley Investment Fund was first established. The Committee has demonstrated their investment knowledge and expertise over the years based on the experience and professional capabilities of their Committee members. An RFP for investment advisory services may not address the core cash management issues related to identifying opportunities to move cash to optimize returns of Town funds, which are properly handled internally by staff and would not ordinarily be outsourced to an advisory firm.

Furthermore, the California Government Code and Town Investment Policy Statement restricts allowable Town investments to US fixed income investments of very high quality, no more than 30% corporate issues, and 5 year or less remaining maturity at purchase. The return opportunities are very efficiently priced by the market for these securities, and opportunities for active managers to find mispriced securities are virtually nonexistent. Timing of trades between fixed income securities of varying duration/maturity or money market mutual funds can provide

some opportunity for incremental return, but judgements of Finance Committee members are, on average, likely as good as those of any advisory firm.

September 26 Report Recommendations

-Town Council and Town Manager should immediately direct and verify accelerated execution of remaining steps to finish the job and to initiate and complete cash transfers, and reinvestment in money market funds, to fully capture the higher yields. They should also establish the schedule to insure ongoing transfers to maintain high levels of yield enhancement.

-Supplementary human resources knowledgeable in investment and cash management processes should be engaged to work with staff to complete necessary tasks to initiate and maintain an ongoing effective cash and investment management program.

- Develop a spreadsheet to optimize tracking of cash flows between accounts as well as receipts and disbursements from accounts. A sample basic template has already been submitted to staff on May 12.

- Establish two authorized individuals, perhaps a staff manager and the mayor, Council members, or Finance Committee chair, at each of the two levels (initiation and approval) of the wire transfer authorization process for each of the cash accounts.

- Replace authorized signers (whether for initiation, approval, or cash transfer) on accounts whenever there is a departure or extended unavailability of any of the existing signers, as a standard required management protocol.

- Set up “view only” access to all cash accounts (B of A, Tech CU, LAIF) for a Finance Committee member, similar to the view-only access already in place for the Schwab account holding the Portola Valley Investment Fund. This will allow an individual outside of Town staff to monitor account balances and transfers and consult with staff on the changing investment landscape and to more quickly identify future return enhancement opportunities.

- Immediately restart publication of monthly Treasurer reports showing beginning and ending balances, disbursements and receipts, and to the extent possible, earnings or interest rates in effect for those balances. These are routine, public reports that are generally available for towns and cities.