

## Finance and Audit Committee Minutes

July 25, 2023

Historic Schoolhouse

### Attendees

George Savage – Chair & Secretary	Howard Young, Dir. Public Works & Interim Town Mgr
Ken Lavine, Member	Cindy Rodas, Finance Director
Bill Urban, Member	Starla Jerome-Robinson, Finance/Transition Consultant
Michele Takei, Member	Judith Hasko, Town Council Liaison
Jason Pressman, Member	

The meeting was called to order at 3:08pm, with the late start due to technical difficulties with the teleconference system.

### Approval of Minutes

The minutes for the meetings of April 25, 2023 and June 9, 2023 were approved.

### Audit status

Cindy Rodas announced two key hires to assist in clearing the Town's audit backlog:

- 1) Senior accountant currently working as a temporary employee has been offered a 3-year term position starting August 1, 2023.
- 2) Another senior accountant has been hired to a permanent position in place of the designated analyst slot. This new hire is expected to start on August 15, 2023.

The new audit schedule attached to the meeting packet was presented and discussed.

Ken Lavine asked for a report on his suggestion, made at a previous meeting, to combine multiple years into a single audit. Cindy reported that PV auditor Maze & Associates felt that annual audits would be the most effective way to manage the backlog situation.

Public comments requested clarification of submission timing of various unaudited financial reports required by the State of California, also the disposition of ARPA funds required by the Federal Government. Cindy confirmed that the Town is up to date in its obligations and has not been penalized based on the 2020-21 and 2021-22 audit delays.

George Savage promised to keep the audit status on the Finance Committee agenda at each meeting until the backlog is cleared. He also requested that any potential deviation from the new audit schedule be flagged so that the Committee could engage in problem-solving with Town staff.

### Revisions to the FY 2023-2024 budget, as adopted

Cindy Rodas reported that the Town Council adopted changes to the budget presented at the last Finance Committee meeting. The changes had the effect of reducing the projected \$1.6M draw from cash reserves by nearly one-half.

Some of the changes adopted the Town Council:

- 1) UUT revenue projection increase of ~\$150K to reflect scheduled rate increase
- 2) Town attorney expense decrease from \$300K to \$180K
- 3) General Fund expenditure for open space maintenance reduced \$94K to \$44K and funded by 10% of UUT open space fund revenue
- 4) Decrease in fuel mitigation expense from \$303K to \$227K
- 5) Freeze on one open maintenance worker position: \$77K savings
- 6) Three-month extension of existing Sheriff's contract, yielding a \$213K savings
- 7) Correction to reflect already-completed capital improvement: \$80K savings
- 8) Correction to reflect already-completed walkway renovation: \$20K savings
- 9) Reduction in landscaping expense from \$80K to \$20K
- 10) Reduction in post-adoption housing element expense of \$25K

The expected draw from reserves is now \$868K. Note that this amount does not include any increased interest revenue from enhanced cash management.

### **Town cash investment policy**

Starla Jerome-Robinson stressed that much of the Town's investment policy is mandated by California law.

Bill Urban commented that the policy prioritizes safety, liquidity, and then yield. He pointed out that money market funds exist that pool safe assets of the type authorized under existing policy. Higher yields than LAIF are achieved by varying the proportion of various authorized investment instruments.

Bill pointed out that the yield differential could amount to as much as \$360K annually across the Town's restricted and unrestricted cash holdings. The impact to the General Fund deficit would be about \$110K annually, or 13% of the projected draw on reserves for the current fiscal year.

After further discussion, including concern expressed by Starla Jerome-Robinson over the complexity of administration, the Finance Committee approved creation of a Cash Management Subcommittee consisting of Bill Urban. The subcommittee will spend time with Town staff and Town counsel to discuss the mechanics of utilizing MMFs to increase town interest revenues while adhering to the Town's investment policy. The subcommittee will report back at the next Finance Committee meeting.

Michele Takei suggested moving all funds from LAIF to MMF. Bill recommended setting up and testing the new platform first, then deciding on how much cash to move into the new entity.

Jason Pressman emphasized that the Town should pursue this source of additional revenue without delay. All companies that he works with as a venture capitalist take advantage of MMF yields.

Public comments echoed the sense that the Town is leaving money on the table by relying on LAIF.

**Sustainable budgeting: ideas for balancing income and expense**

Cindy Rodas presented the major drivers of the Town's budget deficit. These items include the Sheriff's contract, housing element compliance, software expenses, and consultants. Some capital improvements and building maintenance are also factors.

The most significant change is public safety expense, which is dramatically increasing due to a shift in contracting philosophy by the San Mateo County.

Committee members discussed negotiation strategies and how to learn more about the Sheriff's cost accounting standard.

Bill Urban suggested that George Savage reach out to the chair of the Bicycle Pedestrian Traffic Safety Committee, Ed Holland, to coordinate on approaches to the Sheriff's contract. He wondered if the Town is being charged for time to write traffic citations while the revenue goes entirely to the county.

Judith Hasko responded that the new proposed Sheriff's contract is more opaque than past agreements, with the Sheriff's office reluctant to commit to levels of service or provide detailed cost justification. We are not being charged separately for citation activities.

Committee members then discussed potential sources of revenue. UUT is one, parcel tax is another. A real estate transfer tax is levied by some municipalities, but these are "charter cities" and PV is a "general law city," so this option is not available to us.

Town staff will conduct a user fee study aimed at ensuring that we are fairly recovering costs associated with building permits, planning review and other development-related activities.

Franchise fees are set by the state.

Ken Lavine inquired about the share of property tax revenue that comes back to us from the county.

George Savage wondered whether some portion of our property tax going to the county is funding the Sheriff's office. By this logic, the Sheriff's new emphasis on full cost recovery could wind up in us being overcharged by not including this revenue, common to all county taxpayers.

Jason Pressman suggested reducing the friction of building in Portola Valley. Quicker permits would lead to more permits. Allowing Saturday construction work would improve building efficiency by 20%.

Michele and Ken led a discussion of a revision to the percentage of property tax paid by the county to Portola Valley. Approximately seventeen years ago, the county was found to have undercompensated Portola Valley for its share of property tax revenue.

Suggestion: We should double check the percentage being paid to the Town to ensure that the county has not reverted to underpayment. Significant questions in this area could be used as negotiating leverage with the county sheriff.

Bill suggested obtaining Sheriff response time and other data. Perhaps Ed Holland and the Bicycle Pedestrian Traffic Safety Committee will have this information?

Committee members also discussed the potential for false burglary alarms to consume resources and drive up public safety costs. Various approaches used by other towns were discussed, such as charges for repeated false alarms or licensing fees for alarm systems.

[Ken Lavine left the meeting at 5:05pm]

Public contributions to the discussion included the increased Sheriff staffing occasioned by a noteworthy home invasion robbery approximately eight years ago, the false alarm situation, and the advisability of coordinating with the Bicycle Pedestrian Traffic Safety Committee. Another comment mentioned that not spending money was the first approach to balancing the budget. Another would be to offer a true cost analysis for the overtime costs related to various events.

Further comments focused on aligning with other towns, such as Woodside, for public safety contracting. Perhaps seeking alignment with ABAG or other regional organizations. It would also help to understand why vacation and sick time are being billed at overtime rates under the contract model.

Bill Urban made a concluding observation that the Town remains in sound financial condition. The FY General Fund reserve exceeds 60%. The reserve exists to cover emergencies and unanticipated circumstances, such as the current situation.

### **Adjournment**

The meeting was adjourned at 5:23pm.