

**Finance and Investment Committee Regular Meeting
Town of Los Altos Hills
Town Hall, Monday, February 1, 2016**

The meeting was called to order at 4:30 pm by Chairman Epstein.

Members present: Allan Epstein, Kjell Karlsson, Betty Kayton, Susan Mason, Stan Mok, Bill Silver, Roddy Sloss and Chris Welborn.

Member absent: none

Associate members absent: Jim Lai and Frank Lloyd

Council absent: John Harpootlian and Gary Waldeck

Staff present: Pak Lin, Finance & Administration Services Director

Public present: None

Guests present: None

Approval of minutes

January 11, 2016 meeting minutes were approved by members who attended the prior meeting.

Mid Year Financial Update – Pak Lin

Ms. Lin presented twelve slides distributed to the committee before the meeting describing revenues and expenditures by fund for the six month period through December 31, 2015 compared to the prior two year comparable periods and the annual budgets for each of the three years ended June 30, 2016. Annotations on the slides showed projects completed and in process, Town Council adopted budget changes and upcoming concerns. Ms. Lin briefly explained the process undertaken to prepare her presentation including the recording of financial transaction entries for the six months ended December 31, 2015, and reviewing the presentation with the Town Manager and the City Engineer/Public Works Director. Ms. Lin explained that year to date balances (through December 31) are on a cash basis and therefore most apparent differences are due to timing of cash flows and not over/under runs of the related line items because prior period comparative figures and the budget are on the accrual basis. Further, transfers between funds to address imbalances between annual receipts and spending is done at the end of the year and is not reflected in the presentation. Overall, Ms. Lin stated her belief that revenue will be slightly ahead of plan and expenses are on or below plan so the annual budget will be met and no adjustments are contemplated at this time. Discussion included pension costs, accruing the Town's efforts to address overhead airplane noise abatement concerns and the presentation format. The committee was surprised by the low level of spending in the Sewer Fund in the first half of the year and requested Ms. Lin to inquire as to the cause and projections for the full year.

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Establish Subcommittee to investigate pension prepayment trust – R. Sloss

Mr. Sloss briefly described the background of this topic and referred the Committee to a list questions distributed before the meeting intended to assist in evaluating prepayment options. Ms. Lin stated she planned to meet with a CalPERS representative during an upcoming conference to discuss CalPERS prepayment program and would address those questions at that time and report back to the Committee in April. Ms. Lin will also contact PARs to understand their offering and contact other local agencies to ascertain what actions they are taking. Mr. Sloss stated his view that since the pension prepayment option is new he thought the Town should move forward cautiously, wait until questions were addressed and more agencies have adopted similar plans. Ms. Lin noted that a new software product offered by GovInvest might be useful in evaluating alternatives. Mr. Sloss will review the product and report to the committee.

Report on Finance Department activities of interest by Pak Lin

Ms. Lin described her review of candidates to succeed Bank of America as the Town's primary bank noting that Wells Fargo was the most attractive candidate and explained its proposed fees. The committee asked to review any agreements and commitments required by Wells Fargo before a commitment was made. Mr. Sloss offered to review documents presented by Wells Fargo and report back to Ms. Lin and the committee. Based on the compensating balances advisable to offset banking fees it appears an additional \$2 million currently in LAIF can be transferred to PFM for longer term investment and higher returns. Hdl has been engaged to process business license receipts and the conversion to the new system is underway. The evaluation of new permitting software is proceeding, but selection and implementation is not expected until the new fiscal year.

Report on Council Activities of interest by Kjell Karlsson

As no Council members were present, Mr. Karlsson, who attended the prior Council meeting, reported on some of the highlights of the meeting.

Presentations from the Floor

None.

Proposed topics and dates for future meetings

The next regular FIC meeting date is Monday, March 7, 2016. It is not clear there will be sufficient topics to warrant a meeting on that date. Topics for the April meeting include review of the prefunding pension investigation, long term capital plans and plans for the FY' 17 budget. Topics planned for future meetings are: Cash flow analysis, Report on review of Wells Fargo required documents, Prepayment of OPEB and Pension liabilities; financial policy and procedures review; Status of ABAG Insurance membership; and Review of FIC Monthly Project Summary Report.

Adjournment The meeting adjourned at 6:20 pm

Respectfully submitted by Roddy Sloss, Committee Secretary