

**Finance and Investment Committee Special Meeting
Town of Los Altos Hills
Town Hall, Wednesday, September 12, 2016**

The meeting was called to order at 4:00 pm by Chairman Sloss.

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

Member absent: none

Associate members present: Jim Lai ; Frank Lloyd

Council present: John Harpootlian; Gary Waldeck

Staff present: Tina Tseng , Interim Public Works Director / Senior Engineer; and Pak Lin, Administrative Services Director

Public present: None

Guest present: Allison Kaune, Senior Managing Consultant, PFM Asset Management

Approval of minutes

July 6, 2016 meeting minutes were approved as presented by members who attended that meeting.

Discussion led by Allan Epstein on Non Residential Sewer Rates

Mr. Epstein provided background and summarized past activities (noted in prior Committee minutes) on the subject of setting new rates for Non Residential Sewer Users which resulted in the formation of an Ad Hoc Committee comprising FIC and Council members who met with Town Staff. As a result, a September 2016 draft Addendum 1 to the August 2016 draft report on the subject was prepared by the Town's sewer rate consultant, Tom Pavletic, and presented to Town Staff and the Ad Hoc Committee all of whom accepted it. Draft Addendum 1 was distributed to Committee members before the meeting. The principal change in Addendum 1 is the requirement of a one unit of service minimum. The report recommends the Town pay for six units of service (one each for the Town Hall, Heritage House, Parks and Recreation Building, Town Yard, Westwind Barn and Purissima Park.). Ms. Kayton suggested that the Ad Hoc Committee which will be looking at the basis for billing future sewer rates consider billing Schools with showers a higher rate than Schools without showers. The Committee indicated that if favored accepting the Draft Addendum 1 to the draft August 2016 Non Residential Sewer Rate Report.

The subject of amounts due by the Town to the Sewer Fund for sewer usage in the past was discussed. The alternatives ranged from no billing for prior sewer usage to billing for all past sewer usage. After discussion, the Chairman asked each meeting participant to express his/her view. All meeting participants except Ms. Lin who expressed no view, and Messrs. Epstein and Sloss who thought the Town should pay for all of its past use, stated they thought the Town should not pay for its past sewer use.

Continued

Report by Allison Kaune of PFM Asset Management on the Town's investments

Ms. Kaune presented a 28 page report on investment activities for the June 30, 2016 ending quarter prepared by Monique Spike, PFM Director that was handed out during the meeting and took questions. Investment performance and composition is consistent with earlier quarters and is dominated by Treasury securities with an average maturity of 1.94 years and a yield at market of 0.68%. The outlook is for similar future performance however it was noted that PFM may not have acted on the most recent investment policy changes recommended by the Committee and approved by Council in December 2014. Additional asset classes with somewhat better yields are now eligible and some with greater portfolio share limits and Ms. Kaune will inform responsible PFM personnel and request that they address the changes.

Report by John Harpootlian and Gary Waldeck on recent Council Activites of interest.

Mayor Harpootlian noted that the Town's Engineer, Richard Chiu, had accepted a new position at Daly City and that Senior Engineer, Tina Tseng is the Interim Public Works director with her prior responsibilities augmented by temporary workers provided by CSG Consultants. The Town is recruiting for a new City Engineer / Public Works Director. The Council adopted a "1:3 matching" policy of supplementing resident costs for internet related infrastructure construction where Comcast is unwilling to perform the work at its own cost. Five candidates are running for three open Council seats two of whom are incumbents.

Report by Pak Line on Finance Department activities of interest

Ms. Lin stated that a first draft of the 2016-17 Budget book is available for comment. Ms Lin attended an ABAG (insurance provider) meeting where termination of the Town's current workers compensation policy is planned. Alternatives are finding a similar arrangement with another provider, and buying a Town only policy in the marketplace. Member Kayton will provide a broker reference to Ms. Lin. It is believed this transition will occur over the upcoming two years. The interim portion of the annual audit has been timely completed with the Town's new auditors, Maze and Associates. Two follow-up items related to the calculation of the Gann property tax limit and audit scope of work for Town investments are being addressed. Ms. Lin stated the Town planned a compliance audit of employment and consultant agreements. Ms Lin was asked to inquire with other public finance officers plans for establishing pension trusts and recommended trust consultants.

Presentations from the Floor

None.

Proposed topics and dates for future meetings

The next FIC meeting will be a Regular meeting on Monday, October 3, 2016 at 4pm. The non recurring topics will be a review of ABAG Liability Insurance deferred from the July meeting and a Review of Cash management internal controls pursuant to the new Wells Fargo Agreement. Other topics for future meetings include review of the Town's investments, long term capital plans and related policies, cash management policies, prepayment of OPEB and Pension liabilities; financial policy and procedures review; review of FIC Monthly Project Summary Report and review Finance Department quarterly report on financial controls.

Adjournment: The meeting adjourned at 6:00 pm

Respectfully submitted by Roddy Sloss, Committee Secretary