

**Finance and Investment Committee Regular Meeting
Town of Los Altos Hills
Town Hall, Monday, November 5, 2018**

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

- Members present:** Allan Epstein, Kjell Karlsson, Betty Kayton, Stan Mok, Bill Silver, Roddy Sloss and Chris Welborn
- Members absent:** Chris Nam, Susan Mason
- Associate members:** Frank Lloyd (present); Jim Lai (absent)
- Council present:** John Radford, Mayor; Roger Spreen, Vice Mayor
- Staff present:** Kelly Mayes, Administrator Services Director
- Guests and public present:** None.

Approval of minutes:

The November 5, 2018 meeting minutes were approved by members who attended that meeting.

Council Activities of Interest – John Radford

Mr. Radford commented on the proposed Town Hall expansion. Mr. Lloyd inquired about the planned employee office seating growth for the post expansion facility as compared to the related growth of the Town as measured by households or similar metrics. A discussion of the proposed Employee Value Proposition project was held. Mr. Radford departed the meeting after this discussion.

Finance Department Activities of Interest – Kelly Mayes

Ms. Mayes noted that the Town's auditors, Maze and Associates, have completed their field work, she has completed a draft of the financial tables for the CAFR which will be sent to the auditors for review, the auditors are preparing the financial statement footnotes, and she will begin work on MD&A. The draft CAFR is scheduled to be presented at the FIC's December meeting along with an updated draft of the proposed new Reserves Policy. Requested information has been transmitted to Matrix Consulting that will enable the creation of a draft Overhead and Cost Allocation Report which is expected to be available in December. The Committee requested an update on current year Sewer spending in light of the forty-four percent YTY increase on the FY17-18 billing from the Palo Alto sewage treatment plant. Mr. Epstein noted that the Town's reported comparative usage increase and to a lesser extent higher capital spending are driving the increases. The usage portion of the increase is believed to be related to different measurement techniques that unfairly disadvantage the Town as compared to other cities and towns. The Town Staff is reviewing the matter. The benefits of OpenGov, a financial reporting project initiated in 2017, is still being evaluated comparing its utility to the existing Tyler accounting system and ongoing staff maintenance costs. In August 2017, the Town entered into a three-year agreement with OpenGov for \$35,604.

Ms. Mayes noted that recently received quarterly reports from PFM and PARS on performance of the Town's investments were included in the handout package. Committee members requested that they receive soft copies of these reports along with other pre-meeting handouts and that a brief summary be included in the meeting handouts describing significant changes in investment activity during the period, if any. Mr. Mok noted that FED interest rate hikes accomplished and planned should substantially improve the Town's investment earnings. The Committee also requested that quarterly OPEB valuation reports be distributed in the same manner.

Continued

August 2018 CalPERS Actuarial Reports – Roddy Sloss

Mr. Sloss referred to handout material distributed before the meeting including analyses presented on an Excel spreadsheet and summarized in PowerPoint slides. He then reported on highlights including comparative annual billing costs, headcount and actuarial assumption changes. A calculation prepared by Mr. Sloss compares the estimated actual interest rate to the expected interest of the \$1,360,000 January 31, 2018 Unfunded Actuarial Liability prepayment made by the Town. The comparison shows that reported results in August 2018 reports were comparable to expectations. Mr. Sloss noted that CalPERS pension costs are expected to continue to increase and the Town's single largest opportunity to mitigate the increases is to continue to prepay the Unfunded Actuarial Liability. He recommended that before a Committee recommendation is considered and forwarded to Council, the Town's independent actuary, review new issues raised and advise the Committee. Mr. Sloss will work with Ms. Mayes to arrange the independent actuarial review.

Proposed Investment Policy for OPEB and PARS Section 115 Trust – Roddy Sloss

The subject policy, included in meeting handouts, if adopted, will replace a similar policy adopted in January 2018. Mr. Sloss briefly described the policy. After discussion, the Committee in attendance unanimously recommended the Council adopt this policy.

Review of future meeting calendar:

The next FIC meeting will be a Regular meeting on Monday, December 3, 2018 at 4 pm at Town Hall. The primary non-recurring topics will be a review of the proposed June 30, 2018 CAFR and a new Reserve Policy. Other topics for future meetings were noted on the meeting Agenda. The Committee agreed to cancel the regular January 2019 meeting and have a special meeting on January 14, 2019.

Presentations from the floor: None.

Adjournment:

At approximately 5:35 pm, there were no further matters to be discussed and the meeting adjourned.

Respectfully submitted by Roddy Sloss, Committee Secretary
