

**Finance and Investment Committee Regular Meeting
Town of Los Altos Hills – February 6, 2023**

Members present Allan Epstein, Cheryl Evans, Kjell Karlsson, Susan Mason, and Roddy Sloss

Member(s) absent: Nate Blair, Chris Nam, Medha Rishi

Associate members: Jim Lai, present; Frank Lloyd, absent

Council present: Linda Swan, Mayor, present; Stan Mok, Vice Mayor, present

Staff present: Peter Pirnejad, City Manager, Sarina Revillar, Administrative Services Director, Deborah Padovan, City Clerk.

Others present: Wale Kajopaiye, PFM, Senior Managing Consultant; Mitch Barker, PARS, Senior Consultant

Meeting handouts/recording: [https://TownofLosAltosHills/Government/Agendas, Meetings and Packets/Monday February 6, 2023](https://TownofLosAltosHills/Government/Agendas,MeetingsandPackets/MondayFebruary6,2023) and <https://losaltoshillsca.portal.civicclerk.com/event/2568/media>

Mr. Epstein, Chairman, called the meeting to order at 4 pm and called roll.

Public comments - None

Approval of Minutes – Allan Epstein

Minutes of the December 12, 2022, meeting were unanimously approved by members present.

PFM September 30, 2022 quarterly review – Wale Kajopaiye

Mr. Kajopaiye referred to the December 31, 2022 quarterly PFM report (attached to the agenda) covering a Market Update, Account Summary and Portfolio Review and discussed matters described in the report including the Year in Review, Current Market Themes, Interest Rate Sensitivity to Inflation, Fed activity, Continuing Yield Curve Inversion, and the Fixed Income Market. The December 31, 2022 portfolio yield at market is 4.5% and \$21.7 million at amortized cost. The portfolio is 61% Federal securities, 22% Corporate securities, 8% Federal Agency securities, 7% Municipal Securities and 2% other. The portfolio is in compliance with the Town’s Investment policy. The portfolio return was 1% (annualized) for the December ending quarter as compared to negative 5.1% for the Dec 31, 2023 year. The overall credit quality is AA on December 31, 2022.

Mr. Kajopaiye next discussed changes (all of which were mandated by recent changes in State law) to the Town’s investment policy lowering the commercial paper limit from 10% to 5% inline with California governmental recommendations and presented a red line copy of the showing the recommended changes. The Committee members in attendance voted unanimously to recommend the proposed change to Town Council.

PARS proposal to change management of the Town’s securities invested in its OPEB Plan – Mitch Barker

Mr. Barker presented a proposal (attached to the agenda) to move management of the Town’s OPEB dedicated investments to PARS from the present CalPERS managed Plan. Among other things, he noted a strategies offered have after fee returns that exceed actual CalPERS managed returns (for similar strategies) for periods shown, PARS offers four investment strategies as compared to three by the CalPERS managed plan, PARS offers more flexibility than CalPERS related to the withdrawal of invested funds and is a founder and leader in this niche market. The Committee thanked Mr. Barker and said they would like to receive a similar presentation from CalPERS before making a recommendation. And Mr. Barker compared the +’s and –’s of taking overfunded amounts in the OPEB Plan and contributing them to a PARS Trust compared to paying down the CalPERS Unfunded Pension Liability which has a higher return rate but less flexibility.

Continued.

Mid-Year Budget Update – Sarina Revillar

Ms. Revillar reviewed a handout distributed to the Committee before the meeting and responded to the Committee's questions that included the Staff's request for incremental budget funds, estimated under and overspending for items previously approved by Council, timing differences (disproportionate changes for the six months ended December 31, 2022 compared to elapsed portion of fiscal year) were noted in the slides presented. "Reach codes" (environmental driven building code changes) were noted and will not go into effect until the June 2024 fiscal year. An extended discussion (begins and ends at 55 minutes and 69 minutes, respectively on the recording) of Building and Planning Fees ("income") compared to Building and Planning spending was held but a consensus was not reached. Further analysis and discussion are needed and planned. Sewer revenue and spending was discussed and recent storm related SSOs caused unplanned spending in the \$65,000 to \$85,000 range some of which may be recoverable from governmental disaster relief. A handout page related to Capital Spending shows imbalances in revenue and spending which are believed to be timing differences as compared to a difference between planned and actual expenditures.

Report on Staff proposed Committee Code of Conduct and Meeting Place – Allan Epstein

Mr. Epstein referred to a meeting handout in which Staff proposed Code of Conduct changes for the Town's committees is described, including suggestions made by a group of several town Committee Chairs. Mr. Epstein requested and presided over a discussion among Committee members and Staff after which he called for a vote for which Mr. Karlsson made a resolution, seconded by Ms. Mason and attending members (Epstein, Karlsson, Mason and Sloss) voted in favor except Ms. Evans who abstained.

Mr. Epstein also announced a change in Committee Meeting rules effective March 1, 2023 requiring Committee meetings attended by members to be in person in the absence of an acceptable excuse submitted in advance to the Town Clerk.

Adjournment:

Ms. Evans excused herself from the meeting. As there is no longer a quorum and therefore, on the advice of the Town Clerk, the meeting is adjourned at 5:47 pm.

Respectfully submitted: Roddy Sloss, Committee Secretary.

Note: Agenda items not covered are:

Reports by: Mayor, City Manager, Mayor, Administrative Director, Mayor, Next meeting dates..

Notes on subsequent conversation among those in attendance.

Report on Finance Activities of interest – Sarina Revillar

Ms. Revillar responded to Insurance related questions from Mr. Sloss including the status of five outstanding claims and noted a new General Manager of PLAN JPA, Mr. Erik Dahlen was appointed, as Mr. Paulsen was promoted to a higher position with Sedgwick's JPA support business. Mr. Sloss will send Ms. Revillar a request for more information related to workers compensation JPAs.

City Manager's report on matters of interest – Peter Pirnejad Mr. Pirnejad noted topics for the upcoming Council Meeting, and weather-related damage the Town is responsible for.

Council Matters of Interest to Report – Linda Swan - Nothing to report.

Next FIC meeting date and topics: Next meeting April 3, 2023 4 pm Council Chambers (in person)

Nonrecurring topics: Matt Goss Cal Pers CERBT Manager 916 795 9071 cell 916 382 6487 eml:

matthew.goss@CalPERS.CA.gov topic: Plan results and comparison to PARS.

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