

**Finance and Investment Committee Special Meeting
Town of Los Altos Hills
Town Hall, Monday, March 11, 2019**

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

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

Member absents: None

Associate members: Frank Lloyd (absent); Jim Lai (present)

Council present: Roger Spreen, Mayor, and Michelle Wu, Vice Mayor

Staff present: Carl Cahill, Town Manager, Tran Nguyen, Acting Administrative Services Director

Guests and public present: None

Mr. Silver, Chairman, called the meeting to order at 4 pm.

Approval of minutes:

The January 23, 2019 meeting minutes were approved by members who attended that meeting.

OPEB / PARS Pension Investment Town Policy – Roddy Sloss

Mr. Sloss summarized the history going back to December 2017 when this policy was initially approved by Council after which amendments were proposed for the purposes of including OPEB, simplifying the policy by limiting its scope to procedures and actions related to the PARS Trust of the Town's Pension Plans and the CalPERS CERBT Trust for the Town's OPEB Plan. The draft presented for Committee approval removes the Committee from the critical path related to changes in investment policy, investments withdrawals, and changes to related agreements while anticipating the Committee's involvement in these matters. Also, the Policy states that Investments approved by Town Council may not be significantly deferred, reduced or eliminated without Town Council approval. The draft presented to the Committee was unanimously approved and amends the draft approved by the Committee in its January 23, 2019 meeting.

Report on Council Activities of Interest – Roger Spreen and Michele Wu

Mr. Spreen noted the status of plans for the Town Hall expansion and Ms. Wu commented on the San Jose City Mayor's Budget message that noted tightening for tougher economic times ahead. Mr. Epstein inquired about as to whether periodic sewer system status reporting to Council would be resumed. Mr. Spreen stated he would look into the matter. Mr. Cahill reported on recent turnover of the Town's finance staff and noted that a new Administrative Services Director, Dave Sherwood, will begin work on April 1, 2019. Mr. Cahill also noted the Town's Streets and roads PCI index was recently measured at 80 which is an improvement for the Town and comparatively considered a very good rating.

Continued

Finance Department Activities of Interest – Tran Nguyen

Ms. Nguyen commented on departmental routine matters such as bank and other account reconciliations noting they are up to date though December and bringing them up to date is a priority. (The normal form report will be distributed to Committee members after the meeting.) Ms. Nguyen described the status of the annual budget planning process noting that this year's presentation would be similar to last year using a two-part presentation. The initial presentation to the Committee scheduled for May 6, 2019 is the Base Budget. The second part of the budget referred to as Enhancements is scheduled to be distributed to the Council and the Committee on May 17, 2019 and presented in a Joint Council-FIC Meeting on May 30, 2019. Mr. Cahill stated that the Cost Allocation and Fee Study is currently on hold due to staffing constraints. Mr. Epstein stated that this is the third year that the Cost Allocation Plan Study had been postponed and he is concerned the Sewer Fund has been overcharged. Mr. Cahill noted that the Council committed to reimburse the Sewer Fund should the study show the Fund was overcharged.

Review of Town's Recent Investment Performance – Roddy Sloss

Mr. Sloss referred the Committee to a handout summarizing recent investment results from PFM, CalPERS (for the OPEB CERBT) and PARS. The related reports were sent to the Committee before the meeting. Mr. Sloss noted that all three investment managers compare reported results to a previously identified Standard. Interim reports received from CalPERS and PARS did not include reporting on the Standard for the most recent period. Mr. Sloss estimated the Standard in the summary report. Committee members took issue with the calculations and Mr. Mok offered to review the matter.

Status and Review of Calendar 2019 CalPERS Pension Plan prepayment - Roddy Sloss

Mr. Sloss referred the Committee to handout material sent to the Committee before the meeting that included a December 2018 meeting with Doug Pryor the Town's actuary with Bartel and Associates, correspondence with David Clement, the Town's CalPERS actuary, and a review of the August 2018 CalPERS pension plan actuarial report. A recommendation on a Calendar 2019 prepayment to CalPERS will be deferred until the September 2019 quarter when the following information is available: 1) a new proposed CalPERS 115 Pension Trust for the purpose of making prepayments, 2) the CalPERS 2019 actuarial report and 3) financial requirements for a Town Hall expansion. The accompanying report focused on two matters: 1) confirmation that the January 31, 2018 \$1.3 million Pension Plan prepayment made by the Town is yielding approximately 7% in the August 2018 CalPERS actuarial report as expected, and 2) in making Pension Plan prepayments, there is a risk of overfunding which will result in the loss of expected investment return. Mr. Sloss described the overfunding risk noting that CalPERS 2018 report will allow prepayments up to approximately \$1.9 million but that because of the overfunding risk, a 2019 prepayment to CalPERS should be limited to approximately \$200,000.

Future meeting calendar – Roddy Sloss

The next FIC meeting is tentatively scheduled for Monday, April 8, 2019 to discuss investment results with PFM, PARS and/or CalPERS. Other topics for future meetings were noted on the meeting Agenda.

Presentations from the floor:

None.

Adjournment:

At approximately 5:10 pm, there were no further matters to be discussed and the meeting adjourned.

Respectfully submitted: Roddy Sloss, Committee Secretary