

Finance and Investment Committee Meeting

Members Present Allan Epstein, Medha Rishi, Roddy Sloss, Susan Mason, Chris Welborn, Cheryl Evans, Nathan Blair, Chris Nam

Members Absent Stan Mok.

Associate Members Present Kjell Karlsson, Jim Lai **Associate Member Absent** Frank Lloyd.

Council Present Michelle Wu, Mayor.

Staff Present Sarina Revillar, Administrative Services Dir. Carl Cahill, City Manager.

Guests Present David Alvey, Maze & Associates.

Public Present: None.

NOTE: This meeting was held via a Zoom online meeting session:

<https://us02web.zoom.us/j/84461211605225412000>

Ms. Mason, Chairperson, called the meeting to order at 4:04 pm. Minutes for September 14, 2020 and October 6, 2020 were reviewed. Mr. Sloss requested ballots be attached to the minutes and have clear titles and headers. Ms. Mason requested October minutes' headers be corrected with dates and Nathan Blair's attendance be revised to "absent". As amended, minutes were approved unanimously.

Agenda Items

1. Report on June 30, 2020 Comprehensive Annual Financials Statement: David Alvey, Audit Partner Maze & Associates

- a. Town received a clean, unmodified opinion, the highest level of assurance, CAFR still in draft form with some edits pending.
- b. Memorandum on internal controls and material weaknesses, i.e. the "Management Letter" identified no material weaknesses, no significant deficiencies and no other matters. GASB pronouncements were pushed back one year due to Covid..
- c. Identified prior year material weaknesses and significant deficiencies were addressed by staff and the auditor found they were implemented and fixed and will drop off the Letter next year..
 - i. Auditor communicated with the FIC Chair (prior Chair, Roddy Sloss) prior to the audit as part of SAS99 communication and did additional review and testing to address identified concerns, in particular with the prior year Sewer Fund accounting.
- d. During the Q&A session:
 - i. Mr. Sloss inquired about pension reporting and measurement date. Mr. Alvey explained GASB 68 allows the use of the prior year measurement date and would be reviewing Mr. Sloss's submitted written questions.
 - ii. Mr. Alvey and Ms. Revillar confirmed they had not had an opportunity to review all of the comments submitted by Mr. Epstein prior to the meeting. A discussion of a few of the questions follow:
 1. Five million dollars of additional reserves/restrictions were recorded and as a result unassigned fund balance went down from the previous year. Mr Alvey

- agreed it would be appropriate to add a note in the MD&A explaining the significant change.
2. Department depreciation expenses change significantly year-to-year.. Mr. Alvey would investigate the cause but depreciation does not affect the general fund or budgets.
 3. Inclusion in MD&A discussion on deviations to budgeted capital spending which resulted in higher cash balances. Mr. Alvey stated the GFOA has specific MD&A requirements but also allows discretionary inclusions.
 4. Refundable deposit disposition and policy. Audit did extended testing to confirm detail matched GL balance and status of completion.
 5. Ms. Revillar confirmed that Messrs. Epstein's and Sloss's questions and comments will be addressed prior to finalizing the CAFR, which she plans to place on the November 19, 2020 City Council meeting agenda.
- iii. Mr. Sloss gave a heads-up to the committee on the potential change in the proposed pension capital reserve as a result of the Calpers valuation report.recently received at the FIC December meeting and that the Council should be alerted. Discussion between staff and members ensued but due to differing views as to its application to the existing statements, a disclosure to the Council was not reached. Mayor Wu suggested FIC collaborate and arrive at a single recommendation for the City Council.
 - iv. FIC discussed the cause of significant increase in cash position in excess of budget. Mayor Wu suggested allocating increases in fund balances towards the Town's capital and infrastructure improvements. Put the available cash to work. Ms. Mason and Mr. Sloss pointed out the need to understand why projects were not completed last year; review is undertaken during the mid-year check-in and next year;s budget discussion..
 - v. The Committee thanked the Staff and Mr. Alvey for their efforts and timely, excellent results.

Council and Staff Reports on Recent Activity:

2. Report on Finance matters: Ms. Revillar

- a. Quarterly PFM, Investment Portfolio Charts
 - i. Ms. Revillar reviewed the Town's cash and investments. New investment policy approved as of October will be implemented as of next quarter.
 - ii. Committee inquired about Staff's investment strategy with regard to moving available funds to PFM.
 - iii. Discussion of the need for cash flow analysis to guide when funds are transferred between LAIF and PFM.. Mr. Blair offered to assist in preparing a cash flow analysis that would help with investment planning.
- b. Refundable Deposits: Staff is down to 339 projects/406k. The goal is for it to be completed by next council meeting in December (down from 1400 projects/\$2.2M which had the starting date prior to 2017).

3. Report on Council Matters: Mayor Wu:

- a. Town is in excellent financial shape and reiterated her desire to see the funds expended to improve the quality of life in Town. The Committee thanked her for the excellent work during her Council

Future Meeting Topics

- a. Next meeting scheduled for Dec 7, 2020
 - i. December agenda: CalPERS pension review with Doug Pryor, Refund of excess overhead allocation to Sewer Fund, Cash management proposal (TBD), Greenwaste updates (TBD).
Future meeting insurance review and earthquake insurance.

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

Respectfully submitted: Medha Nicky Rishi, Committee Secretary