

**Finance and Investment Committee Special Meeting  
Town of Los Altos Hills - ZOOM call, November 8, 2021  
ZOOM Call recording address and password:**

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- Members present:** Allan Epstein, Cheryl Evans, Kjell Karlsson, Susan Mason, Chris Nam, Medha Rishi, Roddy Sloss and Chris Welborn
- Member absent:** Nate Blair
- Associate members:** Jim Lai, present; Frank Lloyd, absent
- Council present:** Kavita Tanka, Mayor, George Tyson, Vice Mayor
- Staff present:** Peter Prinejad, City Manager and Deborah Padovan, City Clerk (excused themselves after introductions and an announcement regarding request for Town Committees to submit goals to Council before January); Sarina Revillar, Administrative Services Director
- Public present:** David Alvey, Vice President, Audit, Maze & Associates, Monique Spyke, Managing Director, PFM Asset Management, PARS: Mitch Barker, Exec VP, Andrew Brown, Director, Highmark Capital Management. Will Rogers, Client Services Coordinator, PARS.

Ms. Rishi called the meeting to order at 4 pm.

**Approval of minutes – Susan Mason**

The August 9, 2021 minutes were unanimously approved by roll call vote of all attending members.

**Review of Draft Annual Comprehensive Financial Report (“ACFR”) as of June 30, 2021 and related audit – David Alvey**

The meeting participants received a draft of ACFR four days before the meeting. Mr. Alvey noted the audit of the Town’s June 30, 2021 ACFR was substantially complete, the Town would receive a clean opinion, no material weaknesses or significant deficiencies in the Town’s internal controls were noted and that a supplementary letter to Council would issue describing new accounting pronouncements that were also described in the draft ACFR. In response to a question regarding the balance sheet refundable deposit liability, Mr. Alvey noted the audit included testing all deposits over \$10,000 comprising a review of approximately \$360,000 of items included in the \$3.1 million account balance without exception. Ms. Revillar noted there were approximately \$800,000 of new deposits in the June 30, 2021 fiscal year which is comparatively high due to a surge in construction attributed to the Covid 19 pandemic and there are comparatively old projects that are still active. Mr. Sloss suggested adding a sentence to the Pension footnote discussion of the 0.2% Discount Rate decrease indicating the matter is being reviewed by the CalPERS Board in November 2021.

Mr. Epstein inquired about the accounting for \$2 million of 20A Undergrounding Credits the Town purchased. Ms. Revillar and Mr. Alvey explained that the \$2 million will be recorded as an asset if and when the credits are used. Further detail is noted on page 28 of the draft report and an explanation will be added to MD&A.

Mr. Epstein inquired about COPS Fund accounting and inter-year consistency. Mr. Alvey said he would investigate the matter and respond.

Mr. Epstein inquired about a \$2 million year over year increase in governmental activities (described on page 8) and Ms. Revillar stated she believed it is the Undergrounding Credit described above. Mr. Epstein suggested an explanation be added to MD&A.

Mr. Epstein inquired about a \$300,000 year over year increase in receivables and Ms. Revillar stated that increase is believed to be a timing difference in inter-agency receivables.

Mr. Epstein inquired whether there were any 'significant deficiencies' in internal controls and Mr. Alvey replied none were noted in the audit. Since the related 'Management Letter' was not provided as it has been in the past, Mr. Epstein asked whether the FIC would receive a copy. Mr. Sloss stated that letter is addressed to the Council and is typically made publicly available.

Mr. Sloss inquired about the appropriate date for Reserve calculations and related audit procedures.

Mr. Alvey said the underlying calculations were reviewed and the measurement date should be the fiscal year end. Mr. Alvey was asked if this rule applied even though new information was available after the fiscal year end and before the audit was completed. Mr. Alvey agreed to review this condition to see if the same rules hold. A brief discussion regarding the CalPERS policy to reduce the Discount Rate by 0.2 percent to 6.8% from 7% concluded, and an additional disclosure will be added regarding the possibility CalPERS Board might modify the Discount Rate change in its November 2021 announced review of the subject.

Both Mr. Alvey and the Committee recognized the Staff's effort to complete the audit in November particularly considering extra Covid 19 prevention procedures.

**PARS September 30, 2021 Review of the Town's Trust Investment Account by Mitch Barker, Andrew Brown and Will Rodgers.**

PARS provided a report on the subject matter to meeting participants four days before the meeting which was described and discussed. The presenters reviewed the report and responded to questions including the following comments. No recent client portfolio investment strategy changes have occurred; No organizational or strategy changes have resulted from the planned acquisition of High Mark Capital/Union Bank by US Bank; the present investment strategy outlook is to underweight cash and bonds while overweighting equities, and the Fed is expected to continue to be reluctant to raise interest rates. The "moderate" investment strategy is used for the Town's funds which is 40% to 60% equities with remainder in fixed interest and other conservative investments.

**PFM September 30, 2021, quarter ending Investment Report – Monique Spyke**

Ms. Spyke spoke from handouts provided to members before the meeting that tracked September 30, 2021 quarterly performance of the Town's portfolio, general economic and market conditions during the quarter, portfolio composition and transaction detail. Market fluctuations are tracking Covid 19 developments. Performance including PFM fees were about ½% annualized return for the quarter. The Town's investment strategy is risk neutral. PFM's outlook for the Town's portfolio

return for the June 30, 2021 year to be zero to slightly negative. Other matters discussed included transferring approximately \$5 million from LAIF to PFM during the past quarter (invested in Treasuries); BBB rated portfolio investments, and an explanation that CAMP is a Joint Powers Authority. Ms. Spyke noted the portfolio complies with the Town's investment policy and there are no suggested policy revisions at this time.

**Finance Matters of Interest and ARPA recommendations - Sarina Revillar**

Ms. Revillar announced the Town had received a GFOA award for the June 30, 2022 Budget document that Committee Members acknowledged and thanked the Staff. A handout addressing quarterly liquid asset balances for the recent quarters was discussed. A proposed sewer system improvement related to a limited number of users was discussed noting that related disbursements will not be financed by unaffected users consistent with past practice. Discussion will be continued in the December FIC meeting by the Town's sewer system manager. Mayor Tanka noted that an effort should be made to put ARPA funds to good use as the alternative is losing the funding opportunity.

**Council Report – George Tyson**

Utility undergrounding project momentum on the El Monte project continues to be good. PG&E is working on the project design. Due to staffing constraints, progress on the Town-wide utility undergrounding engineering cost estimate slipped and an updated timeline has not yet issued.

A brief discussion regarding the Peter Prinejad request that Town Committees submit a presentation describing their goals for the upcoming year concluded that such goals should be limited to items in each committee's charter.

**Review of FIC Guidebook – Medha Rishi**

Ms. Rishi drafted the subject matter that documents selected FIC Committee recurring projects, and related practices. Mr. Sloss suggested a clarification noting the Guidebook is an aid to future members and is not a change in practice or policy. After discussion, the Committee unanimously approved the draft for presentation to Staff and Council.

**Review of next meeting date – Susan Mason**

The next meeting will be Monday, December 6, 2021. Nonrecurring topics will be a report on the Town's Liability and Workers Compensation insurance by Roddy Sloss, a further discussion of ARPA recommendations, and a Sewer Status Report by the Town's Public Works Director, Oscar Antillon.

**Presentations from the floor - None**

**Adjournment:** As there were no further comments, the meeting adjourned at 6:30 pm.

Respectfully submitted: Roddy Sloss, Committee Secretary