

**DRAFT**

## Finance and Investment Committee Meeting, February 8, 2021

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

**Members Absent** None.

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

**Council Present** Kavita Tankha, Mayor, George Tyson, Vice Mayor

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

**Guests Present** None.

**Public Present:** None.

**NOTE: This meeting was held via a Zoom online meeting session on Feb 8, 2021. Meeting Recording:**

<https://us02web.zoom.us/rec/share/pjzG-WWcNRcCpw-JRTToVattI3Q6iMMMvNKX4IEkC3Kf3usBxcMvEKGB84aujtk.oIsLzikqUr109ioE>

Ms. Mason, Chairperson, called the meeting to order at 4:10 pm. Frank Lloyd's lack of attendance was discussed, but membership status was not assessed. Minutes for Dec 7, 2020 were reviewed and approved unanimously.

### Agenda Items

#### 1. Mid-Year Budget vs. Actual: Sarina Revillar

- a. Overall, Total General Fund revenues are expected to exceed budgeted amounts and expenses are on track. Sewer Capital expenses are tracking below anticipated amounts due to the lower spending on annual rehabilitation project.
- b. Ms. Revillar detailed Council approved FY'20-21 budget changes and outlined revenue and expenditure expectations for each fund:
  - i. General Fund revenue: A \$174K county error misallocating to LAH retail sales tax from another city is being corrected. Property tax trend illustrates healthy growth. Franchise fees were down but this was explained to be timing related.
  - ii. Approved Budget Changes: \$25K Greenwaste Consulting and \$25K staff bonus.
- c. Ms. Revillar reviewed the proposed mid-year budget adjustments and status of capital spending:
  - i. \$65K LEAP (local early action planning for affordable housing), grant and expense
  - ii. \$1,000,000 Pension prepayment \$500K to PARS and \$500K to PERS.
  - iii. \$50K Salary increase.
  - iv. Cal OES grant application of \$250K to be used for emergency backup power offset by \$450 K expense for battery backup if grant is awarded (placeholder for grant). Grant not expected to be received this fiscal year.
  - v. \$294,316 transfer to Sewer Fund will be included when approved by Council
  - vi. Capital status- Little of the \$7.4 million budgeted will be completed by the EOY. Prop 68 park funds need to be spent by March 2024. Plan to request an increase to \$500K appropriation for Purissima Refreshment Building during the upcoming joint budget meeting.

#### 2. Investment Portfolio, Quarterly PFM: Sarina Revillar

- a. Reviewed the financials and balances within these reports provided.
- b. Overall feedback is that we are well-diversified in our investment and Town has a healthy balance sheet.

**3. Cash Flow Analysis: Nathan Blair**

- a. Mr. Blair outlined his work with Ms. Revillar on cash flow analysis and observed consistent trends and suggested a target balance of \$800k-\$1M in Wells Fargo would be a sufficient balance..
- b. Mr .Sloss shared his experience that Wells Fargo’s requirement of \$2M-\$3M balance might be required to achieve desired service level.
- c. Discussions ensued about timing for transferring funds between the bank, LAIF and PFM to obtain better returns.. Wells account is used as an operating account, LAIF as the money market fund and PFM as an investment account with a restricted liquidity profile.
- d. Transfer policy proposal from LAIF to PFM is pending by Mr. Blair and Ms. Revillar and targeted for the next meeting.

**4. Reserve Policy Update: Roddy Sloss**

- a. Two changes under discussion: the pension contribution reserve amount and establishment of a new committed reserve for the deductible portion of property and liability insurance.
- b. The town self insures first \$25K of two claims, total \$50K There are approximately \$140K in claims at the JPA that have not been amortized into annual rates.Proposal is to add a new Self Insurance Reserve \$150K approximately, Discussed by decision pending.
- c. Pension contribution reserve: Mr. Sloss explained how reserve was increased in error to \$2.575 million. Explained that should the discount rate drop from 7% to 6%, the \$1.5M in the reserve will cover 50% of change in liability. He suggested leaving the reserve at \$1.6M reserve, which would protect against a discount rate reduction to 6.5%.
- d. The city is additionally working on calculating a figure with regards to the underground utility project.
- e. Ms. Revillar was to circulate a redlined version of the Draft Reserve Policy for FIC members to review and approve prior to submission for Council approval..

**Council and Staff Reports on Recent Activity:**

**5. Maze & Associates’ contract extension: Ms. Revillar**

- a. The prior agreement total cost for the five years was \$239K but the total amount paid was \$215k.
- b. New agreement is starting at \$45k annually with annual increases resulting in a five year total contract value of \$238k.
- c. Proposed agreement locks in the cost for next five years but the contract may be terminated at Town’s discretion. Committee discussed the pros and cons of changing audit firms. FIC decided on balance it was advisable to continue with Maze.

**6. Reimbursement of Excess Overhead Allocation to Sewer Fund: Ms. Revillar**

- a. Reimbursement for four years of excess allocation was proposed, a total of \$294k. Prior Staff failed to adjust allocation to coincide with approved study results. Approve unanimously by FIC.
- b. Ms. Revillar agreed to provide rates to be used going forward.

**7. City Council updates**

- a. Mayor Tankha: Town hall expansion discussion is in progress. Concerns about housing density legislation,
- b. Vice Mayor Tyson: Town Hall meeting on Feb 9 to explain the underground utility project.

**Future Meeting Topics**

- a. Next meeting is scheduled for March 1, 2021.
  - i. Agenda: Insurance reviews and cash flow follow up discussion..
- b. April 5: Base budget discussion. May 21: Budget book to be distributed. May 27 Joint Council-FIC FY’21-22 Budget Review meeting.

**Adjournment** At approximately 6:10 pm, there being no further matters to be discussed the meeting adjourned.

*Respectfully submitted: Medha Nicky Rishi, Committee Secretary*