

## Finance and Investment Committee Meeting, May 3, 2021

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

**Members Absent** Medha Rishi, Chris Nam.

**Associate Members Present** Kjell Karlsson, Jim Lai, Frank Lloyd. **Associate Member Absent** None.

**Council Present** George Tyson, Vice Mayor

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

**Guests Present** Mitch Barker and Will Rogers, PARS; Andrew Brown High Mark Capital.

**Public Present:** None.

**NOTE: This meeting was held via a Zoom online meeting session on May 3, 2021. Meeting Recording (temporarily stored): <https://vimeo.com/545035183>**

Ms. Mason, Chairperson, called the meeting to order at 4:10 pm. Mr. Epstein called the motion to approve the Feb 8 minutes, Mr. Sloss seconded the motion. Minutes were reviewed and approved unanimously as follows:

MOTION PASSED 6-0:

AYES: Blair, Epstein, Evans, Mason, Sloss, Welborn

NOES: None

ABSTAIN: None

RECUSE: None

ABSENT: Nam, Rishi

### Agenda Items

#### 1. PARS: Mitch Barker, Will Roger and Andrew Brown

- a. Mr. Barker went over the PARS plan summary, stated they were outperforming PERS and recommended that Town consider PARS managing its OPEB Trust.
  - i. Mr. Brown explained that PARS outperformance of PERS is most likely due to greater percentage invested in equities and less in bonds and to a lesser degree its active management..
- b. Mr. Roger presented a number of slides on the current status of pension investment based on the June 30, 2019 valuation showing 83.9% funded ratio and projections of future annual employer contribution growth of 35.5% over the next six years.. Mr. Epstein clarified that due to the prepayments Town has made to CalPERS that are not reflected in the 2019 projections, future payments will not increase as much as shown, and will be reflected in the next valuation.
- c. Mr. Brown projected a continued strong economic recovery, with possibility of higher inflation rate. Federal interest rates are not projected to be raised until 2023, unless sustained inflation continues. Last 12 months strongest equity performance in the last 20 years. 27.1% net performance return on Town's investments.
  - i. Vice Mayor Tyson pointed put that S&P 30% decline prior to the current 12 month performance captured here.
- d. Discussions followed about moving from the moderate investment strategy to a more aggressive asset allocation:with higher risk. Mr. Brown had no specific recommendation.
  - i. Mr Sloss, Mr Karlsson, Ms. Mason, voted towards staying with the moderate allocation.

- ii. Mr. Blair, Mr Epstein recommended evaluating balanced option of asset allocation policy 50-70% stocks and rest bonds can be under consideration
- iii. Mr. Lloyd recommended that all of the PARS funds be invested in equities with no fixed income assets. Mr. Welborn and Mr. Lai agreed with moving to the more aggressive Capital Appreciation allocation.
- iv. Ms. Mason concluded the votes indicated staying with the current allocation.

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

**2. Quarterly Investment Report ending March 31:** Ms. Revillar

- a. Ms. Revillar reviewed the current investment portfolio and its comparison to the market value, along with the existing balance numbers
  - i. She clarified that it is not worth keeping compensating balances in the Wells Fargo account. A better return will be received by maintaining the funds in the LAIF Fund. Expects to maintain around one million dollars in Wells Fargo.
- b. Ms. Revillar confirmed no past due payables or outstanding claims and the bank account has been reconciled timely.

**3. FY 21/22 Budget:** Ms. Revillar

- a. Ms. Revillar reviewed the personnel allocation changes for this year and impact on sewer allocation figures, which increased from 0.93 to 1.36 FTE.
- b. Mr. Epstein suggested that the Park & Rec allocation seemed low due to the addition of a maintenance person and other recreation related activities. Ms. Revillar will review with the Recreation Supervisor and department managers..
- c. Believe the Town was paid too much in Sales and Use Tax \$170K, speaking with the County. \$112K in Cares Act funds.
- d. Expenditures were reduced compared to budget as a result of general administration cost reduction (no salary increase until March), plus salary and benefits savings as a result of the vacancies. Lack of any special events due to Covid also contributed to the decrease. Savings in Building Official contracting, too.
- e. Proposed budget: increase of 11.3% in Revenue, most from property tax increase but due in part to inter-governmental income (American Rescue).estimated at \$750K and next year a similar amount.
- f. Expenditure decreased vs FY'20-21 budget by 10.1%. Workmen's Compensation & Liability Insurance expenses are projected to increase drastically, 24%, Contract service cost for CSG increased to fill open positions. No spending of PPA has been included. Council needs to decide.
- g. Sewer revenue is estimated at \$3.1 million. Expenses increased due to higher treatment and contract cleaning expenses. Capital expenditure decreased to \$500,000. Net change expected to increase \$123K. Committee discussed cause of treatment expense and efforts to reduce Town's share of treatment expense based on adjusting fixed household connection usage vs. meters.
- h. Ms Revillar provided the account details prior to the meeting and will distribute the summary version presented at the meeting.
- i. Service enhancement for law enforcement will be presented at Council meeting. Additional 25%.
- j. Full budget packet will be sent out on May 21.
- k. Uncashed checks' status: Town Crier has a list of those depositors that the Town hasn't been able to reach.

**4. Vice Mayor Tyson:**

- a. Engineering approved for Ice-breaker project (\$250K budgeted) which has qualified with PG&E as a 20A project, and undergrounding project (TBD).
  - i. Discussions pursued around credits available for purchase to fund the ice-breaker project. Purchase \$4.5 million credits at less than 50 cents on the dollar for 80% of the project. CPUC plans to eliminate transfers of credits. If Town is unable to use credits there will be no expense. It is possible the \$70 million unused PG&E credits will be allocated to users for free. Fire threat is increasing..

#### Future Meeting Topics

- a. Joint budget review on May 26 with City Council.
- b. Next FIC meeting is scheduled for July 12. Agenda topics include: insurance review. PFM could also present. Election of Officers. Possible cash flow discussion policy for when funds move from short term to long term.

#### Adjournment

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

*Respectfully submitted: Medha Nicky Rishi, Committee Secretary*