

Final

Finance and Investment Committee Meeting May 12, 2020 Minutes

Members Present: Allan Epstein, Susan Mason (left at 3p), Stan Mok, Chris Nam (joined at 2:30p), Medha Rishi, Roddy Sloss, Cheryl Evans.

Members Absent: Chris Welborn.

Associate Members Present: Jim Lai, Frank Lloyd, Kjell Karlson.

Associate Members Absent: None.

Council Present: Michelle Wu, Mayor. Kavita Tankha, Vice Mayor,

Staff Present: Carl Cahill, City Manager; Sarina Revillar, Administrative Services Dir.; Cody Einfalt, Management Analyst (Zoom host)

Guests Present: Catherine MacLeod, Principal Actuary, MacLeod and Watts.

Public Present: Roger Spreen

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

Mr. Sloss, Chairman, called the meeting to order at 2:07 pm. **Approval of minutes** - Susan Mason-moved. March 2, 2020 meeting minutes were approved by members in attendance.

Agenda Items

- 1) **OPEB June 30, 2019 Actuary report:** Catherine MacLeod, MacLeod and Watts. Ms. MacLeod's thirty-four-page report, "June 30, 2019 Actuarial Valuation: Determination of OPEB Funding Contributions", was distributed to the Committee prior to the meeting.

Ms. MacLeod answered Committee questions. Key findings:

- Actuarial Accrued Liability as of June 30, 2019 is \$223,000 less than Actuarial Value of Assets; overfunded
- Actuarial Present Value of Projected Benefits still exceeds Value of Assets by approximately \$400,000; Town ahead on past service obligations but has additional future obligations.
- For many years, Town paid required CalPERS contribution and reimbursed retirees for Town share of retiree's annual premium; due to overfunded position can reduce current expense.
- Going forward Town should pay Actuarial Determined Contribution, journal entry adjustment to implicit subsidy (reduction) and seek refund from trust for annual Town paid retiree benefits.
- \$533,000 reduction in UAAL from June 2017 to June 2019 was partially expected (\$148K) due to contributions and asset appreciation; additional decrease due to lower than expected health premiums (change ACA), fifty percent employee turnover and greater than expected returns.
- Due to significant difference in two programs and almost fully funded condition of Tier 1 retiree plan, Town may wish to consider, upon asset value recovery, splitting combined trust and changing investment strategy to a less volatile (lower yielding) one for Tier 1. New valuation would not be required.

Based on the report, Covid-19 recent impact on asset value and responses, Committee was comfortable with current funding status and plan to seek refund from Trust to reimburse Town retiree premium payments.

- 2) **Cash and Investment Summary, Investment Portfolio Charts, Quarterly PFM and PARS**

Investment status: presented by Ms. Revillar. Key highlights of discussion:

- Overall increased \$2.5 million or 11% from 12/31/19. Primarily due to recent tax receipts.
- Quarterly investment returns helped by recent decline in interest rates and favorable mark-to-market adjustments.
- After report date, Town transferred \$3 million from WFB to LAIF.

- PFM has been increasing maturity duration and putting more funds in corporate notes to improve yields.
- Interest rates are expected to stay low for an extended time due to Covid-19.

No changes were proposed to investment strategy. Mr. Sloss inquired as to status of Cash Forecasting Modeling project. Ms. Revillar stated additional work was still required.

Council and Staff Reports on Recent Activity:

3) **City Manager Report.** Mr. Cahill reported,

- Impact of Covid-19: no substantive extra expenditures and no city employees impacted. Town revenue is largely property tax dependent, no short-term impact. Other main revenue source, permits and fees, has seen significant reductions but construction is now allowed, and activity has picked up. State under financial pressure has in the past and could reduce distributions to municipalities.
- Doug Prior CalPERS Pension study. Awaiting engagement letter, requesting report to address impact of Covid-19 on valuation and unfunded liability, and recommendation on prefunding contributions

4) **ASD Report,** Ms. Revillar reported:

- Budget book to be distributed May 18, 2020.
- 2019-2020 Interim audit was done April 13-17, remotely. Status report on interim audit findings will be submitted to the City Council on May 15, 2020. Four to five findings, some still due to activities prior to her arrival and will be resolved before yearend. All bank reconciliations have been completed. Ms. Revillar has not met with Council ad hoc audit committee.
- Refundable Deposits. Disposition still being determined, Staff working diligently to clean up but is big project going back ten years. Bulk of problem due to staff time not identified as revenue. Upon questioning, Ms. Revillar confirmed that a substantial portion of the \$3 million in refundable deposits is not going back to depositors and instead will be recognized as additional Town revenue. Status report to City Council on May 15, 2020.
- Response to Mr. Epstein's analysis of Sewer Fund suspected errors in the June 30, 2019 audit report. Response will be published next week at the latest.

5) **Council Member Report.** Mayor Wu and Vice-Mayor Tankha.

- No major impact to our Town with current Covid-19 conditions. Need to be prudent with expenditures.
- Los Altos requested matching \$250k donation to Chamber of Commerce for small business relief fund. Will be on Joint City Council/FIC Budget meeting agenda. FIC asked for copy of the request letter.

Future Meeting Topics

Joint City Council / FIC 2020-2021 Budget Study Session: May 28 at 4 PM via Zoom meeting.

Adjournment At approximately 4:10 pm, there were no further matters to be discussed and the meeting adjourned.

Respectfully submitted: Medha Nicky Rishi, Committee Secretary