

**Finance and Investment Committee Special Meeting
Town of Los Altos Hills
Town Hall, Monday, April 8, 2019**

The meeting was called to order at 4:00 pm by Chairman Silver

Members present Allan Epstein, Kjell Karlsson, Susan Mason, Stan Mok, Bill Silver, and Roddy Sloss

Members absent: Betty Kayton, Chris Nam and Chris Welborn

Associate members: Jim Lai, (absent), Frank Lloyd (absent)

Council present: Roger Spreen, Mayor, and Michelle Wu, Vice Mayor

Staff present: Carl Cahill, Town Manager, Dave Sherwood, Administrative Services, Director and Tran Nguyen, Finance Manager

Guests and public present: Matt Goss, Customer Outreach and Support Manager, CalPERS CERBT Sue Welch, resident and member of Open Space Committee.

Mr. Silver, Chairman, called the meeting to order at 4 pm and asked Ms. Welch to introduce herself. Ms. Welch would like to discuss Open Space budget related comments. Mr. Silver suggested she attend the May 6 meeting when budgets will be discussed. Ms. Welch said she would and excused herself.

Approval of minutes:

The March 11, 2019 meeting minutes were approved by members who attended that meeting.

Introduction of new Town Administrative Services Director – Carl Cahill / Dave Sherwood

Mr. Cahill introduced and Mr. Sherwood, the Town's Administrative Services Director as of April 1, 2019, and briefly summarized his background noting it included both public and private experience. Members introduced themselves to Mr. Sherwood and noted their length of Committee service.

Annual review of investment performance of Town's OPEB Plan – Matt Goss

Mr. Goss reviewed a 36-page hand out and Q&A material sent to members before the meeting and responded to questions. The discussion covered a summary of the account, investment policy and results, funding policies, participation costs, and a new soon to be released CalPERS program for prefunding Pensions costs similar to PARS. Mr. Epstein noted that 19 active employees on page 4 appeared too high, if this count is intended to represent only current employees, since the plan is closed and there are very few current employees that joined prior to the 2007 eligibility date. Mr. Goss said that figure came from the most recent actuarial report. Staff will follow-up. Mr. Goss noted that if the CERBT is in an overfunded position at Plan termination, excess funds would be returned to the Town for general use by CalPERS. This policy is not written but represents Mr. Goss' understanding based on discussion with CalPERS Council. Mr. Goss reviewed comparative results of the three investment strategies offered to Agencies using the CERBT program noting that Strategy 1 was both the most volatile and highest yielding over 10 years producing an 11.39% return compared to a benchmark of 11.02%. Strategies 2 and 3 produced significantly lower comparative results over five years and also outperformed their benchmarks. In the future, it may be possible to allocate funds to more than one strategy. The Committee in attendance unanimously moved to continue to recommend the Town use Strategy 1. Mr. Sloss briefly reviewed highlights of a newly adopted Town policy regarding OPEB which differed from past practice

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by limiting variations from planned contributions contained in the annual Town budget to changes approved by Council to either increase, decrease or change the timing of CERBT contributions payments. Mr. Goss also noted the CalPERS fee is 10 basis points unchanged from prior years and that the fee for the proposed new Pension prefunding plan is expected to be 25 basis points. Mr. Goss noted that neither the CERBT portfolio or the planned Pension prefunding plan will hold unlisted securities or be limited to social conscience-oriented investments.

Report on Council Activities of Interest – Roger Spreen and Michele Wu

Mr. Spreen noted the status of plans for the Town Hall expansion and that the Pathway funding study is in final review and presentation is planned for the May Council meeting. Mr. Cahill noted there is no change to the status of Sewer Reporting.

Finance Department Activities of Interest – Dave Sherwood and Tran Nguyen

Mr. Sherwood noted that three of four open positions in Finance and Administration have been filled with permanent employees and that Tran Nguyen is the longest tenured employee in that group with 7 months of Town service. Preparation of the Town's fiscal 2020 budget is the primary non-recurring priority at present. Mr. Epstein noted that the two-meeting approach of presenting the Base Budget to the Committee and the Budget Enhancements to the Joint Council Committee meeting had worked well in the past. The base budget meeting is scheduled for May 6 and the Joint Committee meeting is scheduled for May 30, 2019.

Review of Town's Recent Investment Performance – Stan Mok

Mr. Mok, at the Committee's request, reviewed recent investment performance by PARS and PFM and commented that both were satisfactory and within expected parameters set by market performance. He briefly described his methodology and discussed his outlook for future performance and suggested some modifications in PFM's strategy within Town investment policy. The Committee will attempt to schedule PFM for a July 8, 2019 meeting to further discuss Mr. Mok's points. Mr. Mok also offered to send Committee members a recent two-page market outlook report he sent to his clients.

Status and Review of Calendar 2019 – Bill Silver

Meetings planned for Budget review, as noted above, are scheduled for May 6 and May 30. Further the Committee is attempting to schedule a July 8, 2019 meeting with PFM, also as noted above. Mr. Silver noted that the annual report of the FIC to the Council has been changed from April 2019 to October 2019 allowing the Committee to work with a fully staffed department for six months on priorities and calendar and then report on same.

Presentations from the floor:

None.

Adjournment:

At approximately 5:50 pm, there were no further matters to be discussed and the meeting adjourned.

Respectfully submitted: Roddy Sloss, Committee Secretary