



FINANCIAL COMMISSION MEETING MINUTES

5:30 P.M., April 20, 2009

The Neutra House
181 Hillview Ave, Los Altos, California 94022

Call to Order

The meeting was called to order at 5:30 P.M.

Roll Call

Commission members present: Chairperson Frank Emery, Vice-Chairperson Kevin Thompson, David Byrne John Dixon, Alan Hubbard, Donald Korn

Commission members absent: Paul Van Buren (prior notice provided)

Staff Present: Russell Morreale

Pledge of Allegiance

The pledge of the flag was called for by Chairperson Emery

Public Comment

No members of the public attended.

Consent Items:

- Approval of the Minutes of March 23, 2009. Vice Chair Thompson indicated that the March 23rd minutes should be amended to emphasize three major points regarding the investment advisor discussion. In particular, Thompson indicated that the minutes should place up-front and highlight the three main points supporting the committee recommendation: (1) The fact the City's portfolio currently exceeds the LAIF \$40 million limit (2) The advantage of being able to match duration to the City's cash flow which should result in better positioning and yield in the long run (3) The increase in risk diversification beyond investments primarily through one pool – LAIF. Thompson also asked that the term “Synergy” be reworded as mentioned in the draft minutes. The Commissioner approved unanimously the minutes subject to the stated modifications without exception as moved by Commissioner Emery and seconded by Commissioner Hubbard.

Discussion

1. Status Update On Investment Advisors Staff Report to City Council

Staff Liaison, Russell Morreale informed committee members that the City Council report presenting their recommendation to authorize the issuance of a Request for Proposal (RFP) for investment advisory services was scheduled for April 28th – the same night of the joint meeting. Morreale indicated that a draft staff report will be circulated for their review and comment and will also propose that the related fees be included in the FY 2009-2010 budget. No action required.

2. Status Update On PERS Side Fund Pay Off

Staff liaison Russell Morreale advised the commissioners that the City will put forward a recommendation in the upcoming budget that the existing PERS reserve of \$3 million be used to pay down the PERS Side-Fund Liability approximating \$5 million. Commissioner Hubbard underscored the committees' strong recommendation that the City pursue and evaluate making full payment of the \$5 million liability to maximize the cost savings. Hubbard also indicated that the City should look into the possibility of an inter-fund loan as an option. The motion was put forth to strongly recommend that the City consider utilizing available cash resources to make full payment. Commissioner Dixon made the motion and Commissioner Hubbard seconded. The motion was approved unanimously.

3. FY 2009- 2010 Capital Improvement Plan

Staff Liaison, Russell Morreale made a presentation on behalf of Assistant City Manager James Walgren providing an update of the proposed Capital Improvement Program (CIP). Morreale handed out the latest listing of projects by plan year noting it was still under development in the budget process. Morreale shared with the commission that staff's challenge was to match the CIP requests with the forecast of fund balances over a multi-year term – a question that is being evaluated in planning for the FY 2009-2010 budget. Morreale also shared that beyond the future listing of CIPS, Council has received a reporting of existing CIPS on the books which are quite substantial. Commissioner Thompson asked for clarification on the treatment of past projects and how that impacted the analysis. Chair Emery indicated that as we review this listing we will need to seek clarification from Council as to what role the commission should play in the overall CIP process noting that the commission does not necessarily make project recommendations. No action required.

4. FY 2009-2010 Budget Review

Staff Liaison Morreale provided a high-level update on how the FY 2009-2010 budget was evolving. Morreale indicated that staff is prepared to bring a balanced solution to the City, something that many other cities are struggling with. That being said, Morreale indicated that this budget was far from painless calling for cost savings in several areas. These included – the deferral filling several city vacancies – the deferral of equipment replacements and purchases – general fund trimming in across the board – the inclusion of moderate and committed labor cost increases. Morreale also discussed the general

revenue trends indicating a clear slow down in several key revenue sources – Sales Tax – Hotel Tax – Building and Planning Fees – Interest Income - UUT - giving rise for the need for the proactive moves having been made by Council and being further proposed in the budget.

5. Preparing For Work Plan Update and Discussion of Council Joint meeting April 28.

Chairperson Emery indicated a need to prepare for a joint meeting with City Council on the 28th of April and facilitated a discussion of the work plan items that the commission might consider bringing forward to City Council. A number of ideas were discussed including: - Looking into a benchmarking the City's Performance against cities of common profile for investment performance as well as other areas – evaluating Pension Costs and other viable options that may be open to the City – being a standard review point for the City's portfolio performance under the new investment advisor structure – seeking definition of the committees role in the review of the annual CIP and Budget process.

Adjournment

Vice Chair Thompson moved adjournment of the meeting, with a second from Commissioner Bryne. The motion passed unanimously. The meeting was adjourned at 6:50 P.M.

Respectfully Submitted,

Russell J. Morreale
Staff Liaison to the Financial Commission