



TOWN OF ATHERTON
SPECIAL MEETING FINANCE COMMITTEE
DRAFT MINUTES
October 10, 2019
2:00 PM
HOLBROOK PALMER PARK-MAIN HOUSE
150 Watkins Avenue
Atherton, California

PLEASE NOTE: *Times listed on the Agenda are approximate; items may be taken up out of order.*

1. ROLL CALL

Bob Polito, Jeffrey Lee, Ann Yvonne Walker, Devika Patil, Walter Sleeth,
Bill Widmer, Rick DeGolia

Present: Polito, Lee, Walker, Patil, Widmer

Excused: DeGolia, Sleeth

2. PUBLIC COMMENT

None

REGULAR AGENDA

3. Review and Approve Draft Minutes of July 16, 2019 Finance Committee

There were discussed minor changes to the draft meeting minutes. Staff noted the changes. Motion to approve minutes by Chair Polito, seconded by Ms. Walker; All in Favor

4. Review and discussion CalPERS actuarial reports as of June 30, 2018; to provide future analysis on new pension discount rate assumptions for discussion of paying down long-term liabilities; if appropriate make recommendations of options for council review and consideration.

Staff opened the discussion that the Finance Committee reviews the CalPERS actuarial reports every year to assist in developing an understanding of potential funding mechanisms for the Town pension liabilities. Staff discussed that there were notable changes over the years that were implemented by CalPERS. These changes included a rate smoothing policy, changes in demographic actuary assumptions, new investment asset allocations and most notably reductions in the discount rate. Staff mentioned that changes in the CalPERS discount rate are leading to increase in pension costs. It was mentioned that the Committee may recall the San Mateo County grand Jury filed a report in FY 2017-18 entitled "Soaring Pension Costs-Time for

Hard Choices” The report was a focus on three categories of alternative for funding pensions. These included reducing pension payments to CalPERS through paying unfunded liabilities earlier, managing future payments such as contributions to reserves for pension, and adapting to future increases in pension payments by reducing operating costs or seeking revenue enhancements.

Staff highlighted that a new 2018-19 Grand Jury report was released to conduct a follow up on investigation of their previous report to update with agency financial information in an effort to identify what progress has been made by to address pension issues. It was discussed that the CalPERS discount rate reductions began on June 30, 2016 to 7.375% and the current actuary reports are based on a 7% discount rate. It was also discussed that a new amortization policy was adopted and will take effect in 2019 valuation reports. This new amortization schedule will shorten the amortization of gains and losses from 30 years to 20 years and eliminates the five-year ramp down. There were high level discussions on changes to the normal employer costs and projected future contributions for miscellaneous and public safety employees. Staff presented that the value of assets can be found on page 5 of the reports It was illustrated that the miscellaneous employees unfunded liability was \$5.1 Million and public safety employees unfunded liability of \$13.03 Million. It results in a total unfunded pension liability of \$18.1 Million, an increase of \$2.4 Million from previous year.

Discussion ensued about the pension liabilities and Mayor Widmer mention that the unfunded liability of \$18 Million was a lot. It was discussed that currently any money the Town has is going to the Civic Center Construction project. Suggestion was to review and possibly may be appropriate that the Finance Committee make a recommendation to the Council. One recommendation that the Town use ERAF funding once to pay down pension liabilities. It was reiterated that this would be appropriate once the Civic Center was done. Member Mr. Lee opined that Mayor Widmer suggestion makes a lot of sense once the cash flow is settled with the construction of the Civic Center. It was discussed and suggested that a formal statement be made to the City Council regarding the focus on paying down pension liabilities. It was reiterated that there is no support in putting money in the Pension Rate Stabilization Trust account currently. The committee supports recommending a formal statement to the City Council that once the Civic Center project is complete, funding towards paying down unfunded pension liabilities would be implemented. Staff discussed that it would work on a formal statement for committee review.

5. Report on cash flow planning for the Civic Center Project-Funding options presented to City Council. Receive, Discuss, and File the report.
This item was a review and discussion of City Council September 4, 2019 report “Review, discussion, and direction on cash flow planning and

projection for the Civic Center Project; Review presentation by Urban Futures and provide direction on Certificates of Participation (COP)”. The discussion with the Finance Committee included a review of the Town’s available funding for the project and that although there is sufficient funding, there is a need to address the cash flow over the project timeline. A presentation by Urban Futures of different funding COP options scenarios was discussed.

Staff reviewed the cash flow scenarios that were presented to the City Council at its September study session. Some discussions included the inclusion of the contractor SJ Amoroso’s project draw down schedule and the creation of a cash flow analysis for funding of the project. This included the use of excess ERAF funding, General fund and Capital Improvement funding, as well as Atherton Now funding for the project. Staff communicated that the funding from Atherton Now of \$4.5 Million was going to be reduced by \$1.1 Million. There was discussion amongst the Committee that how did it come about that we needed financing for the project. It was mentioned that the fund raising of Atherton Now did not meet its goal of \$25 Million for the Civic Center project. Member Patil recommended that the Town advertise and put information on the website regarding fund raising efforts for the project. Staff mentioned that Atherton Now has a link on Town website for fund raising but believes more efforts for fund raising would be appropriate. It was discussed that there are current naming rights recognition for donations to the Civic Center project, such a naming of the new street next to the Civic Center. Staff reiterated that at its November meeting, the Council will review options for financing for the Civic Center project. Anticipation is that finance funding will begin in the new calendar year. Staff asked if the committee would like to take a tour of the Civic Center Construction site. The committee opined that it would like the opportunity to see the site at its next Finance Committee meeting.

6. Next Meeting Date, Future Agenda Items and Time- November 12, 2019
Motion to adjourn Ms. Walker, seconded Chair Polito; All in Favor

7. Adjourn 3:18pm

 Please contact the City Clerk’s office at (650) 752-0500 with any questions

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