



**Town of Atherton
FINANCE COMMITTEE
DRAFT MINUTES**

February 3, 2015

2:00 PM

TOWN COUNCIL CHAMBERS

94 Ashfield Road
Atherton, California

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

1. ROLL CALL

Rick DeGolia, Elizabeth Lewis, Bob Polito Alain Enthoven, Jim Massey,
Diane Beymer-Sandhu, Jeffrey Lee

Present: Degolia, Lewis, Polito, Massey, Beymer, Sandhu, Lee

Excused: Mr. Enthoven

2. PUBLIC COMMENT

(This portion of the meeting is reserved for persons wishing to address the Committee on any matter not on the Agenda that is within the subject matter jurisdiction of the Committee. State law prohibits the Committee from acting on items not listed on the Agenda in most circumstances. Each speaker is limited to three minutes.)

REGULAR AGENDA

3. Review and Approve Draft Minutes of November 20, 2014 Finance Committee Meeting

Motioned by Mr. Lee and seconded by Mrs. Sandhu. All in favor

4. Review Presentation of Atherton Property Tax Analysis for Fiscal Year 2014/15 by Paula Cone of HDL Companies

Staff communicated to the committee that every year an analysis of our Town of Atherton property taxes is reviewed. HDL companies performs the analysis for the Town. They are a company that specializes in providing analytical services to local governments in understanding property tax revenues. Staff presented to the committee a reflective change in growth over the past several years. In 2011/12 Tax year the assessed property value in the Town of Atherton was \$6,373,832,577 and for FY 14/15 that value is now \$8,057, 517,977. This growth in assessed value From FY 11/12 to FY 14/15 calculates to 26.5% in growth.

Ms. Paula Cone is present to provide the property tax analysis for FY 2014/15. Ms. Cone presented the FY 14/15 Tax analysis and communicated that a majority of the change in the residential category was due to properties that have been held over time were now selling for greater values. This was the third year of significant growth and the Town had a 6.5% increase in assessed property tax value. The total growth was \$492,629,865, of which residential category accounted for \$456,850,813 or 92.7%. Most Prop 8 restorations have been recaptured with about \$94 million yet to be recaptured. It is believed that after the FY 15/16 the Town will be back to CPI growth, with also new construction and sales transfers that will most likely increase the property tax revenue growth in the Town. Ms. Cone communicated that year to year changes in property values resulted in properties that were purchased in the mid to late 1980's were being sold and were the main reason for large increases in value for FY 14/15. Median and Average sale prices are higher than when they were in 2008 financial crisis. Average price in 2008 was \$4,960,354 and in 2014 was \$5,996,243. The median price for homes in 2014 showed a 13.24% increase over the previous year. The total value of all properties in Atherton is \$8 billion. That means that for revenues to increase 1% we need to see the addition of \$80 million in value to the total pool of values. The value increase due to sales transactions in 2014 is \$282.1 million which is the equivalent of 3.5%. This added to the county CPI of 1.998% means that without factoring Prop 8 restoration, Atherton can expect to see a minimum increase for 2015-16 of 5.49%.

5. **Presentation of the Fiscal Year 2013/14 Atherton Basic Financial Statements provide recommendation of acceptance to City Council**
Staff presented the 2013/14 Basic Financial Statements of the Town The General Fund had a Net Change in Fund Balance of \$2,055,728. The General Fund is the chief operating fund of the Town. At the end of the current fiscal year the unassigned fund balance of the General Fund was \$8,230,418, with a total fund balance of \$10,431,618. The unassigned fund balance represents 69.9 percent of the total General Fund expenditures, while the total fund balance is 88.5 percent of expenditures. Discussions ensued about the Financials in particular the number of Funds the Town maintains. In the financials it shows the Town has 14 funds but when counting the funds there was only 13 in the Financial Statements. Staff communicated that there are indeed 14 funds, however the Tennis Fund which is a small fund is rolled up into the General Fund in the Financial Statement. Of the \$10,431,618 total Fund Balance in the General Fund, \$17,640 of that amount is the Tennis Fund. It was discussed that in years past the Tennis Fund was separated to account for its operational expense and revenues. Staff will pose the question to the Council, since they have the authority to create Funds, to see if we like to just do away with the Tennis Fund and roll it up into the operation of the General Fund. Staff continued to address the Financial highlights of the Town Financials.

The assets of the Town of Atherton exceeded its liabilities at the close of the most recent fiscal year by \$53,772,626 (net position). Of this amount, \$13,522,539 (unrestricted position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$4,652,993. The increase is due to higher property tax, and other taxes revenues of about \$1,153,112 and decrease in total expenses of \$526,729. A question was posed by Chair Mr. Polito on the Town of Atherton Net position that since the Town doesn't have long term debt what was the noncurrent liabilities of \$245,770. This amount was the Town's portion of compensated absences due in more than one year. Discussion followed that the Statement of Net position of the Town includes all government activities of the Town which includes Proprietary funds. This is Town wide changes in NET position and therefore includes the General Fund. The Statement of Activities was discussed to show the expenses and charges for services and operating contributions and revenues. A question arose that why the department expenses in the statement of activities didn't match that of the General Fund. Staff communicated that the Statement of Activities includes elimination of Internal Service funds and costs allocated back to departments. Staff communicated that overall the Town General Fund had an increase in fund balance of \$2,055,728 and the Town continues to be fiscally prudent in budgeting and providing services within the community. We continue to make contribution to the OPEB trust in an effort to reduce OPEB liabilities. The Town continues to monitor short term and long term expenditures and budgets revenues and expenditures conservatively. Staff discussed briefly the Memorandum of Internal Controls and asked for the Finance committee recommendation for City Council to accept the Basic Financial Statements for FY 2013/14

Motion by Mr. Massey and seconded by Mr. Lee. All in Favor

6. **Informational Handouts-CalPERS Actuarial Reports for future Discussion**

Staff briefly discussed the CalPERS actuarial reports as of June 30, 2013. This information was handed out so the committee can review as this will be discussed further at the next Finance Committee meeting. The Finance committee in the past year held discussions about CalPERS pension liabilities and the Towns funded level. The Committee had researched alternatives in analyzing the implications of changes in the discount rate that CalPERS assumes. Discussions held included the CalPERS new smoothing and amortization policies for funding pension liabilities. It was discussed that the committee even discussed the possibility of formulating the use of the Town's unallocated reserves to fund and reduce pension liabilities. The latest actuarial reports as of June 30, 2013 provide some insight on the Committee's discussion over the past year. There is a new rate smoothing policy that calPERS is using to amortize and fund unfunded liabilities of agency pension plans. We will further discuss at our

next meeting the new rate smoothing policy, the demographic assumptions of calPERS asset liability management study and the new rate sensitivity analysis provided in the actuarial reports. The Committee will use these actuarial reports to provide an analysis and summary report to the City Council on how to pay down long term liabilities.

7. Discuss and set Finance Meeting dates for Calendar year.
8. Next Meeting Date, Future Agenda Items and Time-March 10, 2015
9. **Adjourn Meeting Adjourned at 3:52. Motioned by Mr. Massey, seconded by Mr. Polito All in Favor**

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

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