



**Town of Atherton
FINANCE COMMITTEE
DRAFT MINUTES**

March 21, 2017

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

Bob Polito, Jim Massey, Jeffrey Lee, Kenneth Hausman, Yogesh Amle, Michael Lempres, Cary Weist

Present: Polito, Massey, Hausman, Lempres, Weist

Excused: Lee; Amle attended 3:15 after meeting concluded; quorum ended 3:05

2. PUBLIC COMMENT

Mr. Massey made public comment that no surprise that he has taken public position against the Civic Center purely for funding reasons. But would like to say publicly that he really would like to thank the City Council and all the people that worked on the design. The Atherton Now committee for their efforts as citizens of this community to get this project done. I just want to say as a 60 year resident of this community thank you even though I oppose it. I also want to say to the people who in this Town who did not step up to their civic responsibility to help us to achieve this goal...What would you mother say...Thank you.

REGULAR AGENDA

3. Review and Approve Draft Minutes of November 15, 2016 Finance Committee

Motion Massey, Seconded by Polito; All in Favor

4. Continued discussion of the Town of Atherton 2016 Actuarial Valuation of Postemployment Healthcare Program; Presentation by Vice Chair and Town Staff; if appropriate recommend to council to adopt the OPEB Valuation report.

Chair Polito made a powerpoint presentation regarding the Atherton 2016 Actuarial valuation of postemployment healthcare program. This is

part of the retiree health care benefits. Within the presentation it was stated that Atherton operated on a pay as you go basis until 2012, which included paying benefits when needed rather than when earned. GASB 45 provided financial statement reporting requirements for OPEB. Nicolay consulting provided our actuarial and has done the subsequent refreshes. The actuarial report provides the calculation of the Town's Accrued Liability and the annual required contribution. This is the amount we would have to put in over a period of time until we fully fund the accrue liability. As of July 1, 2012 the total AAL was \$7,724,868; this includes \$1,832,176 for actives and \$5,892,692 for retirees/spouses. As of the July 2012 actuarial report the Town had zero allocated to fund the OPEB liability. July 2014, the Town did another refresh of the data and the total AAL decreased to \$7,459,244; \$1,851,691 for actives and \$5,607,553 for retirees/spouses. This was a slight decrease of \$265,624. The Town over the past several year began a funding program of the OPEB liability to a Trust. Up to date the Town has contributed \$ 5Million into the Trust. Earnings to the Trust as of 07/1/16 is \$405,490. The reduction of the \$7.4 Million AAL combined with the \$5.4 Million in the Trust left an estimated \$2,053,754 for the Unfunded AAL. This left us with our Actuarial Accrued Liability funded at approximately 72%. On July 1, 2016, the Town did a refresh of the OPEB actuarial. The new report included GASB 75 which replaced GASB 45. It is more specific with reporting requirements, it included ASOP 6, an actuarial standard. The new report shows an total AAL of \$12,155,423 an increase of \$4.6 Million. This also increased the ARC to \$669K. These were shocking numbers, so what caused the increase? The sources of the AAL increase include a 5% increase in the expected cost of benefits, change in the mortality tables 7%, decrease in revised health plan assumptions, actual demographic experience increased by 13%, and the new ASOP 6 Implicit subsidy increase of 44%. This led to a new increase of 66%. The implicit subsidy requires actuarial valuations to reflect the impact of aging on claims for community rated plans. The claims are based now on a cost curve rather than on premiums. The Town has an AAL liability and provides benefits via a community rated plans from CalPERS. The difference between the community rated plans versus the employee actual health care census costs. This difference would have to be reflected as a liability in our financial statements. The implicit liability is \$3.2 million of the \$12.1 million AAL. \$992K attributed to actives and \$2.2 Million attributed to retirees. The explicit liability as we have been operating in AAL calculations represents the amount of cash we need today to fund the expected cost of all earned benefits for past and current staff. The implicit liability is the conditional liability only realized if we are no longer part of CalPERS community rated plans. We are going to continue to participate in the community rated plans. Comparing the 2014 actuarial to the 2016 actuarial report refresh based on the explicit liability only, the AAL increased from \$7,459,244 to \$8,908,412. We have

done a good job of funding our OPEB with currently \$5.4 million in the Trust. Based on the report and according to Nicolay, the earned increase of liability costs is \$92K in FY 16/17. It was suggested we could use a part of the ERAF dollars to contribute the \$92K towards the OPEB Trust. We could also use ERAF funds to make additional contributions to the PARS Trust if the Town is looking to get to a certain percentage level of Funding for AAL. Funding our OPEB costs should at our Explicit AAL levels. It was discussed that GASB 75 implementation may require a funding plan of the AAL to maintain a 6% discount rate. The AAL will now be shown on the financial in 2018. Finance committee recommended to accept the Nicolay actuarial report, use available funds to make a \$92K contribution to OPEB Trust. Vice Chair-Massey made a motion and Chair Polito seconded the motion. All in Favor.

5. Presentation of the Fiscal Year 2015-16 Atherton Basic Financial Statements and provide recommendation of acceptance to City Council
Staff presented the and reviewed FY 2015-16 Basic Financial Statements, The Atherton Basic Financial statements were completed by the Independent auditor Maze & Associates. In the auditor's opinion the Town's financial statements present fairly in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2016. Staff communicated that the General Fund had a Net Change in Fund Balance of (\$365,311) during the fiscal year. Revenues included \$14,480,498 to expenditures of \$10,610,643. There were transfers out of \$4,234,968. The transfers out went towards long term liabilities, workers' compensation equity, and towards future CIP projects. Staff communicated that without the transfers out, the General Fund would have had a positive Net Change in Fund Balance of \$3,869,855. At the end of the current fiscal year the unassigned fund balance of the General Fund was \$11,017,130, with a total fund balance of \$13,308,842. The unassigned fund balance represents 103.8% of the total General Fund expenditures of \$10,610,643. Staff presented some highlights of the General Fund over the previous fiscal year. As of FY 2015-16 the Town of Atherton reports a net pension liability of \$10,674,089, an increase of \$1,421,060. This includes a pension liability of \$2,901,033 for Miscellaneous employees and \$7,773,056 for Public Safety employees. Staff presented that the town had a positive net change in Net Position for the FY 2015-16 in the amount of \$6,151,046, for an ending Net Position of \$54,788,838, compared to the previous FY net position of \$48,637,792. With GASB 68 and 71 requiring the recognition of pension liabilities, deferred outflows and deferred inflows of resources for pensions, it reduced net position by \$11,670,494. Without the recognition of pension liabilities the Town would have a total net position of \$66,459,332 for FY 2015-16. The Town is in a positive financial position. We continue to monitor the General Fund as the operating

budget continues to rely on fiscal prudence, recognizing the stabilizing development economy, while also taking into account the need to adjust resources in order to meet any rising demands for Town services and capital improvements. Staff requested a Committee recommendation for City Council to accept the FY 2015-2016 Basic Financial Statements. Motion by Mr. Polito second by Mr. Hausman. All in Favor.

6. Report on the Civic Center Project Funding and associated funding plan approved by the City Council.
This was a receive report as Staff was asked to provide the Finance Committee with an update on the Civic Center Project Funding and associated Funding Plan discussed and approved by the City Council. Chair Polito opened discussion about requesting the item. Mentioned he did not attend the meetings where the Civic Center funding was discussed but read the minutes. Understands that some people have some concerns about this and wanted to get an update, in particular the concern that we were not abandoning our maintaining of streets and roads and drainage and let the rest of the Town degrade in some ways. Staff proceeded to discuss that this was a request from the City Council to ask for funding status and funding options for the Civic Center project. Staff presented the current status of Atherton Now in response to donations and tried to present to council a series of alternative forms of funding for council consideration in relation to a potential ballot measure , now called measure A in June 2017. Presented in our Council presentation was that Atherton Now donations were at \$7 M and the 100% project cost estimates for the building. We discussed the building fund revenue of \$2.9Million from building fees to be used for the project and available other funds, unallocated surplus funds not dedicated and unallocated CIP allocation of funds. We discussed the use of ERAF funds. Revenue of use of funds for the Civic Center does not include Parcel Tax funds. Assuming it passes again in November, the parcel tax is allocated to CIP programs. Questions have been posed whether the CIP projects are at risk with potential funding of the Civic Center project. The January 18, 2017 staff report, discusses the Town's 5-Year CIP program. Identified in that Report are additional park improvements of about \$740,000 as the main projects at risk. No other projects of significance are at risk. If the Parcel Tax doesn't get renewed a lot of CIP projects are at risk. There are various master plans the Town has that will be incorporated throughout the CIP program. The Council reviewed and approved the above Funding Plan for the Project. The funding would be met by a combination of other funds, additional donation receipts, annual budget revenues over expenditures, possible short term Certificates of Participation. It was communicated that the council advised that they may or may not allocate all the unallocated General Funds available. The Council was advised that Urban Futures may recommend that a COP between \$5 million and \$10 million be

issued depending on the available annual lease payment obligation supportable by the Town's General Fund. If the COP is of that amount, some of the unallocated funds would remain untouched. There was further discussions on CIP projects and their funding and the funding plan of the Civic Center project. This was a receive and file discussion report.

7. CalPERS actuarial reports as of June 30, 2015; brief review and discussion of reports, with review of discount rate assumptions using GovInvest financial calculation tool.
This was a receive and file report

Next Meeting Date, Future Agenda Items and Time- Tuesday May 9, 2017

8. Adjourn

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

Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact the Park Program Manager at (650) 752-0534. Notification of 48 hours prior to the meeting will enable the Town to make reasonable arrangements to ensure accessibility to this meeting. (29 CRF 35.104 ADA Title II)

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