



**Town of Atherton
FINANCE COMMITTEE
DRAFT MINUTES
February 13, 2018
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, Jeffrey Lee, Yogesh Amle, Ann Yvonne Walker, Devika Patil, Cary Wiest, Bill Widmer

Present: Polito, Lee, Walker, Wiest, Widmer

Excused: Patil, Amle

2. PUBLIC COMMENT

Resident Mr. Massey made public comment regarding that the Town made a \$165,000 change order to preserve Heritage Trees predominately surrounding the Atherton Civic Center project. He mention Lloyd Park has an issue with CalTrain regarding pole heights. He said the higher poles could erode property values by as much as \$500,000 per home. Caltrain is requesting funding and other things to the Town to make changes to the design. The neighborhood may make a request to the City through the Council to help fund or fund almost to the equal amount of money to the heritage trees changes to not only enhance, keep enhanced our neighborhood and preserve our housing values of over 90 homes. Just a heads up that this may be coming through. City Manager Rodericks offered correction that the City Council only authorized \$69,000 and \$34,200 to preserve the Heritage trees for redesign. Minor discussion on process of the heritage tree removal and Civic Center design.

REGULAR AGENDA

3. Review and Approve Draft Minutes of November 14, 2017 Finance Committee **Motion to approve the minutes by Vice Chair Mr. Lee, seconded by Chair Mr. Polito; All in Favor**
4. Presentation of the Fiscal Year 2016-17 Atherton Basic Financial

Statements and provide recommendation of acceptance to City Council- Katherine Yuen, Auditor Maze & Associates

Before presentation, staff introduce Vice Mayor Widmer a new City Council liaison to the committee. Staff opened introduction of the presentation of the FY 2016-17 Atherton Basic Financial Statements and Memorandum of Internal Control and required communications. We are looking for recommendation to City Council for acceptance of the Basic Finance Statement. It was communicated that the General Fund the chief operating fund of the Town had a negative change in Fund Balance of \$298,917 during the fiscal year. Main reason for the net change was due to a transfer out of \$4,536,136. This included workers' compensation negative equity reserve \$112,998 and allocation towards future CIP projects \$4,423,138. Without the transfers out, the General Fund would have had a positive net change in Fund Balance of \$4,237,219. Staff introduced Audit Engagement Partner Katherine Yuen for the independent auditor presentation portion. Discussion included that the Auditor is independent from the Town, appointed by the City Council. The auditors were on site twice during the year. The interim audit phase took place in April, where the focus was on the internal controls of the Town seeing if there are good checks and balances, if people are segregating their duties. November was the final audit where they verify the financial data that was prepared by the Town staff. Opinion date was a little bit later this year February 2018. Final audit was completed in November 2017, except for an implementation of a new accounting pronouncement which is the government accounting standards board statement 74 which required the Town to present OPEB trust data on the financial statements. Up until August the assumption was the administrator of the Town was going to implement it. Agency found out the administrators were not going to implement GASB 74 for the OPEB and therefore the Town had to go out last minute go out and do an actuary study. Did not receive the report until end of January 2018. The audit is conducted based on the General Accepted Auditing Standards that all auditors follow in the United States. Also the Town has requested an audit following the government auditing standards so there are a few more steps they look at. The Town received a unmodified opinion which is a clean opinion. Looking at the financial data, they believe it is fairly presented in a material manner.

Couple of highlights on what they look at to see how an agency is doing is the General Fund Balance. One question is how we compare to other cities. There is not any legal requirement of how much Fund Balance a General Fund should have. It was communicated that the GFOA published a guideline in 2015 of how much fund balance an agency should have. At a minimum the GFOA stated that the General Fund Balance should have enough to cover two months worth of revenues or expenditures, whichever makes more sense. The auditor usually looks at measurement of expenditures since agencies are usually bound by agreements such as

CIP. Based on the unrestricted fund balance in the General Fund of \$13,006,525 and average monthly expenditures of \$953,044, the Town has 13.6 months coverage. City Manager stated that we should caution against using that for the Town because our major single source of revenue is property tax where many of other communities have sales tax and other revenues. If we lost property taxes in one of our two payment periods we would need to carry ourselves for six months rather versus two months. So having six months of fund balance would probably be a better metric. Chair Polito mentioned we have a mandatory reserve of thirty five percent which is more than two month's worth of monthly expenditures. Another highlight discussed was GASB statement 74, captured the activities of the Trust fund and not the liabilities and includes a new footnote disclosure that is somewhat confusing since we are between implementation of GASB 75 that puts the entire unfunded liability of OPEB on statement of Net Position. First year accounted for Trust fund and second year accounted for liability. Discussion ensued about whether the footnote of explicit and implicit would be included in the Financial Statements as it does not appear. Since GASB 75 is not implemented until the next fiscal year and it is part of the liability component it was not disclosed. Committee members felt that it still needed to be disclosed and updated to reflect the new liabilities. Staff felt it was agreeable and communicated that the footnote on page 66 would be updated to reflect the new OPEB liability due to ASOP 6. There was further discussion as Vice Mayor Widmer mentioned that the General information about pension plans was incorrect regarding retirement ages by each plan. The error in age range was discussed. Staff communicated that both footnotes would be update for the final financial statements.

Auditor communicated that the memorandum of internal control and required communication is used to communicate any control deficiencies to the Council and the committee. Part of what they look for is the design and operation of the Town to see that under those procedures and operations, can town staff detect misstatement of the financial statements through those procedures. If they feel it cannot provide that environment for the staff they call it a control deficiency. If the control deficiency can lead to a possible material misstatement of the financial statements then they call it a material weakness. Any other control deficiency that they like to bring to the attention of the Council or the committee they call it a control deficiency. Auditor Yuen mentioned there were no control deficiencies noted for the Town for the current year. However discussion of other matter was on Information System Review results. There is a federal government standard for information systems. One item they wanted to communicate is that the Town continue to review and maintain patch and vulnerability management with federal standards. Auditor mentioned that the accounting issues is reviewed with management regarding control and operation items within the audit. The memorandum of internal control and required communication is used to

communicate control deficiencies. Another significant announcement from the auditor was the GASB statement 75 implementation of the OPEB liabilities on the Town Statement of Net Position next year. Staff gave a brief update that at Mid-Year property taxes are projected higher about \$584,000. ERAF came in higher \$213,000. Total increase in revenue of about \$1 Million. Project year end fund balance about \$16 Million.

Staff is seeking a Committee recommendation for City Council to accept the FY 2016-2017 Basic Financial Statements.

Motion by Vice Chair Lee, seconded by Mrs. Walker; All in Favor

5. Brief overview discussion about Atherton Fiber project- no staff report
This was an information discussion on the Town Atherton Fiber Project. Comments made that the project is not paid for by the Town. It is a broker based contractor relationship similar to AT&T. Paxio is the contractor working with Atherton Fiber to install the fiber cable throughout Town. The idea is to allow Atherton residents to purchase and own the fiber to their homes. There are a couple service providers that have interest in using the fiber to provide cable and internet services. Comcast is a company interested in using the Atherton Fiber. Timeline for the project to be ready is by the end of the year. Discussion ensued regarding the project, who is purchasing fiber, and the benefits of it. With the fiber you would still have to find a service provider.
6. Brief overview discussion about business license plan-no staff report.
Discussion focused on the Business License tax and the complication of the Tax for the gardener and the house keeper. Those types of small entities is a waste of time and effort and is self-defeating. It was communicated that over the year with the process of the business license timeline it was discussed what would it take to come up with scenarios of a new tax. There was a tight timeline to include it on the November tax. There were some challenges with coming up with agreeable solution. Staff proposed to engage a consultant to help us with what a new tax would look like and engage the community. Further discussions on other fees such as Situs Bas sales tax. It was mentioned, focus should be on major businesses such as realtors. An RFP for a business license consultant is going before the Council in February.
7. Next Meeting Date, Future Agenda Items and Time- **Next Meeting Set for April 4 Joint Council/Finance Committee Study Session at 4 pm**
8. **Adjourn: Motion Vice Mayor Widmer, Seconded Mr. Lee; All in Favor 3:15 pm**

 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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