

**Town of Portola Valley
Finance Committee
Tuesday, September 15, 2015
Town Hall Conference Room
765 Portola Road, Portola Valley, CA.**

Minutes—September 15, 2015 Meeting

Attendees:

Bill Urban, Chair	George Savage
Michele Takei, Acting Secretary	Debbie Petro, Acting Town Manager
Gary Nielson	Susan Cope, Admin Services
Ken Lavine	Ann Wengert, Council Liaison
Craig Hughes, Town Council	

Bill Urban called to meeting to order at 5:30 p.m.

Oral Communications – None

Minutes of May 18, 2015 - Approved

Since there were new people attending, everyone introduced themselves, explaining their background and how long they had been on the Finance Committee.

New Business

1. Review of new format for preparation of meeting minutes

There is a proposal before the Town Council to standardize the format of all meeting minutes which would also be posted online. One proposal would be to only list action items as opposed to including the committee discussion. Due to the relative infrequency of Finance Committee meetings, the sense of the committee was to continue to see discussion and reasons for the committee's decisions in the minutes. The Town Council will decide on whether to standardize the format of the minutes or not.

2. Proposal to invest portion of cash reserves in diversified fixed income portfolio

Bill explained that for the past few years, cash reserves have been up to \$13 million and recently dropped to \$12 million after the Town made a pension payment for unfunded liabilities. Currently, all excess cash is invested in a fund which earns very little.

The Town is governed by California state law which limits Town investments to corporate bonds, Treasury bills, certificate of deposits which should be less than \$250,000 (so the CD is covered by FDIC insurance) and definitely **no** equities. Bill proposed that the Town open a brokerage account at a discount broker like Charles Schwab, to definitely **not** hire an investment manager but have a Town employee authorized to make transactions and have monthly statements go to outside people (Finance committee) in addition to Town staff.

Ken pointed out that when interest rates rise, the value of our principal will go down. Ann wants to keep it simple and start with taking baby steps. Craig thought it was important that there be Finance Committee review.

Action items:

- a. Susan will nail down required administrative details and legal approvals needed to proceed.
- b. Ken and Bill will work on revising the investment policy and how the investments should be structured, allocated amongst the different types of investments and the methodology on how to make the investments.

3. Proposal for replacement UUT measure in 2016 to provide Council flexibility to reduce effective tax rate

Due to the Town's large cash reserves and the non-income tax deductibility of the UUT and the difficulty of knowing how much a town taxpayer is actually paying, Bill suggested that the Town Council be given the flexibility to reduce the UUT rate every year. The current UUT permits voters to keep or lower the UUT rate only every four years.

Action item:

Debbie to get an *informal* legal opinion from an UUT expert as to whether the flexibility to change the UUT to be less than or equal to 5.5% every year is allowed under the California rules for UUT.

Bill Urban adjourned the meeting at 7:05 pm.

Michele Takei, Acting Secretary