

**MINUTES OF THE MEETING OF THE SPECIAL FINANCIAL COMMISSION OF
THE CITY OF LOS ALTOS, HELD ON, OCTOBER 8, 2020 AT 6:00 P.M.
VIDEO/ TELECONFERENCE**

ROLL CALL

PRESENT: Chair Kalkat, Vice Chair McClatchie, Commissioners Frey, Kalbach, Martin, Richmond, and Roat

ABSENT: None

PUBLIC COMMENTS

Gary Hedden

ITEMS FOR CONSIDERATION/ACTION

1. Approval of Meeting September 21, 2020 Commission Minutes

Action: Upon a motion by Commissioner Kalbach seconded by Commissioner Martin, the Commission approved the minutes of the meeting of September 21, 2020 by the following vote: AYES: Frey, Kalkat, McClatchie, Richmond, Roat NOES: None; ABSTAIN: None; ABSENT: None

2. Discussion of RFP for Community Center Loan

Administrative Services Director, Mr. Sharif Etman states briefly regarding the history of the loan. Earlier today, the subcommittee consisting of Chair Kalkat, Commissioner Frey, and Commissioner Richmond met to discuss the applications submitted. Sterling Bank RFP had an interest rate of 2.29% or lower compared to Western Alliance's rate of 3.01%. Secondly, Western Alliance has additional legal fees of \$40,000.00, whereas Sterling Bank is willing to absorb all legal fees. Commissioner Richmond on behalf of the Subcommittee recommends that we present the RFP application for Sterling Bank of 10 million for the next 20 years to the Council for consideration due to their competitive terms. The Commission may perform reference checks and additional research on prepayment plans and security terms for Sterling bank.

Action: Upon a motion by Commissioner Kalbach seconded by Vice Chair McClatchie, the Commission adopts the subcommittee's guidance to move forward with Sterling Bank's RFP as a recommendation to the Council for a 10 million dollar loan for a 20 year term, if Sterling Bank's RFP does not materialize, the Commission recommends to pursue Western Alliance's RFP by the following vote: AYES: Frey, Kalkat, McClatchie, Richmond, NOES: Roat; ABSTAIN: Martin; ABSENT: None

Mr. Sharif Etman will present a staff report recommending Sterling Bank's RFP for Tuesday's Council Meeting.

INFORMATIONAL ITEMS

3. October 13 Council Study Session

Administrative Service Director, Sharif Etman presents a draft of the presentation he prepared for the Budget Study Session with the Council. In the report, he highlights the revenue and expenses for Fiscal Year 19/20 and the estimates for FY 20/21. Mr. Etman notes that the fiscal patterns align with the predictions of staff and the reports from our consultants as well. However, emphasis needs to be given to the recent 40 Main St. settlement, the number of pending lawsuits, and the increase in litigation costs over the last few years. With the 40 Main St. settlement of \$490,000, Mr. Etman notes that a significant note disclosure had to be added to the FY 19-20 CAFR due to the settlement surpassing the \$300,000.00 threshold as stated by our auditors. This is the first time Los Altos has had a significant note disclosure on the CAFR. The note disclosure will affect the City's ongoing credit score and bond rating.

As the Finance Director, Mr. Etman is not as worried about the fiscal impact of the pandemic and the looming recession, but is more concerned about the ongoing litigations. These litigation costs will be taken out of the General Fund and will deplete funding from other needed city services. The Financial Commission has been concerned about these lawsuits and have submitted two letters to the Council in response.

Because there are no estimates for these pending lawsuits, we cannot book a payable and with the recommendation of our auditors we are providing our note disclosure for the CAFR for FY 19/20. Los Altos currently has about \$63,000,000.00 in cash, the money is split in our US Bank account, LAIF account, and our Investment portfolio. Previously, Los Altos had about \$73,000,000.00 in our accounts. Cash is being spent on the new community center and other services and projects that have been budgeted and approved by Council. The main items Mr. Etman would like to bring up to Council and the public is the decrease in TOT revenues expected this year, the annual payment for the Community Center loan, and the ongoing litigation cost.

Commissioner Richmond comments that the funds in the City's CalPERS reserve, should be used to pay down our CalPERS liability instead of staying in our account. Commissioner Richmond also wants to emphasize his disappointment that the 20% operating reserve is being used for litigation costs. Commissioners all agree that the 20% operating reserve should be use for programs, services and projects for the City and not for litigation.

Mr. Etman will be preparing a staff report, updating his presentation, and finalizing his charts and numbers before the Budget Study Sessions on Tuesday based on the commission feedback.

COMMISSION AND STAFF REPORTS AND DIRECTIONS ON FUTURE AGENDA ITEMS

1. Workplan for FY 2020-2021
2. CalPERS payments
3. Demonstration of Financial Enterprise.

ADJOURNMENT

Chair Kalkat adjourned the meeting at 7:40 p.m.

SPECIAL NOTICES TO PUBLIC

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