FINANCIAL COMMISSION MEETING AGENDA

6:00 PM - Monday, October 21, 2024

Community Center- 97 Hillview Ave, Los Altos, CA 94022

PARTICIPATION: Members of the public may participate by being present at the Los Altos Community Center Sequoia Room located at 97 Hillview Avenue Los Altos, CA 94022 during the meeting. Public comment is accepted in person at the physical meeting location, or via email to financialcommissionmeeting@losaltosca.gov

REMOTE MEETING OBSERVATION: Members of the public may view the meeting via the link below but will not be permitted to provide public comment via Zoom. Public comment will be taken in- person, and members of the public may provide written public comment by following the instructions below.

Telephone: 1-669-444-9171 | Zoom Webinar ID: 885 5802 9766 | Passcode: 622379

https://losaltosca-gov.zoom.us/j/88558029766?pwd=F3Lc6JWnXuPG9KaSeu2SUze54fspSa.1

SUBMIT WRITTEN COMMENTS: Verbal comments can be made in-person at the public hearing or submitted in writing prior to the meeting. Written comments can be mailed or delivered in person to the City Clerk's Office or emailed to financialcommissionmeeting@losaltosca.gov

Correspondence must be received by 2 PM on the day of the meeting to ensure distribution prior to the meeting. Comments provided after 2 PM will be distributed the following day and included with public comment in the packet.

ESTABLISH QUORUM

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Members of the audience may bring to the Commission's attention any item that is not on the agenda. Please complete a "Request to Speak" form and submit it to the Staff Liaison. Speakers are generally given two or three minutes, at the discretion of the Chair. Please be advised that, by law, the Commission is unable to discuss or take action on issues presented during the Public Comment Period. According to State Law (also known as "the Brown Act") items must first be noticed on the agenda before any discussion or action.

ITEMS FOR CONSIDERATION/ACTION

1. Introduction of new Financial Commissioner

2. Approve the minutes of the September 9, 2024 Financial Commission meeting

3. Receive a presentation from Public Agency Retirement Services (PARS) regarding 115 Trusts and potential impact on City's pension obligations

4. Discuss the City's pension obligations and plan to manage expected future increases in pension costs

5. Receive an update on the implementation of new Financial Enterprise System

6. Review and update the Commission Work Plan and form subcommittees as needed to accomplish the various tasks of the Commission

COMMISSIONERS' REPORTS AND COMMENTS

POTENTIAL FUTURE AGENDA ITEMS

ADJOURNMENT

SPECIAL NOTICES TO PUBLIC

In compliance with the Americans with Disabilities Act, the City of Los Altos will make reasonable arrangements to ensure accessibility to this meeting. If you need special assistance to participate in this meeting, please contact the City Clerk at least 48 hours prior to the meeting at (650) 947-2720.

Agendas, Staff Reports and some associated documents for Financial Commission items may be viewed on the Internet at *http://www.losaltosca.gov/meetings*.

If you wish to provide written materials, please provide the Commission Staff Liaison with **10 copies** of any document that you would like to submit to the Commissioners in order for it to become part of the public record.

For other questions regarding the meeting proceedings, please contact the City Clerk at (650) 947-2720.

MINUTES OF THE MEETING OF THE FINANCIAL COMMISSION OF THE CITY OF LOS ALTOS, HELD ON MONDAY, SEPTEMBER 9, 2024, AT 6:00 P.M. HELD AT 97 HILLVIEW AVENUE, LOS ALTOS, CALIFORNIA 94022

ROLL CALL

PRESENT: Chair Richmond, Vice Chair Kalbach, Commissioners Claras, Jain, Ottoes, Zhang

ABSENT: None

PLEDGE OF ALLEGIANCE

Chair Richmond led the Pledge of Allegiance.

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

None

ITEMS FOR CONSIDERATION/ACTION

1. Introduction of new Staff Liaison and update on Finance Director position

   Assistant City Manager Jon Maginot introduced himself as the new Staff Liaison to the Financial Commission and provided an update on the Finance Director position.

2. City of Los Altos PERS Reserve: Receive an informational report related to the City's pension obligations and plan to manage expected future increases in pension costs

   Staff provided a report on the City's pension obligations, in particular the unfunded accrued liability, and the City's plan to manage future increases. Additional information will be presented at the October 2024 Commission meeting.

3. City of Los Altos CIP Reporting: Follow-up and discussion of Financial Commission's review of the CIP

   Commissioners briefly discussed how information regarding the CIP is reported to the Commission.

POTENTIAL FUTURE AGENDA ITEMS

Commissioners requested the October 2024 Commission meeting have an agenda item related to the Work Plan and potentially forming a subcommittee to discuss goals and objectives.

ADJOURNMENT

Chair Richmond adjourned the meeting at 7:29 p.m.

TO: Financial Commission

FROM: Jon Maginot, Staff Liaison

SUBJECT: City of Los Altos PERS Reserve

RECOMMENDATION:

Receive a presentation from Public Agency Retirement Services (PARS) regarding 115 Trusts and potential impact on City's pension obligations

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BACKGROUND

The City participates in CalPERS for employee retirement pension plans. Each year, the City pays into PERS to provide retirement benefits for qualifying employees. Over the last number of years, the City has seen rising costs related to PERS and will continue to do so. On September 9, 2024, the Commission received a presentation on the City's Unfunded Accrued Liability (UAL) and the City's option to pre-fund payments of the UAL.

Another option for the City to consider is to open a 115 Trust for pension rate stabilization. Representatives from Public Agency Retirement Services (PARS) will present at the October 21, 2024 Financial Commission meeting on what 115 Trusts are and how the City might benefit from establishing one.

TO: Financial Commission

FROM: Jon Maginot, Staff Liaison

SUBJECT: City of Los Altos PERS Reserve

RECOMMENDATION:

Discuss the City's pension obligations and plan to manage expected future increases in pension costs

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BACKGROUND

At the September 9, 2024 Financial Commission meeting, the Commission received a presentation from staff regarding the City's pension liabilities and expected future increases. This presentation included discussion surrounding the City's annual contribution to PERS, which includes the amortization of the City's Unfunded Accrued Liability (UAL), and the impact on the City's pension costs.

At the September meeting, staff presented data from the PERS FY 2022 Actuarial report. That information showed the City had a total UAL of $48,401,851 and was funded at 71.47%. Since the September meeting, actuarial data for FY 2023 has been released and shows that the City has a total UAL of $51,820,882 and a funding level of 70.92%.

The City's current strategy for addressing the raising costs of UAL is to pre-fund the UAL payments using the PERS Reserve fund to an amount to be determined and then to establish a 115 Trust to further offset future increases.

The Commission is requested to weigh in on the target funding level for the City and to discuss the merits of establishing a 115 Trust.

CalPERS Unfunded Liability

September 9, 2024

CalPERS Background

- Normal Cost
- UAL
  - 6 different plans
- Number of factors affect annual UAL payments
  - Discount rate
  - How well market does
- UAL payments will grow to exceed our ability to pay without a change in our funding strategy

City's annual contribution for last few years

- Lena's slide
- Look at Department budgets to compare with our annual costs and UAL payments

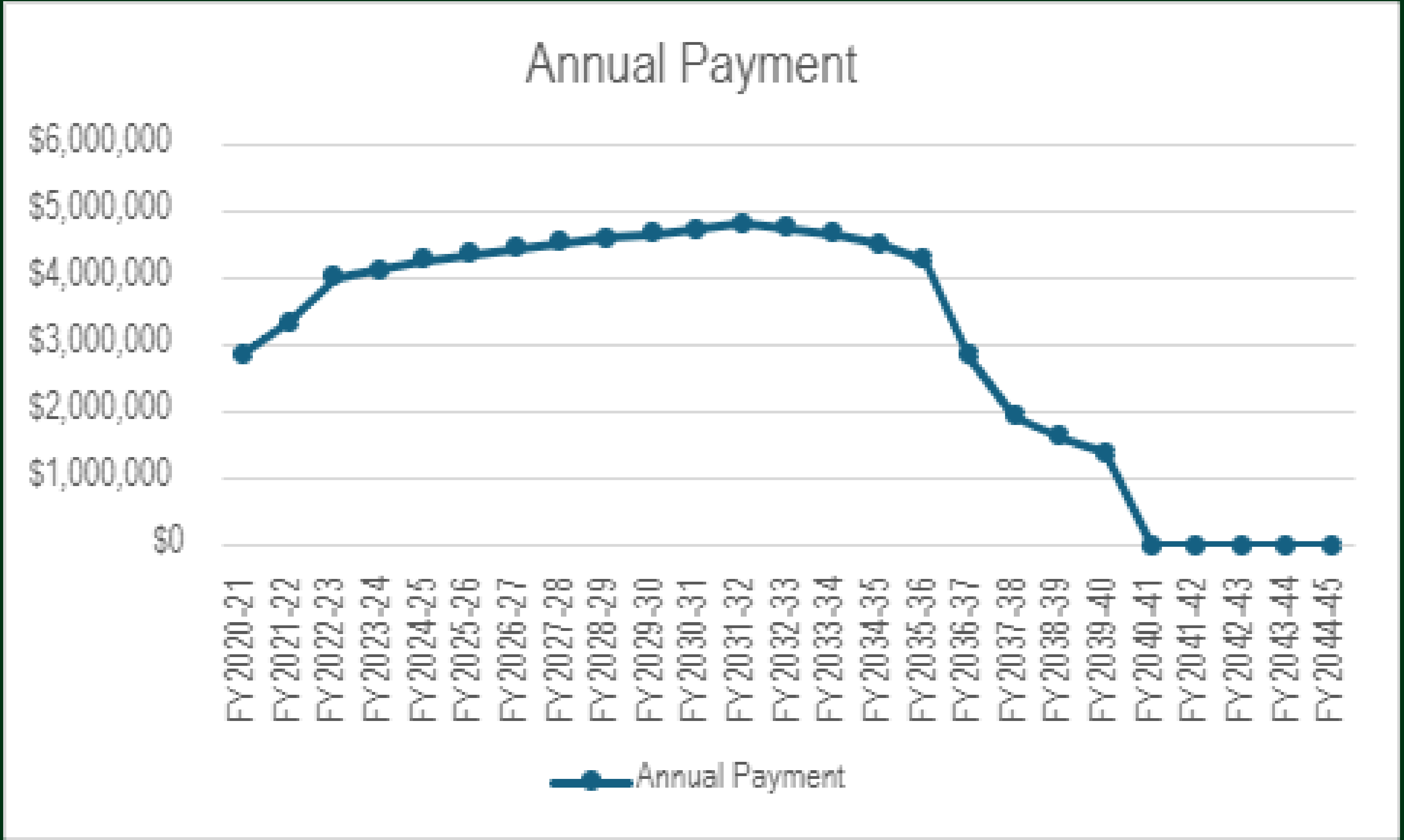
Current UAL and Funding Levels

	Misc Tier 1	Misc Tier 2	Misc PEPRA	Safety Tier 1	Safety Tier 2	Safety PEPRA	Totals
Accrued Liability	$85,457,075	$3,810,153	$4,934,124	$69,486,878	$4,756,309	$1,210,422	$169,654,961
Market Value of Assets	$59,989,833	$3,401,832	$4,390,952	$48,154,844	$4,235,667	$1,079,982	$121,253,110
Unfunded Liability	$25,467,242	$408,321	$543,172	$21,332,034	$520,642	$130,440	$48,401,851
Funding Ratio	70.20%	89.28%	88.99%	69.30%	89.05%	89.22%	71.47%

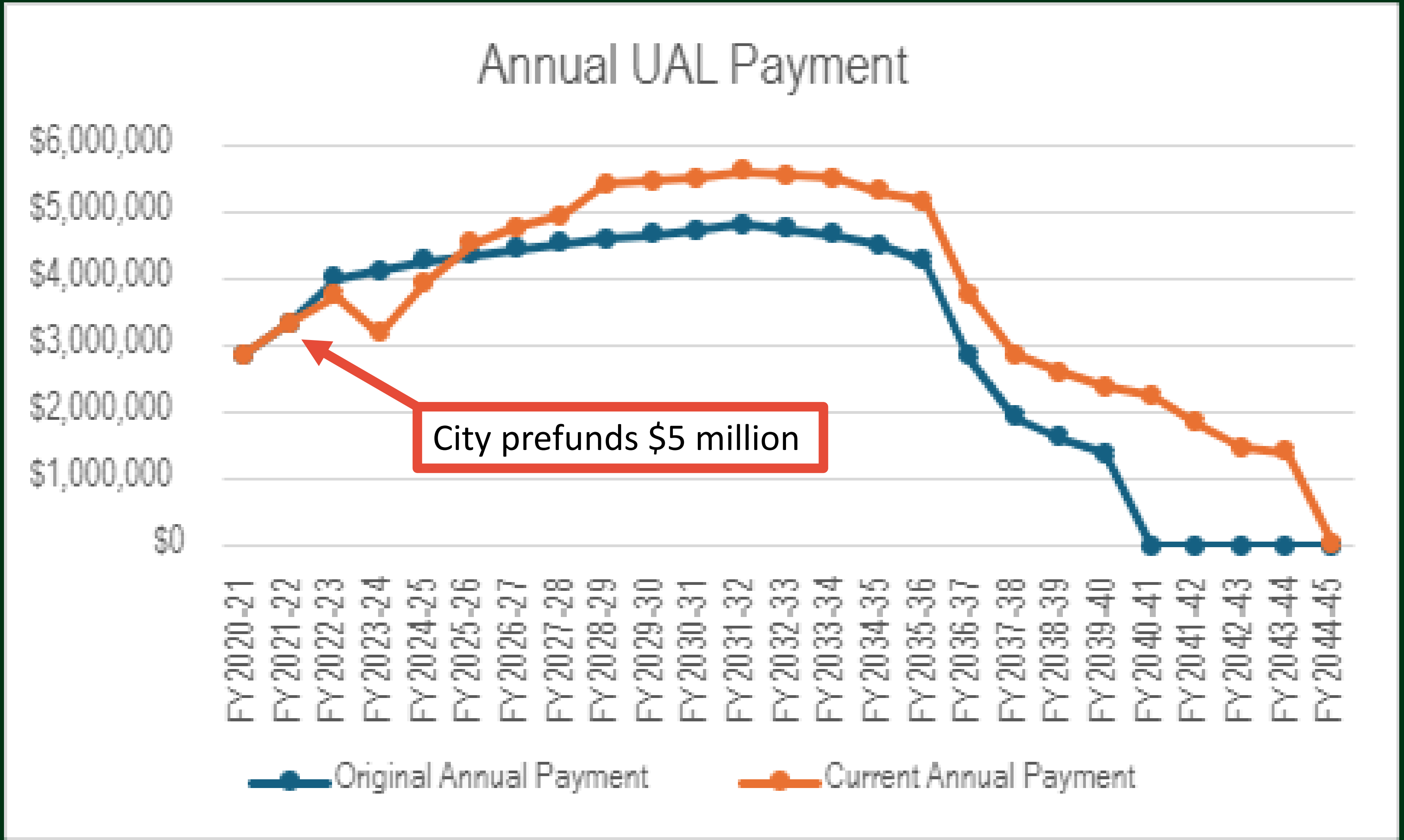
FY 2022 Actuarial Data

FY 2020/21 – UAL Payment ADP

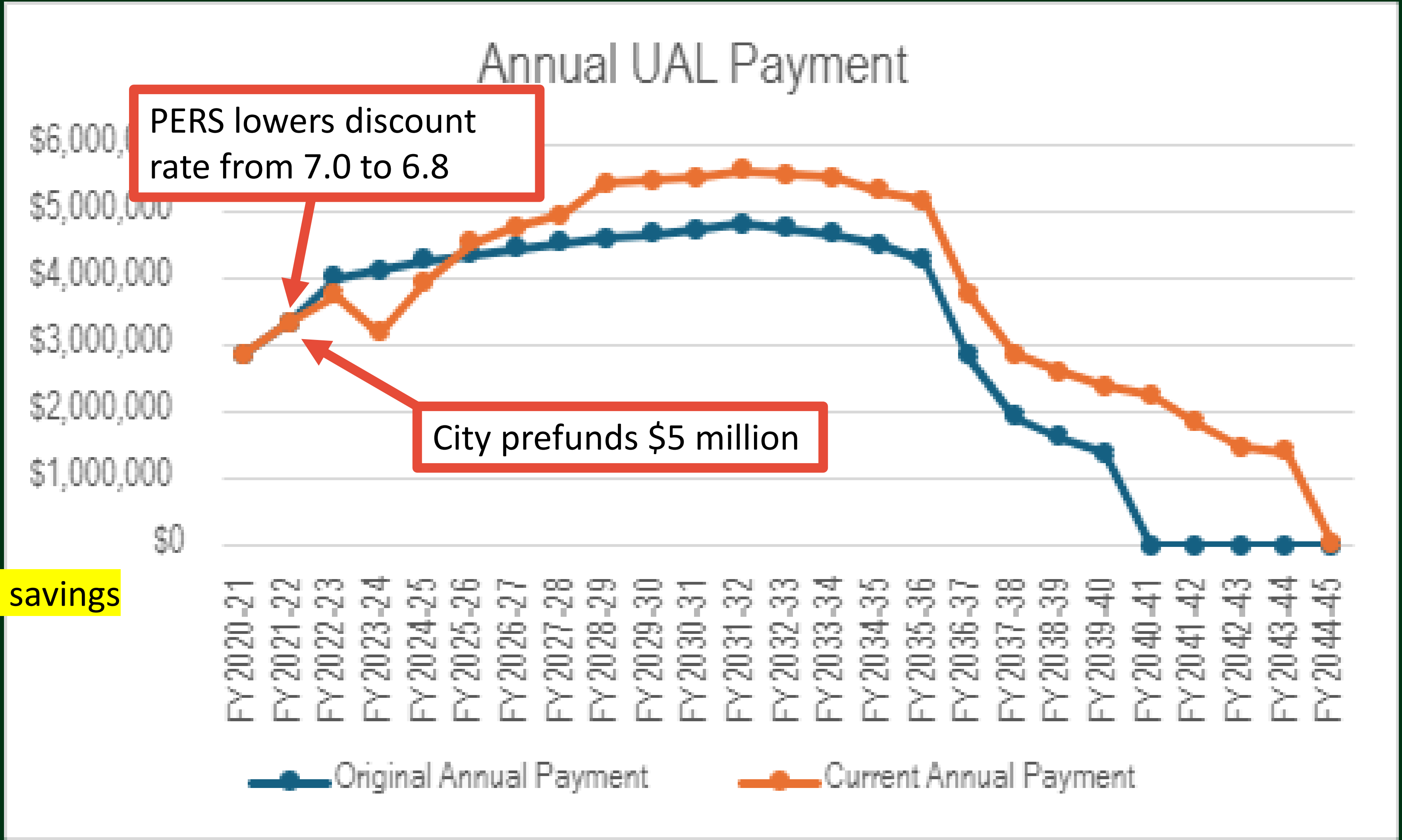
NOTE: Only UAL payment



FY 2020/21 – Post-additional discretionary payment

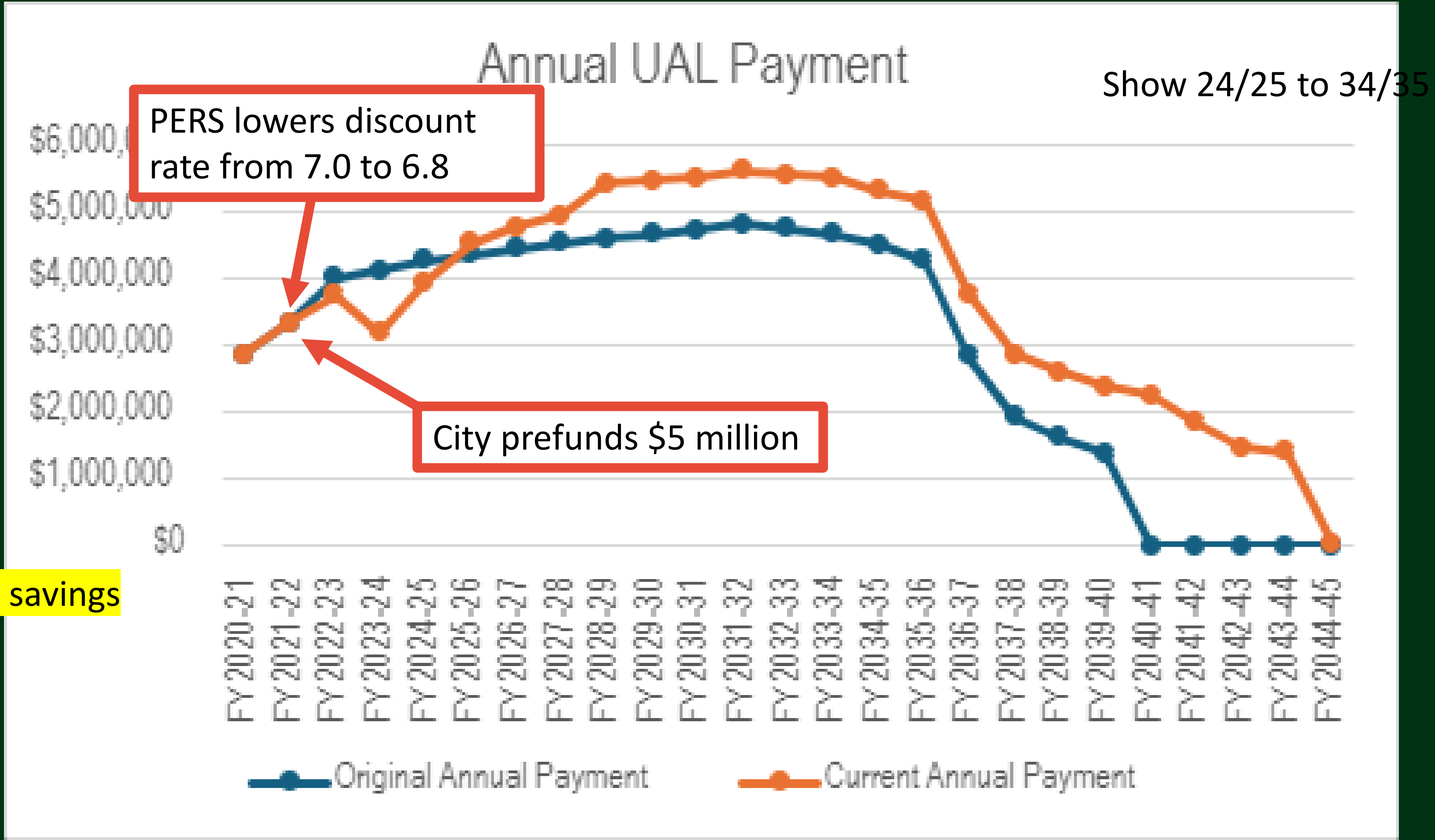


FY 2020/21 – Post-additional discretionary payment



$1.5 million savings

FY 2020/21 – Post-additional discretionary payment



$1.5 million savings

Additional Discretionary Pre-payment

- Table of current annual UAL

- Target 85% funded
  - Do nothing hit in 2033
  - Pre-fund can reach by XXXXX and reduce payments by $XXX
  - CalPERS targeting ???? For discount rate

- Once hit funding level, start 115 Trust and use earnings to further offset impact to General Fund

Lena’s slides

Current strategy

- Pre-fund UAL until reach target amount (as funds available) – shift to budgeting $1 to $2 million annually
  - Only Miscellaneous Tier 1 and Safety Tier 1 Plans
- Determine target funding rate for UAL
  - Pre-fund until reach target amount (use PERS Reserve dollars)
  - Then establish 115 Trust and use to offset future annual UAL payments

Questions for next month

- What level to fund at? 85%? 90%?
- Should we establish a 115 Trust?
  - Commission will receive a presentation on 115 Trusts at October meeting

TO: Finance Commission

FROM: Stephanie Beauchaine, Interim Finance Director

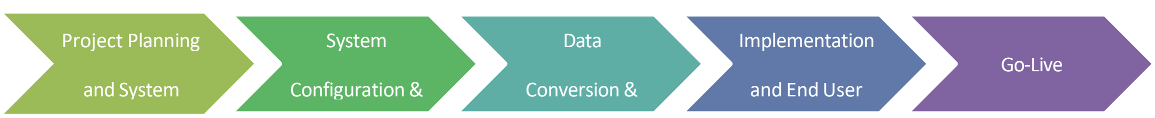
SUBJECT: Tyler ERP Project implementation update

RECOMMENDATION:

Receive and file

Background

On December 29, 2022 the city contracted with Tyler Technologies, Inc. for the purchase of the Tyler Enterprise Resource Planning (ERP) software. Included in this purchase are products and services related to the design and implementation of software modules and features related to conversion, support and training services, as well as recurring licensing agreement costs. The elements of system design, data conversion, implementation serve as pillars that structure the project plan of which milestones, deliverables and deadlines are set and ultimately lay the foundation for the project timeline.



Discussion/Analysis

The Tyler ERP Project implementation process is ongoing. In the last quarter changes were made to the implementation team, notably SDI Presence, LLC was added to serve as Project Manager, and Geoff Thomas, Senior Accountant and Beauchaine Consulting Group, LLC were added to serve as technical leads, alongside KOA Hills who is performing data conversion services.

Project progress is moving forward rapidly, and the team has made strides with current and future state analysis, data configuration, and system configuration and power user training has begun as follows:

FY2024-25 Q1

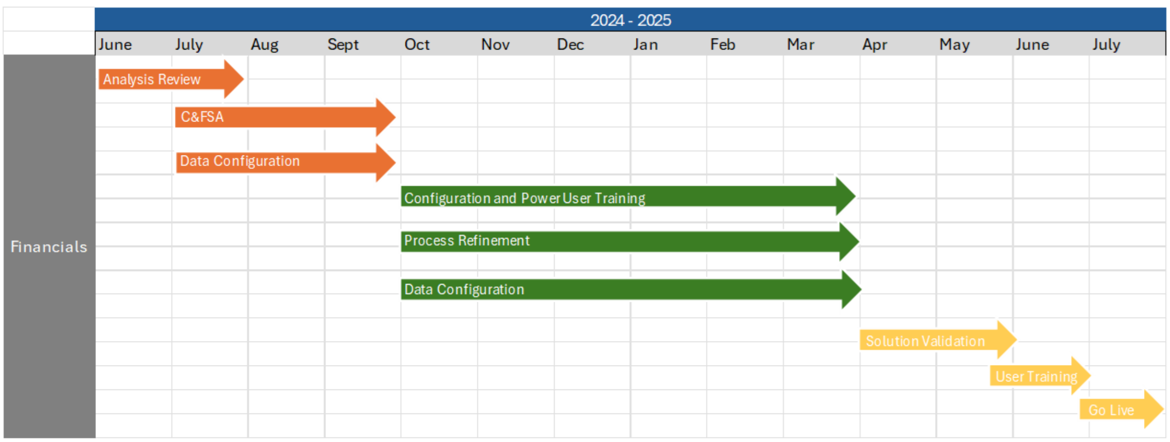
- The project team has updated the project timeline and calendar to include a new “go-live” date of July 1, 2025.
- Current and future state analysis has been completed
- Configuration refinement and power user training has commenced

- Data configuration has begun (KOA Hills). Financial Actuals and Budget data for FY21, FY22, and FY23 loaded and validation in progress

FY2024-25 Q2

- Configuration refinement and power user training
- Process refinement
- Data configuration: Financial Actuals and Budget for FY24 and FY25, and AP Vendors to be loaded and validated

ERP Project Schedule



Draft Financial Commission 2024/25 Work Plan

Goal	Projects	Assignments	Frequency	Target Date(s)	Status
Recurring Goals					
#1	Investment Performance	Review Investment Performance	Quarterly	Ended Jun 2024 – Sep 2024 Ended Oct 2024 – Dec 2024 Ended Jan 2025 – Mar 2025 Ended Apr 2025 – Jun 2025	
#2	Operating Budget	Current year Mid- Year Review and Annual Budget Review for the next fiscal year	Annually	FY25 Mid- Year Review – Feb 2025 FY26 Annual Budget-May 2025	
#3	Financial Communication_ New Financial System Progress	Update on the new Financial System (Tyler Munis) Implementation process.	Quarterly or as needed	October 2024 February 2025 May 2024	
#4	Annual Audit for Current Fiscal Year (FY24)	Review the Audit planning and priorities with auditors.	Annually	Audit Premeeting- May 2024	Completed
#5	Annual Comprehensive Financial Report For FY24	Review draft ACFR	Annually	ACFR draft- March 2025	
#6	PERS Unfunded Liability	Evaluate PERS Unfunded Liability; re-evaluate prepay only or investment plan	Annually	November 2024	In progress
#7	Five- Year Capital Improvement and Major Maintenance Program Budget	Review Capital Spending	Annually	March 2025	
#8	Five- Year Capital Improvement and Major Maintenance Program Budget	Annual Budget Review for the next fiscal year (FY26), focus on the method of project selection and cost estimation	Annually	FY26 Project review- May/June 2025	

#9	Financial Policies	Review/update City's Financial Policy	Annually	April/ May 2025	
#10	Investment Policy	Review/update City's Investment Policy	Annually	February/March 2025	
#11	Cross Commission Collaboration	Finance Commission responds to requests from other commissions	Ad hoc	As needed	
Non-recurring Goals					