



FINANCE/AUDIT COMMITTEE

Meeting Minutes
Tuesday, February 7, 2012 at 4:00 p.m.
Administrative Conference Room, Second Floor
701 Laurel Street, Menlo Park, CA 94025

CALL TO ORDER - 4:03 p.m.

ROLL CALL Kirsten Keith, Peter Ohtaki, Honor Huntington, Stu Soffer
ABSENT Jeff Child

A. PUBLIC COMMENT - None

B. BUSINESS ITEMS

- B1.** Auditors from Odenberg, Ullakko, Muranishi (OUM) CPA's to review results of 2010-11 fiscal year audit and discuss the three post audit communication [SAS 114](#); [SAS 115](#); [Internal Control Report](#)

Scott Miller and Manjit Deol from OUM discussed the findings presented in the SAS 114 and SAS 115 post audit communication letters. These letters identify findings and the committee gained a better understanding of why findings were identified. S. Miller explained how the City of Menlo Park received a clean opinion; and further explained the new Governmental Accounting Standards Board (GASB) 54 rule that redefines how fund balances are reported in the financial statements beginning with 2010-11 fiscal year. Member Ohtaki asked if a sampling took place on cash receipts that flow through the Recreation Department and also asked if a sampling takes place on larger contracts. M. Deol confirmed that random samplings did take place this year of various cash receipts in many areas of the City; S. Miller explained how contracts are audited based on amount.

C. Augustine presented the committee with a letter from American Institute of CPA's that explains auditor independence and audit firm rotation. C. Augustine explained that OUM has completed the third year of their agreement and per the City's contract can extend the contract for two extra years. Member Keith mentioned that staff is doing a great job from the auditor's opinion. The committee agreed that retaining OUM for an extended two years is beneficial for the City. [American Institute of CPA's Letter](#)

- B2.** Update of the Redevelopment Agency dissolution

NOTE: This item was taken out of order

- B3.** Distribution of the 5-year Capital Improvement Plan (CIP) [5-Year CIP 2012-17](#)

The committee received the 5-year (CIP) for review. C. Augustine informed committee that the 5-year (CIP) is on the website; in addition the committee gained an understanding of the impact of the Redevelopment Agency's dissolution on the General Fund CIP. Committee reviewed and discussed various projects within the (CIP). Discussion included Landfill post-closure revenues and expenditures along with maintenance of Bedwell Bayfront Park. Member Keith asked about the Library wall carpeting and if it can be

included with the current year library carpet replacement project. Staff agreed to look into combining the two projects. In addition, member Keith asked the section D include project cost with each project listed. C. Augustine informed the committee that the CIP will be on March 13th Council agenda.

B4. Accept minutes from January 8, 2008 – December 7, 2011

Committee agreed to accept minutes after reviewing them prior to next meeting.

C1. December 2011 Budget-to-Actual Report [December 2011 Budget-to-Actual Report](#)

The Committee received the December 2011 Budget-to-Actual report. Discussion of revenues included Transient Occupancy Tax increasing quarter-over-quarter with an anticipated midyear upward adjustment; Interest Income decreasing with an anticipated midyear downward budget adjustment along with Utility Users' Tax. Sales tax appeared to be overstated as the State's allocation each month is appropriate state-wide, but not reflective of local level sales. However, sales tax revenues should end the year on budget. Discussion of expenditures included a reduction in Public Safety personnel costs due to a decrease in Dispatch personnel with the end of the San Carlos contract in November; More significantly, CalPERS retirement costs have decreased due to Public Safety officers contributing three percent of the employers' rate.

B2. Update of the Redevelopment Agency (RDA) dissolution [RDA Dissolution Staff Report and Presentation](#)

The Committee received the staff report for the RDA dissolution and presentation presented to Council January 10 and 24, 2012. Member Huntington asked if the additional funds created last year for transferring RDA fund balances was still practical. C. Augustine responded that those funds are eliminated due to the outcome of the Supreme Court making any agreements with the RDA null and void and not enforceable obligations.

C. Augustine discussed the Supreme Court ruling of the dissolution of the RDA and what it means for the City of Menlo Park. C. Augustine explained that Council agreed to make the City the successor agency and what the role is of the successor agency. The Committee gained an understanding of unencumbered RDA fund balances. Member Huntington asked who is responsible for making the RDA bond payments since the City is the successor agency. C. Augustine explained that the County was to establish a Redevelopment Property Tax Trust Fund for deposit of tax increment; payments from the Trust Fund would include debt service, pass-thru payments and Successor Agency administrative costs.

C. REPORTS AND ANNOUNCEMENT

C1. December 2011 Budget-to-Actual Report

NOTE: This item was taken out of order

ADJOURNMENT – 6:10 p.m.

Prepared by: Stephen Green
Financial Analyst