



FINANCE/AUDIT COMMITTEE

Meeting Minutes
Thursday, March 8th 2012 at 4:00 – 5:30 p.m.
Administrative Conference Room, Second Floor
701 Laurel Street, Menlo Park, CA 94025

CALL TO ORDER – 4:04 C. Augustine called the meeting to order

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

CITY STAFF- Carol Augustine, Stephen Green, Starla Jerome-Robinson

A. PUBLIC COMMENT - None

B. BUSINESS ITEMS

B1. Mid Year Report Discussion [2011-12 Mid-Year Staff Report](#)

The committee received the Mid Year Report for 2011-12. C. Augustine explained that Council approved an increase of \$150,000 to the General Fund for the Housing Element ([Housing Element](#)) of the General Plan; and any funds not spent this fiscal year will be re-appropriated to the following fiscal year. Member J. Child asked if the ten-year forecast always reflected a long-term deficit for future years. C. Augustine explained that future year deficits have been reflected in previous forecasts for the reason that it does not assume additional revenues from completed projects in future years. For example, additional revenues are not assumed resulting from a possible increase in Transient Occupancy Tax (TOT), Menlo Gateway, El Camino Real Specific Plan, sale of any general fund property, and the Facebook development agreement that is currently under negotiation. Member P. Ohtaki commented that Council discussed the affect the Redevelopment Agency (RDA) dissolution had on the ten-year forecast.

C. Augustine discussed midyear revenue increases in TOT, Licenses and Permits, and Charges for Services. Charges for Services increased mostly in rental fees, payment from the County of San Mateo for the City to act as a Successor agency of the RDA dissolution, and revenues from the Facebook development application (that is offset by expenses connected to the development application). Member H. Huntington mentioned the increase in Police expenditures and asked if that increase is the result of the RDA dissolution; C. Augustine verified that absorbing five months of employee costs previously charged to the RDA is mostly in the Police department. Member P. Ohtaki expressed concern for the 2012-13 budget due to the General Fund absorbing a full twelve months of expenditures previously charged to the RDA.

B2. Accept minutes from January 8, 2008 – December 7, 2011

NOTE: This item was taken out of order

B3. Discussion of next steps of Committees' Workplan

Member P. Ohtaki opened the discussion by considering the next three years, 2012-13 – 2014-15 for a base-case scenario of the committees' workplan. Discussion about developing assumptions included known assumptions for property tax that are found on the State Controllers' Website and tenant improvements on the Facebook site. In addition, there was some discussion as to whether it was possible to get data from the County as to how many homes are assessed under Proposition 13 at the

1978 level (with only the 2% or maximum annual increase in value). J. Child discussed how the School District looked at properties that were still assessed at that adjusted 1978 level and found it was a good percentage of total properties. Another assumption discussed was the foreclosures in the RDA and the affect on the RDA tax increment; and what affect would foreclosures in the previous RDA have on the General Fund property tax increment.

Sales tax assumptions were discussed for the base-case scenario. C. Augustine commented that the State allocation is increasing their projections upwards to nine percent around the State; however, from sales tax documentation sent to the City of Menlo Park, increasing sales tax more than two percent isn't justifiable and member P. Ohtaki agreed with C. Augustine's assumption. In addition, Utility Users' Tax (UUT) assumptions were discussed and how the UUT is volatile. C. Augustine explained the UUT cap of \$12,000 is paid annually from businesses that may exceed a combined amount of water, gas, and electric UUT. Member P. Ohtaki asked if that can be changed and C. Augustine replied yes, by vote of the people. Discussion continued with Transient Occupancy Tax (TOT) and how the Menlo Gateway project will not be completed within the next three years. Member P. Ohtaki noted that it wouldn't fall into the three-year forecast assumptions.

The committee discussed various projects that may occur within the next three years. S. Jerome Robinson discussed plans submitted for a project of about 235,000 square feet. Member P. Ohtaki discussed the scenario of the Stanford Medical Center project and the impact on the City.

Member H. Huntington asked for a scaled down, ten-year forecast template to include prior year column, beginning fund balance, and ending fund balance for future years. Other assumptions to be considered are personnel labor contracts and how full time employees (FTE's) differ from hourly paid employees. Member P. Ohtaki suggested the committee consider a base-case scenario for the next meeting; while including an upside and a downside case scenario. Member H. Huntington noted that there may be large expenses lurking that will affect other funds.

The committee discussed previous years' ten-year forecast deficits and how the City provides Council with direction on how to bring the budget to near balance. Member H. Huntington commented that there has always been a question of the committees' role and if the committee should include policy changes in their assumptions for the three-year forecast. Member P. Ohtaki suggested keeping the base case at the current level, but the committee can use the favorable and unfavorable scenarios for providing input on "what if" scenarios. Member H. Huntington asked for a schedule that outlines the original budget and the adjusted budget that historically reflect the changes in revenues and expenditures over a period of time.

B2. Accept minutes from January 8, 2008 – December 7, 2011 [Finance/Audit Committee Website](#)

The committee reviewed previous meeting minutes and approved them. Committee agreed that the previous meeting minutes will be included on the next meeting agenda.

C. ADJOURNMENT - 5:35

D. Prepared by: Stephen Green
Financial Analyst