



FINANCE/AUDIT COMMITTEE MINUTES

Thursday, April 26th 2012 at 4:00 p.m.
Administrative Conference Room, Second Floor
701 Laurel Street, Menlo Park, CA 94025

CALL TO ORDER – C. Augustine called the meeting to order at 4:05 p.m.

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

NOTE: K. Keith left the meeting at 5:28 p.m.

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

PUBLIC COMMENT (Limited to 15 minutes)

No Public Comment

A. BUSINESS ITEMS

A1. February 2012 Budget-to-Actual Report [Attachment](#)

The Committee received the February 2012 Budget-to-Actual report. Discussion of revenues included comparing Transient Occupancy Tax (TOT) over prior year and what the impact would be if the ballot measure passed to increase TOT from 10% to 12% in November. Charges for Services appeared to be lagging due to the reversal of accrued planning invoices; receipts will continue to be strong due to the opening of the new gymnastics center and rental of city facilities. Discussion continued with operating transfers being decreased due to the Redevelopment Agency (RDA) dissolution. Increase in Community Development expenditures were discussed due to various projects such Facebook, the Specific Plan, and Housing Element. P. Ohtaki asked if 2011-12 actual year-to-date draw on General Fund being lower than previous year includes RDA issues; C. Augustine clarified that the current draw on reserves could not compare with the previous years' since the current year reflects one month of RDA expenses.

A2. Accept minutes from Finance/Audit Committee Meetings: February 7, 2012 and March 8, 2012

- [February 7, 2012 Meeting Minutes](#)
- [March 8, 2012 Meeting Minutes](#)

By consensus, the Committee accepted the minutes for the February 7 and March 8, 2012 meetings.

A3. Discussion of next steps of Committees' Work Plan

[3-Year Forecast Template](#)
[Spreadsheet of Budget Trends –Last Nine Years](#)

The Committee received a spreadsheet of budget trends over the last nine years along with copies of labor agreements as requested by the Committee for use in developing a three-year forecast.

P. Ohtaki presented the 3-year forecast model via projector for the Committee to comment on how the model uses various scenarios for forecasting assumptions. S. Soffer discussed leaving a margin for building reserves. C. Augustine explained that building reserves occurs when the City experiences a surplus in years where revenue is higher than expenditures. The City's Reserve Policy calls for a General Fund balance that falls within an approved range. H. Huntington discussed how contractual obligations may cause the reserve balance to go outside the range for a few years. C. Augustine responded that the Reserve Policy allows for sustainability over years of rising and falling economic cycles without wide variations in either tax revenues or municipal service levels. K. Keith suggested that the Reserve Policy be put on the agenda for the Committee to review. H. Huntington continued to discuss how other funds need to be analyzed to determine the extent of any future impact on the General Fund.

P. Ohtaki explained how many cities have a reserve policy outlining a 25% range of their annual budget, whereas the City of Menlo Park is closer to 50%. P. Ohtaki stated that \$12 million of the City's reserve is designated for disaster expenses. S. Jerome-Robinson clarified that the City of Menlo Park is one of very few cities that transfers \$2.2 million from the General Fund to fund the capital projects program and often times this amount is reduced to balance the budget. C. Augustine stated that cities fund capital projects through reserves, use of other funding sources or by incurring debt. Discussion arose regarding the reason for increasing the TOT to help offset the Narcotics Task Force in the Belle Haven neighborhood.

P. Ohtaki resumed discussion on the forecast model; what assumptions are included and what assumptions are not included. C. Augustine explained that 4% growth rate is used as an inflation factor for both revenues and expenditures when there is no other specific assumption.

C. Augustine opened discussion on favorable and unfavorable scenarios and how they are used by Council for decision-making. P. Ohtaki explained how the two scenarios reflect what the possible risks and opportunities are for decision-making. (Kirsten Keith excused herself at 5:28 pm) Committee requested a history of General Fund reserve balance.

B. ADJOURNMENT – 5:35 pm

Prepared By:
Stephen Green
Financial Analyst