

Finance and Audit Committee



SPECIAL MEETING AGENDA

Date: 3/5/2018

Time: 2:00 p.m.

**City Hall – “Sharon Heights” Conference Room, 2nd Fl
701 Laurel St., Menlo Park, CA 94025**

A. Call To Order

B. Roll Call

C. Public Comment

Under “Public Comment,” the public may address the Committee on any subject not listed on the agenda. Each speaker may address the Committee once under Public Comment for a limit of three minutes. Please clearly state your name and address or political jurisdiction in which you live. The Committee cannot act on items not listed on the agenda and, therefore, the Committee cannot respond to non-agenda issues brought up under Public Comment other than to provide general information.

D. Regular Business

D1. Approve the January 26, 2018, Finance and Audit Committee Special Meeting minutes ([Attachment](#))

D2. Review and discuss the Draft 2018-2020 Finance and Audit Committee two-year work plan goals and milestones ([Attachment](#))

E. Director’s Report

F. Adjournment

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At every Regular Meeting of the Committee, in addition to the Public Comment period where the public shall have the right to address the Committee on any matters of public interest not listed on the agenda, members of the public have the right to directly address the Committee on any item listed on the agenda at a time designated by the Chair, either before or during the Committee’s consideration of the item.

At every Special Meeting of the Committee, members of the public have the right to directly address the Committee on any item listed on the agenda at a time designated by the Chair, either before or during consideration of the item.

Any writing that is distributed to a majority of the Committee by any person in connection with an agenda item is a public



SPECIAL MEETING MINUTES - DRAFT

Date: 1/26/2018

Time: 10:00 a.m.

**City Hall – “Sharon Heights” Conference Room, 2nd Fl
701 Laurel St., Menlo Park, CA 94025**

A. Committee Chair Craib called the meeting to order at 10:22 a.m.

B. Roll Call

Present: Craib, Shepherd, Ohtaki

Absent: Tronson, Mueller

Staff: Nick Pegueros, Administrative Services Director
Dan Jacobson, Interim Finance and Budget Manager
Brandon Cortez, Management Analyst I

C. Public Comment

- Cecilia Taylor spoke in support of creating a Belle Haven amenities fund.
- Jim Lewis spoke in support of creating a finance dashboard.

D. Regular Business

D1. Approve the minutes of the December 15, 2017, Finance and Audit Committee Special Meeting.

ACTION: Motion and second (Craib/Shepherd) to approve minutes for the December 15, 2017, Finance and Audit Committee Special Meeting, passed 3-0-2 (Tronson and Mueller absent).

D2. Approve the 2018 Finance and Audit Committee meeting schedule.

Management Analyst Cortez distributed the draft calendar. Administrative Services Director Pegueros reported that no committee members had submitted schedule conflicts.

ACTION: Motion and second (Craib/Shepherd) to approve the proposed schedule, passed 3-0-2 (Tronson and Mueller absent).

D3. Discuss and approve the 2018 Finance and Audit Committee Work Plan.

Management Analyst Cortez reported the list of pending items for the Committee's consideration.

ACTION: Motion and second (Craib/Shepherd) to request staff create and present a draft of the work plan at the next meeting on March 5, 2018. The motion passed 3-0-2 (Tronson and Mueller absent).

E. Director's Report

There was no report.

F. Adjournment

Chair Craib adjourned the meeting at 11:02 a.m.

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Facebook Development Agreements

The charts below identify details regarding the revenue expected by the City of Menlo Park from the various development agreements with Facebook. There are other community benefits identified in the development agreements that are not listed below because they do not result in a revenue stream to the City of Menlo Park.

East Campus

Capital Improvements	One-time payment of \$1,100,000 for the City’s unrestricted use toward capital improvement projects.	45 days from the satisfaction of the conditions precedent, which is 90 days after the effective date or November 17, 2012.
Crosswalk Improvements	One-time obligation to pay for \$100,000 toward crosswalk improvements.	If Facebook determines, as reasonably confirmed by the City’s Public Works Director, that the cost of the improvements will exceed \$100,000, the City may perform such improvements and Facebook shall reimburse the City for its reasonable costs, not to exceed \$100,000.
In Lieu Mitigation Payment	If the City secures grant funds to pay for mitigations that Facebook is obligated to perform, notifies Facebook that it wishes to perform, and completes the mitigations, then Facebook shall make an in-lieu payment to the City equal to the cost of the mitigations.	The City and Facebook shall agree to a not-to-exceed budget. If Facebook has commenced planning for or performing the mitigations, Facebook shall be entitled to a credit against the in-lieu payment.
Annual Payment	<p>Facebook shall make an annual payment to the City in lieu of sales tax revenue. The annual payment will be payable for a minimum of 10 years.</p> <p>On June 20, 2022 and every 5 years thereafter, Facebook shall have the option, after providing adequate notice 180 days in advance, to temporarily suspend the density condition and the annual payment.</p>	<p>Payments 1-5: \$800,000</p> <p>Payments 6-10: \$900,000</p> <p>Payments 10-15: \$1,000,000</p> <p>Beginning July 1, 2027, the annual payment amount will be increased to the product of the annual payment times a fraction, the numerator of which times a fraction, the numerator of which is the “Index” for the 3rd month preceding the applicable Index Date, and the denominator of which is the Index for the 3rd month preceding the last Index Date or, in case of the first Index Date, the Index for April 1, 2026. “Index” means the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for all Urban Consumers (all items for the SF-Oakland-San Jose Metropolitan Area on the basis of 1982-1984 = 100).</p>

West Campus

Capital Improvement	Facebook shall make a one-time payment to the City of \$100,000 for the City's unrestricted use toward capital improvement projects that benefit the Belle Haven neighborhood as determined by the City Council.	Payment due within 60 days of the later of City sign off on final building permits allowing occupancy of the West Campus and Facebook's receipt of City's request for payment.
Annual Payment	Facebook shall make an annual payment of \$150,000 per year to the City for ten years for a total of \$1,500,000. No proration, reduction or suspension and the payment shall survive the termination of the development agreement.	First payment is due on July 1 of the City's fiscal year commencing after City sign off on final building permits allowing occupancy of the West Campus.
Property Tax Guarantee	Facebook shall pay to the City the positive difference between the real and personal property tax revenue the City would receive for a given tax year assuming the assessed value of the Property (land and improvements) and personal property and fixtures is the greater of \$230,085,000 or the initial reassessed value following the completion of the project as determined by the Assessor following completion of the project and the actual real and personal property tax revenue received by the City.	The payment period is a total of 10 years following the initial reassessment by the San Mateo County Assessor following completion of the Project and initial occupancy.

Expansion Campus

Recurring Public Benefit Payment	<p>Facebook shall make an annual payment of \$300,000 to the City for 20 years. There is no proration, reduction or suspension and the payment shall survive termination of the development agreement. Payments are due and payable on July 1 of each year.</p> <p>Every 5 years following commencement of the payment, it shall be adjusted by the product of the payment amount times a fraction, the numerator of which is the “Index” for the 3rd month preceding the applicable Index Date, and the denominator of which is the Index for the 3rd month preceding the last Index Date or, in case of the first Index Date, the Index as of the date the first payment is due.</p>	Payment due within 60 days of the later of City sign off on final building permits allowing occupancy of Building 21 and Facebook’s receipt of City’s request for payment.
Interim In-Lieu Sales Tax Payment	Facebook shall make an annual payment of \$336,000 per year to the City until the Guarantee Commencement Date, which is the earlier of the TE Vacation Date or the date the City issues the first building permit for Building 22. If the hotel commences operation before this obligation expires Facebook shall be entitled to a credit for any hotel revenue received by the City. The payment is subject to adjustment every 5 years in the same manner as described above.	Payment due within 60 days of the later of City sign off on final building permits allowing occupancy of Building 21 and Facebook’s receipt of City’s request for payment.
Hotel TOT Guarantee Payments	Facebook shall guarantee TOT payments to the City in the amount of the Revenue Benchmark, which is \$1,250,000. Facebook shall receive a credit against the Revenue Benchmark for hotel revenue received by the city during the Guarantee Payment Period.	Beginning on the Guarantee Commencement Date and throughout the Guarantee Payment Period, which is 39 years.
TOT Amount	During the term of the Agreement, the TOT applicable to the hotel should be assessed at 1% above the citywide rate.	

Property Tax Guarantee	<p>Facebook agrees to pay the City the positive difference between the real property tax revenues the City would receive for:</p> <ul style="list-style-type: none"> • Building 21 assuming it was assessed at \$325,000,000 and the actual property tax revenue received. • Building 22 assuming it was assessed at \$300,000,000 and the actual property tax revenue received. • The hotel assuming it was assessed at \$70,000,000 and the actual property tax revenue received. 	<p>Facebook guarantees that the value of Buildings 21 and 22 and the hotel will be at least \$695,000,000.</p> <p>The payment period is for 39 years following the initial reassessment.</p>
UUT Cap	The maximum cumulative tax payable for utility services does not apply to the property.	Commences on the Guarantee Commencement Date.
Transportation Management Association	Facebook shall make a one-time payment of \$100,000 to the City to be set aside in a special fund and earmarked for the development of a Transportation Management Association Feasibility and Implementation Strategy study.	Payment shall be made within 60 days of the City's request indicating the City is prepared to initiate the study.
Local Community Benefits	Facebook shall pay \$60,000 every year for 5 years to the City exclusively for operating and maintenance costs for the Onetta Harris Community Center for a total commitment of \$300,000.	Payment is due within one year of satisfaction of the conditions precedent (resolution of all legal challenges). After the first payment, payments are due on July 1 of each year.
Bedwell Bayfront Park Maintenance	Facebook shall pay \$1,000,000 to the Bedwell Bayfront Maintenance Fund for maintenance and operation.	Payment is due within one year of satisfaction of the conditions precedent.
Recycled Water	Facebook shall pay \$25,000 in seed funding to the City to conduct feasibility studies for a Bayfront Area-wide recycled water system.	Within 60 days of the City's sign off on final building permits allowing occupancy of Building 21.

Safety Benefit	Facebook shall pay \$11,250,000 to the City's general fund to be spent on services that benefit the safety of the local community.	Payments occur in 5 equal installments (\$2,250,000 each) over a 5-year period. The first payment is due July 1, 2018. The payment amount is adjusted based upon CPI.
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