

Finance and Audit Committee



SPECIAL MEETING AGENDA - AMENDED

Date: 1/15/2020
Time: 5:30 p.m.
City Hall – “Sharon Heights” conference room, 2nd Fl
701 Laurel St., Menlo Park, CA 94025

This amended agenda includes call-in participation information.

Councilmember Mueller will be participating by phone.

Candlewood Suites
5353 Bankers Ave
Baton Rouge, LA 70808

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. 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 October 16, 2019, Finance and Audit Committee Meeting minutes ([Attachment](#))
- D2. Receive and review the memorandum to Commissions and Committees regarding the 2020-21 Capital Improvement Plan (CIP) budget development ([Attachment](#))
- D3. Review and approve the January 28, 2020 Finance and Audit Committee update to the City Council ([Attachment](#))

E. Reports and Announcements

- E1. Director’s report
- E2. Subcommittee reports
 - CAFR format subcommittee (Chair Tronson and Vice Chair Shepherd)
 - Budget format subcommittee (Vice Chair Shepherd)
 - Infrastructure communication subcommittee (Royse and Westcott)
 - Pension communication subcommittee (Vice Chair Shepherd and Maguire)
- E3. Review future agenda topics and work plan ([Attachment](#))

F. Adjournment

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

At every Special Meeting of the Commission, members of the public have the right to directly address the Commission 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 Commission by any person in connection with an agenda item is a public record (subject to any exemption under the Public Records Act) and is available for inspection at the City Clerk's Office, 701 Laurel St., Menlo Park, CA 94025 during regular business hours.

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SPECIAL MEETING MINUTES - DRAFT

Date: 10/16/2019

Time: 5:30 p.m.

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

A. Chair Tronson called the meeting to order at 5:31 p.m.

B. Roll Call

Present: Combs (arrived 5:39 p.m., excused 6:34 p.m.), Maguire, Mueller (arrived 7 p.m.), Royse (arrived 5:32 p.m.), Shepherd, Tronson, Westcott

Absent: None

Staff: Lenka Diaz, Administrative Services Director
Dan Jacobson, Finance and Budget Manager
Angela Tran, Accounting Assistant II

C. Public Comment

- Jim Lewis spoke in favor of the option to view City Council meetings from home and suggested audiotaping the meetings and post to the website.

D. Regular Business

D1. Approve the July 17, 2019, Finance and Audit Committee Meeting minutes

ACTION: Motion and second (Shepherd/Royse) to approve the minutes of the July 17, 2019 meeting, passed 5-0-2 (Combs and Mueller absent).

D2. Overview of budget software replacement product functionality

City Councilmember Combs arrives at 5:39 p.m.

Finance and Budget Manager Dan Jacobson gave an overview of several options available on the OpenGov platform, including dynamic revenue and expenditure reporting such as used by the City of Minneapolis, MN (Attachment A), capital improvement plan (CIP) budgets such as those used by the City of Ukiah, CA (Attachment B), and community input such as that used by the City of Novato, CA (Attachment C).

D3. Discuss timing and content of operating and Capital Improvement Plan (CIP) budget informational workshop

The Committee discussed setting, content, and notification for an informational workshop for the operating and CIP budgets. Topics identified included use of the OpenGov site, an overview of how priorities are established for CIP projects, and methods for the community to engage with the City Council. A tentative date of January 9, 2020 at 5:30 p.m. in the City Council chambers at 701 Laurel Street, Menlo Park, CA 94025 was identified as the optimal choice given holidays and City Council

goal setting.

No action was taken on this item.

E. Reports and Announcements

E1. Director's report

Administrative Services Director Lenka Diaz reported out on:

- The City plans to implement two new software solutions, GovInvest (Attachment D) and AdastraGov (Attachment E), to help understand and community present and future pension liabilities and costs of labor agreements
- The fiscal year 2019-20 adopted budget is available online on the City's website
- The information technology master plan (ITMP) continues to be implemented with land management software nearing completion

E2. Subcommittee reports

The comprehensive annual financial report (CAFR) subcommittee provided an example of a rewrite for the management's discussion and analysis (MD&A) and a number of clarifying questions about the CAFR for the fiscal year ended June 30, 2018 (Attachment F).

The budget subcommittee provided a memo outlining a side-by-side comparison with elements in the City of San Clemente's budget document (Attachment G).

The pension subcommittee provided a memo outlining concerns with the methodology used in the annual pension valuation reports (Attachment H).

E3. Rolling Agenda Items

No items have been added to the rolling agenda from this meeting. The current list of items includes:

- Sale of assets
- Review of utility user's tax cap
- Listing of parcels exempt from property taxes
- Library financing
- Developer agreements
- Community amenities fund

F. Adjournment

Chair Tronson adjourned the meeting at 8:01 p.m.



Annual

Click on the City's glossary of terms to learn more: bit.ly/1UnivHc

Updated On 30 Oct, 2019

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Broken down by

Departments
Expenses

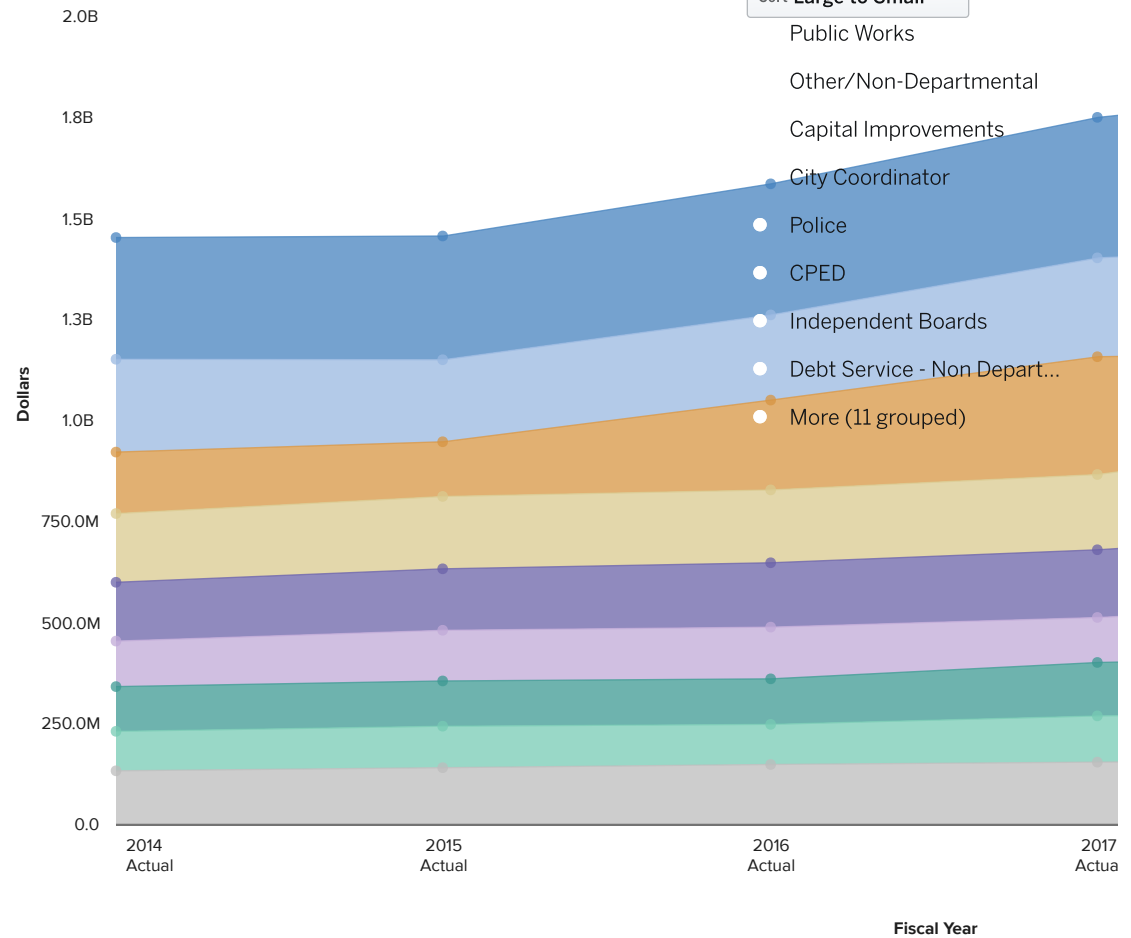
Table
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- Annual
- Current Year (YTD)
- CIP Budget - Revenue
- CIP Budget - Expenditures
- 2020-2024 Capital Requests vs CLIC Recommendations
- 2020 Mayor's Recommended Budget

Filters Views

- What is the General Fund total budget?
- Overall what are the City's Revenues and Expenses?
- Where do the General Fund revenues come from?
- How much property tax revenue does the City receive each year?
- How much does Public Works spend on snow and ice control?

Visualization



Data

Expand All	2014 Actual	2015 Actual	2016 Actual	2017 Actual
Public Works	\$ 301,410,6...	\$ 306,436,103	\$ 324,544,328	\$ 347,906,921
Other/Non-Departmental	229,857,552	203,101,459	210,937,678	244,897,054
Capital Improvements	152,197,348	135,383,375	222,395,566	291,510,193
City Coordinator	170,202,581	179,221,431	180,429,691	186,458,186
Police	145,642,335	152,176,515	159,358,421	167,634,009
Total	\$ 1,453,925,266	\$ 1,457,736,111	\$ 1,586,867,253	\$ 1,751,543,141

Presentation >



Annual

Current Year (YTD)

CIP Budget - Revenue

CIP Budget - Expenditures

2020-2024 Capital Requests vs CLIC Recommendations

2020 Mayor's Recommended Budget

Filters

Views

What is the General Fund total budget?

Overall what are the City's Revenues and Expenses?

Where do the General Fund revenues come from?

How much property tax revenue does the City receive each year?

How much does Public Works spend on snow and ice control?

Login Help Share

▶ CPED	112,703,822	125,524,282	128,084,916	111,433,227
▶ Independent Boards	110,765,521	111,981,641	112,703,362	132,311,032
▶ Debt Service - Non Departmental	97,767,008	102,778,438	99,326,484	114,498,842
▶ Fire	58,270,396	61,467,189	63,048,478	66,901,013
▶ Health	19,991,847	21,390,374	21,684,636	23,781,537
▶ Regulatory Services	19,492,000	21,040,083	22,097,778	23,392,615
▶ Attorney	15,064,721	15,721,814	16,943,415	17,015,433
▶ City Clerk	6,412,354	6,155,449	9,046,836	7,213,858
▶ Assessor	4,499,647	4,612,972	5,162,275	5,189,041
▶ City Council	4,570,960	4,803,574	4,702,306	4,823,637



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City of Ukiah

Water Resources



Large Scale Solar

Project Number: 18067

The Water Resources Department spends approximately \$600,000 per year on electricity. There are numerous opportunities for grants to construct solar projects that will significantly reduce these annual costs. The department will be investing in the necessary planning and engineering to be able to qualify for grant funding.

Project Costs Year-to-Date

This graph is a representation of the year-to-date actuals that have been spent on the Large Scale Solar Project. Demonstrated is the expenditure by month for FY 18/19. The graph is interactive and by moving the cursor over the line, the graph will populate the amount spent by month.

Updated On 14 Nov, 2019

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Broken down by

Types

▾ LARGE SCALE SOLAR PROJECT



Visualization

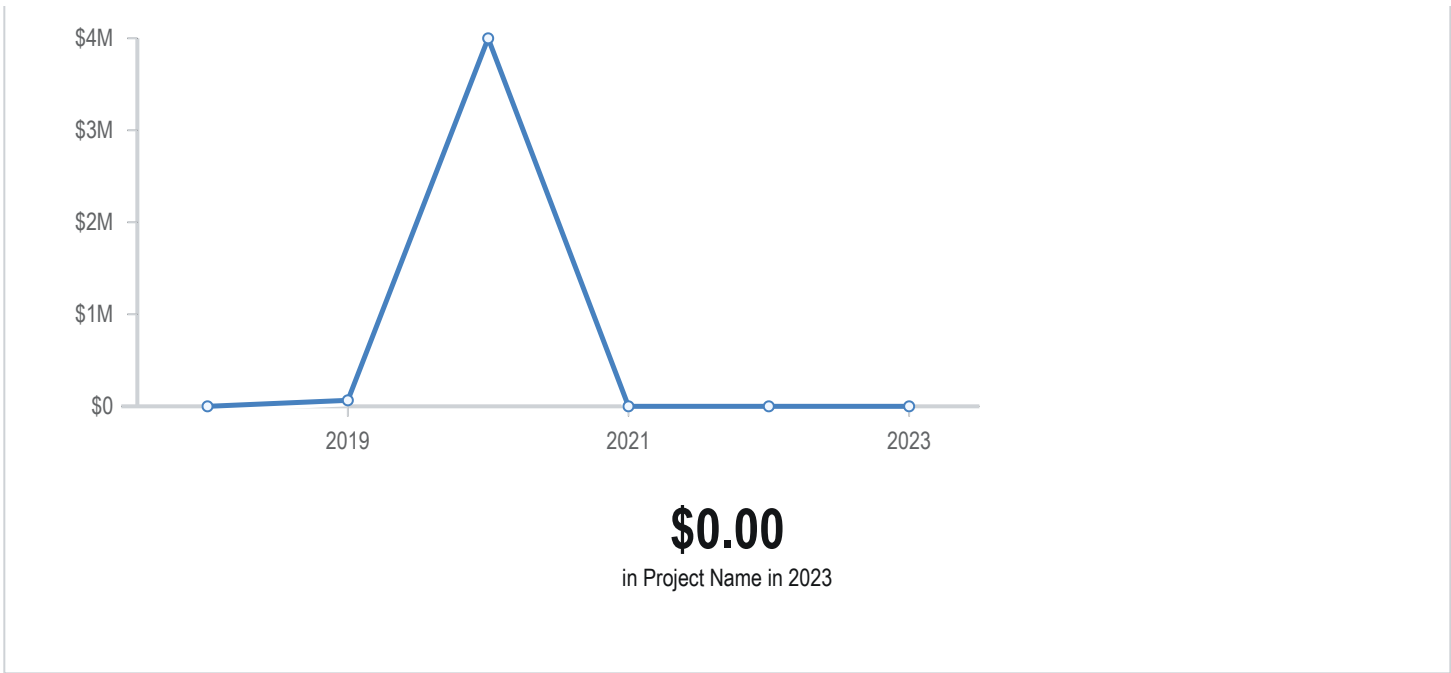
Sort Large to Small ▾



Projected 5-Year Costs

This section demonstrates the project start date and potential completion date. The graph demonstrates yearly expenditures for Large Scale Solar project.

18067 - Large Solar



Replace Pressure Zone 2

Project Number: 15071

The new reservoir is needed due to the deteriorating condition of the existing one. This provides value to the water customers as it provides storage for treated, potable water.

Project Costs Year-to-Date

This graph is a representation of the year-to-date actuals that have been spent on the Replace Pressure Zone 2 Project. Demonstrated is the expenditure by month for FY 18/19. The graph is interactive and by moving the cursor over the line, the graph will populate the amount spent by month.

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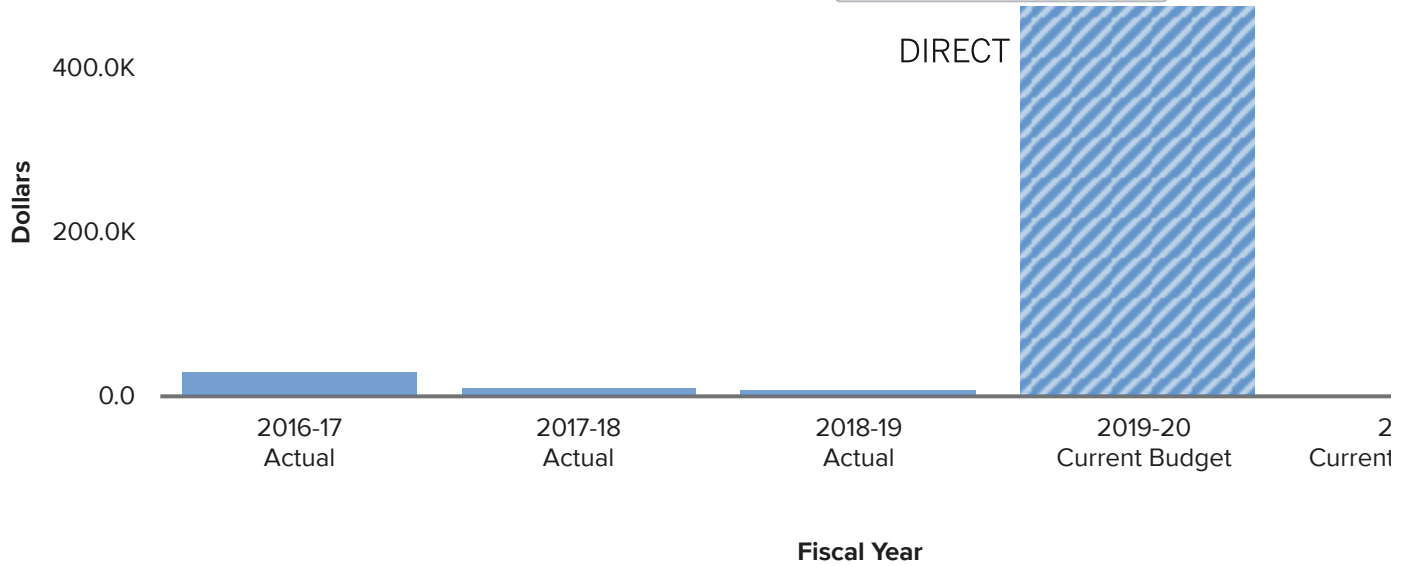
EXPENSES

▾ REPLACE 100K GALLON PZ2S ...



Visualization

Sort Large to Small ▾



Water Main Replacement

Project Number: 18051

The Henderson Lane Water Main is needed in order to upgrade a failing water main. The replacement must take place to provide potable water to the water customers.

Project Costs Year-to-Date

Help ▾

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Broken down by

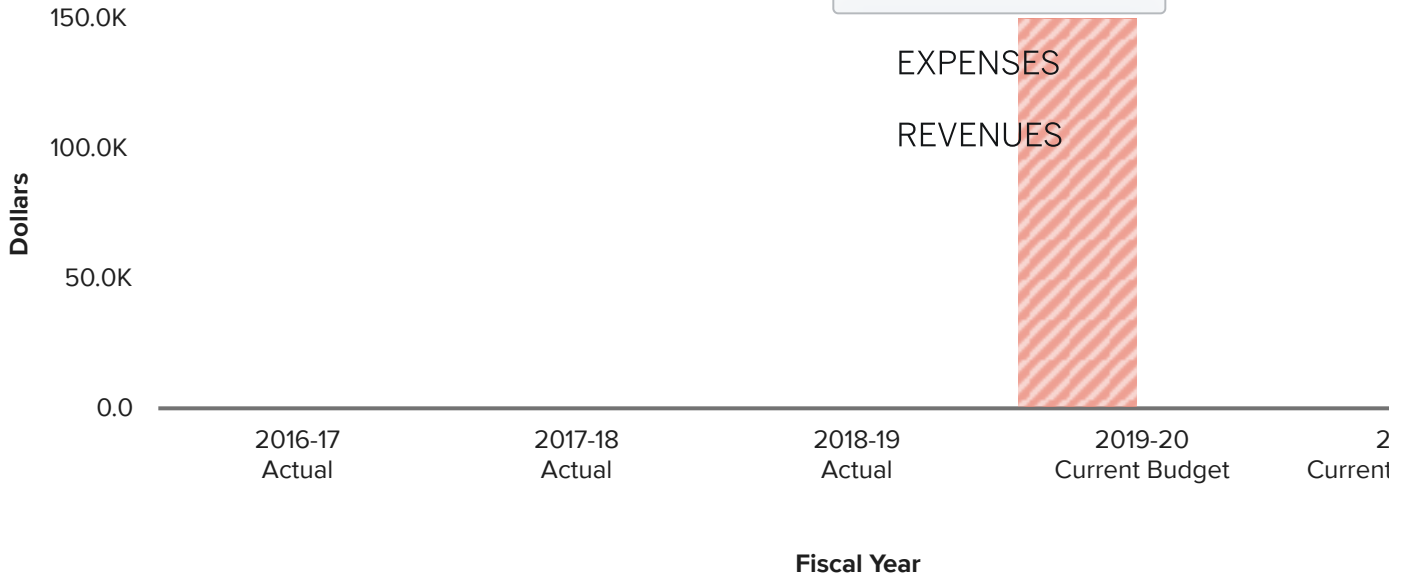
Types

▾ HENDERSON LANE WATER MA...



Visualization

Sort Large to Small ▾





Chlorine Contact Basin Replacement

Project Number: 18068

This project is to replace the chlorine contact basin with a new facility in order to increase production of recycled water and meet Title 22 limits. The new basin will double the capacity of the existing contact basin. The new facility will also be significantly easier to maintain which will reduce the production of chlorination byproducts such as DCBM.

Project Costs Year-to-Date

This graph is a representation of the year-to-date actuals that have been spent on the Chlorine Contact Basin Replacement Project. Demonstrated is the expenditure by month for FY 18/19. The graph is interactive and by moving the cursor over the line, the graph will populate the amount spent by month.

Updated On 14 Nov, 2019

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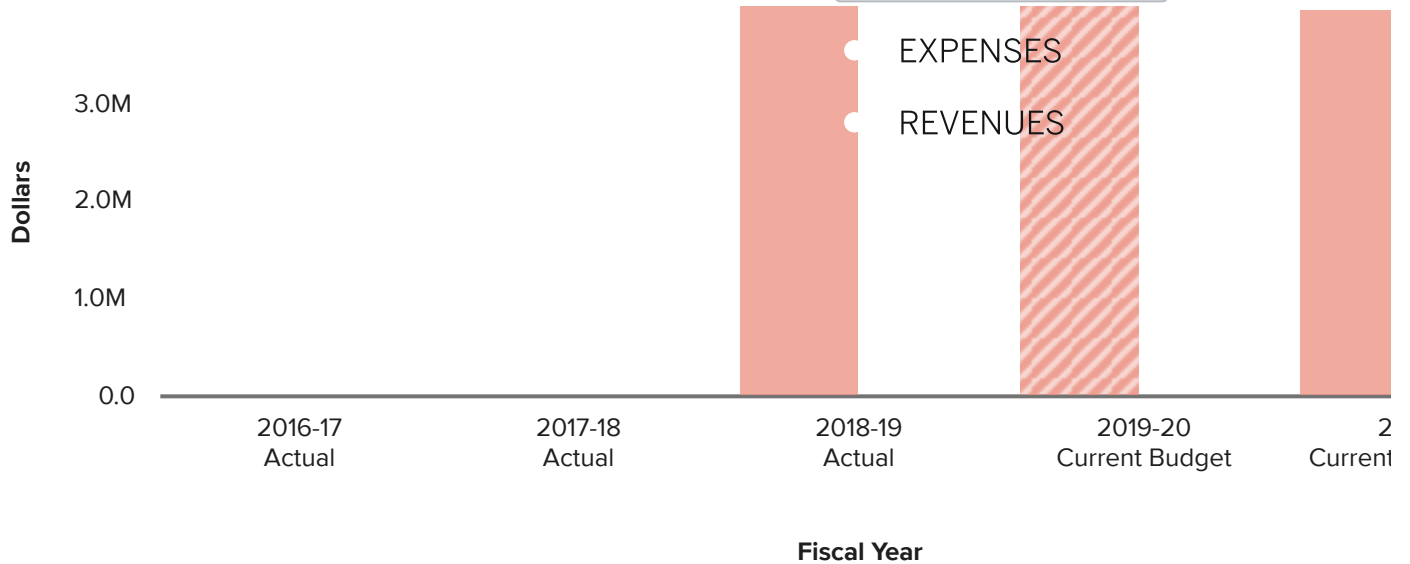
Types

▾ CHLORINE CONTACT BASIN



Visualization

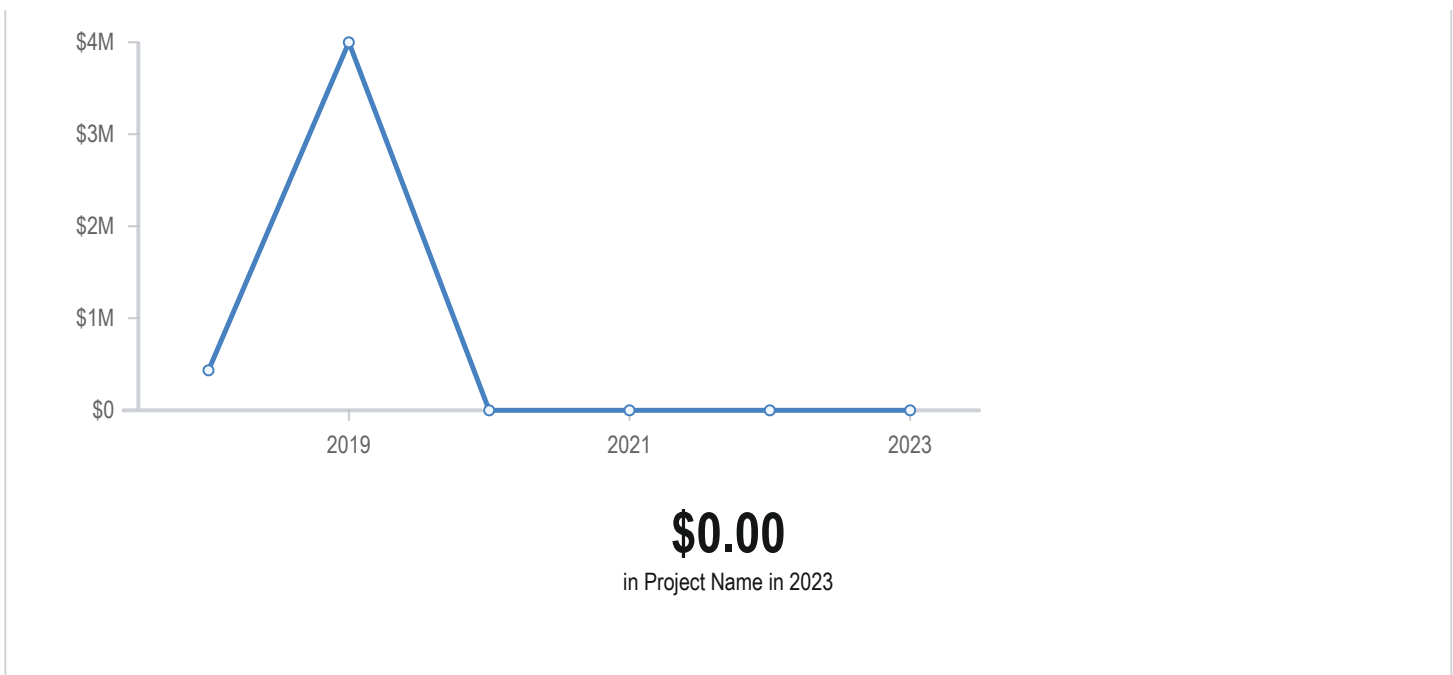
Sort Large to Small ▾



Projected 5-Year Costs

This section demonstrates the project start date and potential completion date. The graph demonstrates yearly expenditures for Chlorine Contact Basin Replacement project.

18068 - Chlorine Contact Basin



AWT Actuators and Valves

Project Number: 18053

These actuators and valves need to be replaced due to their age at the Wastewater Treatment Plant.

Project Costs Year-to-Date

This graph is a representation of the year-to-date actuals that have been spent on the AWT Actuators and Valve Project. Demonstrated is the expenditure by month for FY 18/19. The graph is interactive and by moving the cursor over the line, the graph will populate the amount spent by month.

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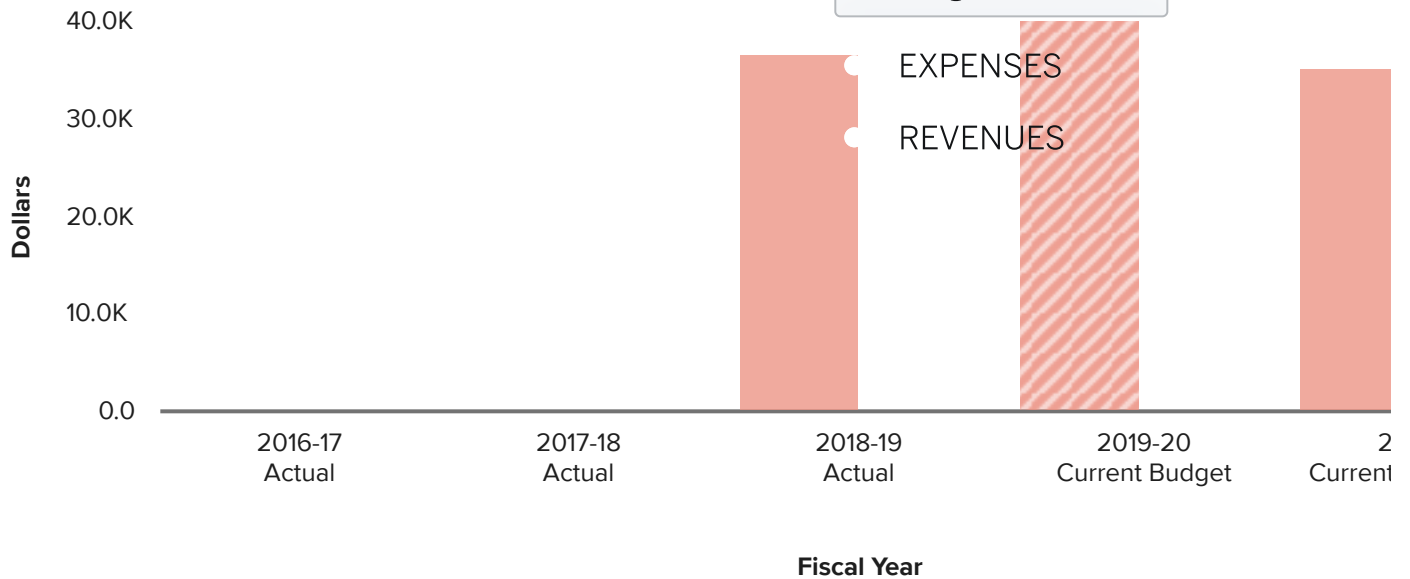
Types

▾ AWT ACTUATORS



Visualization

Sort Large to Small ▾



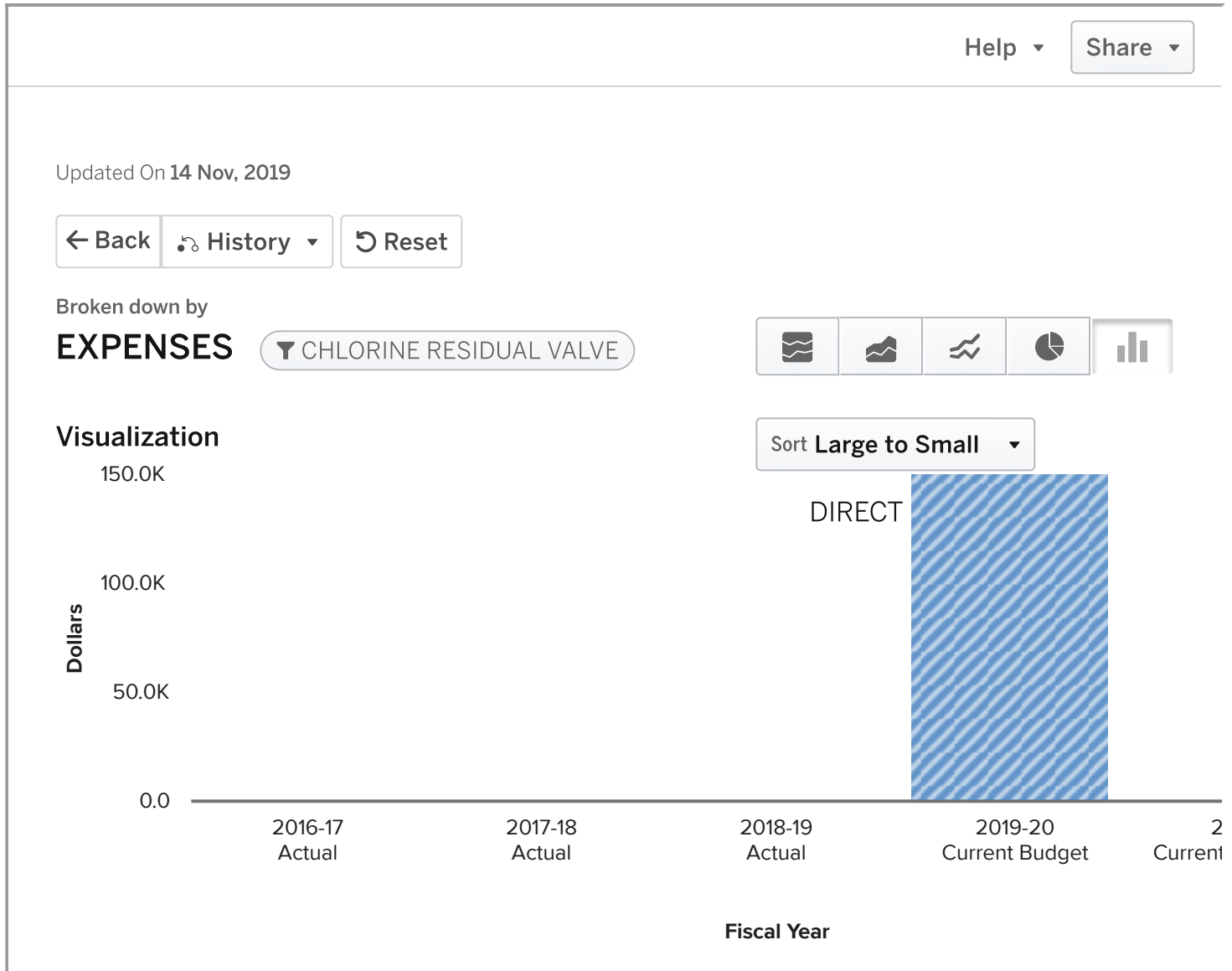
Chlorine Residual Valve and Alarm

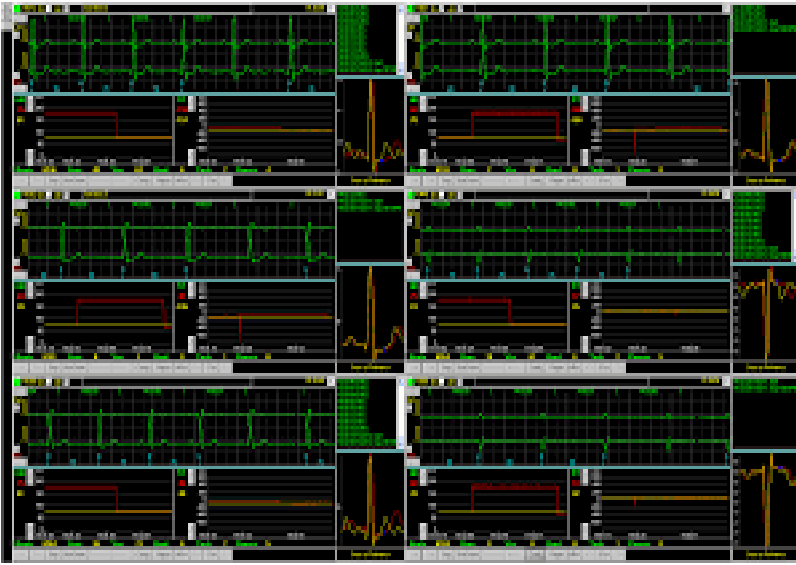
Project Number: 18054

This project will replace the critical safety valve to monitor the outflow of chlorinated water into the river.

Project Costs Year-to-Date

This graph is a representation of the year-to-date actuals that have been spent on the Chlorine Residual Arm and Valve Project. Demonstrated is the expenditure by month for FY 18/19. The graph is interactive and by moving the cursor over the line, the graph will populate the amount spent by month.





Telemetry

Project Number: 18055

This project will add telemetry to automatically control discharge ratio.

Project Costs Year-to-Date

This graph is a representation of the year-to-date actuals that have been spent on the Telemetry Project. Demonstrated is the expenditure by month for FY 18/19. The graph is interactive and by moving the cursor over the line, the graph will populate the amount spent by month.

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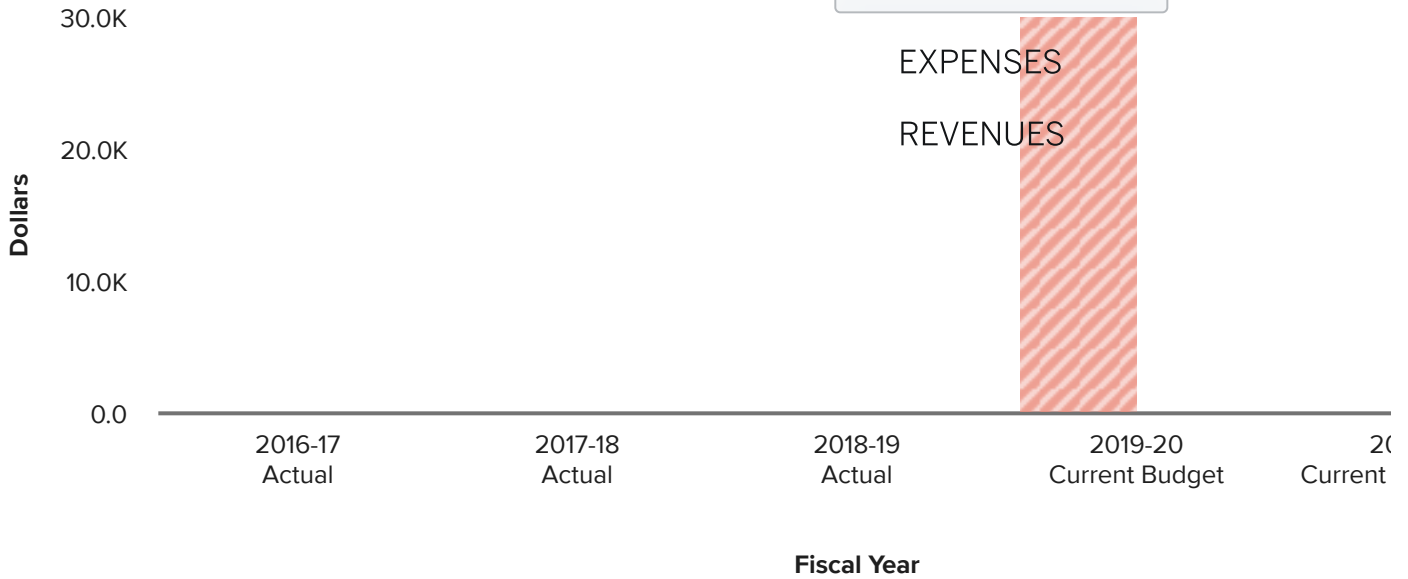
Types

TELEMETRY



Visualization

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 Search (/portals/137/Issue_4774/statements/search)

 Demographics (/portals/137/Issue_4774/demographics)  Map (/portals/137/Issue_4774/map)

 Connected Budgets (/portals/137/Issue_4774/statements/related?scope=on_forum)

 Budgets (/portals/137/Issue_4774/budget)

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Sort by:

Date (/portals/137/Issue_4774/statements?filter%5Border_by%5D=Date&scope=on_forum) Support (/portals/137/Issue_4774/statements)

18 registered budgets

Robert Ratto inside Novato

May 17, 2017, 3:47 PM

Click to see how I would allocate

\$500

1 Supporter 1 Connected Budget

(https://www.opentownhall.com/portals/137/Issue_4774/statements/related?id=288802)

Deborah Baraban inside Novato

April 12, 2017, 8:21 AM

Click to see how I would allocate

\$500

1 Supporter 1 Connected Budget

(https://www.opentownhall.com/portals/137/Issue_4774/statements/related?id=273237)

Name not shown (/portals/137/message/semi_anonymous?title=Name+not+shown) inside Novato

March 26, 2017, 7:39 PM

Click to see how I would allocate

\$500

This shows a balanced budget that works for all of Novato, not just for a select area or recreation.

1 Supporter

Name not shown (/portals/137/message/semi_anonymous?title=Name+not+shown) outside Novato

June 26, 2017, 3:11 PM

Click to see how I would allocate

\$500

Tina G McMillan inside Novato

June 4, 2017, 11:05 PM

Click to see how I would allocate

\$500

Increase spending on police and public works is my first priority. Our police are understaffed compared to cities of comparable size and complexity. We complain about crime but do not invest enough in our police force. Our public works department is also understaffed as evidenced by the streets, medians, buildings, parks and facilities in need of greater care. It's time we added staff and services that reflect the way we value the physical upkeep and the safety of the entire city.

I agree with other residents posting to this survey that this approach is not helpful to articulating a viewpoint other than putting more money in areas of designated need. Police and public works are city priorities that I support but to really understand areas of the budget where public input is needed I would like to look at priorities in Capital Improvements and ask voters if after 30+ years of "Revitalizing Old Town" they are ready to see money spent in other parts of Novato that could potentially add ... read more

Name not shown (/portals/137/message/semi_anonymous?title=Name+not+shown) inside Novato

April 3, 2017, 3:12 PM

Click to see how I would allocate

\$500

Having moved from Alameda county, I really appreciate Novato's efficient and responsive Police services.

Keeping our roads in good repair is important for public safety and for overall appearance of the town.

Karen Andresen inside Novato

March 30, 2017, 8:11 PM

Click to see how I would allocate

\$500

Name not shown (/portals/137/message/semi_anonymous?title=Name+not+shown) inside Novato

March 28, 2017, 8:09 AM

Click to see how I would allocate

\$500

More speed enforcement in Hamilton area.

Involvement of Hamilton community in regards to allocation of CFD funds for landscaping and capital improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Revision Example)

Fiscal Year Ended June 30, 2018

As management of the City of Menlo Park, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the Fiscal Year (FY) ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal beginning on page ___ and the City's financial statements, which begin on page ___.

FINANCIAL HIGHLIGHTS

- The City's net position increased by \$23.50 million to a total of \$467.01 million
- Net position totals \$125.35 million for governmental and \$2.26 million for business-type funds
- The total program revenues and general revenues were \$___
- The net expenses of all governmental activities was \$_____. The net expenses of all business activities was \$_____.
- During the year, the City's governmental fund revenues exceeded expenditures by \$___million.
- The General Fund reported a net change in fund balance of \$52.49 million
- For the General Fund, actual resources were greater than the final budget by _____ and actual expenditures were \$57.58 million less than final budget.
- Total long-term debt liabilities were \$_____, which does not include the \$52.48 million debt issued by the Successor Agency for the City's former redevelopment agency.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Menlo Park's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements and required information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Menlo Park's finances, in a manner similar to a private-sector business. These government-wide financial statements can be found starting of page ___ of this report.

The *Statement of Net Position* presents financial information on all of the city's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leaves.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernment revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Government activities of the City include general government, public safety, public

works, community development, libraries, and parks and recreation. Business type activities include water and _____.

The government-wide statements include not only the City of Menlo Park itself (known as the primary government) but all legal entities for which the City is financially accountable. Accordingly, the financial information for the Successor Agency of the Las Pulgas Redevelopment Project Area and _____ (?) are included as an integral part of the City's financial statements and reported as blended component units.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements.

All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. The City's largest and most active government fund is the General Fund.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are required because the government-wide statements are prepared on the full accrual basis of accounting while the fund statements are prepared on the modified accrual basis of accounting. These reconciliations can be found on pages _____ immediately following the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.

Proprietary Funds are Enterprise and Internal Service funds.

The City uses an Enterprise Fund to account for the financing of goods and services provided to external users. The water distribution operations of the Menlo Park Municipal Water District are the only enterprise activities of the City. At the close of fiscal year 2017-18, the City's internal service funds reported a combined ending net position of \$3.23 million. This is a \$1.48 million increase from the prior year and is primarily the result of an increase in cash and investments.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. As of the close of fiscal year 2017-18, the City's internal service funds reported a combined ending net position of \$3.25 million. This is a \$1.48 million increase from the prior year and is primarily the result of an increase in Cash and investments.

The proprietary fund statements provide information for the ___ and the Internal Service funds. All of the Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds is provided in the form of combining statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside of the City. The City is the trustee, or fiduciary, for certain funds held in a trustee or agency on behalf of individuals, private organizations, other governments, and/or other funds. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these funds' assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, the report presents required supplementary information concerning the City's progress in funding its pension benefits to employees and information on the budget to actual comparisons for major funds.

The other supplementary information provides combining statements that were referred to earlier in connection with the non-major governmental funds, the non-major proprietary funds and the Internal Service funds.

The inclusion of the Statistical Section provides useful historical trend data on the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summaries of net position and of changes in net position are presented for the fiscal years ended June 30, 2018 and June 30, 2017.

Insert Chart: City of Menlo Park's Net Position (page 9 in the CAFR)

The City's assets and deferred outflows exceeded liabilities and deferred inflows by _____ million at June 30, 2018 as compared to _____ at June 30, 2017. The City's net position increased \$23.50 million in the fiscal year ended June 30, 2018. This was primarily due to an increase in the City's cash position. When comparing the City's net position between years, note that the City restated its net position as \$1.24 million higher at the beginning of the fiscal year than the end of the prior year. This one-time change is due to the implementation of Government Accounting Standards Board new requirements for financial reporting of Postemployment Benefits other than Pensions. This one-time change is explained in greater detail in Notes 1 and 22 in the Notes to Basic Financial Statements.

The largest portion of the City's net position (79.7 percent) is its investment in capital assets (i.e. land, buildings, equipment, improvements, construction in progress, and infrastructure) less any related debt used to acquire those assets that are still outstanding. Capital assets are used to provide services to residents: consequently these assets are not available for future spending. The City's net investment in its capital assets is reported net of related debt.

It should be noted that the resource needed to pay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (15.7 percent) represents resources that are subject to external restrictions on how they may be utilized. They are subject to these restrictions because _____.

The remaining balance of unrestricted net assets (4.6 percent) may be used to meet the government's ongoing obligation to residents and creditors, a decrease of \$1.37 million compared to prior year. The decrease is due to _____.

The total investment in capital assets was \$ _____.

Insert chart: City of Menlo Park's Changes in Net Position (page 10)

The City's governmental activities net position increased by \$21.24 million. Revenues increased by \$16.52 million largely due to increases in property, sales, and transient occupancy taxes as well as charges for services. Property taxes continued to experience a position year with significant growth in assessed valuations. Transient occupancy taxes increased as a result of opening more hotels, and higher occupancy and average room rates for most.

Charges for services are \$11.42 million higher driven largely by the collection of impact fees from developers. These fees are reported in the _____ statements. (MORE NARRATIVE DETAIL IS NEEDED FOR THESE FEES. ALSO SUGGEST A SEPARATE TABLE SHOWING FINANCIAL DETAILS

Expenses increased by \$6.06 million from FY 2017. The expense increases were largely due to an increase in pension expenses and staffing costs. Pension expense increased by \$1.19 million due to a significant unfunded pension liability. This expense is allocated to government activities as a percentage of payroll. Staffing costs increased due to adding ____ new full-time employees in the _____ and _____ departments. They also include cost-of-living adjustments negotiated by the City's bargaining units.

The following charts have been derived from the Statement of Activities and Changes in Net Position.

Expenses – Government Activities

Instead of a pie chart for 2018 only, suggest a bar chart that allows a comparison of 2018 and 2017 details.

Revenues -- Government Activities

Instead of a pie chart for 2018 only, suggest a bar chart that allows a comparison of 2018 and 2017 details.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Major Fund Balances – Governmental Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A key function of fund accounting is to segregate resources for transparency. Each major fund is presented separately and all non-major governmental funds are aggregated into a single other governmental fund category.

To be considered a major fund, an individual fund reports at least 10 percent of any of the following total governmental fund: 1) assets, 2) liabilities, 3) revenues, or 4) expenditures.

There are four major funds in the Governmental Funds category. The General Fund is always considered a major fund. The Housing and Transportation Funds were reclassified to Non-Major Governmental Funds as of June 30, 2018 although prior year balances are included in the table below.

The following table shows a comparison of the fund balance for Major and Non-Major Governmental Fund Balances

Insert Table: Summary of Major and Non-Major Governmental Funds (give chart a title)

Table to insert on page 13

General Fund Balance

The General Fund is the primary operating fund of the City. Most City services are accounted for in the General Fund. At the end of the current fiscal year, the General Fund's fund balance was \$37.12 million, an increase of \$3.90 million from the prior year. Of the \$37.12 million General Fund balance, \$1.40 million was categorized as "non-spendable" because _____.

In addition to the non-spendable category, the City's General Fund Reserve Policy sets aside: ("committed" fund balance) \$9.30 million for emergency contingencies, \$12.00 million to mitigate the effects of major economic uncertainties, and \$4.30 million for strategic pension funding opportunities.

The pension-related reserve is slated to grow when the General Fund achieves a net operating surplus in a given year. The current \$4.30 million reserve reflects an increase of \$1.0 million from the prior year.

As of June 30, 2018, the City's General Fund unrestricted fund balance equaled 46 percent of the fund's budget fiscal year 2018-19 expenditures, including transfers.

Below Market Rate Housing Fund Balance

Overview: The Below Market Rate Housing (BMR) Fund became a major fund for financial statement purposes starting in fiscal year 2011-12. The BMR Housing Program was established in 1987 to increase the housing supply for people who live and/or work in Menlo Park and have limited income per the limits established by San Mateo County. The program requires the provision of BMR units or in-lieu fees for certain development projects. State law requires that all BMR in-lieu fees be committed to affordable housing development within five years of collection.

During the 2017-18 fiscal year, the fund had revenue that included \$6.11 million of BMR in-lieu fees, \$0.13 million in interest on outstanding loans and interest earnings from resources held in cash and investments. The fund had expenditures of \$0.22 million for the overall administration of the BMR program and for maintenance and rehabilitation work on various properties.

At June 30, 2018, the BMR Housing Fund balance was \$24.67 million. While this amount is significant, it is not all available for use on new BMR housing projects. Included in the fund balance are assets totaling \$8.86 million held as receivables or loans provided to non-profit affordable housing developers. When deducted from the fund balance, the available balance for projects in future fiscal years is approximately \$15.81 million. It is anticipated that approximately \$6 million of the available balance will be used for a new project sponsored by Mid Pen Housing in fiscal 2018-19, however the City Council has yet to take action to formally commit the funds as of the preparation of this document.

Insert table summarizing BMR finances

Housing Fund

Note: this section needs additional details for clarity.

As Successor Agency for both housing and non-housing activities of the former redevelopment agency, the City transferred all loans of the former CDA Housing Fund to the City's own, newly established Housing Fund in 2011-12. In previous years, the CDA Housing Fund had received twenty percent of all the tax increment revenues of the former Agency to advance low- and moderate-income housing programs in the area.

Per dissolution law, all future *tax increment* revenues will go to the County, and any unencumbered funds of the former agency will be distributed to other taxing agencies once recognized obligations have been paid. Tax increment revenues are defined as _____. As an example, _____.

The current Housing Fund of \$_____ exists to account for the \$_____ in housing loans of the former Agency. Net revenues from loan payments may go back to the fund to provide further loans or to other qualifying housing programs. (LAST SENTENCE NEEDS ELABORATION. EXACTLY HOW DOES THIS WORK?)

As of June 30, 2018 the City has elected to reclassify the Housing Fund as a Non-Major Governmental Fund.

Insert table summarizing the housing fund finances

General Capital Improvement Project Fund Balance

In fiscal year 2017-18, General Capital Improvement fund expenditures were \$4.66 million and included work on major projects such as new sidewalks, downtown streetscape improvements, and improvements to City buildings.

Total fund balance increased \$0.54 million from prior fiscal year. However, revenues over expenditures were a negative \$3.23 million. To help offset the deficit, the fund received \$3.78 million of transfers in from other funds. As a result of these transfers, the ending fund balance was \$18.29 million.

The deficit in spending for this fiscal year is not cause for concern as the fund balance reflects an accumulation of various City Council approved projects that are intended to be fully funded over time.

Insert table summarizing CIP numbers

Other Governmental Funds Balances

At the end of the 2017-18 fiscal year, the total fund balance of the City's other 41 non-major governmental funds was \$40.45 million. This represents an increase of \$5.74 million when compared to prior fiscal year, with reclassification of balances for the Housing and Transportation Funds in the non-major category, discussed in more detail below. The fund balances consist of 37 special revenue funds, 2 debt service funds, and 2 capital projects funds. Within the special revenue funds, 15 fund balances increased over the course of the fiscal year, while 16 experienced a decrease and 9 had no change.

The largest fund balance increase was in the Recreation In-Lieu Fee Fund at \$2.55 million. This fund is utilized to fund capital infrastructure projects, and as such, large fluctuations in fund balance year-over-year are not uncommon as revenues can accumulate over several years to ensure adequate funding for large projects.

The largest decrease in fund balance was experienced in the Building Construction Road Impact Fee Fund with a \$1.59 million decline, attributed mostly to street resurfacing projects. Similar to the Recreation In-Lieu Fee Fund, this fund is utilized to fund capital infrastructure projects and this decrease is not uncommon.

Insert table summarizing the other Government Fund Balances & reduce narrative details

Proprietary Funds

Proprietary Funds are comprised of enterprise funds and internal service funds. The City has one enterprise operation, which is the Water Fund. The Menlo Park Municipal Water District (MPMWD) is a self-supporting enterprise in which the sale of water to customers generates the revenue needed to support the operations and capital needs of the district.

The Water Fund accounts for water supplied to the approximately 4,000 customers of the MPMWD. The net position of the fund at June 30, 2018 was \$29.79 million, an increase of \$2.26 million from the prior fiscal year. Revenue from water sales increased \$1.85 million in fiscal year 2017-18 compared to prior fiscal year; however, expenditures also increased by \$0.91 million.

Insert table summarizing the proprietary funds and trim the narrative

Internal Service Funds

The City uses internal service funds to account for four major administrative activities: Workers' Compensation Insurance, General Liability Insurance, Retiree Medical Benefits, Information Technology, and Vehicle Replacement. Separation of these programs from the General Fund allows for better tracking and allocation of the costs associated with these "overhead" activities and provides a mechanism for funding those costs in the year incurred.

The Vehicle Replacement Fund collected charges for services of \$0.86 million in fiscal year 2017-18 for the cost of anticipated vehicle replacements. As of June 30, 2018, the Fund's net position is \$2.32 million. The Workers' Compensation Insurance Fund collected charges for services in the amount of \$1.65 million and recorded expenditures of \$1.19 million. The General Liability Fund collected charges for services in the amount of \$0.68 million but had expenditures in the amount of \$0.94 million resulting in a net loss of \$0.26 million.

The Retiree Medical Benefits Fund was created in 2008-09 for the sole purpose of providing contributions to the California Employers Retiree Benefits Trust (CERBT), the funding vehicle for the City's long-term obligations under its retiree medical benefits program. \$9.2 million was sufficient to fund the accumulated liability of these benefits in fiscal year 2007-08. Going forward, the amount of the contributions are generated as a percentage-of-payroll charge, actuarially calculated to reflect full funding of the normal (annual) cost of these benefits. In fiscal year 2017-18 these costs were \$1.01 million, while charges for services were also \$1.01 million. Overall the Fund had minimal positive net income.

The information technology internal service fund is the most active of all internal services with staff to support the vast majority of technological needs of the organization. Charges for services in this fund

totaled \$2.72 million offset by expenditures of \$2.06 million in fiscal year 2017-18. As of June 30, 2018, the fund's net position is \$0.80 million.

Insert table summarizing the Internal Service Funds and trim narrative

Fiduciary Operations

Note: The below section needs additional clarity. .

Fiduciary Fund Financial Statements are presented in the Basic Financial Statements separately from the Government-Wide Financial Statements. They are presented separately because _____.

Agency Funds: Prior to 2011-12, the City's only fiduciary funds were agency funds, used to account for certain assets (e.g. _____) held on behalf of others (e.g. _____). As the City's role is purely custodial for agency-related funds, all assets reported in the agency funds are offset by a liability to the party on whose behalf they are held. Total assets of the agency funds held by the City increased from \$1.28 million to \$1.74 million, which was due largely to the increase in refundable deposits held for current development projects. These development projects include _____. SUGGEST ADDING AN INCOME STATEMENT VIA A TABLE

A new private-purpose trust fund was established in 2011-12 to account for the activities related to the dissolution of the former Community Development Agency of the City of Menlo Park. As previously discussed, the former redevelopment agency was eliminated by State law as of February 1, 2012. All assets and obligations (including long-term debt) of the former agency were transferred to the City, as Successor Agency, as of that date.

The City reports its fiduciary responsibilities for its former Successor Agency in two ways. Housing loans are reported as assets in that governmental fund. However, all other assets and liabilities are held in trust capacity in a fiduciary fund. Unlike agency funds, trust funds report an "income statement". As such, the Successor Agency Trust from 2014-15 reports its activity in the Statement of Changes in Fiduciary Net Position.

When the City's Successor Agency was dissolved, the transferred debt of \$_____exceeded the transferred assets of \$_____to end the 2011-12 fiscal year with a negative net position of \$26.84 million.

This debt was due to _____ and the assets needed to be transferred because _____.

After the initial dissolution, the City was required to dispose of more assets purchased on behalf of the former Community Development Agency. These assets included _____ and _____ and _____. Continued disposition of assets of the former community development agency led to extraordinary losses in the amount of \$17.15 million in 2012- 13 and \$7.37 million in 2013-14.

The net negative position is primarily a function of long-term liabilities (debt service) in the former redevelopment project area. As of June 30, 2018, the fund’s net position was a negative \$33.07 million, a positive improvement over the June 30, 2017 net position by \$2.80 million. This long-term debt is not added to the City’s other long-term debt totals because the debt service is paid for by future property tax revenues in the former redevelopment project area.

In practical terms, the debt is paid by _____ (how this works needs a separate paragraph such as that the debt is paid for by tax increment financing. If that’s the case, add a definition of tax increment financing.

For additional information on this trust fund, please see Notes 6 and 17 to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$372.23 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items.

The City’s investment in capital assets totaled \$10.59 million for fiscal year 2017-18. This amount is reduced by accumulated depreciation charges of \$6.77 million and net retirements of assets totaling \$0.11 million. Detailed information on the City’s capital assets can be found in Note 4 of this report.

Long-term Liabilities

The City’s total bonded debt obligations, Note 6, decreased by \$0.44 million during fiscal year 2017-18 due to the scheduled annual payment of principal balances of outstanding debt. The largest principal payment of \$0.37 million was made on the 2012 General Obligation Refunding Bonds, leaving a remaining balance for this obligation of \$7.50 million as of June 30, 2018. As of June 30, 2018, the City’s bonded debt obligations were comprised of General Obligation Bonds. The City’s two voter approved “Measure T” general obligation bonds had a balance of \$17.48 million as of June 30, 2018. Of this amount, \$7.50 million is outstanding on the 2012 General Obligation Bond refunding and \$9.98 million is outstanding on the 2009 A and 2009 B General Obligation Bonds.

All long-term debt shown on the Government-wide Financial Statements are general obligations funded by dedicated property tax revenue for the term of the debt service. These obligations are currently \$_____.

In addition, the City serves as fiduciary for debt issued by the Successor Agency of the Las Pulgas Redevelopment Project area. As of June 30, 2018, the Successor Agency Trust Fund’s outstanding debt was \$52.48 million. The County of San Mateo provides the Successor Agency Trust Fund with sufficient revenue, on an annual basis, to meet current year debt service requirements. The revenue is supplied via property taxes paid by property owners in District 1, the location of the former Las Pulgas Redevelopment. As an example, _____ (more specifics are needed)

In October 2015, the City’s Community Development Agency issued Tax Allocation Refunding Bonds in a par amount of \$60.3 million for the purpose of refunding at lower interest rates outstanding 2006 Las Pulgas Project Tax Allocation Bonds. The original bonds had been issued to finance capital projects of benefit to the Las Pulgas Community Development Project Area such as _____. With the dissolution of redevelopment agencies in 2012, this bonded debt obligation is included in Fiduciary Fund Financial Statements.

Additional information on the City’s long-term debt can be found in Note 6 of this report. As disclosed in the Notes to Basic Financial Statements, a liability has been recorded to reflect the City’s obligation to provide post-closure care of the landfill at Bedwell Bayfront Park. Although the City has established a revenue stream to fund landfill post-closure care, governmental accounting standards require the calculation and recording of the liability associated with this activity. The liability is included in the reporting of the City’s long-term debt, at an estimated \$3.80 at June 30, 2018.

Add a table that summarizes long-term debt

ECONOMIC CONDITION AND OUTLOOK

The City’s financial outlook remains sound. Property values remain high and, with a number of largescale development projects in process, the outlook for future growth in this area is strong. Being the General Fund’s largest revenue source, at 38 percent of total revenue, a healthy property tax base is essential for continued sustainability.

One ongoing threat to the property tax base is the uncertainty of what is called “excess ERAF” (educational revenue augmentation fund). San Mateo County is one of several counties in the State of California where the amount generated from the ERAF shift of local property tax exceeds the amount required to meet funding levels for local schools. As a consequence, those funds collected in excess of the requirement have traditionally been redistributed back to the taxing entities. With such a unique

circumstance, this revenue source is under scrutiny at the state level, leaving applicable local agencies to determine how to handle the uncertainty in their financial forecasts.

To be conservative, the City of Menlo Park's adopted 2018-19 budget and the accompanying 10-year forecast reflects receiving 50 percent of this revenue over the length of the forecast. This assumption reflects the likelihood that this source is likely to disappear entirely at some point in addition to the uncertainty of the timing of that disappearance. This is a highly speculative assumption that simply serves to keep the uncertainty of this significant revenue plainly visible.

On the expenditure side, the City is closely monitoring increases in employee benefit costs. One area of particular note is the City's cost for pension benefits provided by the California Public Employees' Retirement System (CalPERS). In December 2016, the CalPERS board voted to reduce its assumed rate of investment income, commonly referred to as the "discount rate", from 7.5 percent to 7.0 percent over three years beginning on July 1, 2018. As part of the City's 10-year financial forecast, costs are anticipated to increase through 2027-28 nearly doubling from current contributions.

Staff will continue to monitor the long-term budget situation and be proactive in developing plans to promote economic development in the City, and pursue grant funding for significant infrastructure improvements. Staff will also assess the City's operations and service delivery models to achieve efficiencies where possible.

While the City's financial situation is currently quite strong, the City must remain vigilant when identifying and funding priority projects, infrastructure needs, and making land use decisions. The City must also remain adaptable in its approach to funding, not precluding opportunities or discounting risks by locking itself into a rigid spending plan that is unable to incorporate new and relevant information.

REQUESTS FOR INFORMATION

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Menlo Park Administrative Services Department, 701 Laurel Street, Menlo Park, California 94025.

COMMENTS ON CAFR NOTES TO MENLO PARK CITY FINANCIAL STATEMENTS JUNE 30, 2018

Note #	Note Subject and Comments
1	Summary of Significant Accounting Policies page 47, paragraph 3 discusses the Community Development Agency (CDA) page 50 notes the City maintains fiduciary funds for CDA page 54, paragraph H indicates that the liability for unused vacation and sick-leave is only recorded after the employee retires (?)
2	Cash and Investments page 60 should include the value and industry of listed investments
3	Receivables
4	Capital Assets
5	Unearned Revenue
6	Long-Term Debt page 69, paragraph B, discusses Defeased Obligations, most confusing, why has the debt been removed from long-term debt? page 70, paragraph C, the explanation of transactions is not clear
7	Compensated Balances
8	Risk Management page 72, are the estimated liabilities for the self-insured portion of claims recorded as a liability?
9	Interfund Transactions
10	Fund Balance page 75, paragraph 4, discusses pension funding reserve of \$4,300,000, where is this discussed in note 14
11	Negative Fund Balance
12	Other Fund Disclosures
13	Encumbrances/Commitments
14	Defined Benefit Pension Plan, pages 77-88 This note provides a lot of information that is generally not helpful, a summary paragraph would be helpful and an additional disclosure on liability if leaving CalPERS
15	Other Post-Employment Benefits (OPEB) What is the liability using realistic discount rates?
16	Landfill Post-Closure Care
17	Community Development Agency of the City of Menlo Park
18	Successor Agency Trust for the Former Community Development Agency
19	Contingencies
20	Litigation
21	Joint Ventures
22	Prior Period Adjustment

MP's Budget Document Sections – with comments

Section	Comments	San Clemente – Better example
Budget Discussion (pages 14-54)	<ul style="list-style-type: none"> • Mostly narrative text • Financial charts – summary level, little detail • Difficult to make sense of the numbers 	<ul style="list-style-type: none"> • Mostly financial charts with summary and detailed information • Easy to follow • Builds trust and allows for Council oversight
Long-term debt (pages 55-56)	<ul style="list-style-type: none"> • Lacks a summary (including of Community Development Agency-related debt) • Difficult to follow 	<ul style="list-style-type: none"> • Details extremely clear • Reader knows exactly what San Clemente owes
Staffing Overview	<ul style="list-style-type: none"> • Not included • Readers have no idea as to what specific position the employees are in. 	<ul style="list-style-type: none"> • Changes summarized at beginning • Details allow a comparison over time • Contract staff included • Pension information summarized
Fiscal Policy	<ul style="list-style-type: none"> • Not included, at least not obviously 	<ul style="list-style-type: none"> • Clear summary of fiscal principles that guide this city
Department Overviews – Examples	<ul style="list-style-type: none"> • Much narrative text • Difficult to know exactly who does what in these departments 	<ul style="list-style-type: none"> • Information easy to follow • Reader has a clear sense of how the departments are organized, their focus & results accomplished
Non Departmental	<ul style="list-style-type: none"> • Raises more questions than it answers • Would be good to find out if other cities also do this 	<ul style="list-style-type: none"> • I don't see something similar in the City of San Clement's budget document

To: Menlo Park FAC Committee

From: Ronald Shepherd

Date: October 14, 2019

Subject: Pension Subcommittee Report

Shaun Maguire and I met on September 11, 2019 to discuss pensions and Mayor Mueller's request that we develop a worksheet that would enable Council Members to readily access the impact of their decisions on pension costs and the unfunded pension liability.

Shaun and I spent time reviewing documents that had been forwarded to us by Dan Jacobsen and information that I had collected. We decided to ask for a presentation by the city's actuary to corroborate our thinking and answer questions that would develop from the actuary's presentation. I made the request of staff. Their response was to wait until after the October 16 FAC meeting, during which staff would make a presentation about software they are considering purchasing that may provide information that would help us in our deliberations. I asked to review the contract between the City and the actuary and told there wasn't a contract. (I was interested in determining the services the actuary was to provide)

Information that Shaun and I discussed, previously communicated to the committee and staff, included the following related to the serious deficiency in funding the pension liability.

The June 30, 2018 audit lists the following information based on the June 30, 2017 CalPERS Report

Total Pension Liability	\$219,000,000	
Assets supporting the liability	\$164,000,000	(74.9%)
Unfunded Liability	\$55,000,000	
Discount (earning rate)	7.15%	

Review of the CalPERS Valuation Reports dated June 2019 provided the following information for the four Menlo Park accounts.

Description (\$ in 000's)	6/30/2017	6/30/2018
Normal Activity Liability (at 7% discount)	\$219,188	\$238,388
Funded	\$164,658	\$175,080
Unfunded Liability	\$54,530	\$63,297
% Funded	75.1%	73.4%
Termination Liability (at 3.25% discount)	not listed	\$194,894

Bloomberg reported (7/11/2019) that CalPERS average investment return for the last five years was 6.7%. Since the pension liability is funded at 73.8% the appropriate discount rate to be used in computing the pension liability should be 4.9% (6.7% X 73.4%)

Based on this actual information using that information to extrapolate a realistic Unfunded Pension Liability the calculation results in an estimated Unfunded Pension Liability of \$142,000,000.

You should also note that the funded percent of the total pension liability continues to decrease, meaning the unfunded portion continues to increase (the financial situation is worsening).

This “Unfunded Pension Liability” problem is not just a “Menlo Park City issue”. BARRON’S (9/30/2019) reports that in the public sector, state and local pensions have \$8.8 trillion of liabilities of which only 52% s funded.

The question is, “How do we fix it”.

Much of “the fix” needs to be coordinated with other public entities to change CalPERS regulations. As previously communicated to staff, the main immediate fix would come from allowing retirees to continue to work full-time without accruing additional retirement benefits. They are currently limited to about 900 hours a year.

The City has several options, reduce the work force, increase employee contributions for pensions, and outsource as many activities as possible. The most attractive and immediately “do able” would be the sale of the water department.

The City has made contributions to a “side fund” but the calculations as to the amount required is based upon a discount factor of 7% which, as previously discussed, severely understates the unfunded liability.

Whereas the unfunded pension liability is not an immediate threat to the financial viability of the city, if left to deteriorate over the long term it can put severe strains on resource that limit the attainment of other priorities. In extreme cases it has been cited as case of cities declaring bankruptcy, an option that has been exercised by Vallejo and San Bernardino



MEMORANDUM

Date: 1/2/2020
To: Commissioners and Committee Members
From: Nick Pegueros, Assistant City Manager
Re: 2020-21 Capital Improvement Plan (CIP) Budget Development

Happy New Year!

As with previous years, the City Manager's Office is transmitting this memorandum to advise the Commissions and Committees of the CIP budget development process for the upcoming year.

Before a discussion of the 2020 process, I want to commend our staff and dedicated volunteers comprising the Commissions and Committees for a very productive 2019. Several highlights include:

- New energy reach codes
- Transportation impact fee update
- New Nealon Park nature playground
- Parks and recreation facilities master plan
- Heritage tree ordinance update
- Green stormwater infrastructure plan adoption
- Citywide street resurfacing

And work continues on a number of projects! Staff continues to work diligently to complete the City Council's adopted priorities and work plan for 2019-20 as well as several CIP projects approved by the current city council and previous city councils. For more information on the City Council's adopted priorities and work plan, please visit menlopark.org/goalsetting.

The development of this year's CIP will differ from previous years in light of the proposal from Facebook to partner on the construction of a new Multigenerational Community Center and Library (MGCCL) in the Belle Haven neighborhood. The MGCCL proposal is an exciting opportunity to develop a state of the art facility for the community. If the City Council accepts the proposal and directs staff to move forward, staff expects that the MGCCL will require a great deal of interdepartmental collaboration in 2020. Specifically, the proposal outlines an aggressive construction schedule that results in the facility opening in July 2022.

At the City Council's January 28 meeting, staff will present a project plan for the MGCCL project plan, which outlines the resources necessary to entitle the project by June 2020 and begin construction in January 2021. Staff expects that the ambitious timeline for the MGCCL project will require adjustments to business as usual. Such adjustments are likely to include clear roles for the Planning Commission in the project's review and how City Council advisory bodies participate in the project.

Additionally, if the City Council accepts the Facebook proposal, staff anticipates that

the MGCCL project will be the highest priority for 2020 and require resources that have previously been committed to other projects. At their goal-setting session, tentatively scheduled for January 30, the City Council will consider recommendations from staff to suspend or cancel projects so that resources are available to meet deliverable deadlines for the MGCCL project.

Staff liaisons to the Commissions and Committees will include this memorandum for discussion at your next commission/committee meeting. At that time, I anticipate that there will be an update following the scheduled meetings below:

January 9 – Budget process informational workshop
5:30–7 p.m.; City Council Chambers

January 11 – Community meeting on the MGCCL
10 a.m.–Noon; Menlo Park Senior Center

January 14 – City Council meeting
5:30 p.m.; City Council Chambers
Study session: Resource capacity analysis for anticipated projects
Informational item: MGCCL proposal

January 28 – City Council meeting
7 p.m.; City Council Chambers
Regular business item: Accept the MGCCL offer

January 30 – City Council goal setting session
tentative 1–5 p.m.; City Council Chambers

You are invited to attend any of the meetings above. Again, happy New Year, thank you for your service to our community, and looking forward to a very productive 2020.

cc: City Council
Executive and Management Teams
Commission and Committee staff liaisons



FINANCE AND AUDIT COMMITTEE UPDATE TO CITY COUNCIL

Sody Tronson, FAC Chair – _____



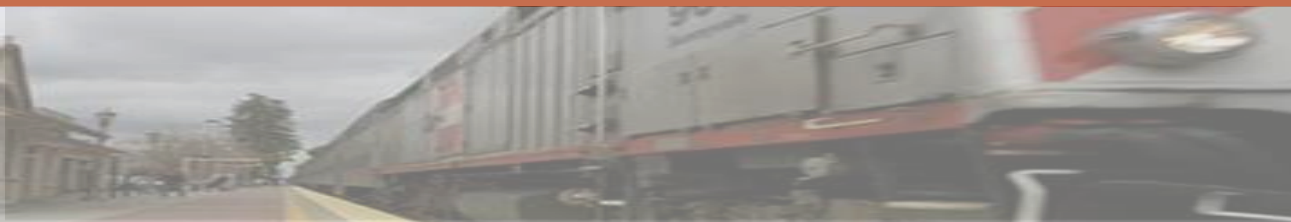
The FAC Committee ...

Is primarily charged to support delivery of timely, clear and comprehensive reporting of the City's fiscal status to the community.

Name	Role	Term Expires
Drew Combs	City Council	Dec 10, 2019
Shaun Maguire		Apr 30, 2021
Ray Mueller	City Council	Dec 10, 2019
Roger Royse		Apr 30, 2020
Ron Shepherd	Vice Chair	Apr 30, 2021
Sody Tronson	Chair	Apr 30, 2020
Brian Westcott		Apr 30, 2021

- ❑ 2019-20 Work Plan Update
- ❑ Information Portal Update
 - OpenGov
 - Pensions
- ❑ Bucket List
- ❑ General Recommendations for Future

AGENDA



2019-20 WORK PLAN FOCUS



- 1. Research and recommend a tool(s) for City Council's use in financial decision-making**
- 2. Review public financial documents/reporting, and identify opportunities to improve usefulness of information to Council and the general public**
- 3. Support delivery of easy-to-use, timely, complete, and transparent financial information**

2019-20 WORK PLAN PROJECTS



	ITEMS	OBJECTIVE	AUDIENCE	DELIVERABLE
1	Research and Recommend a Tool(s) for Council’s Use in Financial Decision-Making	To provide real-time “what if” scenario analysis to guide evidence-based decisions	Council	Report
2a	Budget in Brief	A short summary of City’s current budget	Residents	PAFR to replace?
2b	Comprehensive Annual Financial Report (CAFR)	State mandated accounting of previous fiscal calendar (backward looking)	Council	Review & Recommendations
2c	Popular Annual Financial Report (PAFR)	Optional report highlighting the budget <u>and</u> CAFR in a user-friendly format, simplifying complex data	Residents	Examples & writing & formatting help
2d	Budget	City’s annual spending plan (forward looking)	Citywide	Communication Strategy
2e	Website Dashboard (OpenGov)	Smart, online portal	Citywide	Communication Strategy
2f	Investment Reports	To provide insight to the performance of City’s investment portfolio	Citywide	Recommendations & examples
3a	Capital Improvement Plan Program Information	Helps prioritize where City’s funds are spent on large items projects & enable informed feedback	Citywide	Recommendations and FAC Support
3b	Unfunded Pension Liability Information	Assess financial risks associated with personnel cost now and into retirement to enable informed planning.	Council	Communication strategy

2019-2020 Finance and Audit Committee Work Plan

November 20, 2019 Update



Approved Projects

		% completed	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
1	Research and recommend a tool(s) for Council's use in financial decision-making	<div style="width: 10%; background-color: green;"></div>											
2	Review public documents/ reporting and identify opportunities to improve presentation (formatting) and usefulness of information to Council and the general public												
2a	2019-20 Budget in Brief	<div style="width: 10%; background-color: green;"></div>											
2b	2018-19 Comprehensive Annual Financial Report (CAFR)	<div style="width: 10%; background-color: green;"></div>											
2c	2018-19 Popular Annual Financial Report (PAFR)												
2d	2020-21 Budget	<div style="width: 10%; background-color: green;"></div>											
2e	Website dashboard												
2f	Investment reports												
3	Support delivery of easy-to-use, timely, complete and transparent												
3a	Capital Improvement Plan program												
3b	Unfunded pension liability	<div style="width: 10%; background-color: green;"></div>											

DRAFT & EXEMPLARY FOR DISCUSSION PURPOSES ONLY

WORK PLAN STATUS

OPENGOV

Flexible, scalable, interoperable smart government platform for informed decision-making

Forecast Long Term Expenditures	TBD	Capital Planning	Financial Projections	What-if Scenario Analysis	Budget Reporting	Performance Tracking	City Management & Ethics	City Infrastructure	
X	<u>Spending and Revenue</u>	Y	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>

standalone modules



Examples:

- Gov Invest (new pension management software)
- Workforce planning
- Opengov Budget builder module
- Legacy information systems 1, 2, 3...
- Legacy databases 1,2,3...



Spending and Revenue

Capitol Improvement Process

Screenshot placeholders of a few relevant OpenGov reports

Screenshot placeholders of a few relevant OpenGov reports

Screenshot placeholders of a few relevant OpenGov reports

Screenshot placeholders of a few relevant OpenGov reports

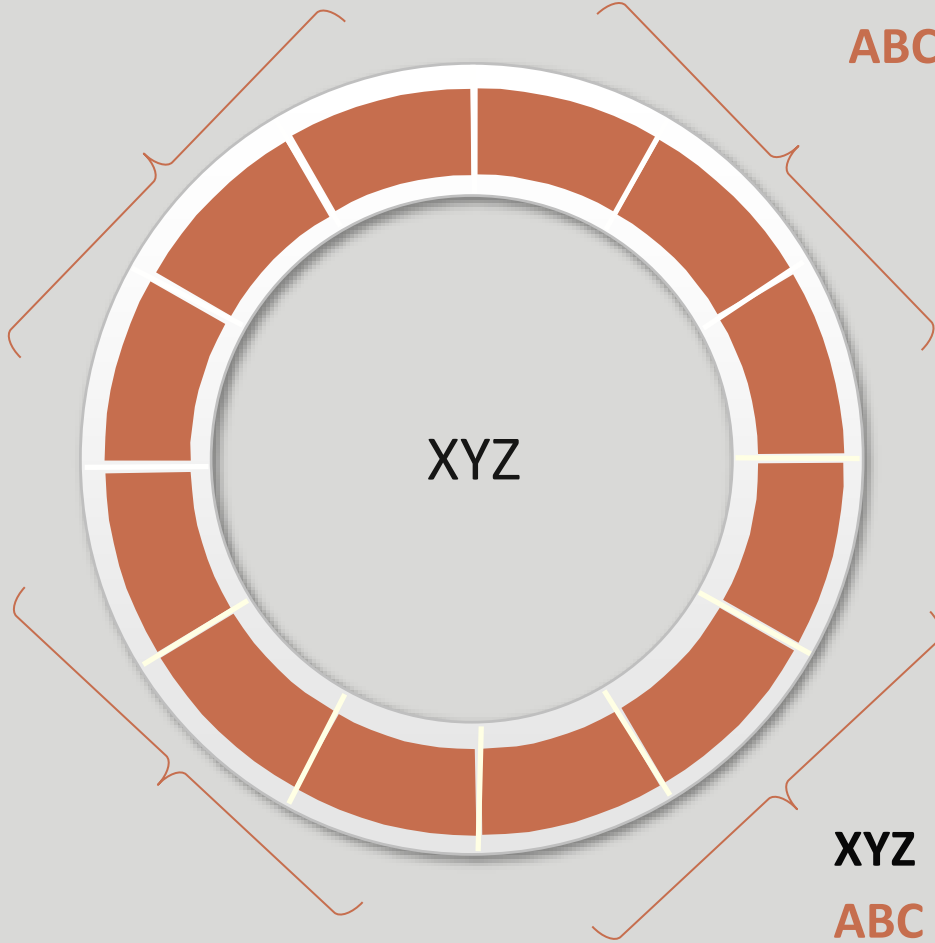
- Gov Invest (new pension management software)



standalone modules

XYZ
ABC

XYZ
ABC



XYZ
ABC

XYZ
ABC

2019-20 Dashboard Main Features Rollout

**First Format
Option**

Second Format Option



Community Budget Public Forum



GOALS	BENEFITS INCLUDE
Provide information on the budget through a variety of channels, emphasizing plain and understandable terms.	Wider range of residents and stakeholders informed about the City's finances
Train public on how to review a budget, and/or comment and ask questions	<ul style="list-style-type: none">• More informed public• Council hears from broader range of residents regarding what services and programs they most value
Promote confidence in the City's management of funds	Increased public's trust in our local government
Keep public informed about opportunities to provide input into budget decisions	General increase in civic engagement

PARKING LOT ITEMS

PARKING LOT ITEMS

Sale of Assets (Water District)
Review of Utility User's Tax Cap
Listing of parcels exempt from property taxes
Developer Agreements
Community Amenities Fund
Use of multiple investment advisors
Consultant and contractor policy review
Capital Improvement Plan Program Information
Unfunded Pension Liability Information
Ways FAC could be a resource to Staff and Council
Evolving FAC Role & Monthly Meetings
Two-Year budget Cycle
Cross indexing of documents related to same subject

As Part of Each FAC Agenda to Track Ideas/Resources for Future Use and Easy Reference.

Actual work or implementation will be subject to Council Review and Approval.

EXEMPLARYT REFERENCE MATERIALS (not an exhaustive list & not an endorsement)	LINKS/LOCATIONS
Most Recent Annual Budget	https://www.menlopark.org/855/City-budget
Comprehensive Annual Financial Report	https://www.menlopark.org/ArchiveCenter/ViewFile/Item/8885
Finance Operating Reports	https://www.menlopark.org/operatingreports
Previous FAC Meeting Agenda and Minutes	https://www.menlopark.org/319/Finance-and-Audit-Committee
Institute for Local Government – Budgeting & Financial Management portal	https://www.ca-ilg.org/budgeting-and-financial-management
Government Finance Officers Association	https://www.gfoa.org/



THANK YOU

2019-20 Finance and Audit Committee Work Plan

January 15, 2020 update

Ref #	Approved projects	Subcommittee	Notes	10 20 30 40 50 60 40 80 90 100																	
				0	% complete									100							
1	Research and recommend a tool(s) for Council's use in financial decision-making	N/A		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
2	Review public documents/reporting and identify opportunities to improve presentation (formatting) and usefulness of information to Council and the general public	N/A		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
2a	2019-20 Budget in Brief	N/A		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
2b	2018-19 Comprehensive Annual Financial Report (CAFR)	Tronson, Shepherd		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
2c	2018-19 Popular Annual Financial Report (PAFR)	N/A																			
2d	Fiscal year 2020-21 budget document	Shepherd		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
2e	Website dashboard	N/A		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
2f	Investment reports	N/A																			
3	Support delivery of easy-to-use, timely, complete and transparent financial information	N/A																			
3a	Capital Improvement Plan (CIP) program	Royse, Westcott		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
3b	Unfunded pension liability	Shepherd, Maguire		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█

Parking lot items

- Sale of assets
- Review of Utility Users' Tax cap
- Library financing
- Listing of parcels exempt from property taxes
- Developer agreements
- Community amenities fund
- Use of multiple investment advisors
- Consultant and contractor policy review

Reference documents **Location**

Fiscal year 2019-20 adopted budget	https://www.menlopark.org/ArchiveCenter/ViewFile/Item/9688
Fiscal year 2019-20 budget in brief	https://www.menlopark.org/Archive.aspx?ADID=10994
Finance operating reports	https://www.menlopark.org/1578/Operating-reports
Previous FAC meeting agendas and minutes	https://www.menlopark.org/AgendaCenter/Finance-Audit-Committee-5