

# Forecast



## TEN YEAR FORECAST - ASSUMPTIONS

### Revenue Assumptions

- 1 Major General Fund revenue sources will grow between 2 to 5% per year in the forecast term (10 years)
- 2 Interest earning rates will range from 1 to 3% in the near term and extend to 5% in the long term
- 3 No further State takeaways anticipated
- 4 Sales tax remains stable with no major retail relocations or additions taking place
- 5 Property Tax begins recovering at a normalized pace
- 6 Transient Occupancy Tax rates will remain at current levels
- 7 Storm Water Assessment District funding is assumed to be absent and costs to be absorbed into the General Fund
- 8 All recreation facilities are assumed to be available throughout the Civic Center redevelopment

### Expenditure Assumptions

- 1 No increase in full-time positions and some vacancies filled over the forecast term
- 2 City-wide salary and benefits costs to be controlled within sustainable growth rates
- 3 Substantial PERS contribution rate hikes assumed and partially mitigated by phased employee contribution rates
- 4 Increases in health care assumed along with projected mitigating factors - the impact of new legislation unknown
- 5 Impact of the newly introduced second-tier and third-tier PERS plans projected be realized in later years
- 6 Newly established CalPERS reserve utilized within a five-year term
- 7 No debt issuance is anticipated beyond existing levels
- 8 Material and service costs are assumed to increase at CPI rates
- 9 Workers' Compensation and liability costs remain relatively stable in later years
- 10 Equipment and vehicle replacement costs assumed to remain at average levels for years 2 through 5

*“The only reason for time is so that everything doesn't happen at once.”*

*Albert Einstein*



## TEN YEAR FORECAST - STRENGTHS - THREATS - OPPORTUNITIES

### Strengths

- 1 Los Altos continues a cost-containment profile
- 2 Major Revenue sources - Property Tax - Sales Tax - Hotel Tax are relatively stable
- 3 Los Altos is characterized by a high level of safety and environmental consciousness
- 4 Los Altos is home to outstanding educational institutions
- 5 City staffing levels reflect operational efficiency
- 6 Pension reform is actively being put into place
- 7 Contract outsourcing is utilized where possible to take full advantage of external skill sets and specialized expertise
- 8 Los Altos remains highly rated from a credit quality perspective
- 9 Los Altos enjoys a tremendous amount of citizen participation, support and volunteerism
- 10 Los Altos is located in the heart of a robust California center of commerce and technology
- 11 The City enjoys a tradition of strong leadership, operational and financial management, and workforce collaboration

### Threats

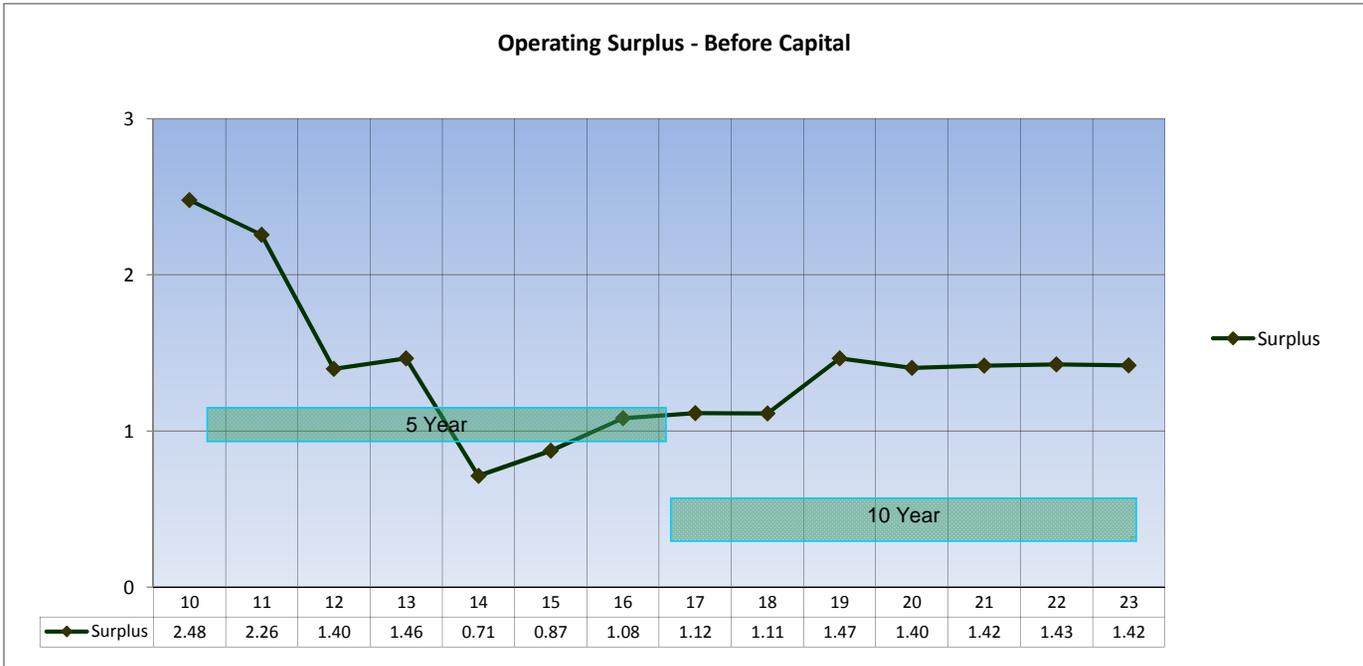
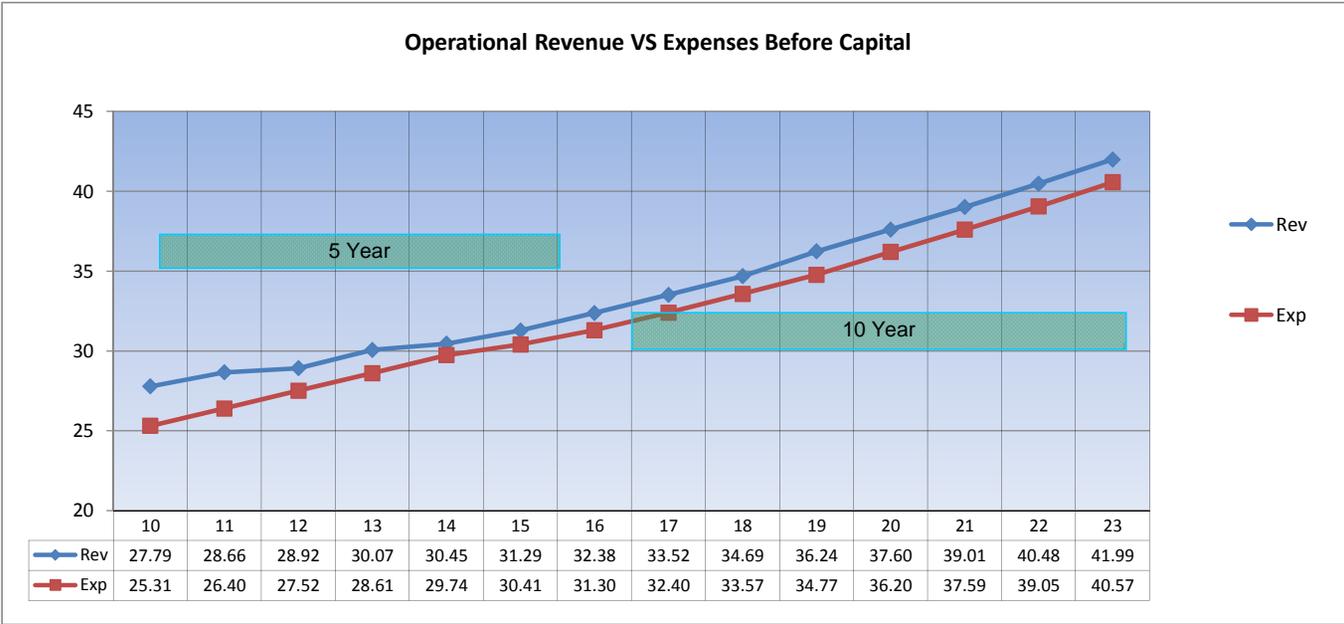
- 1 Local Government has limited influence on major income streams
- 2 The City remains susceptible to legislative revenue takeaways given budget weaknesses at the State level
- 3 Cost control, especially in the arena of labor and benefits, is a vital part of a long-term strategy
- 4 Potential increases in the cost of Fire Services is a major concern as the contract is set to expire in 2016
- 5 Reform of pension costs and models is foundational in the long-term
- 6 Developing an ongoing dedicated capital project funding source remains a challenge
- 7 Monitoring and enhancing City-wide cost recovery performance is a continuous effort
- 8 Facility maintenance and upgrading remains a substantial challenge as City facilities age and become operationally outdated
- 9 The financial model presumes normalized health care and insurance costs and equitable cost-sharing
- 10 Master-plan-identified costs such as - Storm Water - Traffic Calming - Pedestrian Systems remain to be addressed

### Opportunities

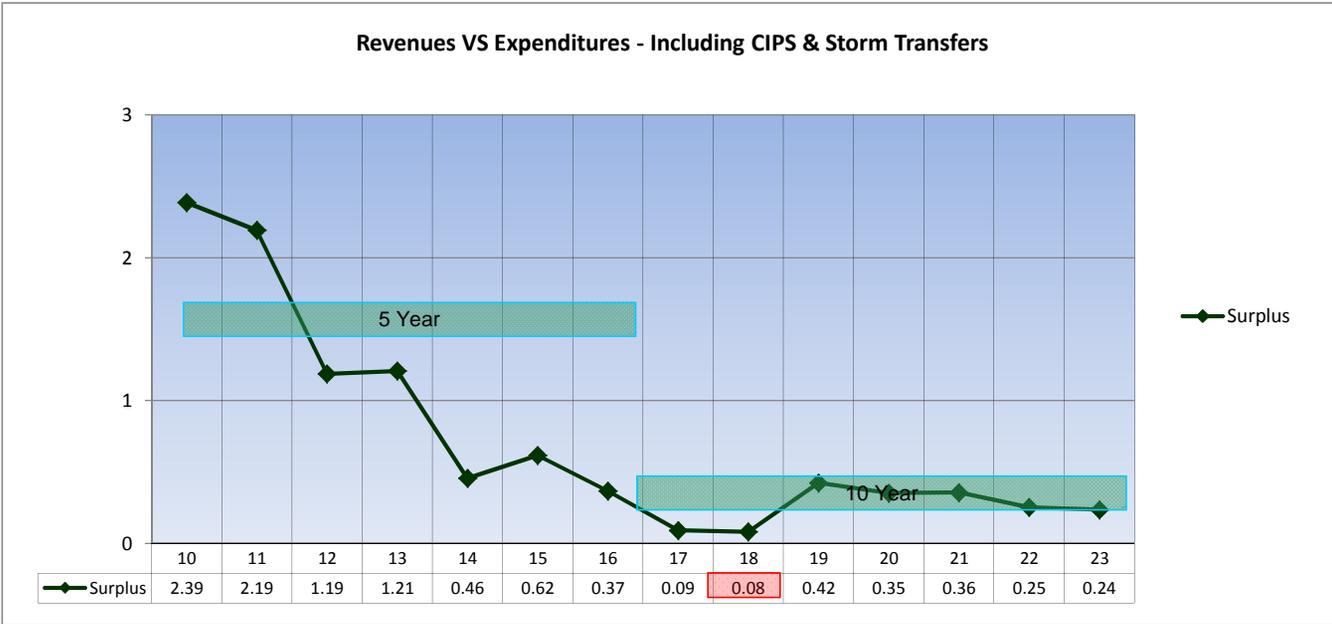
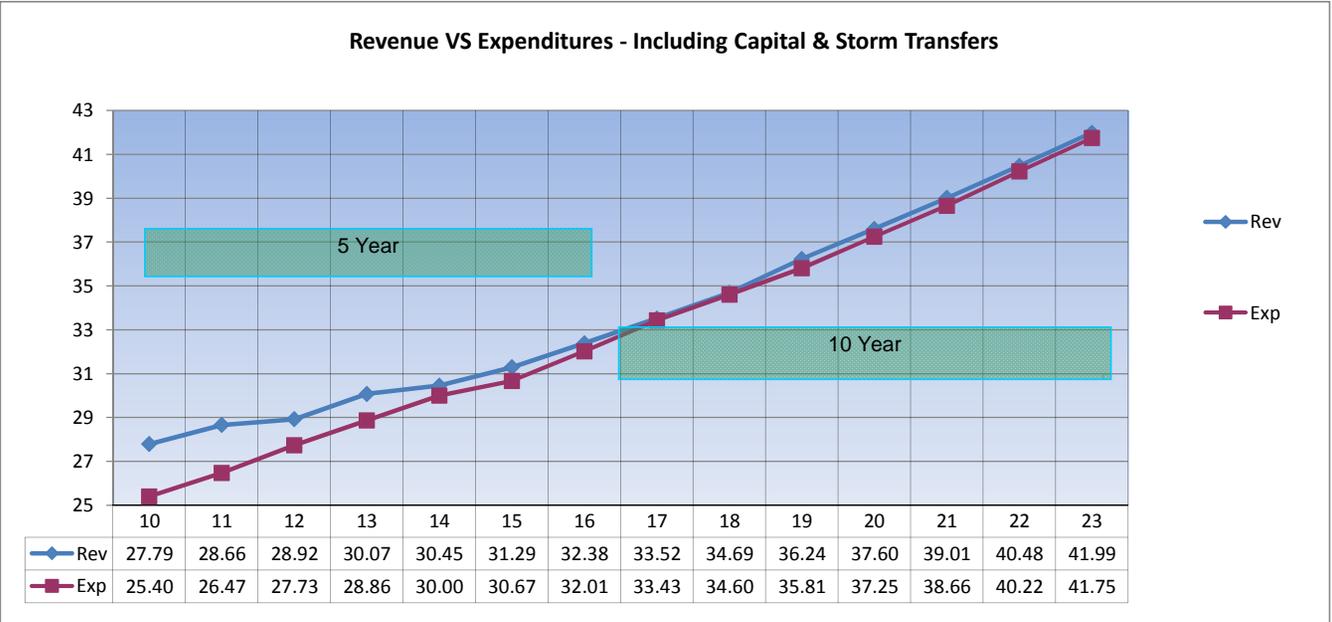
- 1 Continue to pursue cost-efficiency measures and develop sustainable levels of operation
- 2 Build upon community support for much needed facility improvement funding for safety - recreation - library - fields
- 3 Enhance technology to provide even better, faster and more accessible services
- 4 Continue in the efforts to create a vibrant downtown and integrated Civic Center
- 5 Continue economic development efforts City-wide with a focus on the City's commercial districts
- 6 Consider the viability of creating Business Improvement and/or Parking District funding and maintenance mechanisms
- 7 Pursue State or Federal grants wherever possible
- 8 Be fully responsive to consumer-driven activities through targeted marketing and facility upgrades
- 9 Study the viability of establishing a self-sustaining Storm Drain Assessment District to provide General Fund relief



# TEN YEAR FORECAST - OPERATIONAL PERFORMANCE



# TEN YEAR FORECAST - TOTAL OUTLAYS



## TEN YEAR FORECAST - RESERVES

