



DATE: May 14, 2013

AGENDA ITEM # 3

**TO:** City Council  
**FROM:** Jon Maginot, City Clerk  
**SUBJECT:** 2013/14 Commission Work Plans

**RECOMMENDATION:**

Approve the 2013/14 Commission Work Plans for:

- A. Bicycle and Pedestrian Advisory Commission
- B. Design Review Commission
- C. Environmental Commission
- D. Financial Commission
- E. Historical Commission
- F. Library Commission
- G. Parks and Recreation Commission
- H. Planning and Transportation Commission
- I. Public Arts Commission
- J. Senior Commission
- K. Youth Commission

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**SUMMARY:**

**Estimated Fiscal Impact:**

**Amount:** None

**Budgeted:** Not applicable

**Public Hearing Notice:** Not applicable

**Previous Council Consideration:** April 30, 2013

**CEQA Status:** Not applicable

**Attachments:**

1. 2013/14 proposed Commission Work Plans

## **BACKGROUND**

On April 30, 2013, the City Council met in a joint meeting with all of the City Commissions (Bicycle and Pedestrian Advisory, Design Review, Environmental, Financial, Historical, Library, Parks and Recreation, Planning and Transportation, Public Arts, Senior, Youth). At that meeting, the Commissions presented their accomplishments for the past year as well as their proposed Work Plans for the coming year.

## **DISCUSSION**

The Work Plan is the document that guides and directs each Commission's work for the year. It provides clear definitions and expectations on those tasks the Council wishes a Commission to perform. If a Commission wishes to deviate from its approved Work Plan, Council approval should be received before initiating work on a project.

## **FISCAL IMPACT**

None

## **PUBLIC CONTACT**

The 2013/14 Commission Work Plans were presented at the Joint Meeting of the City Council and all Commissions on April 30, 2013.

Posting of the meeting agenda serves as notice to the general public.



# **Bicycle and Pedestrian Advisory Commission**

**BICYCLE/PEDESTRIAN ADVISORY COMMISSION**  
**2013/14 Work Plan**

<b>Goal</b>	<b>Projects</b>	<b>Assignments</b>	<b>Target Date</b>	<b>Status</b>
School Commutes	Review criteria for suggested routes to school.	<ul style="list-style-type: none"> <li>Review criteria developed by staff and provide comments</li> <li>Suggest other pertinent criteria for suggested routes for consideration</li> </ul>	May-August 2013	
	Review process for maintaining and updating maps	<ul style="list-style-type: none"> <li>Assist and comment on procedure and process for maintaining and updating school commutes map.</li> </ul>	May-September 2013	
	Review suggested routes to school	<ul style="list-style-type: none"> <li>Provide comments and feedback on school routes that are under evaluation.</li> <li>Suggest school routes that may be more desirable to both pedestrian and bicycle users, as appropriate</li> <li>Assist staff in developing routes based on local and user knowledge</li> </ul>	June 2013-February 2014	
	Identify CIP on existing or potential routes that increase safety	<ul style="list-style-type: none"> <li>Identify projects or issues from Inventory database that are on school routes</li> </ul>	April-June 2013	
	School Commutes Study Session	<ul style="list-style-type: none"> <li>Conduct Study Session on School Commutes.</li> </ul>	August/September 2013	
Pedestrian Master Plan	Suggest projects from Project Inventory	<ul style="list-style-type: none"> <li>Identify pertinent projects from</li> </ul>	August/September 2013	

		<p>Inventory database</p> <ul style="list-style-type: none"> <li>• Provide project inventory database to consultant for review</li> </ul>		
	Support development of Pedestrian Master Plan	<ul style="list-style-type: none"> <li>• Provide staff and consultant community knowledge of pedestrian issues.</li> <li>•</li> </ul>	August/September 2013	
	Assist/Co-facilitate public meeting regarding Pedestrian Master Plan	<ul style="list-style-type: none"> <li>• Hold two study sessions, per the RFP during BPAC meetings.</li> <li>• Provide staff and consultant assistance in hosting Pedestrian Master Plan community meeting.</li> </ul>	November 2013	
Quarterly Project Inventory Review	Establish process for updating and quarterly review	<ul style="list-style-type: none"> <li>• Agendize review of project inventory database quarterly</li> </ul>	June 26, 2013, September 25, 2013, December/January 2013/14	
	Refine spreadsheet to improve quality of data	<ul style="list-style-type: none"> <li>• Identify project information that are key to record (cost, bike/ped volume, safety, etc)</li> <li>• Remove non-essential project information</li> <li>• Insert "Status" column to traffic project process</li> </ul>	June 26, 2013, September 25, 2013, December/January 2013/14	
	Continue collecting bicycle/pedestrian project data from sources that include Council, PTC, and the public	<ul style="list-style-type: none"> <li>• Add additional projects or issues as they arise.</li> </ul>	June 26, 2013, September 25, 2013, December 2013	
Community Outreach	Host energizer station for Bike to Work Day	<ul style="list-style-type: none"> <li>• Set up energizer station</li> <li>• Provide cyclists food and information</li> </ul>	May 8, 2013	

		<ul style="list-style-type: none"> <li>• Conduct cyclist count</li> </ul>		
	BPAC participation at City Events	<ul style="list-style-type: none"> <li>• On an as-needed basis BPAC may participate at City events (non-quorum).</li> </ul>	On-Going, as needed	
	Attend community and public meetings as appropriate	<ul style="list-style-type: none"> <li>• On an as-needed basis BPAC may attend community meetings or public meetings (non-quorum).</li> </ul>	As-needed	
CIP/PTC Review	CIP—Perform review of projects at 30-35% design stage where bicycle/pedestrian impacts are required	<ul style="list-style-type: none"> <li>• On an as-needed basis BPAC will review design projects and provide comments related to bicycle/pedestrian issues.</li> <li>• BPAC will keep track of the number of CIP projects reviewed per year.</li> </ul>	On-going	
	PTC—Perform review of commercial projects in planning process as requested by PTC/DRC and/or Council.	<ul style="list-style-type: none"> <li>• On an as-needed basis BPAC will review commercial projects and provide comments related to bicycle/pedestrian issues.</li> <li>• BPAC will keep track of the number of Commercial projects reviewed per year.</li> </ul>	On-going	
On-Going BPAC Activities	Participate on VTA BPAC	<ul style="list-style-type: none"> <li>• Attend Monthly VTA BPAC meetings</li> </ul>	On-going	
	Stevens Creek Trail Community Meetings (as needed)	<ul style="list-style-type: none"> <li>• Attend and participate in the Stevens Creek Trail Meetings when scheduled</li> </ul>	On-going	
	Attend PTC/Special Meetings (as needed)	<ul style="list-style-type: none"> <li>• On an as-needed basis, BPAC may convene for PTC or Special Meetings</li> </ul>	On-going	
	Neighboring City BPAC coordination/bi-annual meetings	<ul style="list-style-type: none"> <li>• When invited, BPAC representatives may attend neighboring City's BPAC meetings</li> </ul>	On-going	
	Other projects as	<ul style="list-style-type: none"> <li>• On an as-needed basis BPAC will</li> </ul>	On-going	

	directed by Staff/Council	provide staff assistance on bicycle/pedestrian related projects		
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## Design Review Commission

# DESIGN REVIEW COMMISSION

## 2013-2014 Work Plan

Goal	Projects	Assignments	Target Date	Status
Design Review Commission Functions	Development Review	As per applications	Varies	Ongoing
Education	Annual Project Tour	Review past projects for lessons learned	Undetermined	Pending
	Single-Family Design Review Guidelines	Review and consider updates	Undetermined	Pending



## Environmental Commission

**ENVIRONMENTAL COMMISSION  
FY2013/14 Work Plan**

Goal	Projects	Assignments	Target Date	Status
1. Provide approved <b>community education and outreach</b> activities to advance natural resource conservation and environmental quality in Los Altos.	Maintain updated 'Los Altos Environment' <b>website.</b> <b>(Commission coordinator: J. Reed)</b>	<ol style="list-style-type: none"> <li>1. J. Reed will advise J. Logan during the EC web site transition. Also to identify outdated information and information gaps.</li> <li>2. Z. Ardehali to revise document recommending healthy and sustainable chemicals/products used inside and outside the home.</li> <li>3. J. Eyre to write web page on fostering local birds</li> </ol>	<p>Depends on city timetable. Est. 5/30/13</p> <p>Est 6/10</p> <p>5/13</p>	
	Provide <b>public information forums</b> to the community (quarterly or triannually) <b>(Owners: Z. Ardehali, G. Hedden)</b>	<ol style="list-style-type: none"> <li>1. Z. Ardehali, G. Hedden to develop proposal for initial event. Possible topics include outreach in preparation for single use bag ban or related to CAP.</li> </ol>	5/13	
	Develop Dashboard of City's performance on key environmental measures <b>(Owner: D. Bray)</b>	<ol style="list-style-type: none"> <li>1. Identify parameters and sources of information.</li> </ol>	TBD. Depends on CAP timetable.	
2. Work with Senior Planner to	Aid in developing, reviewing, and	<ol style="list-style-type: none"> <li>1. Determine next steps after Council approves 2020 goal.</li> </ol>		

develop <b>Climate Action Plan</b> for City Los Altos.	facilitating public input to a Los Altos Climate Action Plan ( <b>Owners: D. Bray, J. Eyre, G. Hedden</b> )			
3. Improve <b>watershed stewardship</b> for the City of Los Altos	Signage on bridges over local streams. ( <b>Owners: J. Eyre, C. Keller</b> )	<ol style="list-style-type: none"> <li>1. J. Eyre and C. Keller to take photos of bridges over streams and recommend where creek signage should be placed.</li> <li>2. EC to review plans for creek signage on new Fremont Ave. bridge over Permanente Creek when design is drafted.</li> </ol>		
	Stream water quality ( <b>Owner: J. Eyre</b> )	<ol style="list-style-type: none"> <li>1. J. Logan will check with L. Lind re status of new SCVURPPP study data on water quality of local streams.</li> <li>2. D. Bray to incorporate stream quality data into Dashboard</li> <li>3. EC to review Storm Drain Master Plan when released. Will encourage plan to include labeling of storm drain inlets with signage that specifies the recipient stream. (<i>Example of possible verbage: NO DUMPING! - Only Rain Down the Drain – Flows to Adobe Creek</i>).</li> </ol>		
4. Monitor and advance <b>solid waste diversion and source</b>	Monitor MTWS <b>diversion rate</b> and look for ways to help meet and <b>exceed</b>	<ol style="list-style-type: none"> <li>1. Staff to provide suggestions for next steps. (at March EC meeting, MTWS said the three things that would make the difference 1)Exclusive MTWS debris</li> </ol>		

<b>reduction practices</b> in Los Altos.	<b>contracted 78% diversion rate in 2013. (Owner: TBD)</b>	boxes, 2) Multi-family units composting & recycling, and 3) every household should try to divert a pound more/day.)		
5. Evaluate and recommend effective programs <b>restricting use of selected environmentally-harmful products.</b>	Single use plastic bag ban	1. Ban slated for 7/4/13. EC to investigate assisting on outreach		
	Expanded polystyrene (EPS) ban	1. J. Logan to report status of staff bringing a ban recommendation to Council.		
6. Encourage green business practices in Los Altos	Look at ways to encourage greener purchasing and operational practices by Los Altos businesses. <b>(Owners: G. Hedden &amp; J. Eyre)</b>	Investigate applicability of Green Business Initiative program to Los Altos businesses.		

**Question: Are the Environmental Commission’s activities improving sustainability in our community?**



## Financial Commission

## FINANCIAL COMMISSION 2013/14 Work Plan

Goal	Projects	Assignments	Target Date	Status
Financial Reporting, Regulatory oversight and Strategic Analysis	Evaluation of the City's debt capacity in conjunction with major capital project projections	Commission Subcommittee	FY 2012/13	<b>Completed</b>
	Issuance of a new Auditor RFP and selection recommendation	Commission Subcommittee	FY 2012/13	<b>Completed</b>
	Assistance in the selection of Financial Auditors as needed every contract term date	Commission Subcommittee	FY 2012/13	<b>Completed</b>
	Taking an objective look at existing CalPERS pension benefit costs, the related long term risk, and consideration and presentation of viable options	Commission Subcommittee	FY 2013/14	In process with the establishment of a Commission subcommittee that has been active and is compiling a draft report for Commission review
	Evaluation of a establishing an OPEB Trust	To Be assigned	FY 2013/14	To be initiated
	Annual review of the City's Comprehensive annual financial report (CAFR)	Full Commission	Ongoing	FY 2011/12 completed and the new year upcoming
Policy Development, Financial Plan Input and Investment Review	Annual update of the City's Investment Policy	Full Commission	Ongoing	To be updated as part of the FY2013/15 budget
	Quarterly Investment performance review	Full Commission		Ongoing
	Annual update of the City's Financial Policies	Full Commission	Ongoing	To be updated as part of the FY2013/15 budget
	Input on the City's annual Operating Budget	Full Commission	Ongoing	FY 2013/15 budget presentations ongoing
	Input on the City's annual Capital Improvement Project Budget	Full Commission	FY 2013/14	Input Received- FY 2013/15 budget presentations ongoing



## Historical Commission

## HISTORICAL COMMISSION 2013/14 Work Plan

Goal	Projects	Assignments	Target Date	Status
Evaluate the “Steve Jobs House” at 2066 Crist Drive for addition to the Los Altos Historic Resources Inventory (HRI)	Complete historic research of property.	<ul style="list-style-type: none"> <li>Commissioner Bishop to communicate with Steve Jobs movie crew to get set photos of garage mockup and details pertaining to historic photos of garage.</li> <li>Commissioner Welsh to review documents in the Stanford archive for evidence of early Apple computers built/sold out of garage.</li> </ul>	January 2013	Completed
	Complete historic property evaluation (DPR) of property.	<ul style="list-style-type: none"> <li>Commissioner Marfatia to draft DPR form for review by the Commission.</li> </ul>	July/August 2013	Pending
	Hold public meeting to consider designating property as a Historic Resource and listing on the HRI.		Fall 2013	Pending
Administer the annual Margaret Thompson Essay Contest	Administer the essay contest and coordinate with the History Museum’s Education Committee.	<ul style="list-style-type: none"> <li>Coordinate outreach to Los Altos schools once an essay topic is established.</li> <li>Receive and Judge essay entries, and determine winners (1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>) for each grade.</li> <li>Prepare award certificates.</li> <li>Administer Ice Cream Social to recognize winners.</li> </ul>	December – May each year	Ongoing
	Prepare a manual for administering the essay contest to ensure	<ul style="list-style-type: none"> <li>Commissioner Welsh will prepare the manual and present to the Commission for review and approval.</li> </ul>	July/August 2013	Pending

	continuity and consistency for future commissioners.			
Implement the Historic Plaque Program	Work with staff to develop an outreach and funding plan	<ul style="list-style-type: none"> <li>A Commission subcommittee (Chapman, Mabe and Ahmadjian-Baer) will evaluate plans for publicity and outreach and report back to the Commission on recommendations.</li> </ul>	July/August 2013	Pending
Administer the annual Historic Preservation Award	Review nominations, hear testimony and hold vote to determine the award recipient.		April each year	Ongoing
Maintain the City's Certified Local Government (CLG) status	Review and approve the annual CLG report that is submitted to the State Office of Historic Preservation.		January each year	Ongoing
	Seek historic education and training opportunities, with a focus on the local community activities and educational opportunities.			Ongoing
Foster Partnership with Los Altos History Museum	Hold an annual joint meeting with the Museum Board of Directors			Ongoing
	Seek opportunities to partner with the Museum on historic education and outreach			Ongoing

	activities			
Develop a Commission Calendar	Work with staff to develop a calendar with reoccurring Commission deadlines and events		June/July 2013	Pending



## Library Commission

## LIBRARY COMMISSION 2013/14 Work Plan

Goal	Projects	Assignments	Target Date	Status
<b>1. Increase awareness of the Santa Clara County Library District vision and services to Los Altos and Los Altos Hills residents and city councils.</b>	Inform City Councils about library services, issues, events, etc.	Create a series of 2-3 minute library-related highlights which can be presented at City Council meetings. Topics can include: Library overview (use new District 2-minute video); technology tools available at the libraries; special collections including the Whipple Collection and the Planetree Health Library; upcoming parcel tax election, Friends of the Library contributions (financial and other), etc. Goal: present at least 8 highlights during 2013-2014	To be completed by December 2013 with sub-sections completed throughout the year.	April 2013: Assigned to Commissioners Poulos and Davis.
	Identify, attend, and present library services to attendees at special events and with civic and local organizations and groups.	<ol style="list-style-type: none"> <li>1. Identify civic, student, educational, volunteer, etc. groups to meet and reach out to their membership or circle of influence, connecting with residents who do not have library cards or have not used their cards within the last two years. Emphasize, when relevant, clusters of residents identified as “Borrowers,” “Free Agents,” “Kids’ Sake,” and “Those Who Read Together” as defined by the Orange Report.</li> <li>2. Rank organizations and make initial contact with the top 3, scheduling a</li> </ol>	To be completed by December 2013	April 2013: Assigned to Commissioners Hill and Perga, assisted by Jane Cronkite.

		short presentation/introduction to the three groups		
<b>2. Increase Library membership</b>	Create a campaign to introduce library resources and services to schools in our area	<ol style="list-style-type: none"> <li>1. Create a plan to meet with students and teachers that involves at least one participant activity (storytelling, book-making, Authors Day, etc.</li> <li>2. Pilot plan with at least one school</li> <li>3. Evaluate pilot to determine next steps</li> </ol>	To be completed by February 2014	April 2013: Assigned to Commissioners Cavanagh Clarke and Davis, assisted by Jane Cronkite.
<b>3. Work to ensure that the Library's policies, facilities and resources meet the needs of the community</b>	Stay informed about library issues through membership in and interaction with relevant groups and attendance at events such as the Annual Commissioners and Friends Forum, CPLA workshops and meetings with other County Library Commissioners.	<ul style="list-style-type: none"> <li>- Update Santa Clara County Library District calendar of Commission meetings</li> <li>- Majority of Commissioners attend at least one other library commission meeting within our District</li> </ul>	<p>To be completed March 2013</p> <p>To be completed February 2014</p>	Completed March 2013 (Commissioner Hill)
	Monitor the progress of the City Master Plan and/or any other planning process that would impact the library and/or Friends of the Library and provide insights and comments as appropriate to City Council.	Accept reports and updates from the Friends of the Library	Ongoing	All

	Monitor the changes of interior library signage.		Ongoing	Judie Suelze
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## **Parks and Recreation Commission**

**PARKS & RECREATION COMMISSION**  
**2013/14 DRAFT Work Plan**

<b>Goal</b>	<b>Projects</b>	<b>Assignments</b>	<b>Target Date</b>	<b>Status</b>
Promote and improve recreational planning and programming	Conduct online resident survey of recreation programs	Final stage: present report to City Council (Parmar/Baron)	May 2013	<b>Scheduled</b>
Develop and maintain mechanisms to encourage on-going community feedback on parks and recreation	Serve as “Friends of Parks”	Visit parks and be response to the public-advise staff accordingly (All Commissioners)	Ongoing	
	Collaborate with other stakeholders in the area of parks and recreation	When needed: <ul style="list-style-type: none"> <li>• Hold a joint meeting with the Youth Commission</li> <li>• Hold a joint meeting with the Los Altos Hills Recreation Committee</li> <li>• Hold a joint meeting with the Senior Commission</li> </ul>	When needed	
	Support and conduct PARC outreach at City events and activities	<ul style="list-style-type: none"> <li>• Attend two Recreation Special Events per year (each Commissioner)</li> <li>• Strive for PARC representation at all events (all Commissioners)</li> </ul>	Ongoing	
	Explore new and innovation mechanisms for community feedback to PARC	Define new mechanisms that would improve the ability of citizens to provide comments and concerns (Beggs)	October 2013	
Advance the quality of parks and facilities	Make CIP recommendations to	<ul style="list-style-type: none"> <li>• Suggestions to City Council on prioritization of the Five Year CIP</li> </ul>	April 2013	<b>Completed</b>

	City Council	Plan <ul style="list-style-type: none"> <li>• Identify two to three projects to address from the Parks Plan for FY 2013/2014</li> <li>• Form subcommittees to work on projects</li> </ul>	May 2013	<b>Scheduled</b>
			May 2013	<b>Scheduled</b>
	Consider Community Plaza	Provide input on the Community Plaza as directed by Council	When needed	
	Augment Hetch Hetchy landscaping	Evaluate landscaping condition along the Hetch Hetchy Right of Way and suggest augmentation for refreshing aged/missing plants etc. (Tooley)	September 2013	
	Respond to Redwood Grove developments	<ul style="list-style-type: none"> <li>• Respond as directed by City Council to developments in the Redwood Grove Plan</li> <li>• Obtain update from Acterra regarding ongoing work at Redwood Grove</li> </ul>	When needed  April 2013	<b>Completed</b>
Other Projects as needed or directed				



## Planning and Transportation Commission

# PLANNING AND TRANSPORTATION COMMISSION

## 2013-2014 Work Plan

Goal	Projects	Assignments	Target Date	Status
Legislative/Municipal Functions	Annual Capital Improvement Plan Review for General Plan Conformance	As per City Council	April 2013	Reviewed
	Development Review	As per applications	Varies	Ongoing
	Annual Project Tour	Review past projects for lessons learned	Undetermined	Pending
Advisory Transportation Issues	Traffic Report Analysis	Review best practices, outline appropriate details for further analysis, industry standards versus small town with cut-through traffic standards: what tools are available and best for our context	Undetermined	Pending
Advisory Traffic Calming and Traffic Enforcement Activities				
Advisory Traffic-related Capital Improvement Projects				



## Public Arts Commission

**PUBLIC ARTS COMMISSION**  
**2013/14 Work Plan**

<b>Goal</b>	<b>Projects</b>	<b>Assignments</b>	<b>Target Date</b>	<b>Status</b>
SF MOMA Exhibit	School outreach and activities for school-age children	Commissioners MCBIRNEY and RINI	End March 2014	
	Los Altos Art brochure and activities	Commissioners ROBINSON and ZUCKER	End March 2014	
	Activities based at Los Altos Library	Commissioner CHAPMAN	End March 2014	
	Local artist exhibit (potentially at LA History Museum)	Commissioners ELLICKSON and IVERSON	End March 2014	
	Provide support to SF MOMA as requested		End March 2014	
Arts Master Plan	Work with staff to develop a CIP to hire a consultant	Commissioner MCBIRNEY	May 2013	
	Explore National Endowment for the Arts grant opportunities		August 2013	
	Work with staff to develop and release Request for Proposals			
Artistic Bike Racks	Work with staff to develop an Artistic Bike Rack Policy			

	Explore City installation of artistic bike racks			
Outdoor Sculpture Program	Issue a Call for Sculptures			
	Monitor and recommend actions for loaned sculptures		Ongoing	
	Monitor permanent sculptures for maintenance needs		Ongoing	
	Acquire plaques for all sculptures			
Other forms of art	Research murals, mosaics, gateways, street/sidewalk art, digital art, etc. for placement within the City			
Community Outreach	Develop bike, walking and auto tours of Public Art			
	Develop QR codes for Outdoor Sculptures			
	Develop Map/Brochure of Public Art			
Ongoing activities	Monitor and maintain website		Ongoing	
	Other duties as assigned by Council		As needed	



## Senior Commission

## SENIOR COMMISSION 2013/14 Work Plan

Goal	Projects	Assignments	Target Date	Status
<b>Transportation</b>	Create a Los Altos/Los Altos Hills Senior focused alternative transportation resource flyer for distribution and publication in the Senior Commission Resource Guide	<ul style="list-style-type: none"> <li>• TIEMANN, PELHAM Research senior focused alternative transportation opportunities in Los Altos/Los Altos Hills</li> <li>• TIEMANN, PELHAM Report information to Senior Commission</li> <li>• TIEMANN, PELHAM Create draft alternative transportation flyer</li> <li>• STAFF review draft flyer and add logo's and contact information</li> <li>• TIEMANN, PELHAM Distribute throughout the community</li> </ul>	November, 2013	
	Collaborate with Los Altos Rotary Partners in Elder Generation Committee regarding Senior Transportation ideas	<ul style="list-style-type: none"> <li>• PELHAM, TIEMANN Attend monthly Partners in Elder Generation meetings</li> </ul>	Through February 2014	
	Advocate for existing alternative transportation	<ul style="list-style-type: none"> <li>• SMITH, SUMMIT Help with volunteer recruitment for alternative transportation agencies</li> </ul>	November, 2013	

	Research taxi subsidization for senior patrons	<ul style="list-style-type: none"> <li>• SMITH, SUMMIT Speak with last year's commissioners who researched which taxi companies hold business licenses in the City of Los Altos.</li> </ul>	November 2013	
<b>Refresh/modernize Senior Center</b>	Submit recommendations for CIP for Senior Center modernization	<ul style="list-style-type: none"> <li>• SEDDIQUI, MATHUR, create Committee to review Senior Center CIP and make recommendations</li> <li>• Participate in Senior Center CIP process</li> </ul>	August 2013	
<b>Collaborate with Staff on a variety of educational programs</b>	Identify a subject, date, time and location for educational programs	<ul style="list-style-type: none"> <li>• JENNEY, PELHAM work with Senior Center staff to host educational programs</li> </ul>	February 2014	
<b>Senior Focused Emergency Preparedness</b>	Collaborate with Los Altos Community Foundation, LA Prepares Committee	<ul style="list-style-type: none"> <li>• JENNEY, PELHAM, MATHUR attend LA Prepares Committee meetings.</li> </ul>	February 2014	
	Collaborate with Town of Los Altos Hills Senior Emergency Preparedness Registry	<ul style="list-style-type: none"> <li>• SUMMIT, attend meetings and report back to Commission as necessary</li> </ul>	February 2014	
	USB Stick Emergency Preparedness File Project	<ul style="list-style-type: none"> <li>• PELHAM, connect with Eagle Scout to support project</li> <li>• PELHAM, research existing models of Emergency Preparedness USB Stick files projects</li> <li>• PELHAM, report project back to Commission</li> </ul>	August 2013	

<b>Continue to update Senior Resource Manual.</b>	Update Senior Resource Manual annually or as needed	<ul style="list-style-type: none"> <li>• PELHAM, implement program</li> <li>• SEDDIQUI, SMITH, review and update all service provider information</li> <li>• SEDDIQUI, SMITH, add or subtract service providers as necessary</li> <li>• SEDDIQUI, SMITH, print any updates to the Senior Resource Manuals</li> <li>• SEDDIQUI, SMITH, update resource books in all locations (Senior Center, Los Altos City Hall, Town of Los Altos Hills Recreation and Chamber of Commerce)</li> <li>• SEDDIQUI, SMITH, review and add or subtract Senior Resource Manual locations</li> </ul>	December 2013	
	Solicit feedback from users	<ul style="list-style-type: none"> <li>• SEDDIQUI, SMITH review user suggestions</li> <li>• SEDDIQUI, SMITH implement user suggestions as necessary</li> </ul>	December 2013	
	Update Chamber of Commerce annual brochure	<ul style="list-style-type: none"> <li>• JENNEY, contact Chamber of Commerce to see if a Senior Resource page is available again</li> <li>• JENNEY, STAFF, review resources for publishing in</li> </ul>	December 2012	

		<p>Chamber of Commerce brochure</p> <ul style="list-style-type: none"> <li>• JENNEY, submit resources for brochure</li> </ul>		
<p><b>Explore research and program development grants and contracts aimed at helping older individuals</b></p>	<p>Research grant opportunities</p>	<ul style="list-style-type: none"> <li>• PELHAM, review grant publications for Age-Friendly Grant opportunities</li> <li>• PELHAM, share findings with Commission and Staff</li> </ul>	<p>February 2014</p>	
<p><b>After-dark downtown grid lighting surveys.</b></p>	<p>Implement walking survey</p>	<ul style="list-style-type: none"> <li>• TIEMANN, PELHAM, JENNEY, conduct downtown square walking survey</li> <li>• Share walking survey and Senior Commission recommendations with Jim Gustafson</li> </ul>	<p>June 2013 and November 2013</p>	
<p><b>Identify and/or coordinate common senior initiatives with other agencies that involve senior initiatives (that come within the scope of duties or purposes of the Senior Commission.</b></p>	<p>Senior Commissioners will attend any meeting of organizations/commissions/committees as invited and/or appropriate and bring that information back to the Senior Commission</p>	<ul style="list-style-type: none"> <li>• ALL, Review Agendas and Minutes of those organizations that meet Goal 9. If a Senior issue is on the Agenda or Minutes, the assigned Commissioner(s) will attend relevant meetings and report back to the Commission</li> <li>• Review organizations that support Seniors in the City of Los Altos/Town of Los Altos Hills and assign Commissioners to other organizations that may have come up</li> </ul>	<p>February 2014</p>	



## Youth Commission

		<ul style="list-style-type: none"> <li>• Annually review and assign or reassign commissioners to various groups as deemed necessary</li> </ul>		
<b>Have up to eight \$200.00 scholarships per year in Los Altos utilized</b>	Host eight \$200.00 scholarships annually	<ul style="list-style-type: none"> <li>• STAFF, publicize scholarship</li> <li>• STAFF, oversee scholarship distribution and analysis</li> </ul>	February 2014	
<b>Document Age-Friendly Community Events for future reporting</b>	Maintain a hard and soft copy record of all Age-Friendly Community Events	<ul style="list-style-type: none"> <li>• SMITH, organize and maintain a record of all Age-Friendly Community Events.</li> <li>• SMITH, compile Commission history.</li> </ul>	February 2014	
<b>Information Officer</b>	Advertise Senior Commission programming/events	<ul style="list-style-type: none"> <li>• TIEMANN, maintain/update community boards with Senior Commission appropriate flyers</li> <li>• SEDDIQUI, JENNEY, create press releases for staff review when advertising programming</li> <li>• SEDDIQUI, disseminate press releases as agreeable to staff</li> </ul>	February 2014	

## YOUTH COMMISSION 2013/14 Work Plan

Goal	Projects	Assignments	Target Date	Status
Continue to network with local Youth Commissions	Collaborate with local youth focused organizations	Hold a joint meeting with Los Altos Hills Commission	Fall 2013	Begin planning August 2013
		Hold a joint meeting with Mountain View Committee	Fall 2013	
		Attend and help plan the Yac Attack Youth Conference	March 2017	
Increase teen participation in City of Los Altos teen programs	LAYC Dances	Promote monthly dances, pick new themes and help recreation staff sell dance tickets.	September 2013- June 2014	In progress
	Underground	Publicize Underground as meeting location for local teen groups.	June 2013- May 2014	In progress
	Two new programs	Increase publicity through Youth Commissioners of existing programs	September 2013- June 2014	Begin planning August 2013
Participate in City of Los Altos Specials Events	New Years Day Fun Run	Support recreation staff for day of task.	January 2014	Scheduled
	Egg Hunt	Organize games and activities during event	April 2014	Scheduled
	Halloween Window Painting Contest	Serve as judges for contest	October 2013	Scheduled
Award Teen Friendly Business		Give award away bi-annually Fall 2013 and Spring 2014. Set criteria, evaluate candidates, and present award to winning business.		Scheduled



DATE: July 9, 2013

AGENDA ITEM # \_\_\_\_\_

## AGENDA REPORT

**TO:** City Council

**FROM:** Russell J. Morreale, Finance Director

**SUBJECT:** Financial and Investment Policy Adoption Fiscal Year 2013/14

### RECOMMENDATION:

Adopt updated FY 2013/14 Financial and Investment Policies as recommended by the Financial Commission

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### SUMMARY:

#### Estimated Fiscal Impact:

**Amount:** None

**Budgeted:** N/A

**Public Hearing Notice:** Not applicable

**Previous Council Consideration:** June 26, 2012

**CEQA Status:** Not applicable

### Attachments:

1. City of Los Altos Investment Policy (Track Changes Draft)
2. City of Los Altos Financial Policy (Track Changes Draft)

## **BACKGROUND**

Two key documents that set overarching fiscal guidelines for the City are the Financial and Investment Policies. These documents are important in setting standards of operation with a focus on several key areas including:

- Budget and financial reporting
- Audit services
- Levels of budget authority
- Fund classifications and definitions
- Debt management
- Investment standards
- Allowable investments and oversight

## **DISCUSSION**

Both the Financial and Investment Policies require annual review and adoption with oversight specifically provided by the Financial Commission. The adoption of these policies closely coincides with the adoption of the Operating Budget and Capital Improvement Program.

The draft updates of the Financial and Investment Policies are attached to this report. Items of note related to these drafts include:

### **Overall Comments**

- Both Policies have remained generally unchanged and were updated for purposes of clarification and to conform with the FY 2013/14 Operating Budget recommendations
- The front-cover picture of both policies has been modified to reflect a financial theme
- All changes are displayed in the attachments using color-coded “track changes” making it clear what has been modified from the prior adopted version
- Changes are relatively minor and intended to clarify the guidelines and assist the documents overall readability

### **Investment Policy**

- No substantive changes were proposed beyond language edits or clarifications noted in track changes.

### **Financial Policy**

- The most substantive change can be found on pages 3,4 and 10:

- Page 3 – As an added measure of transparency requires the periodic reporting on inter-departmental transfers to Council on an annual basis – at mid-year or at fiscal-year end.
- Page 4 – formalizes the need to periodically update sewer fees through the development of a formal fee/rate study as was just done this past fiscal year
- Page 5 – makes reference to the need to periodically identify any new fees as they are periodically updated
- Page 10 -The reserve policy for the Sewer Fund is now formalized at 25% in accordance with the Sewer Master plan adoption this past year
- All other changes are clerical in nature

Both policies were reviewed and approved for recommendation to Council at the Financial Commission meeting of May 20, 2013. The Investment Policy was also reviewed by the City's contract investment portfolio advisors in this process.

### **FISCAL IMPACT**

There is no direct fiscal impact that accompanies the adoption of the Financial and Investment Policies although they do formalize the guiding principles for the City's fiscal practices.

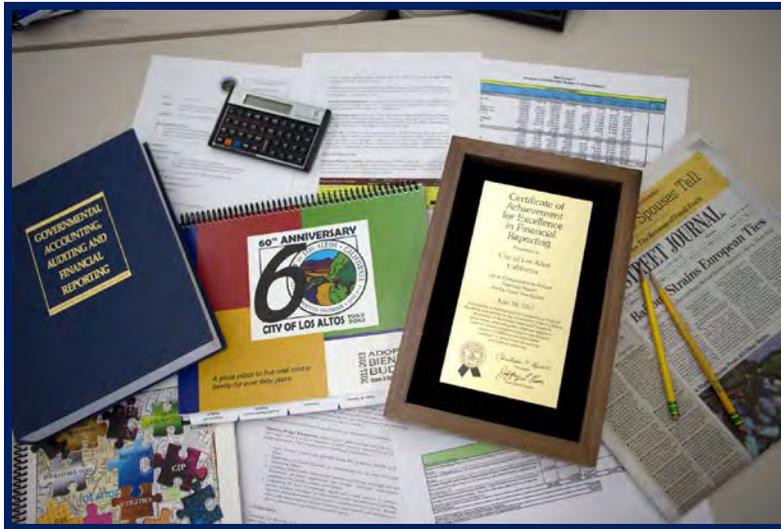
### **PUBLIC CONTACT**

A public meeting with the Financial Commission on this topic was held on May 20, 2013.

### **ALTERNATIVES**

1. Defer adoption and request additional information from staff and/or the Financial Commission
2. Direct staff to submit identified substantive changes to the Financial Commission for consideration

Attachment 1  
City of Los Altos Financial Policy  
(Track Changes Draft)



# CITY OF LOS ALTOS FINANCIAL POLICY

~~JUNE 2012~~ FY 2013/14

## **OVERVIEW**

This document establishes policies of overall financial management, budget development, and fiscal administration for the City of Los Altos. Included herein are statements and principles designed to guide the City in maintaining its financial stability.

Formal adopted financial policies assist elected officials and staff in the development of fiscal management practices, save time and energy in making financial decisions, promote public confidence, and provide continuity over time. While these policies will be updated periodically, they provide the basic framework for many of the financial decisions that the City will address. They support long-term planning and enhance the City's effectiveness.

This document discusses the most important elements of financial management in one comprehensive centralized format and is organized into the following areas of discussion:

- General Financial Principles
- Operating Budget
- Capital Improvements Program
- Revenues
- Expenditures
- Cash Management
- Debt Management
- Fund Balances
- Financial Reporting
- Annual Review and Update
- Exhibits

## **GENERAL FINANCIAL PRINCIPLES**

It is the overall policy of the City of Los Altos to:

- Provide financial information in a relevant, thorough, timely fashion, and in a format that effectively communicates financial status to Council, citizens, and City employees.
- Manage its financial resources in a responsible and planned manner.
- Establish and maintain prudent fund balance levels.
- Maintain financial reporting in compliance with current governmental accounting standards.
- Promote and implement a relevant and strong system of internal financial controls to manage significant risks and monitor the reliability and integrity of financial and

operating reporting.

- Promote constructive and proactive financial decision making.
- Integrate long-term operating and capital resources planning.
- Allow for uncertainties and maintain a posture of financial flexibility.
- Develop programs in a manner that supports the City's long-term ability to cover costs and provide the level and quality of service required by its citizens.
- Manage debt responsibly.
- Establish and maintain investment policies in accordance with State law.

## **OPERATING BUDGET**

- The budget will be adopted by the City Council no later than June 30th of each year.
- The City Manager may develop and present a biennial budget.
- The City should strive to develop a multi-year financial plan (a five-year forecast) that is updated as part of the periodic budget process.
- A balanced provisional operating budget will be presented to City Council for review and adoption with total projected expenditures not exceeding total estimated revenues. Should it be necessary, City Council may approve a planned use of accumulated fund balances in prior years for inclusion in the budget.
- Funds may not be expended for a new fiscal year until the budget for that fiscal year has been adopted by City Council.
- One-time revenue sources are not to be relied upon to fund ongoing operations.
- Budgetary control is maintained at the fund level:
  - The City Manager may make budget transfers between departments or programs as long as those changes do not increase overall appropriations within any one given fund. Transfers between funds, overall increases in fund appropriations, and overall increases in project budgets can only be made through City Council action. **Transfers between departments should be reported to the City Council as part of the budget update process, either at mid-year or at the proposal of a new budget term**
  - Department heads are held directly responsible and accountable for developing and managing their operational budgets. Their level of control is held at the department level. Departments that operate programs among different funds are limited to the appropriation levels within any one fund.
- Operating expenditure appropriations not spent during the fiscal year lapse at year-end, except for:
  - Encumbrances or commitments, as in the form of finalized Purchase Orders, made during the fiscal year that have not been completed at year-end.

- Appropriations for capital improvement projects and ongoing grants with a life-cycle beyond one year.
- Governmental funds use the modified accrual basis of accounting while proprietary and fiduciary fund types are budgeted on a full accrual basis of accounting. The Comprehensive Annual Financial Report (CAFR) presents City's finances on a generally accepted accounting principles (GAAP) basis and the City's budget is prepared in conformance with these standards.
- The City budget must comply with the annual determination of the City's appropriations limit calculated in accordance with Article XIII B of the Constitution of the State of California and adopt an annual resolution to this effect.

## **CAPITAL IMPROVEMENTS PROGRAM**

- The City will develop and maintain a five-year capital improvement project plan (CIP) to be updated annually in conjunction with the operating budget. The CIP should reflect the current and changing needs of the community as well as enhance the quality of the community's quality of life.
- All projects within the CIP are to be tracked systematically and reported to management **on a quarterly-basis**. CIP tracking reports should clearly display budget-to-actual performance by project, fund category and project status.
- Capital improvements that specifically benefit a select group of users and/or are fee-for-service based are to be financed through user fees, service charges, special assessments and taxes, or development impact fees.
- Capital improvements that specifically benefit a fee-for-service enterprise operation (such as Sewer) are to be financed through the service fees generated within that operation and fund. **Such fees should be supported by periodic updates to the related utility master plan.**
- Transfers of resources into the CIP fund will be evaluated on an annual basis dependent upon the existence of available surplus dollars.
- The City should strive to maximize the use of capital grants and state subventions in funding capital improvements before tapping general revenue sources.

## **REVENUES**

- The City will strive to maintain a diversified and stable revenue base to minimize the impact of economic fluctuation.
- The City will seek out, apply for, and effectively administer federal, state, and other grants that address the City's current operating and capital priorities.
- Independent user-fee studies should be performed and updated periodically (three to five years) to ensure the proper balance of costs and service charges. The City should strive to cover the full cost of providing non-tax and discretionary fee-based service operations except to the extent that City Council approves defined subsidy levels by program area.

- Operating departments are to review public services to identify and determine those appropriate for fee collection. Recommendations for new fees are to be presented to the City Council **as fees are periodically updated at least annually.**
- Operating departments are to review existing fees periodically and recommend adjustments, if necessary, to ensure they reflect all direct and reasonable indirect costs of providing such services.
- Enterprise operations will be self-supporting and shall reimburse the General Fund for any and all material and services provided on their behalf.

## **EXPENDITURES**

- Expenditures are to be budgeted and controlled so as to not exceed estimated revenues plus the approved and planned use of fund balances accumulated in prior years.
- The City will conduct a mid-year financial status review **annually** to determine if projected revenues and expenditures meet **the** target levels. If an operating deficit is projected at year-end, the City should evaluate the need for immediate corrective and/or mitigating actions, including operating or capital expenditure reductions and/or activate the use of established contingency balances. The deferral of **essential/necessary** and scheduled operational expenditures into the following fiscal year or the use of short-term loans and transfers to balance the budget should be avoided.
- The City should implement a formal purchasing system, principles, and guidelines to ensure that expenditure levels are kept in check in the course of any fiscal year.

## **CASH MANAGEMENT**

- The Financial Commission will review the City's investment policy annually and make recommendations to the City Council when appropriate.
- The responsibility of investing City funds rests with the Finance Director who is to exercise due diligence to adhere to the investment policy. The Finance Director will present to the City Council quarterly investment reports presenting a summary of the portfolio status and compliance with the conditions set forth in the investment policy.

## **DEBT MANAGEMENT**

- The City should plan the use of debt in a manner that sustains financing payments at manageable levels.
- The City will seek to maintain a high credit rating through sound financial practices as a basis for minimizing borrowing costs.
- The City will make every effort to use pay-as-you-go financing for capital improvement projects. Debt financing for a project can be used if the overall project cost exceeds anticipated available resources and/or if the cost of financing is favorable as compared to the use of City investment holdings over the financing term.
- The City will monitor all forms of debt annually in conjunction with the budget

preparation process and report concerns and remedies, if necessary, to City Council. The City will diligently monitor its compliance with bond covenants.

- The City will not issue long-term debt to finance current operations. Debt financing should only be used for long-term capital improvement projects with a useful life exceeding the term of the financing and for which the project revenues or specific identified revenue sources are sufficient to service the long-term debt.
- The City will use a lease-purchase method of financing for equipment if the lease rates are more favorable than the City's expected overall investment rate of return.
- The City will not incur general obligation indebtedness for public improvements which exceed in aggregate 15% of the assessed value of all real and personal property of the City as specified in the California Government Code Section 43605.

## **FUND BALANCES**

### **Government Fund Definitions**

#### **Governmental Fund Type Definitions**

Governmental fund types include the general fund, special revenue funds, capital projects funds, debt service funds and permanent funds. GASB has clarified the definitions of these funds as follows:

#### **General Fund**

The General Fund should be used to account for and report all financial resources not accounted for and reported in another fund.

#### **Special Revenue Funds**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

#### **Capital Projects Funds**

Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

#### **Debt Service Funds**

Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest, even if it is being accumulated for future years' payments. Debt service funds should be used to report resources if legally mandated.

### **Permanent Funds**

Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

### **Fund Balance Classifications**

Fund balance is defined as the difference between assets and liabilities. Beginning in FY2010-2011, the City is required to reclassify fund balances into the following five categories to comply with the Governmental Accounting Standards Board Statement (GASB) No. 54, Fund Balance and Governmental Fund Types.

**Nonspendable:** This is a portion of fund balance not available for appropriations by its nature or external restriction. Examples are inventories and donations that require intact principal values.

**Spendable:** Restricted: The restricted portion of fund balance is subject to externally enforceable legal restrictions. Examples are Gas Tax revenues and grant proceeds.

**Committed:** The committed portion of fund balance is constrained by the limitations imposed through formal City Council action. Only formal City Council action can remove or modify a previously committed amount.

**Assigned:** The Assigned portion of fund balance is established for intended use by either the City Council or its designee, such as the City Manager. No formal City Council action is needed to remove the intended use. GAAP required reserves, such as the Other Post-Employment Benefits (OPEB) reserve, belong to this category. The Fiscal Policy and State Revenue Stabilization policy balances belong to this category.

**Unassigned:** The Unassigned portion of fund balance is that remaining after the non-spendable, the restricted, the committed, and the assigned fund balances are identified and recorded.

### **Governing Body Order of Fund Utilization and Special Revenue Classifications**

#### **Order of Utilization**

The City of Los Altos will use GASB's definitions of fund balance for the annual financial reports (audits) and for all other financial reporting. For all financial planning purposes, the term Budgetary Fund Balance will be used and will include any portion of the fund balance that is available for appropriation. Portions of the fund balance not available for appropriation will be identified as follows.

The City of Los Altos policy establishes the order of use of unrestricted resources as follows:

The City shall strive to use the most restricted fund balances prior to utilizing those that are less restricted. The following order of use reflects this guideline:

- a. Nonspendable (if funds become spendable)
- b. Restricted
- c. Committed
- d. Assigned
- e. Unassigned.

### **Special Revenue Classifications**

Only the General Fund has an unassigned category since money remaining in any other fund is automatically designated or assigned to the purposes of that fund. Under the new GASB 54 rules, if the balance of a Special Revenue Fund is not formally restricted or committed by fiscal year end, then it must be reported as part of the General Fund for fiscal year end audited financial statement purposes. For some of the City's special revenue funds, this necessitates the City Council to provide direction on the intended use of resources for the future. Staff recommends that the City Council adopt the following list of the City's Special Revenue Funds and their expected fund balance classifications:

Vehicle Impound Fund - Restricted to Public Safety Use

Supplemental Law Enforcement Fund - Restricted by State Statute

Gas Tax Funds - Restricted by State Statute

Proposition 1B - Restricted by State Statute

| Storm Drain Deposits – Restricted to Storm Drain Use

Community Development Block Grants - Restricted by Federal/State Statute

Downtown Parking Fund - Restricted by Council Action

In-Lieu Park Fee - Restricted by State Statute

Traffic Impact Fee - Restricted by State Statute

Estate Donation Fund - Restricted by Council Intent

| **Transportation Development Act (TDA) Funds - Restricted by State Statute**

In addition, GASB 54 allows the City Council authority to "assign" ending fund balances or bestow this authority to a City officer or designee. To provide the City with the most flexibility in financial reporting, staff is recommending that the City Manager be given authority to assign resources and ending fund balances.

### **Fund Balance Policy Levels**

## **Purpose**

The City of Los Altos (City) has enacted the Fund Balance policies in an effort to ensure financial security through the maintenance of a healthy fund contingency balance that guides the creation, maintenance, and use of resources for financial stabilization purposes. The City's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The City also seeks to maintain the highest possible credit ratings which are dependent, in part, on the City's maintenance of a healthy fund balance.

## **General Fund**

The City's fiscal goal is to maintain annual expenditure increases at a sustainable growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The Council directed target is to maintain an unrestricted fund balance within the range of not less than 17% of annual operating expenditures for the fiscal year with a multi-year goal of achieving a 20% unrestricted fund balance level for the reasons noted below. This level of coverage includes General Fund balance amounts specifically assigned for annual Emergency and Operating -Reserve as discussed and defined further below:

- To provide funding to cover approximately two (2) months of operating expenses with the goal of achieving three months coverage in the long term.
- To provide the liquidity necessary to accommodate the City's uneven cash flow, which is inherent in its periodic tax collection schedule.
- To provide the liquidity to respond to contingent liabilities.
- To adhere to Government Finance Officers Association (GFOA) recommendation that a minimum General Fund unrestricted fund balance to be maintained of no less than either two (2) months of regular operating revenues or expenditures.

## **Emergency and Operating Reserve**

These balances are hereby defined as assigned by the City Council to allow the City to weather unpredicted cyclical and rapid downturns in the economy. These funds would be available for use in such conditions to mitigate negative economic fiscal impacts or State takeaways and can be activated within any one budget cycle through Council action. An economic downturn would entail a projected and/or sudden drop in core revenues (major tax and service revenue loss) of equal to or greater than 5% (including the impact of inflation) and/or a change in economic parameters (such as interest rates, debt service rates, commodity prices, pension rates) that cause a material change in expenditures of 5% or more, or the occurrence of a local natural disaster or unexpected financial claim requiring the immediate use of cash balances.

## **General Fund Other Post-Employment Benefits Balances**

The City conducted an actuarial study to comply with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits* and to determine the City's obligation for the other post-employment benefits (OPEB). The study concluded that the City should set aside annual funding for this obligation and the City has ~~maintained~~~~initiated~~ internal funding of OPEB obligations for this purpose. Additionally, the City will conduct an actuarial update every two to three years to maintain the current status of this valuation.

### **Sewer Fund Balances**

The City should maintain the balances in the Sewer Fund at a level sufficient to accommodate operating and capital needs. **The Sewer Master Plan has set this reserve at 25% of annual expenditures, including estimated capital improvements.** This level of funding should be established pursuant to the performance of a utility fund rate-study and/or master plan and are to be used for unanticipated operating and capital needs, and to level future rate increases. Multi-year fee studies for this fund should be updated periodically as a basis for defining the revenue sources necessary to maintain system infrastructure and required services levels. As a result of the periodic fee or master plan studies, adjustments to user charges may be necessary to maintain recommended fund balance levels.

### **Workers' Compensation and Liability Insurance Funding**

Periodic actuarial studies of self-insured workers' compensation and general liabilities will be conducted to ensure that proper levels of liabilities are accrued for claims and that rates charged to operating departments are appropriate.

### **Equipment Replacement Funding**

An equipment replacement fund will be maintained to provide for the timely replacement of vehicles and other operating capital equipment. This fund is to be reviewed on an annual basis and rates charged to the using departments based on the depreciation guidelines established in this policy.

## **FINANCIAL REPORTING**

- The City's accounting and financial reports are to be maintained in conformance with GAAP.
- An annual financial audit will be performed by an independent public accounting firm familiar with municipal government activities. The independent auditor will issue an audit opinion to be included in the City's Comprehensive Annual Financial Report (CAFR). Additionally, the auditor will present the CAFR and discuss audit findings to the Financial Commission. The City encourages the rotation of audit service providers on a periodic basis.
- The City is encouraged to submit the Annual CAFR to State and/or National Government Finance Professional organizations (Government Finance Officers' Association's Certification of Achievement for Excellence in Financial Reporting -

California Society of Municipal Finance Officers CAFR Award) for independent review and evaluation.

- Internal financial status reports are to be issued on a periodic and timely basis – no less than quarterly and be made readily available citywide.
- The City is to record the depreciation equipment, buildings and facilities, and infrastructure as follows and in line with internally established capitalization guidelines:

**Capitalization Thresholds**

Land purchases at any value

Equipment - \$5,000

Buildings and facility improvements - \$25,000

Infrastructure - \$100,000

**Depreciation**

Depreciation will be recorded on a straight-line basis over the following estimated useful lives:

Equipment	3 - 10 years
Site Improvements other than buildings	30 - 50 years
Buildings	50 years
Infrastructure	30 - 100 years

**ANNUAL REVIEW AND UPDATE**

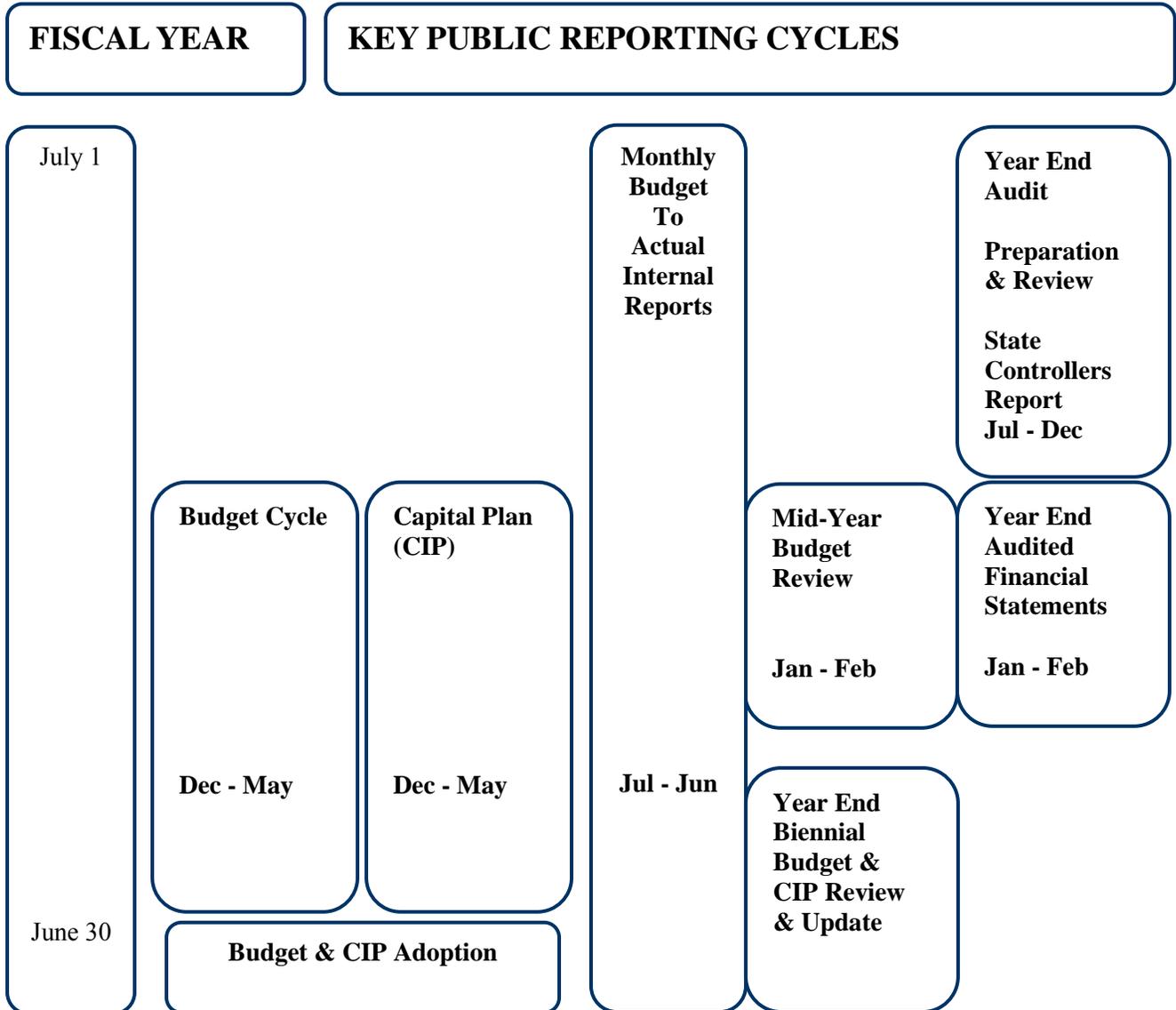
This financial policy will be reviewed periodically and updated, if necessary, to reflect any changing requirements.

**EXHIBITS**

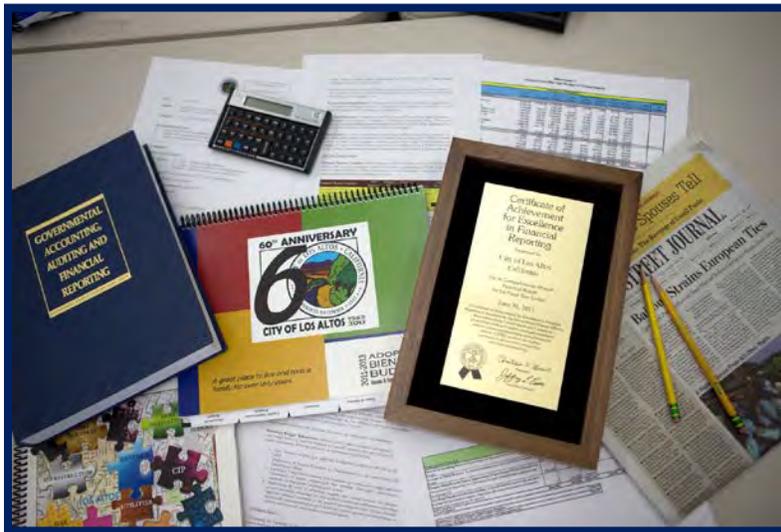
Exhibit 1 - Key Financial Reporting Timelines

# Exhibit 1

## Key Financial Reporting Timelines



Attachment 2  
City of Los Altos Investment Policy  
(Track Changes Draft)



# CITY OF LOS ALTOS INVESTMENT POLICY

~~JUNE 2012~~ FY 2013/14

## **A. Introduction**

This document sets forth policies designed to ensure that the City's public funds are invested prudently, efficiently, and in compliance with legal requirements. It was developed in accordance with California Government Code Sections 53600 *et seq.* and is reviewed by the Financial Commission and adopted by City Council each fiscal year.

This document discusses the most important elements of investment management in one comprehensive centralized format and is organized into the following areas of discussion:

- Scope
- Prudent Investor Standard
- Objectives
- Guiding Principles
- Delegation of Authority
- Financial Commission Oversight
- Ethics and Conflict of Interest
- Safekeeping and Custody
- Reporting Requirements
- Maximum Maturity
- Permitted Investment Instruments
- Prohibited Investment Instruments
- Glossary of Investment Terms

## **B. Scope**

This policy covers all public funds under the direction of the Finance Director within the following fund types:

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds

The investment of bond proceeds is governed separately by the provisions of the relevant bond documents.

## C. Prudent Investor Standard

All persons involved in investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing the City's investment portfolio shall act with the care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City.

## D. Objectives

The primary objectives, in order or their priority, of the City's investment program shall be:

**Safety** - The preservation of the principal of the City's overall investment portfolio is the foremost objective of the investment program.

**Liquidity** - The City's investment portfolio will remain sufficiently liquid to meet its cash flow requirements.

**Return on Investment** - The City's investment portfolio shall be designed with the objective of attaining a reasonable and prudent rate of return consistent with the risk constraints and liquidity demands imposed by its safety objective and cash flow requirements.

## E. Guiding Principles

The following guiding principles are important in the pursuit of such objectives:

**Minimizing Liquidity, Credit and Market Risks:** Investment decisions should minimize liquidity, credit or market risks in the following ways.

**Liquidity Risk** - The risk that the investment portfolio will not provide adequate cash liquidity for operations shall be mitigated by structuring the portfolio so that securities mature at the same time that major cash outflows occur, thus minimizing the need to sell securities prior to their scheduled maturity date unless market conditions present favorable repositioning opportunities.

**Credit Risk** - The risk of loss of principal associated with the failure of any one security issuer shall be mitigated by investing in only very safe highly-rated securities and prudently diversifying the investment portfolio to avoid concentrating investments in specific security types, maturity durations, or in individual financial institutions.

**Market Risk** - The risk of market value fluctuations arising from overall changes in the general level of interest rates shall be mitigated through maintaining prudent duration levels, staggering investment maturity dates evenly over a desired overall duration target and prohibiting the taking of

short positions (selling securities that the City does not own) and interest rate sensitive derivative instruments. It is explicitly recognized herein, however, that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

**Market Average Rate of Return:** The investment portfolio shall be managed to attain a market average rate of return based upon a benchmark that is appropriate for a fund of like character and aims and commensurate with the portfolio's current investment strategy.

**Non-Speculative Approach:** This policy specifically prohibits all speculative investment practices, including, but not limited to, those that seek to gain or profit through transactions of high and unusual risk, or that utilize securities whose price is dependent upon or derived from one or more underlying assets (Derivatives).

**Professionalism and Public Trust:** The City's investment portfolio is subject to public review and evaluation and shall be designed and managed with the high degree of professionalism that is worthy of the public trust.

## **F. Delegation of Authority:**

The management responsibility for the City's investment program has been delegated to the Finance Director. The Finance Director shall monitor and review all investments for consistency with this policy, and may delegate investment decision-making and execution authority to investment advisors in accordance with an agreement as authorized by the City Council. The investment advisor shall follow and comply with this policy and all other written instructions provided by the City. The Finance Director may, in writing, further delegate such investment authority to designated management staff in the Finance Department in the event of the Finance Director's absence or other unavailability. The Finance Director shall prepare and file documents with all financial institutions with which the City conducts investment activities certifying the names of those persons authorized to effect transactions on behalf of the City.

## **G. Financial Commission Oversight**

The Financial Commission consists of citizen members appointed by the City Council. The Financial Commission shall meet periodically, at least quarterly, to review general investment strategies and monitor the results of the City's investment portfolio in coordination with the Finance Director and/or finance staff designee. The Financial Commission shall also review any proposed changes to this policy before they are submitted to the City Council for final adoption.

## **H. Ethics and Conflict of Interest**

All persons involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the City's investment program or which could impair their ability to make impartial decisions.

## **I. Safekeeping and Custody**

All investments of the City's investment portfolio shall have the City of Los Altos as the registered owner, and all interest and principal payments and withdrawals shall indicate the City of Los Altos as the payee.

All securities shall be safely kept with a qualified financial institution, contracted independently by the City as a third party. All securities shall be acquired by the safekeeping institution on a "delivery-vs.-payment" (DVP) basis. In other words, the security must be delivered before funds are released. The DVP basis for delivery applies also to the delivery and safekeeping of repurchase agreement collateral.

## **J. Reporting Requirements**

The Finance Director will present to the City Council quarterly investment reports, which will present an overall summary of investment performance and include the following type of information:

- Description of investment instruments held
- Interest rate or yield to maturity
- Maturity dates
- Purchase price
- Par value
- Current market value as of the date of the report, including the source of such valuation
- Overall portfolio yield based on cost
- Total return (Quarterly)
- Benchmark comparisons
- Detailed transaction reports shall be made available upon request by any governing member or member of the public

## **K. Maximum Maturity**

The City may not invest in a security with a maturity date that exceeds five years from the date of purchase.

## **L. Permitted Investment Instruments**

The California Government Code in section 53600 *et seq.* sets certain limits on the investment instruments, credit criteria, maximum maturity dates, concentration percentages and other conditions of eligibility in which a government agency's funds may be invested. However, this policy sets limits on the investment of the City's

investment portfolio that are more restrictive than such California law. The California Code limits and the more restrictive limits applicable to this policy are listed and summarized in the attached **Exhibit A** (City of Los Altos Allowable Investments). The City's investment portfolio may be invested only in those instruments permitted in **Exhibit A**.

It is important to note that from time to time the City may be invested in a security whose rating is downgraded subsequent to the original date of purchase. The Finance Director, directly or indirectly through the delegation of authority to the investment advisor, shall monitor the status of security ratings. When the City uses the services of outside investment advisors and a rating of a prior-purchased security drops below the minimum allowed rating category for that given investment type, the investment advisor shall immediately notify the Finance Director and recommend a plan of action.

## **M. Prohibited Investment Instruments**

Investment of the City's investment portfolio in any of the following identified instruments is specifically prohibited:

- **Reverse Repurchase Agreements** - Differs from a Repurchase Agreement in the sense that a reverse repurchase agreement is one that sells security positions in return for cash with an agreement to repurchase the securities for an agreed upon price.
- **Derivatives** - Financial instruments whose values are based on or determined by another security, financial instrument or index, including instruments used for hedging.
- **California State and Local Agency Obligations** - Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency or by a department, board, agency or authority of the state or any local agency. Nothing in this section shall be construed to exclude the City's participation in the Local Agency Investment Fund (LAIF) operated by the State of California Treasurer's Office.
- **Other State Obligations** - Registered debt obligations of any of the other 49 United States beyond California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority.
- **Prohibited Investments Cited in California Government Code Section 53601.6 including, but not limited to:**
  - Inverse Floaters
  - Range Notes
  - Mortgage Derivatives or other similar asset backed securities
  - Interest Only Strips

- Zero Interest Coupon Securities

## **N. Glossary of Investment Terms**

**Exhibit B** contains a glossary of key investment terms that may be used in this policy.

~~This Policy was adopted by the City Council on June 26, 2012.~~

**Exhibit A**  
**City of Los Altos Allowable**  
**Investments**

## Exhibit A

### City of Los Altos Allowable Investments

Investment Instruments	Calif. Code Limitation	City Policy Limitation
Collateralized Bank Deposits	No term 100% of portfolio	No term 100% of portfolio
State of California - Local Agency Investment Fund (LAIF)	No term 100% of portfolio Max \$50 million	No term 100% of portfolio Max \$50 million
Money Market Mutual Funds (2a7)	No term 20% of portfolio 10% per issuer	Overnight 20% of portfolio Major US owned Calif. institution 10% of portfolio per issuer
U.S. Treasuries	5 years 100% of portfolio	5 years 100% of portfolio
Federal Agencies (including callable securities)	5 years 100% of portfolio	5 years 100% of portfolio 20% of portfolio per issuer 35% of portfolio in callables
Bank /Time Certificate of Deposits	5 years 100% of portfolio	3 years 50% of portfolio 10% of portfolio per issuer Major US owned Calif. institution FDIC/NCUA Insured and/or collateralized in Treasuries and Agencies
Corporate Medium Term Notes	5 years 30% of portfolio	3 years 15% of portfolio 5% of portfolio per issuer Major Domestic institutions Credit rating of no less than AA
Repurchase Agreements	1 year 100% of portfolio 102% Collateral	180 days 20% of portfolio 10% of portfolio per issuer 102% Collateral Treasuries/Agencies Major US owned Calif. financial institution
Bankers' Acceptances	180 days 40% of portfolio 30% per issuer	180 days 20% of portfolio 10% of portfolio per issuer Major US owned Calif. institution
Commercial Paper	270 days 25% of portfolio 10% per issuer	180 days 15% of portfolio 5% of portfolio per issuer Credit rating of no less than A1/P1

**Exhibit B**  
**Glossary of Investment Terms**

## **Exhibit B**

### **Glossary of Investment Terms**

**Agency** - See "Federal Agency."

**Bankers' Acceptance (BA's)** - A draft or bill of exchange drawn upon and accepted by a bank frequently used to finance the shipping of international goods. Used as a short-term credit instrument, bankers' acceptances are traded at a discount from face value as a money market instrument in the secondary market on the basis of the credit quality of the guaranteeing bank.

**Benchmark** - A market index used as a comparative basis for measuring the performance of an investment portfolio. A performance benchmark should represent a close correlation to investment guidelines, risk tolerance, and duration of the actual portfolio's investments.

**Certificate of Deposit (CD)** - Bank obligation issued by a financial institution generally offering a fixed rate of return (coupon) for a specified period of time (maturity). Can be as long as ten years to maturity, but most CDs purchased by public agencies are one year and under.

**Collateral** - Investment securities or other property that a borrower pledges to secure repayment of a loan, secure deposits of public monies, or provide security for a repurchase agreement.

**Commercial Paper** - Short-term unsecured promissory note issued by a company or financial institution that is issued at a discount and matures for par or face value. This instrument usually matures at a maximum maturity of 270 days, and bears a short-term debt rating by one or more Nationally Recognized Statistical Rating Organization (NRSRO)s.

**Corporate Medium Term Notes** - A debt instrument issued by a corporation with a maturity of greater than one year and less than ten years. Used frequently to refer to corporate notes of medium maturity (five years and under).

**Custody** - Safekeeping services offered by a bank, financial institution or trust company, referred to as the "custodian." Service normally includes the holding and reporting of the customer's securities, the collection and disbursement of income, securities settlement and market values.

**Delivery Versus Payment (DVP)** - The settlement procedure in which securities are delivered versus payment of cash, but only after cash has been received. Most security transactions, including those through the Federal Reserve Securities Wire system and DTC, are done DVP as a protection for both the buyer and seller of securities.

**Depository Trust Company (DTC)** - A firm through which members can use a computer to arrange for securities to be delivered to other members without physical delivery of certificates. A member of the Federal Reserve System and owned mostly by

the New York Stock Exchange, the Depository Trust Company uses computerized debit and credit entries. Most corporate securities, commercial paper, CDs, and BAs clear through DTC.

**Derivative** - A financial instrument whose value is based on or determined by another security, financial instrument, or index.

**Diversification** - Dividing investment funds among a variety of security types, maturities, industries, and issuers offering potentially independent returns.

**Federal Agency** - These are federal government sponsored and/or owned entities created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets. The largest Federal Agencies are GNMA, FNMA, FHLMC, FHLB, FFCB, and TVA.

**Federal Reserve System (the Fed)** - The independent central bank system of the United States that establishes and conducts the nation's monetary policy. This is accomplished in three major ways: (1) raising or lowering bank reserve requirements, (2) raising or lowering the target Federal Reserve Funds Rate and Discount Rate, and (3) in open market operations by buying and selling government securities. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven **membermembers** Board of Governors known as the "Federal Reserve Board" and led by its Chairman.

**Federal Treasuries** - A collective term used to describe debt instruments backed by the U.S. Government and issued through the U.S. Department of the Treasury that includes Treasury bills, Treasury notes, and Treasury bonds. Also a benchmark term used as a basis by which the yields of non-Treasury securities are compared (e.g., "trading at 50 basis points over Treasuries").

**Fiduciary Funds** - Term used when a governmental unit acts in a fiduciary capacity such as a trustee or agent. The government unit is responsible for handling the assets placed under its control.

**Government Sponsored Enterprise (GSE)** - A privately owned entity subject to federal regulation and supervision, created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government. For this reason, these securities will offer a yield premium over Treasuries. Examples of GSEs include: FHLB, FHLMC, FNMA, and SLMA.

**Governmental Funds** - Term used in Government Accounting to apply to all funds except for the profit and loss funds (e.g., enterprise fund, internal service fund) and trust and agency funds. Examples of government funds are the general fund, special assessment fund, and capital projects fund. Governmental funds use the modified accrual accounting method.

**Index** - A compilation of statistical data that tracks changes in the economy or in financial markets.

**Interest-Only (IO) Strips** - A security based solely on the interest payments from the bond. After the principal has been repaid, interest payments stop and the value of the security falls to nothing. Therefore, IOs are considered risky investments and are usually associated with mortgage-backed securities.

**Inverse Floater** - A floating rate security structured in such a way that it reacts inversely to the direction of interest rates. Considered risky as their value moves in the opposite direction of normal fixed income investments and whose interest rate can fall to zero.

**Investment Advisor** - A company that provides professional advice managing investment portfolios offers investment recommendations and/or research in exchange for a management fee.

**Liquidity** – This is a measure of the relative ease of converting an asset into cash without significant loss of value and the level of cash and near-cash items in a portfolio of assets. This term also describes the marketability of money market security correlating to the narrowness of the spread between bid and ask prices.

**Local Agency Investment Fund (LAIF)** - Special fund in the California State Treasurer's Office which local agencies may access to deposit funds for **short-term** investment and reinvestment.

**Market Value** - The fair market value of a security or commodity or the price at which a willing buyer and seller would pay for a security.

**Maturity Date** - Date on which principal payment of a financial obligation is due.

**Money Market Mutual Fund (2a-7)** - A type of mutual fund that invests solely in money market instruments, such as Treasury bills, commercial paper, bankers' acceptances, and repurchase agreements. Money market mutual funds are registered with the SEC under the Investment Company Act of 1940 and are subject "rule 2a-7" which significantly limits average maturity and credit quality of holdings.

**Mortgage-Backed Securities (MBS)** - Mortgage-backed securities represent an ownership interest in a pool of mortgage loans made by financial institutions, such as savings and loans, commercial banks, or mortgage companies, to finance the borrower's purchase of a home or other real estate. The majority of MBS are issued and/or guaranteed by GNMA, FNMA and FHLMC. There are a variety of MBS structures, some of which can be very risky and complicated. All MBS have reinvestment risk as actual principal and interest payments are dependent on the payment of the underlying mortgages which can be prepaid by mortgage holders to refinance **at and** lower rates or simply because the underlying property was sold.

**Mortgage Pass-Through Securities** - A pool of residential mortgage loans with the monthly interest and principal distributed to investors on a pro-rata basis. Largest issuer is GNMA.

**Municipal Note/Bond** - Debt issued by a state or local government unit or public agency. The vast majority of municipals are exempt from state and federal income tax, although some non-qualified issues are taxable.

**Mutual Fund** - Portfolio of securities professionally managed by a registered investment company that issues shares to investors. Many different types of mutual funds exist (bond, equity, money market fund); all except money market funds operate on a variable net asset value (NAV).

**NRSRO** - “Nationally Recognized Statistical Rating Organization.” An entity designated as a rating organization that the SEC has recognized as having a strong national presence in the U.S. NRSROs provide credit ratings on corporate and bank debt issues. Only ratings of an NRSRO may be used for the regulatory purposes of rating. They include Moody’s, Standard & Poor’s, and Fitch among others.

**Par Value** - Face value, stated value or maturity value of a security.

**Principal** - Face value of a financial instrument on which interest accrues which may be less than par value if some principal has been repaid or retired. For a transaction, principal is par value as a factor of price and includes any premium or discount.

**Proprietary Funds** - In governmental accounting, one having profit and loss aspects; therefore it uses the *accrual* rather than modified accrual accounting method. The two types of proprietary funds are the Enterprise Fund and the Internal Service Fund.

**Prudent Investor Standard** - Standard that requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. This standard is more stringent than the “prudent person” standard as it implies a level of knowledge commensurate with the responsibility at hand.

**Range Note** - A type of structured note that accrues interest daily at a set coupon rate that is tied to an index. Most range notes have two coupon levels; a higher accrual rate for the period the index is within a designated range, the lower accrual rate for the period that the index falls outside the designated range. This lower rate may be zero and may result in zero earnings.

**Rate of Return** - Amount of income received from an investment, expressed as a percentage of the amount invested.

**Repurchase Agreement (Repo)** - A short-term investment vehicle in which an investor agrees to buy securities from a counterparty and simultaneously agrees to resell the securities back to the counterparty at an agreed upon time and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on

the agreement. In effect, it represents a collateralized loan to the investor, where the securities are the collateral. Can be DVP, where securities are delivered to the investor's custodial bank, or "tri-party" where the securities are delivered to a third-party intermediary. Any type of security can be used as "collateral," but only some types provide the investor with special bankruptcy protection under the law. Repos should be undertaken only when an appropriate **BMA** approved **banking** master repurchase agreement is in place.

**Reverse Repurchase Agreement (Reverse Repo)** - This is a repo from the point of view of the original seller of securities. Used by dealers to finance their inventory of securities by essentially borrowing at short-term rates. Can also be used to leverage a portfolio and in this sense, can be considered risky if used improperly.

**Safekeeping** - Service offered for a fee, usually by financial institutions, for the holding of securities and other valuables. Safekeeping is a component of custody services.

**Total Return** - Investment performance measured over a period of time that includes coupon interest, interest on interest, and both realized and unrealized gains or losses. Total return includes, therefore, any market value appreciation/depreciation on investments held at period end.

**Yield to Maturity (YTM)** - Calculated return on an investment, assuming all cash flows from the security are reinvested at the same original yield. Can be higher or lower than the coupon rate depending on market rates and whether the security was purchased at a premium or discount. There are different conventions for calculating YTM for various types of securities.