

**TO:** Financial Commission  
**FROM:** Russell J. Morreale, Staff Liaison  
**SUBJECT:** Mid-Year Budget Update

**RECOMMENDATION:**

Accept the presentation of the Mid-Year Budget Update

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**BACKGROUND**

The Financial Commission periodically receives presentations on the Mid-Year Operating and Capital Improvement Program (CIP) Budgets, as they have been presented to City Council.

**DISCUSSION**

The Mid-Year Operating and CIP Budgets were presented to City Council at the February 11, 2014 meeting – and a recap of the presentation will be brought to the Financial Commission for discussion.

Attachments:

- A. FY 2013/14 Mid-Year CIP Budget Report
- B. FY 2013/14 Mid-Year CIP Budget Presentation
- C. FY 2013/14 Mid-Year Operating Budget Report
- D. FY 2013/14 Mid-Year Operating Budget Presentation

Attachment A

FY 2013/14 Mid-Year CIP Budget Report



DATE: February 11, 2014

AGENDA ITEM # 8

**TO:** City Council

**FROM:** Marcia Somers, City Manager  
Russell J. Morreale, Finance Director

**SUBJECT:** Fiscal Year 2013/14 Mid-Year Capital Improvement Program Status Update

**RECOMMENDATION:**

Receive the Capital Improvement Program (CIP) Mid-Year Summary Status Report as of December 31, 2013

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**SUMMARY:**

**Estimated Fiscal Impact:**

**Amount:** None

**Budgeted:** Not Applicable

**Public Hearing Notice:** Not applicable

**Previous Council Consideration:** Not Applicable

**CEQA Status:** Not applicable

**Attachment:**

1. Capital Improvement Program Status Report - December 31, 2013

## **BACKGROUND**

A summary and detail financial status report of the City's capital projects is provided to Council twice a year. The report attached herein brings this reporting up to date through December 31, 2013, a point in time that importantly coincides with the mid-year budget review. This report displays both project status and budget/fiscal performance as a basis for fiscal accountability and monitoring. It is also crucial to the effective completion of fund balance projections and year-end audit reconciliations.

## **DISCUSSION**

The *Capital Improvement Program Mid-Year Status Report* (Attachment 1) presents the total inventory of active projects, by year, category and funding source, as well as a count of how many projects have been completed to date. Status highlights at mid-year include:

- Fifty-two (52) projects are open and active. This includes 22 new projects adopted and added as part of the FY 2013/14 CIP. The total CIP appropriation for the current active projects equals \$11.8 million - 23% CIP Fund - 34% Sewer Fund - and 44% subject to outside funding.
- Nine (9) projects have been completed over the past six months approximating an average pace of completing two projects per months, a metric that has remained consistent over the past several years.
- This report identifies budget savings in all completed projects, albeit subject to final close out payments, which will then be available for other projects in future years at Council discretion.

This report also displays other information, including estimated target completion dates, lead staff assignments, and project status codes (in design, in construction, etc.) This report now also conforms to the newly designed categories that were presented in the FY 2013/14-2017/18 adopted CIP.

## **FISCAL IMPACT**

None

## **PUBLIC CONTACT**

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

**Capital Improvement Program Status Report - Summary**  
**December 31, 2013 - Mid-Year**

Active Projects - Budget Status					
Fiscal Year	Count	% Count	Project Budget	Balance Remaining	% Expended
13-14	22	42%	4,107,829	4,055,259	1%
12-13	10	19%	2,268,150	2,025,838	11%
11-12	4	8%	1,762,132	546,996	69%
10-11	6	12%	2,799,983	1,244,605	56%
09-10	2	4%	462,900	372,048	20%
08-09	3	6%	1,381,262	663,971	52%
06-07	1	2%	306,000	10,800	96%
05-06	1	2%	236,150	3,008	99%
02-03	2	4%	1,748,825	1,216,832	30%
Pre 02-03	1	2%	2,160,000	1,666,024	23%
	<b>52</b>	<b>100%</b>	<b>17,233,231</b>	<b>11,805,379</b>	<b>31%</b>

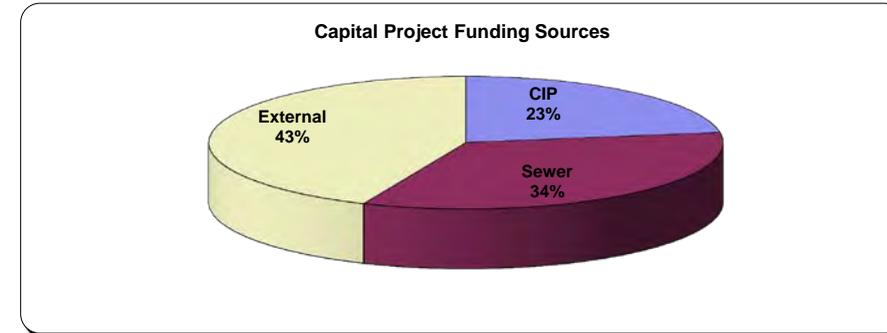
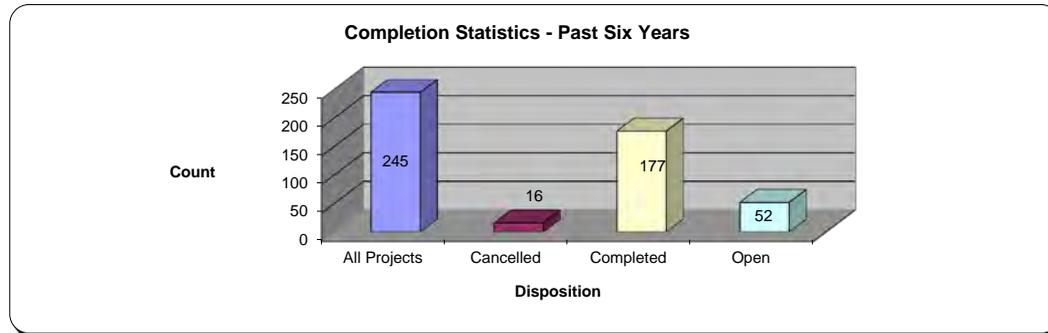
Distribution By Year

Active Projects Balance - Funding Sources			
CIP	Sewer	External	Total
1,305,155	1,818,104	932,000	4,055,259
391,466	1,194,683	439,689	2,025,838
37,349	-	509,646	546,996
102,430	993,867	148,307	1,244,605
230,458	-	141,590	372,048
210,155	-	453,816	663,971
10,800	-	-	10,800
-	-	3,008	3,008
200,493	-	1,016,339	1,216,832
173,970	-	1,492,054	1,666,024
<b>2,662,276</b>	<b>4,006,654</b>	<b>5,136,449</b>	<b>11,805,379</b>
<b>23%</b>	<b>34%</b>	<b>44%</b>	<b>100%</b>

Distribution By Type

Streets & Roadways	6	12%	4,493,825	3,707,057	18%
Ped & Bike Safety	15	29%	3,102,077	1,687,729	46%
Infrastructure	3	6%	378,000	295,633	22%
General	3	6%	257,500	239,383	7%
Technology	5	10%	1,583,262	660,344	58%
Parks & Trails	3	6%	400,000	365,772	9%
Buildings	3	6%	829,000	829,000	0%
Sewer	13	25%	5,883,567	4,009,662	32%
Storm	1	2%	306,000	10,800	96%
	<b>52</b>	<b>100%</b>	<b>\$17,233,231</b>	<b>\$11,805,379</b>	<b>31%</b>

Number of Projects Completed In Past Periods	
Six months	9
Twelve months	19
Eighteen months	35
Twenty Four months	48
<b>Average Per Month</b>	<b>2</b>



**Funding Sources**  
**CIP** - Project is to be funded using the City's available Capital Improvement Fund balance in line with adopted Capital projects  
**Sewer** - Project is to be funded using the City's rate driven Sewer enterprise operations  
**External** - Project is funded through special revenue funds, state or federal restricted funding, grants, donations and/or contributions

**Scope** - This Schedule reports on active (not yet completed) capital projects that have been adopted in the current or prior budget years

# Capital Improvement Program Detail Status Report

## December 31, 2013

CAPITAL CATEGORY	Reference		PROJECT TITLE	PROJECT	PROJECT LEAD	BUDGET	EXPENDED	REMAINING	TARGET	% SPENT	% PROJECT	STATUS	COMMENTS	CIP	SEWER	EXTERNAL
	Proj #	CIP #		ADOPTION YEAR			INCEPTION TO DATE		COMPLETION DATE							
<b>OPEN &amp; ACTIVE PROJECTS</b>																
<b>Transportation</b>	<b>Streets &amp; Roadways</b>	00220	Fremont Avenue Bridge Replacement	2002	V. Chen	2,160,000	493,976	1,666,024	Dec-14	23%	30%	ID	In Design/Study	173,970	0	1,492,054
		00325	Rehabilitate Portland Avenue Bridge	2003	V. Chen	1,433,825	292,791	1,141,034	Dec-15	20%	25%	ID	In Design/Study	124,695	0	1,016,339
		01409	Annual Street Resurfacing	2014	K.Small	475,000	0	475,000	Jun-14	-	0%	NS	Not Started	50,000	0	425,000
		01410	First Street Resurfacing	2014	V. Chen	300,000	0	300,000	May-15	-	0%	NS	Not Started	300,000	0	0
		01411	Street Striping	2014	K. Small	75,000	0	75,000	Jun-14	-	0%	NS	Not Started	0	0	75,000
		01412	First Street South Plan Line	2014	J.Gustafson	50,000	0	50,000	Jun-14	-	0%	NS	Not Started	50,000	0	0
<b>6</b>						<b>4,493,825</b>	<b>786,768</b>	<b>3,707,057</b>						<b>698,665</b>	<b>0</b>	<b>3,008,392</b>
	<b>Pedestrian &amp; Bicycle Safety</b>	00933	Miramonte Ave & Covington Road Traffic Signal	2009	C. Novenario	250,000	81,122	168,878	Jun-14	32%	90%	ID	In Design/Study-Council directed scope change	168,878	0	0
		01012	Collector Street Traffic Calming	2010	C. Novenario	222,900	81,310	141,590	Jun-14	36%	6%	ID	In Design/Study	0	0	141,590
		01118	Pedestrian Master Plan	2011	C. Novenario	85,720	0	85,720	Feb-14	-	40%	ID	In Design/Study	85,720	0	0
		01119	Portola Ave Sidewalk	2011	K. Small	71,196	21,905	49,291	Oct-15	31%	21%	ID	In Design - pending neighborhood acceptance	0	0	49,291
		01120	Grant Rd Pathway Bryant to Altamead	2011	K. Small	125,979	10,253	115,726	TBD	8%	28%	ID	In Design/Study-pending approval of easement	16,710	0	99,016
		01207	Annual ADA Accessibility	2012	M. Bocalan	115,000	3,500	111,500	Nov-13	3%	10%	ID	In Design	0	0	111,500
		01212	Traffic Sign Replacement	2012	K. Small	50,000	47,651	2,349	Nov-13	95%	70%	IC	In Construction	2,349	0	0
		01219	Homestead Road Safety Improvements	2012	K. Small	1,562,132	1,163,986	398,146	Nov-13	75%	40%	IC	In Construction	0	0	398,146
		01306	Annual ADA Accessibility	2013	M. Bocalan	60,150	2,461	57,689	Nov-13	4%	65%	ID	In Design/Study	0	0	57,689
		01316	Main Library Parking Lot	2013	M. Bocalan	84,000	1,779	82,221	Feb-14	2%	65%	ID	In Design/Study	82,221	0	0
		01320	Intersection Bicycle Loops	2013	K. Small	115,000	0	115,000	Oct-15	-	0%	NS	Not Started	115,000	0	0
		01307	Annual NTMP	2013	C. Novenario	75,000	382	74,618	Ongoing	1%	1%	ID	No project meeting criteria in FY 12-13	74,618	0	0
		01413	Concrete Repair	2014	M. Bocalan	200,000	0	200,000	Jun-14	-	0%	ID	In Design	200,000	0	0
		01414	Traffic Sign Replacement	2014	K.Small	25,000	0	25,000	Jun-15	-	0%	NS	Not Started	25,000	0	0
		01415	ADA Accessibility	2014	M. Bocalan	60,000	0	60,000	Jun-14	-	0%	ID	In Design	0	0	60,000
<b>15</b>						<b>3,102,077</b>	<b>1,414,348</b>	<b>1,687,729</b>		<b>46%</b>				<b>770,496</b>	<b>0</b>	<b>917,233</b>
<b>Community Development</b>	<b>Infrastructure</b>	01023	First Street Utility Undergrounding - Phase II	2010	D. Brees	240,000	9,542	230,458	May-16	4%	3%	ID	UUD Formation completed - awaiting PGE approval	230,458	0	0
		01308	Annual Special Projects and Studies	2013	M. Somers	50,000	2,000	48,000	Ongoing	4%	5%	ID	In Study/Design	48,000	0	0
		01314	ADA Transition Plan	2013	D. Brees	88,000	70,825	17,175	May-14	80%	80%	ID	In Design/Study	17,175	0	0
<b>3</b>						<b>378,000</b>	<b>82,367</b>	<b>295,633</b>		<b>22%</b>				<b>295,633</b>	<b>0</b>	<b>0</b>
	<b>General</b>	01406	Housing Element Update	2014	D. Kornfield	82,500	0	82,500	Dec-14	-	0%	IC	In Construction	82,500	0	0
		01407	Commercial Wayfinding	2014	J.Walgren	165,000	12,100	152,900	Dec-14	7%	10%	ID	In Design	152,900	0	0
		01408	Public Arts Projects	2014	J. Maginot	10,000	6,017	3,983	ongoing	60%	60%	IC	In Construction	3,983	0	0
<b>3</b>						<b>257,500</b>	<b>18,117</b>	<b>239,383</b>		<b>7%</b>				<b>239,383</b>	<b>0</b>	<b>0</b>
	<b>Technology</b>	00316	Financial System Upgrade	2003	R. Morreale	315,000	239,202	75,798	Aug-14	76%	75%	IC	Business licensing - Grant Tracking complete	75,798	0	0
		00921	Public Works/Finance Document Archiving	2009	Jim/Russ	67,262	25,985	41,277	Ongoing	39%	80%	IC	In Construction	41,277	0	0
		00923	Police Records Mgmt & Dispatch System	2009	T.Younis	1,064,000	610,184	453,816	May-15	57%	75%	IC	Implementation & testing underway (CAD May 14)	0	0	453,816
		01218	Document Management Systems	2012	Jon/Russ	35,000	0	35,000	Aug-15	-	0%	NS	Not Started	35,000	0	0
		01317	IT Initiatives	2013	R. Morreale	102,000	47,547	54,453	May-14	47%	50%	ID	Web site Launched - network being assessed	54,453	0	0
<b>5</b>						<b>1,583,262</b>	<b>922,918</b>	<b>660,344</b>		<b>58%</b>				<b>206,528</b>	<b>0</b>	<b>453,816</b>
<b>Civic Facilities</b>	<b>Parks &amp; Trails</b>	01311	Skate Park (Skatable Art Work)	2013	TBA	382,000	0	382,000	TBD	-	0%	NS	Deferred to Future CIP discussions	0	0	382,000
		01401	Covington Class I Pathway/Design	2014	C. Novenario	75,000	0	75,000	TBD	-	0%	NS	Not Started	75,000	0	0
		01402	Redwood Grove Bank Stabilization	2014	TBA	372,000	0	372,000	Oct-15	-	0%	NS	Partial funding grant application pending	0	0	372,000
<b>3</b>						<b>829,000</b>	<b>0</b>	<b>829,000</b>						<b>75,000</b>	<b>0</b>	<b>754,000</b>
	<b>Buildings</b>	01403	Civic Center Redevelopment	2014	J. Walgren	200,000	16,611	183,389	Dec-14	8%	0%	ID	In Design/Study	183,389	0	0
		01404	Civic Facilities Capital Recovery Project	2014	J. Gustafson	175,000	17,618	157,382	Jun-14	10%	0%	ID	In Design/Study	157,382	0	0
		01405	Halsey House Renovation/Replacement Study	2014	J.Walgren	25,000	0	25,000	TBD	-	0%	NS	Not Started	0	0	25,000
<b>3</b>						<b>400,000</b>	<b>34,228</b>	<b>365,772</b>		<b>9%</b>				<b>340,772</b>	<b>0</b>	<b>25,000</b>
<b>Wastewater Systems</b>	<b>Sewer</b>	00612	Sewer Metering Stations	2006	J.Gustafson	236,150	233,142	3,008	Feb-14	99%	97%	IC	Work stopped pending revision	0	0	3,008
		01104	Annual Sewer Main Repair	2011	A. Fairman	517,720	42,138	475,582	Nov-13	8%	40%	IC	In Construction	0	475,582	0
		01114	Sewer Main Replacement - Phase II	2011	A. Fairman	1,425,120	1,054,969	370,151	Nov-13	74%	40%	IC	In Construction	0	370,151	0
		01115	Fallen Leaf Lane Sewer Main Replacement	2011	A. Fairman	574,248	426,114	148,134	Nov-13	74%	40%	IC	In Construction	0	148,134	0
		01304	Annual Sewer Main Repair	2013	A. Fairman	369,000	34,756	334,244	Feb-14	9%	10%	IC	In Construction	0	334,244	0
		01310	Sewer Collection System Upgrade	2013	A. Fairman	943,000	82,561	860,439	Feb-14	9%	10%	IC	In Construction	0	860,439	0
		01416	Repair Maintenance Problem Areas	2014	A. Fairman	599,302	0	599,302	Nov-14	-	0%	NS	Not Started	0	599,302	0
		01417	Structure Reach Replacement PCR (a)	2014	A. Fairman	540,741	0	540,741	Nov-14	-	0%	NS	Not Started	0	540,741	0
		01418	Root Foaming	2014	A. Fairman	212,180	225	211,955	Aug-13	0%	0%	NS	Not Started	0	211,955	0
		01419	South Sewer Replacements	2014	A. Fairman	214,514	0	214,514	Jun-15	-	0%	NS	Not Started	0	214,514	0
		01420	CIPP Corrosion Rehabilitation	2014	A. Fairman	145,502	0	145,502	Jun-18	-	0%	NS	Not Started	0	145,502	0
		01421	Fats, Oils & Grease Program (FOG)	2014	A. Fairman	53,045	0	53,045	Jun-14	-	0%	ID	In Design/Study	0	53,045	0
		01422	Geographic Information Systems (GIS) Updates	2014	V. Woo	53,045	0	53,045	Ongoing	-	0%	NS	Not Started	0	53,045	0
<b>13</b>						<b>5,883,567</b>	<b>1,873,905</b>	<b>4,009,662</b>		<b>32%</b>				<b>0</b>	<b>4,006,654</b>	<b>3,008</b>
	<b>Storm</b>	00717	Storm Drain System Master Plan	2007	V. Chen	306,000	295,200	10,800	Nov-13	96%	95%	ID	In Design/Study	10,800	0	0
<b>1</b>						<b>306,000</b>	<b>295,200</b>	<b>10,800</b>		<b>96%</b>				<b>10,800</b>	<b>0</b>	<b>0</b>
<b>52</b>						<b>17,233,231</b>	<b>5,427,852</b>	<b>11,805,379</b>		<b>31%</b>				<b>2,637,276</b>	<b>4,006,654</b>	<b>5,161,449</b>

## Capital Improvement Program Detail Status Report December 31, 2013

CAPITAL CATEGORY	Reference	PROJECT TITLE	PROJECT ADOPTION YEAR	PROJECT LEAD	BUDGET	EXPENDED INCEPTION TO DATE	REMAINING BALANCE	TARGET COMPLETION DATE	%	PROJECT STATUS	COMMENTS	CIP	SEWER	EXTERNAL
	Proj #	CIP #												

Status Codes
<b>NS</b> -Not Started
<b>IB</b> -In the Bidding Process
<b>ID</b> -In Design or Under Study
<b>IC</b> - In Active Construction
<b>OH</b> -On Hold funding preserved
<b>CP</b> -Completed - Pending Final Review
<b>CL</b> -Closed- Return dollars to fund balance
<b>XX</b> -Cancelled - Return dollars to fund balance

Funding Sources
<b>CIP</b> - Project is to be funded using the City's available Capital Improvement Fund balance in line with adopted Capital projects
<b>Sewer</b> - Project is to be funded using the City's rate driven Sewer enterprise operations
<b>Restricted</b> - Project is funded through state or federal restricted funding, grants, donations and/or contributions
<b>Scope</b> - This Schedule presents those Capital projects that have been adopted in a current or prior budget years

## Capital Improvement Program Detail Status Report December 31, 2013

CAPITAL CATEGORY	Reference		PROJECT TITLE	PROJECT	PROJECT LEAD	BUDGET	EXPENDED	REMAINING	TARGET	%		STATUS	COMMENTS	CIP	SEWER	EXTERNAL	
	ADOPTION YEAR	Proj #		CIP #			INCEPTION TO DATE		COMPLETION DATE	% SPENT	PROJECT						
<b>PROJECTS COMPLETED PROJECTS - IN FY 2013/14</b>																	
<b>Transportation</b>	Streets & Roadways	01301	TS-01001	Annual Street Resurfacing	2013	K. Small	475,000	418,373	56,627	Aug-13	88%	100%	CL	FY12-13 phase completed 9-10-2013	56,627	0	0
	Streets & Roadways	01302	TS-01003	Annual St Striping	2013	K. Small	75,000	42,853	32,147	Aug-13	57%	100%	CL	FY12-13 phase completed 9-30-2013	0	0	32,147
	Streets & Roadways	01309	TS-01004	Biennial Street Slurry Seal	2013	K. Small	149,000	135,030	13,971	Aug-13	91%	100%	CL	FY12-13 phase completed 9-15-2013	13,971	0	0
		01303	TS-01005	Annual Concrete Repair	2013	M. Bocalan	200,000	120,485	79,515	Aug-13	60%	100%	CL	Completed 10-22-13	79,515	0	0
	Pedestrian & Bicycle Safety	01315		Speed Zone Survey	2013	C. Novenario	66,000	7,280	58,720	May-13	11%	100%	CL	Completed 9-10-2013	58,720	0	0
<b>Community Development</b>	Infrastructure	01008		San Antonio Road Construction (Streetscape)	2010	V. Chen	1,468,000	1,232,366	235,634	Jun-13	84%	100%	CP	Completed pending final close out	235,634	0	0
	Infrastructure	01211		Climate Action Plan	2012	Z. Dahl	86,865	80,572	6,293	May-13	93%	100%	CP	Completed 12-10-2013	6,293	0	0
	Infrastructure	01313		Downtown Parking Management Plan	2013	K. Kleinbaum	165,000	157,284	7,716	May-13	95%	100%	CP	Completed 9-15-2013	7,716	0	0
	Infrastructure	01323		First Street Phase 1B	2013	J. Walgren	1,365,750	1,066,278	299,472	Oct-13	78%	100%	CP	Completed pending final close out	299,472	0	0
9							4,050,615	3,260,521	790,094					757,947	0	32,147	

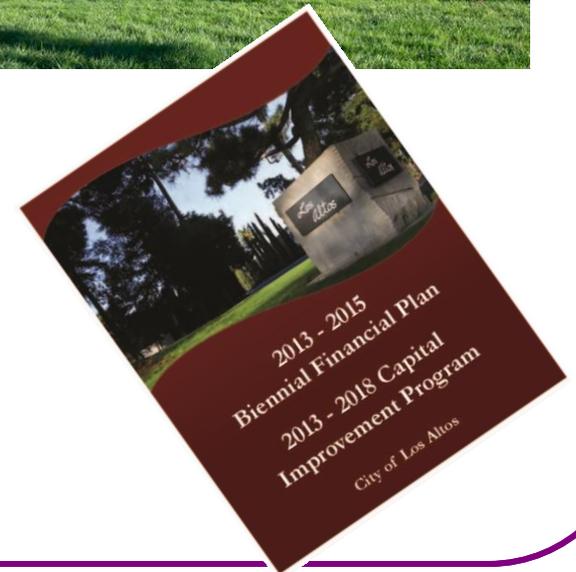
Attachment B

FY 2013/14 Mid-Year CIP Budget Presentation

# *2013-2014 Mid-Year CIP Fiscal Status Review*



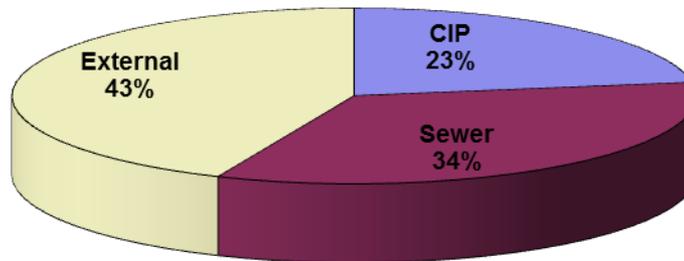
February 11, 2014  
City of Los Altos



# Presentation Topics

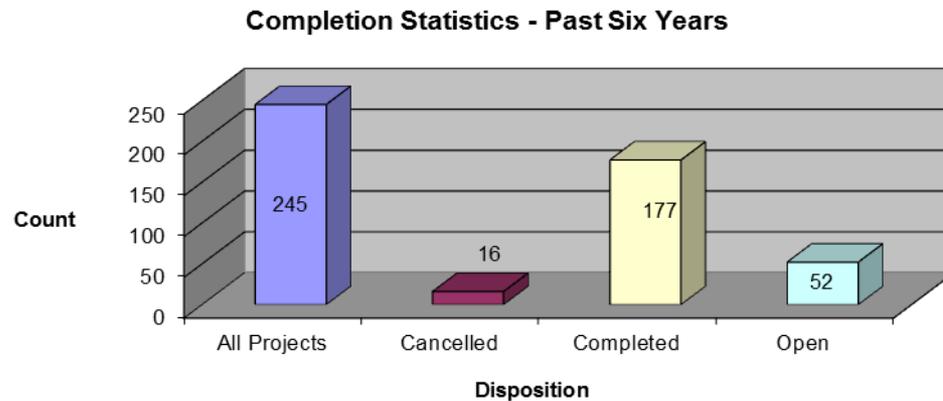


**Capital Project Funding Sources**



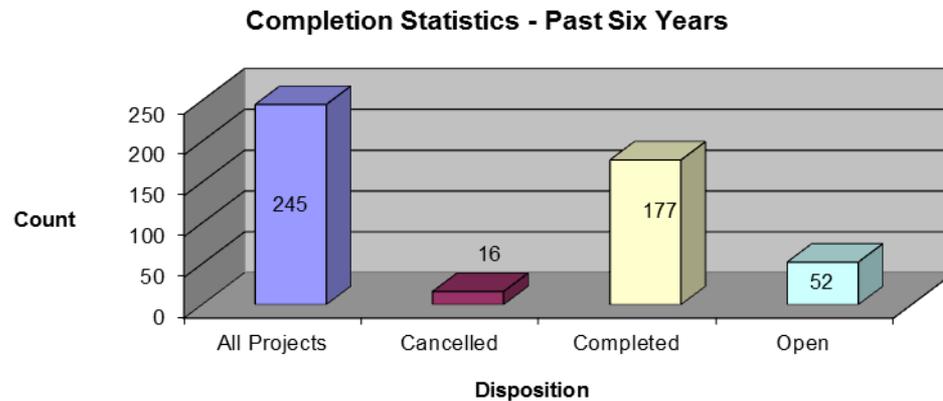
External Means Non-General Fund:  
-Gas Tax , Grants , Park-In –Lieu,  
Traffic Impact Fees, CDBG, Dept. of  
Transportation Grants

# Presentation Topics



Developed over a six-year term of tracking projects

# Presentation Topics



Developed over a six-year term of tracking projects

# Presentation Topics



Active Projects - Budget Status					
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Presents dollars by time period

# Presentation Topics



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Infrastructure	3	6%	378,000	295,633	22%
General	3	6%	257,500	239,383	7%
Technology	5	10%	1,583,262	660,344	58%
Parks & Trails	3	6%	400,000	365,772	9%
Buidlings	3	6%	829,000	829,000	0%
Sewer	13	25%	5,883,567	4,009,662	32%
Storm	1	2%	306,000	10,800	96%
	<b>52</b>	<b>100%</b>	<b>\$17,233,231</b>	<b>\$11,805,379</b>	<b>31%</b>

Presents dollars by service output

# Presentation Topics



Active Projects Balance - Funding Sources			
CIP	Sewer	External	Total
1,305,155	1,818,104	932,000	4,055,259
391,466	1,194,683	439,689	2,025,838
37,349	-	509,646	546,996
102,430	993,867	148,307	1,244,605
230,458	-	141,590	372,048
210,155	-	453,816	663,971
10,800	-	-	10,800
-	-	3,008	3,008
200,493	-	1,016,339	1,216,832
173,970	-	1,492,054	1,666,024
<b>2,662,276</b>	<b>4,006,654</b>	<b>5,136,449</b>	<b>11,805,379</b>
<b>23%</b>	<b>34%</b>	<b>44%</b>	<b>100%</b>

Presents dollars by funding source

# Presentation Topics



CAPITAL CATEGORY	Reference	PROJECT TITLE	PROJECT	PROJECT	BUDGET	EXPENDED	REMAINING		
			ADOPTION	LEAD		INCEPTION TO	BALANCE		
	Proj #	CIP #	YEAR			DATE			
<b>OPEN &amp; ACTIVE PROJECTS</b>									
Transportation	Streets & Roadways	00220		Fremont Avenue Bridge Replacement	2002	V. Chen	2,160,000	493,976	1,666,024
		00325		Rehabilitate Portland Avenue Bridge	2003	V. Chen	1,433,825	292,791	1,141,034
		01409	TS-01001	Annual Street Resurfacing	2014	K.Small	475,000	0	475,000
		01410	TS-01002	First Street Resurfacing	2014	V. Chen	300,000	0	300,000
		01411	TS-01003	Street Striping	2014	K. Small	75,000	0	75,000
		01412	TS-01011	First Street South Plan Line	2014	J.Gustafson	50,000	0	50,000
<b>6</b>							<b>4,493,825</b>	<b>786,768</b>	<b>3,707,057</b>

Detailed accounting to keep budgets on track

*2013-2014 Mid-Year  
CIP Status Review*

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# Questions and Comments



Attachment C

FY 2013/14 Mid-Year Operating Budget Report



DATE: February 11, 2014

AGENDA ITEM # 9

**TO:** City Council

**FROM:** Marcia Somers, City Manager  
Russell J. Morreale, Finance Director

**SUBJECT:** Fiscal Year 2013/14 Mid-Year Operating Budget Review

**RECOMMENDATION:**

- A. Accept the mid-year operating budget financial report
- B. Approve the recommended fund reserve transfers
- C. Approve and appropriate recommended budget adjustments including: funding three full-time positions deferred in the FY 2013/15 Biennial Budget process and various material, supplies and service cost requests

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**SUMMARY:**

**Estimated Fiscal Impact:**

<b>Amount:</b>	\$ 2,284,484	Planned and enhanced reserve transfers
	\$ 93,730	General Fund appropriations for labor (\$281,190 ongoing)
	\$ 71,000	General Fund equipment and services (\$14,000 ongoing)

**Budgeted:** Yes, as projected in the FY 2013/15 Budget and augmented per this report

**Public Hearing Notice:** Not applicable

**Previous Council Consideration:** June 25, 2013

**CEQA Status:** Not applicable

**Attachments:**

- 1. General Fund Mid-Year Budget to Actual Report
- 2. General Fund Projections
- 3. Proposed Fund Transfers
- 4. Proposed Budget Adjustments
- 5. Challenge Indicators

## BACKGROUND

As the midpoint of each fiscal year, the City Council is provided with a status report regarding revenue and expenditure performance, forecasts and potential mid-year adjustments.

## DISCUSSION

### Mid-Year Budget Performance

City finances remain well within budget projections at mid-year. With the positive prior year financial results as reported as of the June 30, 2013 audit, this report recommends the use of available reserves as planned in budget projections to fund capital improvements, strengthen rainy-day-fund balances and further build the CalPERS post-retirement employee benefit (OPEB) balance. Budget actions of the past several years also applied reserve dollars to the pay-off of pension side fund liabilities, an important strategic action that was finalized July 2013. Although revenue trends are mixed by category, Property Tax growth is making up any overall shortfalls reflecting close to double-digit increases. As has been a long tradition, City expenditures remain within the approved limits.

General Fund revenues are trending above prior year levels and are expected to exceed budget estimates. Current developments suggest annualized revenue growth of 3 to 5% above estimates and 1 to 3% over the strong prior year actual results. Commensurately, expenditures are 8% under budget at mid-year and nearly level with last year. Staff projects expenditures to come in at approximately 3 to 4% below budget limits at year-end. The combination of revenue strength and expenditure control postures Los Altos for favorable financial results.

### Fiscal Review

This mid-year report highlights the General Fund which generates \$29 million out of \$43 million of City-wide revenue. Key sources of revenue include Property Tax, Sales Tax, Utility Users' Tax, Transient Occupancy (hotel) Tax, Real Estate Transfer Tax, business licenses, franchise fees, building activity fees and interest income. Staff also performed a top level review of other revenue sources including rental income, Recreation fees, Police service fees and a variety of other service fees. This analysis of revenue is presented in tabular format on Attachment 1 and discussed in more detail below.

**General Fund Revenues:** At mid-year, Property Tax growth take center stage with strong performance also from Hotel Tax and Community Development fees. The most significant year-to-year revenue increases in terms of sheer dollars is Property Tax pacing in at a 9.3% gain. Although we remain cautious in interpreting this recent change of events, this increase in property tax is quite remarkable in contrast to the zero-percent growth experienced just two years ago. Hotel Tax is on pace for an 11% increase and Building & Planning fees, although highly elastic by nature, continue to be robust exceeding budget projections by 6% at mid-year and prior year levels by 15%.

As stated above, revenue trends in totality are varied this year when considering several other core revenues that are underperforming, namely Real Estate Transfer Tax and Utility Users Tax which are down 22% and 4%, respectively. Interest earnings remain low this year and Police fees appear to be below prior year performance as well.

Service fee are results are also mixed. Building and Planning activity services are doing extremely well. In Recreation, there is a 10% drop in revenue compared to last year and a budget shortfall of 5% due to a trial basis shift in scheduling of Winter class registrations from the traditional November timeframe to January. This was done in response to customer requests. With this alteration, the inflow of registration revenue, normally collected as part of mid-year results, will be realized in the third quarter of this fiscal year. As of December 31, 2013, planning & building activity far exceeds its cost-recovery goal while recreation services is falling short given the registration timing differences noted above.

**General Fund Expenditures:** At this point in the year on a straight line basis, the City would have expended 50% of the general operating budget. Departments continue to effectively manage their expenditures which are at 42% at mid-year as reflected in Attachment 1.

**Year-End Projections:** Projections of the City’s year-end General Fund fiscal performance are displayed in Attachment 2 illustrating a “Realistic to Pessimistic” range. Using this scale, FY 2013/14 revenues over expenditures at year-end are estimated to range from \$1.3M to \$3.5M. Both expectations are above the budget forecasts.

**Other Funds:** A review of major non-General Fund activities indicate that operations are proceeding as expected. The Sewer Fund is on target, storm operations, now fully General Fund-dependent, will approximate the \$260,000 budget estimate while solid waste has now stabilized within its new contract structure.

**Proposed Mid-Year Budget Actions**

**Reserve Transfers:** The City ended the 2012/13 fiscal year with \$2.7M in excess unassigned reserves, a value nearly \$1.5 million above expectations identified in the FY 2013/15 budget. These results allow the City to act on planned uses of reserves identified in the budget process as well as other recommended judicious uses of these available funds. With this updated information, it is recommended to proceed with the following projected transfers in applying such funds:

<i>Proposed Reserve Transfers</i>	<i>2012/13 Balance</i>	<i>Original Plan</i>	<i>Proposed Transfer</i>	<i>2013 /14 Proposed</i>
Operating Fiscal Reserve *	5,225,000	300,000	500,000	5,725,000
OPEB Reserve *	500,000	250,000	250,000	750,000
PERS Reserve (proposed an year early)	0	0	450,000	450,000
Community Facility Renewal Fund	7,165,592	0	750,000	7,915,592
Workers Compensation	211,516	0	338,484	550,000
<b>Total</b>	<b>\$13,102,108</b>	<b>\$550,000</b>	<b>\$2,288,484</b>	<b>\$15,390,592</b>

- With the proposed and planned transfer recommendations, General Fund fiscal safety reserves will equal \$5,725,000, which is slightly above the policy goal of 20%.
- The proposed and planned transfers include an additional \$250,000 of funding into OPEB reserves as the City continues to address this benefit liability.
- Additional excess reserves are also being proposed as follows:
  - \$450,000 to establish a CalPERS pension reserve in anticipation of rising pension rates. This was projected in the FY 2013/15 to take place at the end of FY 2013/14 and this mid-year report proposes the establishment of this reserve at this time.
  - \$750,000 of capital dollars to be placed into the Community Facility renewal Fund as the City considers renovations and/or upgrades of City facilities.
  - \$338,884 into the Workers Compensation Internal Service Fund as a follow up to the June 30, 2013 audit results calling for a need for increases in insurance fund reserve levels.

All proposed transfers, with inter-fund allocations, are summarized in Attachment 3.

**Operating Budget Adjustments:** In addition to actions taken by Council since July 2013, the mid-year budget review is useful in bringing to Council's attention the need for any operating budget adjustments. Many of the items listed below were identified as needed, but were not included in the FY 2013/14 budget pending year-end financial results. Several of these items are recommended for funded via the transfer of existing General Fund contingency dollars, for zero-net budget increase, with the remaining calling for new appropriations.

These are as presented in Attachment 4 and include:

#### **Authorized and Deferred Full-Time Positions**

- The filling of three (3) full-time positions of the total of twelve authorized positions, which were, deferred in this and prior fiscal years as cost-savings efforts. If approved, the deferred and unfunded positions will now total nine (9). Financial trends to date, and those anticipated into the future indicate that resources are sufficient to fill these position to support service delivery in Maintenance Services and Recreation.

#### **Operating Expenditures**

- **Police** – Funding for technology, design and build out of a tri-city virtual briefing room in the existing Police facility for day-to-day briefings, training and information exchange.
- **Maintenance Services** - Funding for: (1) Installation of a protective weather overhang for the Fuel Station at the Municipal Services Yard, for asset protection and operational safety measures; (2) Increased water utility costs as result of the 2013/14 drought; and (3) Material Safety Data Sheet management services, an OSHA safety requirement related to hazardous chemical use.

- **Finance** – Funding for: (1) the carry-forward of an OPEB actuarial needed for audit purposes; (2) Engagement of property tax audit and information data gathering services; and (3) Contract services to implement paperless pay stubs and an employee web portal.
- **Recreation** – Funding for various departmental supplies and support services related to programs and event management.
- **Information Technology** - Augmenting the level of technology contract services for specialty network support, a need heightened by the imminent safety Tri-City dispatch, and service assistance necessary until the vacant I.T. staff positions are filled.

### CIP Status Report

Continuing the periodic reporting of the status of Capital Improvement Program (CIP), the CIP Status Report is included in tonight's agenda under separate cover.

### Challenge Indicators

There remain challenge areas that are considered as the City's Financial Plan is reviewed. These are summarized as part of Attachment 5.

### **FISCAL IMPACT**

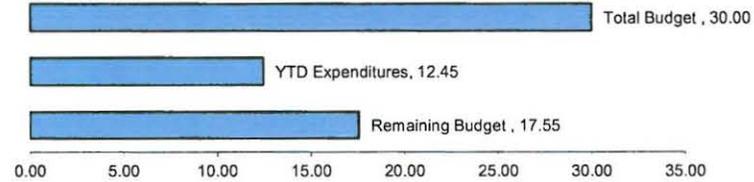
The recommendations in this report place into use excess General Fund reserves that resulted from increased revenues and operational savings as of June 30, 2013 and the transfer of contingency funding built into the budget at the time of adoption. \$2,288,484 is reallocated via transfers into key fiscal reserves to realize and enhance adopted budget projections. \$93,730 in additional General Fund appropriations to fill three previously deferred full-time positions and \$76,550 in equipment and service items additional appropriations are proposed for a current-year budgetary impact of \$170,280 (see Attachment 4). The ongoing fiscal impact of the three deferred positions noted above approximates \$281,190 and \$14,000 of operational costs will be included in the update of the FY 2014/15 budget.

### **PUBLIC CONTACT**

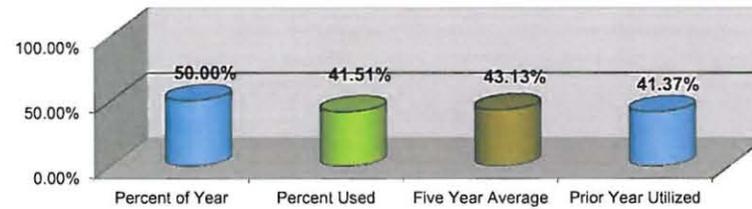
Posting of the meeting agenda serves as notice to the general public.

**City of Los Altos  
 Month End Financial Status Report  
 Performance Instrument Panel  
 December 2013  
 (Mid-Year Results)**

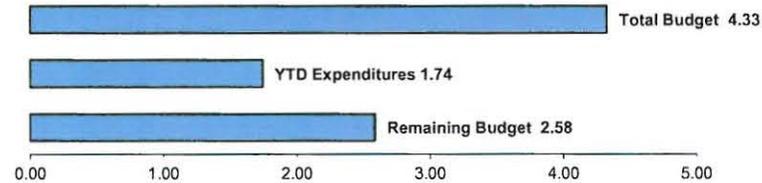
**General Fund Expenditure Speedometer**



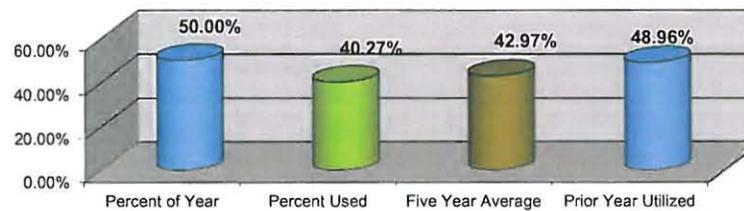
**General Fund Expenditure Gas Tank**



**Enterprise Funds Expenditure Speedometer**



**Enterprise Funds Expenditure Gas Tank**

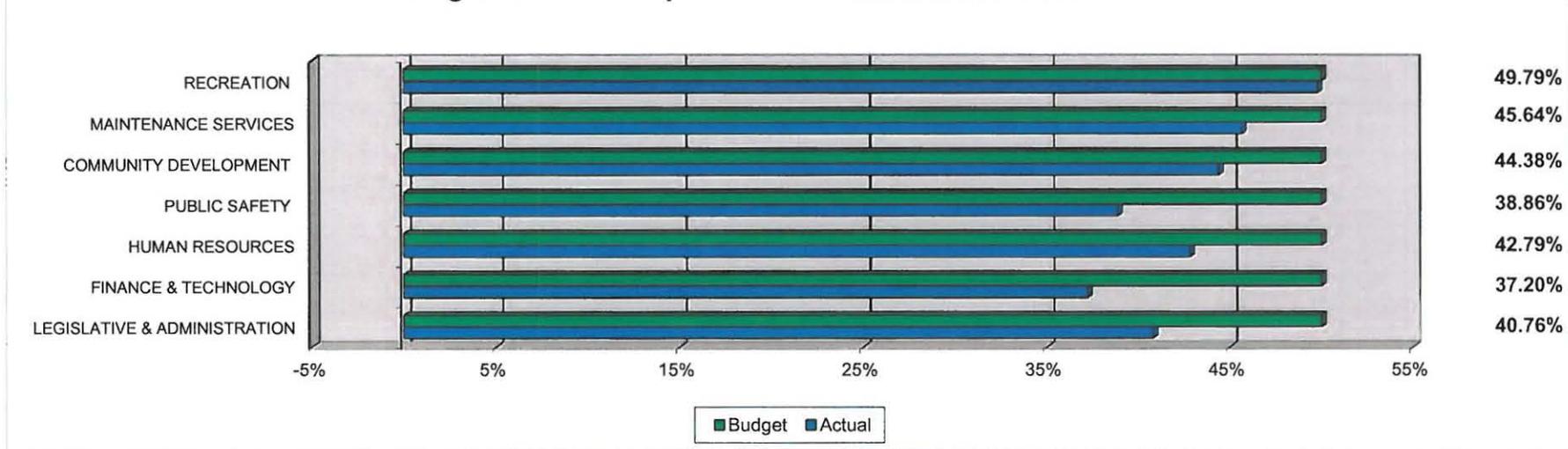


**City of Los Altos**  
**Budget to Actual Expenditures By Department - General Fund**  
**December 2013 (Mid-Year)**

DEPT / DIVISION EXPENDITURES	ORIGINAL BUDGET	ADJUSTED BUDGET	Y-T-D ACTUAL	PRIOR YR		BALANCE AVAILABLE	% AVAILABLE	Five Year Average	% of Year 50.00%	% UNDER (OVER)
				Y-T-D ACTUAL	% USED					
LEGISLATIVE & ADMINISTRATION	1,347,960	1,347,960	549,436		40.76%	798,524	59.24%			9.24%
FINANCE & TECHNOLOGY	1,971,675	2,181,675	811,623		37.20%	1,370,052	62.80%			12.80%
HUMAN RESOURCES	523,330	523,330	223,934		42.79%	299,396	57.21%			7.21%
PUBLIC SAFETY	15,134,647	15,150,295	5,887,180		38.86%	9,263,115	61.14%			11.14%
COMMUNITY DEVELOPMENT	3,015,520	3,015,520	1,338,155		44.38%	1,677,365	55.62%			5.62%
MAINTENANCE SERVICES	5,581,222	5,609,663	2,560,091		45.64%	3,049,572	54.36%			4.36%
RECREATION	2,164,961	2,172,460	1,081,696		49.79%	1,090,764	50.21%			0.21%
<b>GENERAL FUND</b>	<b>29,739,315</b>	<b>30,000,904</b>	<b>12,452,115</b>	<b>12,390,905</b>	<b>41.51%</b>	<b>17,548,788</b>	<b>58.49%</b>	<b>56.87%</b>		<b>8.49%</b>

Exp (Over) Under Prior Year Dollars	(61,211)	
Budget to Actual Over (Under) Prior Year %		-0.14%
Budget to Actual Over (Under) Annual Average %		1.62%

**Budget vs Actual Expended - Percent of Year 50%**



**Notes:**

- \* Includes 13-14 Encumbrances and administrative adjustments
- \* Recreation Costs are seasonal with higher costs realized in the summer months
- \* Non Department has been adjusted for the PERS side fund pay down

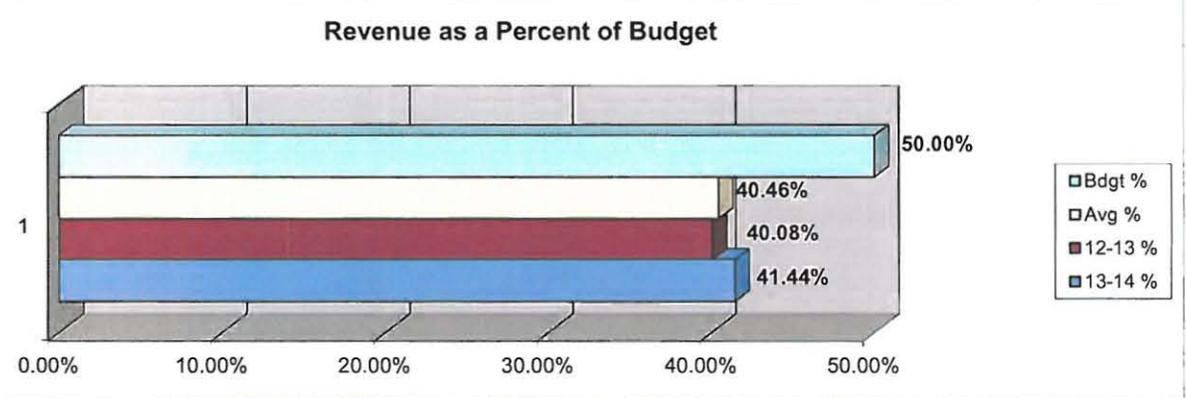
**City of Los Altos**  
**Budget to Actual Expenditures By Division - Enterprise Funds**  
**December 2013 (Mid-Year)**

						PRIOR YR				50.00%	
DIV #	DEPT / DIVISION EXPENDITURES	ORIGINAL BUDGET	ADJUSTED BUDGET	Y-T-D ACTUAL	Y-T-D ACTUAL	% USED	BALANCE AVAILABLE	% AVAILABLE	Five Year Average	% UNDER (OVER)	
61100	SEWER SYSTEM ADMINISTRATION	2,790,255	2,791,802	1,070,165		38.33%	1,721,637	61.67%			
61200	SEWER SYSTEM MAINTENANCE	832,050	837,642	379,704		45.33%	457,938	54.67%			
	<b>SEWER</b>	<b>3,622,305</b>	<b>3,629,444</b>	<b>1,449,869</b>		<b>39.95%</b>	<b>2,179,575</b>	<b>60.05%</b>		<b>10.05%</b>	
62100	URBAN RUNOFF PROGRAM	209,620	209,620	97,464		46.50%	112,156	53.50%			
62200	STORM DRAIN	47,860	47,860	26,020		54.37%	21,840	45.63%			
	<b>STORM DRAIN</b>	<b>257,480</b>	<b>257,480</b>	<b>123,484</b>		<b>47.96%</b>	<b>133,996</b>	<b>52.04%</b>		<b>2.04%</b>	
74100	SOLID WASTE	440,310	440,310	169,129		38.41%	271,181	61.59%			
	<b>SOLID WASTE</b>	<b>440,310</b>	<b>440,310</b>	<b>169,129</b>		<b>38.41%</b>	<b>271,181</b>	<b>61.59%</b>		<b>11.59%</b>	
	<b>ENTERPRISE FUNDS</b>	<b>4,320,095</b>	<b>4,327,234</b>	<b>1,742,483</b>	<b>2,116,754</b>	<b>40.27%</b>	<b>2,584,751</b>	<b>59.73%</b>	<b>57.03%</b>	<b>9.73%</b>	
<b>Exp (Over) Under Prior Year Dollars</b>							<b>374,271</b>				
<b>Budget to Actual (Over) (Under) Prior Year %</b>									<b>8.69%</b>		
<b>Budget to Actual (Over) (Under) Annual Average %</b>										<b>2.70%</b>	

**City of Los Altos**  
**Revenue Budget To Actual Comparisons - Summary Report**  
**December 2013 (Mid-Year)**

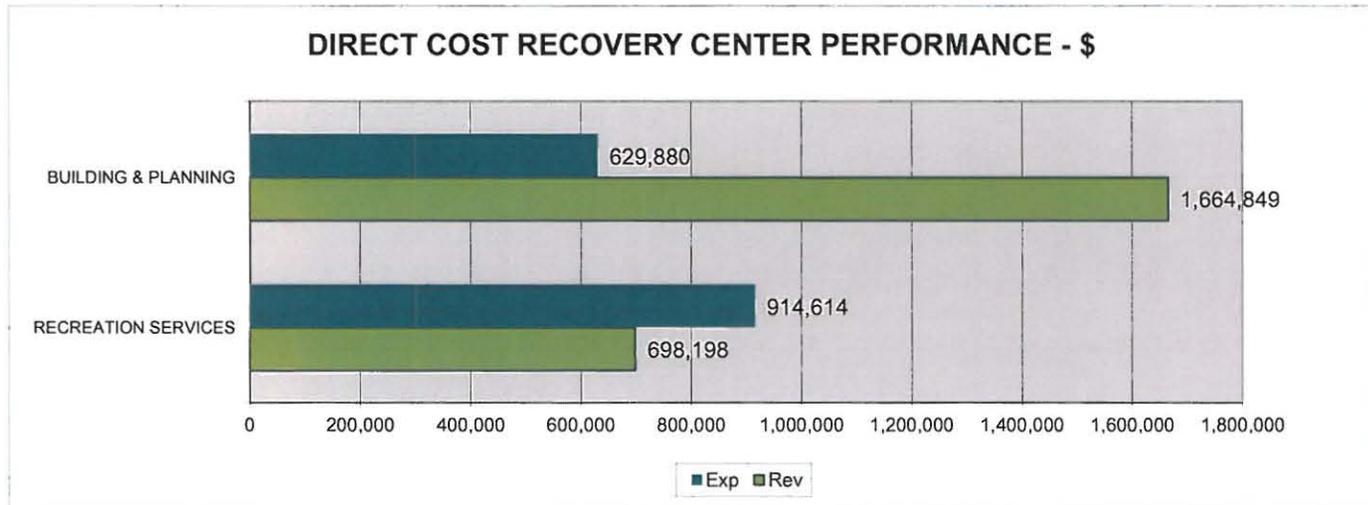
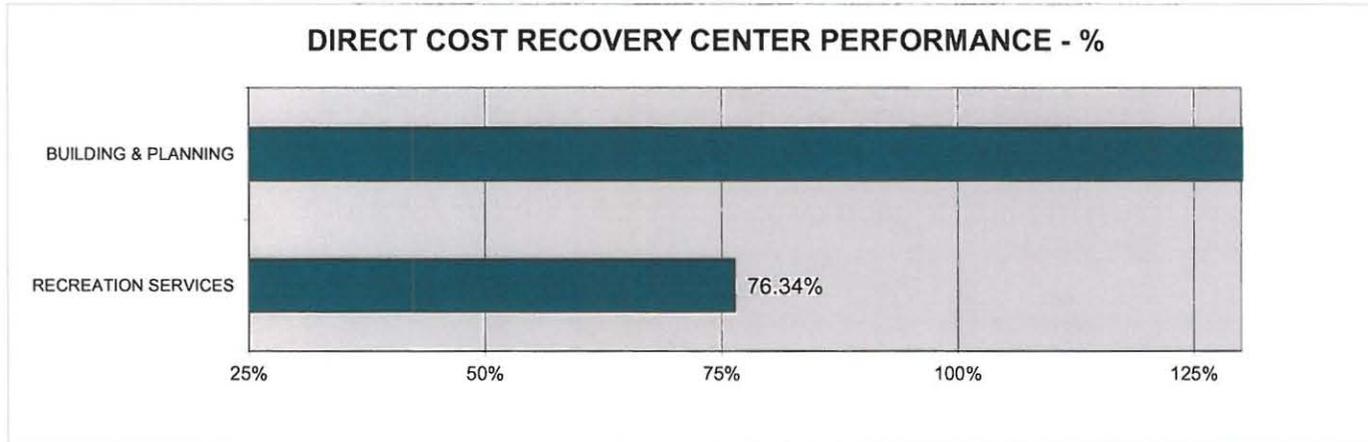
HISTORICAL REFERENCE										
	12-13 Budget	12-13 Actual	13-14 Budget	13-14 Actual	Actual \$ To Actual Variance	Actual % to Actual Variance	12-13 Budget to Actual %	13-14 Budget to Actual %	Five Year Average	Percent of Year Expired
<b>GENERAL FUND REVENUES</b>										
PROPERTY TAX	11,481,210	5,004,561	11,892,982	5,467,950	463,389	9.26%	43.59%	45.98%		
PROPERTY TAX - IN LIEU	2,424,450	0	2,604,600	0	0	0	0	0.00%		
SALES TAX	2,598,300	951,492	2,615,600	949,355	(2,138)	-0.22%	36.62%	36.30%		
UTILITY USERS TAX	2,598,960	1,100,881	2,629,800	1,055,590	(45,291)	-4.11%	42.36%	40.14%		
TRANSIENT OCCUPANCY TAX	1,498,000	807,323	1,663,100	897,601	90,278	11.18%	53.89%	53.97%		
REAL ESTATE TRANSFER TAX	472,248	299,941	479,900	234,839	(65,102)	-21.71%	63.51%	48.93%		
BUSINESS LICENSE TAX	453,200	216,371	418,400	220,620	4,249	1.96%	47.74%	52.73%		
FRANCHISE FEES	1,692,414	383,055	1,726,200	363,881	(19,173)	-5.01%	22.63%	21.08%		
COMMUNITY DEVELOPMENT	2,680,108	1,509,069	2,488,200	1,737,730	228,661	15.15%	56.31%	69.84%		
MOTOR VEH LIC FEES	52,499	15,102	0	12,639	(2,462)	-16.31%	28.77%	0		
INTEREST INCOME	427,200	103,363	361,800	70,822	(32,541)	-31.48%	24.20%	19.57%		
<b>KEY REVENUES</b>	<b>26,378,589</b>	<b>10,391,158</b>	<b>26,880,582</b>	<b>11,011,028</b>	<b>619,870</b>	<b>5.97%</b>	<b>39.39%</b>	<b>40.96%</b>		
RENT	8,000	0	23,700	0	0	0	0	0.00%		
RECREATION FEES	1,814,534	823,571	1,817,100	739,338	(84,233)	-10.23%	45.39%	40.69%		
POLICE FEES	116,210	59,609	112,900	18,930	(40,679)	-68.24%	51.29%	16.77%		
INTERNAL ADMIN FEES	891,747	445,874	918,500	459,252	13,379	3.00%	50.00%	50.00%		
OTHER FEES	708,019	270,988	700,400	392,598	121,610	44.88%	38.27%	56.05%		
<b>OTHER REVENUES</b>	<b>3,538,510</b>	<b>1,600,042</b>	<b>3,572,600</b>	<b>1,610,118</b>	<b>10,077</b>	<b>0.63%</b>	<b>45.22%</b>	<b>45.07%</b>		
<b>TOTAL REVENUE</b>	<b>29,917,099</b>	<b>11,991,200</b>	<b>30,453,182</b>	<b>12,621,146</b>	<b>629,946</b>	<b>5.25%</b>	<b>40.08%</b>	<b>41.44%</b>	<b>40.46%</b>	<b>50.00%</b>

Revenue Over (Under) Prior Year Dollars	629,946
Budget to Actual Over (Under) Prior Year %	1.36%
Budget to Actual Over (Under) Annual Average %	0.99%

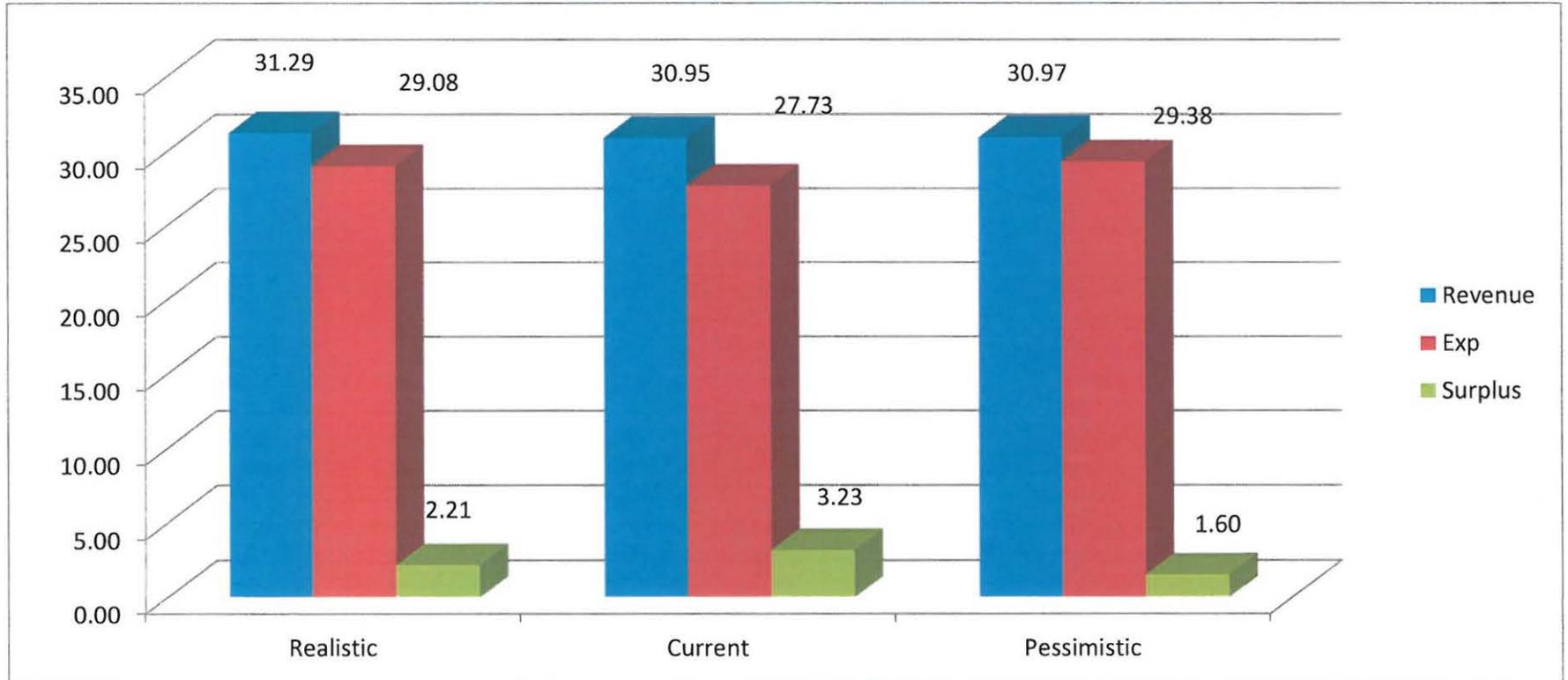


**City of Los Altos  
Direct Cost Recovery Center Performance  
December 2013 (Mid-Year)**

DIV #	COST RECOVERY CENTERS	REVENUE BUDGET	EXP BUDGET	REVENUE ACTUAL	EXP ACTUAL	% BUDGET DIRECT COST RECOVERY	% ACTUAL DIRECT COST RECOVERY
	BUILDING & PLANNING	2,488,200	1,248,290	1,664,849	629,880	199.33%	264.31%
	RECREATION SERVICES	1,817,100	1,943,110	698,198	914,614	93.52%	76.34%
	<b>GENERAL FUND</b>	<b>4,305,300</b>	<b>3,191,400</b>	<b>2,363,048</b>	<b>1,544,494</b>	<b>134.90%</b>	<b>153.00%</b>



## Attachment 2 General Fund Projections



**Attachment 3  
Proposed Fund Transfers**

Proposed Fund Transfers	Adopted	Mid-Year	Total	Operating	OPEB	Pers	Community	Workers
	Budget	Augmentation	Proposed Transfers	Reserve		Reserve	Facility Fund	Compensation Fund
<b>Increase in Operating Reserves:</b> As projected and approved in the FY2012/13 Adopted Budget	(300,000)	(200,000)	(500,000)	500,000				
<b>Increase in OPEB Reserves:</b> As projected and approved in the FY2012/13 Adopted Budget	(250,000)	0	(250,000)		250,000			
<b>Establish a CalPERS Pension Rate Increase Reserve:</b> Early implementation of a \$450,000 balance originally scheduled for FY 2014/15	0	(450,000)	(450,000)			450,000		
<b>Community Facility Renewal Fund:</b> Capital set aside in anticipation of significant capital facility replacements under discussion and consideration	0	(750,000)	(750,000)				750,000	
<b>Workers Compensation Fund Reserves:</b> Funding reserve levels given June 30, 2013 audit and actuarials results	0	(338,484)	(338,484)					338,484
<b>Total Transfers</b>	<b>(550,000)</b>	<b>(1,738,484)</b>	<b>(2,288,484)</b>	<b>500,000</b>	<b>250,000</b>	<b>450,000</b>	<b>750,000</b>	<b>338,484</b>

<b>Realized FY 2012/13 General Fund Excess Reserves</b>	<b>2,631,114</b>
<b>Remaining (Available to Fund Operations and Appropriations)</b>	<b>342,630</b>

**Attachment 4  
Proposed Budget Adjustments**

General Fund Proposed Budget Adjustment Descriptions		Total Amount	Appropriation		Revenue Estimate	Net Fiscal Impact	Net Fiscal Impact
		Existing Budget	Revised Budget	Budget Addition	Budget Addition	Budget Offset	2013/14 Ongoing
1	<b>Filling and Funding 3 Previously Deferred Positions</b> – Additional appropriations to fund the following three positions.						
1a	<b>Public Works - Maintenance Supervisor</b> (1/3 Year 2013/14 - \$39,600)	0	40,000	40,000			40,000 120,000
1b	<b>Public Works - Maintenance Worker I</b> (1/3 Year 2013/14 - \$27,160)	0	27,430	27,430			27,430 82,290
1c	<b>Recreation - Office Assistant II</b> (1/3 Year 2013/14 - \$26,040)	0	26,300	26,300			26,300 78,900
2	<b>Equipment Requests</b> - Use of Existing General Fund Contingency Dollars for the deferred and/or emerging equipment needs						
2a	<b>Public Works - Fuel Station Weather Overhang</b> . The purchase and installation of a protective rain and weather overhang for the City's fleet and emergency fuel supply station for equipment protection and employee safety in inclement weather (deferred in the prior year) (use of existing contingency) *	0	24,000	24,000			24,000
2b	<b>Police - Tri-City Virtual De-briefing and Information Sharing</b> . The purchase and installation of audio and visual equipment within the two existing police facility conference rooms to facilitate tri-city joint de briefings and information sharing. This anticipates use with the implementation of the the shared dispatch and records management project currently underway.(use of existing contingency) *	0	20,000	20,000			20,000
2c	<b>Police/Information Technology - Increased Uninterrupted Power Service Devices</b> . With the expansion of network power load experienced as new police systems come on board and network upgrades are developed, a need has arisen to increase electrical power supply back-up systems to protect against power outages and rising load levels.(use of existing contingency) *	0	35,000	35,000			35,000 3,500
3	<b>Service Requests</b> - Use of Existing General Fund Contingency Dollars for the deferred and/or emerging equipment needs						
3a	<b>Public Works - Parks - Water Utility</b> - The 2013 drought has caused a heightened use of water in maintaining City Parks beyond normal trends.	0	40,000	40,000			40,000
3b	<b>Public Works - Hazardous Material Data Gathering</b> - This would deploy contract service to manage data gathering for hazardous materials used in the line of service in compliance with OSIIA requirements	0	3,500	3,500			3,500
3c	<b>Finance - Property Tax Audit and Reporting Services</b> - This would deploy contract services, much like existing sales tax services, to both audit and provide an informational data portal for City property tax - this will be highly useful in trending and specialized data gathering and play into future GIS initiatives	0	7,500	7,500			7,500 7,500
3d	<b>Finance - OPEB and Other Actuarial Services</b> - This funds a carry forward of 2013/13 actuarial services needed for financial audit reporting at \$9500. New GASB accounting requirements will also call for new pension actuarial studies - a cost that will be built into the 2014/15 budget. (use of existing contingency) *	0	10,000	10,000			10,000
3e	<b>Finance - Employee Payroll Portal and Paperless Pay Stub</b> - Enhancing current contract services to implement paperless pay stubs for all City employees and the development of a self-service web based payroll informational portal (allowing for on screen view of paystubs, employee profiles, W-2s and employee news)	0	20,000	20,000			20,000 3,000
4	<b>Information Technology (Services)</b> – Augmenting the level of technology support and contract services for specialty network support, a need heightened by the imminent safety Tri-City dispatch, and service assistance necessary as staffing vacancies are in the process of recruitment. (use of existing contingency) *	0	50,000	50,000			50,000
5	<b>Non-Departmental</b> – Transfer and use of existing General Fund Contingencies to partially offset added General Fund requests listed above (*)	310,000	171,000	(139,000)		0	(139,000)
<b>Net Impact General Fund</b>		<b>\$ 310,000</b>	<b>\$ 474,730</b>	<b>\$ 164,730</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 164,730 \$ 295,190</b>
Equipment Replacement Fund Proposed Budget Adjustments		Total Amount	Appropriation		Revenue Estimate	Net Fiscal Impact	Net Fiscal Impact
		Existing Budget	Revised Budget	Budget Addition	Budget Addition	Budget Offset	Ongoing
6	<b>Recreation - Sundry Event Equipment Needs</b> - For the purchase of a Summer Concert banner, facility room chairs in Room 2 and a new event time-clock	0	5,550	5,550			5,550 0
<b>Net Impact Equipment Replacement Fund</b>		<b>\$ -</b>	<b>\$ 5,550</b>	<b>\$ 5,550</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,550 \$ -</b>
<b>Total Net Budget Impact of Budget Adjustments By Fund</b>							
General Fund- Labor						93,730	295,190
General Fund- Materials & Services						71,000	0
Equipment Replacement Fund						5,550	0
<b>Total</b>						<b>170,280</b>	<b>295,190</b>

## Attachment 5 Challenge Indicators

### Challenge Indicators

**State and Regional Economics:** As highlighted at UCLA's December 2013 forecast, economic growth has clearly been experienced in 2012/13 but we should not expect dramatic shifts in trends. As stated in the latest forecast extract, "In the short term, the Forecast predicts the economy won't quickly help swell empty or near empty bank accounts. On a national level, the forecast calls for real GDP growth in the current quarter to be a modest 1.8 percent, and by the second quarter of next year a sustained 3 percent growth path. "In this environment, employment will be on track to add about 200,000 jobs a month and the unemployment rate will decline to about 6 percent by the end of 2015,"

**Cost Increase Areas:** As discussed in the FY 2013/15 biennial budget, the landscape continues to present the following fiscal cost stress points:

**Change in Accounting Practices are Here:** The Government Accounting Standards Board (GASB) significant new pension accounting standards forecasted last year are now a reality and will be implemented by the City in FY 2014/15. Much like recent post-retirement health benefits standards (GASB45), this new standard requires government agencies to fully value quantify and record pension liabilities in their financial statements. City staff recently issued newly released CalPERS information quantifying significant unfunded liability amounts - numbers that have been provided to all California government agencies. Clearly, although long-term in nature, these liabilities do underscore the challenge that exists in funding and managing pension benefit costs.

**Pension & Benefit Costs:** The City's Financial Commission also introduced a comprehensive study of pension plans and the potential fiscal impact on the City noting the reality of rising rates. To that end, we anticipate future increases in CalPERS pension rates given equity market conditions combined with the real possibility of changes in pension assumptions, actuarial valuations and new legislation. The City set an important strategic course with implementation of a two-tier benefit plan and phased employee contribution levels for all employee groups. Most recently, the Governor's reform bill, AB340, has introduced significant measures and new, and lower, benefit levels aimed at curbing pension costs. Reductions in CalPERS discount rate assumptions will have a material impact on General Fund costs and continue to be a concern.

**Aging Facilities & Civic Center Revitalization:** The need to update aging public facilities, most notably the Community Center, City safety, Technology assets, is a reality that and in need of a near-term solution. As the City and the community navigate its options in this initiative, such costs will compete with other resources as it evaluates overall infrastructure needs.

**Other Post Employee Benefits (OPEB) and Insurance Liabilities:** Actuarial valuations completed last year have again quantified existing liabilities for Other Post Employee Benefits (OPEB) and rising incurred-but-not-reported liabilities for Workers' Compensation and General Liability claims. Although these liabilities are fully reported in the City's financial reports, their associated costs will certainly find their way into future budget estimates and draw further on resources.

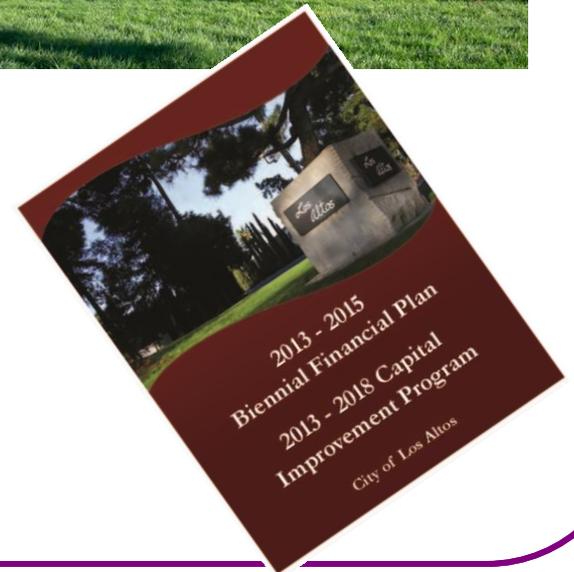
Attachment D

FY 2013/14 Mid-Year Operating Budget Presentation

# 2013-2014 Mid-Year Operating Budget Review



February 11, 2014  
City of Los Altos



# Presentation Topics



**Mid-Year  
Budget  
Performance  
Highlights**

**Projections**

**Proposed  
Use of  
12-13  
Reserves**

**Staffing  
Adjustments  
&  
Approvals**

# Mid-Year Budget Themes



# Mid-Year Budget Highlights



- City remains within budget projections
- Key general revenues trending at 1-3% actual growth
- Revenue trends are mixed but well up
- Department expenses again under budget - 8%
- Proposed use of \$2.7M of 12-13 Surplus
- Fund reserves proposed to be strengthened
- An easing of key staffing deferrals requested
- Deferred and necessary equip & services requested
- Economic challenges remain to be dealt with

# Departments “Within Budget”



DEPT / DIVISION EXPENDITURES	ORIGINAL BUDGET	ADJUSTED BUDGET	Y-T-D ACTUAL	PRIOR YR		BALANCE AVAILABLE	% AVAILABLE
				Y-T-D ACTUAL	% USED		
LEGISLATIVE & ADMINISTRATION	1,347,960	1,347,960	549,436		40.76%	798,524	59.24%
FINANCE & TECHNOLOGY	1,971,675	2,181,675	811,623		37.20%	1,370,052	62.80%
HUMAN RESOURCES	523,330	523,330	223,934		42.79%	299,396	57.21%
PUBLIC SAFETY	15,134,647	15,150,295	5,887,180		38.86%	9,263,115	61.14%
COMMUNITY DEVELOPMENT	3,015,520	3,015,520	1,338,155		44.38%	1,677,365	55.62%
MAINTENANCE SERVICES	5,581,222	5,609,663	2,560,091		45.64%	3,049,572	54.36%
RECREATION	2,164,961	2,172,460	1,081,696		49.79%	1,090,764	50.21%
<b>GENERAL FUND</b>	<b>29,739,315</b>	<b>30,000,904</b>	<b>12,452,115</b>	<b>12,390,905</b>	<b>41.51%</b>	<b>17,548,788</b>	<b>58.49%</b>

8.5% Under  
At  
Mid Year

# Operating Revenues Mixed



Actual Year to Year Increases  
Point to 1% to 3% Revenue Growth

Property  
Tax Up  
9.3%

Sales Tax  
Within  
Budget

Planning  
& Building  
Up 15%

Hotel Tax  
Up  
11%

Construction  
Tax  
Up 300%

Recreation  
Fees Down  
10%

Real Estate  
Transfer Tax  
Down 22%

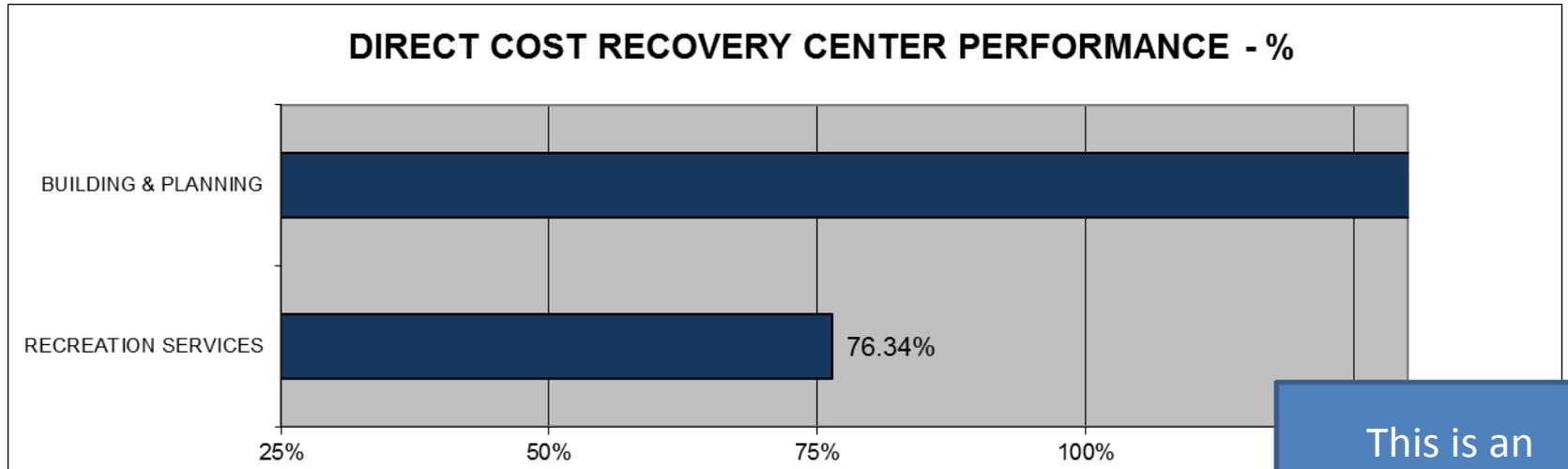
UUT Tax  
Down 4%

Franchise  
Fees  
Down

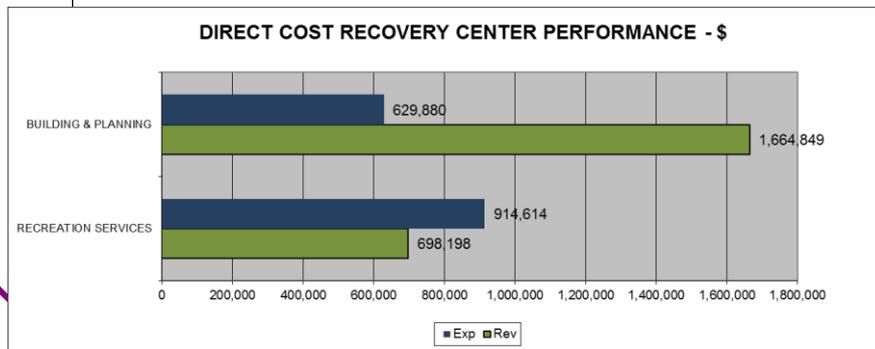
# 2013-2014 Cost Recovery



**DIRECT COST RECOVERY CENTER PERFORMANCE - %**

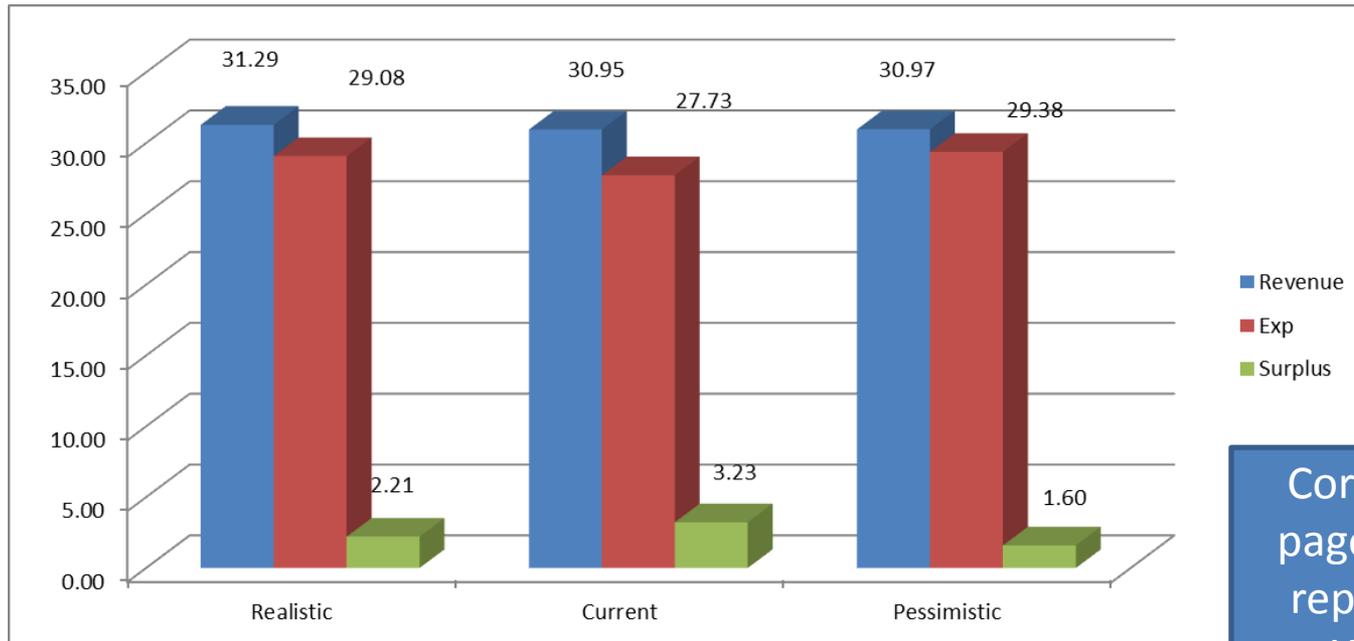


**DIRECT COST RECOVERY CENTER PERFORMANCE - \$**



This is an anomaly year for recreation fees given timing differences

# 2013-2014 Projection



	Realistic	Current	Pessimistic
Revenue	31.29	30.95	30.97
Exp	29.08	27.73	29.38
Surplus	2.21	3.23	1.60

Correction to page 3 of staff report under Year End Projections should read 1.6 to 3.2

# Proposed Use of 12-13 Reserves



<i>Proposed Reserve Transfers</i>	<i>2012/13 Balance</i>	<i>Original Plan</i>	<i>Proposed Transfer</i>	<i>2013 /14 Proposed</i>
Operating Fiscal Reserve *	5,225,000	300,000	500,000	5,725,000
OPEB Reserve *	500,000	250,000	250,000	750,000
PERS Reserve (proposed an year early)	0	0	450,000	450,000
Community Facility Renewal Fund	7,165,592	0	750,000	7,915,592
Workers Compensation	211,516	0	338,484	550,000
<b><i>Total</i></b>	<b>\$13,102,108</b>	<b>\$550,000</b>	<b>\$2,288,484</b>	<b>\$15,390,592</b>

- \$500K Operating Reserve
- \$250K OPEB Reserve
- \$450K PERS Reserve ( early funding)
- \$750K Community Facility Reserves
- \$338K Insurance Liability Reserves

# Mid Year Adjustments



## General Fund

- **Staffing Requests:**

- Unfreezing of 3 of the 12 deferred positions
  - Office Assistant Recreation \$ 26,300
  - Maint. Supv. - facilities \$ 40,000
  - Maint. Worker 1 - parks \$ 27,430

- Full Year 2013/14 Impact will be \$282,000

# Mid Year Adjustments



## General Fund

- **Equipment & Utility Requests:**
  - P. Works - Fuel Station Weather Overhang - \$24K
  - P. Works - Water costs given drought - \$40K
  - Police - Tri-City Virtual Debriefing Room - \$20K
  - Police - Upgraded uninterrupted power - \$35K

# Mid Year Adjustments



## Fiscal Impact

- **Service Requests:**
  - P. Works - Hazardous Materials Data - \$ 3,500
  - Finance - Prop. Tax Audit & Reporting - \$ 7,500
  - Finance - OPEB Actuarial Carry Forward - \$10,000
  - Finance - Paperless payroll and employee Portal - \$20,000
  - I.T/Safety - Heightened specialty network service - \$50,000

# Mid Year Adjustments



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## General Fund

• Total General Fund Requests	\$303,730
• Use of Contingency Dollars built into budget	<u>(\$139,000)</u>
• Net Additional Funding Requested	\$164,730

## Equipment Replacement Fund

### Total

<u>5,550</u>
\$170,280

## Ongoing Annual Impact

**\$ 295,190**

# Challenge Indicators



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**State and Regional Economics:** As highlighted at UCLA's December 2013 forecast, economic growth has clearly been experienced in 2012/13 but we should not expect dramatic shifts in trends.

## **Cost Increase Areas:**

**Change in Accounting Practices are Here:** The Government Accounting Standards Board (GASB) significant new pension accounting standards forecasted last year are now a reality and will be implemented by the City in FY 2014/15.

**Pension & Benefit Costs:** As reported this year we anticipate future material increases in CalPERS pension rates

# Challenge Indicators



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*2013-2014 Mid-Year  
Operating Budget Review*

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# Questions and Comments

