



DISCUSSION CALENDAR

Agenda Item # 6

AGENDA REPORT SUMMARY

Meeting Date: February 26, 2019

Subject: Resolution No. 2019-05: Approving Fiscal-year 2018/19 Mid-year Financial Update, budget adjustments, and updated Salary Schedule

Prepared by: Sharif Etman, Administrative Services Director

Approved by: Chris Jordan, City Manager

Attachment(s):

1. Resolution No. 2019-05
2. Updated Salary Schedule

Initiated by:

Staff

Previous Council Consideration:

N/A

Fiscal Impact:

The proposed budget amendments for the Operating Budget total \$730,000.

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- Does the Council concur with the Mid-year Financial Update and budget adjustments?

Summary:

- Revenue in all areas is trending as expected. The current economy continues to be strong and provide solid revenues. Expenses City-wide are under budget at the mid-year point
- Only minor adjustments are recommended to the Operating Budget at this time. These adjustments total \$730,000 and are discussed later in this report. One additional full-time position is being recommended - School Resource Officer
- \$5.4M in fund balance from FY 2017/18 is being added to our reserves. The recommended appropriation to our PERS reserve and CIP fund is also highlighted

Staff Recommendation:

Adopt Resolution No. 2019-05, approving the Fiscal-year 2018/19 Mid-year Financial Update, budget adjustments, and updated Salary Schedule, including assignment of fund balance as outlined



Subject: Resolution No. 2019-05: Approving Fiscal-year 2018/19 Mid-year Financial Update, budget adjustments, and updated Salary Schedule

Purpose

To review revenues and expenses for the first half of FY 2018/19 in comparison to the Adopted FY 2017/18 Budget and make adjustments, if necessary. The mid-year review is also when the Council assigns fund balance when applicable and reviews its reserves.

Background

The City Council-approved Operating Budget serves as the annual plan and resource allocation that guides and ensures implementation of City Council policies and priorities. The budget implements the vision and direction for the range of services that meet the needs of the community.

The financial review, as of December 31, 2018, provides the mid-year budget update to the City Council for the current fiscal year. Analysis of the revenues collected and all expenditures through December 31, 2018 measures the budget's adherence to the established resource allocation plan. Proposed budget amendments make the necessary adjustments identified during the mid-year financial review.

Discussion/Analysis

City finances are trending positively at the mid-year point. Overall, City revenues especially property tax continue to show solid growth, with others trending as expected. City expenditures demonstrate prudent fiscal management as departments are operating within their allocated budget amounts when adjusting for anomalies. The mid-year financial report as of December 31, 2018 provides the revenue and expenditure summary for the City's major operating funds, which include the General Fund, Sewer Fund, and Self Insurance Funds (Workers Compensation and Liability).

General Fund

The FY 2018/19 General Fund revenue budget was increased \$1.2 million over the prior year to \$39.8 million. As a result of this increase to the General Fund revenue budget, total General Fund revenues are at 40% of budget as of December 31, 2018, compared to the same 40% the prior year. It should be noted that revenues are expected to trend below the 50% mark at mid-year due to timing delays in the receipt of major revenues, such as property tax. As of December 31, 2018, revenues were up 5%, or ~~\$689,052~~ 732,700, over the same time last year and are expected to reach the General Fund budget at year-end.

The FY 2018/19 General Fund expenditure budget was increased \$1.0 million over the prior year to \$37.9 million (not including inter-fund transfers). As of December 31, 2018, expenditures were at 46% of budget (45% last year), below the expected 50% level. Overall, expenditures are up \$1,065,832 ~~335,879~~ over the prior year. A more detailed breakdown of revenues and expenses is outlined below:



Subject: Resolution No. 2019-05: Approving Fiscal-year 2018/19 Mid-year Financial Update, budget adjustments, and updated Salary Schedule

General Fund Revenue

General Fund Revenues	Adopted FY 17/18 Budget	FY 17/18 12/31/2017	Adopted FY 18/19 Budget	FY 18/19 12/31/2018	FY18/19 Budget to Actual %	FY17/18 Budget to Actual %
Property Tax	20,132,700	7,355,534	21,137,200	7,879,483	37%	37%
Sales Tax	3,268,700	1,307,242	3,301,400	1,503,863	46%	40%
Utility Users Tax	2,630,000	1,154,166	2,680,000	1,151,995	43%	44%
Motor VLF	13,000	-	13,000	-	0%	0%
Transient Occupancy Tax	2,626,500	1,212,959	2,705,300	1,099,521	41%	46%
Business License Tax	500,000	260,137	500,000	352,436	70%	52%
Construction Tax	185,000	72,980	190,600	52,211	27%	39%
Documentary Transfer Tax	535,000	323,784	535,000	296,014	55%	61%
Interest Income	195,000	321,452	210,000	208,078	99%	165%
Rental Income	24,000	-	24,000	-	0%	0%
Recreation Fees	2,176,000	867,985	2,176,000	913,560	42%	40%
Community Development Fees	2,880,800	1,533,050	2,880,800	1,742,698	60%	53%
Franchise Fees	2,006,400	625,811	2,066,500	625,862	30%	31%
Administrative Fees	918,500	459,250	918,500	459,250	50%	50%
Police Fees	329,000	131,773	329,000	72,421	22%	40%
Miscellaneous Revenue	130,400	107,769	130,400	65,552	50%	83%
Total General Fund Revenue	38,551,000	15,733,892	39,797,700	16,422,944	41%	41%

Revenue items of note are:

- The FY 2018/19 budget for property tax is \$1,004,500 higher than the prior year to reflect increases in property values experienced by the City. In line with this anticipated growth, actual property tax revenues are up \$523,949 ~~959,775~~ over the prior year as of the mid-year point.
- Sales tax revenues remain flat but are expected to achieve the current year budget levels. UUT revenues are expected to be close to budget at year-end; however, staff continues to monitor this category closely.
- Transient Occupancy Tax revenues continue to stay consistent based on the robust business climate in the region. TOT revenues as of the mid-year mark represent only 11 months of receipts due to the timing delays in the receipt of revenues.
- Interest income far exceeded projected estimates at mid-year based on the timing of actual booking and following any adjustments made. Interest income is expected to fluctuate greatly this year due to consistently changing market conditions.
- Community Development fees and revenues continue to trend higher (60% at mid-year) than expected due to robust construction and various projects throughout the City.



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General Fund Expenditures

GENERAL FUND	Adopted Budget FY 2017/18	FY 2017/18 12/31/17	Adopted Budget FY 2018/19	FY 2018/19 12/31/18	FY 2018/19 Budget to Actual %	FY 2017/18 Budget to Actual %
Expenditures						
Legislative	303,430	116,837	255,349	134,107	53%	39%
Executive	2,243,612	995,505	2,235,789	1,009,810	45%	44%
Administrative Services	3,395,937	1,942,336	3,201,104	2,343,002	73%	57%
Public Safety	17,477,998	7,283,089	18,613,174	7,933,605	43%	42%
Community Development	2,878,642	1,226,077	2,954,415	1,207,753	41%	43%
Recreation and Community Services	2,424,972	1,169,049	2,384,730	1,204,410	51%	48%
Public Works	8,214,391	3,630,019	8,313,980	3,596,057	43%	44%
Total General Fund Expenditures	36,938,983	16,362,912	37,958,540	17,428,744	46%	44%

- All Departments are currently spending within their approved budgets and trending as expected at the mid-year point. Total General Fund Expenditures are at 46% of the annual budget for FY 2018/19.
- The Administrative Services Department is at 73% of budget for the year due to the upfront payment of \$1.46M of the PERS Unfunded Liability for the 2018/19 fiscal year in July 2018.

Other Funds

The Sewer Fund revenues typically lag at mid-year and are at 5% of budget due to timing while expenditures are at 24% of budget.

General Fund Revenues	Adopted FY 17/18 Budget	YTD Actual FY 17/18	Adopted FY 18/19 Budget	YTD Actual as of 12/31/18	FY18/19 Budget to Actual %
Sewer Revenues	6,482,100	6,420,717	6,482,100	296,598	5%
Sewer Maintenance	7,269,199	6,083,562	7,760,833	1,827,614	24%
Solid Waste Revenues	781,000	830,919	804,100	362,210	45%
Solid Waste Administration	488,153	461,308	496,596	150,413	95%

- Solid Waste revenue is at 45% of budget and expenses are at 95% of budget for the year.

The Self Insurance Funds (Worker's Comp and Liability) are all trending as expected.



Subject: Resolution No. 2019-05: Approving Fiscal-year 2018/19 Mid-year Financial Update, budget adjustments, and updated Salary Schedule

Proposed Mid-year Budget Adjustments

Operating Budget: The proposed budget adjustments are recommended to be funded by existing budgeted revenues. The recommended adjustments total \$730,000 for the General Fund.

- **Administrative Services**
 - **Cost Allocation Plan and User Fee Study (\$40K)** – The Cost Allocation Plan distributes the general governmental and support services costs of the City to the direct municipal services and activities provided to the public. The User Fee Study identifies the full costs of service eligible for recovery from fees and translates those costs into a fee structure for various programs and/or services. The results of this study will be shared and discussed with Council and its findings may be incorporated into the next budget cycle.
- **Police Department**
 - **School Resource Officer (\$40K)** - This crucial position serves as the liaison between the schools and police community, acting as the primary contact for district superintendents, administrators, teachers, parents and students for all matters involving youth. This can range from welfare checks for mental health, criminal investigations, department tours, and community presentations. The SRO also teaches a variety of lessons to all levels of students, including but certainly not limited to community helper lessons in preschool, stranger safety in elementary school, internet safety for middle schools, and drug/alcohol abuse at the high school. In addition, the Officer provides presentations to teachers (Active Shooter Response), Parent Teacher Organizations (Keeping Kids Safe Online), as well as community groups such as Boy Scouts and Girl Scouts. Recently, the Los Altos School District and the Mountain View Los Altos High School District have experienced a growth in student populations. In the past five years, the student population at Los Altos High School has increased by 31%. During that time, the School Resource Officer program has expanded its services and offerings to the school community.
- **Engineering Services Department**
 - **Professional Services (\$150K)** - Increase in professional services expenses is necessary to continue department operations and services following the departure of several management employees in the department. The expense is offset by a reduction in personnel expenses.
- **City Attorney**
 - **Legal Expenses (\$500K)** - Increase in legal fees is anticipated due to a requested increase in the level of services provided by the City Attorney's Office, as directed by the City Council, and by continuing litigation expenses.



Subject: Resolution No. 2019-05: Approving Fiscal-year 2018/19 Mid-year Financial Update, budget adjustments, and updated Salary Schedule

- **Updated Salary Schedule (No fiscal impact)**

- An updated salary schedule for the current fiscal year is included as Attachment 2 in this report. The updated schedule incorporates any changes and reclasses made to date. Any costs are offset by current vacancy savings. Changes of note are:
 - Maintenance Services Director and Engineering Services Director positions to reflect the restructure of the Public Works Department.
 - Maintenance Technician reclassified as Senior Maintenance Technician
 - Engineering Technician reclassified as GIS Technician
 - Information Technology Technician reclassified as Network Systems Analyst

Equipment Replacement Fund:

- **Police Department Vehicle Modifications (\$30K)** – to account for specific modifications needed for police K-9 vehicle after purchase.
- **Crack Sealer (\$75K)** – Currently, the Maintenance Services Department rents a crack sealant melter or “crack sealer” for street maintenance. Use of a crack sealer is to preserve City streets that are in good condition with the exception of cracking. Sealing the cracks prevent water infiltration that degrades the base of the street. This prolongs the streets’ life before full replacement is required. Owning a crack sealer will give Maintenance Services the ability to seal when necessary, rather than being subject to rental availability and limited time with a sealer.

Allocation of Unassigned Fund Balance (\$5.4M):

Currently the City has \$5.4M in unassigned fund balance from the revenue over expenses achieved in FY 2017/18. Our recommendation is to assign this amount to our reserves as follows:

- Emergency and Operating Reserve – we have met the requirements per policy. No additional funds are being requested.
- \$1.0M to further enhance our PERS Reserve – from \$4M to \$5M to address upcoming PERS rate increases and unfunded liability payments. This will allow us the proper funds and flexibility to assess the best options available regarding paying down or significantly reducing our long-time liability as the discount rate is lowered over time and other uncertainty arises. The Financial Commission will present its recommendations on a plan to best utilize this reserve in May or June of 2019.
- \$4.4M to create our new Capital Improvement Projects (CIP) fund – to fund CIP costs for this year and future projects.
- Rename the Capital and Improvements Fund to the Community Center Fund. This fund is expected to be fully spent upon completion of the project. The remaining \$10-12M for this project is anticipated to come in the form of a loan.



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Assigned Fund Balance	As of June 30, 2018	FY 2018/19	
		Mid Year Proposed	Reserves after Mid Year
Emergency and Operating	\$7,250,645	\$0	\$7,250,645
OPEB	1,500,000	0	1,500,000
PERS Reserve	4,000,000	1,000,000	5,000,000
Technology Reserve	1,856,769	0	1,856,769
CIP Fund (New)	0	4,421,683	4,421,683
Community Center Fund (Renamed)	23,432,734	0	23,432,734
Total Unassigned Fund Balance	\$38,040,148	\$5,421,683	\$43,461,831

Capital Improvement Program

The City's Capital Improvement Program (CIP) consists of a multitude of projects at varying phases of the project cycle. The entire CIP plan will be reviewed and discussed in detail at a future City Council study session scheduled for March 26, 2019.

Options

- 1) Adopt Resolution No. 2019-05, approving the mid-year report and proposed budget adjustments and updated salary schedule

Advantages: Adjustments made will ensure proper funding and spending within budgeted amounts. The additional positions will ensure projects and deadlines are completed for Council and staff. Reserves will be properly assigned

Disadvantages: None identified

- 2) Do not adopt Resolution No. 2019-05 approving the mid-year report and proposed budget adjustments and updated salary schedule

Advantages: None identified

Disadvantages: Expenditures may not be properly aligned with current budget. Projects and deadlines may not be met without further staff support. Fund balances will remain unassigned



Subject: Resolution No. 2019-05: Approving Fiscal-year 2018/19 Mid-year Financial Update, budget adjustments, and updated Salary Schedule

Recommendation

The staff recommends Option 1.

RESOLUTION NO. 2019-05

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
TO APPROVE FY 2018/19 MID-YEAR FINANCIAL UPDATE, BUDGET
ADJUSTMENTS AND UPDATED SALARY SCHEDULE**

WHEREAS, the Council has reviewed the Fiscal Year 2018/19 Mid-year Financial Update and recommended adjustments at the City Council meeting held on February 26, 2019; and

WHEREAS, the Council directed staff to add one School Resource Officer to the Police Department.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby:

1. Approves the FY 2018/19 Mid-year Financial Update with the following budget adjustments:
 - A. Cost Allocation Plan and User Fee Study (\$40K)
 - B. School Resource Officer (\$40K)
 - C. Engineering Services Professional Services increase (\$150K)
 - D. City Attorney - Legal Expenses (\$500K)
 - E. Police Department Vehicle Modification (\$30K) from Equipment Replacement Fund
 - F. Crack Sealer for MSC (\$75K) from Equipment Replacement Fund
 - G. Allocation of Unassigned Fund Balance (\$5.4M)
 - a. \$1.0M to PERS Reserve
 - b. \$4.4M to newly created CIP Fund
 - c. Rename Capital and Equipment Fund to Community Center Fund
2. Approves the updated Salary Schedule for FY 2018/19

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the 26th day of February, 2019 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Attest:

Lynette Lee Eng, MAYOR

Jon Maginot, CMC, CITY CLERK



City of Los Altos

FY 2018/19 Salary Schedule

Resolution 2019-05

Effective FY 2018/19

Monthly Salary Range
Minimum Maximum

Legislative & Executive

City Manager	\$19,030	--	
Assistant City Manager	\$8,867	--	\$16,750
Deputy City Manager/City Clerk	\$11,483	--	\$13,958
Assistant to the City Manager	\$9,673	--	\$11,757
City Clerk	\$9,040	--	\$10,989
Public Information Coordinator	\$7,363	--	\$8,950
Executive Assistant to the City Manager	\$6,296	--	\$7,653
Deputy City Clerk	\$6,000	--	\$7,293

Administrative Services

Administrative Services Director	\$8,867	--	\$16,750
Financial Services Manager	\$9,954 \$11,162	--	\$12,096 \$13,567
Senior Accountant	\$8,260	--	\$10,040
Management Analyst II	\$7,881	--	\$9,580
Management Analyst I	\$7,165	--	\$8,709
Accounting Technician II	\$5,977	--	\$7,265
Accounting Technician I	\$5,190	--	\$6,308
Accounting Office Assistant I	\$4,564	--	\$5,548
Information Technology Manager	\$11,162	--	\$13,567
Network Systems Administrator (New Classification)	\$8,781	--	\$10,673
Information Technology Analyst	\$8,363	--	\$10,165
Information Technology Technician	\$6,350	--	\$7,718
Human Resources Manager	\$11,162	--	\$13,567
Human Resources Analyst	\$7,133	--	\$8,670
Human Resources Technician	\$5,847	--	\$7,107

Police Services

Police Chief	\$9,082	--	\$17,156
Police Captain	\$12,169	--	\$14,791
Police Services Manager	\$10,950	--	\$13,310
Executive Assistant	\$5,640	--	\$6,856
Lead Records Specialist	\$5,264	--	\$6,398
Records Specialist	\$4,781	--	\$5,811
Police Sergeant	\$9,656	--	\$11,738
Police Agent	\$8,591	--	\$10,443
Police Officer	\$8,183	--	\$9,946
Lead Communications Officer	\$8,091	--	\$9,835
Police Officer Trainee	\$7,793	--	\$9,472
Communications Officer	\$7,352	--	\$8,937
Community Service Officer	\$5,901	--	\$7,173



City of Los Altos

FY 2018/19 Salary Schedule

Resolution 2019-05

Effective FY 2018/19

Monthly Salary Range
Minimum Maximum

Community Development

Community Development Director	\$8,867	--	\$16,750
Building Official	\$10,365	--	\$12,599
Planning Services Manager	\$10,365	--	\$12,599
Economic Development Manager	\$10,222	--	\$12,425
Senior Planner	\$9,613	--	\$11,685
Associate Planner	\$8,111	--	\$9,859
Senior Building Inspector	\$8,001	--	\$9,726
Economic Development Coordinator	\$7,363	--	\$8,949
Building Inspector	\$7,239	--	\$8,799
Assistant Planner	\$7,342	--	\$8,924
Permit Technician	\$5,816	--	\$7,069
Executive Assistant	\$5,640	--	\$6,856

Engineering Services

Engineering Services Director/City Engineer (<i>Reclassification</i>)	\$8,867	--	\$16,750
Engineering Services Manager	\$11,096	--	\$13,487
Transportation Services Manager	\$10,365	--	\$12,599
Senior Engineer	\$9,841	--	\$11,962
Project Manager	\$9,323	--	\$11,333
Special Projects Manager	\$9,323	--	\$11,333
Associate Civil Engineer	\$8,589	--	\$10,439
Assistant Civil Engineer	\$7,592	--	\$9,229
Junior Engineer	\$6,902	--	\$8,389
GIS Technician (<i>New Classification</i>)	\$6,902	--	\$8,389
Construction Inspector	\$6,572	--	\$7,989
Engineering Technician	\$6,572	--	\$7,989
Executive Assistant	\$5,640	--	\$6,856

Maintenance Services

Maintenance Services Director (<i>New Position</i>)	\$8,867	--	\$16,750
Maintenance Services Manager	\$10,209	--	\$12,409
Maintenance Supervisor	\$7,364	--	\$8,951
Senior Maintenance Technician (<i>New Classification</i>)	\$6,221	--	\$7,561
Executive Assistant	\$5,640	--	\$6,856
Equipment Mechanic	\$5,656	--	\$6,874
Maintenance Leadworker	\$5,656	--	\$6,874
Maintenance Technician	\$5,656	--	\$6,874
Maintenance Worker II	\$5,131	--	\$6,237
Maintenance Worker I	\$4,538	--	\$5,516



City of Los Altos

FY 2018/19 Salary Schedule

Resolution 2019-05

Effective FY 2018/19

Monthly Salary Range
Minimum Maximum

Recreation & Community Services

Recreation & Community Services Director	\$8,867	--	\$16,750
Recreation Manager	\$8,167	--	\$9,928
Senior Recreation Supervisor	\$7,510	--	\$9,128
Recreation Supervisor	\$7,143	--	\$8,683
Recreation Coordinator	\$5,425	--	\$6,594
Facilities Coordinator	\$5,425	--	\$6,594
Office Assistant II	\$4,546	--	\$5,526
Office Assistant I	\$4,082	--	\$4,962

General Fund Revenues	Adopted FY 17/18 Budget	FY 17/18 12/31/2017	Adopted FY 18/19 Budget	FY 18/19 12/31/2018	FY18/19 Budget to Actual %	FY17/18 Budget to Actual %
Property Tax	20,132,700	7,355,534	21,137,200	7,879,483	37%	37%
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Business License Tax	500,000	260,137	500,000	352,436	70%	52%
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Administrative Fees	918,500	459,250	918,500	459,250	50%	50%
Police Fees	329,000	131,773	329,000	72,421	22%	40%
Miscellaneous Revenue	130,400	107,769	130,400	65,552	50%	83%
Total General Fund Revenue	38,551,000	15,733,892	39,797,700	16,422,944	41%	41%
Transfers In	160,000		160,000			
Total General Fund Revenue/Transfers In	38,711,000	15,733,892	39,957,700	16,422,944		

GENERAL FUND	Adopted Budget FY 2017/18	FY 2017/18 12/31/17	Adopted Budget FY 2018/19	FY 2018/19 12/31/18	FY 2018/19 Budget to Actual %
Expenditures					
Legislative	303,430	116,837	255,349	134,107	53%
Executive	2,243,612	995,505	2,235,789	1,009,810	45%
Administrative Services	3,395,937	1,942,336	3,201,104	2,343,002	73%
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Public Works	8,214,391	3,630,019	8,313,980	3,596,057	43%
Total General Fund Expenditures	36,938,983	16,362,912	37,958,540	17,428,744	46%
Transfers Out	166,060	-	171,880		
Total General Fund Expenditures/Transfers Out	\$ 37,105,043	\$ 16,362,912	\$ 38,130,420	\$ 17,428,744	
Revenues over Expenditures	\$ 1,605,957.29	\$ (629,020)	\$ 1,827,280	\$ (1,005,800)	

	Adopted Budget FY 2017/18	FY 2017/18 12/31/17	Adopted Budget FY 2018/19	FY 2018/19 12/31/18	FY 2018/19 Budget to Actual %
Sewer Revenues	6,482,100	255,166	6,482,100	296,598	5%
Sewer Maintenance Expenditures	7,269,199	1,888,081	7,760,833	1,827,614	24%
Solid Waste Revenues	781,000	368,086	804,100	362,210	45%
Solid Waste Administration	488,153	176,861	496,596	150,413	36%