



1 North San Antonio Road
Los Altos, California 94022-3087

MEMORANDUM

DATE: 2/23/2021
TO: Councilmembers
FROM: City Manager
SUBJECT: COUNCIL Q&A FOR FEB 23, 2021 REGULAR COUNCIL MEETING

Comprehensive Annual Financial Report:

- p. 7 (p. 25 of packet) Fund Level View, first bullet says "...decrease in property tax..." – yet many other places reference an increase in property tax over the budgeted/expected amount. Please clarify.

This section will be reworded to state:

"The General Fund realized an operating surplus of \$5.5 million which was \$3.2 million lower than the prior year. The decrease in operating surplus is due to an increase in operating expenditures from FY 2018/19 to FY 2019/20."

- p. 9 (p. 27 of packet) Government Activities, third bullet says "Sales tax showed a decrease of \$88,000 or 2.5%, due to the timing of sales tax receipts from the state." Please clarify what effect the timing has. Is there a "catch up" amount expected that actually accrued prior to June 30, 2020, but has not been paid? If so, is that elsewhere on the balance sheet? What is the implication for the early part of the next FY? Does COVID have any impact? It seems a 2.5% drop is less than expected from impact of Covid, so would like to get a better understanding of the conclusion drawn by the auditors.

This section of the CAFR (the MD&A) was drafted by staff. As such, the conclusions drawn in this section are the conclusions of staff, not the auditor. Sales Tax receipts from the State typically lag by about three months (i.e., receipts from April won't be seen until July or August). Since COVID did not start significantly impacting the business community until March, the City didn't see much of an impact from COVID for FY 19/20. As was expected during the FY 19/20 Budget process, Sales Tax stayed relatively flat. The 2.5% decrease is being attributed to not receiving all receipts expected from the State during the Fiscal Year. Those receipts will therefore be attributed to FY 20/21.

- p. 9 (p. 27 of packet) Government Activities, last bullet has a sentence that isn't a sentence and needs clarification: "Government expenses, including allocated capital maintenance

costs, increased by \$8.5 million or 21.3%. **Interest on long-term debt decreased by \$11,000 or 21.5% remained flat, reflective of the City's low debt level.**

The words "remained flat" will be removed.

- p. 10 (p. 28 of packet) Changes in Net Position: Is the revenue side of the sewer charges included in "Utility user tax?" If so, why are expenses called out separately, but not revenue?

The Utility User Tax (UUT) is separate from the Sewer Charges. The revenues for Sewer Charges are listed on the Business-Type Activities column under the line "Charges for Services."

- p. 10 (p. 28 of packet): A number of questions on expenses (for staff, not auditor):
 - Why did recreation expenses go up so significantly, when program revenues were less than half the amount projected because of COVID?

As this question is a budgetary question and not for the auditor, staff will look into why the expenses for Recreation increased and will provide an answer for the Council and the community as part of the mid-year budget process.

- Why did Admin/community services expenses go up so much?

As this question is a budgetary question and not for the auditor, staff will look into why the expenses for Recreation increased and will provide an answer for the Council and the community as part of the mid-year budget process.

- Pie chart – (p. 29 of packet), numbers don't match size of pie slices for some smaller amounts. "Int & Rents" at 1% is larger than "Franchise Fees" at 5%; and "Capital Grants" and "Operating Grants" are both 2% but their slices of the pie are noticeably different.

This chart has been corrected and is attached. The chart will be replaced in the final version of the CAFR.

- p. 13 (p.31 of packet) – re: contract with Palo Alto for wastewater treatment – says we have contract through 2018 – what is status?

This contract was extended by Council through December 2060. This sentence in the CAFR will be updated to reflect that point.

- p. 17 (35 of packet) last bullet comments re: TOT makes no sense for interpreting numbers given last 5 months were impacted by COVID and city already raised TOT.

This section talks about some of the assumptions of the FY 19/20 Budget (these assumptions were made in June 2019). When the City created the FY 19/20 Budget (pre-COVID), we anticipated that TOT revenues would increase for the year as the rate had just been increased.

- p. 52 (p. 70 of packet) Where is the note receivable (note 4) of 1.7 million on the balance sheet?

This amount can be found on page 26 (pg. 44 of the packet) listed under "Assets." Note 4 is referenced on this page.

- For the longer term (maybe not this meeting). It would be good for either staff or a Finance commission person to explain the effect of the tear down of Hillview and replacement on the City's balance sheet: walk through where Hillview was on the balance sheet (and accum. depreciation, where the set-aside funds were in 2018-19 and 2019-2020, how that set-aside was drawn down (the status as of June 30, 2020), then how the asset will be shown on the next balance sheet.

Staff and the Financial Consultant can look at this as part of the review of the City's financials.

- Another useful example (relevant to an item on the same agenda as review of CAFR): Use example of striping project: where is the money previously allocated for FY 18-19 and 19-20? Where is that “cash” on the balance sheet as of June 30, 2020? It is not in the encumbrance (note 8) because no contract by June 30, 2020. Note 15 details these kinds of expenses, but people do not understand where unappropriated funds for CIP projects “live” on the balance sheet.

Staff and the Financial Consultant can look at this as part of the review of the City’s financials.

Minutes

- “Embarcadero Group” should be “Embarcadero Institute.”

Noted.

- Page 6, second full paragraph, first line: “inline” should be “in line.”

Noted.

- Page 7: Third to last paragraph above “ADJOURNMENT:” The Parcel Tax Measure and the Business License Tax are two separate and independent future agenda items.

Noted.

Agenda Item 2:

- Construction Contract award - do the Almond dual bike lanes come to Council or is that a Commission/Staff approval item?

The Almond Avenue Bicycle Cycletrack design has been worked out with the Complete Streets Commission to-date. Initial public outreach started in November 2019 via Community Open House Workshops followed by Complete Streets Commission meetings. There were follow up meetings in July 2020, September 2020, December 2020, and last in January 2021.

- There was substantial negative reaction from neighbors to changes proposed by the Complete Streets Commission for the Almond Ave. segment because they proposed things significantly different than identified at the Nov. 2019 meeting. Is the proposed work here limited to striping as originally presented to neighbors over a year ago, or does it include the bollards or any raised bumps suggested by CSC? Are we confident that the neighbors most impacted along Almond have seen the final design and understand what will be done?

The Almond Avenue Bicycle Cycletrack is essentially the same as proposed since the Summer 2020. Initially staff proposed the introduction of vertical green posts (bollards) in response to requests from the Complete Streets Commission to provide an additional element to the design to further buffer bicycle traffic from adjacent vehicles traveling westbound on Almond Avenue. The vertical bollards were removed from the project during the January 2021 CSC meeting in response to resident concerns. Staff agrees with this approach so that the project can be monitored following implementation and adjustments made, as needed. Staff is already complying low-profile curb options that can be introduced relatively quickly, as needed, after a public review process.

Initial public outreach for the Cycletrack concept started in November 2019 via Community Open House Workshops followed by Complete Streets Commission meetings. There were follow up

public meetings in July 2020, September 2020, December 2020, and lastly in January 2021, not to mention door-to-door attempts to meet 1:1 with the residents on Almond Ave. All public meetings included invitations to impacted residents.

- It looks like the proposed budget will absorb almost all the remaining unallocated CIP funds for this project category (TS-01003) for FY 18-19 and 19-20. What are the plans for the remaining 20-21 funds of approx. \$100K? Is this project impinging on anything else for which we need the 18-19 and 19-20 funds and/or what we need for other projects for 20-21 in TS-01003?

The City provides an annual project, TS-01003 (Street Striping), to help cover the cost of roadway markings and striping as part of the street resurfacing program. Any unused funds from each CIP project are returned to the CIP program for future redistribution on striping work needed around the city.

- How will the contractor “distribute notification letters to affected residents?” If by mail, then 48 hours is not enough lead time; there must be sufficient time for the letter to reach residents by post. (When notices are mailed, are they mailed to property owners or to residents? Property owners might not reside in the house [e.g. rentals, etc.]).

The City sends mailers to all properties affected by construction at least 2 weeks prior to start of construction. If homeowners’ and residents’ addresses are different in our system, we send notifications to both addresses to ensure mailers are received. Additionally, contractors are required to distribute notices (typically door hangers) to impacted residents and businesses a minimum of 48 hours prior to construction activities. Also, if parking areas are impacted, contractors are required to post “NO PARKING” signs 48 hours prior.

- The Almond Avenue map still indicates locations for green bollards. Please confirm that bollards will not be installed.

There are no vertical bollards proposed along Almond Avenue at this time. During the January 2021 Complete Streets Commission meeting, it was agreed to implement the proposed bicycle cycle track without any vertical elements. Staff is compiling low profile curb element options that can be installed on Almond later, if needed, and for future bicycle- and pedestrian-focused projects in the future as part of the Complete Streets Master Plan project. However, before those elements are installed, they would be proposed to the Complete Streets Commission and residents would be notified of the opportunity to express their feedback at the CSC meeting or directly to staff.

- Were the bollards already purchased? If so, can they be returned? If not, can they be repurposed? If the bollards were purchased, how much did they cost the City?

No, the bollards were removed from the project.

- What is the width of the cycletrack? How was it determined that this width is sufficient?

The bicycle cycle track width is 8-FT wide plus an additional 2-FT buffer zone. 8-FT is the minimum best-practice width for a two-way pathway facility.

- What is the width of the buffer between the cycletrack and traffic on Almond? How was it determined that this width is sufficient?

The buffer zone between the two-way bicycle cycle track and the adjacent westbound vehicle travel lane on Almond Avenue is 2-FT. The best-practice minimum buffer zone space for bicycle facilities

is 2.5-FT, but Almond is not quite wide enough to accommodate it and 2-FT is acceptable on a 25 MPH street like Almond Avenue.

- For cyclists traveling eastbound on Almond from San Antonio, how will they know to cross to the other side of the street at N. Gordon? Other than the speed table, what other traffic controls are there at the corner of Almond and N. Gordon to protect cyclists who have to cross the street to continue east bound?

The Almond Avenue bicycle cycle track design includes green bike markings along N. San Antonio Rd. to guide bicyclists to the north side of Almond Ave. into the proposed two-way cycle track facility. Bicyclists may also ride in the eastbound vehicle lanes of Almond Ave. as a “Shared Road” facility marked with “Greenback” Sharrows in the lane with vehicles. There will be similar green bicycle markings at the Gordon Avenue intersection.

- The project appears to be \$105,000 under budget, is that correct? How will the City reallocate those funds?

The City is using funds from the Capital Improvement Program (CIP) project TS-01003, Street Striping. Funds from this project are used annually to help cover the cost of roadway striping related to street resurfacing projects. Unused funds from the CIP are returned to the CIP Program for future redistribution on striping work around the city.

- I want to ensure that we have some consistency throughout the city with the green thermal plastic used for bike lanes. Is this going have the look as the green bicycle as the one on Grant/Foothill? Please provide a photograph.

We plan to use preformed thermoplastic material for the green bike elements on this project. It is slightly more expensive material, but it looks better, is smoother for bicyclists to ride on, and appears cleaner for a longer period. The green bike materials in the “dash” zone at Grant Rd & Foothill Expressway is the same material. Here is a photo:



- I want confirmation that there will no bollards on Almond Avenue, is this correct?

See above.

- The total project budgeted is \$290,727.57. The estimated cost is \$185,895.00. Does that mean we will have a \$104,832.57 coming back to our General funds?

Yes, the remaining funds will go back into Striping CIP 01003 and be utilized for future striping work (e.g., striping work within the upcoming FY 2020/21 street resurfacing project).

Agenda Item 4:

- Final Map for Tract Map, 450 First Street – please provide information to rebut Roger Heyder public comment (already requested).

Please see the 2/19/21 (~11:16 a.m.) attorney-client email to the City Council from the City Attorney.

Agenda Item 6:

- p. 3 – please clarify the required parking is 1 covered plus 1 uncovered PER UNIT.

Yes, this is the standard in Los Altos.

- Please confirm that the traffic study estimates that the number of peak trips will go from 1 to 3 (+2) for each of AM and PM peaks.

The proposed housing development will generate 28 additional daily trips, two additional AM peak hour trip, and two additional PM peak hour trips than the existing house.

Table 1: Trip Generation Summary

Land Use	Size ¹	Weekday Daily Total	AM Peak Hour			PM Peak Hour		
			In	Out	Total	In	Out	Total
Single-Family Detached Housing ² (A)	1 DU	9	0	1	1	1	0	1
Multifamily Housing (Low-Rise) ² (B)	5 DU	37	1	2	3	2	1	3
Total Net New Project Trips (B-A)		28	1	1	2	1	1	2

- Table 3; Density would call for 6 units, so why does the table indicate that the proposed density of 5 units “complies”? It seems this is addressed, somewhat later, on p. 7, with the implication that the 5 units do not comply, but the city can approve fewer units under one of the conditions outlined. There is nothing in the Findings about this, but it would seem we need something.

The lot is 10,650. Divided by 1800 square feet per unit equals 5.91 units or 5 whole units not 6.

- RE Height and the two setbacks: Is the third column supposed to indicate they do NOT comply, but can be approved either as concessions or waivers?

Yes, Table 3 of the staff report is merely trying to show that the project complies with the zoning requirements with a few key exceptions that are allowed under Density Bonus Law.

- Please confirm that the interior finished height on first floor is 10 foot and for second floor is 8'6"

Yes. See sheet A6 of the plans.

- As originally proposed (1 very low income unit), the project would have been eligible for 3 incentives. As the request of PC, this was changed to a low income unit; with 20% low income, the project is eligible for 2 incentives. Was this a reason why the PC concurred with the waivers?

The Commission was worried about the ongoing affordability of a very low-income unit.

The original project had 3 concessions (height, interior side yard setback; street side setback) with one waiver so that a fence would not be installed along the Gabilan Side of the project.

After the PC recommendation the project changed to the following (two concessions for height and interior side yard setback) and two (2) waivers (Gabilan Street side setback and the fence).

- There is nothing in the resolution or findings regarding the density bonus issues (requirement for 1 low income, granting of concessions and waivers). I thought we were documenting density bonus matters in the approval documents. Please explain.

Density bonus findings are not in the packet. City staff will have density bonus findings ready for the February 23, 2021 meeting for the Council to review if requested.

- The staff report states that the Planning Commission recommended the BMR be low vs. very low income, why? Only the minutes from the study session with the PC are included in the packet (I was at that meeting) but the minutes from the regular meeting are not attached. I'd like to understand the rationale for the recommendation to change the unit to low vs. very low.

Staff Response: The Planning Commission thought it would be more financially feasible to market a low income unit rather than a very low income unit. The requested change to a low income was a voluntary request which the applicant has agreed to. In terms of the meeting minutes here is the link: https://docs.google.com/gview?url=https%3A%2F%2Fos-altos.granicus.com%2FDocumentViewer.php%3Ffile%3Dlos-altos_a0fa2e3f8d8f596915111860a685e37d.pdf%26view%3D1&embedded=true

- Following up on 140 Lyell's BMR further, I checked the minutes from the Nov 19 Planning Commission meeting, which say: "Staff to identify if the affordable unit can be changed from a very low income unit to a low income unit ... ". The staff report for Council's meeting tomorrow night says that the Commission "directed staff to work with the applicant to ascertain if the very low-income unit could be converted to a low-income unit" and the applicant agreed to the change. That said, there is no rationale provided for this recommendation and I want to understand the basis on which we recommend it, if any. Referring to the League of Women Voters letter regarding this item, we should rely on expertise such as from Alta Housing before making this decision.

The Planning Commission thought it would be more financially feasible to market a low income unit rather than a very low income unit. The requested change to a low income was a voluntary request which the applicant has agreed to.

- The report states the development will be 27 feet in one section and chart on p. 5 states it will 27 feet 6 inches. On page 3 the chart refers to a reduction in height of 2 feet. 30 feet - 2 feet = 28 feet. What is the height that we are asked to approve?

The max height for the project is 27 feet. The applicant is showing a height of 26 feet 6 inches. I'm trying to build some leeway into the project in the event the height of the structures increases by a few inches during the preparation of the construction drawings.

- What is the law/ordinance/rules regarding whether a developer should make a BMR unit low income, very low income, etc.?

State law allows, but does not require, the City to impose inclusionary requirements. According to the California Supreme Court, a city may impose inclusionary requirements as part of its inherent police powers. There are limitations on this power. For example, for rental housing, Government Code Section 65850(g) requires cities to offer developers alternatives to the inclusionary requirement (e.g., payment of in lieu fees instead of restricting units onsite)

LAMC s. 14.28.020 imposes the following inclusionary requirements within Los Altos:

- 4 or fewer units: no inclusionary requirement.
- 5 to 9 units: 15% inclusionary, with the mix of affordability determined by the developer; and
- 10 or more units: 15% inclusionary for for-sale projects (majority affordable to moderate income households; or, for rental projects, 20% (lower income) or 15% (very low income [VLI], i.e., 50% of AMI or less).

Section 14.28.020 allows the City Council to establish an in-lieu fee as an alternative to providing affordable units onsite, but the Council has not yet acted to do that.

- Why would LWV think that a low income (as opposed to a very low income) unit is a “windfall” to the developer?

The price of a low-income unit would be calculated based upon a formula using 70% of AMI, whereas a VLI unit would be calculated based upon only 50% of AMI. Therefore, a low-income unit will sell for more than a VLI unit. In either case, the sales price will be significantly below fair market value.

- Does Los Altos have an “affordable housing fund?” If so, how does it work? Do other cities have such a fund? How do those work?

The City Council has authority under its affordable housing ordinance to establish an in-lieu fee, and doing so would satisfy the requirements of Government Code Section 65850(g) to establish alternatives to providing inclusionary housing for rental projects. However, no in-lieu fee is currently in effect. Establishing in-lieu fees is extremely common in California. An in-lieu fee is priced at no more than the cost to the developer of providing an affordable unit. A consultant should be engaged to determine and justify in lieu fees.

It is common to set in lieu fees low to encourage developers to opt for in lieu fees. This allows the city to accumulate funds in an affordable housing trust fund. Once enough funds are accumulated, a

city typically will issue a Notice of Funding Availability (NOFA) inviting affordable housing developers to submit applications for funding. These funds are then used by developers to make their projects competitive in applying for tax credit financing, tax exempt bonds, and/or HCD funding sources. In that way, in lieu fees may bring in more housing than the inclusionary units for which the in-lieu fees were intended to compensate by leveraging state and federal dollars. Funds typically are provided in the form of low-interest “residual receipts” loans to be repaid over 55 years. Funds repaid to the city are then re-deposited in the affordable housing trust fund for future projects.

Agenda Item 8:

- If the Council adopts staff’s recommendation, can we later pass a further extension of the deadline if it makes sense to do so? How many times can we extend the deadline?

Yes, the Council can further extend the deadline. In theory, the Council can extend the deadline as many times as it likes. Staff does not recommend continually extending the deadline as that could be seen as a waiver of the tax.

- What is the longest period of time that the Council can extend the deadline?

The Council could extend the deadline to whatever date Council chooses to, though it is recommended that the deadline not be extended beyond the end of calendar year 2021 as to do so could make the action a waiver of the tax.

- What is the fiscal impact of this deferment?

Ultimately, there is no fiscal impact to the extension of the deadline to pay. All businesses will still need to pay at some point. The impact is when the City actually receives the payment (now vs. in the future). As mentioned in the staff report, staff anticipates that this will have a minimal impact on the City.

- How does it amount to?

It depends on the number of businesses taking advantage of the later deadline. Most licenses range from \$75 to a couple hundred dollars. As stated in the staff report, staff anticipates the amount to be a few thousand dollars.

Agenda 9:

- Please include that Gab Layton, a speaker during public comment, is a co-Founder of the Embarcadero Institute.

Noted

Agenda Item 10:

- What is the contract extension being considered? (NOVA report; p. 10, last Paragraph)

Since the COVID-19 Pandemic started last year, the Los Altos Community Center project has been continuously impacted and delayed. General contractor G+S has identified and seeks a schedule extension for delays due to:

- a) COVID-19 Emergency Shutdown Order by Santa Clara County
- b) Fire utility revisions required by County Fire, including the design & approval process
- c) Upgrades to the roofing fall protection and revisions to the security system

d) Sitework revisions

Currently the contract extension is under negotiation between the City and G+S. Once negotiations are finalized, staff will be at liberty to share more details with the City Council.

Including the above delay claims, substantial completion of the Community Center date is currently projected to be mid-May 2021 and the final completion date is projected for mid-June 2021.

Agenda Item 11:

- Who will be the applicant of the approval process, the County or will it be the development agency?

The County with it selected affordable housing developer.

- We were informed that density bonus will be used for this project. Do they plan on using SB330 as well?

Undetermined.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 13 – CONTINGENCIES

As of June 30, 2020, there were two court orders involving 40 Main LLC and California Renters Legal Advocacy and Education Fund. One court order imposed a damage award to the Petitioners, which the City made the payment of \$490,001 on September 10, 2020, as an appeal fee required to pay for the duration of the City's appeal in lieu of posting an appeal bond. The second court order awarded the Petitioners' attorneys' fees in the amount of \$554,436.90, which the City made the payment on January 5, 2021.

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases in the aggregate, although they could potentially result in a material adverse financial impact on the City, a reasonable estimate of the outcome and impacts could not be made at the financial statement issuance date.

The City participates in several Federal and State grant programs. These programs are subject to the audits by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. In addition, these programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 14 – OTHER INFORMATION

A. *Joint Powers Agreements*

The City participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of the City.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence of member agencies beyond their representation of the board.

City of Palo Alto Regional Water Quality Control Plant: The City has an agreement with the City of Palo Alto to purchase treatment capacity at the Palo Alto Regional Water Quality Control Plant. It was formed in 1968 by a joint exercise of powers among the cities of Palo Alto, Mountain View, and Los Altos, constructed, maintains and operates sewage treatment facilities serving its member cities. The agreement provides that the City will purchase capacity for 50 years. The City of Palo Alto acts as administrator and bills each member its share of the operating costs. The audited financial statements can be obtained by contacting the City of Palo Alto at P.O. Box 10250, Palo Alto, CA 94303.

