



**SPECIAL CITY COUNCIL MEETING
COUNCIL RETREAT**

Please Note: Per California Executive Order N-29-20, the City Council will meet via Telephone/Video Conference only.

TUESDAY, JANUARY 18, 2022 4:00 P.M.

Members of the Public may join and participate in the Council meeting at <https://webinar.ringcentral.com/j/1491560741>

And

SATURDAY, JANUARY 22, 2022 9:00 A.M.

Members of the Public may join and participate in the Council meeting at <https://webinar.ringcentral.com/j/1463239852>

TO COMMENT DURING THE MEETING members of the public will need to join the meeting using the above link and have a working microphone on their device. To request to speak please use the “Raise hand” feature located at the bottom of the screen. Public testimony will be taken at the direction of the Mayor and members of the public may only comment during times allotted for public comments.

TO LISTEN to the City Council Meeting, members of the public may call 1-650-242-4929 (Meeting ID: ***1491560741 for Tuesday meeting and 1463239852 for Saturday meeting***). Please note that members of the public who call in using the telephone number will **NOT** be able to provide public comments.

TO SUBMIT WRITTEN COMMENTS, prior to the meeting, on matters listed on the agenda email PublicComment@losaltosca.gov with the subject line in the following format:

PUBLIC COMMENT AGENDA ITEM ## - MEETING DATE.

Correspondence must be received by NOON the day BEFORE of the meeting to ensure it can be distributed prior to the meeting. Emails received prior to the meeting will be included in the public record.

ESTABLISH QUORUM

PLEDGE OF ALLEGIANCE

OPEN RETREAT AND REVIEW PROCESS – City Manager

DISCUSSION ITEMS: It is anticipated that the Council will discuss topics 1-3 on Tuesday, January 18, 2022 and topics 4 and 5 on Saturday January 22, 2022. However any unfinished topics from Tuesday, January 18, 2022 may continue to Saturday, January 22, 2022.

SEE AGENDA ATTACHMENT for detailed description of Agenda Items 1-5 (below)

1. Understanding our Budget and Financial Circumstances
2. Employee Recruitment and Retention
3. Maintenance and Improvement of City Facilities

PUBLIC COMMENTS ON ITEMS ON THE AGENDA

According to State Law (also known as “the Brown Act”), public comments at Special Meetings of the City Council are limited to those items on the agenda.

CLOSING COMENTS – City Manager Wrap Up

ADJOURNMENT TO:

SATURDAY, JANUARY 22, 2022 9:00 A.M.

Members of the Public may join and participate in the Council meeting at

<https://webinar.ringcentral.com/j/1463239852>

ESTABLISH QUORUM

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS ON ITEMS ON THE AGENDA

According to State Law (also known as “the Brown Act”), public comments at Special Meetings of the City Council are limited to those items on the agenda.

DISCUSSION ITEMS:(Continuation of discussion from January 18, 2022) It is anticipated that the Council will discuss topics 1-3 (listed above) on Tuesday, January 18, 2022 and topics 4 and 5 on Saturday January 22, 2022. However any unfinished topics from Tuesday, January 18, 2022 may continue to Saturday, January 22, 2022.

4. Council Policy Decisions
5. Remaining Decisions: Discuss and provide direction, decide, or agree to a future date for all items deferred during the meeting or topics that came up during conversation for later discussion.

CLOSING COMENTS – City Manager Wrap Up

ADJOURN

SPECIAL NOTICES TO THE PUBLIC

In compliance with the Americans with Disabilities Act, the City of Los Altos will make reasonable arrangements to ensure accessibility to this meeting. If you need special assistance to participate in this meeting, please contact the City Clerk 72 hours prior to the meeting at (650) 947-2720.

Agendas, Staff Reports and some associated documents for City Council items may be viewed on the Internet at <http://www.losaltosca.gov/citycouncil/online/index.html>.

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, and that are distributed to a majority of the legislative body, will be available for public inspection at the Office of the City Clerk’s Office, City of Los Altos, located at One North San Antonio Road, Los Altos, California at the same time that the public records are distributed or made available to the legislative body.

If you wish to provide written materials, please provide the City Clerk with **10 copies** of any document that you

Day 1: January 18th

Introduction: 4:00-4:15

Call to Order

Opening Presentation, Gabe Engeland

Part 1: Understanding our Budget and Financial Circumstances (4:15-5:50)

A. Annual Comprehensive Financial Report Fiscal Year 2020-21 (Requested by City Council, John Furtado)

Description: The City of Los Altos received an unmodified opinion on the 2020-21 Annual Comprehensive Financial Report (ACFR). This presentation will provide a high-level overview of how the City ended the fiscal year financially. The presentation will highlight revenues and expenditures, overview the current General Fund balances (reserved and unreserved), and show significant or important changes and corrections that were made in the previous fiscal year.

Action Requested: None. This is a presentation only. The ACFR was presented to the Financial Commission on December 20, 2021 and will be presented to the City Council on January 25, 2022.

B. Topic: Budget Overview (Requested by City Council, John Furtado)

Description: The City of Los Altos needs to modernize its budget practices, including how positions are allocated, the charging of personnel to appropriate Funds, the establishment and utilization of Internal Service Funds, strategic utilization of restricted funds or special revenue funds, and a rationale policy for CIP funding. This presentation will provide a comprehensive understanding of how the Los Altos budget works currently and areas that will be improved, updated, and changed moving forward.

Action Requested: None. The following changes have been authorized by the City Manager: Beginning with the next budget cycle, the City will practice a zero-based budget, develop and utilize internal service funds, and create and implement proper cost allocation models. Additionally, the City will budget for known obligations in current and future budgets and make it transparent when fund balances are being reduced to pay for on-going costs.

Policy Question(s): None. Policy questions are included in presentations occurring later in the meeting.

C. Topic: CalPERS & OPEB Funding (John Furtado)

Description: The City of Los Altos pension programs for Safely and Miscellaneous are currently funded at an average of 68.5% (31.5% remains unfunded). Prior to the \$5M pre-payment of CalPERS obligations in 01/2022, the City had not been making adequate payments to responsibly fund the pension system. As an example, after making the minimum payment to CalPERS in the previous fiscal year, the City's pension liability on the ACFR increased by more than \$3.2M in the current fiscal year.

This presentation will provide an overview of pension obligations, unfunded accrued liability (UAL), and provide an explanation of the City's various retirement plans. The overview will include options for annual Additional Discretionary Payments (ADP), the term used by CalPERS to identify payments made in excess of the minimum required amount, as well as the potential to establish a 115 plan.

POLICY QUESTION: Does the City Council wish to authorize the use of ADPs on an annual basis to reduce the long-term liability of its pension plans with CalPERS?

POLICY QUESTION: Does the Council wish to receive additional information on the potential creation of a 115 plan?

D. Topic: Special Revenue Funds, Internal Service Funds, and Restricted Funds (Gabe Engeland)

Description: The City collects revenue in 17 Special Revenues Funds and 1 Restricted Fund. The use of these Funds is limited to what is legally allowable based on State law and/or how the fund was established. Historically, the City has not utilized these funds to their potential, and instead funded items through the General Fund first, reducing funds available for expenditure on general government needs, including maintenance of assets and city facilities and investments in personnel and parks. The outcome is downward pressure on the General Fund, while balances grow in the restricted and special revenue funds, and City needs are deferred. This type of budgeting has caused General Fund eligible expenditures to be cancelled, delayed, or not requested during the budget process even though sufficient funding existed. The use of special revenue and restricted funds on eligible expenditures, prior to using General Fund funds, is a recommended practice.

Category: Accounting & Budgeting Changes

1. **CIP:** *Currently, the CIP Fund is funded through the General Fund first, with secondary funding sources coming from restricted funds, special revenue funds, and grant funds. Additionally, the CIP list contains several projects that have no known or identified source of funding or funding that is inadequate to meet the needs of the project. The CIP Fund should be funded as part of overall revenues from the General Fund, with these funds applied after all other eligible funding sources have been used or considered. CIP projects should also have identified sources of funding in the 5-year plan and sufficient funding in the budget when planned.*

At the beginning of the current fiscal year, the CIP budget had a \$2 million deficit, as shown in the table below.

CIP, General Fund	
Current Fund Balance	\$11.5 Million
Current Obligations (FY 21-22)	\$13.5 Million
Unfunded Obligations (FY 21-22)	(\$2,000,000)
Projected Obligations (5-Year CIP)	\$33.9 Million
Unfunded Obligations (5-Year CIP)	(\$21.8 Million)
CIP, Non-General Fund	
Current Fund Balance	\$11.1 Million
Current Obligations (FY 21-22)	\$6.0 Million
Projected Obligations (5-Year CIP)	\$20.4 Million
Projected Revenue (2-Year CIP)	\$12.7 Million
Projected Surplus	\$3.4 Million

Action Taken: The City Manager will accurately budget for the needs and known expenditures for capital projects. The budget will include, when applicable, special, restricted, grant or other funding. Projects will not be included in current year budgets that do not have sufficient funding.

- 2. Benefits (Funds: Dental/Vision; Unemployment; Workers' Compensation; Liability):** *The City is not appropriately funding obligations in the funds collectively referred to as "benefits." The City has chosen to draw down fund balances as opposed to funding known obligations. The underfunding of these Funds has led to expenditures in the General Fund being artificially lowered and a General Fund balance that is artificially increased because it does not consider these known, unbudgeted expenditures in future years. The City will need to fund benefits as the Fund balances are rapidly being depleted and will drop from \$2.3M currently to less than \$750,000 at the end of the current budget cycle.*

Current Fund Balance (combined) Millions	Opening Fund Balance	Revenue	Expenditure	Ending Fund Balance
Current Year	\$2.3M	\$1.06M	\$1.8M (\$794K)	\$1.56M
FY 22-23	\$1.56M	\$1.08M	\$1.9M (\$892K)	\$740,000

Category: Establishment of Internal Service Funds (ISF)

- 3. Technology Reserve (General Fund):** *IT projects are funded through General Fund Reserves and categorized as an expenditure from the CIP. This should be changed by establishing an IT replacement internal service fund that receives contributions from the general fund as well as the Enterprise funds like Sewer based on use. The current balance in the Technology reserve of around \$1.1M can be transferred as the starting balance for this Internal Service Fund.*

Current Fund Balance	\$1.1 Million
Current Obligations (2 years)	\$800,000
Projected Collections	N/A Establishing ISF (Fund Based on Need)

Action Taken: The City Manager will create internal service funds to account for technology needs. The establishment of the ISF will be funded by the transfer of the fund balance of \$300,000.

- 4. Equipment Replacement Fund:** *The Equipment Replacement Fund is anticipated to have a negative fund balance, potentially as high as \$900,000, by the end of FY 23. The City will need to change its budget processes to account for the expected deficit while planning for future needs.*

Current Fund Balance	\$400,000
Current Obligations (2 years)	\$1.3 Million
Unfunded Obligations	(\$900,000)

Action Taken: The City Manager will plan for equipment replacement as part of the normal budget process.

Category: Policy Questions

- 5. Downtown Parking Fund:** *The Downtown Parking Fund was originally established in 2003 as the Downtown Maintenance Fund. This fund has transitioned from focusing on the overall maintenance and improvement of the downtown, to being reserved for parking only.*

Staff would like to designate this fund as the Downtown Maintenance Fund and use it to upgrade or repair parking, lighting, wayfinding signage, small business grants, downtown wi-fi, beautification, events, and other items that improve the quality of life for residents, including the exploration of the establishment of a business improvement district.

Current Fund Balance	\$890,000
Current Obligations (2 years)	None
Projected Collections (5 Years)	\$353,500

POLICY QUESTION: Should the City Council designate the Downtown Parking Fund as it was originally intended (Downtown Maintenance Fund) and broaden eligible expenditures?

- 6. Park in Lieu Funds:** *Currently the General Fund supports approximately \$1 million in annual expenditures that are eligible expenditures from Park in Lieu Funds. The General Fund subsidy of park projects has caused other needs or obligations in the General Fund to be deferred or canceled. The below chart shows the current fund balance, obligations, and expected revenue collection of Park in Lieu Funds over the next 5 years.*

Current Fund Balance	\$5.8 Million
Current Obligations (5-Year CIP)	\$6.7 Million
Projected Collections (5 years)	\$10 Million

POLICY QUESTION: Should the City Council fund current eligible expenditures from Park in Lieu funds as opposed to the General Fund?

BREAK: 5:50-6:00

Part 2. Employee Recruitment and Retention 6:00-6:30

Topic: Employee Attraction, Recruitment, and Retention (Irene Barragan Silipin)

Description: Discussion of current state of the City's compensation philosophy, classification system, turnover and separation rates, organizational continuity, and comparison of Los Altos to the marketplace.

Los Altos is a service organization. The City must attract, retain, and develop talented employees to meet the expectations of Los Altos residents and implement the vision of the City Council. The operations of the government depend on the recruitment and retention of highly skilled personnel.

Los Altos has been unable to retain employees, leading to more than 25% of the full-time workforce separating from service each fiscal year in recent years. Currently, less than 50% of all employees have worked in Los Altos for five years. As an example, there is only one full-time employee in the Finance Department with a tenure greater than 9 months. In Engineering Services, positions outside of senior leadership have turned over often. In this position group the median length of service with the City is 27 months, however there are currently multiple vacancies in this classification that when hired will reduce the median tenure substantially. Additionally, 2/3 of professional staff share an office with a co-worker or multiple co-workers and there is currently no dedicated meeting space at City Hall for internal meetings or meetings with the public. Several City employees currently work out of temporary trailers located behind the police station, including the City's IT Department and the Traffic Division of the Police Department.

Focus Area(s) and Policy Decisions: Does the City Council wish to update its approach to employee compensation and benefits, working conditions, and classification to attempt to attract and retain highly competent employees?

Action Requested: The City Council should develop a compensation philosophy outlining the goals and vision for personnel retention and attraction in Los Altos. If the City Council directs the establishment of a compensation philosophy, City staff will bring back decisions to Council around compensation and benefits, working conditions, and classification that are in line with the adopted compensation philosophy.

Part 3. Maintenance and Improvement of City Facilities (6:30 – 7:50)

A. (6:30-7:00) Topic: Report from Police Facility Subcommittee (Requested by City Council, Vice Mayor Meadows & Councilmember Weinberg)

Description: The City Council authorized the creation of a subcommittee to review if the City should pursue a bond measure for a new police facility. Vice Mayor Meadows and Councilmember Weinberg will provide an update on the work of the subcommittee.

Action Requested: Determine if further action is necessary based on the report of the subcommittee. If yes, Staff will schedule the topic for further discussion at an upcoming Study Session.

B. (7:00 – 7:50) Topic: City-Owned Facilities, Priorities (Requested by City Council, Manny Hernandez & Gabe Engeland)

Description: The City must continually invest in public safety, public works, parks and recreation, and government facilities. The below list of government-owned facilities is not to be considered exhaustive but does contain assets that need to be scheduled for maintenance, renewal, retirement/demolition, or replacement.

Facilities were placed in the matrix by staff after an assessment of the known condition of the asset. The placement in the matrix is not intended to review or change any Council direction or alter or amend direction received by the City Council. Instead, the matrix outlines what is currently known of the condition of the asset and the suggested timeframe for Council to act.

Facilities in the matrix were determined by Urgency to act (Low, Medium, High), Resource Use (Low = \$2M or less, Medium = \$2M - \$5M, High = \$5M+) and potential inclusion in the budget (Immediate = FY22-23, Near Term = 5 Year CIP Plan, Future = Unscheduled). The facilities are filtered by “Timing” with immediate items listed first, followed by 5-year CIP, and then Unscheduled.

To the extent possible, the inclusion for each category is based on the decisions the City Council has made to date. For example, Halsey House is listed as “Low” in resource needs because the current direction is to mothball the structure, which has an estimated cost of \$250,000 this fiscal year, with small outlays in future fiscal years. When the City Council determines to move forward with full rehabilitation (or phased rehabilitation) or adaptive reuse of the Halsey House, the resource use would move to “high” if the cost exceeds \$5M or medium if the cost is between \$2M and \$5M.

The Bus Barn Theater is listed as “unknown” for Resource Use with “5-year CIP” for timing. This is because it has not yet been determined how the Council will handle the current facility with regards to maintenance, renewal, retirement/demolition, or replacement. The timing was listed due to the agreement of an MOU with the Los Altos Stage Company that would not exceed 3 years.

The City Council is not being asked to prioritize specific facilities or assets within the given listed timeframe, but instead determine which projects should be categorized within each timeframe area

(Immediate, 5-Year CIP, Unscheduled). Once the projects are categorized appropriately, the City Council will be able to prioritize specific projects as part of the normal budget process.

It is understood more detailed costs and analysis will be necessary to move certain items forward within the timeline and resource allocation outlined below. The matrix is for policy planning purposes. More information will be available as projects are moved from planned to a recommended budget.

Action Requested: Does the City Council agree with timing and urgency of the projects listed?

If yes, Staff will plan accordingly in future budget years and return these items to Council for prioritization as part of the normal budget process.

If no, what changes should be made to the timing and/or urgency of these facilities based on their current physical condition?

Facility	Urgency	Resource Use	Timing
<i>Caretaker House</i>	High	Low	Immediate
<i>Halsey House</i>	High	Low	Immediate
<i>Fire Station Almond</i>	High	Medium	Immediate
<i>LAYC/City Hall</i>	High	Low	Immediate
<i>Park/ADA</i>	High	Low	Immediate
<i>Police Facility</i>	High	High	Immediate

Facility	Urgency	Resource Use	Timing
<i>Bus Barn Theater</i>	Medium	Unknown	5-Year CIP
<i>Fire Station Loyola</i>	Medium	Medium	5-Year CIP
<i>Garden House</i>	Low	Medium	5-Year CIP
<i>Grant Park Senior Center</i>	High	Medium	5-Year CIP
<i>MSC</i>	Low	Low	5-Year CIP

Facility	Urgency	Resource Use	Timing
<i>999 Fremont</i>	Low	High	Unscheduled
<i>Underground Facilities</i>	Low	Low	Unscheduled

City Facilities, Timing: Immediate

Caretaker House (Redwood Grove): This property is not fit for occupation and is currently used for supply storage for Redwood Grove Summer Camp, Grassroots Ecology, and the archery program. Restrooms in Redwood Grove are currently provided by portable toilets. The property should be restored, replaced, or demolished. The City Council should consider the current uses and determine if restoration or replacement is preferable to demolition. If replacement or demolition is the preferred option, the City should place restroom and storage facilities at the current location.

Halsey House: The City Council directed staff to mothball Halsey House until a final decision could be made on the type of rehabilitation of the property. The City Council will need to make a final determination on full rehabilitation (including staged/partial rehabilitation) or adaptive reuse, and how to plan the recommended approach, at a future meeting date.

Fire Station, Almond: Roof (critical), building windows need replacement, facility lighting needs to be updated, and HVAC units and water heaters are nearing end of usable life.

LAYC/City Hall: City Hall, like the police station, needs repair or replacement. Additionally, the offices in City Hall are not sufficient to conduct city business. Two-thirds of all professional employees share office space, there is no longer any dedicated meeting space in City Hall, and the IT Department currently works out of a temporary trailer on City Property. Converting LAYC to staff space would be a cost-effective way to meet some of the needs of the workforce, eliminate working in temporary trailers, and provide dedicated meeting space for staff and residents.

Park/ADA: The playgrounds in Los Altos could provide greater access to residents with physical and cognitive disabilities. Los Altos should incorporate access needs into current playground designs. In addition, several of the playgrounds are nearing the end of their useful life and will need to be replaced soon.

Police Facility: The City Council recently formed a subcommittee to explore the need for a new Police facility. The current building is badly in need of repair or replacement. Vital components of the facility (plumbing, HVAC, and sewer) need major repair or complete replacement. The traffic division of the Police Department currently operates out of a temporary trailer on City property.

City Facilities, Timing: 5 Year CIP

Bus Barn Theater: The City owns the Bus Barn Theater, which is currently operated by the Los Altos Stage Company as a community theater. The building has outlived its useful life and needs to be renewed or replaced. The City Council recently signed an MOU with the Los Altos Stage Company to explore the possibility of moving the theater operations to a downtown location.

Fire Station, Loyola: Emergency generator (replacement), facility lighting needs to be updated, and HVAC units and water heaters are nearing the end of usable life.

Garden House: Interior space is dated and needs updating. Paint, flooring, hot water system, and kitchen appliances have passed useful life and need replacement. Air conditioning is needed in the facility. This building space is listed as separate from the underground as it is currently used by the public.

Grant Park Senior Center: The Grant Park Senior Center is need of repair and upgrades. Currently, there is no hot water system in the plumbing system and the electrical system does not allow for commercial use of the kitchen or an adequate HVAC system for either of the buildings.

MSC: The admin building has an inadequate amount of space for office staff and limited workspace for field crew members to complete necessary reports and work on computers. All warehouse space in the yard is full. Cargo containers are now being added to the yard for additional storage and workspace.

City Facilities, Timing: Unscheduled

999 Fremont Ave.: The City purchased this property in 2019 but has yet to prioritize a project. The City Council could consider demolition of the structure that currently sits on the property.

Underground Facilities: The underground is no longer in regular use but is not a desirable location for most users due to lack of HVAC and the general condition of the flooring, walls, and regular issues with the plumbing system. The apartment is no longer occupied and is being used for storage and as the headquarters for Summer Day Camp. This space also has an active lapidary. This building space is listed as separate from the Garden House as it is currently not used by the public.

Public Comment

Wrap-Up: 7:50-8:00 (Gabe Engeland)

Staff will summarize the decisions that have been made during the first day of the work plan and retreat and will outline which items or decisions will be deferred to the second day (or another date in the future). Staff will also add items that were raised during the first day for discussion on the second day.

Day 2: January 22nd

Introduction, Gabe, 9:00 – 9:10

Part 4. Council Policy Decisions (9:10-10:50)

A. Topic: Policy on Fees (Requested by City Council, Jon Maginot):

Description: The City Council should adopt fees annually as part of the budget process. The fees should be set based on City Council policy direction and applicable State laws. During the most recent adoption of the fee schedule, Council raised questions regarding potential subsidies for residents or non-profits or other groups for the use of community facilities. If the Council would like to subsidize these groups, should it be through reduced fees only or should the Council establish a use or fee waiver policy or update the current fee waiver policy?

Policy Question: Does the City Council wish to subsidize certain users and groups of City facilities, and if so, to what extent? Does the City Council wish to update the current fee waiver policy?

B. Topic: Fees and Cost Recovery for Services (Laura Simpson)

Description: The City of Los Altos is unique in that it has a very low fee structure, including flat fees for staff processing, as well as fees such as housing in-lieu or other fees to be dedicated for special programs. The flat planning fees do not fully recover the staff time associated with projects and should be considered an hourly fee rate in the next Master Fee Schedule Resolution. If cost recovery is allowed through billable hours, this would support the City's overall budget and allow for appropriate staffing levels in both planning and building to ensure timely review and responses.

Policy Question: Does the City Council wish to continue subsidizing development through a fee structure that does not recover staff time?

C. Topic: Creation of Policy for Use of City Property or Facilities at Civic Center Site (Requested by City Council, Jon Maginot)

Description: The City Council authorizes the use of certain community groups and non-profits for regular, licensed, or leased use of City properties and facilities on the civic center site. This use is currently completed within the context of the City Code, Council actions, or relevant policies. Council has asked for a discussion on this topic.

Policy Question: Should the City Council put in place a policy to guide the use of the civic center property for continuous or regular use, including licensing, leasing, and other purposes?

D. Topic: Below Market Rate (BMR) (requested by City Council, Laura Simpson and Erik Ramakrishnan)

Description: The City Council may subsidize the development of Below Market Rate (BMR) units for rental or sale. This can be accomplished through several mechanisms, including the options provided in this report.

Policy Question: Should the City Council put in place a policy to subsidize BMR development? If so, which of the options outlined here would Council like more information on? The options selected could be included as part of the Housing Element process.

E. Topic: Tree Protection Policy (Requested by City Council, Emiko Ancheta & Jon Maginot)

Description: The current tree protection and tree removal policies of the City can be difficult to apply consistently as part of the development process. As evidenced by a recent development where trees were removed, including some protected species, some areas of the code may be confusing or not reflect the direction of the City Council.

Policy Question: Should the City Council update the tree protection policy currently in place?

Break: 10:50-11:00

Part 5. Remaining Decisions, Direction, Deferred Items, Mayor 11:00 – 1:00

Topic Remaining Decisions: Discuss and provide direction, decide, or agree to a future date for all items deferred during the meeting or topics that came up during conversation for later discussion.

Public Comment

Adjourn. 1:00