
CITY OF LOS ALTOS
**Popular Annual
Financial Report**

2017





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Los Altos
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Table of Contents

Letter from the City Manager	2
.....	
City of Los Altos at a Glance	3
.....	
Los Altos Leadership	4
.....	
Making Your Dollars Count	5
.....	
Revenue & Expenses Overview	7
.....	
Statement of Activities	9
.....	
Reinvesting in the Community	11
.....	
Financial Outlook	13
.....	

The information in this report is drawn from the City of Los Altos Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2017. You may review the full CAFR online at losaltosca.gov or request a copy by contacting Administrative Services Director Sharif Etman at setman@losaltosca.gov. Questions about this report may be directed to Sharif as well.

Dear Los Altos Residents,

The City of Los Altos is pleased to present you with its first ever Popular Annual Financial Report (PAFR). The PAFR is designed to provide a summary view of the financial activities of the City. It is a high-level report for citizens who wish to learn more about Los Altos finances, projects and activities. All financial information in this report can be found in greater detail in the City's Comprehensive Annual Financial Report (CAFR), available online at losaltosca.gov.

We are pleased that our CAFR has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the past 15 years. However, in 2016, only 11 California municipalities received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting. We hope to join that list with this publication.

The Fiscal Year 2016/17 PAFR highlights the financial strength and integrity of our funds. Our continued commitment to live within our means is represented in our Operating Budget surplus and proper allocation of reserves as found in our Financial Review section. Our Making Your Dollars Count section highlights the Capital Budget expenditures for the year and project expenses.

During and following the Great Recession, Los Altos strategically placed itself in a position to take advantage of the positive economic environment we now enjoy. Through conservative spending practices and early payments to reduce liabilities, the City has a positive cash flow and an ever-strengthening financial reserve. We now find ourselves able to complete projects that our predecessors planned for, but previously found the timing wasn't right for.

Now, in 2017, we have the opportunity to assist in the evolution of our beautiful community. Yes, there are challenges. Would some argue we are aiming too high? Perhaps, but aiming high is what has made the Silicon Valley so successful. By making steady progress towards accomplishing lofty goals over the next several years, we will greatly enhance the community experience for our citizens.

If you have any questions about this document, please email Administrative Services Director Sharif Etman at setman@losaltosca.gov.

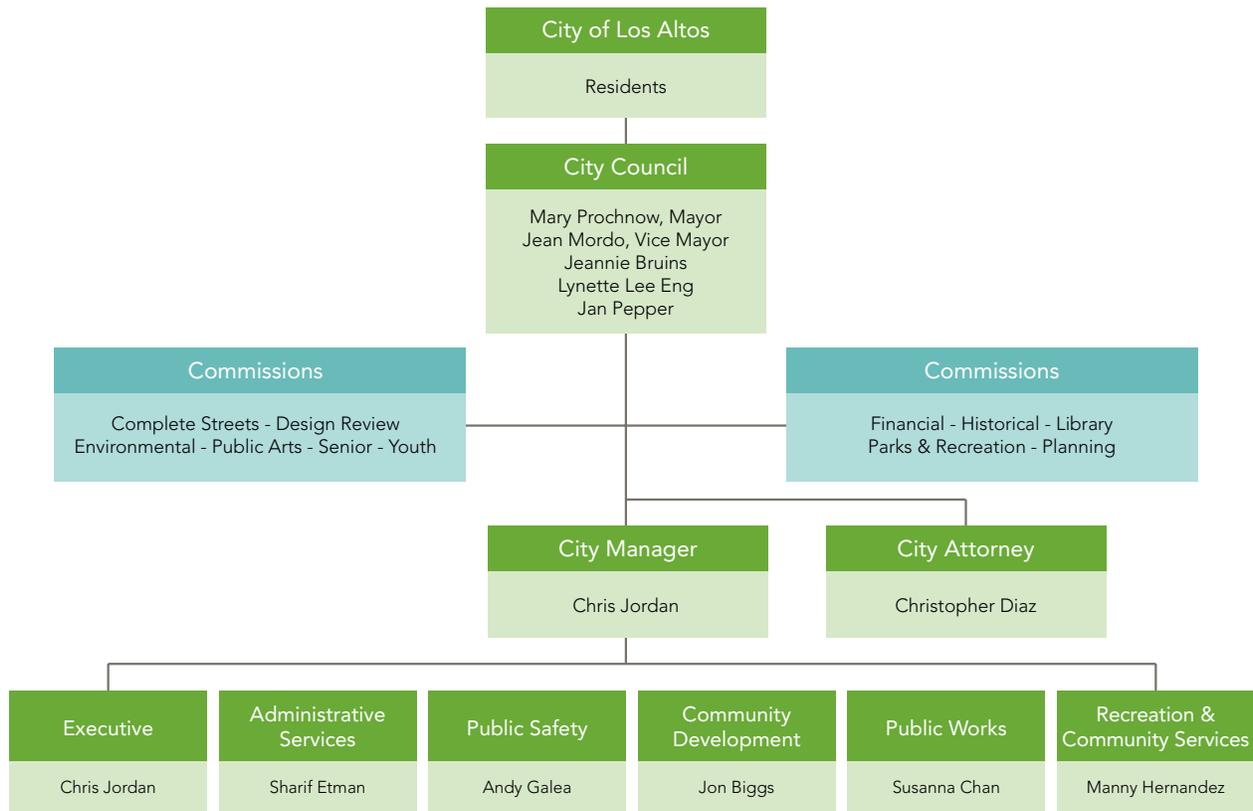


Christopher Jordan
City Manager

City of Los Altos at a Glance

General Information	
Total # Employees	133
Population	31,204
Capital Budget	\$7.6M
Operating Budget	\$35.5M
Police	
Number of calls	8,000
Arrests	210
Moving citations issued	982
Parking citations issued	25
Recreation	
Classes/programs	2,349
Facility rentals	5,927
Field/gymnasium permits	3,433

Public Works	
Crack sealing in lineal feet	110,000
Street signs installed and replaced	100
Sewer cleaning and flushing in lineal feet	585,273
Storm drain catch basin/storm drain cleaned (measured in storm inlets cleaned)	1,350
Planning	
Plan applications submitted	675
Building	
Permits issued	1,769
Plan checks submitted	619
Inspections	6,445



Los Altos Leadership

City Council Priorities

In January 2017, City Council invited residents to provide input on which topics they felt the City should focus staff and resources on via a survey posted on Open City Hall (losaltosca.gov/OpenCityHall). The results of that survey reflected the values the Los Altos community places on safety, opportunities to engage in decision-making and the importance of maintaining the quality of life Los Altos is known for.

City Council approved the following priorities for 2017, which have served as a guide for the work completed by staff over the course of the year:

- The City will develop a plan for Downtown that balances vibrancy with a village character
- Complete the improvements to the City's Land Use Regulations and Policies for Loyola Corners and El Camino Real
- By December 2020, the City will have a new/refurbished Community Center at Hillview
- Create and maintain a 10-year Capital Facilities Plan
- City Council will proactively review opportunities to expand affordable housing
- The City will take steps to improve traffic/pedestrian and bicycle safety throughout the City with a specific focus on safe routes to schools
- City Council will engage with the community and improve citizen access to City information

The priorities approved by City Council demonstrate the City's commitment to addressing regional issues while balancing the expectations of community members to invest in areas that will yield a direct, positive impact on the quality of life for residents. The City is excited to share more about the progress made on Council's priorities throughout this report.



Mary Prochnow

Mayor
Term: Nov. 2018



Jean Mordo

Vice Mayor
Term: Nov. 2018



Jeannie Bruins

Councilmember
Term: Nov. 2020



Lynette Lee Eng

Councilmember
Term: Nov. 2020



Jan Pepper

Councilmember
Term: Nov. 2020

Making Your Dollars Count

The City develops a biennial operating budget and a 5-year Capital Improvement Program (CIP) that projects capital needs with a focus on public safety, transportation, street maintenance, parks, sewer systems, technology and general infrastructure. Both are adopted by City Council on or before June 30 each year. The operating budget and CIP represent the City's financial plan and define the limits of spending authority. To best illustrate trends, below are the fiscal year budget amounts for the most recently adopted budget and previous fiscal year comparisons.

City Budget	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
City Council	\$285,565	\$306,027	\$176,810	\$170,610	\$160,660
Executive	1,966,174	1,819,218	1,876,291	1,382,900	1,568,352
Administrative Services	3,158,692	2,847,134	3,229,317	2,495,010	2,654,675
Public Safety	17,433,841	16,562,763	15,940,502	15,134,650	14,574,635
Community Development	2,599,328	2,706,268	2,599,630	2,554,850	2,301,488
Recreation & Community Services	2,508,538	2,474,933	2,268,520	2,164,960	2,092,103
Public Works	7,594,495	6,941,973	6,446,834	5,836,370	6,063,717
Annual Operating Budget	\$35,546,633	\$33,658,316	\$32,537,904	\$29,739,350	\$29,415,630

Capital Improvement Program

In 2016/17, the City of Los Altos completed the following Capital Projects with a total value of \$7,390,479.

Project Name	Total Expenses	Project Name	Total Expenses
Annual Pathway Rehabilitation	13,044	Rubberized Cape Seal	388,690
Park Hydration Station Install	29,160	Annual Street Slurry Seal	324,023
Parking Plaza Drive Approach	15,885	Annual Street Resurfacing	849,836
Grant Park Classroom Wing Roof Replacement	217,056	Fremont Ave Bridge Replacement	3,169,566
Advanced Traffic Mgmt Feasibility Study	49,971	Annual Concrete Repair	79,074
Plaza 3 Driveway	156,691	Annual Street Striping	68,892
Intersection Bicycle Loops	475,758	Structural Reach Replacement	734,844
		Sewer System Repair Program	817,989
			\$7,390,479

Traffic Improvements

Due to an early investment made by City Council in 2015 to fund a portion of the County of Santa Clara Expressway Plan study, Los Altos is first in line to receive improvements as part of the Expressway Plan 2040.

The Foothill Expressway Improvement Project is currently in design phase and once complete will relieve traffic congestion on Foothill Expressway between San Antonio Road and El Monte Avenue. Project improvements include adding a third lane in each direction and providing dedicated right turn lanes for north and southbound El Monte Avenue. Pedestrian improvements are also included in the project, which is expected to begin construction in 2018, contingent on funding sources.

Road Improvements

The City of Los Altos utilizes a Pavement Management Program to maintain its 112 miles of streets. The current overall condition of our street network meets the Metropolitan Transportation Commission regional goal, which allows the City to compete for State and Federal Transportation Funds. Pavement conditions are categorized on a scale of 0-100 and are rated Good, Very Good, Poor or Very Poor. The City's current overall Pavement Condition Index (PCI) is 71 (figure 1).

The Los Altos City Council has made it a priority to increase overall PCI and budgeted an average of \$2M per year over the next 5 years to accomplish this goal. The Public Works Department recently completed a City-wide Pavement Improvement project that touched 18 miles of local roads. Community members can expect to see more roadway maintenance work next summer when weather conditions are ideal.

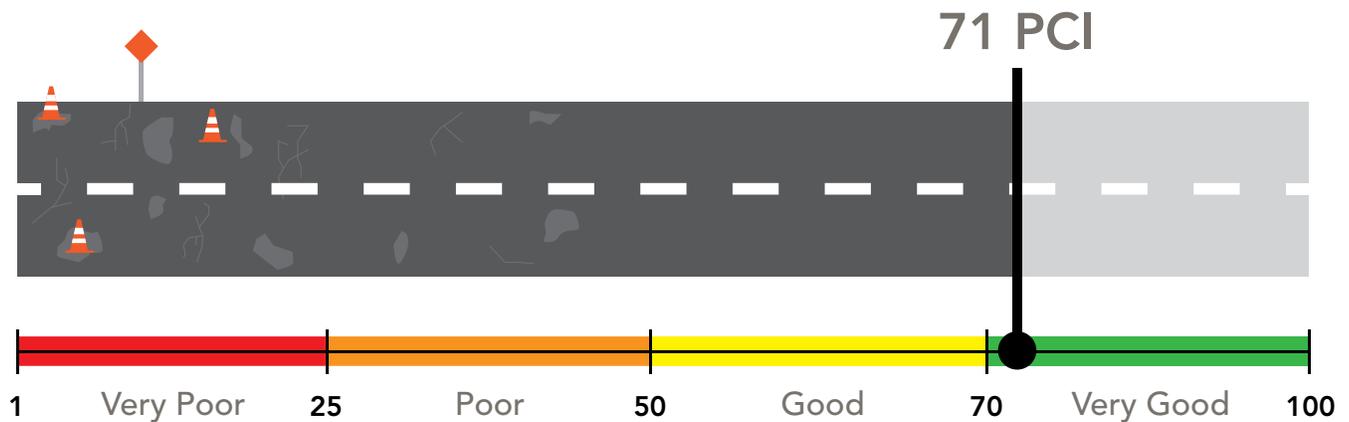


Figure 1: The City's current overall Pavement Condition Index (PCI) is 71.



Revenue & Expenses Overview

The City maintains 18 distinct funds in which to account for governmental services. The financial statements of the City are divided into two categories – governmental activities and business-type activities. The *Statement of Net Position* reflects a healthy financial condition as of June 30, 2017.

- *Governmental activities* include the basic services provided by the city including public safety, parks and community services, public works and general administration. Property taxes, charges for services, and state and federal grants fund most of these activities.
- *Business-type activities* include sewer and solid waste collection management. The City charges fees to customers to help cover the costs of these services.

The City ended its fiscal year on a governmental wide basis with a net position (excess of assets over liabilities) equaled \$110.6M, an increase of \$7.2M, or 6.9%. This is attributed to significant grant and capital contributions with partial offsets given the use of funds for infrastructure maintenance and improvements. The City's net position represents its total net holdings, which are not necessarily unrestricted depending upon the source of the original funding.



Property Taxes

Los Altos receives approximately 12% of the 1% rate of total taxable assessed value.



Intergovernmental

The grants or shared revenues received from other governments (state, county, etc.).



Fees & Charges

Fees received for services, including water, sewer, surface water, streets and park fees.



Licenses, Permits & Fines

Revenue generated from selling licenses and permits and collecting on fines.



Franchise Fees

The revenues received as per agreements with cable, electric, telephone and garbage utilities for use of City right-of-ways.

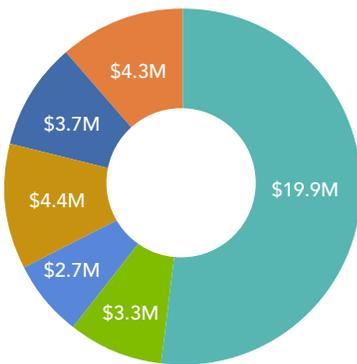
The General Fund realized an operating surplus of \$5.8M, \$2.5M above the prior year due to vacancies while maintaining contained spending.

General Fund	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Revenues	\$39,109,065	\$37,714,800	\$36,109,725	\$36,015,028	\$31,275,034
Expenses	\$33,274,741	\$34,380,360	\$29,775,562	\$28,637,595	\$28,179,424

The programs for the Enterprise Fund include sewer and solid waste collection management. These activities represent 18% of the total net position. The net position from the business-type activities increased by \$325K, or 2%, primarily due to the favorable operating results in the sewer fund.

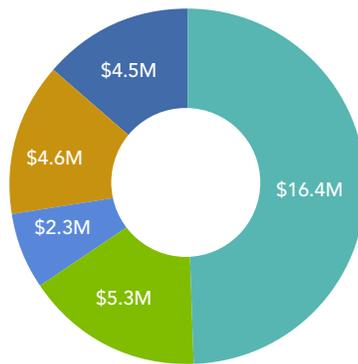
Enterprise Fund	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Revenues	\$7,477,575	\$7,737,915	\$7,116,293	\$7,112,752	\$5,999,417
Expenses	\$7,192,474	\$4,982,997	\$5,350,051	\$5,104,754	\$5,115,887

Revenues



- Property Tax
- Sales Tax
- Utility User Tax
- Charges for Services
- Licenses, Permits, & Fees
- Other Taxes

Expenditures



- Public Safety
- Public Works
- Recreation & Community Services
- Community Development
- Admin/Community Development

DEFINITIONS

Net Position is the difference between Total Assets and Total Liabilities. The Net Position is one indicator of the financial health of a City, year-over-year.

Total Revenues are all funds received by the City such as Property Taxes, Sales Tax, other taxes, grants and department specific fees.

Total Expenses include the cost of all money spent for the year including staff salaries, services and supplies.

Statement of Activities

The following summary of highlights is taken directly from the Management Discussion and Analysis section of the Fiscal Year 2016/17 Comprehensive Annual Financial Report (CAFR).

The Statement of Activities reports all financial activity for the fiscal year ended June 30, 2017 and presents how the City's net position changed during the most recent fiscal year.

The City ended its fiscal year on a governmental wide basis with a net position (excess of assets over liabilities) equaled \$110.6M, an increase of \$7.2M, or 6.9%. This is attributed to significant grant and capital contributions with partial offsets given the use of funds for infrastructure maintenance and improvements. The City's net position represents its total net holdings, which are not necessarily unrestricted depending upon the source of the original funding.

Governmental Activities	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015	As of June 30, 2014	As of June 30, 2013
Assets					
Current Assets	\$61,567,878	\$61,451,083	\$59,544,062	\$52,467,447	\$46,350,260
Capital and Other Assets	59,950,211	56,622,740	52,057,566	53,070,362	53,023,364
Total Assets	121,518,089	118,073,823	111,601,628	105,537,809	99,373,624
Liabilities					
Current Liabilities	38,768,234	33,888,950	28,431,049	8,469,163	10,202,786
Longterm Liabilities	1,245,000	1,355,000	1,565,000	1,665,000	1,760,000
Total Liabilities	40,013,234	35,543,950	29,996,049	10,134,163	11,962,786
Net Position					
Net Investments in Capital Assets	54,724,833	53,408,838	49,078,720	50,164,474	50,102,330
Restricted	11,498,200	14,446,668	17,815,285	17,629,321	7,405,661
Unrestricted	24,047,229	15,583,304	10,746,496	27,623,571	29,902,812
Total Net Position	\$90,270,262	\$83,438,810	\$77,640,501	\$95,417,366	\$87,410,803

Investment in capital assets makes up the largest portion of the City's net position of sixty percent (60%). These assets reflect land, buildings, infrastructure, machinery and equipment, less any associated outstanding debt. As these assets represent foundational infrastructure used in support of basic City services, they are generally not available for future spending.

A portion of the City's net position, consisting of eight percent (13%), represents resources subject to external spending restrictions. The remaining twenty-seven percent (27%) of net position are defined as unrestricted and generally available for future capital projects and discretionary use with the caveat these funds are a composite of several governmental funds which may include assigned project commitments and assignments specifically associated with active and ongoing projects.

Business-type activities reported net position of \$20.3M at year end, a \$325K, or 2% increase. The Sewer Master Plan has been completed along with a multi-year rate adjustment program to provide resources to address sewer infrastructure rehabilitation. Solid Waste revenues exceeded direct expenses allowing for future initiatives in this important environmental area of operations.

Business Type Activities	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015	As of June 30, 2014	As of June 30, 2013
Assets					
Current Assets	\$12,862,007	\$12,583,099	\$10,189,988	\$7,835,171	\$7,923,383
Capital and Other Assets	8,712,102	8,725,938	8,914,544	9,438,823	7,127,338
Total Assets	21,574,109	21,309,037	19,104,532	17,273,994	15,050,721
Liabilities					
Current Liabilities	1,657,821	1,383,243	1,680,200	469,571	434,467
Longterm Liabilities					
Total Liabilities	1,657,821	1,383,243	1,680,200	469,571	434,467
Net Position					
Net Investments in Capital Assets	8,403,465	8,725,938	8,662,137	8,717,527	6,773,419
Restricted					
Unrestricted	11,906,716	11,259,402	8,471,807	8,086,896	7,842,871
Total Net Position	\$20,310,181	\$19,985,340	\$17,133,944	\$16,804,423	\$14,616,290

DEFINITIONS

Total Assets are all gross investments, cash and equivalents, receivables, and other assets as they are presented on the balance sheet.

Total Liabilities are all financial obligations of a company including any creditor claims on the City's assets.

Reinvesting in the Community

Downtown Vision

A 2017 City Council priority, the Downtown Vision is a collaborative and community-driven project designed to assist the City as it plans for and responds to the changing economic and development landscape. The project team has sought to engage as many community members as possible to best understand the community's desired level of downtown vibrancy.

Following more than twenty workshops, one-on-one interviews and an online community questionnaire that garnered over 1,500 responses, three future development scenarios were created, each reflecting varying levels of vibrancy. Council provided feedback on the three future scenarios in August and called for a fourth development scenario reflecting some "out of the box" ideas. The final four scenarios are now being used to gather further public input.

Community members are encouraged to review the scenarios and provide comments by visiting losaltosca.gov/DowntownVision. Your feedback is critical to ensuring the final Downtown Vision Plan provides the guidance needed to carry on the unique Los Altos character while incorporating the qualities that make this city a great place to live, work and play.

El Camino Real and CT Zone District Regulations

In anticipation of future multi-family and mixed-use projects along El Camino Real, City Council prioritized a planning effort to establish standards to ensure future developments are well-suited for the area. Planning efforts focused on enhancing the compatibility of future projects with neighboring properties as well as ensuring this key commercial area continues to provide for services and commerce for residents.

In October, City Council approved amendments to the CT zoning code, which applies to most properties along El Camino Real. Amendments include requirements for some larger yard areas, on-site loading and delivery space, standards for roof top decks and open space requirements. The regulations reflect the input of the community and the careful consideration of the City Council and Planning and Transportation Commission. These new rules will provide the community, property owners, applicants, decision makers and staff with the guidance that will help achieve the desired level of development along the El Camino Real corridor.



Hillview Community Center



One of the largest capital expenditures to date is the Community Center project currently underway. The Hillview Community Center, built as an elementary school in 1950, has served the community well over the years but is now in need of replacement. To fulfill City Council's priority to have a new Community Center built by 2020, the City has allocated over \$25M to build a multi-generational Community Center Los Altos can be proud of for years to come.

In April 2017, City Council appointed an ad hoc Hillview Community Center Project Task Force (Task Force) comprised of eleven community members who are tasked with providing a recommendation on interior space allocation and exterior building design of the new Center. Noll & Tam Architects and Planners were hired to work with the Task Force and lead the City through the design and building phases of the project.

The Task Force has listened to the community and placed priority on designing a high quality, environmentally sustainable building that highlights the unique character of Los Altos and serves all segments of the community. For more information on this project, visit losaltosca.gov/CommunityCenter.

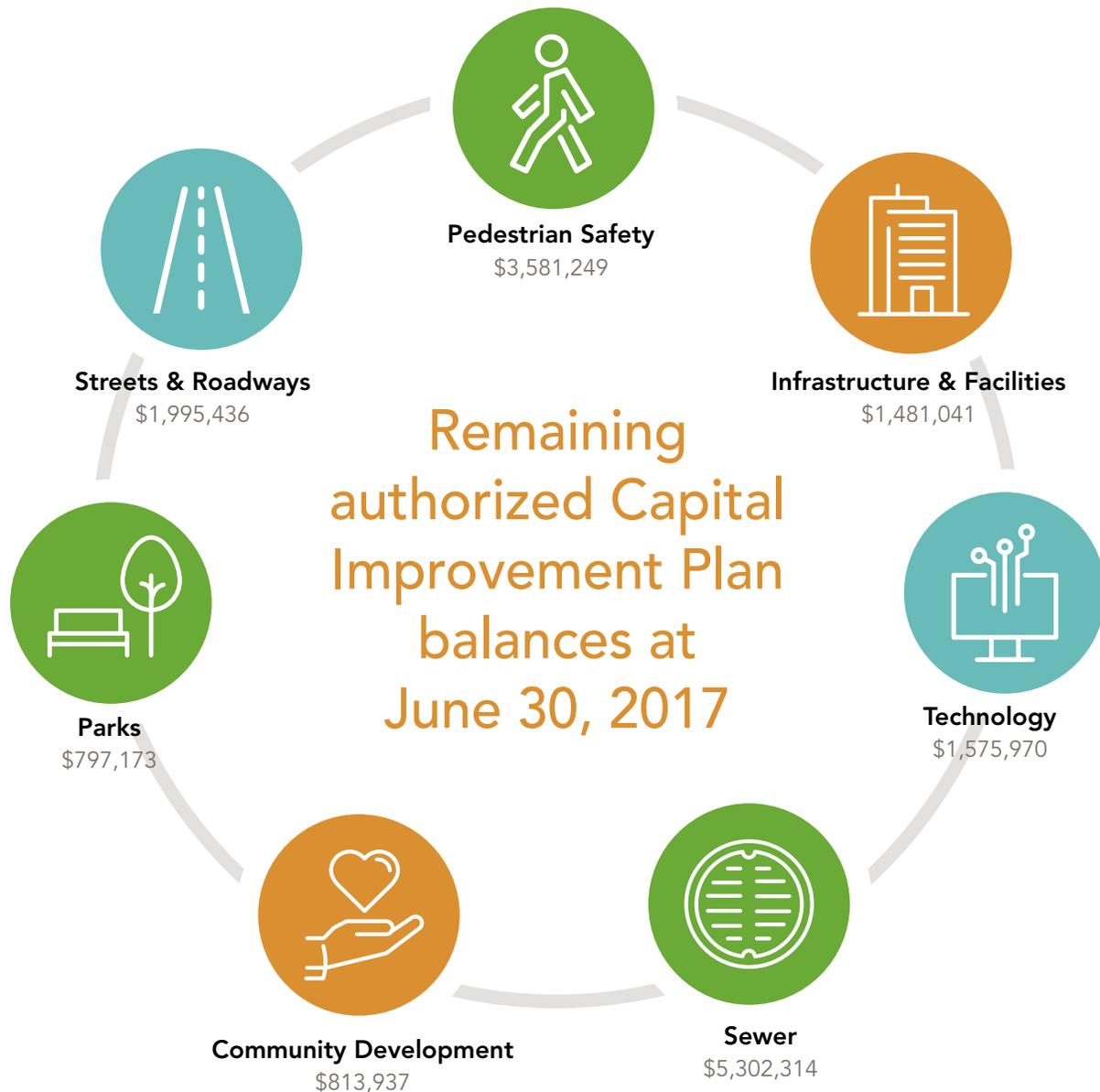
“The Hillview Community Center, built as an elementary school in 1950, has served the community well over the years but is now in need of replacement.”

Financial Outlook

Los Altos' Operating Budget and Capital Improvement Plan (CIP) for the 2017/18 Fiscal Year were adopted by the City Council on June 28, 2017. The Budget includes all programs and services offered by the City of Los Altos and funding required to complete several high priority capital projects including our new Community Center, significant enhancements to our streets and roads, and further commitment to our parks and other infrastructure needs.

Through sound financial planning and prudence by our past and current City Councils and Management, the future financial outlook for the City of Los Altos continues to be strong. Los Altos continues its tradition of stewardship and integrity of our funds, while also addressing our current community needs.

For more information about City of Los Altos finances you may review the full Comprehensive Annual Financial Report posted on the City website at losaltosca.gov.



Commissions & Committees

Thank you to residents who served the community in 2016/17

Complete Streets Commission

Suzanne Ambiel
Wesley Brinsfield
Jerry Chester
Jim Fenton
Steve Hindman
Randy Kriegh
Nadim Maluf

Design Review Commission

Alexander Glew
Samuel Harding
Jude Kirik
Tracey Moison
Sepideh Zoufonoun

Environmental Commission

Don Bray
Joseph Eyre
Heather Halkola
Gary Hedden
Laura Tekslar
Don Weiden
Lei Yuan

Financial Commission

David Byrne
Gary Kalbach
Kuljeet Kalkat
David Marek

James Martin
Martha McClatchie
Amy Pearl

Historical Commission

Janis Ahmadjian-Baer
Qing Bai
Russell Bartlett
Frank Bishop
Walter Chapman
Margo Horn
Larry Lang
Nomi Trapnell
Denise Welsh

Library Commission

Mukesh Agarwal
Ibrahim Bashir
Cindy Hill
Richard Liu
Judie Suelzle

Parks & Recreation Commission

Larry Baron
Michael Ellerin
Elizabeth Engle
Neysa Fligor
Katie Heley
William James
Grace Lilygren
Tanya Lindermeier

Pradeep Parmar
Jack Tooley
Jonathan Weinberg

Planning Commission

Ronit Bodner
Phoebe Bressack
Anita Enander
Sally Meadows
Michael McTighe
Jerry Moison
Bahi Oreizy
Alexander Samek

Public Arts Commission

Nancy Bremeau
Doug Edwards
Nancy Ellickson
Janna Land
Maddy McBirney
Paula Rini
Monica Waldman
Karen Zucker

Senior Commission

Gary Anderson
Janet Harding
Doris Hawks Torbeck
Tracie Murray
Kevin O'Reilly
Bert Vincent

Youth Commission

Vikram Bharati
Cole Brinsfield
Ryan Chandra
Krish Gujral
Drishaan Jain
Mahi Kolla
Medha Rajagopalan
Anooshkha Shetty
Rahul Shukla
Vignesh Suresh
Rebecca Zhu

Joint Los Altos/Los Altos Hills Volunteer Service Awards Committee

John Cardoza
Edward Infante
Sunita Mehta
Paul Nyberg
Dhana Pawar
Dennis Young



Los Altos City Hall
1 North San Antonio Rd.
Los Altos, CA 94022
Tel: (650) 947-2700

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Local Postal Customer

The mission of the City Council, staff, commissions, committees and volunteers is to foster and maintain the City of Los Altos as a great place to live and to raise a family.

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