



CITY OF LOS ALTOS

Popular Annual Financial Report

JULY 1, 2017 – JUNE 30, 2018



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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, 2018. You may review the full CAFR online at losaltosca.gov/cafr 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.

CITY MANAGER'S MESSAGE

I am pleased to present the City of Los Altos Popular Annual Financial Report (PAFR) for the fiscal year (FY) ended June 30, 2018. The purpose of the PAFR is to provide an overview of the City's financial condition in an easy to understand format.

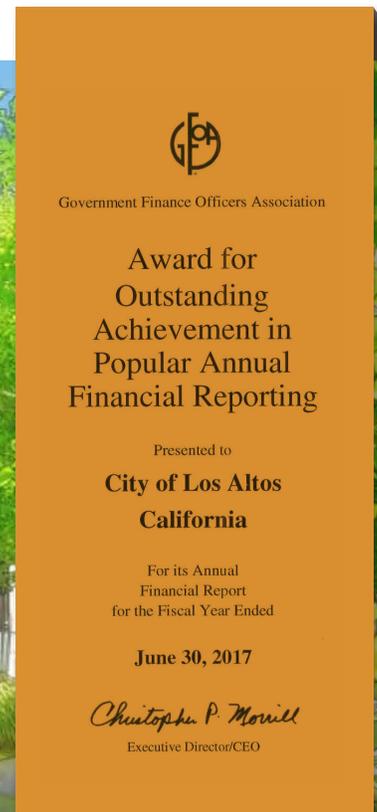
The City's first PAFR, mailed to you in December 2017, received the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association. Los Altos joins a small group of California municipalities to earn this award - a distinction we are immensely proud of.

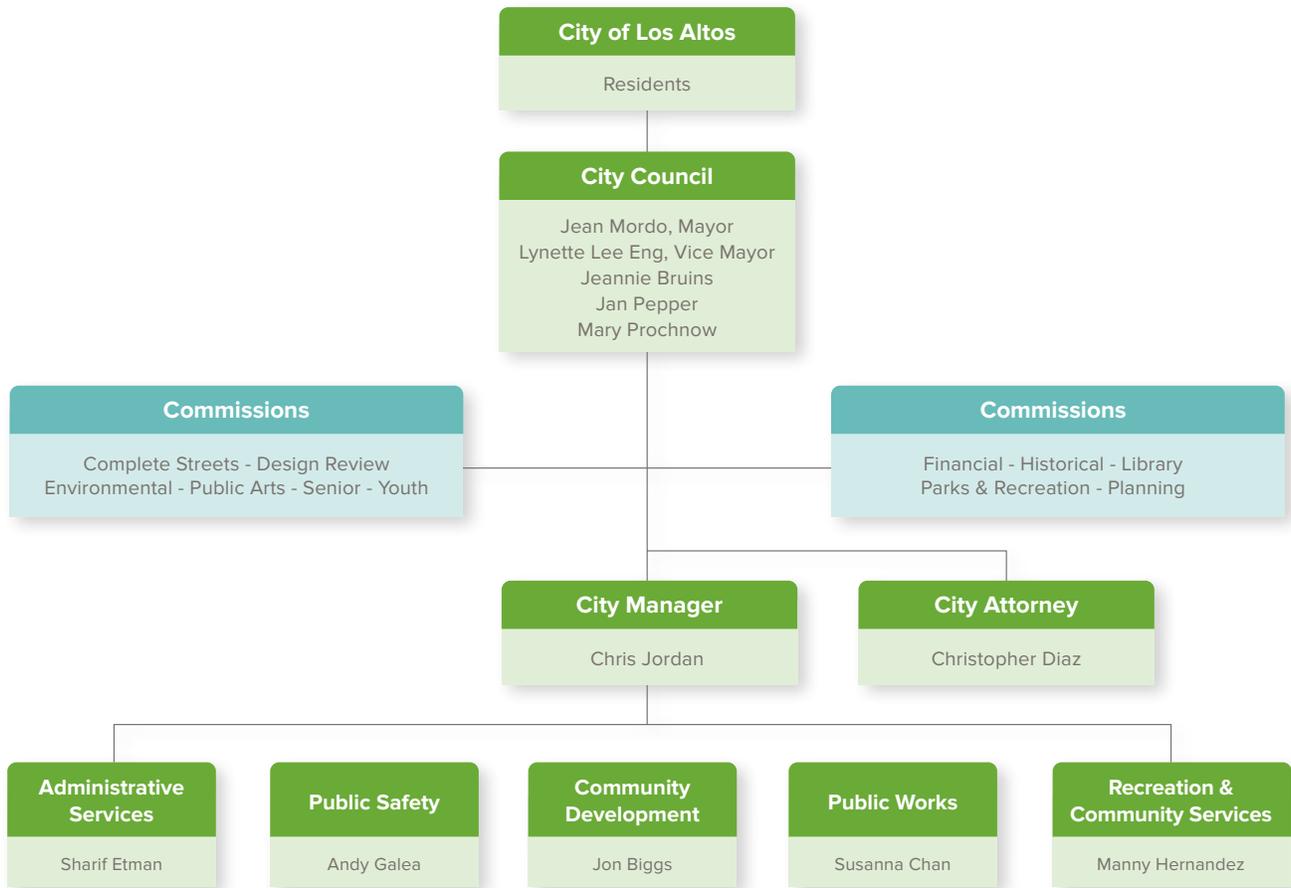
In addition to providing an overview of City financials, the PAFR presents an opportunity for the City to share information about important projects and activities. In the following pages you will learn more about the City Council's strategic priorities and progress made in each area over FY 2017/18.

Information contained in this report is pulled from the City's Comprehensive Annual Financial Report, which is available online at losaltosca.gov/cafr. Feedback or questions about this report can be sent to Administrative Services Director Sharif Etman at setman@losaltosca.gov.



Christopher Jordan
City Manager





CITY OF LOS ALTOS AT A GLANCE

GENERAL INFORMATION

Total number employees	133
Population	30,743
Capital budget	\$12 M
Operating budget	\$36.3 M

POLICE

Arrests	211
Moving citations issued	1,203
Parking citations issued	1,879
Municipal code violations issued	115

RECREATION & COMMUNITY SERVICES

Classes/programs	2,724
Facility rentals	4,141
Field/gymnasium permits	3,556

PUBLIC WORKS

Crack sealing in lineal feet	174,040
Sewer cleaning and flushing in lineal feet	713,795
Catch basin/storm drain inlets cleaned	1,350
Street signs installed and replaced	320

PLANNING

Plan applications submitted	686
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BUILDING

Permits issued	1,795
Plan checks submitted	569
Inspections	6,479

TOP 10 TAX PAYERS

Property Tax is the City's single largest source of revenue, representing about 48% of general revenues. The top 10 Tax Payers contribute significantly to property tax revenues, further enabling the goals of the City Council to be met.

TAXPAYER	TOTAL ASSESSED VALUE	% OF CITY'S EST. TOTAL PROPERTY TAX REVENUE
Board of Trustees LSJU	\$86,779,819	0.59%
RLJ R Los Altos LP	\$65,906,770	0.45%
Los Altos Gardens II LP	\$54,402,179	0.37%
St Paul Fire and Marine Insurance Co	\$50,929,952	0.35%
Richard T Spieker Trustee	\$37,119,404	0.25%
Springwood Apartments	\$29,901,009	0.20%
Safeway	\$27,228,175	0.19%
Sutter Bay Medical Foundation	\$26,532,488	0.18%
KRC Los Altos Limited Partnership	\$23,671,378	0.16%
Compass Grand Los Altos LLC	\$23,636,281	0.16%

CITY COUNCIL PRIORITIES

The following topics were identified as priorities by City Council for the 2018 calendar year. A brief narrative describes progress made in each area over FY 2017/18.

Downtown Vision: City Council adopted the Downtown Vision Plan in August 2018. The Plan will serve as a guiding document as the community evaluates future development in the downtown. *(see page 12 for more information about the Downtown Vision Plan)*

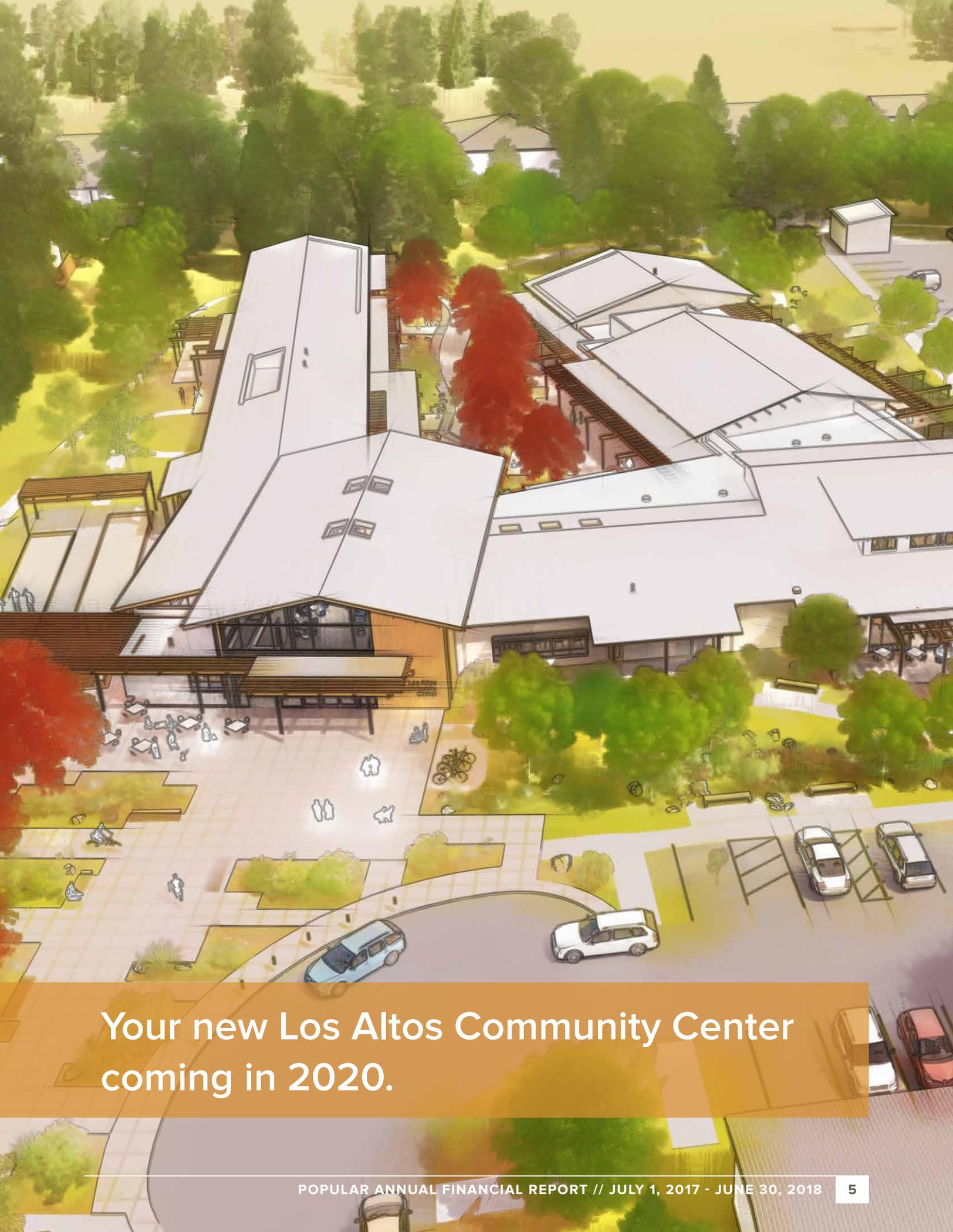
Community Center: Council approved the design for the new Community Center in September 2018. The construction documents are currently in progress and the project scheduled to go out for bids in spring/summer 2019. Groundbreaking is targeted for summer 2019 and project completion by the end of 2020. *(see page 10 for more information about the Community Center)*

10-year Capital Facilities and Operations, and Financial Capacity Analysis: Updated in November 2017, the 10-year plan commits \$10 million over FY 2017-20 to improve city streets. Further, the North County Library Authority Task Force is exploring redevelopment options for the Main Library, and the City's 5-year facilities plan includes construction of a new Emergency Operations Center at the Police Department.

Housing - Increase Housing and Affordable Housing: In May 2018, Council adopted a Short-Term Rental Prohibition Ordinance to help protect the City's housing stock as well as an Affordable Housing Impact Fee requiring all new development to pay a fee to mitigate impacts on the supply of affordable housing. An updated Accessory Dwelling Unit ordinance was adopted in June 2018 removing the minimum lot size requirement and allowed for units to be up to 1,200 sq. ft.

Traffic Safety: The City implemented resident-requested traffic calming projects on Loukes Avenue and completed design for five Safe Routes to School improvement projects. These projects are currently under construction and will positively impact student safety at over ten local schools. Staff continues to coordinate with neighboring jurisdictions on projects that cross city boundaries.





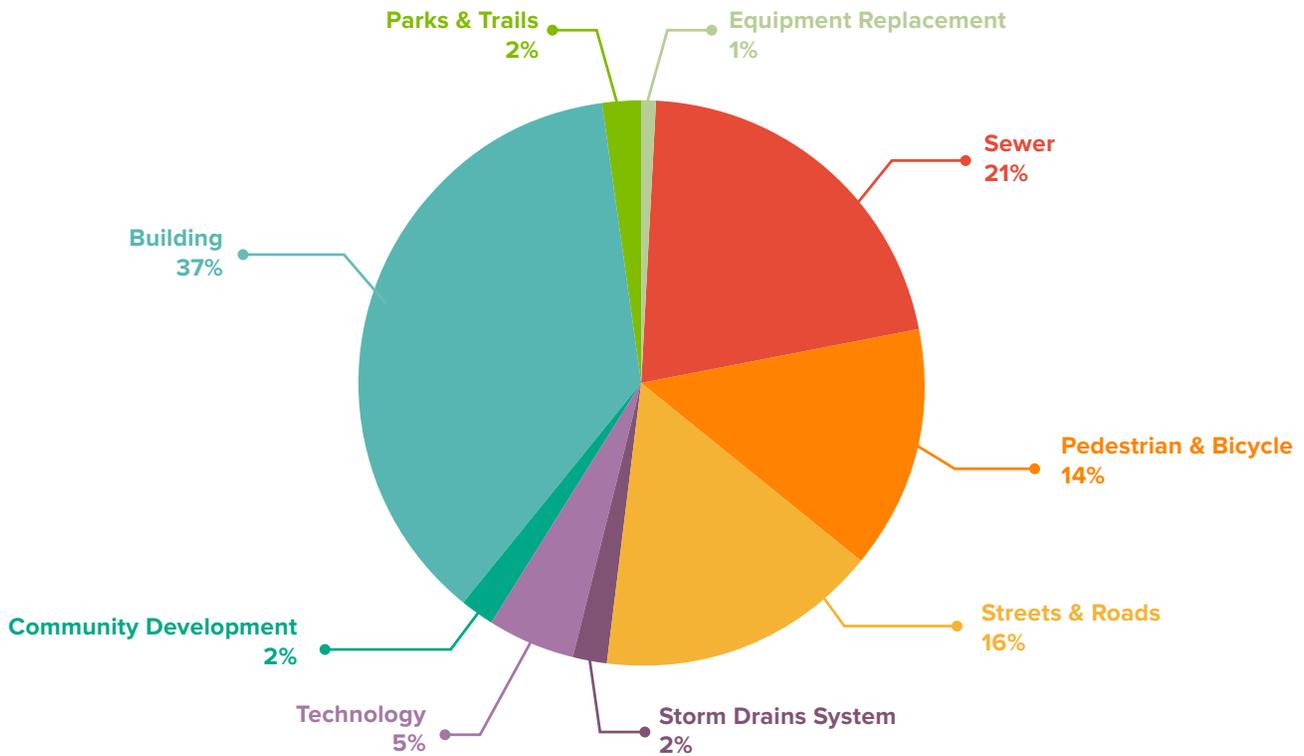
Your new Los Altos Community Center
coming in 2020.

MAKING YOUR DOLLARS COUNT

The City develops 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.

In the FY 2018-22 CIP Budget, some key projects include the Los Altos Community Center, Safe Routes to School, annual road improvements and sewer system replacements.

5-YEAR CIP BUDGET BREAKDOWN BY KEY PROJECTS



COMPLETED PROJECTS

In FY 2017/18, the following Capital Improvement Projects were completed with a total value of \$6,130,513.

PROJECT NAME	TOTAL EXPENSES
Annual Street Resurfacing	\$2,539,582
City Hall HVAC System Upgrade	834,825
CIPP Corrosion Replacement	460,992
Street Slurry Seal	430,870
Covington Road Bicycle and Pedestrian Improvement	398,584
Illuminated Crosswalk Replacement	345,189
University Avenue Crosswalk Improvements	292,466
W. Edith Avenue and University Avenue Crosswalk Improvements	288,262
Street Striping	203,052
Commercial Wayfinding Sign Program	150,580
City Hall Roof Replacement	106,616
Annual Pathway Rehabilitation	53,415
Fremont Avenue Pedestrian Bridge Feasibility Study	26,080
	\$6,130,513



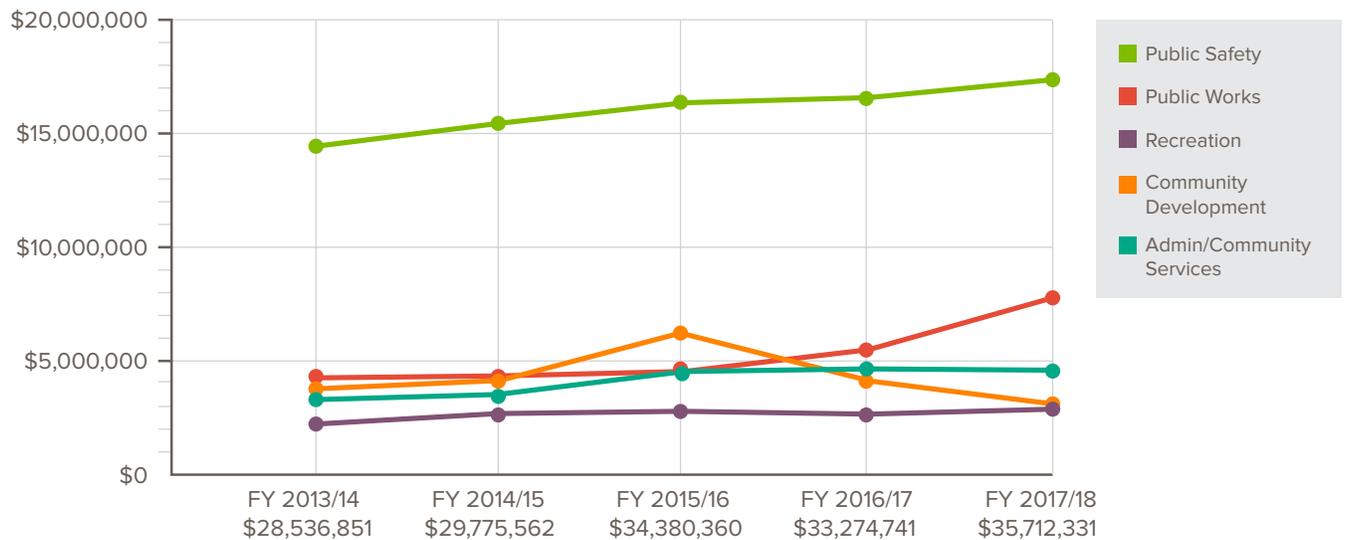
GOVERNMENTAL ACTIVITIES FOR REVENUE & EXPENSES

Property Tax continues to be the City’s single largest source of revenue representing about 48% of general government-wide revenues. The City’s General Fund revenues, excluding transfers, increased by \$2.1M, or 5.3% over the prior year. This increase is due to higher than anticipated revenues from property tax and transient occupancy tax. General fund revenues totaled \$41.2M for FY 2017/18.

KEY TAX REVENUE SOURCES

	FY 2017/18	FY 2016/17	FY 2015/16	FY 2014/15	FY 2013/14
Property Tax	\$21,428,501	\$19,863,197	\$18,775,472	\$17,479,882	\$15,586,329
Sales Tax	3,243,554	3,278,430	3,195,628	2,942,764	2,809,489
Business License	547,065	539,989	520,687	453,201	475,298
Utility Users	2,732,325	2,679,961	2,672,236	2,522,536	2,600,034
Transient Occupancy	3,072,982	2,985,201	2,608,368	2,450,488	2,168,556
Real Estate Transfer	732,409	668,242	617,355	616,500	583,581
Motor Vehicle License	16,530	14,046	12,119	12,281	12,639
Building Development	165,900	122,071	162,981	212,187	314,271
	\$31,939,266	\$30,151,137	\$28,564,846	\$26,689,839	\$24,550,197

The City’s expenses increased by \$2.4M, or 7.3% over the prior year. This increase is attributed to fully staffing previously vacant positions. The total operating expenses equaled \$35.7M for FY 2017/18.



The City’s revenue sources support its operating expenses and realized an operating surplus of \$5.5M, \$369K below the prior year. The revenue over expenses is used for the City’s operating reserves, capital projects and funding the increased cost of CalPERS retirement benefits.

STATEMENT OF NET POSITION

The Statement of Net Position reports all financial activity for FY 2017/18 and presents how the City's net position changes over time. The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). Governmental activities include general government services such as public safety, community development, public works and recreation. Business-type activities include sewer and solid waste collection management.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	FY 2017/18	FY 2016/17	FY 2017/18	FY 2016/17
Cash & Investments	\$62,893,649	\$61,567,878	\$14,442,173	\$12,862,007
Other Assets	3,449,368	3,698,982	81,929	308,637
Capital Assets	62,939,663	56,251,229	9,450,259	8,403,465
Total Assets	\$129,282,680	\$121,518,089	\$23,974,361	\$21,574,109
Deferred Outflows of Resources				
Related to Pension	10,568,156	10,683,014	440,433	463,343
Related to OPEB	132,990	-	10,010	-
Bond Debt	1,125,000	1,245,000	-	-
Other Liabilities	44,268,275	38,768,234	2,234,325	1,657,821
Total Liabilities	\$45,393,275	\$40,013,234	\$2,234,325	\$1,657,821
Deferred Inflows of Resources				
Related to Pension	1,841,274	1,917,607	83,284	78,058
Related to OPEB	42,780	-	3,220	-
Net Position				
Investments in Capital	61,524,823	54,724,833	9,450,259	8,403,465
Net of Related Debt Restricted	10,619,763	11,498,200	-	-
Unrestricted	20,428,921	24,047,229	12,643,706	11,906,716
Change due to Implementation of GASB75	-	(403,249)	-	(35,189)
Total Net Position	\$92,573,507	\$89,867,013	\$22,093,965	\$20,274,992

The City ended FY 2017/18 on a governmental-wide basis with a net position (excess of assets over liabilities) equaled \$114.7M, an increase of \$4.2M, or 3.7% over FY 2016/17. This increase is attributed to the City receiving significant grant and capital contributions; funds used for infrastructure maintenance and improvements.

LOS ALTOS COMMUNITY CENTER

Let us first thank the many community members who contributed their thoughts and ideas as plans for the new Community Center were developed. The result of robust community engagement has led to a Community Center design the entire community can be proud of.

In December 2017, City Council received the Hillview Community Center Project Task Force (Task Force) recommendations for interior space allocation, site layout and exterior design of the new Community Center. The Task Force, consisting of eleven community members, gathered community input and worked with Noll & Tam Architects and City staff to arrive at the final design concept.

Task Force priorities included creating a high-quality, environmentally sustainable Community Center that highlights the unique character of Los Altos and serves all segments of the community. The new Community Center includes a café, dedicated space for seniors and teens, as well as indoor and outdoor community gathering space and flexible space to accommodate various recreational programs, activities and classes. Additional amenities include bocce ball courts, pickleball/basketball court, playground, commercial kitchen and a walking path around the building.





Prior to City Council's approval of the design review application in September 2018, plans were reviewed by the Complete Streets and Planning Commissions for traffic analysis, circulation, bicycle and pedestrian facilities as well as architectural and site design.

Members of the City's Environmental Commission were invited to participate in a LEED Charette along with staff and design and engineering consultants. The group reviewed and discussed the detailed LEED scorecard which rates sustainability elements and efforts such as water efficiency, sustainable sites, innovation and design process, indoor environmental quality, energy and atmosphere, and materials and resources. Within each category, LEED points may be given if targets are met for items such as heat island reduction, rainwater management, construction waste diversion from landfills, low-emitting interior components, acoustical performance, interior lighting levels, energy performance, and water and energy consumption. The Community Center has been designed to achieve LEED

Gold equivalency and will be an all-electric building with solar panels.

The City has actively engaged with existing users on the Civic Center Campus including representatives of the Bus Barn Theater, History Museum and Library to communicate plans and mitigate issues such as construction impacts, refuse locations and utilities. Additionally, the City has kept nearby residents informed of the project development through focused meetings and an Open House the entire community was invited to attend.

In January 2018, City Council confirmed a \$34.7 million project budget. The Community Center project is on schedule for construction documents to be developed for bidding in spring of 2019 with the next Council action to be approval of a construction contract anticipated in summer 2019. The project is on schedule to be completed in 2020. For more information, visit losaltosca.gov/CommunityCenter.

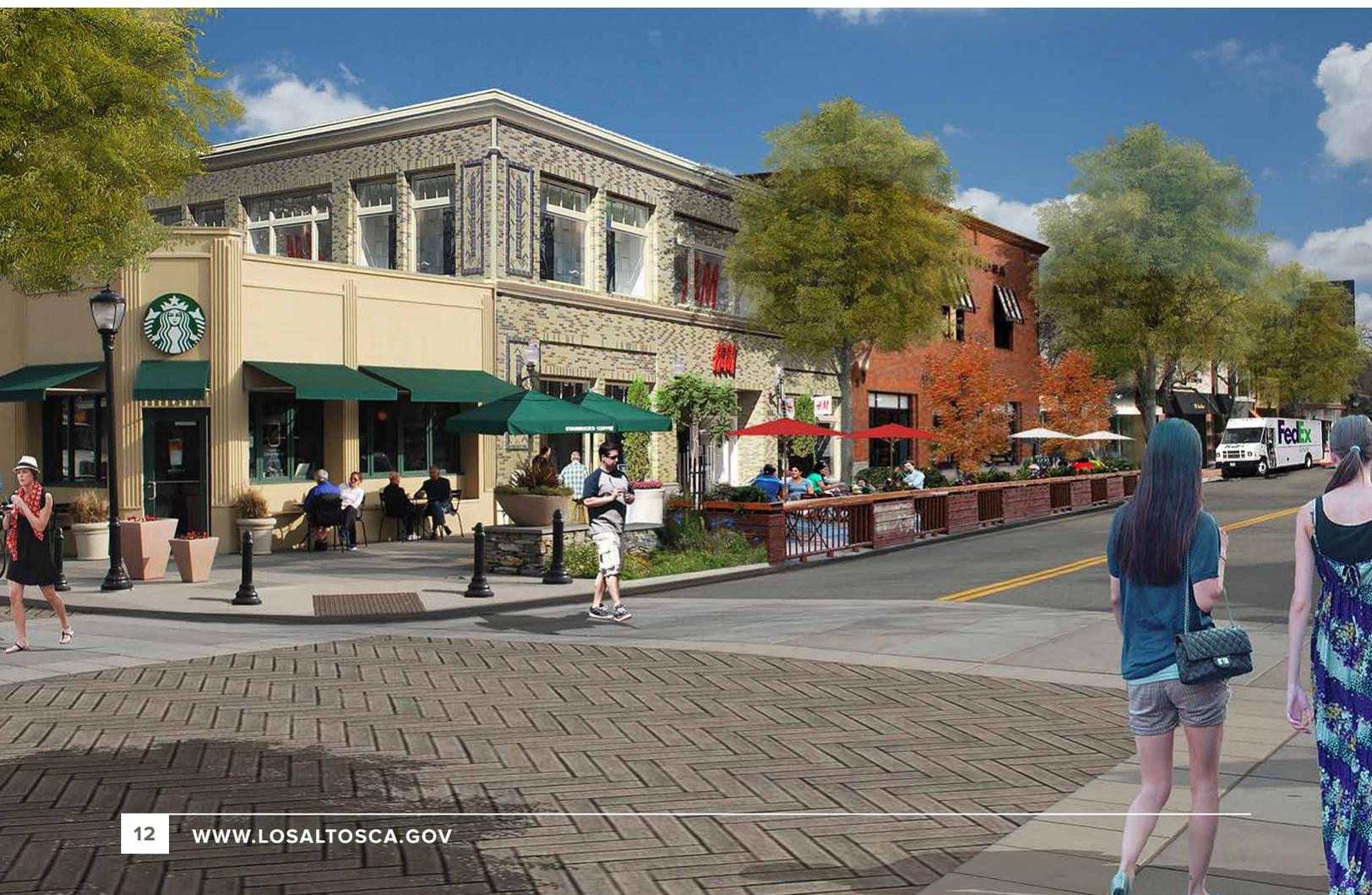
DOWNTOWN VISION

Downtown Los Altos is often described as having a village-like charm – a quality that is deeply valued by community members. Reflective of these values, City Council set a goal to develop a vision that balances community-expressed desires for increased vibrancy with the existing village character.

The Downtown Vision – developed through a robust community engagement process that included approximately 30 events and two community questionnaires – is intended to guide future change and development over the next 20 years. An economic and fiscal evaluation assisted in the creation of a strategy that will achieve the level of economic vitality envisioned by the Plan for the future of downtown Los Altos. This strategy provides the underlying foundation upon which other elements of the Downtown Vision were developed.

Several key themes emerged during community outreach events, which are represented in the final Downtown Vision Plan. Some attributes the community was collectively most supportive of include preserving the downtown’s unique character; encouraging outdoor dining and a greater variety of restaurants; strengthening bicycle safety and pedestrian-friendly walkability; introducing plazas to serve as community gathering spaces; increasing parking access and efficiency; and incorporating opportunities for a live theater, hotel, offices, affordable housing and mixed-use buildings that include a residential component.

The Downtown Vision Plan, while not a regulatory document, provides additional guidance and tools to the community, decision makers and staff as the City manages future change in the downtown area. The Plan maintains the exceptional character of Los Altos and honors its history and values while reflecting the City’s commitment to enhancing a sense of place and creating a local destination that is attractive for residents, businesses and visitors. The full Downtown Vision Plan is available online at losaltosca.gov/DowntownVision.



FINANCIAL OUTLOOK

The financial outlook for the City of Los Altos continues to be strong. The City has continued its tradition of good stewardship and integrity of public funds. As this report shows, the City has invested heavily in capital projects designed to address community needs while maintaining Los Altos as a great place to live and raise a family.

The California Public Employees' Retirement (CalPERS) employer contribution rates continue to rise due to the decline in projections of the investment return. In FY 2009/10, the City Council authorized the use of PERS reserve funds in the amount of \$3.5M to pay down retirement benefit costs. The City currently has an additional \$4M set aside in a CalPERS reserve fund for the anticipated future rising costs of retirement benefits.

Los Altos voters recently approved Measure D, allowing the City to increase the Transient Occupancy Tax (TOT) rate from 11% to 14%. This tax is paid by hotel guests for transient occupancy of any hotel or lodging in Los Altos. The revenue from this increased TOT is anticipated to generate approximately \$700,000 annually for unrestricted general revenue purposes, until ended by voters. This revenue will assist the City as it completes several high priority capital projects including the new Community Center.

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/cafr.





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

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