

# **COVER**

**City of Los Altos**

**Popular Annual Financial Report**

July 1, 2017 – June 30, 2018

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## Los Altos at a Glance

Total # 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 & 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

### Building

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

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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 [www.losaltosca.gov/cafr](http://www.losaltosca.gov/cafr) or request a copy by contacting Administrative Services Director Sharif Etman at [setman@losaltosca.gov](mailto:setman@losaltosca.gov). Questions about this report may be directed to Sharif as well.

# City Manager's Message

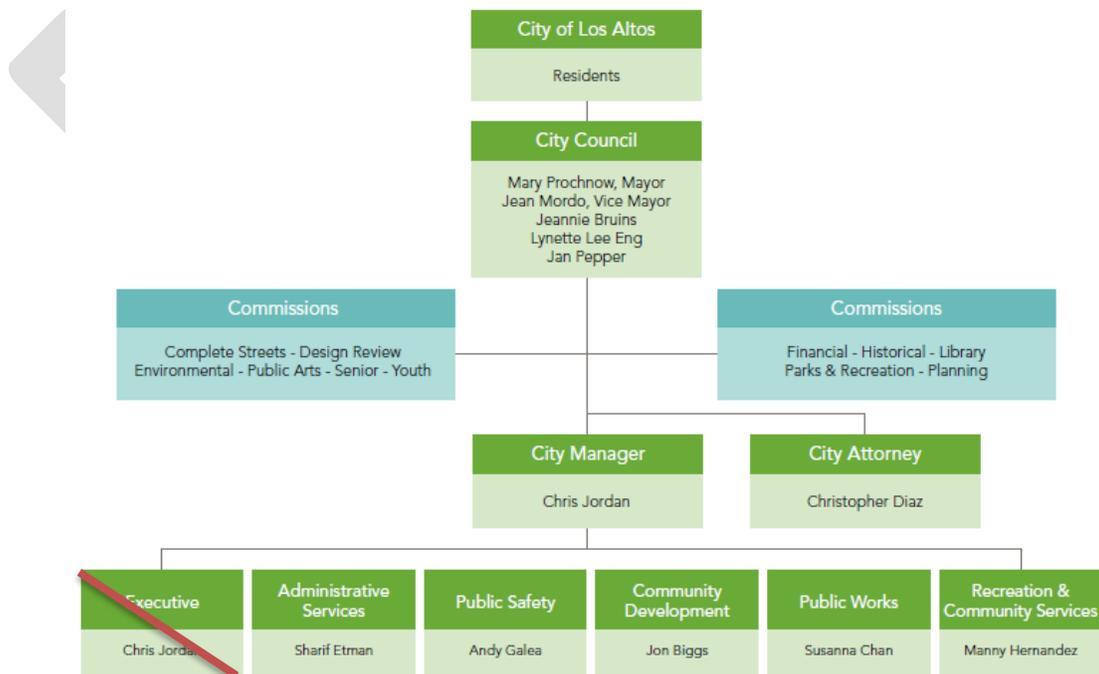
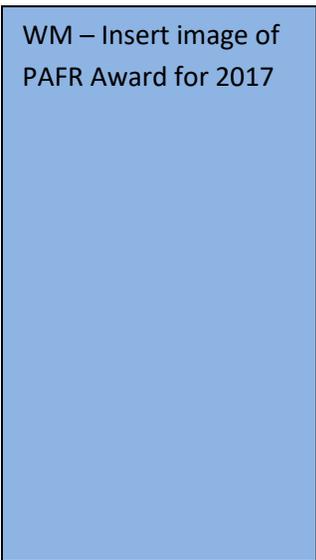
I am pleased to present the City of Los Altos Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2018. The purpose of the PAFR is to provide an overview of the City's financial condition in an easy to understand format.

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 efforts to advance each over fiscal year (FY) 2017/18.

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

Chris Jordan  
City Manager



## 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 [redacted] 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 [redacted] 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 \$10M over FY 2017-2020 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 developments 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 allowing 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.*

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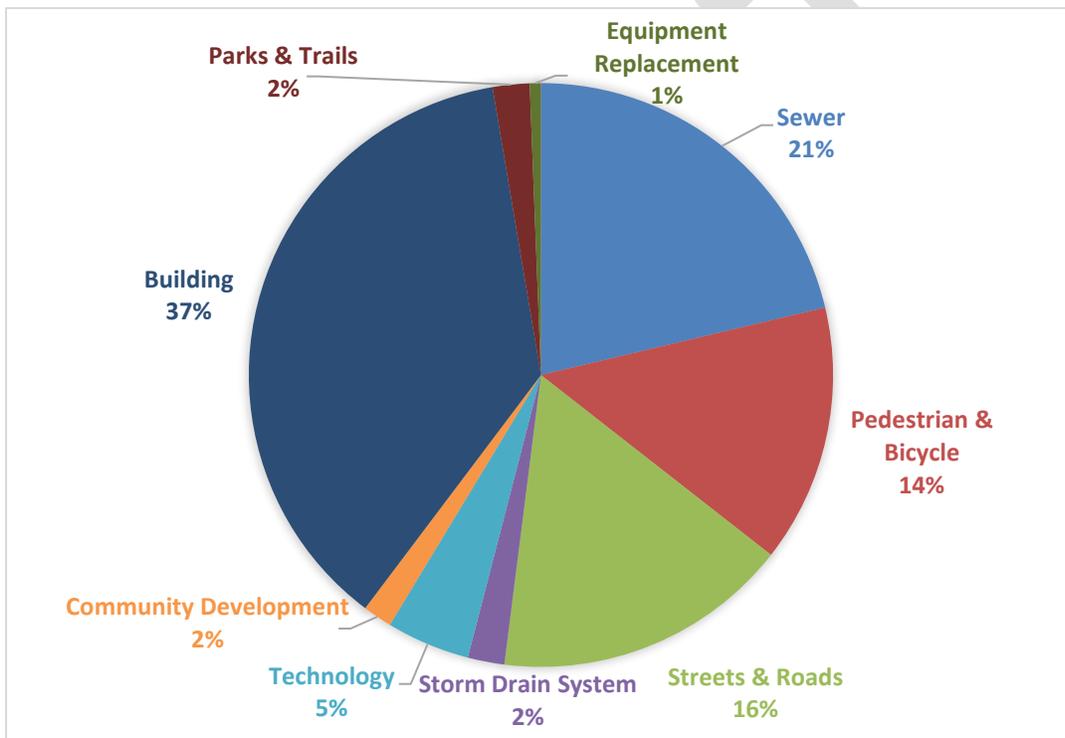
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# Making Your Dollars Count

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 CIP Projects

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

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 Improvement	\$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
	<hr/>
	<b>\$6,130,513</b>

## Governmental Activities for Revenue & Expenses

Property Tax continues to be the City's single largest source of revenue representing about 41% of general government-wide revenues. Increased revenues from property tax and transient occupancy tax account for a higher than anticipated surplus. The City's General Fund revenues, excluding transfers, increased by \$2.1M, or 5.3% over the prior year. General fund revenues totaled \$41.2M for FY 2017/18.

### Key Tax Revenue Sources

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

The City's expenses increased by \$2.4M, or 7.3% over the prior year. This increase is attributed to a decrease in staff vacancies. The total operating expenses equaled \$35.7M for FY 2017/18.

### Operating Expenses

	<b>FY 2017/18</b>	<b>FY 2016/17</b>	<b>FY 2015/16</b>	<b>FY 2014/15</b>	<b>FY 2013/14</b>
<b>Public Safety</b>	17,465,713	16,441,421	16,195,290	15,127,728	14,604,892
<b>Public Works</b>	7,896,513	5,298,774	4,858,636	4,306,760	4,352,933
<b>Recreation</b>	2,509,279	2,342,778	2,422,822	2,388,776	2,186,361
<b>Community Development</b>	3,067,911	4,646,893	6,052,100	4,182,000	3,840,949
<b>Admin/Community Services</b>	4,772,915	4,544,875	4,851,512	3,770,298	3,551,716
	<b>35,712,331</b>	<b>33,274,741</b>	<b>34,380,360</b>	<b>29,775,562</b>	<b>28,536,851</b>

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.

## MOVE TO LOS ALTOS AT A GLANCE

### Top 10 Tax Payers

<b>Taxpayer</b>	<b>Total Assessed Value</b>
Board of Trustees LSJU	\$86,779,819
RLJ R Los Altos LP	\$65,906,770
Los Altos Gardens II LP	\$54,402,179
St Paul Fire and Marine Insurance Co	\$50,929,952
Richard T Spieker Trustee	\$37,119,404
Springwood Apartments	\$29,901,009
Safeway	\$27,228,175
Sutter Bay Medical Foundation	\$26,532,488
KRC Los Altos Limited Partnership	\$23,671,378
Compass Grand Los Altos LLC	\$23,636,281

## Statement of Net Position

The Statement of Net Position reports all financial activity for the fiscal year ended June 30, 2018 and presents how the City's net position changed during the most recent fiscal year. The net position over time may serve as a useful indicator of a government's financial position.

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). The governmental activities of the City include general government, public safety, maintenance, and public workers services, planning, building, engineering and recreation. The City's business-type activities include water, wastewater, storm water and parking.

This analysis focuses on the net position and changes in net position at the City-wide level, which are summarized below as of June 30, 2018.

	Governmental Activities		Business-Type Activities	
	FY 2017/18	FY 2016/17	FY 2017/18	FY 2016/17
Cash and Investments	62,893,649	61,567,878	14,442,173	12,862,007
Other Assets	3,439,868	3,698,982	71,809	308,637
Capital Assets	62,939,663	56,251,229	9,450,259	8,403,465
<b>Total Assets</b>	<b>\$ 129,273,180</b>	<b>\$ 121,518,089</b>	<b>\$ 23,964,241</b>	<b>\$ 21,574,109</b>
Deferred Outflows of Resources				
Related to Pension (note 10)	10,568,156	10,683,014	440,433	463,343
Bond Debt	1,125,000	1,245,000		
Other Liabilities	44,268,275	38,768,234	2,234,325	1,657,821
<b>Total Liabilities</b>	<b>\$ 45,393,275</b>	<b>\$ 40,013,234</b>	<b>\$ 2,234,325</b>	<b>\$ 1,657,821</b>
Deferred Inflows of Resources				
Related to Pension (note 10)	1,884,054	1,917,607	86,504.00	78,058.00
<b>Net Position</b>				
Net 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
<b>Total Net Position</b>	<b>\$ 92,573,507</b>	<b>\$ 90,270,262</b>	<b>\$ 22,093,965</b>	<b>\$ 20,310,181</b>

The City ended its fiscal year 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 the previous fiscal year. This increase is attributed to the City receiving significant grant and capital contributions; these funds are used 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.

# 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.

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## 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](https://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](http://losaltosca.gov/cafr).

## Remaining Authorized CIP Balances as of June 30, 2018

Pedestrian Safety	\$6,916,275
Sewer	\$4,440,591
Infrastructure and Facilities	\$3,073,693
Streets and Roadways	\$2,116,124
Parks	\$1,820,463
Technology	\$1,208,924
Community Development	\$803,636
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	<b>\$20,379,707</b>

## Back Cover

(Address block)

Los Altos City Hall  
1 N San Antonio Road  
Los Altos, CA 94022

[www.losaltosca.gov](http://www.losaltosca.gov)

The mission of the City Council, staff, commission, 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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