FY 2019-20 Mid-Year Budget Update

City of Los Altos

March 10, 2020
OUTLINE

• Where We Are Today
• Mid Year Adjustments
• Assign our Fund Balance
• Capital Project Wants vs. Needs
• Re-prioritize Projects and Timelines
• Next Steps
WHERE WE ARE TODAY

Key Changes / Positive Trends

Property Tax strong
TOT Increase
All other Revenues Steady
Expenses are Under Budget

Potential Challenges

Cash Flow
Increased Litigation Costs
Setting Priorities
REVENUE OVER EXPENSES

**FY 2019-20 Operating Budget**
- $45.5M Budgeted Revenue
- $41.3M Budgeted Expenses
- Projected $4.2M Revenue over Expenses

**Annual Revenue over Expenses**
- $6.2M, $5.8M, $5.4M, $6.8M (FY2016-2019)
  - Transfer to:
  - Operating Reserve
  - CIP Fund
  - CalPERS Reserve
RECOMMENDED MID – YEAR ADJUSTMENTS

• GENERAL FUND
  • Engineering Services ($100K) – Professional Services
  • Recreation Department ($30K, $100K full year) – Two-year Limited Term Management Analyst Fellow
  • City Attorney ($500K) – Anticipated increases in legal expenses

• EQUIPMENT REPLACEMENT FUND
  • Police Department ($40K) – vehicle modifications for police vehicles

• SEWER FUND
  • Adobe Creek Sewer Main ($500K) – Replace or realign 50 sanitary sewer main segments located along or near Adobe Creek.

• UPDATED SALARY SCHEDULE
## CURRENT RESERVES

**FY 2018-19 CAFR**

<table>
<thead>
<tr>
<th>Assigned Fund Balance</th>
<th>As of June 30, 2019</th>
<th>Proposed Allocation</th>
<th>Reserves after allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency and Operating*</td>
<td>$ 7,250,645</td>
<td>3,850,000</td>
<td>$ 8,250,374</td>
</tr>
<tr>
<td>OPEB</td>
<td>1,500,000</td>
<td>-</td>
<td>$ 1,500,000</td>
</tr>
<tr>
<td>PERS Reserve</td>
<td>5,000,000</td>
<td>-</td>
<td>$ 5,000,000</td>
</tr>
<tr>
<td>Technology Reserve</td>
<td>1,574,089</td>
<td>-</td>
<td>$ 1,574,089</td>
</tr>
<tr>
<td>CIP Reserve</td>
<td>416,263</td>
<td>2,991,453</td>
<td>$ 3,407,716</td>
</tr>
<tr>
<td>Community Center Reserve</td>
<td>23,695,425</td>
<td>-</td>
<td>$ 23,695,425</td>
</tr>
<tr>
<td>Equipment Reserve</td>
<td>1,078,044</td>
<td>-</td>
<td>$ 1,078,044</td>
</tr>
<tr>
<td><strong>Total Unassigned Fund Balance</strong></td>
<td>$ 40,514,466</td>
<td>$ 6,841,453</td>
<td>$ 47,355,919</td>
</tr>
</tbody>
</table>

*Includes 999 Fremont Payment of $2.85M and $1.0M to achieve 20% of Expenditure Budget*
CAPITAL IMPROVEMENT PROGRAM PRIORITIES

Streets and Roads
- PCI
- Safe Routes to Schools
- Street Resurfacing
- Traffic Management

Parks and Improvements
- Annual Park Improvements

Infrastructure Needs
- Sewer
- Solid Waste
- Clean Water

Buildings
- New Community Center
- Emergency Operations Center (EOC)
- Los Altos Youth Center (LAYC)
- Council Chambers
- City Hall Remodel
- Police Department
- Other
City of Los Altos
CIP / Reserve Priorities

- Police Department
- Streets and Roads
- LAYC / EOC / Council Chambers
- CITY HALL Remodel
- Community Center
- CalPERS Increases
- Other City-wide Needs
- Garden House
- Other Facilities
City of Los Altos
CIP / Reserve Priorities

- Streets and Roads
- LAYC / EOC / Council Chambers
- Community Center
- CITY HALL Remodel
- Police Department
- Other Facilities
- Garden House
- Other City-wide Needs
- CalPERS Increases

FY18 FY19 FY20 FY21 FY22 FY23 FY24 FY25 FY26 FY27
TAKEAWAYS

Finances are steady
- Property Tax
- TOT Revenue
- Reserves
- Expenses within budget

Address Our Needs
- Build and Funding Community Center
- Maintain Best Practices
- CalPERS Unfunded Liability
- Upgrading all Technologies
- Pavement Condition Index (PCI)
- Making our Priorities Clear

Timing is Key
- Cash Flow
- Interest Rates
- Purchasing Power
- Cost of Construction
NEXT STEPS

• Meet with Financial Commission- April 28
• Updated 10-year Plan – April 28 May 26
• Prioritize CIP Projects
• Understand Fiscal Impact
  • Build $38M Community Center
  • PERS Reserves
  • Funding CIP Priorities
  • Increase Cost of Litigation
QUESTIONS