

**MINUTES OF THE MEETING OF FINANCIAL COMMISSION OF THE CITY OF
LOS ALTOS, HELD ON, MONDAY, MARCH 15, 2021 AT 6:00 P.M.
VIDEO/ TELECONFERENCE**

ROLL CALL

PRESENT: Chair Kalkat, Vice Chair McClatchie, Commissioners Claras, Frey, Kalbach,
Richmond

ABSENT: Commissioner Martin

PUBLIC COMMENTS

Roberta Phillips

ITEMS FOR CONSIDERATION/ACTION

1. Approval of Minutes of the Meeting, February 16, 2021

Action: Upon a motion by Commissioner Kalbach seconded by Commissioner Richmond, the Commission approved the special minutes of the meeting of February 16, 2021 by the following vote: AYES: Claras, Kalbach, Kalkat, Frey, Richmond, NOES: None; ABSTAIN: McClatchie, ABSENT: Martin

2. Mid-Year Report

Jon Maginot, Deputy City Manager and Richard Martinez, Finance Consultant, presented the FY 2020/2021 Mid-Year Report. This year's mid-year report is unique compared to past and future reports, the assumptions and projects for this past fiscal year will differ from the assumptions and projections of the upcoming 2-year budget cycle.

Richard Martinez provided an overview of the Mid-Year. For additional information, please see Mid-Year Report attached in the meeting materials. The FY 2020/2021 General Fund Revenues (as of receipts received by December 2020) was only \$15.6 million which is only 35% of the anticipated budgeted amount of \$44.9 million. Mr. Martinez also noted the majority of sales and property tax will arrive in January and is not included in the chart. Property tax remains high and will exceed last year's revenues, but they will be below the budgeted amount for FY 2020/2021.

Both Transient Occupancy Tax revenues and the Recreation fees were both hard hit.

The Transient Occupancy Tax revenues are low due to the travel industry having the strictest Covid-19 regulations during the last year. As the area is relaxing restrictions, the City looks forward to increased Transient Occupancy Tax revenues.

Due to many recreation programs and services being cut during the first half of the FY 2020/21, revenues are at a mere 3% of budget.

Community Development revenues are continuing to be strong, as of December 31, 2020 they were at 57% of budget.

For the FY 2020/2021 all departments are trending below their budgets, the midyear expenses for departments are at 32%-56% of actuals. The highest expense lies with the Executive Department which is due to November 2020 election costs and ongoing litigation costs.

There is a \$2.8 million shortage in revenue, overall the deficit is estimated at \$1.3 million. Luckily, the City tends to spend under budget by 5%.

Chair Kalkat and Commissioner Kalbach would like to urge the City to avoid staff cuts to balance the budget. Jon Maginot reemphasized that the City has not considered cutting staff or freezing positions for cost savings, the savings have been achieved due to reduction of supplies, services, and programs.

Due to the FY 2020/2021 ending June 30, 2021, creating new programs towards the end of the fiscal year to generate additional revenue is unlikely. However, Jon Maginot stated that Recreation Department's programs and services will be operating fully soon and will help with generating additional funds for the City.

Vice Chair McClatchie asked if there were any additional Covid-19 or legal expenses anticipated. Jon Maginot stated that Covid-19 expenses are below what was budgeted and legal expenses are as predicted. There will need to be further research into legal expenses for additional insight.

Currently the City has \$7.86 million in unassigned fund balance from the revenue over expenses achieved in FY 2019-20. Staff's recommendation is to add \$1.48 million to the Emergency and Operating Reserve meet the 20% reserved per policy and to add \$6.37 million to the Capital Improvement Projects (CIP) fund, to fund CIP costs for this year and future projects.

Commissioner Frey suggested to add to the PERS Reserve. Chair Kalkat, Commissioner Richmond and Frey recommended to revisit PERs. Jon Maginot suggested he will connect with the PERs subcommittee and bring back the recommendations to the Financial Commission in a future meeting.

Commissioner Richmond believed that the Mid-Year Report looks optimistic. Chair Kalkat is not concerned about the report either.

Public Comment: Roberta Phillips

Action: Upon a motion by Commissioner Kalbach seconded by Vice Chair McClatchie, the Commission recommended allocation of unassigned fund balance, recommended approval of

FY2020/21 General Fund Revenue and Expenditure Adjustment, and approval of updated Salary Schedule. AYES: Kalbach, Kalkat, Frey, McClatchie, Richmond, NOES: None; ABSTAIN: Claras, ABSENT: Martin

3. Review of Park in Lieu Funding Policy (Memo)

Jon Maginot, Deputy City Manager, presented the current Park in Lieu Policy in the City's Municipal Code. Chair Kalkat, wanted clarification on the type and location of projects eligible for the use of park in lieu funds. Chair Kalkat recommended updating the policy to ensure that future projects funded by the park in lieu funds comply with the policy. Jon Maginot, pointed out that the policy does currently detail the use of the funds, and he will consult with the City Attorney to provide the Financial Commission with additional insight in an upcoming meeting. Commissioner Richmond, wanted to understand if the park in lieu funds will be available to pay down debt service or the principle for an underlying facility.

4. Gift and Donation Policy (Memo)

Jon Maginot, Deputy City Manager, presented the City's Gift and Donation Policy from May 2008. The Policy states that the City Manager can accept a gift or donation up to \$10,000.00, if the amount exceeds \$10,000.00, the gift or donation will be accepted by the City Council. Chair Kalkat would like to update the policy to add clarity to definitions and protocols regarding donating and accepting funds. Commissioner Kalbach and Richmond does not see the need for updating the Gift and Donation Policy. The Gift and Donation Policy will be tabled until further notice.

5. Staff Announcements

Jon Maginot, Deputy City Manager provided an overview of next month's Financial Commission meeting topics.

Jon Maginot stated optimism for the Finance Director role recruitment beginning soon. Recruitment for the Finance Director position has not started due to the need to update the City's Salary Schedules before proceeding. The City also needs to balance the timing of the Finance Director with other staffing roles.

COMMISSION AND STAFF REPORTS AND DIRECTIONS ON FUTURE AGENDA ITEMS

ADJOURNMENT

Chair Kalkat adjourned the meeting at 7:49 p.m.

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