



CITY COUNCIL MEETING

AGENDA

7:00 PM - Tuesday, March 26, 2024
via Videoconference and In Person

PARTICIPATION: Members of the public may participate by being present at the Los Altos Council Chamber at Los Altos City Hall located at 1 N. San Antonio Rd, Los Altos, CA during the meeting. Public comment is accepted in person at the physical meeting location, or via email to PublicComment@losaltosca.gov.

RULES FOR CONDUCT: Pursuant to Los Altos Municipal Code, Section 2.05.010 "Interruptions and rules for conduct": Understanding that the purpose of the city council meetings is to conduct the people's business for the benefit of all the people, in the event that any meeting of the city council is willfully interrupted by a person or group of persons so as to render the orderly conduct of the meeting impossible, the mayor, mayor pro tem, or any other member of the city council acting as the chair may order the removal of the person or persons responsible for the disruption and bar them from further attendance at the council meeting, or otherwise proceed pursuant to Government Code Section 54957.0 or any applicable penal statute or city ordinance.

REMOTE MEETING OBSERVATION: Members of the public may view the meeting via the link below, but will not be permitted to provide public comment via Zoom or telephone. Public comment will be taken in-person, and members of the public may provide written public comment by following the instructions below.

<https://losaltosca-gov.zoom.us/j/87075821670?pwd=O9sPsUFRgi6IJIB6klvaOfvqD9wLat.1>

Telephone: 1-669-444-9171 / Webinar ID: 870 7582 1670 / Passcode: 114267

SUBMIT WRITTEN COMMENTS: Prior to the meeting, comments on matters listed on the agenda may be emailed to PublicComment@losaltosca.gov. Emails sent to this email address are sent to/received immediately by the City Council. Emails sent directly to the City Council as a whole or individually, and not sent to PublicComment@losaltosca.gov will not be included as a public comment in the Council packet.

Please note: Personal information, such as e-mail addresses, telephone numbers, home addresses, and other contact information are not required to be included with your comments. If this information is included in your written comments, they will become part of the public record. Redactions and/or edits will not be made to public comments, and the comments will be posted as they are submitted. Please do not include any information in your communication that you do not want to be made public.

Correspondence submitted in hard copy/paper format must be received by 2:00 p.m. on the day of the meeting to ensure distribution prior to the meeting. Comments provided in hard copy/paper format after 2:00 p.m. will be distributed the following day and included with public comment in the Council packet.

The Mayor will open public comment and will announce the length of time provided for comments during each item.

AGENDA

CALL MEETING TO ORDER

ESTABLISH QUORUM

PLEDGE ALLEGIANCE TO THE FLAG

REPORT ON CLOSED SESSION

CHANGES TO THE ORDER OF THE AGENDA

SPECIAL ITEM

Recognize the Los Altos of the Year

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Members of the audience may bring to the Council's attention any item that is not on the agenda. The Mayor will announce the time speakers will be granted before comments begin. Please be advised that, by law, the City Council is unable to discuss or take action on issues presented during the Public Comment Period. According to State Law (also known as "The Brown Act") items must first be noted on the agenda before any discussion or action.

[03-26-2024](#) Written Public Comments

CONSENT CALENDAR

These items will be considered by one motion unless any member of the Council or audience wishes to remove an item for discussion. Any item removed from the Consent Calendar for discussion will be handled at the discretion of the Mayor.

- [1.](#) Approve draft meeting minutes for the Special and Regular meetings of March 12, 2024
- [2.](#) Receive and Accept the Treasurer's Report through February 29, 2024
- [3.](#) Adopt a resolution adopting the City's Mission Statement
- [4.](#) Adopt a Resolution authorizing the City Manager to accept the grant funding from the State of California in the amount of up to \$88,425 to be used for SB 1383 program implementation through fiscal year 2025/26
- [5.](#) Waive Second Reading and Adopt an Ordinance of the City Council of the City of Los Altos Adding Chapter 2.30 Electronic Signatures to Title 2 Administration and Personnel of the Los Altos Municipal Code and find that this action is Exempt from Environmental Review Pursuant

to Section 15061(b)(3) of the State Guidelines Implementing the California Environmental Quality Act of 1970

- 6.** Adopt a Resolution awarding the construction contract for the Los Altos Community Center Emergency Operations Center Project CF-01021 to Argo Construction, Inc. of Pacifica, California as the lowest responsible bidder submitting a responsive bid with a Base Bid amount not-to-exceed \$2,700,000, and up to 15% contingency, if needed, in the amount not-to-exceed \$405,000, for a total construction amount not-to-exceed \$3,105,000
- 7.** Accept the Comprehensive Annual Financial Report and compliance reports for the fiscal year ended June 30, 2023

PUBLIC HEARINGS

- 8.** Adopt a Resolution of the City Council of the City of Los Altos setting Certain Fees and Charges to be collected in FY2024/25 and find that this action is statutorily exempt from CEQA under CEQA Guidelines Sections 15273(a)(1) and (a)(2); and direct staff to amend the City's Finance Policy to include a provision for annual adjustments to the Master Fee Schedule based upon CPI

DISCUSSION ITEMS

- 9.** Housing Element Annual Progress Report for Calendar Year 2023, and Housing Element Implementation Status
- 10.** Discuss how Commissions conduct outreach

INFORMATIONAL ITEMS ONLY

There will be no discussion or action on Informational Items

- 11.** Tentative Council Calendar and Housing Element Update Implementation Calendar

COUNCIL/STAFF REPORTS AND DIRECTIONS ON FUTURE AGENDA ITEMS

ADJOURNMENT

(Council Norms: It will be the custom to have a recess at approximately 9:00 p.m. Prior to the recess, the Mayor shall announce whether any items will be carried over to the next meeting. The established hour after which no new items will be started is 11:00 p.m. Remaining items, however, may be considered by consensus of the Council.)

SPECIAL NOTICES TO THE PUBLIC

In compliance with the Americans with Disabilities Act, the City of Los Altos will make reasonable arrangements to ensure accessibility to this meeting. If you need special assistance to participate in this meeting, please contact the City Clerk 72 hours prior to the meeting at (650) 947-2610.

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, and that are distributed to a majority of the legislative body, will be available for public inspection at the Office of the City Clerk's Office, City of Los Altos, located at One North San Antonio Road, Los Altos, California at the same time that the public records are distributed or made available to the legislative body.

If you wish to provide written materials, please provide the City Clerk with 10 copies of any document that you would like to submit to the City Council for the public record.

Melissa Thurman

From: Jim Wing <jameswing@msn.com>
Sent: Saturday, March 23, 2024 3:44 PM
To: Public Comment
Subject: Council 03/26/2024 Meeting Agenda 10 Commission Outreach

Los Altos Mayor Weinberg and Distinguished Council Members,

Council 03/26/2024 Meeting Agenda Item 10 Commission Outreach

As a 56-year observer of Los Altos Commissions, I would like to suggest some commission management changes that may help make their output more effective and reduce your workload. Keep in mind commission members are your “employees” and they need clear direction from you on what is expected of them.

Following are some suggested changes for you to consider:

- Encourage commission members to do homework prior to meetings. Los Altos staff has to rely on outside consultants to do most of the detail work to prepare change documentation and design drawings. Consultants do a good job most of the time, but they do not know the Los Altos unique 24/7 dynamics of problem to be solved. Commission members are Los Altos residents and have good knowledge of 24/7 dynamics and can request changes to documentation / design drawings so that they apply to Los Altos. I have seen commission members educate staff and consultants that resulted in good changes.
- Work with City Manager to ensure that Agenda with Staff Reports are released to commission members on Friday before meeting. This will give commission members time to visit sites to understand problem. It would be helpful if public emails are made available to commission members as they are received by staff. Some Commission’s do this now. If Staff Report is not ready, move to next meeting date.
- Encourage and Educate commission members on use of subcommittees. California has rules on subcommittees that must be followed to ensure their recommendations are legal. My experience is subcommittees are very useful to understand “24/7 dynamics” of changes.
- Encourage commission members to take the time to fully read somewhat lengthy Los Altos Code changes. Also encourage them to request / debate changes. I know that reading “code” changes is boring and not fun. It is not fair that Council is only public members to read “code” changes. If commission members do first read, maybe Council members job would be easier.

Thank you for your consideration, Jim Wing 56-year Milverton Road resident

P.S. No staff report was provided for this agenda item so public has to guess what residents can comment on.

Melissa Thurman

From: Jayson Smith <jayson@rehabnet.com>
Sent: Monday, March 25, 2024 6:13 AM
To: Public Comment
Subject: Re: Newest Inpatient & Residential Rehab Locator

Hi Los Altos City,

I hope this email finds you well. I reached out last week regarding a resource collaboration opportunity and wanted to follow up in case my initial email was missed.

We put together a detailed guide on local mental health and addiction Inpatient treatment resources. Given the caliber of resources on your page, I genuinely believe our guide could be a valuable addition to your readers.

Here's a quick link to the guide for your convenience: https://url.avanan.click/v2/___https://rehabnet.com/treatment/inpatient/__.YXAzOmxvc2FsdG9zY2E6YTpvOjA0YTk5NjQ3MGE2YjRkMTI0OGNiMDYyY2FLOGRiNzYzOjY6NmEzYT02Y2M1OGMwZTE5ZDg5ZDM4ODBkNjgyNDUxYzBiNjE2YWYzZTA0OThhMzNmM2QxODNmZmNkZDk3NTM5NmEwNjk4OnQ6VA

I understand you're busy, and if it's not a fit for your resources at this time, that's completely okay. Just let me know either way. If you have any feedback or questions about the guide, I'd be more than happy to discuss it.

Thank you for considering this, and I look forward to hearing from you.

Best,

Jayson Smith
Community Advocate Leader
RehabNet

On Wed, Feb 14, 2024 at 2:13 PM, Jayson Smith <jayson@rehabnet.com> wrote:

Hello Los Altos City,

My name is Jayson, and I'm reaching out from RehabNet, a dedicated resource providing valuable information on addiction treatment and recovery.

I recently came across your website while researching community-related mental health resources. I found your content was both informative and closely aligned with our mission on <https://www.losaltosca.gov/parksrec/page/los-altos-launches-community-helplines-response-covid-19-shelter-place> and believe your audience would greatly benefit from our comprehensive guide on inpatient treatment, which offers in-depth insights and expert advice on this critical aspect of addiction recovery.

You can view the guide here:

https://url.avanan.click/v2/___https://rehabnet.com/treatment/inpatient/___YXAzOmxvc2FsdG9zY2E6YTpvOjA0YTk5NjQ3MGE2YjRkMTI0OGNiMDYyY2FLOGRiNzYzOjY6NmYwZjpmZjk0MTU2YTMwMjhiNzU0Nzc4NTQ3ZmE0ODk0MTZhZWE0N2VmZmE3NmU1YWUwYWE2ZDA3MmFmNjBkMmZlZWRhOnQ6VA

Your support in sharing valuable resources like ours helps create a more informed and health-conscious community. If you're interested, I'd love to discuss this further.

Thank you for considering adding our page. I look forward to the possibility of working together to make a positive impact.

Warm regards,

Jayson Smith
Community Advocate Leader
RehabNet

Don't want emails from us anymore? Reply to this email with the word "UNSUBSCRIBE" in the subject line.

Rehabnet.com, 4532 Lee Highway, Arlington, VA, 22207, United States

Don't want emails from us anymore? Reply to this email with the word "UNSUBSCRIBE" in the subject line.



**CITY OF LOS ALTOS
CITY COUNCIL MEETING MINUTES
TUESDAY, MARCH 12, 2024
6:00 p.m.
1 N. San Antonio Rd. ~ Los Altos, CA**

Agenda Item # 1.

*Jonathan D. Weinberg, Mayor
Pete Dailey, Vice Mayor
Neysa Fligor, Councilmember
Lynette Lee Eng, Councilmember
Sally Meadows, Councilmember*

SPECIAL MEETING

CALL MEETING TO ORDER: Mayor Weinberg called the meeting to order at 6:00 p.m.

ESTABLISH QUORUM:

All Councilmembers were present and in person during the meeting.

DISCUSSION ITEM(S)

1. Direct staff to return March 26, 2024, at the City Council’s regularly scheduled public meeting, with an updated Development Services Cost of Services based on the completed Study by Matrix Consulting Group and recommended deviations as contained at the end of this report.

Nick Zornes, Development Services Director, presented the report.

The following members of the public spoke regarding the item:

- Jon Baer
- Lois Baer
- Phoebe Bressack

The City Council provided direction to staff regarding the item. No motion taken.

ADJOURNMENT – The meeting adjourned at 7:37 p.m.

The meeting minutes were prepared by Melissa Thurman, City Clerk, for approval at the regular meeting of March 26, 2024.

Jonathan D. Weinberg,
Mayor

Melissa Thurman, MMC
City Clerk

The March 12, 2024 City Council Special Meeting recording may be viewed via the following external website: <https://www.youtube.com/@CityofLosAltosCA>

The City of Los Altos does not own or operate YouTube. The video referenced on these minutes were live at the time the minutes were published.



**CITY OF LOS ALTOS
CITY COUNCIL MEETING MINUTES
TUESDAY, MARCH 12, 2024
7:00 p.m.
1 N. San Antonio Rd. ~ Los Altos, CA**

*Jonathan D. Weinberg, Mayor
Pete Dailey, Vice Mayor
Neysa Fligor, Councilmember
Lynette Lee Eng, Councilmember
Sally Meadows, Councilmember*

CALL MEETING TO ORDER – Jonathan D. Weinberg, Mayor, called the meeting to order at 7:45 p.m.

ESTABLISH QUORUM – All Councilmembers were present.

PLEDGE ALLEGIANCE TO THE FLAG – **Jonathan D. Weinberg, Mayor**, led the Pledge of Allegiance.

REPORT ON CLOSED SESSION

There was no recent Closed Session meeting.

CHANGES TO THE ORDER OF THE AGENDA

Jonathan D. Weinberg, Mayor, announced the Special Item would be presented later on the agenda as the recipient of the proclamation would be attending the meeting after 8:00 p.m.

Motion by Meadows and Second by Weinberg to continue Item 11 on the agenda to a future meeting date. **Motion carried unanimously by roll call vote.**

SPECIAL ITEM

Proclamation recognizing Ramadan in Los Altos

Jonathan D. Weinberg, Mayor, presented the proclamation to Imam Alauddin Elbakri, recognizing March 10 – April 8, 2024 as the month of Ramadan.

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

The following members of the public spoke during Public Comment:

- Lynn Emrick
- Michael Emrick

CONSENT CALENDAR

Motion by Dailey and Second by Meadows to approve the Consent Calendar. **Motion carried unanimously by roll call vote for Items 1, 2, 5, 6, and 7. Motion carried 4-1 for Item 3 with Councilmember Fligor opposed. Motion carried 4-1 for Item 4 with Councilmember Lee Eng opposed.**

1. Approve the Special and Regular Meeting Minutes for the Meeting of February 27, 2024

2. Adopt a Resolution approving the purchase of a new flushing truck for the sum not-to-exceed \$710,750.71 from Vac-Con, Inc. who is the Sourcewell contract holder and a cooperative purchasing agreement
3. Adopt Ordinance No. 2023-489 approving Los Altos Police Policy 709 pertaining to the funding, acquisition, and use of military equipment as mandated by Assembly Bill 481.
4. Adopt a Resolution Opposing the California Business Roundtable (CBRT) Measure on the November 2024 Ballot
5. Adopt a resolution accepting general fund grant funds from State of California for green downtown projects, authorizing the City Manager to amend FY23/24 budget by recognizing \$200,000 grant revenue from State of California, and appropriating \$200,000 grant revenue to Green Downtown Project and find the resolution is exempt from environmental review pursuant to Section 15061(b)(3) of the State Guidelines implementing the California Environmental Quality Act of 1970
6. Adopt an Ordinance of the City Council of the City of Los Altos Adding Chapter 11.20 Street Improvements to Title 11 Miscellaneous Property Regulations of the Los Altos Municipal Code and find that this action is Exempt from Environmental Review Pursuant to Section 15061(b)(3) of the State Guidelines Implementing the California Environmental Quality Act of 1970
7. Award the construction contract for the City Hall Expansion into Los Altos Youth Center Project CF-01044 to Giant Construction, LLC. of Oakland, California as the lowest responsible bidder submitting a responsive bid with a Base Bid amount not-to-exceed \$3,932,000, Bid Alternate #1 amount not-to-exceed \$236,900, and up to 15% contingency, if needed, in the amount not-to-exceed \$625,335, for a total amount not-to-exceed \$4,794,235

DISCUSSION ITEMS

8. Introduction of Electronic Signatures Ordinance. Introduce and Waive Further Reading of an Ordinance of the City Council of the City of Los Altos Adding Chapter 2.30 Electronic Signatures to Title 2 Administration and Personnel of the Los Altos Municipal Code and find that this action is Exempt from Environmental Review Pursuant to Section 15061(b)(3) of the State Guidelines Implementing the California Environmental Quality Act of 1970

Nick Zornes, Development Services Director, presented the report.

There were no speakers regarding the item.

Motion by Dailey and Second by Lee Eng to Introduce and Waive Further Reading of an Ordinance of the City Council of the City of Los Altos Adding Chapter 2.30 Electronic Signatures to Title 2 Administration and Personnel of the Los Altos Municipal Code and find

that this action is Exempt from Environmental Review Pursuant to Section 15061(b)(3) of the State Guidelines Implementing the California Environmental Quality Act of 1970. **Motion carried unanimously by roll call vote.**

9. Review and provide any edits or feedback to draft Cities Association of Santa Clara County (CASCC) bylaws and delegate authority to Councilmember Fligor to approve final changes to the bylaws at the CASCC Joint Powers Authority Board meeting

Neysa Fligor, Councilmember, opened the item for discussion.

There were no speakers regarding the item.

The City Council provided feedback to Councilmember Fligor on recommended changes to the proposed bylaws.

Motion by Dailey and Second by Meadows to delegate authority to Councilmember Neysa Fligor to approve the final changes to the bylaws at the CASCC Joint Powers Authority Board meeting.

The City Council took a recess at 8:45 p.m.

The City Council reconvened at 8:57 p.m.

10. Adopt a Resolution approving the City’s updated Mission Statement

Jon Maginot, Assistant City Manager, presented the report.

There were no speakers regarding the item.

The City Council amended the Mission Statement and directed staff to bring the item back for final approval at a future meeting date.

11. Discuss the Option for Electronic Voting During Council Meetings

This item was continued to a future meeting date.

INFORMATIONAL ITEMS ONLY

There will be no discussion or action on Informational Items

12. Independent Intake Official (IIO) Yearly Report
13. Audio/Visual at Commission Meetings
14. Tentative Council Calendar and Housing Implementation Update Calendar

COUNCIL/STAFF REPORTS AND DIRECTIONS ON FUTURE AGENDA ITEMS

- **Lynette Lee Eng, Councilmember** – Requested a future agenda item:
 - Discussion item regarding the Municipal Code policies around event fee waivers.
(No additional support)

ADJOURNMENT – The regular meeting adjourned at 9:15 p.m.

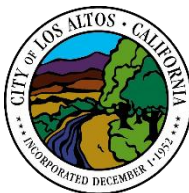
The meeting minutes were prepared by Melissa Thurman, City Clerk, for approval at the regular meeting of March 26, 2024.

Jonathan D. Weinberg
Mayor

Melissa Thurman, MMC
City Clerk

The March 12, 2024 City Council meeting recording may be viewed via the following external website: <https://www.youtube.com/@CityofLosAltosCA>

The City of Los Altos does not own or operate YouTube. The video referenced on these minutes were live at the time the minutes were published.



AGENDA REPORT SUMMARY

Meeting Date: March 26, 2024

Subject Treasurer’s Report – Month Ended February 29, 2024

Prepared by: Minh Nguyen, Senior Accountant

Reviewed by: June Du, Finance Director

Approved by: Gabriel Engeland, City Manager

Attachment(s):

- 1. Change in Total Fund Balances by Fund
- 2. Cash Balances by Fund

Initiated by:

Staff.

Fiscal Impact:

None

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- None

Summary:

As indicated in the City’s response to the 2022 Civil Grand Jury Report, the City is providing this report as desired by the Grand Jury. The following attachment provides various financial transaction data for the City of Los Altos for the month of February 29, 2024,

Staff Recommendation:

Receive and accept the Treasurer’s Report through February 29, 2024.

Reviewed By:

City Manager

GE

City Attorney

JH

Finance Director

JD

February 2024 Activities* (Unaudited)

FUND	Estimated Ending Balance 1/31/2024	Revenue	Expenditures	Capital Expenditures	Transfer In/(Out)	Estimated Ending Balance 2/28/2024
RESERVE FUND						
Grant Reimbursement Fund	509,017	-	-	-	(500,000)	9,017
Fiscal Policy Reserve	8,757,349	-	-	-	-	8,757,349
Vets Memorial	8,615	-	-	-	-	8,615
General Fund	18,480,185	803,421	(7,701,854)	-	-	11,581,753
Total General Fund:	27,755,166	803,421	(7,701,854)	-	(500,000)	20,356,734
ENTERPRISE FUNDS						
Sewer Fund ⁽¹⁾	22,275,820	6,588	(1,229,621)	(21)	-	21,052,765
Solid Waste Fund	3,932,249	80,226	(243,610)	-	-	3,768,865
Storm Drain Fund	(20)	-	-	-	-	(20)
Total Enterprise Funds:	26,208,049	86,814	(1,473,231)	(21)	-	24,821,610
CAPITAL IMPROVEMENT FUNDS						
Capital Projects Fund	11,215,873	1,137,732	-	(48,254)	-	12,305,351
Equipment Replacement Fund	377,816	973,221	-	-	-	1,351,037
Total Capital Improvement Funds:	11,593,689	2,110,953	-	(48,254)	-	13,656,387
INTERNAL SERVICE FUNDS						
PERS & OPEB Reserve	551,314	-	(54,403)	-	-	496,911
Technology Reserve	1,081,031	3,663	(216,974)	-	-	867,721
Dental/Vision Fund	(81,668)	444,802	-	-	-	363,133
Unemployment Fund	82,018	-	-	-	-	82,018
Workers Compensation Fund	1,866,920	-	(27,525)	-	-	1,839,395
Liability Insurance Fund	-	-	-	-	-	-
Total Internal Service Funds:	3,499,614	448,465	(298,901)	-	-	3,649,177
SPECIAL REVENUE FUNDS						
Road Maintenance (SB1)	586,891	-	-	-	-	586,891
CDBG Fund	-	-	-	-	-	-
Grants Fund-ARP Act	-	-	-	-	-	-
Downtown Parking Fund	941,070	2,010	(2,804)	-	-	940,276
Estate Donation Fund	17,835	-	-	-	-	17,835
Gas Tax Fund	457,276	-	-	-	-	457,276
Prop 1B Road Maintenance	-	-	-	-	-	-
Measure B	(18,127)	18,127	-	-	-	-
In Lieu Park Fund	8,109,830	77,500	(788,016)	-	-	7,399,315
Supplemental Law Enforcement Fund	383,722	-	(340,000)	-	-	43,722
TDA Fund	589	-	-	-	-	589
Traffic Impact Fee Fund	(185,758)	6,774	-	-	-	(178,984)
Vehicle Registration Fund	872,208	-	-	-	-	872,208
PEG Fees	257,278	-	-	-	-	257,278
Public Art Fund	433,631	-	-	-	-	433,631
Storm Drain Deposits	56,086	-	-	-	-	56,086
AB-1379 CASP Fee	101,295	1,139	-	-	-	102,434
Vehicle Impound Fund	(3,902)	346	-	-	-	(3,556)
Total Special Revenue Funds:	12,009,926	105,896	(1,130,819)	-	-	10,985,003
DEBT SERVICE FUND						
General Obligation Bond	361,395	165,925	-	-	-	527,321
Community Center Lease	(99,374)	622,091	-	-	-	522,717
Total Debt Service Fund:	262,021	788,016	-	-	-	1,050,037
AGENCY FUND						
Blue Oaks Line Sewer	84,929	-	(32,905)	-	-	52,023
Total Debt Service Fund:	84,929	-	(32,905)	-	-	52,023
ALL FUNDS TOTAL	81,413,394	4,343,565	(10,637,711)	(48,275)	(500,000)	74,570,973

(1) Sewer Fund Balance includes \$15,852,410 in Nonspendable Capital Assets

February 2024 Activities* (Unaudited)

FUND	Estimated Ending Cash Balance 1/31/2024	Debit	Credit	Estimated Ending Cash Balance 2/28/2024
RESERVE FUNDS				
General Fund	24,385,111	812,429	(3,537,252)	21,660,288
Grant Reimbursement Fund	509,017	-	(500,000)	9,017
Payroll Liability Fund	-	357,653	(357,653)	-
Total General Fund:	24,894,128	1,170,082	(4,394,905)	21,669,305
ENTERPRISE FUNDS				
Sewer Fund	8,570,914	6,588	(1,189,777)	7,387,725
Solid Waste Fund	4,845,876	80,226	(274,461)	4,651,641
Storm Drain Fund	802	-	-	802
Total Enterprise Funds:	13,417,592	86,814	(1,464,237)	12,040,169
CAPITAL IMPROVEMENT FUNDS				
Capital Projects Fund	11,497,544	1,150,143	(488,046)	12,159,641
Equipment Replacement Fund	377,816	973,221	-	1,351,037
Total Capital Improvement Funds:	11,875,360	2,123,364	(488,046)	13,510,678
INTERNAL SERVICE FUNDS				
PERS & OPEB Reserve	551,314	-	(1,048,225)	(496,912)
Technology Reserve	1,053,795	3,663	(192,529)	864,930
Dental/Vision Fund	(81,669)	444,802	-	363,133
Unemployment Fund	82,018	-	-	82,018
Workers Compensation Fund	5,628,466	4,704	(165,885)	5,467,285
Liability Insurance Fund	-	-	-	-
Total Internal Service Funds:	7,233,924	453,169	(1,406,639)	6,280,454
SPECIAL REVENUE FUNDS				
Road Maintenance (SB1)	586,980	-	-	586,980
CDBG Fund	-	-	-	-
Grants Fund-ARP Act	-	-	-	-
Downtown Parking Fund	949,424	2,010	(3,935)	947,499
Estate Donation Fund	17,840	-	-	17,840
Gas Tax Fund	457,321	-	-	457,321
Prop 1B Road Maintenance Measure B	(18,127)	18,127	-	(0)
In Lieu Park Fund	8,112,200	77,500	(788,016)	7,401,684
Supplemental Law Enforcement Fund	297,564	-	(253,842)	43,722
TDA Fund	589	-	-	589
Traffic Impact Fee Fund	(185,757)	6,774	-	(178,982)
Vehicle Registration Fund	872,460	-	-	872,460
PEG Fees	257,346	-	-	257,346
Public Art Fund	433,631	-	-	433,631
Storm Drain Deposits	56,086	-	-	56,086
AB-1379 CASP Fee	101,294	1,140	-	102,434
Vehicle Impound Fund	(3,902)	346	-	(3,557)
Total Special Revenue Funds:	11,934,949	105,897	(1,045,793)	10,995,054
DEBT SERVICE FUNDS				
General Obligation Bond	183,384	165,925	-	349,309
Community Center Lease	(99,374)	622,091	-	522,717
Total Debt Service Fund:	84,010	788,016	-	872,025
AGENCY FUND				
Blue Oaks Line Sewer	38,821	-	(34,032)	4,789
Total Debt Service Fund:	38,821	-	(34,032)	4,789
ALL FUNDS TOTAL	69,478,784	4,727,342	(8,833,652)	65,372,474



AGENDA REPORT SUMMARY

Meeting Date: March 26, 2024

Subject City of Los Altos Mission Statement

Prepared by: Jon Maginot, Assistant City Manager

Approved by: Gabriel Engeland, City Manager

Attachment(s):

- 1. Resolution No. 2024-xx

Initiated by:

City Council

Previous Council Consideration:

February 13, 2024; March 12, 2024

Fiscal Impact:

None

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- Does the Council wish to adopt a Resolution modifying the City’s Mission Statement?

Summary:

- At the March 12, 2024 Council meeting, Council provided direction on a new Mission Statement

Staff Recommendation:

Adopt Resolution No. 2024-xx adopting the City’s Mission Statement



Subject: City of Los Altos Mission Statement

Purpose

To adopt a Resolution modifying the City’s Mission Statement

Background

At the February 13, 2024 City Council retreat, the City Council reviewed the City’s Mission Statement and directed that staff work with Councilmember Fligor to propose edits to the Mission Statement based on the Council’s discussion. At the March 12, 2024 meeting, three options were presented and Council provided direction on a new Mission Statement.

Discussion/Analysis

The Council has directed that the new Mission Statement be:

The City’s mission is to be a sustainable, vibrant and inclusive community in which to live, work, visit and play.

RESOLUTION NO. 2024-__

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
ADOPTING THE CITY’S MISSION STATEMENT**

WHEREAS, the City of Los Altos strives to ensure the community is safe, vibrant, and inclusive; and

WHEREAS, the City Council desires to ensure that the focus of the City is to continue to provide excellent municipal services and to make sure that all feel welcome and include within the community; and

WHEREAS, adopting a new Mission Statement will help the City maintain Los Altos as a wonderful community in which to live, work, visit and play.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby adopts as the Mission Statement for the City of Los Altos:

The City’s mission is to be a sustainable, vibrant and inclusive community in which to live, work, visit and play.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the __ day of __, 2024 by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

Jonathan D. Weinberg, MAYOR

Attest:

Melissa Thurman, MMC, CITY CLERK



AGENDA REPORT SUMMARY

Meeting Date: March 26, 2024

Subject Resolution 2024-__: Authorize the City Manager to accept the grant funding from the State of California in the amount of up to \$88,425 to be used for SB 1383 program implementation through fiscal year 2025/26.

Prepared by: Harun Musaefendic, Assistant Civil Engineer
Reviewed by: Aida Fairman, Public Works Director
Approved by: Gabriel Engeland, City Manager

Attachment:
1. Resolution 2024 - _____

Initiated by:
City Staff

Previous Council Consideration:
December 5, 2023

Fiscal Impact:
The grant will increase available funds by \$88,425 for SB 1383 outreach and education and other SB 1383 implementation needs over a 3-year period from FY 2023-24 to FY 2025-2026.

Environmental Review:
Categorically exempt from CEQA pursuant to Title 14 California Code of Regulations section 15308 as an action/project that will not have a significant impact on the environment and as an action taken by a regulatory agency for the protection of the environment, specifically, for the protection of the climate.

Policy Question(s) for Council Consideration:

- Does the City Council wish to accept the grant from CalRecycle for SB 1383 programs and services?

Summary:

- In September 2016, Governor Jerry Brown signed into law SB 1383 organic waste diversion regulations, and in November 2020, the California Department of Resources Recycling and Recovery (CalRecycle) finalized SB 1383 regulations.

Reviewed By:

City Manager	City Attorney	Finance Director
<u>GE</u>	<u>JH</u>	<u>JD</u>



Subject: Authorize the City Manager to accept the grant funding from the State of California in the amount of up to \$88,425 to be used for SB 1383 program implementation through fiscal year 2025/26.

-
- SB 1383 requires the City to adopt an enforceable ordinance(s) that requires businesses and residents to recycle their organic waste and to comply with other requirements of the regulation.
 - In November 2021, the City of Los Altos Municipal Code was updated to include requirements to comply with the State’s goal of reducing organic waste disposal by 75% by 2025.
 - In November 2021, the City of Los Altos Municipal Code was updated to include an ordinance to recover edible food to comply with the State’s goal of reducing edible food disposal by 20% by 2025.
 - The Department of Resources Recycling and Recovery (CalRecycle) is administering a grant program meant to provide aid in the implementation of regulations adopted by CalRecycle pursuant to Chapter 395, Statutes of 2016 and SB170 Budget Act of 2021. This non-competitive grant program provides funding to local jurisdictions to assist with the implementation of regulatory requirements associated with SB 1383.
 - In January 2022, the State of California invited all jurisdictions in California to apply for a Local Assistance Grant for SB 1383 implementation. The City applied for, and received, the funds. The funding amount was increased by the State from an estimated \$41,038 to \$44,027.
 - In November 2023, the State of California invited all jurisdictions in California to apply for the second round of Local Assistance Grant for SB 1383 implementation. The City applied for, and is anticipated to receive, the funds. The funding amount is estimated at \$75,000. This cycle of the SB 1383 Local Assistance Grant will be awarded in March 2024 and funds can be spent through the end of the grant term on April 1, 2026.
 - On December 5, 2023, the Los Altos City Council Adopted Resolution No. 2023-71 allowing the City to apply to CalRecycle for all grants which the City is eligible for, for the next five years.

Staff Recommendation:

It is recommended that the City Council authorizes the City Manager to accept the CalRecycle Local Assistance Grant in the amount of \$88,425 and to make appropriate budget adjustments.

RESOLUTION NO. 2024-___

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
TO ACCEPT LOCAL ASSISTANCE GRANT FUNDING FROM CALRECYCLE**

WHEREAS, pursuant to Public Resource Code sections 48000 et seq., 14581, and 42021.1(g), the Department of Resources Recycling and Recovery (CalRecycle) has established the SB 1383 Local Assistance Grant to make payments to qualifying jurisdictions; and

WHEREAS, the City of Los Altos requires City Council approval to accept grants; and

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby authorizes the City Manager to accept \$88,425 in funding for SB 1383 implementation, which is anticipated to be spent on community outreach and education.

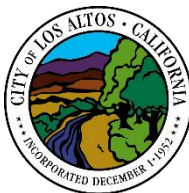
I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the 26th day of March, 2024 by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

Jonathan D. Weinberg, MAYOR

Attest:

Melissa Thurman, MMC, CITY CLERK



AGENDA REPORT SUMMARY

Meeting Date: March 26, 2024

Subject: Adoption of Electronic Signatures Ordinance

Prepared by: Nick Zornes, Development Services Director

Reviewed by: Jolie Houston, City Attorney

Reviewed by: Jon Maginot, Assistant City Manager

Approved by: Gabriel Engeland, City Manager

Initiated by:

City Clerk's Office and Development Services Department

Environmental Review:

Ordinance is exempt from environmental review pursuant to Section 15061(b)(3) of the State Guidelines implementing the California Environmental Quality Act of 1970.

Fiscal Impact:

None.

Attachments:

1. Draft Ordinance
2. Appendix A

Staff Recommendation:

Adopt an Ordinance of the City Council of the City of Los Altos Adding Chapter 2.30 Electronic Signatures to Title 2 Administration and Personnel of the Los Altos Municipal Code and find that this action is Exempt from Environmental Review Pursuant to Section 15061(b)(3) of the State Guidelines Implementing the California Environmental Quality Act of 1970.

Summary:

As the City of Los Altos continues to improve processes and encourage the use of paperless electronic documents throughout the agency. With the enactment of the Uniform Electronic Transactions Act ("UETA") by the State of California, the electronic execution of documents has become commonplace and an accepted means of entering into agreements, including purchasing transactions. (Civ Code 1633.1) Each year, the City processes a large volume of documents which currently is only partly managed or executed through the use of electronic signatures. The proposed ordinance will allow for additional uses of electronic signatures.



Subject: Adoption of Electronic Signatures Ordinance

Background

In 1995, the California Legislature passed Government Code Section 16.5 authorizing public agencies to accept digital signatures if they comply with stringent verification requirements. In 1999, California adopted a version of the Uniform Electronic Transaction Act (“UETA”) providing that electronic signatures would have the same legal effect as a wet or manual signature. (Civ Code 1633.1 et seq).

Not all states enacted UETA and, therefore, in 2000, the Federal Government enacted the Electronic Signatures in Global and National Commerce Act (ESIGN). ESIGN mandated the same treatment of electronic signatures in interstate or foreign commerce. (15 USC Sections 7001 et. seq).

In 2016, California adopted AB 2296 to clarify that a digital signature authorized by Government Code Section 16.5 and subject to regulations adopted by the Secretary of State, is one type of electronic signature that a public agency may choose to utilize under UETA. Section 16.5(a) states that a digital signature shall have the same force and effect as the use of a manual signature if and only if it embodies all the following attributes:

1. It is unique to the person using it
2. It is capable of verification.
3. It is under the sole control of the person using it.
4. It is linked to data in such a manner that if the data is changed, the digital signature is invalidated.
5. It conforms to Title 2, Division 7, Chapter 10 of the California Code of Regulations.

Discussion

The use of electronic signatures on legally binding documents has become increasingly prevalent in the private sector and is gaining popularity among public agencies. The benefits of allowing electronic signatures include reduced time, paper, and equipment costs associated with transmitting and approving physical documents; improved customer service and convenience to those performing transactions with the City; enhanced records management best practices; and the creation of an easily accessible audit trail for documents. This Ordinance will enable the City to meet its goal of providing streamlined and convenient services for those conducting business with the City.

The City desires to benefit from the efficiencies of electronic signatures, while using technology approved by the Secretary of State. If approved by the City Council, the Ordinance would codify the City's use of electronic signatures and expand it beyond the current practice of contracts and agreements only, to include ordinances, resolutions, and meeting minutes.

ORDINANCE NO. 2024-XX

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS ADDING CHAPTER 2.30 ELECTRONIC SIGNATURES TO TITLE 2 ADMINISTRATION AND PERSONNEL OF THE LOS ALTOS MUNICIPAL CODE

WHEREAS, in 1995, California passed Government Code section 16.5, authorizing public entities, including cities, to accept a “digital signature” for any written communication, so long as the digital signature meets certain requirements and complies with regulations adopted by the Secretary of State; and

WHEREAS, regulations adopted by the Secretary of State in 1998 require a public entity, before accepting a digital signature, to ensure that: 1) the level of security used to identify the signer of a document is sufficient for the transaction being conducted, 2) the level of security used to transmit the signature is sufficient for the transaction being conducted, and 3) any certificate format used by the signer is sufficient for the security and interoperability needs of the public entity (2 Cal. Code Regs § 22005); and

WHEREAS, in 1999, California adopted a version of the Uniform Electronic Transactions Act (UETA) in Civil Code sections 1633.1 to 1633.17, giving electronic signatures the same legal effect as manual or “wet” signatures; and

WHEREAS, UETA applies broadly to “any action or set of actions occurring between two or more persons relating to the conduct of business, commercial, or governmental affairs” (Civil Code, § 1633.2(o)) and transactions subject to UETA need not meet the specific requirements of Government Code section 16.5 and its implementing regulations (Gov. Code, § 16.5(e)); and

WHEREAS, the use of electronic signatures on legally binding documents has become increasingly prevalent in the private sector and is gaining prevalence among public agencies; and

WHEREAS, the benefits of allowing electronic signatures include reduced time, paper, and equipment costs associated with transmitting and approving physical documents; improved customer service and convenience to those performing transactions with the City; enhanced records management best practices; and the creation of an easily accessible audit trail for documents; and

WHEREAS, this Ordinance enables the use of electronic signatures on electronic records provided the signature is in accordance with UETA or Government Code section 16.5, as applicable and authorizes the City Manager or designee to determine the appropriate documents and technologies for which the City may use electronic signatures; and

WHEREAS, the City finds that the use of electronic signatures will allow the City to collect and preserve signatures on documents quickly and securely, will improve efficiency while saving costs associated with transmitting and approving physical documents, and will provide for better management of City records.

WHEREAS, the City Council held a duly noticed public meeting on March 12, 2024, and March 26, 2024; and

WHEREAS, this Ordinance is exempt from environmental review pursuant to Section 15061(b)(3) of the State Guidelines implementing the California Environmental Quality Act of 1970, as amended; and

NOW, THEREFORE, the City Council of the City of Los Altos does hereby ordain as follows:

SECTION 1. AMENDMENT OF TITLE 2 OF THE MUNICIPAL CODE. Chapter 2.30 are hereby added of the Los Altos Municipal Code as set forth in Appendix A to this Ordinance, underline indicates addition, strikethrough indicates deletion.

SECTION 2. CONSTITUTIONALITY; AMBIGUITIES. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portions hereof. Any ambiguities in the Los Altos Municipal Code created by this Ordinance shall be resolved by the City Manager or designee, in their reasonable discretion, after consulting the City Attorney.

SECTION 3. PUBLICATION. This Ordinance shall be published as provided in Government Code Section 36933.

SECTION 4. EFFECTIVE DATE. This Ordinance shall be effective upon the commencement of the thirty-first day following the adoption hereof.

The foregoing Ordinance was duly and properly introduced at a regular meeting of the City Council of the City of Los Altos held on March 12, 2024, and was thereafter, at a regular meeting held on March 26, 2024, passed and adopted by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

Jonathan D. Weinberg, MAYOR

Attest:

Melissa Thurman MMC, City Clerk

APPENDIX A
AMENDMENTS TO TITLE 2 OF THE LOS ALTOS MUNICIPAL CODE

APPENDIX A

Chapter 2.30 ELECTRONIC SIGNATURES

2.30.010 Purpose and Intent.

This chapter is intended to enable the city to use electronic records, electronic signatures, and digital signatures to the fullest extent allowed by law. All use of electronic records, electronic signatures, and digital signatures by the city shall further be in accordance with the written policies and/or administrative regulations promulgated and amended from time to time by the city manager or designee

2.30.020 Definitions.

- A. “Electronic signature” has the same meaning as in Section 1633.2 of the California Civil Code.
- B. “Digital signature” has the same meaning as in Section 16.5 of the California Government Code.
- C. “Transaction” has the same meaning as in Section 1633.2 of the California Civil Code.
- D. “UETA” means the Uniform Electronic Transaction Act, commencing at Section 1633.1 of the California Civil Code.

2.30.030 Electronic and Digital Signatures Accepted.

- A. An electronic signature that conforms with this chapter and City policies constitutes a signature and shall have the same force and effect as the use of a manual signature using ink applied to paper.
- B. In any transaction with the City, in which the parties have agreed to conduct the transaction by electronic means, the City may use and accept an electronic signature, if the electronic signature complies with the UETA.
- C. In any written communication with the City, in which a signature is used or required, the City may use or accept a digital signature, if the digital signature complies with Section 16.5 of the California Government Code.
- D. The City may use electronic signatures on ordinances and resolutions.
- E. The City may use electronic signatures on any public meeting materials, which include but are not limited to agendas, meeting minutes, and notifications.
- F. The City Manager or designee shall determine the documents for which the City may use and accept electronic or digital signatures in accordance with state law and this chapter.

2.30.040 Accepted Technologies.

The City Manager or designee shall determine acceptable technologies and vendors under this section to ensure the security and integrity of any data and signatures. In determining which technologies and vendors are acceptable for digital signatures, the City Manager or designee shall comply with all applicable laws and regulations,

including but not limited to ensuring that the level of security used to identify the signer of a document and the level of security used to transmit the signature are sufficient for the transaction being conducted.



AGENDA REPORT SUMMARY

Meeting Date: March 12, 2024

Subject Construction Contract Award: Los Altos Community Center Emergency Operations Center Project CF-01021

Prepared by: Scott Reeves, Project Manager

Reviewed by: Manuel Hernandez, Parks and Recreation Director

Approved by: Gabriel Engeland, City Manager

Attachment(s):

- 1. Bid Results
- 2. Resolution

Initiated by:

Capital Improvement Plan – Project CF-01021 Emergency Operations Center

Previous Council Consideration:

None

Fiscal Impact:

The construction will be the Base Bid in the amount not-to-exceed \$2,700,000, and up to 15% contingency, if needed, in the amount not-to-exceed \$405,000 for a total not-to-exceed of \$3,105,000.

- Breakdown of funds to be used:
 - o \$2,005,000 General Fund
 - o \$600,000 Park In Lieu
 - o \$500,00 Grand Funds from the State
- Amount already included in approved budget: Yes

Project Item	Project Budget
Construction of Base Bid	\$2,700,000
Construction Contingency (15%)	\$405,000
Total Construction Cost:	\$3,105,000



Subject: Construction Contract Award: Los Altos Community Center Emergency Operations Center Project CF-01021

Environmental Review:

The proposed project is exempt from environmental review pursuant to section 15301 of the state guidelines for the California Environmental Quality Act (CEQA) as the proposed project is consisting of interior or exterior alterations involving such things as interior partitions, plumbing, and electrical conveyances.

Policy Question(s) for Council Consideration:

- Does the Council wish to direct staff to enter into contract with Argo Construction, Inc. of Pacifica, California to complete the construction of the Los Altos Community Center Emergency Operations Center Project?

Summary:

The Los Altos Community Center Emergency Operations Center Project will renovate the existing Community Center for activation of an emergency operations center, including modifications to meeting rooms, electrical and telecom systems, installation of new roof mounted radio and television antennae and equipment, and addition of an exterior emergency backup generator system and site enclosure with associated underground utilities. The construction generally includes:

- Site grading and pathway improvements;
- New generator and diesel fuel tank;
- New generator enclosure with architectural and acoustical screening;
- Wall, ceiling, floor, and door modifications at the Community Center;
- Electrical, mechanical, lighting, audio/visual, telecommunication, and radio upgrades at the Community Center;
- And new associated underground utility connections.

Staff Recommendation:

Award the construction contract for the Los Altos Community Center Emergency Operations Center Project CF-01021 to Argo Construction, Inc. of Pacifica, California as the lowest responsible bidder submitting a responsive bid with a Base Bid amount not-to-exceed \$2,700,000, and up to 15% contingency, if needed, in the amount not-to-exceed \$405,000, for a total construction amount not-to-exceed \$3,105,000.



Subject: Construction Contract Award: Los Altos Community Center Emergency Operations Center Project CF-01021

Purpose

To complete the proposed improvements for the Los Altos Community Center Emergency Operations Center Project.

Background

On January 9, 2018, the City Council adopted Resolution 2018-01 accepting all of Volume 1 and the city of Los Altos portion of Volume 2 of the Santa Clara County Operational Area Hazard Mitigation Plan. The plan recognized that the City’s Emergency Operations Center (EOC) needs to be replaced. The primary function of the EOC facility is to serve as the operations center for City emergency operations personnel during a citywide emergency or disaster.

Between 2018 and 2022, the City of Los Altos developed plans for a new stand-alone EOC facility adjacent to the existing Police Station. Due to escalating construction cost estimates, which did not include the purchase and installation of a generator, the project was revised in Spring 2022 to retrofit the recently completed Community Center to accommodate the EOC functionality. The Community Center was a better candidate because it required minimal modifications to the architecture and met the structural code requirements for an Essential Services building.

Noll & Tam Architects was retained on May 25, 2022 to complete initial concept studies, design, construction documentation, and construction administration for the code-compliant Emergency Operations Center at the Los Altos Community Center.

Discussion/Analysis

The design team completed construction documentation and permitting in January 2024. Staff released the construction documents for public bidding on January 24, 2024, posting the project to the City of Los Altos Request for Bids webpage. A Notice to Contractors was published in the Los Altos Town Crier on January 24 and January 31, 2024. A mandatory pre-bid conference was held on February 07, 2024 at the project site with fourteen (14) contractors in attendance. Four (4) sealed bids were received on February 28, 2024 and read aloud in the Los Altos Council Chambers. The bid results are included as Attachment 1.

The Base Bid includes all critical improvements necessary to complete the project. The Argo Construction, Inc. bid was 91% of the Engineer’s Estimate.

As a project enhancement, two bid alternates were requested to provide cooling redundancy options for the IT/telecommunications room. The bid alternates are not required to complete the project, but would provide a beneficial redundancy to the HVAC system. Bid Alternate Option #1 is for a 2-ton mini-split and Bid Alternate Option #2 is for a transfer fan. The Option #1 pricing



Subject: Construction Contract Award: Los Altos Community Center Emergency Operations Center Project CF-01021

received from Argo Construction, Inc. was 858% above the Engineer’s Estimate. The Option #2 pricing received from Argo Construction, Inc. was 716% above the Engineer’s Estimate. Therefore, staff does not recommend award of either bid alternate option.

Recommendation

The staff recommends that the City Council adopt a resolution to authorize the City Manager to award the construction contract for the Los Altos Community Center Emergency Operations Center Project CF-01021 to Argo Construction, Inc. of Pacifica, California with a Base Bid amount not-to-exceed \$2,700,000 and up to 15% contingency, if needed, in the amount not-to-exceed \$405,000, for a total amount not-to-exceed \$3,105,000.

Bid Results Summary



Project Name: Los Altos Community Center Emergency Operations Center (CF-01021)

Project Manager: Scott Reeves		Base Bid	\$ 2,975,000.00	Bid Alt. #1 Mini-Split	\$ 15,500.00	Bid Alt. #2 Transfer Fan	\$ 16,750.00
Bid Opening: 2/28/2024		Engineer's Estimate		Engineer's Estimate		Engineer's Estimate	
No.	Company	Base Bid	% of Engineer's Estimate	Bid Alt Option #1 Mini-Split	% of Engineer's Estimate	Bid Alt Option #2 Transfer Fan	% of Engineer's Estimate
1	Argo Construction, Inc.	\$2,700,000.00	91%	\$133,000.00	858%	\$120,000.00	716%
2	S & H Construction, Inc.	\$3,168,600.00	107%	\$50,000.00	323%	\$25,000.00	149%
3	Rodan Builders, Inc.	\$3,365,000.00	113%	\$74,000.00	477%	\$49,000.00	293%
4	Integra Construction Services, Inc.	\$3,457,000.00	116%	\$350,000.00	2258%	\$25,000.00	149%

RESOLUTION NO. 2024

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
AUTHORIZING THE CITY MANAGER TO EXECUTE A CONSTRUCTION
CONTRACT WITH ARGO CONSTRUCTION, INC. FOR LOS ALTOS
COMMUNITY CENTER EMERGENCY OPERATIONS CENTER PROJECT IN
AN AMOUNT NOT-TO-EXCEED \$2,700,000 AND UP TO 15% CONTINGENCY
FUNDS NOT-TO-EXCEED \$405,000**

WHEREAS, the proposed project, which consists of renovating the existing Community Center for temporary activation of an emergency operations center, including modifications to meeting rooms, electrical and telecom systems, installation of new roof mounted radio and television antennae and equipment, and addition of an exterior emergency backup generator system and site enclosure with associated underground utilities; and

WHEREAS, Argo Construction, Inc. was the lowest responsible, responsive bidder for the Project; and

WHEREAS, the proposed project is exempt from environmental review pursuant to section 15301 of the state guidelines for the California Environmental Quality Act (CEQA) as the proposed project is consisting of interior or exterior alterations involving such things as interior partitions, plumbing, and electrical conveyances.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby:

1. Authorizes the City Manager to execute a Construction Contract in an amount not-to-exceed \$2,700,000 and up to 15% contingency funds not-to-exceed \$405,000 to perform the Community Center Emergency Operations Center Project.
2. Authorizes the City Manager to take such further actions as may be necessary to implement the foregoing agreement.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the 26th day of March 2024 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Jonathan D. Weinberg, MAYOR

Attest:

Melissa Thurman, MMC
CITY CLERK



AGENDA REPORT SUMMARY

Meeting Date: March 26, 2024

Subject: Acceptance of Fiscal Year 2023 Audited Financial Statements and Compliance reports

Prepared by: June Du, Finance Director

Approved by: Gabriel Engeland, City Manager

Attachment(s):

1. Draft Annual Comprehensive Financial Report (ACFR)
2. Memorandum on Internal Control (MOIC)

Initiated by:

Staff and the Financial Commission

Previous Council Consideration:

N/A

Fiscal Impact:

None

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- Does the Council Accept the Fiscal Year 2023 Audited Financial Statements and Compliance reports?

Summary:

- The City’s Finance Department has prepared the FY2023 ACFR which was reviewed by the Finance Commission on March 18th, 2023. The Certified Public Accounting firm, Maze & Associates, has audited the financial statements in the report. The auditors have issued an opinion that the financial statements represent the position of the City fairly, in all material respects.

Staff Recommendation:

Accept the Comprehensive Annual Financial Report and compliance reports for the fiscal year ended June 30, 2023.



Purpose

A number of state and federal laws require that the City’s financial statements be audited annually by external auditors who are Certified Public Accountants. The result of the audit is a compilation of detailed financial statements, known as the Annual Comprehensive Financial Report (ACFR), prepared in accordance with generally accepted accounting principles (GAAP) as required by the Government Accounting Standards Board (GASB). The ACFR is a useful tool in understanding and evaluating the City’s financial condition.

Background

The audit typically begins a few months before the fiscal year-end with a review of the City’s financial processes and internal controls. However, the scope of the audit is to express an opinion on the City’s financial statements, not to express an opinion on the effectiveness of the City’s internal controls. Next, the auditor completes a site visit to conduct the interim audit procedures. The interim audit occurred in May and July 2023. The auditors completed those year-end testing procedures and an evaluation of fund balances in December 2023.

This is the eighth year that Maze & Associates has performed the City’s annual audit, and the City has received an “unmodified” or “clean” opinion.

The ACFR is presented to the Finance Commission for its review prior to being submitted to the City Council for review and acceptance.

Discussion/Analysis

READING THE ACFR AND RELATED DOCUMENTS

1. **ACFR:** The ACFR highlights both the results of operations during FY2022 and changes to fund balances. The report is divided into three major sections, as follows:
 - **Introductory Section** – provides a narrative summary of changes in fund balances and highlights of the results of operations. It includes a letter of transmittal from management, an organizational profile, and a listing of key officers and personnel.
 - **Financial Section** – presents the independent auditor’s report, management’s discussion and analysis of the financial reports, all of the financial statements, notes on the financial statements, and supplemental information.
 - **Statistical Section** – includes several unaudited schedules that provide comparative information over a 10-year period.

Select highlights from the ACFR are presented below. The full draft ACFR can be seen in Attachment 1.



- 2. **Memorandum on Internal Control:** In planning and performing the audit of the basic financial statements of the City, auditor also considered the City’s internal control over financial reporting as a basis for designing audit procedures. The communications to the City’s management presented in Attachment 2.

FY2023 RESULTS

The City ended its fiscal year on a government-wide basis with total revenues of \$71.4 million, which was an increase of \$4.1 million or 6.1% compared to the prior year, and total expenses of \$53.0 million, an decrease of \$15.5 million or 22.6%. The results represent combined government and business operations, with an overall increase in net position of \$18.4 million primarily due to a increased revenue in property tax, and development related project and decrease in expenses in Public Safety, Public Works and Admin/Community Services activities.

Operational revenue gains were predominantly in Public Works activities. Property tax increased by \$2.5 million. Sewer revenues increased by \$0.6 million as projected, and solid waste revenues were stable and positioned to facilitate future operational and capital needs.

The decrease in Government-wide expenses is the result of savings improved personnel management and a reduction in legal costs.

The City made significant progress on many capital improvement initiatives, which include maintenance and street resurfacing, streetscape and intersection improvements, and pedestrian and traffic safety enhancements throughout the City. The City has also made significant capital investments in the maintenance and improvement of the City-wide sewer systems.

General Fund Operating Results

The General Fund reported an operating surplus of \$13.5 million before transfers in/(out). The General Fund transferred \$2.3 million to the Capital Projects Fund to support the rehabilitation and replacement of City’s infrastructure. General Fund also transferred \$1.7 million to Internal Service Funds to pay for supportive services.

General Fund revenues increased to \$57.2 million, up \$5.1 million from the prior year's \$52.0 million. Expenditure decreased to \$43.7 million, down \$6.8 million the from prior year's \$50.4 million.

General Fund unassigned/unrestricted fund balance for the current year totaled \$18.7 million, an increase of \$9.6 million or 106% when compared to prior year reported at \$9.1 million. The unassigned fund balance represents 42.8% of General Fund expenditures. The City of Los Altos ended the fiscal year 2023 on a healthy reserve balance for general services.



Subject: Fiscal Year 2023 Annual Comprehensive Financial Report (ACFR)

General Fund Revenues

Property Taxes overall increased by \$2.6 million, or 8.6% compared to the prior year. This increase is primarily attributable to continued increases in property values (assessed value) and residential sales activity that increased the tax roll.

Sales and Use Taxes overall decreased by \$0.05 million, or -1.3% compared to the prior year. This decline can be attributed primarily to elevated costs of goods resulting from a decrease in population, rising labor expenses, and heightened inflation.

Utility user Taxes overall increased by \$0.12 million, or 3.8% compared to the prior year. This increase was due to inflationary increases rather than an increased tax base.

Charges for Services increased by \$3.4 million, or 92.8% compared to the prior year. This surge is primarily linked to the growth in revenue from building permits and plan checks, particularly driven by multi-family building development projects.

Grants and donations decreased by \$3.7 million or -95.6% compared to the prior year, mainly due to the City were no longer receiving the ARPA stimulus funds allocated to the City in fiscal year 2023.

Other Taxes increased by \$0.56 million, or 15.9% compared to the prior fiscal year, primarily due to the recovery from the pandemic of Transient Occupancy Tax.

Interest and Rentals increased by \$1.3 million compared to the prior fiscal year, predominantly attributed to the substantial rise in the market value of the City’s investment portfolio resulting from a shift in investment strategy.

General Fund Expenditures

Public Safety expenditures decreased by \$0.4 million, or -1.7% compared to the prior year primarily due to the salary savings from personnel and benefit costs offset by higher contracts costs such as animal control and crossing guard services.

Public works expenditures decreased by \$0.2 million, or -3.2% compared to the prior year, primarily due to salary savings from position management.

Community development expenditures decreased \$0.3 million, or -4.4% compared to the prior fiscal year, primarily attributable to salary adjustments and the profession services reductions.

Recreation expenditures increased \$0.3 million, or 11.8% more than the prior year, primarily due to an overall increase in operations and the opening of the new Community Center and costs related to other city facilities.



Subject: Fiscal Year 2023 Annual Comprehensive Financial Report (ACFR)

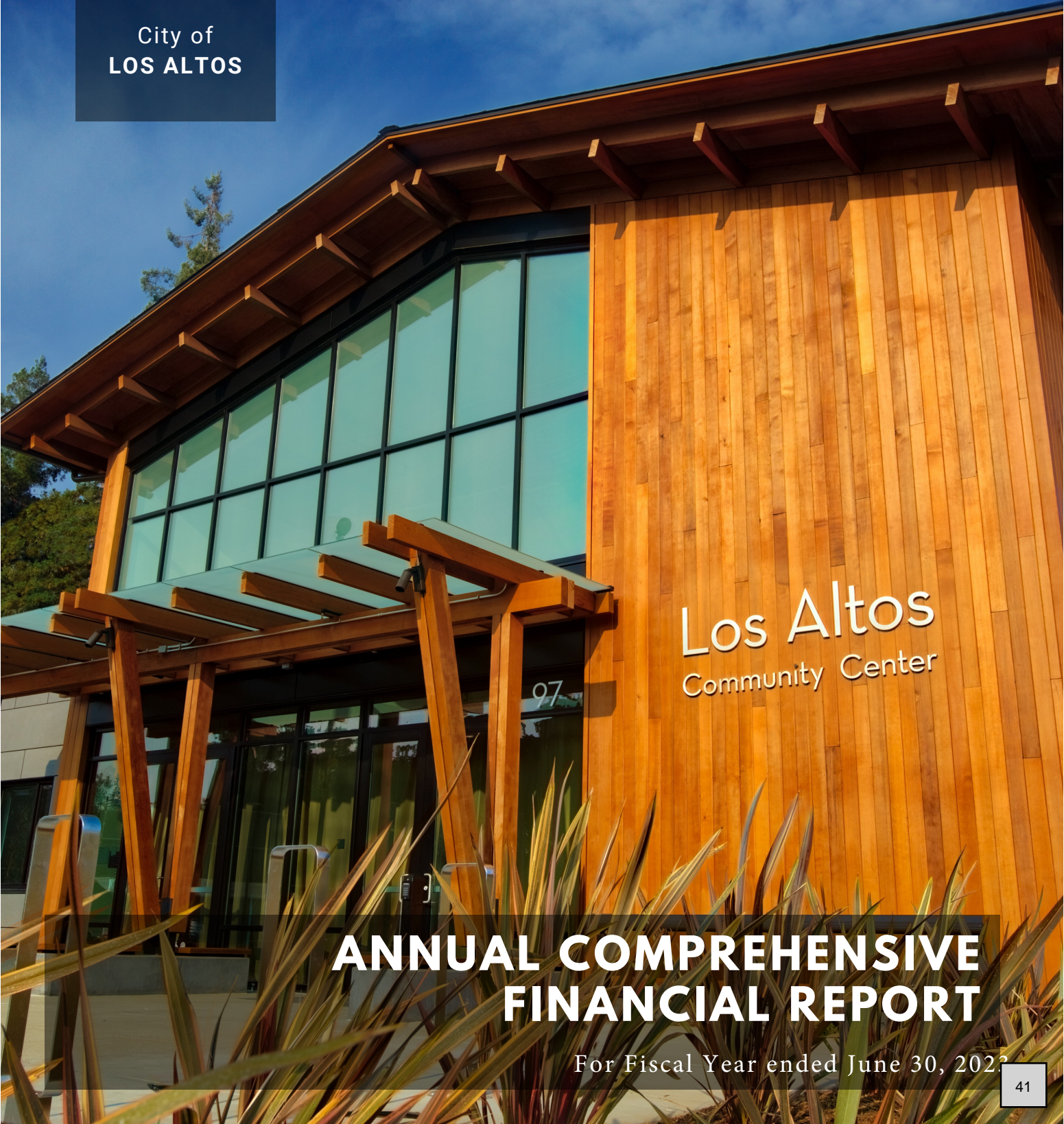
Administration and Finance expenditures significantly decreased \$6.2 million, or -44.4% compared to the prior year, primarily due to position management and a reduction in legal costs.

NEXT STEPS

Upon acceptance by the City Council, the ACFR will be submitted to the Government Finance Officers Association for consideration of a Certificate of Achievement for Excellence in Financial Reporting.



City of
LOS ALTOS



Los Altos
Community Center

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Year ended June 30, 2022

**CITY OF LOS ALTOS, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

**Prepared by
FINANCE DEPARTMENT**



This Page Left Intentionally Blank

INTRODUCTORY SECTION



This Page Left Intentionally Blank

**CITY OF LOS ALTOS
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023**

TABLE OF CONTENTS

INTRODUCTORY SECTION:

Letter of Transmittal..... i

List of Principal Officials ix

Organizational Chart x

GFOA Certificate of Achievement xi

FINANCIAL SECTION:

Independent Auditor’s Report 1

Management’s Discussion and Analysis 5

Basic Financial Statements:

Government-wide Financial Statements

Statement of Net Position 29

Statement of Activities 30

Fund Financial Statements

Governmental Funds:

Balance Sheet 34

Reconciliation of the Governmental Funds - Balance Sheet with the Statement
of Net Position..... 35

Statement of Revenues, Expenditures, and Changes in Fund Balances..... 36

Reconciliation of the Net Change in Fund Balances - Total Governmental Funds
with the Statement of Activities 37

Proprietary Funds

Statement of Net Position..... 40

Statement of Revenues, Expenses and Changes in Fund Net Position 41

Statement of Cash Flows..... 42

CITY OF LOS ALTOS
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

FINANCIAL SECTION (Continued):

Fiduciary Funds

Statement of Net Position	44
Statement of Changes in Fiduciary Net Position	45
Notes to Basic Financial Statements	47

Required Supplementary Information:

Cost-Sharing Multiple-Employer Defined Pension Plan:

Schedule of Proportionate Share of the Net Pension Liability and Related Ratio as of the Measurement Date	94
Schedule of Contributions.....	95

Agent Multiple Employer Retiree Healthcare OPEB Plan:

Schedule of Changes in the Net OPEB Liability and Related Ratios – Retiree Healthcare OPEB Plan	96
Schedule of Contributions.....	97
Notes to Schedule of Employer Contribution	97

Schedules of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual:

General Fund.....	98
In-Lieu Park Land Special Revenue Fund	99
Notes to Required Supplementary Information.....	100

Supplementary Information:

General Fund:

Combining Balance Sheet.....	104
Combining Schedule of Revenues Expenditures and Changes in Fund Balances.....	105

CITY OF LOS ALTOS
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

FINANCIAL SECTION (Continued):

Non-major Governmental Funds:

Combining Balance Sheet 110

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances 114

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:

Vehicle Impound Fund..... 118

Supplemental Law Enforcement Fund..... 119

Gas Tax Fund 120

Proposition 1B Fund 121

Downtown Parking Fund 122

Traffic Impact Fee Fund..... 123

Estate Donation Fund..... 124

TDA Fund 125

PEG Fund..... 126

Vehicle Registration Fees Fund 127

SB1 Road Maintenance Rehabilitation Fund..... 128

Measure B Fund 129

Public Art Fund..... 130

AB-1379 Fund..... 131

Equipment Replacement Capital Projects Fund..... 132

Internal Service Funds:

Combining Statement of Net Position 134

Combining Statement of Revenues, Expenses and Changes in Fund Net Position..... 135

Combining Statement of Cash Flows 136

Custodial Funds:

Combining Statement of Net Position 138

Combining Statement of Activities 139

CITY OF LOS ALTOS
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

STATISTICAL SECTION:

Net Position by Component – Last Ten Fiscal Years..... 145

Changes in Net Position – Last Ten Fiscal Years 146

Fund Balances of Governmental Funds – Last Ten Fiscal Years..... 148

Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years..... 150

Tax Revenues by Source – Governmental Funds – Last Ten Fiscal Years..... 152

Assessed Value of Taxable Property – Last Ten Fiscal Years 153

Assessed Value of Property by Use Code 154

Property Tax Dollar Breakdown 155

Property Tax Dollars By Recipient Group 156

Direct and Overlapping Tax Rates – Last Ten Fiscal Years 157

Principal Property Taxpayers – Current Year and Nine Years Ago..... 158

Property Tax Levies and Collections – Last Ten Fiscal Years..... 159

Ratios of Outstanding Debt by Type – Last Ten Fiscal Years 160

Schedule of Direct and Overlapping Bonded Debt 161

Legal Debt Margin – Last Ten Fiscal Years..... 162

Demographic Statistics – Last Ten Fiscal Years 163

Principal Employers – Current Year and Four Years Ago 164

Full-time Equivalent City Employees by Function/Program – Last Ten Fiscal Years 165

Full-time Equivalent City Employees 166

Operating Indicators by Function/Program – Last Ten Fiscal Years 167

Capital Asset Statistics by Function/Program – Last Ten Fiscal Years 168

Trust and Agency Debt Administration – Last Ten Fiscal Years..... 169



One North San Antonio Road
Los Altos, California 94022

March 26, 2024

**Honorable Mayor
and Members of the City Council
City of Los Altos, California**

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the City of Los Altos, California (the City) for the fiscal year ended June 30, 2023. This document provides citizens, businesses, property owners, investors, and other interested parties with an overview of the City's finances. The information in this ACFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and includes an unmodified opinion on the report by the City's independent certified public accountants. Although we rely on the standards and expertise of these external authorities, the responsibility for the accuracy and fairness of this report ultimately rests with the City. For readers interested in a more detailed review of the City's financial statements, the Management's Discussion and Analysis (MD&A) is also included in this document. The MD&A reports on the financial highlights of the City and provides additional analysis of the variances and trends reported as part of the financial statements. The MD&A also discloses significant items affecting the financial condition of the City and is designed to be read in conjunction with this Letter of Transmittal and can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY AND ITS SERVICES

Tree-lined streets and a small village atmosphere characterize Los Altos, which is in the heart of the world-famous Silicon Valley. Just 40 miles south of San Francisco, Los Altos is a residential community with a population of approximately 31,000 served by seven small retail areas. The seven-square-mile residential city is developed with small businesses, schools, libraries, and churches. Incorporated on December 1, 1952, Los Altos is a general law city operating under the Council-Manager form of government. There are five Council members elected at large, serving four-year overlapping terms. Municipal services provided include police, street maintenance, engineering, community development, parks, recreation, and sewer. Fire protection is contracted with the Santa Clara County Central Fire Protection District.

City Structure

The City operates under the Council-Manager form of government, with five at-large Council Members elected to staggered four-year terms. The Mayor and Mayor Pro Term are elected by the Council from their membership, and each serves a one-year term. The City Council serves as the legislative and policy-making body of City government and is responsible for enacting City ordinances, adopting resolutions,

approving the annual budget, appointing commissions and committees, and hiring the City Manager and City Attorney.

The City Manager is responsible for implementing City Council policies, ordinances, and directives; overseeing day-to-day operations; and appointing the directors of the City's departments and all personnel. As of June 30, 2023, the City had a permanent staff of 143 and augmented this staff with temporary, limited duration, and seasonal employees to address needs such as summer recreation programs. The City provides an array of services that include public safety/police services, park, recreation & Community Services, Executive, finance, human resources, public works, Environmental & Utilities Services and development services. Responsibilities in each service area include:

- **Executive** - includes The City Manager's Office, Economic Development, Emergency Preparedness, City Clerk's Office, City Attorney's Office, Risk Management, Human Resources, Information Technology, and Public relations.
- **Public Safety** - includes all Police functions, comprised of Training, Communications, Patrol, Investigations, Community Policing, Animal Control, School Service Officers, Traffic Enforcement. Fire Services are contracted to the County.
- **Finance** - includes Finance, Budget, Treasury, and Accounting.
- **Park, Recreation & Community Services** - includes Parks, Facilities, Recreation Classes, Senior Services, Facility Rentals, Sports and Camps,
- **Community Development Services**- includes Building Code Enforcement, Planning, Housing, Business License and Transportation Planning.
- **Public Works/ Engineering**- includes managing the Capital Investment Program, Streets Project, and Transportation Planning.
- **Environmental & Utilities Services** - includes Sewer, Storm Drain Operations, and Environmental Sustainability Program.

The City also oversees the enterprise funds associated with Sewer and solid waste operations and several other special revenue funds such as the Park in Lieu fund, financial information for these operations is included in the ACFR. Library services are provided by The County. Fire services are contracted to the County, water utilities are provided by a separate special district, with their own governing body.

SERVICE EFFORTS AND MAJOR INITIATIVES

Service Efforts

In fiscal year 2023, the City continued its commitment to provide a high level of service to its residents and citizens, adhered to its adopted financial plan as evidenced by the budget-to-actual reporting presented within this document. All major funds have performed within acceptable limits through proper stewardship and management.

Major Initiatives

Capital Improvements: Fiscal year 2023 marked another year of capital investment into the community with further resources applied to City-wide improvements. Some of the key capital expenditures of note during fiscal year 2023 include the following:

- \$4,765,400 – Street & City Alley Resurfacing
- \$1,391,939 – Street Slurry Seal and Stripping
- \$1,080,080 – Annual Sewer System Repair Program
- \$509,390 – Transportation Improvement
- \$414,065 – Pedestrian/Bicycle Improvement
- \$322,271 – City Facility Improvement
- \$204,407 – Safe Route to Scholl Improvement
- \$201,532 – Housing Element Update

Pedestrian Safety, Roads, and Walkways: Los Altos invests a significant amount of resources on a variety of roadway, pedestrian, and bikeway initiatives and improvements. Over \$7.2 million was applied to street rehabilitation, resurfacing, sidewalk repairs, and street lighting systems which enhanced safety lighting and street striping. These efforts support the City's highway condition index while increasing overall pedestrian, bicycle, and vehicle safety.

Civic Facilities: Throughout fiscal year 2023, the City persistently enhances and redesigns existing municipal facilities. This includes addressing improvements to aging facilities, ensuring ADA compliance, and designing the Emergency Operation Center, as well as 999 Fremont Avenue.

FINANCIAL CONTROLS AND PROCEDURES

Financial Policies: On an annual basis, the Council approves financial policies designed to promote sound financial management and ensure fiscal integrity over time. This ACFR reflects the implementation of these financial guidelines and presents all fund reserves and designations to define fund balance commitments and obligations as of the financial report date.

Internal Control Structure: City management is responsible for establishing and maintaining fiscal internal controls designed to safeguard the assets of the government from loss, theft, or misuse, and to ensure that accounting data is accurately compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

Cash Management Policies: It is the City’s practice to “pool” available cash from all funds for investment purposes. In accordance with the annually adopted investment policy, available cash is invested with the goal of safety, meaning the protection of principal, as the priority, ensuring adequate liquidity as the second priority, and maximizing yield as the third priority. This past year, the City transitioned its short-term investments from the Local Agency Investment Fund (LAIF) to California Asset Management Program (CAMP) in order to boost short-term interest earnings. This strategic move led to an increase in interest earnings from an average of 3% to an average of 5%. Staff continue to act on Council direction to engage investment advisory services and continues to diversify the City’s investment portfolio as a means of mitigating the impact of interest rate swings. As always, the emphasis remains on preserving the safety of the principal.

Strengthening Key Fund Reserves: This financial report reflects the attainment of judicious fiscal reserves noting continued funding to both capital and economic safety fund balances. As projected in the budget process, the results herein place the City in a position to maintain at least 20% of budget expenditures in the General Fund reserve. In fiscal year 2023, the City established PERS reserve fund to better manage CalPERS pension unfunded accrual liability (UAL) and CalPERS Retiree Benefit Liability. The City will continue to prepare for the increase in the annual CalPERS payments and to rebuild the CalPERS Reserve.

Risk Management: The City is insured for general liability through the Bay Cities Joint Powers Insurance Authority that covers claims in an amount up to \$10 million with a deductible or uninsured liability of up to \$100,000 per claim. The City is self-insured for Workers’ Compensation and has an excess insurance policy for such claims up to the statutory limits. The City continues to maintain adequate funding levels to cover the cost of its actuarial obligations, but these rising cost areas will require continued attention in the coming years.

GASB 75 Compliance: This report complies with the provisions of Government Accounting Standard Board Statement #75 (GASB 75). This standard pertains to Other Post Employee Benefits (OPEB) and requires the completion of an actuarial study to account for post-employee benefit liabilities that exist. This reporting requirement is described in financial note 11 of the ACFR and the related liabilities reflected in the statements. As of June 30, 2023, the City’s net OPEB obligation was valued at \$0.075 million, an amount reflected in the government-wide statements.

EXECUTIVE FINANCIAL OVERVIEW

This executive financial overview is presented as a supplement to the more detailed and comprehensive analysis presented in the MD&A. This section highlights key financial performance indicators for our major funds.

General Fund

The General fund, the primary operating fund of the City, favorably exceeded expectations with an operating surplus of \$ 13.5 million before transfers, for fiscal year 2023. At year end, the total General fund balance equaled \$28.9 million with an unassigned fund balance of \$18.7 million after commitments and assignments.

As planned for in the budget process, this surplus must be allocated to maintain the City’s Operating Reserve at 20% and allocating major funding to capital improvements, such as street maintenance and annual facilities improvements. At year end, the City’s Operating Reserve is at \$8.8 million, 20.1%, and the Capital Project fund reserve is at \$11.9million. Non-operating and transfer activities are as follows:

- \$318,358 transfer in from Public Safety Grant funds and others
- \$2,312,074 transfer out for capital projects
- \$1,677,000 transfer out for funding Internal Service fund
- \$300,000 transfer out for equipment replacement
- \$1,361 transfer out for close the Prop 1B fund.

The General fund's key revenue streams continue to grow at a steady pace. Property tax, which accounts for nearly 57.1% of the City's revenues, continues to be the strongest driver with an increase of 8.5% in fiscal year 2022 over the prior year.

Table of Revenues compared to Last Year and Current Year Budget

Revenues (in Millions)	FY22 Actual	FY23 Budget	FY23 Actual	Actual Var%	Budget Var%
Property tax	30.1	32.0	32.6	8.5%	2.0%
Sales tax	3.7	3.5	3.7	-1.4%	5.3%
Utility users	3.1	2.8	3.2	3.9%	14.3%
Other tax	3.5	2.9	4.1	15.9%	42.2%
Licenses, permits and fees	4.6	4.4	5.6	21.6%	28.2%
Grants and donations (Including ARPA)	3.9	0.0	0.2	-95.6%	515.8%
Charges for services	3.6	5.6	7.0	92.9%	25.0%
Fines and forfeitures	0.2	0.2	0.2	-5.6%	5.5%
Interest and rentals	-0.9	0.4	0.4	-140.6%	-5.2%
Other	0.2	0.2	0.1	-25.2%	-12.9%
Total Revenues	52.0	52.0	57.2	9.9%	10.0%

Other Tax Revenues details

Other Tax Revenues (In Millions)	FY21 Actual	FY22 Actual	FY23 Actual	Actual Var%
Transient Occupancy Tax	0.66	1.78	2.83	59.1%
Motor Vehicle Tax	0.02	0.04	0.03	-7.9%
Business License Tax	0.54	0.61	0.47	-22.9%
Documentary Transfer Tax	0.93	1.00	0.64	-36.1%
Building Development Tax	0.15	0.12	0.14	12.9%
Tobacco License Tax	0.00	0.00	0.00	-5.4%
Total Other Tax	2.3	3.5	4.1	15.9%

General fund revenues increased by 9.9% overall in contrast to a 7.4% increase in the prior year. Revenues came in above the annual budget estimates with charge for services, license, permit and fees, and Other Tax category being the front runners. Interest income was \$385K, instead of a large loss compared with previous year. Property Tax grew with an increase of 8.5% from the prior year. Sales tax decreased by 1.4%. In the City's other taxes category, Transient Occupancy Tax (TOT) increased by 59.1% on actuals witness the recovery of the economy during the current COVID-19 pandemic.

Real estate transfer tax and documentary transfer tax declined by 36.1%, largely due to reduced real estate activity attributed to high mortgage interest rates. The grant and donation category saw a decrease of \$3.7 million, resulting from the city no longer receiving funds from the American Rescue Plan Act (ARPA) grant in FY23.

General fund expenditures were \$6.8 million, 13.4% lower than the final budget, with all departments significantly under budget, notably the City Attorney (\$1.147 million) and PD (\$2.48 million). By classification, General Fund labor costs were \$2.5 million under budget, professional services were \$3.5 million below budget, and \$328K was saved on equipment repair and purchases, as well as \$603K on other expenses such as office supplies, advertising, and subscriptions.

Overall, the City's General fund had a surplus of \$9.53 million. The General Fund balance increased from \$19.3 million to \$28.9 million.

Other Funds

Capital Projects Fund: Expenditures in the Capital Projects fund was \$8.1 million. The year end fund balance stood at \$11.9 million. Based on commitments in the Capital budget for the period FY 23-27, the reserves will be insufficient to fulfill commitments at the end of the FY2024 unless additional funding sources are identified and/or Capital projects are deferred or cancelled.

Special Revenue, Internal and Enterprise Funds: The outcomes of all other Governmental and Business Type funds met expectations. In Lieu Park Land, Measure B, and other special revenue funds concluded the year with a total balance of \$12.05 million. Internal Service funds concluded at \$3.2 million, while Enterprise funds finished the year with a combined net position of \$30.8 million.

Fiduciary Funds: The City acts as a custodian of funds held for the benefit of others. The Blue Oak Lane Sewer special assessment district is classified in the custodial group in recognition of the limited nature of this debt which is fully collateralized by homeowner assessments without City obligation.

ECONOMIC TRENDS

Several factors influence our current economic outlook. General Fund Revenues exceeded the budget by \$5.2 million. The City's Sales Tax, Use Tax, and Transient Occupancy Tax have rebounded to pre-pandemic levels, with the Transient Occupancy Tax seeing a notable 59.1% increase compared to FY2022. Rising goods and labor expenses have pushed up business prices, potentially leading to stagnant sales compared to previous years.

The Federal Reserve has kept interest rates steady for a fifth consecutive meeting in March 2024 as they monitor the market. They anticipate that economic growth is expected to be much higher this year than previously estimated, but it is far too early to determine whether inflation has stalled moving forward.

Los Altos, along with neighboring cities, has witnessed consistent increases in real estate property values over the past decade. Property Tax revenue remained resilient during the pandemic. However, a sharp rise in mortgage rates has dampened median home values and property sales, slowing the ascent of assessed property valuations. Consequently, while Property Tax revenue is forecasted to rise in the next fiscal year, the growth rate is expected to taper compared to previous years. Documentary Transfer Tax (TOT) is also anticipated to decline compared to previous fiscal years.

The San Jose-Sunnyvale-Santa Clara Metropolitan statistical area reported an unemployment rate of 4.4% as of January 2024, which is a relatively flat decline increase from January 2023. The unemployment rate is up from a revised 4.0% in December 2023 and above the year-ago estimate of 3.1 percent. This compares with an unadjusted unemployment rate of 5.7 percent for California and 4.1 percent for the nation during the same period.¹

Although current economic indicators do not signal an immediate and significant slowdown, the possibility of a recession within the next year persists. Sales Tax, Business License Tax and development-related revenues are the revenue sources most vulnerable to economic downturn, with Utility User Tax and Franchise tax being affected to a lesser extent. City staff will continue to monitor shifting economic trends and volatility.

In summary, the past three years have posed challenges for both the community and the City. Ongoing fiscal pressures necessitate a prudent strategy to address present and future operational and infrastructure needs. In the FY24 budget, the City has diligently prepared for equipment and facility replacements through sound accounting and budget practices. This proactive approach ensures the City is well-equipped to maintain its fleet and facilities in the future. While these investments entail initial costs, they promise superior equipment and facilities for staff and the community, enhancing the overall experience for residents, visitors, and businesses. These decisions aim to mitigate the City's vulnerability to changing economic conditions by incorporating future expenses into the annual budget.

1. [Unemployment Rate - U.S. | indystar.com](https://www.indystar.com/news/indiana-unemployment-rate-2023)

INDEPENDENT AUDIT

The public accounting firm of Maze and Associates performed the annual independent audit. The auditors' report on the City's financial statements is included in the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended June 30, 2022. In the last 17 years, the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Division staff, MingJu Wu, Maurice De Castro and Lisa Clark. Every member of the department deserves recognition and thanks for their commitment to the City and their profession. We also want to thank Maze and Associates, our independent auditors, for their professionalism in performing this year-end financial audit, as well as the members of the Financial Commission for their dedication and expertise to help shape policies and procedures. We would also like to thank the members of the City Council, Jon Maginot and the Executive Team for their leadership and oversight in managing the financial operations of the City.

Respectfully submitted,

Gabriel Engeland
City Manager

June Du
Finance Director

City of Los Altos

List of Principal Officials

As of June 30, 2023

ELECTED OFFICIALS

Mayor Sally Meadows
 Vice Mayor Jonathan Weinberg
 City Council..... Pete Dailey
 City Council..... Neysa Fligor
 City Council..... Lynette Lee Eng

APPOINTED OFFICIALS

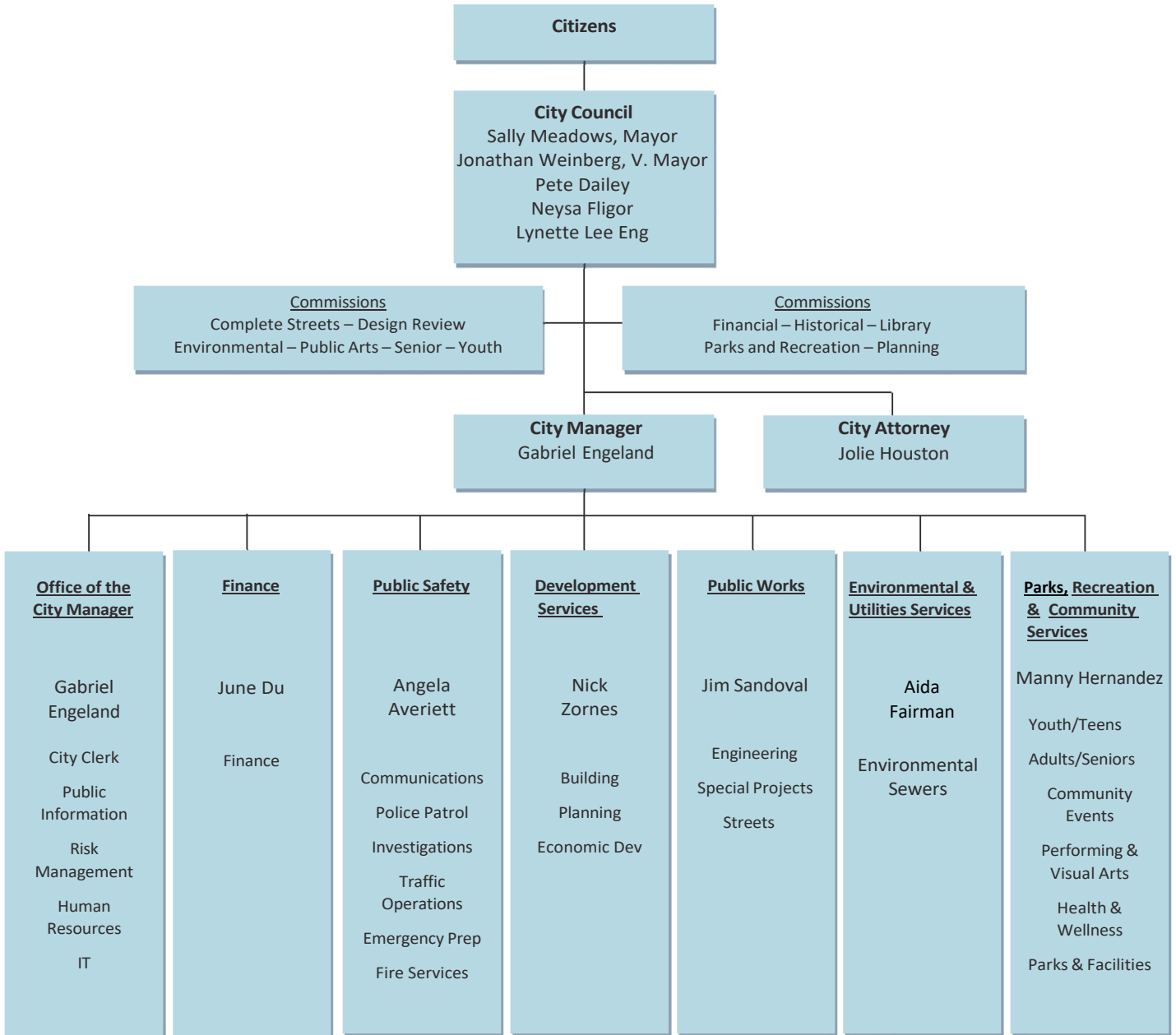
City Manager..... Gabriel Engeland
 City Attorney..... Jolie Houston

EXECUTIVE TEAM

Assistant City Manager..... Jon Maginot
 Chief of Police..... Angela Averiett
 Development Services Director..... Nick Zornes
 Environmental and Utilities Services Director..... Aida Fairman
 Finance Director June Du
 Human Resources Director..... Irene Barragan Silipin
 Public Works Director Jim Sandoval
 Parks, Recreation & Community Services..... Manuel Hernandez



City of Los Altos





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Los Altos
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



This Page Left Intentionally Blank

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Los Altos, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Los Altos, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

The City corrected some accounting errors, and as a result, the beginning net position of the Governmental activities was restated and increased by \$1,071,957 as of July 1, 2022. See more details in Note 7J.

The emphasis of this matter does not constitute a modification to our opinions.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2024, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Pleasant Hill, California
February 1, 2024

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

As management of the City of Los Altos (City), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023, in accordance with standards established by the Governmental Accounting Standards Board. We encourage readers to consider the information presented here, in conjunction with the additional information furnished in the Letter of Transmittal, which can be found in the preceding introductory section of this report, and with the City’s basic financial statements and accompanying notes to those financial statements.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements, which are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Reporting on the City as a Whole

Government-wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances in a manner similar to a private sector business.

The *statement of net position* presents information on all City assets, deferred outflows of resources, liability, and deferred inflows of resources, with the difference between the assets plus deferred outflows of resources and liability plus deferred inflows of resources as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, maintenance, and public works services, planning, building, engineering, and recreation. The City’s business-type activities include sewer and solid waste.

The government-wide financial statements can be found on pages 27 to 31 of this report.

Reporting on the City’s Most Significant Funds

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City’s funds can be divided into three categories: governmental funds; proprietary funds; and fiduciary funds.

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

Notes to the Basic Financial Statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information, such as budgetary comparison information relating to the City’s General Fund and major special revenue fund. The report also contains a schedule of the City’s proportionate shares in the Miscellaneous Pool and Safety Pool of a cost-sharing pension plan, and a schedule of the City’s pension contributions to the plan. This information is intended to furnish additional details to support the basic financial statements.

Governmental Funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, In-Lieu Park Land Special Revenue Fund, Measure B Special Revenue Fund, and Capital Project Fund, each of which are major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* elsewhere in the fund supplementary information section of this report.

The City adopts a budget annually for the General Fund, Special Revenue Funds, (except for the Storm Drain Deposits Fund), and Equipment Replacement Capital Projects Fund that is effective July 1 for the ensuing fiscal year. A budgetary comparison statement has been provided for several key governmental funds.

The basic governmental fund financial statements can be found on pages 33 to 37 of this report.

Proprietary Funds: The City maintains two types of *proprietary funds*. Services for which the City charges customers a fee are generally reported in the City’s *enterprise funds*. These proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City uses internal service funds to account for its City dental plan and unemployment insurance, Workers’ Compensation and Liability Insurance costs, as well as CalPERS pension and retiree health payments. Because these services predominantly benefit the governmental function, they have been included in the government-wide financial statements and, accordingly, the related intra-fund charges have been eliminated.

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. All five internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The City’s two enterprise funds (Sewer and Solid Waste) are considered major funds and are presented as such in the fund financial statements. The City follows the practice of adopting annual budgets for these operations as well.

The combining statements referred to earlier in relation to non-major governmental funds, proprietary and internal service funds, are presented immediately following the required supplementary information section. Combining and individual fund statements and schedules can be found on pages 109 to 119 of this report.

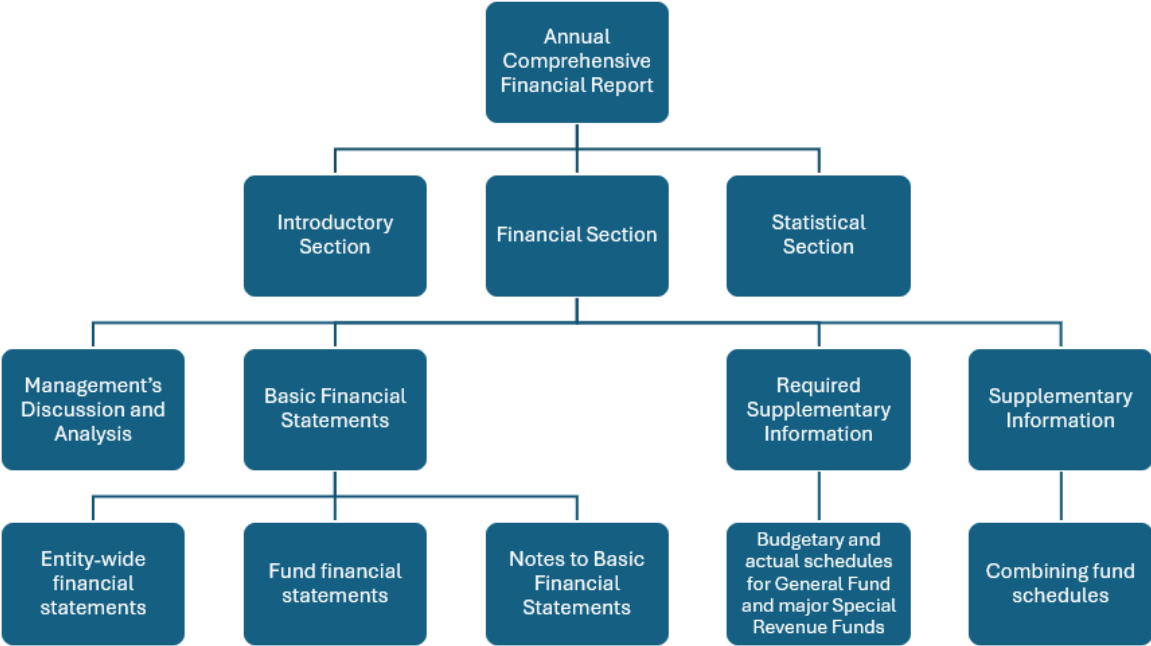
Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These can be found on pages 47 to 91 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City’s budget-to-actual financial comparisons for the General Fund and major special revenue funds.

The City as Trustee

Fiduciary Fund: The City is the fiduciary for one special assessment district –Blue Oak Lane Sewer. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

In summary, the various sections of this financial report are arranged as follows:



City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023

FINANCIAL HIGHLIGHTS

Financial highlights for the year ended June 30, 2023, include the following:

The City ended its fiscal year on a government-wide basis with total revenues of \$71.4 million, which was an increase of \$4.1 million or 6.1% compared to the prior year, and total expenses of \$53.0 million, a decrease of \$15.5 million or 22.6%. The results represent combined government and business operations, with an overall increase in net position of \$18.4 million primarily due to decreases in expenses in Public Safety, Public Works and Admin/Community Services activities.

Operational revenue gains were predominantly in Public Works activities. Property tax increased by \$2.5 million. Sewer revenues increased by \$0.6 million as projected, and solid waste revenues were stable and positioned to facilitate future operational and capital needs.

The decrease in Government-wide expenses is the result of savings from staff vacancies and legal costs.

The General Fund reported an operating surplus of \$13.5 million before transfers in/(out). The General Fund transferred \$2.3 million to the Capital Projects Fund to support the rehabilitation and replacement of City's infrastructure. General Fund also transferred \$1.7 million to Internal Service Funds to pay for supportive services.

General Fund revenues increased to \$57.2 million, up \$5.1 million from the prior year's \$52.0 million. Expenditure decreased to \$43.7 million, down \$6.8 million the from prior year's \$50.4 million.

General Fund unassigned/unrestricted fund balance for the current year totaled \$18.7 million, an increase of \$9.6 million or 105% when compared to prior year reported at \$9.1 million. The unassigned fund balance represents 42.9% of General Fund expenditures. The Government Finance Officers Association guidelines state that General Fund reserves should be 10% to 25%. The City of Los Altos ended the fiscal year 2023 on a healthy reserve balance for general services.

Other Post-Employment Benefits (OPEB) liabilities for the City of Los Altos decreased by \$0.7 million in the current fiscal year. The primary reason for the decrease in OPEB liabilities is due to a \$1.6m contribution by the City in FY2022. The funding status for the OPEB liabilities increased from 76.4% in fiscal year 2022 to 97.9% in fiscal year 2023. The OPEB funding status is above average when compared to most agencies in the State of California.

Net Pension Liability for the City of Los Altos increased by \$16.7 million to \$44.3 million when compared to the prior year reported at \$27.7 million. The increase is mostly attributable to the reduction of the discount rate as discussed in Note 10B to the basic financial statements.

The City made significant progress on many capital improvement initiatives, which include maintenance and street resurfacing, streetscape and intersection improvements, and pedestrian and traffic safety enhancements throughout the City. The City has also made significant capital investments in the maintenance and improvement of the City-wide sewer systems.

Government-Wide View

This section focuses on the net positions and changes in net positions of the City's governmental activities and business-type activities presented in the Government-wide Statement of Net Position and Statement of Activities. Changes in net position may serve over time as a beneficial indicator of the City's financial position.

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

- City total assets increased by \$8.0 million to \$210.1 million, of which \$176.1 million represented governmental assets and \$33.9 million represented business-type assets.
- City total liabilities increased by \$16.6 million to \$65.5 million, of which \$61.4 million were governmental liabilities and \$4.1 million were business-type liabilities.
- City total deferred outflows of resources related to its pension and OPEB obligations increased by \$6.4 million to \$ 19.9 million, of which \$18.1 million represented governmental deferred outflows and \$1.8 million were business-type deferred outflows.
- City total deferred inflows of resources related to pension and OPEB decreased by \$21.8 million to \$8.2 million, of which \$7.4 million represented governmental deferred inflows and \$0.8 million were business-type deferred inflows.
- City net position increased by \$18.4 million to \$156.2 million, unrestricted net position increased \$15.9 million to \$26.0 million from \$10.1 million, of which \$11.1 million represented governmental unrestricted net positions \$14.9 million were business type.
- Total government-wide revenues were \$71.4 million, an increase of \$4.1 million from the prior year's \$67.3 million. The City’s governmental activities generated \$61.7 million in revenue, while the business-type activities generated \$9.7 million in revenue.
- Total government-wide expenses were \$53.0 million, an increase of \$15.5 million from the prior year's \$68.5 million. The City’s governmental activities reported \$43.8 million in expenses, while the business-type activities reported \$9.2 million in expenses.
- As noted earlier, net positions may serve over time as a useful indicator of a government’s financial position. In the case of the City of Los Altos, total net positions of governmental activities amounted to \$125.4 million as of June 30, 2023, and \$107.5 million as of June 30, 2022. The net positions for governmental activities increased by \$17.9 million when compared to prior year’s. Of the total net positions of governmental activities, \$102.7 was invested in capital assets at June 30, 2023 and \$96.9 million at June 30, 2022.

Fund Level View

- Total governmental fund revenues increased \$2.9 million to \$61.4 million. Total governmental fund expenditures decreased to \$53.0 million in fiscal year 2022-23, a decrease of \$5.3 million from the prior year's \$58.3 million.
- The General Fund realized an operating surplus of \$13.5 million. Revenue surplus came from increases in property tax of \$2.6 million, charges for services of \$3.4 million, interest and rental income of \$1.3 million. These increases were offset by reduced grants and donations revenue by \$3.7 million.
- Total governmental fund balances equaled \$52.8 million at fiscal year-end, an increase of \$6.8 million from prior year’s fund balance of \$46.0 million.

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

- The In-Lieu Park Land Fund ended the year with a fund balance of \$7.9 million with revenues of \$0.4 million and transfers out of \$0.8 million spent on eligible projects and debt service payments.
- The Measure B Fund balance decreased by \$0.4 million to \$0 after funds were transferred out to pay for eligible capital projects.
- General government capital spending totaled \$8.3 million. The level of capital reinvestment in Los Altos reflects a sustained focus on the maintenance of streets, facilities, traffic calming efforts, and safety. In fiscal year 2023, the Capital Improvements Projects Fund balance increased by \$48 thousand from \$11.9 million in fiscal year 2022.
- Other Non-Major Governmental Funds ended the year with a total combined fund balance of \$4.1 million, a decrease of \$2.0 million from \$6.1 million in fiscal year 2023.
- Sewer operations ended the year with a net position of \$26.8 million. Operating revenue increased by \$0.5 million from \$8.3 million in fiscal year 2022 to \$8.8 million in fiscal year 2023.
- Solid waste operations ended the year with a net position of \$4.0 million. Operating expenses increased by \$1.1 million from \$1.1 million in fiscal year 2022 to \$2.2 million, primarily due to \$0.8 million increase in pension expense in current year.
- Internal Service Funds ended the year with a total combined net positions of \$3.2 million in fiscal year 2023, an increase of \$0.5 million from \$2.7 million in fiscal year 2022.

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position and changes in net position at the City-wide level as presented in the statement of net position and statement of activities which are summarized in the tables below as of June 30, 2023.

As noted earlier, the net position represents the difference between assets, the deferred outflow of resources and liabilities, and the deferred inflow of resources of the City's governmental activities and may over time serve as a useful indicator of the City’s financial position. The City’s governmental activities, assets, and deferred outflows exceeded liabilities and deferred inflows by \$125.4 million on June 30, 2023. Table 1 summarizes the City’s governmental wide activities net position.

Restricted net positions of \$11.6 million account for approximately 9.3% of the total net position in the current year, which were \$14.4 million in fiscal year 2022. The total restricted assets decreased by \$2.8 million or 19.6% when compared to prior year. The decrease in restricted assets is primarily due to significant investments made by the City to improve the City’s infrastructure.

Table 1
Governmental Wide Activities Statement of Net Position (In Millions)

	Governmental Activities		Business- Type Activities	
	2023	2022 (A)	2023	2022 (A)
Cash and investments	\$ 59.6	\$ 49.2	\$ 17.8	\$ 16.5
Other assets	4.5	14.1	0.3	0.3
Capital assets	112.0	106.7	15.9	15.4
Total assets	176.1	170.1	34.0	32.1
 Deferred outflows of resources	 18.1	 12.8	 1.8	 0.7
 Current liabilities	 6.3	 5.5	 0.3	 0.2
Non-current liabilities	55.1	42.0	3.8	1.2
Total liabilities	61.4	47.5	4.1	1.4
 Deferred inflows of resources	 7.4	 29.0	 0.8	 1.1
 Net Position				
Net investment in capital assets	102.7	96.9	15.9	15.4
Restricted	11.6	14.4	0.0	0.0
Unrestricted	11.1	(4.9)	14.9	14.9
Total net position	\$ 125.4	\$ 106.4	\$ 30.8	\$ 30.3

(A) the 2022 columns do not include prior year restatements made in fiscal year 2023

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

Governmental Activities

Of the governmental activities total net position, \$102.7 million, or 81.9%, reflects its net investment in capital assets (e.g., land, infrastructure, buildings, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The governmental activities total assets of \$176.1 million represent a \$6.0 million or a 3.5% increase, driven by higher receipts, capital activity, and lower spending due to the pandemic.

Capital Assets (net) increased by \$5.3 million or 4.9% compared to prior year primarily driven by additions from capital projects activity in the current year.

The governmental activities, total liabilities of \$61.4 million represent outstanding obligations for operations, capital projects, deposits held for development projects, long-term debt, and net pension liability. A portion of the governmental activities net position represents resources that are subject to restriction on how they may be used. Total liabilities increased by \$13.9 million or 29.2%.

The governmental activities deferred outflows of resources and deferred inflows of resources are related to the pension and OPEB obligations. The total deferred outflows of resources increased \$5.3 million, and deferred inflows of resources decreased \$21.6 million compared to the prior year.

The following charts summarize governmental activities programs and general City revenues available for funding all City programs and major expense program categories.

For the fiscal year ended June 30, 2023, total revenues from all sources relating to governmental activities excluding transfers were \$61.3 million, and total expenses for all City programs relating to governmental activities were \$43.7 million.

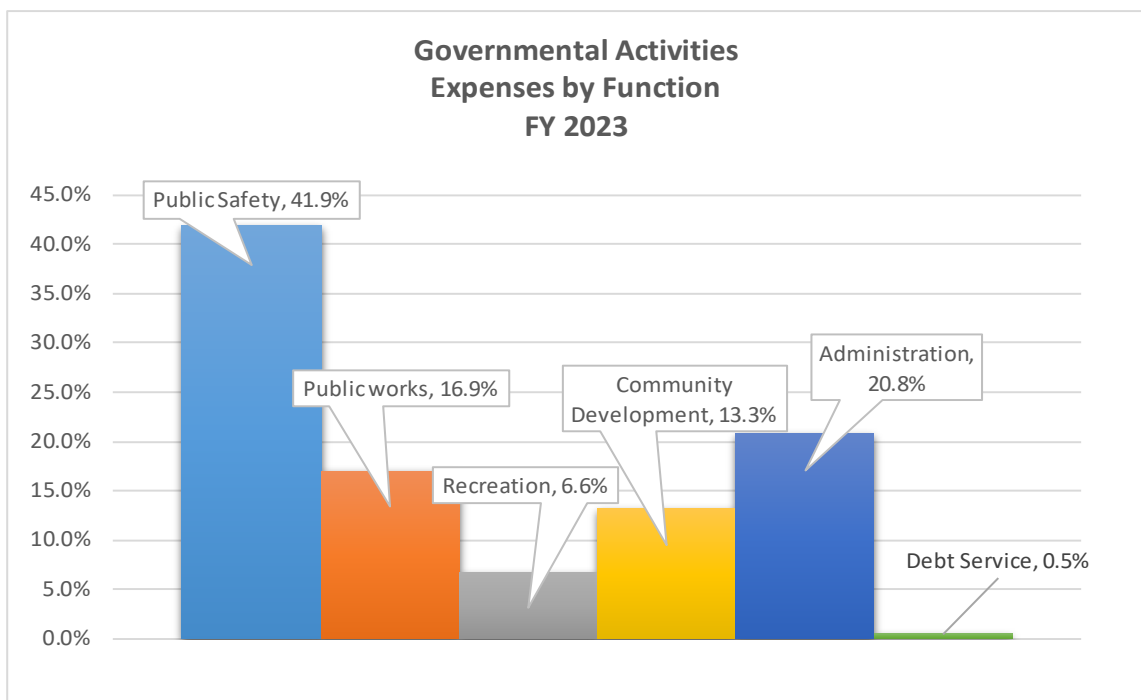
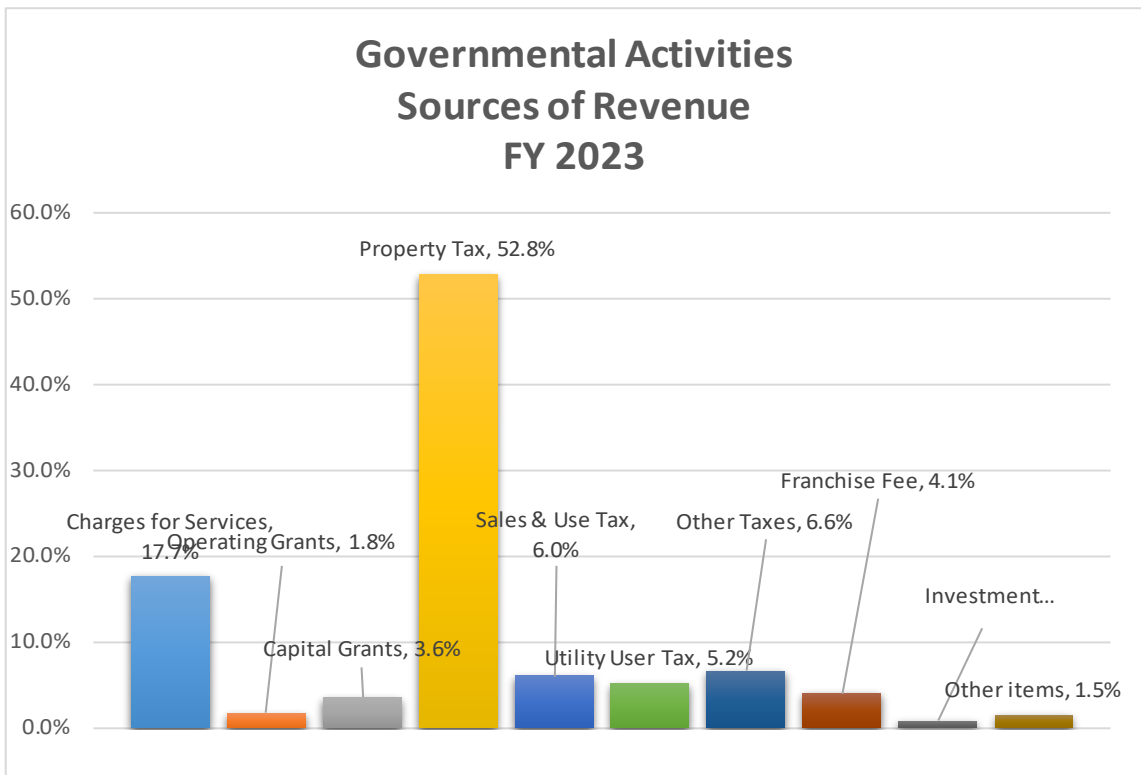


TABLE 2
Change in Net Position - Governmental Activities
(In Millions)

Revenues	2023	2022 (A)
Program revenues		
Charges for service	\$ 10.9	\$ 10.7
Operating contributions and grants	1.1	5.1
Capital grants	2.2	0.8
Total program revenues	<u>14.2</u>	<u>16.6</u>
General revenues		
Taxes:		
Property	32.6	30.1
Sales and use	3.7	3.7
Utility User	3.2	3.1
Other taxes	4.1	3.5
Franchise fees	2.5	2.3
Investment income	0.5	(1.3)
Other	0.5	0.5
Total general revenues	<u>47.1</u>	<u>41.9</u>
Total revenues	<u>61.3</u>	<u>58.5</u>
Expenses		
Public Safety	18.3	23.8
Public works	7.4	11.5
Recreation	2.9	2.9
Community Development	5.8	7.6
Administration / Community Services	9.1	14.3
Interest on Long Term Debt	0.2	0.3
Total expenses	<u>43.7</u>	<u>60.5</u>
Excess (deficiency) before transfers	17.6	(2.0)
Transfers (Net)	0.3	0.7
Change in net position - Governmental Activities	<u>17.9</u>	<u>(1.3)</u>
Net Position - Beginning of year	<u>107.5</u>	<u>107.7</u>
Net Position - End of year	<u>\$ 125.4</u>	<u>\$ 106.4</u>

(A) the 2022 columns do not include prior year restatements made in fiscal year 2023

Table 2 shows that governmental activities expenses, which totaled \$43.7 million, were lower than program revenues for governmental activities of \$61.3 million. These program revenues included \$10.9 million in charges for services, \$1.1 million in operating grants and contributions, and \$2.2 million in capital grants and contributions.

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

Governmental Activities Revenues

Charges for services include traffic safety fines, plan check fees, building inspection fees, other charges related to new construction, and fees charged for recreational activities and programs; these charges increased by \$0.2 million or 2.3%.

Operating grants and contributions encompass funds provided by developers and grants allocated by local, state, and federal governments. These funds are earmarked for specific grant obligations or designated for one-time expenditures. On the other hand, capital grants and contributions are specifically intended to finance capital investments. General revenues, detailed in Table 2 of the preceding section, are available to cover expenses not fully met by revenues generated from programs. In the current fiscal year, the City received \$1.1 million in operating grants, while capital grants surged from \$0.8 million in fiscal year 2022 to \$2.2 million. This increase is primarily attributed to the Measure B grant received from the Valley Transportation Authority (VTA).

Governmental Activities Expenses

Public Safety expenses decreased by \$5.5 million or 23.2% from the prior year. This decrease is primarily due to vacant positions that decreased other personnel and benefit costs.

Public works expenses decreased by \$4.1 million (35.6%) compared to the prior year primarily due to vacant positions as well as allocating the costs to the Enterprise fund per recent cost allocation studies.

Community Development expenses decreased by \$1.8 million or 24.0% from the prior fiscal year primarily attributable to reduced professional services costs and allocating the personnel costs to the Enterprise fund per recent cost allocation studies.

Recreation expenses decreased by \$14 thousand or 0.5% from the prior fiscal year.

Administration and Community Services expenses decreased by \$ 5.2 million (36.2%) compared to the prior year primarily due to the savings from staff vacancies and legal costs.

Table 3
Governmental Activities
Program Revenues and Net (Expense) Revenue From Services
(In Millions)

	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
	<u>2023</u>	<u>2022 (A)</u>	<u>2023</u>	<u>2022 (A)</u>
Public Safety	\$ 1.9	\$ 5.1	\$ (16.4)	\$ (18.8)
Public works	2.8	1.3	(4.7)	(10.2)
Recreation	1.4	1.1	(1.5)	(1.8)
Community Development	7.9	9.1	2.2	1.4
Administration / Community Services	0.2	0.0	(8.9)	(14.2)
Interest on Long Term Debt			(0.2)	(0.3)
Totals	\$ 14.2	\$ 16.6	\$ (29.5)	\$ (43.9)

(A) the 2022 columns do not include prior year restatements made in fiscal year 2023

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023

Business-Type Activities

As shown in Table 4 below, the net position of the City's business-type activities was \$30.8 million on June 30, 2023. Assets totaling \$34.0 million included a total of \$17.8 million in cash and investments, \$0.3 in receivables and other assets, and \$15.9 million in capital assets. Liabilities totaled \$4.1 million including \$0.3 million in current liabilities and \$3.8 million in non-current liabilities such as compensated absences and other liabilities.

Table 4
Business - Type Activities Statement of Net Position
(In Millions)

	<u>2023</u>	<u>2022 (A)</u>
Cash and investments	\$ 17.8	\$ 16.5
Other assets	0.3	0.3
Capital assets	15.9	15.4
Total assets	<u>34.0</u>	<u>32.1</u>
 Deferred outflows of resources	 <u>1.8</u>	 <u>0.7</u>
 Current liabilities	0.3	0.2
Non-current liabilities	3.8	1.2
Total liabilities	<u>4.1</u>	<u>1.4</u>
 Deferred inflows of resources	 <u>0.8</u>	 <u>1.1</u>
 Net Position		
Net investment in capital assets	15.9	15.4
Restricted	0.0	0.0
Unrestricted	14.9	14.9
Total net position	<u>\$ 30.8</u>	<u>\$ 30.3</u>

(A) the 2022 columns do not include prior year restatements made in fiscal year 2023

Table 5 shows that Business type activities expenses, which totaled \$9.2 million, were augmented by revenues of \$10.0 million. These revenues included \$9.8 million in charges for services and a \$0.2 million in interest earnings, and others, thus adding \$0.5 million to the net position at the end of the year.

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023

Table 5
Change in Net Position - Business-type Activities
(In Millions)

	<u>2023</u>	<u>2022 (A)</u>
Revenues		
Program revenues		
Charges for services	\$ 9.8	\$ 9.2
Total program revenues	<u>9.8</u>	<u>9.2</u>
General revenues		
Investment income and other	0.2	(0.4)
Total revenues	<u>10.0</u>	<u>8.8</u>
 Expenses		
Outside Services	4.6	5.7
Employee services	4.0	2.0
Depreciation	0.6	0.3
Total expenses	<u>9.2</u>	<u>8.0</u>
Excess (deficiency) before transfers	0.8	0.8
Transfers	<u>(0.3)</u>	<u>(0.7)</u>
	<u>0.5</u>	<u>0.1</u>
 Change in net position - Business-type Activities		
Net Position - Beginning of year	30.3	30.2
Net Position - End of year	<u>\$ 30.8</u>	<u>\$ 30.3</u>

(A) the 2022 columns do not include prior year restatements made in fiscal year 2023

The Joint Sewer System Authority (JSSA) formed in 1968 by a joint exercise of powers among the Cities of Palo Alto, Mountain View, and Los Altos, constructed, maintains, and operates sewage treatment facilities serving its member cities. The City of Palo Alto acts as administrator for JSSA and bills each member its share of the operating costs. Los Altos is obligated through the year 2023 under an operating agreement with the City of Palo Alto for the water treatment plant and sewer services. Payments under this agreement are based on expected usage and are adjusted annually based on actual use and site operating costs.

As projected in budgetary estimates and the prior year's financial reports, the Storm Drain fund has exhausted its reserves. Currently, the Storm Drain and Urban Runoff Pollution Control Programs (URPP) are categorized as General Fund activities due to lack a fee that pays for these services.

**City of Los Altos
Management’s Discussion and Analysis
For the year ended June 30, 2023**

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

These statements provide more detailed information about the City’s major funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City’s or government agency’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has several governmental funds, of which four are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The City’s four major funds are - the General Fund, the In Lieu Parkland Fund, the Measure B Fund, and the Capital Investment Program Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The City Council adopts a biennial appropriated budget for its General Fund and other funds. Budgetary comparison statements have been provided in the Required Supplementary Information section for the general fund and major special revenue funds that demonstrate compliance with their budgets.

Proprietary funds

The City maintains two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses Enterprise funds to account for its Sewer and Solid Waste operations, all of which are classified as major funds in the City’s Statement of Net Position. Internal Service funds are used to accumulate and allocate costs internally among the City’s various functions and to build up reserves for future liabilities related to the workforce. The City uses Internal Service funds to account for such activities as dental reimbursements, unemployment insurance, workers’ compensation, liability insurance, and pension and OPEB related costs. Because these services solely benefit the governmental function, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as government-wide financial statements, only in more detail. All five internal service funds are combined into a single, aggregated

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the Supplemental Information section of this report.

Fiduciary Funds

The City is the agent for certain agencies and assessment districts, holding amounts collected that await payment as directed. The City’s fiduciary activities are reported in the separate Statement of Fiduciary Net Position. These activities are excluded from the City’s other financial statements because the City is acting as a trustee for these funds and cannot use these assets to finance its own operations. The City’s fiduciary funds include the Blue oak Lane Sewer special district.

Summary Analysis of Governmental Funds

On June 30, 2023, the City’s governmental fund balances were \$52.8 million, which is an overall increase of \$6.8 million, or 14.0 %, as compared to the prior fiscal year. The increase was mostly due to an \$9.6 million increase in the General Fund fund balance, primarily due to the property tax and development fee related revenue increase and savings from staff vacancies and legal contract.

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023

Table 6
Statement of Revenues, Expenditures and Other Financing Sources/Uses
Governmental Funds
(In Millions)

Revenues	<u>2023</u>	<u>2022 (A)</u>
Taxes:		
Property	\$ 32.6	\$ 30.1
Sales and Use	3.7	3.7
Utility Users	3.2	3.1
Other taxes	4.1	3.5
Licenses, permits and fees	5.8	4.9
Intergovernmental	3.7	5.8
Grants and Donations	0.3	0.5
Charges for services	7.1	4.1
Fines, forfeitures and penalties	0.2	0.2
Interest and Rentals	0.6	(1.3)
Other	0.1	3.8
	<u>61.4</u>	<u>58.5</u>
Expenditures		
Current:		
Public Safety	20.7	21.1
Public works	5.9	6.1
Recreation	2.9	2.5
Community Development	6.6	7.0
Administration / Community Development	7.8	14.0
Capital Improvements	8.3	6.7
<i>Debt Service</i>		
Principal	0.6	0.5
Interest and Fiscal Charges	0.2	0.3
Total expenditures	<u>53.0</u>	<u>58.3</u>
Excess (deficiency) before transfers	<u>8.4</u>	<u>0.2</u>
Other		
Transfers (net)	<u>(1.6)</u>	<u>(0.1)</u>
Net change in fund balance	6.8	0.1
Beginning Fund Balance* Reinstated	\$ 46.0	46.2
Ending Fund Balance	<u><u>\$ 52.8</u></u>	<u><u>\$ 46.3</u></u>

(A) the 2022 columns do not include prior year restatements made in fiscal year 2023

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

Detailed Analysis of Major Governmental Funds by Fund

General Fund

The General Fund is the chief operating fund of the City. For the year ending June 30, 2023, the total fund balance was \$28.9 million, \$10.2 million of which is non-spendable, restricted, or has been committed or assigned to cover contingencies, claims, encumbrances, advances to other funds, and other City projects. The unrestricted unassigned fund balance is \$18.7 million, an increase of \$9.7 million from the prior year.

Revenues were \$5.2 million higher in the fiscal year ended June 30, 2023, compared to last fiscal year, a change of 10.0%.

Expenditures decreased \$6.8 million in the fiscal year ended June 30, 2023, compared to the last fiscal year, a change of 13.5%. Significant changes in revenues and expenditures that affected the General Fund balances are discussed below:

General Fund Revenues

Property Taxes overall increased by \$2.6 million, or 8.6% compared to the prior year. This increase is primarily attributable to continued increases in property values (assessed value) and residential sales activity that increased the tax roll.

Charges for Services increased by \$3.4 million, or 94.4% compared to the prior year, mainly related to increased demand for development-related activities.

Grants and donations decreased by \$3.7 million or 94.9% compared to the prior year, mainly due to City was no longer receiving the ARPA grant in fiscal year 2023.

Interest and Rentals increased by \$1.3 million compared to the prior fiscal year, predominantly attributed to the substantial rise in the market value of the City’s investment portfolio resulting from a shift in investment strategy.

General Fund Expenditures

Administration and Finance expenditures decreased by \$6.1 million, or 43.6% compared to the prior year, primarily due to a one-time elective contribution of \$6.5 million to CalPERS Pension and OPEB in fiscal year 2022.

In-lieu Park Land Fund

The In-lieu Park Land Fund had revenues of \$0.4 million from in-lieu fees received during the year which was \$3.1 million lower than the prior year due to a \$3.4 million decrease in in-lieu fees when compared to prior year.

Measure B Fund

The Measure B Fund had revenues of \$1.4 million received during the year, which was \$1.4 million higher than the prior year. This fund also transferred out \$1.9 million to other funds for eligible capital projects.

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

Capital Investment Program Fund

The Capital Investment Program Fund accounts for funds used for capital improvements and significant maintenance projects. As of June 30, 2023, its fund balance was \$11.9 million, primarily due to monies transferred from other funds.

The Capital budget also has planned appropriations of almost \$86.6 million over the fiscal year 2024-fiscal year 2028 Capital Improvement and Major Maintenance Plan from various funding sources such as Special Revenue Fund, General fund, Equipment Replacement Fund and Enterprise Funds.

**City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023**

Summary Analysis of Proprietary Funds

As of June 30, 2023, the Enterprise Funds had a net position balance of \$30.8 million, an increase of \$0.5 million from the prior year. The net position balance of the Internal Service Funds was \$3.2 million on June 30, 2023, up \$0.5 million from the previous fiscal year.

**Table 7
Change in Fund Net Position - Proprietary Funds
(In Millions)**

	Total Enterprise Funds		Total Internal Service Funds	
	2023	2022 (A)	2023	2022 (A)
Operating revenues	\$ 9.8	\$ 9.2	\$ 0.7	\$ 1.6
Operating expenses	9.2	8.0	2.1	3.3
Operating income (loss)	0.6	1.2	(1.4)	(1.8)
Non-operating revenues (expenses)	0.2	(0.4)	0.0	0.0
Net income (loss) before contributions and operating transfers	0.8	0.8	(1.4)	(1.8)
Transfers in (out) and Capital Contributions	(0.3)	(0.7)	1.9	0.8
Change in net position	\$ 0.5	\$ 0.1	\$ 0.5	\$ (1.0)

(A) the 2022 columns do not include prior year restatements made in fiscal year 2023

Sewer Fund

This fund accounts for the administration and operation of the City’s sewer system. The total net position was \$26.8 million on June 30, 2023, an increase of \$1.7 million.

Solid Waste Fund

This fund accounts for the administration and operation of the City’s solid waste system. The total net position was \$4.0 million on June 30, 2023, a decrease of \$1.2 million.

BUDGETARY HIGHLIGHTS OF THE CITY’S GENERAL FUND

Over the course of the year, the City Council revised the City’s budget with adjustments for various revenue and expenditure changes. After taking into account these adjustments, General Fund actual revenues were higher than the final budget by \$5.2 million, or 10.0%, which is primarily attributable to higher other taxes, licenses, permits and fees, and charges for services.

General Fund actual expenditures were \$3.9 million or 13.7% under the final budget, with savings from Community Development of \$1.6 million, Public Works of \$0.7 million, Administrative and Community Services of \$1.7 million, and Public Safety of \$2.5 million, and Recreation of \$0.3 million.

Net unassigned fund balance for the year was \$18.7 million after accounting for contributions to the Capital projects, Debt service, and others. This amount represents a \$9.7 million increase from the prior fiscal year.

City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City records all of its capital assets, including infrastructure, in the Statement of Net Position. Infrastructure includes roads, bridges, signals, and similar assets used by the entire population. The City has recorded its capital assets at historical cost or estimated historical cost if the actual historical cost was not available. In addition, donated fixed assets have been valued at their estimated acquisition value on the date donated.

On June 30, 2023, the cost of infrastructure and other capital assets recorded on the City's financial statements is shown in Table 8 on the next page:

Table 8
Capital Assets
(in Millions)

	2023	2022 (A)
Governmental activities		
Land	\$ 11.7	\$ 11.7
Construction in progress	19.5	30.8
Buildings	23.6	21.6
Improvements	6.5	6.5
Machinery and equipment	7.2	7.2
Infrastructure	87.5	68.1
Less accumulated depreciation	(44.0)	(39.2)
Totals	\$ 112.0	\$ 106.7
 Business-type activities		
Construction in progress	\$ 2.3	\$ 2.0
Buildings	16.0	18.0
Machinery and equipment	1.1	1.1
Infrastructure	9.2	8.4
Less accumulated depreciation	(12.7)	(14.1)
Totals	\$ 15.9	\$ 15.4

(A) the 2022 columns do not include prior year restatements made in fiscal year 2023

On June 30, 2023, the City had assets of \$112.0 million, net of depreciation, invested in a broad range of capital assets used in governmental activities, and \$15.9 million, also net of depreciation, invested in Business-type activities assets, as shown in Table 8 above.

The City depreciates all its capital assets on a straight-line basis over their estimated useful lives. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on capital assets may be found in Notes 1 and 4 to the Basic Financial Statements on pages 47 and 65, respectively.

**City of Los Altos
 Management’s Discussion and Analysis, Continued
 For the year ended June 30, 2023**

Long-Term Debt

On June 30, 2023, the City's debt was comprised of the following:

**Table 9
 Outstanding Debt
 (In Millions)**

	2023	2022 (A)
Governmental activities		
2004 Certificate of Participation	\$ 0.6	\$ 0.8
Community Center Lease	8.7	9.1
Compensated Absences	3.3	1.5
Total governmental activities debt	\$ 12.6	\$ 11.3
 Business-type activities		
Compensated Absences	\$ 0.3	\$ 0.1
Total business-type activities debt	\$ 0.3	\$ 0.1
 Total debt	\$ 12.9	\$ 11.4

(A) the 2022 columns do not include prior year restatements made in fiscal year 2023

The City made all required debt service payments on the issues listed above. Additional information on the City’s long-term debt may be found in Notes 1 and 5 to the Basic Financial Statements on pages 47 and 67, respectively.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The City has enjoyed several consecutive strong financial years principally driven by growth in property tax. Economic development and the strength of the Bay Area and national economy have driven continued growth in revenues. Meanwhile, despite the actual expenditures decrease in FY23, the City needs to cautious on inflationary increases, negotiated wage increases, and pension cost increases.

In fiscal year 2023, Los Altos almost recovered from COVID-19. Transit Occupancy Tax (TOT) increased to \$ 2.83 million from \$1.78 million in fiscal year 2022.

Although current economic indicators do not signal an immediate and significant slowdown, the possibility of a recession within the next year persists. Sales Tax, Business License Tax and development-related revenues are the revenue sources most vulnerable to economic downturn, with Utility User Tax and Franchise tax being affected to a lesser extent. City staff will continue to monitor shifting economic trends and volatility.

**City of Los Altos
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023**

The pension rate for fiscal year 2023 is based on information provided by the California Public Employee’s Retirement System (CalPERS). On July 20, 2022, CALPERS announced preliminary net investment rate of -6.1% for the fiscal year 2022¹. This action, coupled with other assumption changes made by CalPERS, is resulting in a substantial increase in pension contributions for employers.

To address increasing retirement obligations, the City established PERS Reserve fund in FY23/24 budget for future pension and retiree health costs.

The City Council has additionally prioritized funding for capital infrastructure, establishing a Facility Reserve fund during the FY23/24 budget process. This proactive strategy ensures the City's ability to sustain its fleet and facilities in the long term. Although these investments require initial expenditures, they guarantee upgraded equipment and facilities for both staff and the community, enriching the overall experience for residents, visitors, and businesses. Such decisions are aimed at reducing the City's susceptibility to fluctuations in economic conditions by incorporating forthcoming expenses into the yearly budget.

Major Capital Projects in construction for fiscal years 2023 include:

- \$4,765,400 – Street & City Alley Resurfacing
- \$1,391,939 – Street Slurry Seal and Stripping
- \$1,080,080 – Annual Sewer System Repair Program
- \$509,390 – Transportation Improvement
- \$414,065 – Pedestrian/Bicycle Improvement
- \$322,271 – City Facility Improvement
- \$204,407 – Safe Route to Scholl Improvement
- \$201,532 – Housing Element Update

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Comprehensive Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the following address: City of Los Altos, Finance Department, 1 North San Antonio Road, Los Altos, California 94022.

A copy of this financial report can be found on the City’s website at <http://www.losaltosca.gov>, by selecting “Audited Financials” in the “Quick Links” section and then selecting “Other Financial Reports.”

1. <https://www.calpers.ca.gov/page/newsroom/calpers-news/2022/calpers-preliminary-investment-return-2021-22>

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**



This Page Left Intentionally Blank

CITY OF LOS ALTOS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$59,434,616	\$17,811,546	\$77,246,162
Accounts receivable	4,340,878	253,428	4,594,306
Prepaid items and inventory (Note 1H)	189,936		189,936
Total current assets	63,965,430	18,064,974	82,030,404
Noncurrent assets:			
Restricted cash and investments (Note 2)	178,012		178,012
Capital assets (Note 4):			
Non-depreciable	31,177,313	2,344,704	33,522,017
Depreciable, net of accumulated depreciation	80,795,594	13,528,129	94,323,723
Total noncurrent assets	112,150,919	15,872,833	128,023,752
Total Assets	176,116,349	33,937,807	210,054,156
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 10)	17,752,112	1,629,631	19,381,743
Related to OPEB (Note 11)	384,385	147,783	532,168
Total deferred outflows of resources	18,136,497	1,777,414	19,913,911
LIABILITIES			
Current liabilities:			
Accounts payable	3,234,976	171,134	3,406,110
Interest payable	992		992
Accrued liabilities	518,913	39,562	558,475
Other payable	98,497		98,497
Compensated absences, due in one year (Note 6)	812,898	70,640	883,538
Claims and judgements, due in one year (Note 8)	1,056,753		1,056,753
Long-term debt, due in one year (Note 5)	563,355		563,355
Total current liabilities	6,286,384	281,336	6,567,720
Noncurrent liabilities:			
Compensated absences, due in more than one year (Note 6)	2,438,695	211,918	2,650,613
Claims and judgments, due in more than one year (Note 8)	3,177,008		3,177,008
Net pension liability (Note 10)	40,667,439	3,627,623	44,295,062
Net OPEB liability (Note 11)	75,263		75,263
Long-term debt, due in more than one year (Note 5)	8,725,019		8,725,019
Total noncurrent liabilities	55,083,424	3,839,541	58,922,965
Total Liabilities	61,369,808	4,120,877	65,490,685
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 10)	6,746,228	786,140	7,532,368
Related to OPEB (Note 11)	692,071	25,408	717,479
Total deferred inflows of resources	7,438,299	811,548	8,249,847
NET POSITION (Note 7)			
Net investments in capital assets	102,684,533	15,872,833	118,557,366
Restricted for:			
Debt service	374,359		374,359
Special revenue programs:			
Public safety	358,722		358,722
Recreation	7,920,808		7,920,808
Streets and roads	1,206,467		1,206,467
Public education	667,386		667,386
Parking	940,747		940,747
Other	166,542		166,542
Total Restricted Net Position	11,635,031		11,635,031
Unrestricted	11,125,175	14,909,963	26,035,138
Total Net Position	\$125,444,739	\$30,782,796	\$156,227,535

See accompanying notes to financial statements

CITY OF LOS ALTOS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Agenda Item # 7.

Functions/Programs	Expenses	Program Revenues		Total
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental Activities:				
Public safety	\$18,271,886	\$1,300,918	\$605,659	\$1,906,577
Public works	7,436,497	51,952	481,529	2,751,028
Recreation	2,928,414	1,416,956		1,416,956
Community development	5,784,213	7,942,198		7,942,198
Admin/ community services	9,093,972	219,260		219,260
Interest on long-term debt	237,599			
Total Governmental Activities	<u>43,752,581</u>	<u>10,931,284</u>	<u>1,087,188</u>	<u>14,236,019</u>
Business-type Activities:				
Sewer	7,087,080	8,849,478		8,849,478
Solid waste	2,151,447	979,034		979,034
Total Business-type Activities	<u>9,238,527</u>	<u>9,828,512</u>		<u>9,828,512</u>
Total primary government	<u>\$52,991,108</u>	<u>\$20,759,796</u>	<u>\$1,087,188</u>	<u>\$24,064,531</u>
General revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Utility users' tax				
Other taxes				
Franchise fees				
Total taxes				
Interest income				
Miscellaneous				
Transfers (Note 3)				
Total general revenues				
Change in Net Position				
Net Position-Beginning, as Restated (Note 7J)				
Net Position-Ending				

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
(\$16,365,309)		(\$16,365,309)
(4,685,469)		(4,685,469)
(1,511,458)		(1,511,458)
2,157,985		2,157,985
(8,874,712)		(8,874,712)
(237,599)		(237,599)
(29,516,562)		(29,516,562)
	\$1,762,398	1,762,398
	(1,172,413)	(1,172,413)
	589,985	589,985
(29,516,562)	589,985	(28,926,577)
32,644,256		32,644,256
3,686,148		3,686,148
3,214,718		3,214,718
4,110,059		4,110,059
2,516,465		2,516,465
46,171,646		46,171,646
505,803	168,646	674,449
514,777		514,777
258,700	(258,700)	
47,450,926	(90,054)	47,360,872
17,934,364	499,931	18,434,295
107,510,375	30,282,865	137,793,240
\$125,444,739	\$30,782,796	\$156,227,535



This Page Left Intentionally Blank

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2023. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

Accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in other funds. The General Fund supports essential City services such as police, fire, street and parks maintenance, maintenance services, community development and recreation activities. The General Fund also includes the Real Property Proceeds Funds, which accounts for the proceeds from the sale of real property and the Community Facilities Renewal Fund, which accounts for the revenues and expenditures related to the community facilities renewal efforts.

IN-LIEU PARK LAND FUND

Accounts for revenues received in lieu of park land dedications. The revenues are dedicated for purchasing or improving park or recreational facilities.

MEASURE B FUND

To account for revenue received from the Santa Clara County, voters approved a half-cent sales tax measure; disbursed by Valley Transportation Authority. All funds are restricted to transit, highways, expressway, and active transportation (bicycle, pedestrians, and complete streets) projects.

CAPITAL PROJECTS FUND

Accounts for the acquisition and construction of major capital projects and plans that are financed by resources other than proprietary funds.

CITY OF LOS ALTOS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

Agenda Item # 7.

	General	In-Lieu Park Land Fund	Measure B Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 2)	\$27,158,445	\$7,920,808		\$13,006,763	\$3,923,319	\$52,009,335
Restricted cash and investments (Note 2)					178,012	178,012
Receivables, net of allowance for uncollectibles:						
Accounts Interest	2,492,242		\$1,426,011	92,285	253,949	4,264,487
Prepays (Note 1H)	54,906					54,906
Inventory (Note 1H)	135,030					135,030
Due from other funds (Note 3)	1,639,494					1,639,494
Total Assets	\$31,480,117	\$7,920,808	\$1,426,011	\$13,099,048	\$4,355,280	\$58,281,264
LIABILITIES						
Accounts payable	\$1,982,685			\$1,199,752	\$8,450	\$3,190,887
Accrued liabilities	518,913					518,913
Other payable	98,497					98,497
Due to other funds (Note 3)			\$1,426,011		213,483	1,639,494
Total Liabilities	2,600,095		1,426,011	1,199,752	221,933	5,447,791
FUND BALANCES						
Fund balance (Note 7):						
Nonspendable	189,936					189,936
Restricted		\$7,920,808			3,714,223	11,635,031
Assigned	10,008,282			11,899,296	632,607	22,540,185
Unassigned	18,681,804				(213,483)	18,468,321
Total Fund Balances	28,880,022	7,920,808		11,899,296	4,133,347	52,833,473
Total Liabilities and Fund Balances	\$31,480,117	\$7,920,808	\$1,426,011	\$13,099,048	\$4,355,280	\$58,281,264

See accompanying notes to financial statements

CITY OF LOS ALTOS
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2023

Fund balances of governmental funds \$52,833,473

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in Governmental Activities are not current financial resources. Therefore, were not reported in the governmental funds balance sheet:

Land, buildings, property, equipment and infrastructure, net 111,972,907

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds balance sheet.

(992)

Deferred outflows below are not current assets or financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows related to pension and OPEB 18,136,497

Deferred inflows related to pension and OPEB (7,438,299)

Long-term liabilities are not due and payable in the current period. Therefore, they were not reported in the governmental funds balance sheet.

Long-term debt - current portion (563,355)

Long-term debt - noncurrent portion (8,725,019)

Net pension liability (40,667,439)

Net OPEB liability (75,263)

Compensated absences - current portion (812,898)

Compensated absences - noncurrent portion (2,438,695)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the governmental-wide statement of net position.

3,223,822

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$125,444,739

See accompanying notes to financial statements

CITY OF LOS ALTOS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	General	In-Lieu Park Land Fund	Measure B Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property tax	\$32,644,256					\$32,644,256
Sales tax	3,686,148					3,686,148
Utility users	3,214,718					3,214,718
Other tax	4,110,059					4,110,059
Licenses, permits and fees	5,624,139				\$186,831	5,810,970
Intergovernmental		\$321,500	\$1,426,012		1,933,057	3,680,569
Grants and donations	172,437			\$92,285		264,722
Charges for services	7,026,614				106,960	7,133,574
Fines and forfeitures	161,918				13,167	175,085
Interest and rentals	385,282	85,340	15,056		82,729	568,407
Other	140,273					140,273
Total Revenues	57,165,844	406,840	1,441,068	92,285	2,322,744	61,428,781
EXPENDITURES						
General government						
Public safety	20,749,376					20,749,376
Public works	5,939,633					5,939,633
Recreation	2,847,253					2,847,253
Community development	6,331,784				235,458	6,567,242
Admin / community development	7,762,603					7,762,603
Utility and sustainability	536					536
Capital improvements				8,133,744	165,435	8,299,179
Debt service:						
Principal					553,862	553,862
Interest and fiscal charges					241,935	241,935
Total Expenditures	43,631,185			8,133,744	1,196,690	52,961,619
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,534,659	406,840	1,441,068	(8,041,459)	1,126,054	8,467,162
OTHER FINANCING SOURCES (USES)						
Transfers in (Note 3)	318,358			8,276,024	1,717,542	10,311,924
Transfers (out) (Note 3)	(4,290,435)	(836,643)	(1,858,762)	(186,228)	(4,816,856)	(11,988,924)
Total Other Financing Sources (Uses)	(3,972,077)	(836,643)	(1,858,762)	8,089,796	(3,099,314)	(1,677,000)
NET CHANGE IN FUND BALANCES	9,562,582	(429,803)	(417,694)	48,337	(1,973,260)	6,790,162
BEGINNING FUND BALANCES, AS RESTATED (Note 7J)	19,317,440	8,350,611	417,694	11,850,959	6,106,607	46,043,311
ENDING FUND BALANCES	\$28,880,022	\$7,920,808	\$11,899,296	\$4,133,347	\$52,833,473	

See accompanying notes to financial statements

CITY OF LOS ALTOS
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances of governmental funds \$6,790,162

Amounts reported for governmental activities in the Statement of Activities are different because:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

Capital Asset Addition 6,852,326
Adjustment/retirement for capital assets 1,493,670

Depreciation expense on capital assets is reported in the government wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (3,081,598)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.
Principal payment 553,877

The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):
Compensated absences (1,798,295)
Interest payable 4,321
Net OPEB liability, and related deferred outflows and inflows of resources (155,345)
Net pension liability, and related deferred outflows and inflows of resources 6,746,250

Internal Service Funds are used by management to charge the costs of certain activities such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities. 528,996

Changes in net position of governmental activities \$17,934,364

See accompanying notes to financial statements



This Page Left Intentionally Blank

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City reported all of its Enterprise Funds as major funds in fiscal 2023.

SEWER

To account for the operation (including wastewater treatment) of the City's sewer treatment activities, a self-supporting activity which provides services on a user charge basis.

SOLID WASTE

To account for the collection and disposal of solid waste, a self-supporting activity that provides service on a user charge basis.

CITY OF LOS ALTOS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2023

	Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Totals	
ASSETS				
Current Assets:				
Cash and investments (Note 2)	\$12,994,953	\$4,816,593	\$17,811,546	\$7,425,281
Accounts receivable	170,465	82,963	253,428	76,391
Total Current Assets	13,165,418	4,899,556	18,064,974	7,501,672
Non-Current Assets:				
Capital assets (Note 4):				
Nondepreciable	2,344,704		2,344,704	
Depreciable	26,233,675		26,233,675	
Less accumulated depreciation	(12,705,546)		(12,705,546)	
Total capital assets, net	15,872,833		15,872,833	
Total non-current Assets	15,872,833		15,872,833	
Total Assets	29,038,251	4,899,556	33,937,807	7,501,672
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension (Note 10)	1,160,594	469,037	1,629,631	
Related to OPEB (Note 11)	126,041	21,742	147,783	
Total Deferred Outflows	1,286,635	490,779	1,777,414	
LIABILITIES				
Current Liabilities:				
Accounts payable	134,770	36,364	171,134	44,089
Accrued liabilities	27,161	12,401	39,562	
Compensated absences (Note 6)	70,640		70,640	
Claims and judgements (Note 8)				1,056,753
Total Current Liabilities	232,571	48,765	281,336	1,100,842
Long-Term Liabilities				
Compensated absences (Note 6)	130,593	81,325	211,918	
Claims and judgements (Note 8)				3,177,008
Net pension liabilities (Note 10)	2,583,528	1,044,095	3,627,623	
Net OPEB liabilities (Note 11)				
Total Noncurrent Liabilities	2,714,121	1,125,420	3,839,541	3,177,008
Total Liabilities	2,946,692	1,174,185	4,120,877	4,277,850
DEFERRED INFLOWS OF RESOURCES				
Related to pension (Note 10)	559,875	226,265	786,140	
Related to OPEB (Note 11)	32,396	(6,988)	25,408	
Total Deferred Inflows	592,271	219,277	811,548	
NET POSITION (Note 7)				
Net investment in capital assets	15,872,833		15,872,833	
Unrestricted (deficit)	10,913,090	3,996,873	14,909,963	3,223,822
Total Net Position (Deficit)	\$26,785,923	\$3,996,873	\$30,782,796	\$3,223,822

See accompanying notes to financial statements

CITY OF LOS ALTOS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2023

	Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Totals	
OPERATING REVENUES				
Charges for services	\$8,849,478	\$979,034	\$9,828,512	\$719,950
Total Operating Revenues	8,849,478	979,034	9,828,512	719,950
OPERATING EXPENSES				
Outside services	4,060,659	496,507	4,557,166	
Employee services	2,463,082	1,654,940	4,118,022	
Claims and insurance				2,038,669
Administration				87,985
Depreciation	563,339		563,339	
Total Operating Expenses	7,087,080	2,151,447	9,238,527	2,126,654
Operating Income (Loss)	1,762,398	(1,172,413)	589,985	(1,406,704)
NONOPERATING REVENUES				
Interest income (expenses)	118,371	50,255	168,626	
Total Nonoperating Revenues	118,371	50,255	168,626	
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3)				1,935,700
Transfers (out) (Note 3)	(201,000)	(57,700)	(258,700)	
Total Other Financing Sources (Uses)	(201,000)	(57,700)	(258,700)	1,935,700
Change in Net Position	1,679,769	(1,179,858)	499,911	528,996
BEGINNING NET POSITION, AS RESTATED	25,106,154	5,176,731	30,282,865	2,694,826
ENDING NET POSITION	\$26,785,923	\$3,996,873	\$30,782,776	\$3,223,822

See accompanying notes to financial statements

CITY OF LOS ALTOS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2023

	Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$8,838,237	\$1,014,049	\$9,852,286	\$972,116
Cash payments to suppliers for goods and services	(4,085,180)	(469,013)	(4,554,193)	
Cash payment employees for services	(1,967,418)	(801,434)	(2,768,852)	
Cash payments to claimants				(598,673)
Insurance premiums, settlements and rebates				(1,609,570)
Cash Flows from (used for) Operating Activities	2,785,639	(256,398)	2,529,241	(1,236,127)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from (to) other funds	(201,000)	(57,700)	(258,700)	1,935,700
Cash Flows (used for) Noncapital Financing Activities	(201,000)	(57,700)	(258,700)	1,935,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,080,080)		(1,080,080)	
Cash Flows (used for) Capital and Related Financing Activities	(1,080,080)		(1,080,080)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	118,371	50,255	167,824	
Cash Flows from Investing Activities	118,371	50,255	167,824	
Net Cash Flows	1,622,930	(263,843)	1,358,285	699,573
Cash and investments at beginning of period	11,372,023	5,080,436	16,453,261	6,725,708
Cash and investments at end of period	\$12,994,953	\$4,816,593	\$17,811,546	\$7,425,281
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:				
Operating income (loss)	\$1,762,398	(\$1,172,413)	\$589,985	(\$1,406,704)
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation	563,339		563,339	
Change in assets and liabilities:				
Receivables, net	(11,241)	35,015	23,774	252,166
Accounts payable and other accrued expenses	(24,521)	27,494	2,973	12,998
Net pension liabilities and deferred inflows and outflows	484,872	801,323	1,286,195	
Net OPEB liabilities	(98,173)	(29,142)	(127,315)	
Compensated absences	108,965	81,325	190,290	
Claims and judgments				(94,587)
Cash Flows from (used for) Operating Activities	\$2,785,639	(\$256,398)	\$2,529,241	(\$1,236,127)

See accompanying notes to financial statements

FIDUCIARY FUNDS

The City of Los Altos only reports one type of Fiduciary Funds: Custodial Funds

Custodial Funds are custodial in nature and does not involve measurement of the results of operations. It is used to account for assets held in a custodial capacity for others and therefore cannot be used to support the City's programs.

CITY OF LOS ALTOS
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Custodial Funds Total</u>
ASSETS	
Cash and investments (Note 2)	\$43,485
Restricted cash and investments (Note 2)	<u>47,247</u>
Total Assets	<u>90,732</u>
NET POSITION	
Restricted for:	
Improvement district	<u>90,732</u>
Total Net Position	<u><u>\$90,732</u></u>

See accompanying notes to financial statements

CITY OF LOS ALTOS
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Custodial Funds Total</u>
ADDITIONS	
Fee collections	<u>\$54,047</u>
Total Additions	<u>54,047</u>
DEDUCTIONS	
Distributions	<u>47,338</u>
Total Deductions	<u>47,338</u>
Net increase(decrease) in net position	6,709
Net Position-Beginning	<u>84,023</u>
Net Position-Ending	<u><u>\$90,732</u></u>

See accompanying notes to financial statements



This Page Left Intentionally Blank

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Background

The basic financial statements of the City of Los Altos, California (the City), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below:

Reporting Entity

The City incorporated in 1952. The City operates under an elected Council and appointed City Manager form of government and provides the following services: public safety, recreation, community development, public works, capital improvements, and general supporting administrative services. The City has no component units.

B. Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts which includes its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with such provisions and managerial requirements.

Government-wide Statements: The City’s Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities and Changes in Net Position presents changes in the net position of the City. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability for goods or services is incurred.

Certain types of transactions are reported as program revenues for the city in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following inter-fund activities have been eliminated:

- Due to, due from other funds
- Transfers in, transfers out
- Internal service fund transactions

Fund Financial Statements: Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds in the aggregate. An accompanying schedule is included to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-Wide financial statements.

Governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The City’s primary revenue sources, which have been treated as susceptible to accrual by the City, are: property tax, sales tax, hotel tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred and are accrued accordingly.

Deferred inflow of resources arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the revenue is recognized.

The reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements: Proprietary Fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

A column representing the City’s internal service funds, those funds that support agency wide shared service costs, is also presented in these statements. These internal service balances and activities are combined with the governmental activities in the Government-wide Financial Statements.

Proprietary Funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Change in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability for goods or services is incurred.

Proprietary Funds distinguish operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise and internal service funds are charges for customer services, including sewer charges, solid waste fees, and support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Financial Statements: The City’s Fiduciary Funds are comprised of custodial funds used to account for the operating activities and for the special assessment collections pertaining to the Blue Oak Lane Sewer Improvements. Custodial Funds are accounted for on the full accrual basis of accounting.

Internal Service Funds: Internal Service Funds account for services provided to other departments pertaining to the employee self-insurance dental program, unemployment insurance, workers’ compensation insurance and liability insurance, and PERS reserve of which are funded on a cost reimbursement basis as budget projections and valuations develop.

**CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund – Accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another funds. The General Fund supports essential City services such as police, fire, street and park maintenance, public works, and community development and recreation activities. The General Fund also includes the Real Property Proceeds Funds, which accounts for the proceeds from sale of real property and the Community Facilities Renewal Fund, which accounts for the revenues and expenditures related to the community facilities renewal efforts.

In-Lieu Park Land Fund – Accounts for revenues received in lieu of parkland dedications. The revenues are dedicated for purchasing or improving park or recreational facilities.

Measure B Fund – Accounts for revenue received from the Santa Clara County, voters approved a half-cent sales tax measure; disbursed by Valley Transportation Authority. All funds are restricted to transit, highways, expressway, and active transportation (bicycle, pedestrians, and complete streets) projects.

Capital Project Fund – Accounts for the acquisition and construction of major general government capital projects and plans that are financed by resources other than proprietary funds.

The City reported all of its enterprise funds as major funds in the accompanying financial statements:

Sewer Fund – Accounts for the operation (including waste water treatment) of the City’s sewer treatment activities, a self-supporting activity which provides services on a user charge basis.

Solid Waste Fund – Accounts for the administration and support of contracted solid waste services, a self-supporting user charge for services activity.

D. Recognition of Interest Payable

In the Governmental Fund Financial Statements, interest expenditures on long-term debt are recognized when payment is made. In the Government-wide Financial Statements and Proprietary Fund Financial Statements interest expense is recognized as the liability is incurred.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City’s policy is to apply restricted net position first.

F. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset- backed Securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

The City places liquid assets in a pooled investment account with the goal of enhancing the diversity of its investment holdings. This portfolio complies with state code investment requirements and is subject to a more restrictive City adopted investment policy. Such funds are held independently in City established investment custodial accounts.

For purposes of reporting cash flows, the City considers each fund’s share in the cash and investments pool to be cash and cash equivalents including cash with fiscal agents.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

H. Prepaid items and Inventories

Inventory, mainly consisting of vehicle fuel and prepaid supplies, is stated at cost on an average cost basis and is controlled by a perpetual inventory system which is adjusted to reflect periodic physical counts. Inventories are recorded as expenditures in the General Fund and charged to departments as consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed, rather than when purchased.

I. Restricted Cash

Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, certificate of participation and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Compensated Absences*

Government-wide Financial Statements: For governmental and business-type activities, compensated absences are recorded as expenses and liabilities as the time is earned by employees.

Fund Financial Statements: For Governmental Funds, compensated absences are recorded as expenditures in the years paid. The General Fund is typically used to pay out compensated absences that arise in the course of any one year. Unpaid and accumulated liabilities for some compensated absences accrue to future resources. In Proprietary Funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

K. *Property Taxes*

Santa Clara County (County) assesses all properties in the City, and it bills, collects and distributes property taxes to the City. Both secured and unsecured property taxes are levied on January 1. The County assesses properties and it bills, collects and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1 for the fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and it becomes delinquent after December 10 and April 10, respectively. The City and the County adopted the "alternative method of property tax distribution" known as the Teeter Plan that authorizes the County to allocate 100% of the secured property tax based on levy instead of collection and to retain all delinquent penalties and interest. Unsecured property tax is due on July 1 and becomes delinquent after August 31. Distribution of the unsecured property taxes is based on collections. Collection of delinquent accounts is the responsibility of the County, which retains all penalties. The County also distributes both penalties and interest collected for delinquent unsecured property taxes.

**CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated acquisition value on the date contributed. City policy has set the capitalization threshold for reporting capital assets at \$10,000 for equipment, \$25,000 for building and facility improvements and \$100,000 for infrastructure.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	50 years
Improvements	30-50 years
Machinery and Equipment	3-10 years
Infrastructure	30-100 years

In accordance with GASB Statement No. 34, the City has included all infrastructures in its Statement of Net Position.

The City defines infrastructure as basic physical assets that allow the City to function. The assets include the street system. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, streetlights and traffic control devices (signs, signals and pavement markings). These subsystems were not delineated in the Government-wide Financial Statements. The appropriate operating department maintains information regarding the subsystems.

For all infrastructure systems, the City has elected to use the Basic Approach, as defined by GASB Statement No. 34, for infrastructure reporting. The valuation of the City's infrastructure assets are determined based on the original cost using one of the following methods:

1. Use of historical records where available
2. Standard unit costs appropriate for the construction/acquisition date of the asset
3. Present replacement cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date

Accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date, was computed on a straight-line method. The book value was then computed by deducting the accumulated depreciation from the original cost.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-Term Debt

Government-wide Financial Statements: Long-term debt and other financial obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

Fund Financial Statements: The Governmental Fund Financial Statements do not present long-term debt, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position.

Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Proprietary Fund Financial Statements use the same principles as those used in the Government-wide Financial Statements.

N. Unearned Revenue

Government-wide Financial Statements: In the Government-wide Financial Statements, unearned revenue is recognized for transactions for which revenue has not yet been earned.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

P. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s OPEB Plan and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by California Employers’ Retiree Benefit Trust (CERBT). For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Subscription-Based Information Technology Arrangements (SBITAs)

As clarified by the Government Accounting Standards Board (GASB) Statement No. 96, the City initially measures the subscription liability at the present value of payments expected to be made during the contract term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets. The City recognizes SBITA liabilities with an initial, individual value of \$300,000 based on the future SBITA payments remaining at the start of the contract. The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. The City has no SBITA subject to GASB No. 96 as of June 30, 2023.

S. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2023.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The City did not have any PPP assets as of June 30, 2023.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 96 – Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The City did not have any SBITAs that met the criteria for capitalization as of June 30, 2023.

Future Governmental Accounting Standards (GASB) Pronouncements

GASB 101 – Compensated Absences

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash Deposits

The City’s cash and investments at June 30, 2023 are presented as follows:

Cash and investments	\$77,246,162
Restricted cash and investments	178,012
Custodial funds:	
Cash and investments	43,485
Restricted cash and investments	47,247
Total cash and investments	\$77,514,906

Cash and investments consist of the following as of June 30, 2023:

Cash on hand	\$2,170
Deposits with financial institutions*	8,559,008
Investments:	
Liquid investments	\$20,163,228
Managed investments	48,790,500
Total cash and investments	\$77,514,906

*Includes Workers' compensation imprest balances held by Tristar in trust for City.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Authorized Investments

Under the provisions of the City’s investment policy and in accordance with Section 53601 of the California Government Code, the City is authorized to invest or deposit in the following, with the limitations as they relate to interest rate risk, credit risk, and concentration of credit risk:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer	Minimum Rating
Local Agency Investment Fund	N/A	100%	\$75 million	N/A
Money Market Mutual Funds	N/A	20%	10%	N/A
Certificates of Deposit	3 years	50%	10%	A
Bankers' Acceptances	180 days	20%	10%	N/A
Commercial Paper	270 days	25%	5%	A-1
Repurchase Agreements	180 days	20%	10%	N/A
U.S. Treasury Bills, Notes and Bonds	5 years	100%	N/A	N/A
Supra-National Agency Notes and Bonds	5 years	20%	N/A	AA
U.S. Government-Sponsored Enterprise Agencies	5 years	100%	20%	N/A
Medium-Term Corporate Notes	5 years	30%	3%	A
Asset-backed Securities	5 years	20%	3%	AAA

C. Interest Risk

Interest rate risk is the market rate changes that adversely affect the fair value of an investment. Generally, the sensitivity of an investment fair value to changes in market rates is greater when the maturity of the investment is longer.

Investments held in city treasury grouped by maturity date at June 30, 2023, are shown below:

Investment Type	One Year or Less	13 months to 24 months	25 months to 36 months	37 months to 48 months	Total
Money Market Mutual Fund	\$225,259				\$225,259
Government Sponsored Enterprise Agencies:					
Federal National Mortgage Association Notes (FNMA)			\$143,498		143,498
Federal Home Loan Mortgage Corporation (FHLMC)		\$470,593			470,593
Federal Home Mortgage-backed Security (FHMS)			711,413	\$861,870	1,573,283
U.S. Treasury Notes	2,625,394	9,612,837	10,685,440		22,923,671
Supra-National Agency Notes and Bonds		504,187			504,187
Certificate of Deposit		374,926	995,308		1,370,234
Medium-Term Corporate Notes	368,193	6,831,810	4,966,441	368,042	12,534,486
Asset-Backed Securities	24,435	231,522	842,695	7,946,637	9,045,289
Local Agency Investment Funds (LAIF)	10,136,741				10,136,741
California Asset Management Program (CAMP)	10,026,487				10,026,487
Total investments	<u>\$23,406,509</u>	<u>\$18,025,875</u>	<u>\$18,344,795</u>	<u>\$9,176,549</u>	<u>68,953,728</u>
Demand Deposits and Cash on Hand					8,561,178
Total cash and investments					<u>\$77,514,906</u>

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

D. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2023:

<i>Investments by Fair Value Level:</i>	Level 1	Level 2	Total
Government Sponsored Enterprise Agencies:			
Federal National Mortgage Association Notes (FNMA)		\$143,498	\$143,498
Federal Home Loan Mortgage Corporation (FHLMC)		470,593	470,593
Federal Home Mortgage-backed Security (FHMS)		1,573,283	1,573,283
U.S. Treasury Notes	\$22,923,671		22,923,671
Supra-National Agency Notes and Bonds		504,187	504,187
Medium-Term Corporate Notes		12,534,486	12,534,486
Asset-backed Securities		9,045,289	9,045,289
Total Investments	\$22,923,671	\$24,271,336	47,195,007
 <i>Investments Measured at Amortized Cost:</i>			
Certificates of Deposit			1,370,234
Money Market Mutual Fund			225,259
California Local Agency Investment Fund (LAIF)			10,136,741
California Asset Management Program (CAMP)			10,026,487
Cash in banks and on hand			8,561,178
Total Cash and investments			\$77,514,906

Investments above classified in Level 1 of the fair value hierarchy are valued using a quoted price in an active market for an identical asset. Investments above classified in Level 2 of the fair value hierarchy are valued using a quoted price in a non-active market for an identical asset. These prices are obtained from various pricing sources by the custodian bank. Certificates of Deposit, Money Market Mutual Fund and LAIF are valued at amortized cost and therefore, exempt from being classified under GASB 72.

**CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

E. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is usually measured by the assignment of a rating by a nationally recognized statistical rating organization.

At June 30, 2023, the City’s deposit and investments were rated as follows:

Investment Type	Credit Quality Ratings		Market Value
	Moody's	S&P	
Securities of Government Sponsored Enterprise Agencies:			
Federal National Mortgage Association Notes (FNMA)	Aaa	AA+	\$143,498
Federal Home Loan Mortgage Corporation Notes (FHLMC)	Aaa	AA+	470,593
Federal Home Mortgage-backed Security (FHMS)	Aaa	AA+	1,573,283
U.S. Treasury Notes	Aaa	AA+	22,923,671
Medium-Term Corporate Notes:			
HSBC USA Inc	A1	A-	368,193
Bank of America (Callable)	A1	A-	199,815
American Express Co. (Callable)	A2	BBB+	217,675
American Honda Finance	A3	A-	175,678
PACCAR Financial Corp	A1	A+	137,276
Unilever Capital Corp. (Callable)	A1	A+	94,589
Cooperative Rabo Bank UA	Aa2	A+	245,283
Goldman Sachs Group Inc. (Callable)	A2	BBB+	148,296
Bank of America Corp (Callable)	A1	A-	270,329
John Deere Capital Corp	A2	A	207,046
Cooperative Rabo Bank UA	Aa2	A+	234,764
American Honda Finance	A3	A-	236,167
Linde INC/CT (Callable)	A2	A	167,623
National Rural Utility Coop	A2	A-	165,286
Toyota Motor Credit	A1	A+	189,395
JP Morgan Chase & Co. (Callable)	A1	A-	164,006
American Express Co. (Callable)	A2	BBB+	141,865
Exxon Mobil Corp (Callable)	Aa2	AA-	124,844
John Deere Capital Corp	A2	A	71,227
Abbott Laboratories Corp (Callable)	Aa3	AA-	159,392
Unilever Capital Corp (Callable)	A1	A+	120,899
Burlington North Santa Fe (Callable)	A3	AA-	120,336
Paccar Financial Corp	A1	A+	239,397
Amazon.com Inc	A1	AA	337,382

(Continued)

**CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Home Depot Inc (Callable)	A2	A	38,288
Brown-Forman Corp Notes (Callable)	A1	A-	111,242
Bank of NY Mellon (Callable)	A1	A	483,717
Citigroup Inc.	A3	BBB+	167,479
Cintas Corporation No. 2 Corp Note (Callable)	A3	A-	168,948
Caterpillar Finl Service	A2	A	121,108
General Dynamics Corp (Callable)	A3	A-	160,174
Hershey Co. (Callable)	A1	A	119,604
JP Morgan Chase & Co. (Callable)	A1	A-	327,837
Honeywell Intl Corp (Callable)	A2	A	163,071
Trust Financial Corp (Callable)	A3	A-	221,440
National Australia BK/NY	Aa3	AA-	246,300
National Rural Utility Corp	A2	A-	96,213
JP Morgan Chase & Co. (Callable)	A1	A-	219,279
Morgan Stanley	A1	A-	82,549
IBM Corp	A3	A-	366,534
Intel Corp (Callable)	A2	A	194,616
Bank of America	A1	A-	218,098
ColGate-Palmolive Co	Aa3	AA-	52,946
Walmart Inc	Aa2	AA	146,765
Home Depot Inc (Callable)	A2	A	53,928
Lockheed Martin (Callable)	A3	A-	174,519
UnitedHealth Group Inc	A3	A+	80,221
PNC Financial Service (Callable)	A3	A-	109,050
Comcast Corp	A3	A-	175,919
Bristol Myers Squibb Co.	A2	A+	113,378
Linde Inc (Callable)	A2	A	248,123
AUST & NZ Banking Grp NY	Aa3	AA-	249,141
CitiGroup Inc	A3	BBB+	191,738
National Australia BK/NY	Aa3	AA-	412,032
State Street Corp (Callable)	A1	A	102,490
Pepsico Inc (Callable)	A1	A+	114,663
Morgan Stanley (Callable)	A1	A-	274,571
ColGate-Palmolive Co	Aa3	AA-	210,357
National Rural Utility Coop (Callable)	A2	A-	123,010
State Street Corp (Callable)	A1	A	243,480
Bank of America	A1	A-	167,801
Wells Fargo & Co	A1	BBB+	188,196
Caterpillar Finl Service	A2	A	246,068
Toyota Motor	A1	A+	206,969
Bank of NY Mellon (Callable)	A1	A	243,352
Truist Fin Corp (Callable)	A3	A-	124,690
PNC Bank NA Corp (Callable)	A2	A	237,819

(Continued)

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Certificates of Deposit			
Credit Agricole CIB NY	Aa3	A+	374,926
Toronto Dominion Bank NY	A1	A	499,662
Nordea Bank ABP NY	Aa3	AA-	495,646
Asset-backed Securities	NR	AAA	3,954,413
Asset-backed Securities	Aaa	AAA	3,340,511
Asset-backed Securities	Aaa	NR	1,750,365
Supra-National Agency Notes and Bonds	Aaa	AAA	504,187
Money Market	Aaa	AAA m	<u>225,259</u>
Subtotal			48,790,500
Not Rated:			
Cash on hand	Not Rated	Not Rated	2,170
US Bank General Checking	Not Rated	Not Rated	8,559,008
Local Agency Investment Funds (LAIF)	Not Rated	Not Rated	10,136,741
California Asset Management Program (CAMP)	Not Rated	Not Rated	<u>10,026,487</u>
Total Investments			<u>\$77,514,906</u>

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

As of June 30, 2023, the City's bank balance was \$8,451,123 and the corresponding carrying book balance was \$8,078,739. Of the bank balance, \$250,000 was covered by federal depository insurance and \$7,828,739 was collateralized.

Investments: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

**CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

G. Investment in State Investment Pool

The City is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City’s investment in this pool as reported in the accompanying financial statements is based upon the Entity’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

As of June 30, 2023, the City held \$10,136,741 in LAIF. The LAIF fair value factor of 0.984828499 was used to calculate the fair value of the investments in LAIF and average maturity of 260 days.

NOTE 3 - INTERFUND TRANSACTIONS

A. Transfers

Transfers between funds during the fiscal year ended June 30, 2023 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount
General Fund	Non Major Governmental Funds	\$301,361 B&E
	Capital Projects Funds	2,312,074 A
	Internal Services Funds	1,677,000 F
In-Lieu Park Land Special Revenue Fund	Non Major Governmental Funds	793,965 D
	Capital Project Fund	42,678 A
Measure B Fund	Non Major Governmental Funds	435,988 A
	Capital Projects Fund	1,422,774 A
Non Major Governmental Funds	General Fund	318,358 A&C&G
	Capital Project Funds	4,498,498 A
Capital Projects Fund	Non Major Governmental Funds	186,228 A&E
Sewer Fund	Internal Services Fund	201,000 F
Solid Waste Fund	Internal Services Fund	57,700 F
		\$12,247,624

Interfund transfers were principally used for the following purposes,

- A To Fund Capital Project
- B To Cover Negative Cash & Close the Fund
- C Public Safety Related Fund Transfer
- D To Fund Debt Service
- E To Fund Equipment Replacement Fund
- F To Fund Internal Services Funds
- G Technology Related Fund Transfer

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

B. Due to/from other funds

Current interfund balances arise in the normal course of business, to fund projects until the borrowing fund receives revenues to repay the lending fund and to assist funds with negative cash balance at the fiscal year end. The following is a summary of interfund balances as of June 30, 2023:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Non-Major Governmental Fund	\$213,483
	Measure B Fund	1,426,011

NOTE 4 - CAPITAL ASSETS

A. Government-wide Financial Statements

At June 30, 2023, the City’s capital assets consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Nondepreciable assets:			
Construction in progress	\$19,535,028	\$2,344,704	\$21,879,732
Land	11,642,285		11,642,285
Total nondepreciable assets	<u>31,177,313</u>	<u>2,344,704</u>	<u>33,522,017</u>
Depreciable assets:			
Buildings	23,607,089	15,990,759	39,597,848
Improvements	6,537,672		6,537,672
Machinery and equipment	7,166,615	1,066,804	8,233,419
Infrastructure	87,527,222	9,176,112	96,703,334
Total depreciable assets	124,838,598	26,233,675	151,072,273
Less accumulated depreciation	<u>(44,043,004)</u>	<u>(12,705,546)</u>	<u>(56,748,550)</u>
Total depreciable assets, net	<u>80,795,594</u>	<u>13,528,129</u>	<u>94,323,723</u>
Total capital assets	<u>\$111,972,907</u>	<u>\$15,872,833</u>	<u>\$127,845,740</u>

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 4 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets for governmental activities for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Transfers	Retirements & Adjustment	Balance June 30, 2023
Governmental Activities:					
Capital assets, not depreciated:					
Land	\$11,642,285				\$11,642,285
Construction in progress	30,747,770	\$8,172,956	(\$19,385,698)		19,535,028
Total capital assets, not depreciated	<u>42,390,055</u>	<u>8,172,956</u>	<u>(19,385,698)</u>		<u>31,177,313</u>
Buildings	21,637,868			\$1,969,221	23,607,089
Improvements	6,537,672				6,537,672
Machinery and equipment	7,233,195	222,101		(288,681)	7,166,615
Infrastructure	68,141,524		19,385,698		87,527,222
Total cost of depreciable assets	<u>103,550,259</u>	<u>222,101</u>	<u>19,385,698</u>	<u>1,680,540</u>	<u>124,838,598</u>
Less accumulated depreciation:					
Buildings	(11,826,784)	(398,477)		(1,969,221)	(14,194,482)
Improvements	(2,947,543)	(159,815)			(3,107,358)
Machinery and equipment	(5,581,081)	(299,423)		239,620	(5,640,884)
Infrastructure	(18,876,397)	(2,223,883)			(21,100,280)
Total accumulated depreciation	<u>(39,231,805)</u>	<u>(3,081,598)</u>		<u>(1,729,601)</u>	<u>(44,043,004)</u>
Net depreciable assets	<u>64,318,454</u>	<u>(2,859,497)</u>	<u>19,385,698</u>	<u>(49,061)</u>	<u>80,795,594</u>
Governmental Activity Capital Assets, Net	<u>\$106,708,509</u>	<u>\$5,313,459</u>		<u>(\$49,061)</u>	<u>\$111,972,907</u>

The governmental activities depreciation expenses for capital assets for the year ended June 30, 2023 are as follows:

Functions/Programs	Total
Public safety	\$173,641
Public works	2,290,242
Recreation	452,402
Community development	815
Admin / community services	164,498
Total depreciation expense	<u>\$3,081,598</u>

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 4 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets for business-type activities:

	Balance June 30, 2022	Additions	Transfers & Adjustments	Balance June 30, 2023
Business-Type Activities:				
Capital assets, not depreciated:				
Construction in progress	\$2,023,475	\$1,080,080	(\$758,851)	\$2,344,704
Total capital assets, not depreciated:	<u>2,023,475</u>	<u>1,080,080</u>	<u>(758,851)</u>	<u>2,344,704</u>
Capital assets, being depreciated:				
Buildings	17,959,980		(1,969,221)	15,990,759
Machinery and equipment	1,066,804			1,066,804
Infrastructure	8,417,261		758,851	9,176,112
Total cost of depreciable assets	<u>27,444,045</u>		<u>(1,210,370)</u>	<u>26,233,675</u>
Less accumulated depreciation:				
Buildings	(10,892,765)	(206,395)	1,969,221	(9,129,939)
Machinery and equipment	(931,661)	(24,579)		(956,240)
Infrastructure	(2,287,002)	(332,365)		(2,619,367)
Total accumulated depreciation	<u>(14,111,428)</u>	<u>(563,339)</u>	<u>1,969,221</u>	<u>(12,705,546)</u>
Net depreciable assets	<u>13,332,617</u>	<u>(563,339)</u>	<u>758,851</u>	<u>13,528,129</u>
Business-type Activity Capital Assets, Net	<u>\$15,356,092</u>	<u>\$516,741</u>	<u></u>	<u>\$15,872,833</u>

Depreciation expense for business-type activities related to the Sewer Fund amounted to \$563,339 for the year ended June 30, 2023.

B. Fund Financial Statements

The Governmental Fund Financial Statements do not present capital assets, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position.

The capital assets of the Enterprise Funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-wide Financial Statements.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 5 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Debt

Summary of changes in governmental activities long-term debt for the year ended June 30, 2023 is as follows:

	Balance at June 30, 2022	Retirements	Balance at June 30, 2023	Due Within One Year	Due in More Than One Year
2004 Certificate of Participation	\$750,000	(\$140,000)	\$610,000	\$140,000	\$470,000
Direct Borrowing-Community Center Lease	9,092,251	(413,877)	8,678,374	423,355	8,255,019
Total	<u>\$9,842,251</u>	<u>(\$553,877)</u>	<u>\$9,288,374</u>	<u>\$563,355</u>	<u>\$8,725,019</u>

2004 Refunding Certificate of Participation: On November 1, 1996, the City issued \$2,630,000 principal amount of Certificates of Participation (ABAG 38 COPs). The purpose of the ABAG 38 COPs was to finance the partial purchase of the 5.5 acre Saint William School site for public purposes and uses. During 2004 the City issued \$2,500,000 of 2004 Refunding Certificates of Participation to advance refund \$2,390,000 of outstanding principal on the ABAG 38 Certificates of Participation, set up reserve funds, and to pay related issuance costs. The entire ABAG 38 Certificates of Participation had been paid off by June 30, 2004. This advance refunding was undertaken to reduce total future debt service payments.

The Certificates of Participation are limited obligations of the City, payable from appropriations budgeted for in the City’s annual adopted budget. The Certificate covenants contain events of default that may result in the termination of the lease, collection of rent due and other monetary charges and terminate the City's right to possession of the leased property as applied by the Trustee and specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. There were no such events occurred during the fiscal year ending June 30, 2023.

Direct Borrowing - Community Center Lease Agreement: On December 1, 2020, the City entered into Lease Agreements with the Public Property Financing Corporation of California, which subsequently assign the Agreement to Sterling National Bank (Assignee), under which the City leased certain facilities and the land on which the City’s Community Center is located, for which the Assignee made a one-time up-front lease payment to the City in the amount of \$10,000,000. Simultaneously, the City will lease back from the Assignee with annual lease payments over a lease term of 19 years, at a fixed interest rate of 2.290% per year. The Sublease is secured by the leased property. The Sublease is repayable in semi-annual payments beginning June 2021 through June 30, 2040. The pledge of repayment is from the General Fund.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

At June 30, 2023, future debt service requirements were as follows:

Years ending June 30	2004 COP		Direct Borrowing Community Center Lease		Total
	Principal	Interest	Principal	Interest	
2024	\$140,000	\$25,925	\$423,355	\$198,735	\$788,015
2025	150,000	19,975	433,050	189,040	792,065
2026	155,000	13,600	442,967	179,123	790,690
2027	165,000	7,012	453,111	168,979	794,102
2028	-	-	463,487	158,603	622,090
2029-2033	-	-	2,481,586	628,862	3,110,448
2034-2038	-	-	2,779,044	331,404	3,110,448
2039-2040	-	-	1,201,774	41,426	1,243,200
Total	<u>\$610,000</u>	<u>\$66,512</u>	<u>\$8,678,374</u>	<u>\$1,896,172</u>	<u>\$11,251,058</u>

B. Non-City Obligations

The following bonds are not reported in the City’s financial statements as they are special obligations payable solely from and secured by specific revenue sources as described in the resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City is pledged for payment of these obligations.

	Balance June 30, 2022	Retirements	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
Blue Oak Lane	<u>\$470,000</u>	<u>(\$15,000)</u>	<u>\$455,000</u>	<u>\$20,000</u>	<u>\$435,000</u>
Total	<u>\$470,000</u>	<u>(\$15,000)</u>	<u>\$455,000</u>	<u>\$20,000</u>	<u>\$435,000</u>

Blue Oak Lane Special Assessment District: On November 5, 2009, Limited Obligation Improvement Bonds were issued for a newly formed Blue Oak Lane Sewer Assessment District (series 2009) to finance the acquisition and construction, by the City, of sanitary sewer improvements serving properties within the subject assessment District. These bonds are issued upon and secured by individual parcel levied assessments to be included in the annual property tax billings annually. The Bonds mature in 2039, were issued in a principal amount of \$662,880 and are subject to semi-annual debt service payments administered by the City.

**CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 6 - COMPENSATED ABSENCES PAYABLE

The City’s compensated absences at June 30, 2023, were as follows:

	Governmental Activities	Business-type Activities	Total
Balance at July 1, 2022	\$1,453,298	\$92,268	\$1,545,566
Additions	2,872,552	286,732	3,159,284
Payments	(1,074,257)	(96,442)	(1,170,699)
Balance at June 30, 2023	<u>\$3,251,593</u>	<u>\$282,558</u>	<u>\$3,534,151</u>
Current Portion	<u>\$812,898</u>	<u>\$70,640</u>	<u>\$883,538</u>
Long-Term Portion	<u>\$2,438,695</u>	<u>\$211,918</u>	<u>\$2,650,613</u>

NOTE 7 - NET POSITION AND FUND BALANCES

A. Fund Balances

In the fund financial statements, governmental funds report the following classifications: non-spendable, restricted, committed, assigned, and unassigned. The City Council, as the highest level of decision making authority for the City, can commit fund balances through the adoption of a formal action in accordance with the adoption of its annual Financial Policy. This formal action includes committing funds through budget adoption or by resolution. This policy authorizes the City Manager to assign fund balances and has set the budgetary level of control at the Fund and Capital Project level for the governing body and the department level for the City Manager and assignees.

B. General Fund Reserve

The City Council has established a General Fund Reserve goal level of 20% of annual operating expenditures and has set funds aside accordingly through its annual budgetary actions. These funds would be available for use in such conditions to mitigate negative economic fiscal impacts or State takeaways and can be activated within any one budget cycle through Council action. An economic downturn would entail a projected and/or sudden drop in core revenues (major tax and service revenue loss) of equal to or greater than 5% (including the impact of inflation) and/or a change in economic parameters (such as interest rates, debt service rates, commodity prices, pension rates) that cause a material change in expenditures of 5% or more, or the occurrence of a local natural disaster or unexpected financial claim requiring the immediate use of cash balances of 5% or more, or the occurrence of a local natural disaster or unexpected financial claim requiring the immediate use of cash balances. In fiscal year 2020/2021, in line with budget approval, the City reallocated the pre-established State Budget Stabilization reserve into the aforementioned General Fund reserve. This results in the establishment of one Reserve balance to assist in periods of economic downturn or extraordinary need. The City’s reserve goal is at 20% during fiscal year 2022/23 based on total expenses for the year.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 7 - NET POSITION AND FUND BALANCES (Continued)

C. Classifications

In the Government-wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2023, fund balances for government funds are made up of the following:

- *Non-spendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, long-term notes receivable and land.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the City Council's highest level of decision-making authority. The City Council can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.
- *Assigned Fund Balance* – comprised of amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – conveys the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. General fund is the only fund that reports a positive unassigned fund balance amount. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, a negative unassigned fund balance is reported in that fund.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 7 - NET POSITION AND FUND BALANCES (Continued)

D. Policies

Order of Use

The standard also requires governments to disclose the accounting policies that indicate the order in which restricted, committed, assigned and unassigned amounts are spent. The City considers restricted amounts to have been spent first when expenditures are incurred and both restricted and unrestricted fund balances are available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes of which committed, assigned, and unassigned fund balance is available. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Assignment and Commitment Authority

The City Council has approved by resolution a financial policy authorizing the City Manager to assign fund balances to facilitate year-end reporting requirements. The City Council, as the highest level of decision making authority for the City, has the ability to commit fund balances through the adoption by resolution. The same action must be taken to modify or rescind the commitment.

E. Fund Balances

Fund balances for all the major and non-major governmental funds as of June 30, 2023 were distributed as follows:

Fund Balance Classifications	General	In Lieu Park Land	Capital Projects	Other Governmental Funds	Total
Nonspendables:					
Inventory and prepaids	\$189,936				\$189,936
Total Nonspendable Fund Balances	189,936				189,936
Restricted for:					
Debt service				\$374,359	374,359
Special revenue programs and projects		\$7,920,808		3,339,864	11,260,672
Total Restricted Fund Balances		7,920,808		3,714,223	11,635,031
Assigned to:					
Emergency and operating	8,757,349				8,757,349
Veteran Memorial reserve	8,615				8,615
Technology reserve	1,242,318				1,242,318
Capital and equipment (Note 8I):					
Capital and equipment reserve				632,607	632,607
Construction in progress reserve			\$11,899,296		11,899,296
Total Assigned Fund Balances	10,008,282		11,899,296	632,607	22,540,185
Unassigned	18,681,804			(213,483)	18,468,321
Total Fund Balances	\$28,880,022	\$7,920,808	\$11,899,296	\$4,133,347	\$52,833,473

**CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 7 - NET POSITION AND FUND BALANCES (Continued)

F. Net Deficit

The funds listed in the table below had fund balance deficits at June 30, 2023. These deficits are expected to be eliminated by future revenues.

Vehicle Impound Special Revenue Fund	(\$14,142)
Traffic Impact Fee Special Revenue Fund	(199,341)

G. OPEB Reserves

As of June 30, 2023, \$551,000 has been assigned in recognition of existing Post-Retirement Health actuarial liability.

H. Encumbrances

The City implemented an encumbrance system during fiscal year 2023 to assist in controlling expenditures. Under this system, governmental funds are encumbered when purchase orders, contracts, or other commitments are signed or approved. The General Fund had an encumbrance balance at June 30, 2023 of \$1,763,161, which is reflected in the fiscal year 2023 budget.

I. Net Investment in Capital Assets

The balances related to Net Investment in Capital Assets are comprised of the following as of June 30, 2023:

	Governmental Activities	Business-Type Activities	Total
Capital Asset, net of accumulated depreciation	\$111,972,907	\$15,872,833	\$127,845,740
Minus: Capital-related long-term liabilities	(9,288,374)		(9,288,374)
Net Investment in Capital Assets	\$102,684,533	\$15,872,833	\$118,557,366

J. Restatement of Net Position

The City discovered that noncurrent claims payable in the Workers’ Compensation and General Insurance Internal Service Fund had been overstated and as a result, the beginning net position of the funds were restated and increased in the amount of \$771,571 & \$300,383 respectively as of July 1, 2022.

In the fiscal year of 2023, the City allocated \$292,614 from the General Fund balance to establish the PERS & OPEB Reserve Fund. This allows both the Enterprise Fund and General Fund to contribute towards addressing the CalPERS pension liability and OPEB liabilities. As a result, the beginning net position of the funds were restated and reduced in the amount of \$292,614 for the General Fund and increased for the same amount for the PERS & OPEB Reserve Fund as of July 1, 2022.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 8 - RISK MANAGEMENT

A. *Bay Cities Joint Powers Insurance Authority*

The City is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and floods for which the City is insured through Bay Cities Joint Powers Insurance Authority (Bay Cities).

The City has joined Bay Cities for general liability, property, errors and omissions, crimes and automobile physical damage coverage in the current year. Bay Cities is a public agency created in 1986 by and among various municipalities in Northern California to provide a pooled approach to liability insurance pursuant to the California Government Code. It is governed by a Board of Directors comprised of appointed officials from the member entities. The purpose of the pool is to provide various levels of liability coverage, claims administration, and loss control support to member agencies. Annually, each member pays an actuarially determined premium based on a formula which takes into account the prior three years' loss experience, annual payroll, and population.

Bay Cities provides coverage for its Members in excess of the member's retained limit, or self-insured retention (SIR), up to \$1,000,000 per occurrence. Each Member retains the portion of every loss that falls within their SIR, ranging from \$2,500 to \$1,000,000. Bay Cities is also a member of the California Affiliated Risk Management Authorities (CARMA), a risk sharing joint powers authority. When losses exceed the \$1,000,000 per occurrence limit, CARMA provides coverage up to \$28,000,000.

The City self-insures the first \$100,000 of each liability loss. Once the City's deductible is met, Bay Cities becomes responsible for payment of all claims up to the upper limit. During the year ended June 30, 2023, the City contributed \$29,187 for current year coverage.

The City continues to carry excess insurance policy for Workers' Compensation claims through the CSAC Excess Insurance Authority JPA up to the statutory limits and does so using the services of a contracted third-party administrator. The City has a \$250,000 deductible as of June 30, 2023. During the year, the City contributed \$450,729 for current year coverage.

As of June 30, 2023, \$52,083 of revolving funds was held in trust on behalf of the City by the workers' compensation third-party claims administrator. \$10,000 is also being held by Bay Cities in the procurement of liability and claims coverage. The City will receive these funds upon termination of services subject to final withdrawal adjustments.

The Bay Cities financial statements may be obtained from Bay Cities Joint Powers Insurance Authority, Bickmore, 1750 Creekside Oaks Drive Suite 200, Sacramento, CA 95833. CSAC Excess Insurance Authority financial statements may be obtained from CSAC Excess Insurance Authority, 75 Iron Point Circle Suite 200, Folsom, CA 95630.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 8 - RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

The GASB requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed in the section above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion, of these claims. The current accounting standards require that this amount be separately identified and recorded as a liability. Changes in the balances of claims liabilities during the past three years were as follows:

	June 30,		
	2023	2022	2021
Unpaid claims, beginning of year	\$5,400,302	\$4,221,000	\$3,750,000
Incurred claims and changes in estimates	(715,812)	1,282,326	873,276
Claim payments	(450,729)	(103,024)	(402,276)
Unpaid claims, end of year	<u>\$4,233,761</u>	<u>\$5,400,302</u>	<u>\$4,221,000</u>
Current Portion	<u>\$1,056,753</u>	<u>\$1,118,735</u>	<u>\$1,072,302</u>
Long-Term Portion	<u>\$3,177,008</u>	<u>\$4,281,567</u>	<u>\$3,148,698</u>

In conformance with current accounting standards the City obtained an independent actuarial valuation of all outstanding Workers Compensation and Liability claims. Both the Workers Compensation report and the General Liability report presented a valuation as of December 31, 2022 and projected values through fiscal years 2023 and 2024. The fiscal year 2022-2023 values presented above reflect the estimated present value of open claims as developed in this actuarial report, and those values do not represent the pending claims.

NOTE 9 - SELF-FUNDED REIMBURSEMENT DENTAL AND VISION PLAN

As a core benefit, the City provides a Dental & Vision Reimbursement Plan for full-time employees, their dependents, and council members. This style of plan is formally called a Health Reimbursement Arrangement (HRA). A HRA is an employer self-funded group health benefit that provides tax-free reimbursements for qualified dental and vision expenses up to a fixed dollar amount per calendar year. The HRA plan is administered by Navia Benefit Solutions. The City currently pays Navia a monthly administrative fee of \$3.75 per participant per month out of Human Resources Professional Services Budget. Reimbursements for approved eligible expenses are processed weekly and accounted for out of the City’s dental and vision reimbursement fund. Contributions and reimbursements for the past five fiscal years are as follows:

Fiscal year ended June 30,	Contribution Amount	Reimbursement Amount
2019	\$125,324	\$238,064
2020	258,874	253,377
2021	264,121	308,786
2022	340,693	340,693
2023	406,905	406,905
Total	<u>\$1,395,917</u>	<u>\$1,547,825</u>

**CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 9 - SELF-FUNDED REIMBURSEMENT DENTAL AND VISION PLAN (Continued)

The dental and vision plan year commences January 1st of each calendar year. An annual maximum dental and vision reimbursements of \$1,939 are provided for each employee and \$1,291 for each of their dependents. Any remaining balance in the fund for each plan year is carried forward to the following year. In subsequent years, the maximum coverage for both employees and dependents is increased annually based on the Consumer Price Index but not to exceed 3%.

NOTE 10 - PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plan

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous and Safety Tier I, Tier II and PEPRAs Employee Pension Rate Plan. The City’s Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors three miscellaneous and three safety rate plans. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 - PENSION PLAN (Continued)

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>Miscellaneous - Tier 1</u>
Hire date	Prior to January 1, 2012
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 67
Monthly benefits, as a % of eligible compensation	2.000% - 2.700%
Required employee contribution rates	8.000%
Required employer contribution rates	14.030%

	<u>Miscellaneous - Tier 2</u>
Hire date	January 1, 2012 - December 31, 2012
Benefit formula	2% @ 60
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 67
Monthly benefits, as a % of eligible compensation	1.092% - 2.418%
Required employee contribution rates	7.000%
Required employer contribution rates	8.630%

	<u>Miscellaneous - PEPRA</u>
Hire date	On or after January 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52 - 67
Monthly benefits, as a % of eligible compensation	1.000% - 2.500%
Required employee contribution rates	6.750%
Required employer contribution rates	7.470%

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 - PENSION PLAN (Continued)

	<u>Safety - Tiers 1 and 2</u>
Hire date	Prior to January 1, 2012
Benefit formula	3% @ 50
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 55
Monthly benefits, as a % of eligible compensation	3.000%
Required employee contribution rates	9.000%
Required employer contribution rates	23.750%

	<u>Safety - Tier 3</u>
Hire date	January 1, 2012 - December 31, 2012
Benefit formula	3% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 55
Monthly benefits, as a % of eligible compensation	2.400% - 3.000%
Required employee contribution rates	9.000%
Required employer contribution rates	20.640%

	<u>Safety - PEPRA</u>
Hire date	On or after January 1, 2013
Benefit formula	2.7% @ 57
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 57
Monthly benefits, as a % of eligible compensation	2.000% - 2.700%
Required employee contribution rates	13.000%
Required employer contribution rates	12.780%

Beginning in fiscal year 2018, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$3,326,955 in fiscal year 2023.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 - PENSION PLAN (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	Safety	Total
Contributions - employer	\$3,022,765	\$2,259,334	\$5,282,099

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$24,281,277
Safety	20,013,785
Total Net Pension Liability	\$44,295,062

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2021	0.80%	0.36%
Proportion - June 30, 2022	0.52%	0.29%
Change - Increase (Decrease)	(0.28%)	(0.07%)

For governmental funds, the General Fund has been primarily used to liquidate pension liabilities.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 - PENSION PLAN (Continued)

For the year ended June 30, 2023, the City recognized pension expense of \$5,460,055. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$3,022,765	
Differences between actual and expected experience	487,616	(\$326,584)
Changes in assumptions	2,488,124	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	372,252	(55,535)
Net differences between projected and actual earnings on plan investments	4,447,685	
Adjustments due to differences in proportion	89,394	(4,879,862)
Miscellaneous Total	<u>\$10,907,836</u>	<u>(\$5,261,981)</u>

Safety Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$2,259,334	
Differences between actual and expected experience	828,298	(\$217,334)
Changes in assumptions	2,017,995	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(604,178)
Net differences between projected and actual earnings on plan investments	3,160,456	
Adjustments due to differences in proportion	207,824	(1,448,875)
Safety Total	<u>\$8,473,907</u>	<u>(\$2,270,387)</u>
Grand total	<u>\$19,381,743</u>	<u>(\$7,532,368)</u>

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 - PENSION PLAN (Continued)

\$5,282,099 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
	Annual Amortization	Annual Amortization	Annual Amortization
2024	\$170,629	\$1,030,447	\$1,201,076
2025	(66,635)	685,884	619,249
2026	(201,260)	299,938	98,678
2027	2,720,354	1,927,919	4,648,273
	<u>\$2,623,088</u>	<u>\$3,944,188</u>	<u>\$6,567,276</u>

Actuarial Assumptions – For the measurement period ended June 30, 2022, the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2022 total pension liability is based on the following actuarial methods and assumptions:

	<u>Miscellaneous & Safety</u>
Valuation Date	6/30/2021
Measurement Date	6/30/2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	(1)
Investment Rate of Return	6.90% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes generational mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020. For more details on this table, please refer to the CalPERS November 2021 experience study report (based on CalPERS demographic data from 2001 to 2019) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 valuation were based on the results of a November 2021 actuarial experience study for the period 2001 to 2019. Further details of the Experience Study can be found on the CalPERS website.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 - PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 6.90%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and the contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the expected real rates of return by asset class.

Asset Class (1)	New Strategic Allocation	Real Return (1), (2)
Global Equity - Cap Weighted	30%	4.54%
Global Equity - Non-Cap Weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
Total	100.0%	

- (1) An expected inflation of 2.30% used for this period.
- (2) Figures are based on the 2021 Asset Liability Management study.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 - PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	5.90%	5.90%
Net Pension Liability	\$36,641,643	\$30,087,300
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$24,281,277	\$20,013,785
1% Increase	7.90%	7.90%
Net Pension Liability	\$14,111,762	\$11,780,962

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Reduction of CalPERS Discount Rate – On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy approved by the CalPERS Board in 2015, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the CalPERS Board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense, but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS Board. These new assumptions was reflected in the CalPERS GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. General Information about the City’s Other Post Employment Benefit (OPEB) Plan

Plan Description – The City’s Post Employment Benefit Plan is an agent-multiple-employer defined benefit healthcare plan administered by the California Employers’ Retiree Benefit Trust (CERBT).

Benefits Provided – The provisions and benefits of the City’s Other Post Employment Benefit Plan in effect at June 30, 2023, are summarized as follow:

	All Bargaining Units						
Eligibility	Retire directly from the City under CalPERS (age 50 ¹ and 5 years of service or disability)						
Benefit	- 5% of active contribution times years in PEMHCA (increase each year not greater than \$100 per month) - Joined PEMHCA in 2001 - 100% of PEMHCA minimum in 2022 - Monthly amounts: <table style="margin-left: 40px; border-collapse: collapse;"> <tr> <td style="text-align: center; padding-right: 10px;"><u>Year</u></td> <td style="text-align: center; padding-right: 10px;"><u>Actives</u></td> <td style="text-align: center;"><u>Retirees</u></td> </tr> <tr> <td style="text-align: center;">2022</td> <td style="text-align: center;">\$ 132</td> <td style="text-align: center;">\$ 124</td> </tr> </table>	<u>Year</u>	<u>Actives</u>	<u>Retirees</u>	2022	\$ 132	\$ 124
<u>Year</u>	<u>Actives</u>	<u>Retirees</u>					
2022	\$ 132	\$ 124					
Surviving Spouse Benefit	Surviving spouse coverage continues based on CalPERS retirement plan election						
Other	- No dental, vision & life or Medicare reimbursement - Implicit rate subsidy included						

¹ Age 52 for Miscellaneous PEPRAs members

For the year ended June 30, 2023, the City’s contributions to the Plan were \$127,466.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2022:

Active employees	144
Inactive employees or beneficiaries currently receiving benefit payments	52
Inactive employees entitled to but not yet receiving benefit payments	95
Total	291

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

B. Net OPEB Liability

Actuarial Methods and Assumptions – The City net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2021 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2022, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2022 Measurement Date
Valuation Date	January 01, 2021
Actuarial Cost Method	• Entry Age Normal, Level Percentage of Payroll
Contribution Policy	• City contributes full Actuarial Determined Contribution through CERBT #1
Discount Rate and Long Term Expected Rate of Return on Assets	• 6.25% at June 30, 2022
	• 6.25% at June 30, 2021
	• Expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	• 2.50% annually
Termination	• CalPERS 2000-2019 Experience Study
Mortality Improvement	• Mortality Improvement Scale MP-2021
Salary Increases	• Aggregate - 2.75% annually
	• Merit - CalPERS 2000-2019 Experience Study
Medical Trend	• Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years
	• Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years
	• Medicare (Kaiser) - 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years
PEMHCA Minimum Increases	• 4.00% annually
Healthcare participation	• 60%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	49.00%	4.56%
Fixed income	23.00%	1.56%
TIPS	5.00%	-0.08%
Commodities	3.00%	1.22%
REITs	20.00%	4.06%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability/(Asset) (a) - (b)</u>
Balance at June 30, 2021 Measurement Date	\$3,308,326	\$2,526,896	\$781,430
Changes Recognized for the Measurement Period:			
Service Cost	187,991		187,991
Interest on the total OPEB liability	214,597		214,597
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions			
Contributions from the employer		1,626,491	(1,626,491)
Net investment income		(515,999)	515,999
Benefit payments	(125,513)	(125,513)	
Administrative expenses		(1,737)	1,737
Net changes	<u>277,075</u>	<u>983,242</u>	<u>(706,167)</u>
Balance at June 30, 2022 Measurement Date	<u>\$3,585,401</u>	<u>\$3,510,138</u>	<u>\$75,263</u>

The City paid \$126,491 for retiree healthcare plan benefits, including \$89,513 in premium payments for retirees, \$36,000 for implied subsidies, and \$978 for administrative costs. The plan does not issue separate financial statements.

For governmental funds, the General Fund has been primarily used to liquidate OPEB liabilities.

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current discount rate:

<u>Net OPEB Liability/(Asset)</u>		
<u>Discount Rate -1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate +1%</u>
<u>5.25%</u>	<u>6.25%</u>	<u>7.25%</u>
<u>\$560,691</u>	<u>\$75,263</u>	<u>(\$326,329)</u>

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The following table presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point or 1-percentage-point higher than the current healthcare cost trend rates.

The healthcare cost trend are as follows:

- Non-Medicare: 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years.
- Medicare (Non-Kaiser): 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years.
- Medicare (Kaiser): 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years.

Net OPEB Liability/(Asset)		
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
(\$432,861)	\$75,263	\$710,303

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB expense of \$208,915. At June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$127,466	
Net differences between projected and actual earnings on plan investments	343,764	
Differences between expected and actual experience		\$713,680
Changes in assumptions	60,938	3,799
Total	\$532,168	\$717,479

\$127,466 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2024	(\$55,807)
2025	(57,978)
2026	(70,290)
2027	32,828
2028	(76,919)
Thereafter	(84,611)
Total	(\$312,777)

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 12 - LEASES

A. Policies

A lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The City recognizes lease receivable or liabilities with an initial, individual value of \$300,000 or more for all funds, based on the future lease payments remaining at the start of the lease.

Lessor

The City is a lessor for noncancellable leases of buildings and facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The City uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

As of June 30, 2023, the City has no leases over the threshold subject to GASB 87 as a lessor. Please refer to Note 7J for more details.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 12 - LEASES (Continued)

Lessee

The City is a lessee for miscellaneous leases. If the lease is over the threshold, the City will recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments as follows:

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, City generally uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

In FY23, the City conducted a reassessment of all leases and concluded that the agreements between the City and the Los Altos School District do not meet the criteria for leases as outlined in the GASB 87 guidelines. As a result, both the leases receivables and deferred inflows of resources reported in General Fund as of July 1, 2022 were eliminated. As of June 30, 2023, the City has no leases over the threshold subject to GASB 87 as a lessee.

**CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 13 - CONTINGENCIES

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases in the aggregate, although they could potentially result in a material adverse financial impact to the City, a reasonable estimate of the outcome and impacts could not be made at the financial statement issuance date.

The City participates in several Federal and State grant programs. These programs are subject to audit by the City’s independent accountants in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. In addition, these programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 14 - OTHER INFORMATION

A. Joint Powers Agreements

The City participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of the City.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence of member agencies beyond their representation of the board.

City of Palo Alto Regional Water Quality Control Plant: The City has an agreement with the City of Palo Alto to purchase treatment capacity at the Palo Alto Regional Water Quality Control Plant. It was formed in 1968 by a joint exercise of powers among the cities of Palo Alto, Mountain View, and Los Altos. Palo Alto constructed, maintains and operates sewage treatment facilities serving its member cities. The agreement provides that the City will purchase capacity for 50 years. The City of Palo Alto acts as administrator and bills each member its share of the operating costs. The audited financial statements can be obtained by contacting the City of Palo Alto at P.O. Box 10250, Palo Alto, CA 94303.

North County Library Authority (NCLA): The NCLA, formed in 1985 by a joint exercise of powers agreement between the City and the Town of Los Altos Hills, provides library services for member residents. The NCLA was created to provide financing for capital improvements and additional services by the public libraries serving the area. Although the City owns the libraries and their sites, the County of Santa Clara (County) is responsible for all library operations. However, since 1985, the NCLA has levied a voter approved special parcel tax to compensate for service reductions due to cutbacks by the County. The special tax has been collected by the County. The City performs administrative services for NCLA. The audited financial statements can be obtained by contacting the NCLA at One North San Antonio Road, Los Altos, CA, 94022.

**CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 14 - OTHER INFORMATION (Continued)

Community Health Awareness Council (CHAC): CHAC was organized as a joint powers agency between the City of Los Altos, City of Mountain View, Town of Los Altos Hills, Los Altos School District, Mountain View Whisman School District, and Mountain View-Los Altos High School District. CHAC provides prevention and intervention services concentrating on positive alternatives to health abuse and self-destructive behaviors within the communities served. The audited financial statements can be obtained by contacting CHAC at P.O. Box 335, Mountain View, CA, 94042.

Silicon Valley Clean Energy Authority: The Silicon Valley Clean Energy Authority (SVCEA) was established in 2016 by 12 agencies in Santa Clara County including the City of Los Altos. The purpose of SVCEA is to enable the member agencies to pool the electricity demand within their jurisdictions to directly procure or generate electrical power supplies on behalf of the residents and businesses in their communities, thus allowing those agencies to provide a clean energy option for residents at a competitive price with traditional energy sources. As part of the implementation of SVCEA, the City of Los Altos paid \$100,000 for its portion of the start-up costs. These funds are to be reimbursed to the City once the Authority has achieved financial sustainability.

NOTE 15 - OTHER COMMITMENTS

A summary of remaining authorized CIP project balances at June 30, 2023 for all City funds by service area are as follows:

Construction in progress:	
Streets and Roadways	\$10,939,245
Pedestrian Safety	2,549,824
Infrastructure and Facilities	2,643,904
Parks	379,029
Technology	1,961,626
Community Development	614,783
Storm Drain	323,839
Public Art	122,778
Sewer	2,344,704
Total	<u><u>\$21,879,732</u></u>

REQUIRED SUPPLEMENTARY INFORMATION



This Page Left Intentionally Blank

CITY OF LOS ALTOS
Notes to Required Supplementary Information
For the Year Ended June 30, 2023

COST-SHARING EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIO

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer’s covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer’s covered employee payroll and the pension plan’s fiduciary net position as a percentage of the total pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer’s contributions to the plan which are actuarially determined, the employer’s actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

**CITY OF LOS ALTOS
Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

Schedule of Proportionate Share of the
Net Pension Liability and Related Ratio as of the Measurement Date

Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

Measurement Date	Miscellaneous Pool								
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Plan's proportion of the Net Pension Liability (Asset)	0.42907%	0.50595%	0.20298%	0.51409%	0.52958%	0.54011%	0.55138%	0.79927%	0.51892%
Plan's proportion share of the Net Pension Liability (Asset)	\$10,604,408	\$13,880,661	\$17,564,072	\$20,265,838	\$19,958,437	\$21,628,592	\$23,257,604	\$15,176,554	\$24,281,277
Plan's Covered Payroll	7,736,180	7,806,721	8,434,058	8,337,461	9,734,936	9,569,932	10,185,806	10,715,749	11,354,395
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	137.08%	177.80%	208.25%	243.07%	205.02%	226.01%	228.33%	141.63%	213.85%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%	78.28%	73.20%	75.39%	77.69%	77.73%	77.71%	81.77%	73.22%

Measurement Date	Safety Pool								
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Plan's proportion of the Net Pension Liability (Asset)	0.24026%	0.25820%	0.16023%	0.26642%	0.27582%	0.28041%	0.28686%	0.35517%	0.29125%
Plan's proportion share of the Net Pension Liability (Asset)	\$9,011,972	\$10,639,010	\$13,864,825	\$15,919,233	\$16,183,695	\$17,504,397	\$19,111,513	\$12,464,797	\$20,013,785
Plan's Covered Payroll	3,607,754	3,645,893	3,885,679	3,686,478	4,233,297	4,320,366	4,135,400	4,760,661	4,327,156
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	249.79%	291.81%	356.82%	431.83%	382.30%	405.16%	462.14%	261.83%	462.52%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.46%	78.52%	73.96%	71.74%	73.39%	73.37%	73.12%	81.40%	72.56%

* Fiscal year 2015 was the 1st year of implementation.

**CITY OF LOS ALTOS
Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

**Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2023
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS**

	Miscellaneous Pool									
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2022	Fiscal Year 2023
Actuarially determined contribution	\$1,081,811	\$1,456,475	\$1,544,680	\$1,769,644	\$1,974,752	\$2,356,569	\$2,588,732	\$3,953,914	\$3,022,765	\$3,022,765
Contributions in relation to the actuarially determined contributions	(1,081,811)	(1,456,475)	(1,544,680)	(1,769,644)	(1,974,752)	(2,356,569)	(2,588,732)	(3,953,914)	(3,022,765)	(3,022,765)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$7,806,721	\$8,434,058	\$8,337,461	\$9,734,936	\$9,569,932	\$10,185,806	\$10,715,749	\$11,354,395	\$12,368,197	\$12,368,197
Contributions as a percentage of covered payroll	13.86%	17.27%	18.53%	18.18%	20.63%	23.14%	24.16%	34.82%	24.44%	24.44%
Notes to Schedule										
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2021	6/30/2022	6/30/2022

	Safety Pool									
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2022	Fiscal Year 2023
Actuarially determined contribution	\$924,466	\$1,134,277	\$1,205,365	\$1,390,429	\$1,605,370	\$1,962,129	\$2,201,042	\$3,293,372	\$2,259,334	\$2,259,334
Contributions in relation to the actuarially determined contributions	(1,076,741)	(1,134,277)	(1,205,365)	(1,390,429)	(1,605,370)	(1,962,129)	(2,201,042)	(3,293,372)	(2,259,334)	(2,259,334)
Contribution deficiency (excess)	(\$152,275)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$3,645,893	\$3,885,679	\$3,686,478	\$4,233,297	\$4,320,366	\$4,135,400	\$4,760,661	\$4,327,156	\$3,890,157	\$3,890,157
Contributions as a percentage of covered payroll	29.53%	29.19%	32.70%	32.85%	37.16%	47.45%	46.23%	76.11%	58.08%	58.08%
Notes to Schedule										
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2021	6/30/2022	6/30/2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.30%
Salary increases	(1)
Investment rate of return	6.90% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

* Fiscal year 2015 was the 1st year of implementation.

CITY OF LOS ALTOS
Notes to Required Supplementary Information
For the Year Ended June 30, 2023

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Retiree Healthcare OPEB Plan – Agent Multiple Employer
Last 10 Years*

Measurement Date	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22
Total OPEB Liability						
Service Cost	\$154,000	\$158,000	\$162,743	\$195,973	\$201,852	\$187,991
Interest	207,000	223,000	238,629	231,856	252,731	214,597
Actual vs. expected experience			(524,133)		(617,999)	
Assumption changes			128,646		(5,045)	
Benefit payments	(134,000)	(142,000)	(161,000)	(117,894)	(131,033)	(125,513)
Net change in total OPEB liability	227,000	239,000	(155,115)	309,935	(299,494)	277,075
Total OPEB liability - beginning	2,987,000	3,214,000	3,453,000	3,297,885	3,607,820	3,308,326
Total OPEB liability - ending (a)	\$3,214,000	\$3,453,000	\$3,297,885	\$3,607,820	\$3,308,326	\$3,585,401
Plan fiduciary net position						
Contributions - employer	\$135,000	\$143,000	\$162,000	\$118,972	\$132,024	\$1,626,491
Net investment income	160,000	134,000	110,961	67,723	545,286	(515,999)
Administrative expense	(2,000)	(4,000)	(1,387)	(2,014)	(1,742)	(1,737)
Benefit payments	(134,000)	(142,000)	(161,000)	(117,894)	(131,033)	(125,513)
Net change in plan fiduciary net position	159,000	131,000	110,574	66,787	544,535	983,242
Plan fiduciary net position - beginning	1,515,000	1,674,000	1,805,000	1,915,574	1,982,361	2,526,896
Plan fiduciary net position - ending (b)	\$1,674,000	\$1,805,000	\$1,915,574	\$1,982,361	\$2,526,896	\$3,510,138
Net OPEB liability - ending (a)-(b)	\$1,540,000	\$1,648,000	\$1,382,311	\$1,625,459	\$781,430	\$75,263
Plan fiduciary net position as a percentage of the total OPEB liability	52.1%	52.3%	58.1%	54.9%	76.4%	97.9%
Covered-employee payroll	\$12,546,000	\$14,000,000	\$15,000,000	\$15,000,000	\$15,366,121	\$16,416,717
Net OPEB liability as a percentage of covered-employee payroll	12.27%	11.77%	9.22%	10.84%	5.09%	0.46%

* Fiscal year 2018 was the first year of implementation.

**CITY OF LOS ALTOS
Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

**SCHEDULE OF CONTRIBUTIONS
Retiree Healthcare OPEB Plan – Agent Multiple Employer
Last 10 Years***

Fiscal Year Ended June 30,	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$304,000	\$313,000	\$333,000	\$343,000	\$316,000	\$174,000
Contributions in relation to the actuarially determined contribution	143,000	314,000	118,972	132,024	1,626,491	127,466
Contribution deficiency (excess)	\$161,000	(\$1,000)	\$214,028	\$210,976	(\$1,310,491)	\$46,534
Covered-employee payroll	\$14,000,000	\$15,000,000	\$15,000,000	\$15,366,121	\$16,416,717	\$17,681,206
Contributions as a percentage of covered-employee payroll	1.02%	2.10%	0.80%	0.9%	9.9%	0.7%

* Fiscal year 2018 was the first year of implementation.

**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTION
Retiree Healthcare OPEB Plan - Agent Multiple Employer
Methods and Assumptions for Actuarially Determined Contribution**

Valuation Date	• January 1, 2021
Actuarial Cost Method	• Entry Age Normal, Level Percentage of Payroll
Amortization Method	• Level percent of pay
Amortization Period	• 10-year average fixed period for 2022/23
Asset Valuation Method	• Investment gains and losses spread over 5-year rolling period
Discount Rate	• 6.25%
General Inflation	• 2.50%
Medical Trend	<ul style="list-style-type: none"> • Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years • Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years • Medicare (Kaiser) - 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years
Mortality, Retirement, Disability, Termination	• CalPERS 2000-2019 Experience Study
Mortality Improvement	• Mortality Improvement Scale MP-21
PEMHCA Minimum Increases	• 4% annually
Healthcare participation	• 60%

CITY OF LOS ALTOS
 GENERAL FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property tax	\$29,568,955	\$32,000,000	\$32,644,256	\$644,256
Sales tax	3,114,060	3,500,000	3,686,148	186,148
Utility users	2,811,385	2,811,385	3,214,718	403,333
Other tax	2,488,988	2,890,000	4,110,059	1,220,059
Licenses, permits and fees	4,164,350	4,387,076	5,624,139	1,237,063
Grants and donations		28,000	172,437	144,437
Charges for services	8,413,025	5,619,268	7,026,614	1,407,346
Fines and forfeitures	283,200	153,500	161,918	8,418
Interest and rentals	356,300	406,300	385,282	(21,018)
Other	99,000	161,000	140,273	(20,727)
Total revenues	51,299,263	51,956,529	57,165,844	5,209,315
Expenditures:				
General government:				
Public Safety	22,918,053	23,220,203	20,749,376	2,470,827
Public Works	9,908,100	6,659,235	5,939,633	719,602
Recreation	2,691,761	3,123,926	2,847,253	276,673
Community development	4,298,163	7,900,596	6,331,784	1,568,812
Admin/community services	8,849,478	9,624,655	7,762,603	1,862,052
Utility and sustainability			536	(536)
Total expenditures	48,665,555	50,528,615	43,631,185	6,897,430
Excess of revenues over expenditures	2,633,708	1,427,914	13,534,659	12,106,745
Other financing sources (uses):				
Transfers in	8,481,196	258,000	318,358	60,358
Transfers out	(2,430,068)	(2,458,068)	(4,290,435)	(1,832,367)
Total other financing sources (uses)	6,051,128	(2,200,068)	(3,972,077)	(1,772,009)
Net change in fund balance	\$8,684,836	(\$772,154)	9,562,582	\$10,334,736
Fund balance at beginning of year			19,317,440	
Fund balance at end of year			\$28,880,022	

CITY OF LOS ALTOS
 IN-LIEU PARK LAND SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rentals			\$85,340	\$85,340
Intergovernmental	\$927,200	\$927,200	321,500	(605,700)
Total Revenues	927,200	927,200	406,840	(520,360)
Expenditures:				
Capital improvement				
EXCESS OF REVENUES OVER EXPENDITURES	927,200	927,200	406,840	(520,360)
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(1,843,965)	(1,843,965)	(836,643)	1,007,322
Total other financing sources (uses)	(1,843,965)	(1,843,965)	(836,643)	1,007,322
NET CHANGE IN FUND BALANCE	(\$916,765)	(\$916,765)	(429,803)	\$486,962
Beginning fund balance			8,350,611	
Ending fund balance			\$7,920,808	

CITY OF LOS ALTOS
Notes to Required Supplementary Information
For the Year Ended June 30, 2023

BUDGET AND BUDGETARY ACCOUNTING

The City adopts a budget annually for General Fund, Special Revenue Funds, **(except for the Storm Drain Deposits Fund)**, and Equipment Replacement Capital Projects Fund that is effective July 1 for the ensuing fiscal year.

From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget during the fiscal year. The City Manager is authorized to transfer budgeted amount between departments and line items within any fund to achieve a balanced budget; however, any revisions which alter the total expenditures of any fund must be approved by the City Council. Transfers between funds must be approved by the City Council. All appropriations lapse at year-end unless otherwise authorized by the City Council and the City Manager, except for capital improvement projects and open purchase order commitments for which appropriations endure until the project or obligation is completed.

Budgets are adopted on a basis consistent with generally accepted accounting principles except for capital projects funds, which are adopted on a project length basis, which means budgets are used until the project's completion for the entire project amount.

SUPPLEMENTARY INFORMATION



This Page Left Intentionally Blank

GENERAL FUND

General Fund – Accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in other funds. The General Fund supports essential City services such as police, fire, street and parks maintenance, maintenance services, community development and recreation activities. The General Fund also includes the Real Property Proceeds Funds, which accounts for the proceeds from the sale of real property and the Community Facilities Renewal Fund, which accounts for the revenues and expenditures related to the community facilities renewal efforts.

CITY OF LOS ALTOS
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2023

	General	Real Property Proceeds	Intra-Fund Transaction Elimination	Total General Fund
ASSETS				
Cash and investments	\$27,158,445			\$27,158,445
Receivables, net of allowance for uncollectibles:				
Accounts	2,492,242			2,492,242
Interest				
Prepays	54,906			54,906
Inventory	135,030			135,030
Due from other funds	1,639,494			1,639,494
Total Assets	\$31,480,117			\$31,480,117
LIABILITIES				
Accounts payable	\$1,982,685			\$1,982,685
Accrued liabilities	518,913			518,913
Other payable	98,497			98,497
Due to other funds				
Total Liabilities	2,600,095			2,600,095
FUND BALANCES				
Fund balance:				
Nonspendable	189,936			189,936
Assigned	10,008,282			10,008,282
Unassigned	18,681,804			18,681,804
Total Fund Balances	28,880,022			28,880,022
Total Liabilities and Fund Balances	\$31,480,117			\$31,480,117

CITY OF LOS ALTOS
GENERAL FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	General	Real Property Proceeds	Intra-Fund Transaction Elimination	Total General Fund
REVENUES				
Property tax	\$32,644,256			\$32,644,256
Sales tax	3,686,148			3,686,148
Utility users	3,214,718			3,214,718
Other tax	4,110,059			4,110,059
Licenses, permits and fees	5,624,139			5,624,139
Grants and donations	172,437			172,437
Charges for services	7,026,614			7,026,614
Fines and forfeitures	161,918			161,918
Interest and rentals	385,282			385,282
Other	140,273			140,273
Total Revenues	57,165,844			57,165,844
EXPENDITURES				
General government				
Public safety	20,749,376			20,749,376
Public works	5,939,633			5,939,633
Recreation	2,847,253			2,847,253
Community development	6,331,784			6,331,784
Admin / community development	7,762,603			7,762,603
Utility and sustainability	536			536
Total Expenditures	43,631,185			43,631,185
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,534,659			13,534,659
OTHER FINANCING SOURCES (USES)				
Transfers in	318,358	\$18,688	(\$18,688)	318,358
Transfers (out)	(4,309,123)		18,688	(4,290,435)
Total Other Financing Sources (Uses)	(3,990,765)	18,688		(3,972,077)
NET CHANGE IN FUND BALANCES	9,543,894	18,688		9,562,582
BEGINNING FUND BALANCES, AS RESTATED (Note 7J)	19,336,128	(18,688)		19,317,440
ENDING FUND BALANCES	\$28,880,022			\$28,880,022



This Page Left Intentionally Blank

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

VEHICLE IMPOUND FUND

To account for revenues collected from arrest and towing fees that are dedicated for public safety purposes.

SUPPLEMENTAL LAW ENFORCEMENT FUND

To account for revenues from the Citizen's Option for Public Safety Program in support of additional front-line law enforcement services.

GAS TAX FUNDS

To account for the revenues received from the State gas taxes under the provision of the Streets and Highways Codes. These revenues are restricted to uses related to construction and improvements, an maintenance and repair of local streets.

PROPOSITION 1B FUND

To account for the allocated bond fund amount from the State under the Proposition 1B provisions.

STORM DRAIN DEPOSITS FUND

To account for fees collected from new subdivision development. All funds are restricted to construction and improvement of the storm drain system.

DOWNTOWN PARKING FUND

To account for revenues received from the lease of the public parking plazas and in-lieu program fees. The revenues are dedicated for the construction and improvement of downtown parking facilities.

TRAFFIC IMPACT FEE FUND

To account for revenues received from development. The revenues are dedicated for transportation improvements within the City.

ESTATE DONATION FUND

To account for donations received that are dedicated for purposes specified by the donors.

TDA FUND

To account for State Transportation Development Act, Article 3 funds for bike route and pedestrian facilities improvements.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

PEG FUND

To account for fees collected by local Cable Television franchise. All funds are restricted for public education and government access programming.

VEHICLE REGISTRATION FEES FUND

To account for fees collected by the Department of Motor Vehicles from registrations in Santa Clara County. All funds are restricted to street projects.

SB 1 ROAD MAINTENANCE REHABILITATION FUND

To account for revenues received from the State Streets and Highways Codes. These revenues are restricted to address deferred maintenance on the State Highway System and the local street and road system.

PUBLIC ART FUND

To account for fees collected from private development projects. The fund is restricted to public art acquisition, placement, and maintenance.

AB-1379 FUND

To account for fees collected through Business License. Under the AB1379, the local jurisdiction allows to remain 90% of the AB1379 fees for Certified Access Specialist (CAsp) certification and training. Restricted by State Statute

CAPITAL PROJECTS FUND

EQUIPMENT REPLACEMENT FUND

To account for the revenues and expenditures related to the replacement of certain City equipment and vehicles.

DEBT SERVICE FUND

GENERAL DEBT SERVICE

To account for the accumulation of revenues for periodic payment of principal and interest on Certificates of Participation and related authorized costs.

LOS ALTOS COMMUNIYT CENTER LEASES

To account for the periodic payment of principal and interest on the community center lease and related authorized costs.



This Page Left Intentionally Blank

CITY OF LOS ALTOS
 NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2023

	SPECIAL REVENUE FUNDS			
	Vehicle Impound	Supplemental Law Enforcement	Gas Tax	Proposition 1B
ASSETS				
Cash and investments		\$272,563	\$2,393	
Restricted cash and investments				
Receivables, net of allowance for uncollectibles:				
Accounts		86,159	69,932	
Total Assets		\$358,722	\$72,325	
LIABILITIES				
Accounts payable				
Due to other funds	\$14,142			
Total Liabilities	14,142			
FUND BALANCES				
Restricted:				
Debt service				
Special revenue programs and projects		\$358,722	\$72,325	
Assigned				
Unassigned	(14,142)			
Total Fund Balances	(14,142)	358,722	72,325	
Total Liabilities and Fund Balances		\$358,722	\$72,325	

SPECIAL REVENUE FUNDS

Storm Drain Deposits	Downtown Parking	Traffic Impact Fee	Estate Donation	TDA
\$56,086	\$934,563		\$17,759	\$662
	13,134			
\$56,086	\$947,697		\$17,759	\$662
	\$6,950			
		\$199,341		
	6,950	199,341		
\$56,086	940,747		\$17,759	\$662
		(199,341)		
56,086	940,747	(199,341)	17,759	662
\$56,086	\$947,697		\$17,759	\$662

(Continued)

CITY OF LOS ALTOS
 NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2023

	SPECIAL REVENUE FUNDS			
	PEG	Vehicle Registration Fees	SB1 Road Maintenance Rehabilitation	Public Art
ASSETS				
Cash and investments	\$212,457	\$869,525	\$200,529	\$435,131
Restricted cash and investments				
Receivables, net of allowance for uncollectibles:				
Accounts	21,298		63,426	
Total Assets	\$233,755	\$869,525	\$263,955	\$435,131
LIABILITIES				
Accounts payable				\$1,500
Due to other funds				
Total Liabilities				1,500
FUND BALANCES				
Restricted:				
Debt service				
Special revenue programs and projects	\$233,755	\$869,525	\$263,955	433,631
Assigned				
Unassigned				
Total Fund Balances	233,755	869,525	263,955	433,631
Total Liabilities and Fund Balances	\$233,755	\$869,525	\$263,955	\$435,131

SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS		
AB-1379	Equipment Replacement	General	Los Altos Community Center Lease	Total Non-major Governmental Funds
\$92,697	\$632,607	\$196,346 178,012	\$1	\$3,923,319 178,012
				253,949
<u>\$92,697</u>	<u>\$632,607</u>	<u>\$374,358</u>	<u>\$1</u>	<u>\$4,355,280</u>
				\$8,450 213,483
				221,933
\$92,697	\$632,607	\$374,358	\$1	374,359 3,339,864 632,607 (213,483)
<u>92,697</u>	<u>632,607</u>	<u>374,358</u>	<u>1</u>	<u>4,133,347</u>
<u>\$92,697</u>	<u>\$632,607</u>	<u>\$374,358</u>	<u>\$1</u>	<u>\$4,355,280</u>

CITY OF LOS ALTOS
 NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS			
	Vehicle Impound	Supplemental Law Enforcement	Gas Tax	Proposition 1B
REVENUES				
Charges for services				
Licenses, permits and fees				
Intergovernmental		\$251,430	\$800,584	
Fines and forfeitures	\$13,167			
Interest and rentals			33,263	
Total Revenues	13,167	251,430	833,847	
EXPENDITURES				
Current:				
Public safety				
Public works				
Community development				
Capital improvements				
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,167	251,430	833,847	
OTHER FINANCING SOURCES (USES)				
Transfers in			350,000	\$1,361
Transfers (out)	(20,000)	(100,000)	(2,926,485)	
Total Other Financing Sources (Uses)	(20,000)	(100,000)	(2,576,485)	1,361
NET CHANGE IN FUND BALANCES	(6,833)	151,430	(1,742,638)	1,361
BEGINNING FUND BALANCES	(7,309)	207,292	1,814,963	(1,361)
ENDING FUND BALANCES	(\$14,142)	\$358,722	\$72,325	

SPECIAL REVENUE FUNDS

Storm Drain Deposits	Downtown Parking	Traffic Impact Fee	Estate Donation	TDA
	\$66,564	\$27,570		
	13,893	73	\$175	\$662
	80,457	27,643	175	662
	80,457	27,643	175	662
	(40,000)			(88,358)
	(40,000)			(88,358)
	40,457	27,643	175	(87,696)
\$56,086	900,290	(226,984)	17,584	88,358
\$56,086	\$940,747	(\$199,341)	\$17,759	\$662

(Continued)

CITY OF LOS ALTOS
 NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS			
	PEG	Vehicle Registration Fees	SB1 Road Maintenance Rehabilitation	Public Art
REVENUES				
Charges for services	\$92,570			\$14,390
Licenses, permits and fees				
Intergovernmental		\$181,792	\$699,251	
Fines and forfeitures				
Interest and rentals	2,120	12,959	13,781	
Total Revenues	94,690	194,751	713,032	14,390
EXPENDITURES				
Current:				
Public safety				
Public works				
Community development				1,553
Capital improvements				
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures				1,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	94,690	194,751	713,032	12,837
OTHER FINANCING SOURCES (USES)				
Transfers in			224,216	
Transfers (out)	(86,681)	(477,836)	(1,000,000)	(77,496)
Total Other Financing Sources (Uses)	(86,681)	(477,836)	(775,784)	(77,496)
NET CHANGE IN FUND BALANCES	8,009	(283,085)	(62,752)	(64,659)
BEGINNING FUND BALANCES	225,746	1,152,610	326,707	498,290
ENDING FUND BALANCES	\$233,755	\$869,525	\$263,955	\$433,631

SPECIAL REVENUE	CAPITAL PROJECT	DEBT SERVICE FUNDS		
AB-1379	Equipment Replacement	General	Los Altos Community Center Lease	Total Non-major Governmental Funds
				\$106,960
\$92,697				186,831
				1,933,057
				13,167
		\$5,803		82,729
<u>92,697</u>		<u>5,803</u>		<u>2,322,744</u>
	\$233,905			235,458
	165,435			165,435
		140,000	\$413,862	553,862
		33,708	208,227	241,935
	<u>399,340</u>	<u>173,708</u>	<u>622,089</u>	<u>1,196,690</u>
<u>92,697</u>	<u>(399,340)</u>	<u>(167,905)</u>	<u>(622,089)</u>	<u>1,126,054</u>
	348,000	171,875	622,090	1,717,542
				(4,816,856)
	<u>348,000</u>	<u>171,875</u>	<u>622,090</u>	<u>(3,099,314)</u>
92,697	(51,340)	3,970	1	(1,973,260)
	683,947	370,388		6,106,607
<u>\$92,697</u>	<u>\$632,607</u>	<u>\$374,358</u>	<u>\$1</u>	<u>\$4,133,347</u>

CITY OF LOS ALTOS
 VEHICLE IMPOUND FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	<u>\$20,000</u>	<u>\$13,167</u>	<u>(\$6,833)</u>
Total Revenues	<u>20,000</u>	<u>13,167</u>	<u>(6,833)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>20,000</u>	<u>13,167</u>	<u>(6,833)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(20,000)</u>	<u>(20,000)</u>	<u></u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u></u>
NET CHANGE IN FUND BALANCE	<u><u></u></u>	<u>(6,833)</u>	<u><u>(\$6,833)</u></u>
Beginning fund balance		<u>(7,309)</u>	
Ending fund balance		<u><u>(\$14,142)</u></u>	

CITY OF LOS ALTOS
 SUPPLEMENTAL LAW ENFORCEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$100,000	\$251,430	\$151,430
Total Revenues	100,000	251,430	151,430
EXCESS OF REVENUES OVER EXPENDITURES	100,000	251,430	151,430
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(100,000)	(100,000)	
Total other financing sources (uses)	(100,000)	(100,000)	
NET CHANGE IN FUND BALANCE	100,000	151,430	\$151,430
Beginning fund balance		207,292	
Ending fund balance		\$358,722	

CITY OF LOS ALTOS
 GAS TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$840,057	\$800,584	(\$39,473)
Interest and rentals		33,263	33,263
	840,057	833,847	(6,210)
 EXCESS OF REVENUES OVER EXPENDITURES	 840,057	 833,847	 (6,210)
 OTHER FINANCING SOURCES (USES)			
Transfers in		350,000	350,000
Transfers (out)	(800,000)	(2,926,485)	(2,126,485)
	(800,000)	(2,576,485)	(1,776,485)
 NET CHANGE IN FUND BALANCE	 \$40,057	 (1,742,638)	 (\$1,782,695)
 Beginning fund balance		 1,814,963	
 Ending fund balance		 \$72,325	

CITY OF LOS ALTOS
 PROPOSITION 1B FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rentals			
Total Revenues			
EXCESS OF REVENUES OVER EXPENDITURES			
OTHER FINANCING SOURCES (USES)			
Transfers in	\$1,361	\$1,361	
Transfers (out)			
Total other financing sources (uses)	1,361	1,361	
NET CHANGE IN FUND BALANCE	\$1,361	1,361	
Beginning fund balance		(1,361)	
Ending fund balance			

CITY OF LOS ALTOS
 DOWNTOWN PARKING FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Licenses, permits and fees	\$40,000	\$66,564	\$26,564
Interest and rentals		13,893	13,893
Total Revenues	40,000	80,457	40,457
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(40,000)	(40,000)	
Total other financing sources (uses)	(40,000)	(40,000)	
NET CHANGE IN FUND BALANCE	40,457	40,457	\$40,457
Beginning fund balance		900,290	
Ending fund balance		\$940,747	

CITY OF LOS ALTOS
 TRAFFIC IMPACT FEE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Licenses, permits and fees	\$812,055	\$27,570	(\$784,485)
Interest and rentals		73	73
Total Revenues	812,055	27,643	(784,412)
NET CHANGE IN FUND BALANCE	\$812,055	27,643	(\$784,412)
Beginning fund balance		(226,984)	
Ending fund balance		(\$199,341)	

CITY OF LOS ALTOS
 ESTATE DONATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest		\$175	\$175
Total Revenues		175	175
EXCESS OF REVENUES OVER EXPENDITURES		175	175
NET CHANGE IN FUND BALANCE		175	\$175
Beginning fund balance		17,584	
Ending fund balance		\$17,759	

CITY OF LOS ALTOS
TDA FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest income		\$662	\$662
Grants and donations	\$50,000		(50,000)
Total revenue	50,000	662	(49,338)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	50,000	662	(49,338)
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(50,000)	(88,358)	(38,358)
Total other financing sources (uses)	(50,000)	(88,358)	(38,358)
NET CHANGE IN FUND BALANCE	\$50,000	(87,696)	(\$87,696)
Beginning fund balance		88,358	
Ending fund balance		\$662	

CITY OF LOS ALTOS
 PEG FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest income		\$2,120	\$2,120
Charges for services	\$100,000	92,570	(7,430)
Total revenues	100,000	94,690	(5,310)
EXCESS OF REVENUES OVER EXPENDITURES	100,000	94,690	(5,310)
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(70,000)	(86,681)	(16,681)
Total other financing sources (uses)	(70,000)	(86,681)	(16,681)
NET CHANGE IN FUND BALANCE	\$30,000	8,009	(\$21,991)
Beginning fund balance		225,746	
Ending fund balance		\$233,755	

CITY OF LOS ALTOS
 VEHICLE REGISTRATION FEES FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest income	\$12,959	\$12,959	
Grants and donations	181,792	181,792	
Total revenues	194,751	194,751	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	194,751	194,751	
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(477,836)	(477,836)	
NET CHANGE IN FUND BALANCE	(\$283,085)	(283,085)	
Beginning fund balance		1,152,610	
Ending fund balance		\$869,525	

CITY OF LOS ALTOS
 SB1 ROAD MAINTENANCE REHABILITATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest income		\$13,781	\$13,781
Intergovernmental	\$615,000	699,251	84,251
Total revenues	615,000	713,032	98,032
EXCESS OF REVENUES OVER EXPENDITURES	615,000	713,032	98,032
OTHER FINANCING SOURCES (USES)			
Transfers in		224,216	224,216
Transfers (out)	(500,000)	(1,000,000)	(500,000)
Total other financing sources (uses)	(500,000)	(775,784)	(275,784)
NET CHANGE IN FUND BALANCE	\$115,000	(62,752)	(\$177,752)
Beginning fund balance		326,707	
Ending fund balance		\$263,955	

CITY OF LOS ALTOS
 MEASURE B FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$550,000	\$550,000	\$1,426,012	\$876,012
Interest income			15,056	15,056
Total revenues	550,000	550,000	1,441,068	891,068
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(550,000)	(550,000)	(1,858,762)	(1,308,762)
Total other financing sources (uses)	(550,000)	(550,000)	(1,858,762)	(1,308,762)
NET CHANGE IN FUND BALANCE			(417,694)	(\$417,694)
Beginning fund balance			417,694	
Ending fund balance				

CITY OF LOS ALTOS
PUBLIC ART FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for services	\$100,000	\$14,390	(\$85,610)
Total revenues	100,000	14,390	(85,610)
EXPENDITURES			
Community development	130,000	1,553	128,447
Total expenditures	130,000	1,553	128,447
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,000)	12,837	42,837
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(50,000)	(77,496)	(27,496)
Total other financing sources (uses)	(50,000)	(77,496)	(27,496)
NET CHANGE IN FUND BALANCE	(\$50,000)	(64,659)	\$15,341
Beginning fund balance		498,290	
Ending fund balance		\$433,631	

CITY OF LOS ALTOS
 AB-1379 FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Licenses, permits and fees	\$92,697	\$92,697	
Total revenues	92,697	92,697	
NET CHANGE IN FUND BALANCE	\$92,697	92,697	
Beginning fund balance			
Ending fund balance		\$92,697	

CITY OF LOS ALTOS
 EQUIPMENT REPLACEMENT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES			
Community development	\$304,941	\$233,905	\$71,036
Capital improvements	<u>237,100</u>	<u>165,435</u>	<u>71,665</u>
Total expenditures	<u>542,041</u>	<u>399,340</u>	<u>142,701</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(542,041)</u>	<u>(399,340)</u>	<u>142,701</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>348,000</u>	<u>348,000</u>	<u> </u>
Total other financing sources (uses)	<u>348,000</u>	<u>348,000</u>	<u> </u>
NET CHANGE IN FUND BALANCE	<u><u>(\$194,041)</u></u>	<u><u>(51,340)</u></u>	<u><u>\$142,701</u></u>
Beginning fund balance		<u>683,947</u>	
Ending fund balance		<u><u>\$632,607</u></u>	

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one City department or agency to other departments or agencies of the City, or to other government units on a cost-reimbursement basis (including depreciation).

DENTAL REIMBURSEMENT

To account for costs of the City's self-insurance dental program. Funds are provided primarily from charges to departments.

UNEMPLOYMENT INSURANCE

To account for the unemployment insurance premiums and claims made against the City. Funds are provided primarily from charges to departments.

WORKERS' COMPENSATION INSURANCE

To account for the premium costs and self-insured claim losses made against the City for workers compensation. Funds are provided primarily from charges to departments.

LIABILITY INSURANCE

To account for the premium costs and self-insured claim losses made against the City for property-related and general liability. Funds are provided primarily from charges to departments.

PERS & OPEB RESERVE

To account for the CalPERS pension and retiree health payments. Funds are provided primarily from charges to departments.

CITY OF LOS ALTOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Dental Reimbursement</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>PERS & OPEB Reserve</u>	<u>Total</u>
ASSETS						
Current Assets:						
Cash and investments	\$25,253	\$87,502	\$6,176,188	\$585,024	\$551,314	\$7,425,281
Accounts receivable			9,901	66,490		76,391
Total Assets	<u>25,253</u>	<u>87,502</u>	<u>6,186,089</u>	<u>651,514</u>	<u>551,314</u>	<u>7,501,672</u>
LIABILITIES						
Current Liabilities:						
Accounts payable			44,089			44,089
Claims and judgements			838,732	218,021		1,056,753
Noncurrent Liabilities:						
Claims and judgements			2,978,012	198,996		3,177,008
Total Liabilities			<u>3,860,833</u>	<u>417,017</u>		<u>4,277,850</u>
NET POSITION						
Unrestricted	<u>25,253</u>	<u>87,502</u>	<u>2,325,256</u>	<u>234,497</u>	<u>551,314</u>	<u>3,223,822</u>
Total Net Position	<u>\$25,253</u>	<u>\$87,502</u>	<u>\$2,325,256</u>	<u>\$234,497</u>	<u>\$551,314</u>	<u>\$3,223,822</u>

CITY OF LOS ALTOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Dental Reimbursement	Unemployment Insurance	Workers' Compensation Insurance	Liability Insurance	PERS Reserve	Total
OPERATING REVENUES						
Charges for services	\$406,905			\$313,045		\$719,950
Total Operating Revenues	406,905			313,045		719,950
OPERATING EXPENSES						
Claims and insurance	406,905	\$9,196	\$471,357	1,151,211		2,038,669
Administration			87,985			87,985
Total Operating Expenses	406,905	9,196	559,342	1,151,211		2,126,654
Operating Income (Loss)		(9,196)	(559,342)	(838,166)		(1,406,704)
OTHER FINANCING SOURCES (USES)						
Transfers in	20,000		857,000	800,000	\$258,700	1,935,700
Total Other Financing Sources (Uses)	20,000		857,000	800,000	258,700	1,935,700
Change in Net Position	20,000	(9,196)	297,658	(38,166)	258,700	528,996
BEGINNING NET POSITION, AS RESTATED	5,253	96,698	2,027,598	272,663	292,614	2,694,826
ENDING NET POSITION	\$25,253	\$87,502	\$2,325,256	\$234,497	\$551,314	\$3,223,822

CITY OF LOS ALTOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Dental Reimbursement	Unemployment Insurance	Workers' Compensation Insurance	Liability Insurance	PERS Reserve	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from other funds	\$406,905		(\$9,138)	\$281,735	\$292,614	\$972,116
Cash payments to vendors	(406,905)	(\$9,196)	(148,951)	(33,621)		(598,673)
Insurance premiums, settlements, and rebates			(446,607)	(1,162,963)		(1,609,570)
Cash Flows from Operating Activities		(9,196)	(604,696)	(914,849)	292,614	(1,236,127)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from (to) other funds	20,000		857,000	800,000	258,700	1,935,700
Cash Flows (used for) Noncapital Financing Activities	20,000		857,000	800,000	258,700	1,935,700
Net Cash Flows	20,000	(9,196)	252,304	(114,849)	551,314	699,573
Cash and investments at beginning of period	5,253	96,698	5,923,884	699,873		6,725,708
Cash and investments at end of period	<u>\$25,253</u>	<u>\$87,502</u>	<u>\$6,176,188</u>	<u>\$585,024</u>	<u>\$551,314</u>	<u>\$7,425,281</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)		(\$9,196)	(\$559,342)	(\$838,166)		(\$1,406,704)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Change in assets and liabilities:						
Accounts receivable			(9,138)	(31,310)	\$292,614	252,166
Accounts payable			24,750	(11,752)		12,998
Claims and judgments payable			(60,966)	(33,621)		(94,587)
Cash Flows from Operating Activities		(9,196)	(604,696)	(914,849)	292,614	(1,236,127)

CUSTODIAL FUNDS

BLUE OAK LANE SEWER

This fund accounts for the accumulation of resources for payment of the debt service and installation of sanitary sewer systems on Blue Oak Lane funded via November 2009 limited obligation assessment district bonds. The revenue is derived from the special assessment levied to property owners within that improvement district.

CITY OF LOS ALTOS
CUSTODIAL FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Blue Oak Lane Sewer</u>	<u>Total</u>
ASSETS		
Cash and investments (Note 2)	\$43,485	\$43,485
Restricted cash and investments (Note 2)	<u>47,247</u>	<u>47,247</u>
Total Assets	<u>90,732</u>	<u>90,732</u>
NET POSITION		
Restricted for:		
Other governments	<u>90,732</u>	<u>90,732</u>
Total Net Position	<u><u>\$90,732</u></u>	<u><u>\$90,732</u></u>

CITY OF LOS ALTOS
 CUSTODIAL FUNDS
 COMBINING STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2023

	Blue Oak Lane Sewer	Total
ADDITIONS		
Fee collections	\$54,047	\$54,047
Total Additions	54,047	54,047
DEDUCTIONS		
Distributions	47,338	47,338
Total Deductions	47,338	47,338
Net increase(decrease) in net position	6,709	6,709
Net Position-Beginning	84,023	84,023
Net Position-Ending	\$90,732	\$90,732



This Page Left Intentionally Blank

STATISTICAL SECTION



This Page Left Intentionally Blank

STATISTICAL SECTION

This part of the City’s Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time:

- 1. Net Position by Component
- 2. Changes in Net Position
- 3. Fund Balances of Governmental Funds
- 4. Changes in Fund Balances of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax:

- 1. Tax Revenues by Source, Governmental Funds
- 2. Assessed Value of Taxable Property
- 3. Assessed Value of Property by Use Code
- 4. Property Tax Dollar by Break Down
- 5. Property Tax Dollars by Recipient Group
- 6. Direct and Overlapping Tax Rates
- 7. Principal Property Taxpayers
- 8. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future:

- 1. Ratios of Outstanding Debt by Type
- 2. Schedule of Direct and Overlapping Bonded Debt
- 3. Legal Debt Margin

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place:

- 1. Demographic Statistics
- 2. Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs:

- 1. Full-Time Equivalent City Employees by Function/Program
- 2. Full-Time Equivalent City Employees
- 3. Operating Indicators by Function/Program
- 4. Capital Asset Statistics by Function/Program
- 5. Trust and Agency Debt Administration

Sources

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

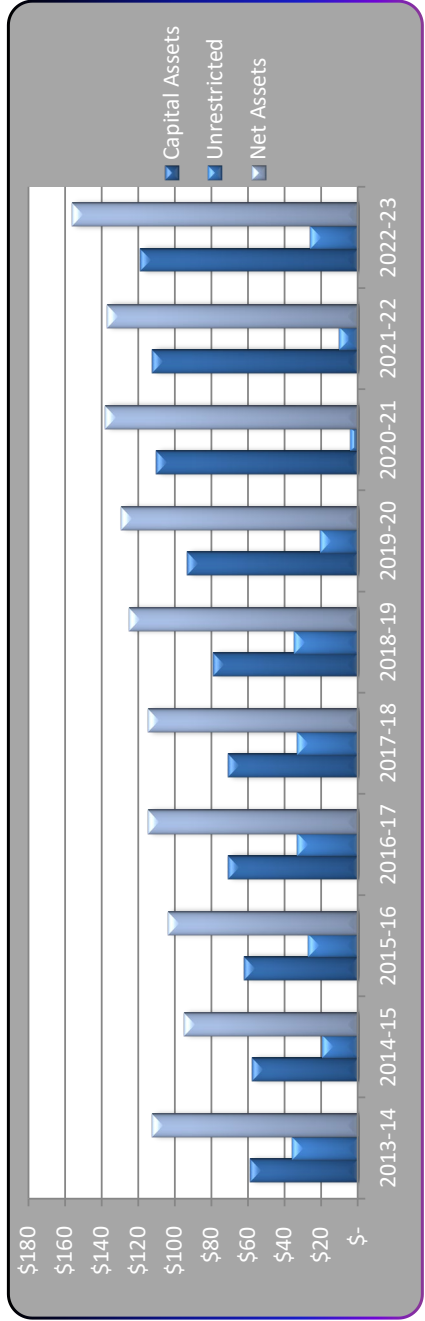


This Page Left Intentionally Blank

**City of Los Altos
Net Position by Component
Last Ten Fiscal Years**

(accrual basis of accounting; amounts expressed in thousands)

	FISCAL YEAR									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Governmental activities										
Net investment in capital assets	\$ 50,164	\$ 49,079	\$ 53,409	\$ 54,725	\$ 61,525	\$ 67,611	\$ 80,869	\$ 95,463	\$ 96,866	\$ 102,685
Restricted	17,629	17,815	14,447	11,498	10,620	11,381	15,365	24,021	14,427	11,635
Unrestricted	27,624	10,746	15,583	24,047	20,429	21,733	5,216	(11,750)	(4,855)	11,125
Total governmental activities net position	\$ 95,417	\$ 77,640	\$ 83,439	\$ 90,270	\$ 92,574	\$ 100,725	\$ 101,450	\$ 107,734	\$ 106,438	\$ 125,445
Business-type activities										
Net investment in capital assets	\$ 8,718	\$ 8,662	\$ 8,726	\$ 8,403	\$ 9,450	\$ 11,239	\$ 12,288	\$ 14,650	\$ 15,356	\$ 15,873
Unrestricted	8,087	8,472	11,259	11,907	12,644	13,135	15,500	15,510	14,927	14,910
Total business-type activities net position	\$ 16,805	\$ 17,134	\$ 19,985	\$ 20,310	\$ 22,094	\$ 24,374	\$ 27,788	\$ 30,160	\$ 30,283	\$ 30,783
Primary government										
Net investment in capital assets	\$ 58,882	\$ 57,741	\$ 62,135	\$ 63,128	\$ 70,975	\$ 78,850	\$ 93,157	\$ 110,113	\$ 112,222	\$ 118,558
Restricted	17,629	17,815	14,447	11,498	10,620	11,381	15,365	24,021	14,427	11,635
Unrestricted	35,711	19,218	26,842	35,954	33,073	34,868	20,716	3,760	10,072	26,035
Total primary government net position	\$ 112,222	\$ 94,774	\$ 103,424	\$ 110,580	\$ 114,668	\$ 125,099	\$ 129,238	\$ 137,894	\$ 136,721	\$ 156,228



Source: City of Los Altos Finance Department

Note:

(a) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "Net Assets" with the term "Net Position"

**City of Los Altos
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting amounts expressed in thousands)**

	FISCAL YEAR									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Expenses										
Governmental activities:										
Public safety	\$ 14,884	\$ 15,636	\$ 15,791	\$ 15,224	\$ 19,928	\$ 18,945	\$ 21,217	\$ 21,384	\$ 23,843	\$ 18,273
Public works	6,453	7,058	5,816	7,832	6,217	6,534	7,659	4,741	11,494	7,436
Recreation	2,656	2,976	2,744	2,613	3,402	3,061	3,235	2,584	2,942	2,928
Community development	4,038	4,590	5,758	4,243	6,440	5,547	6,596	7,004	7,636	5,784
Admin/Community services	3,804	4,002	4,882	4,411	5,687	5,905	9,806	8,282	14,265	9,094
Interest on long-term activities	71	68	63	51	64	51	40	245	307	238
Total governmental activities expenses	<u>31,906</u>	<u>34,330</u>	<u>35,054</u>	<u>34,374</u>	<u>41,738</u>	<u>40,043</u>	<u>48,553</u>	<u>44,240</u>	<u>60,487</u>	<u>43,753</u>
Business-type activities:										
Sewer	4,574	4,789	4,607	6,754	4,970	5,273	5,527	5,268	6,900	7,087
Solid waste	366	347	376	438	461	465	426	394	1,092	2,151
Storm drain	165	215	-	1	1	-	-	-	-	-
Total Business-type activities expenses	<u>5,105</u>	<u>5,351</u>	<u>4,983</u>	<u>7,193</u>	<u>5,432</u>	<u>5,738</u>	<u>5,953</u>	<u>5,662</u>	<u>7,992</u>	<u>9,239</u>
Total primary government expenses	<u>\$ 37,011</u>	<u>\$ 39,681</u>	<u>\$ 40,037</u>	<u>\$ 41,567</u>	<u>\$ 47,170</u>	<u>\$ 45,781</u>	<u>\$ 54,506</u>	<u>\$ 49,902</u>	<u>\$ 68,479</u>	<u>\$ 52,991</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 417	\$ 898	\$ 462	\$ 363	\$ 330	\$ 488	\$ 324	\$ 202	\$ 396	\$ 1,301
Public works	60	33	55	42	51	51	48	59	9	52
Recreation	1,952	2,167	2,123	2,070	2,021	1,963	847	271	1,139	1,417
Community development	5,196	3,625	3,412	3,112	4,589	4,027	3,498	5,793	9,063	7,942
Admin/Community services	942	954	1,033	1,082	950	753	1,200	954	47	219
Operating grants and contributions:										
Public safety	116	109	437	392	409	401	188	4,140	4,655	606
Public works	909	504	336	262	298	286	420	379	427	482
Recreation	-	-	2	5	5	5	-	-	-	-
Community development	36	343	8	148	170	-	-	306	1	-
Admin/Community services	6	-	-	-	-	-	-	-	-	-
Capital grants and contributions:										
Public safety	-	-	-	-	-	-	-	-	-	-
Public works	747	498	1,522	807	641	806	1,856	1,778	839	2,218
Recreation	-	-	-	-	-	-	-	-	-	-
Community development	3	30	7	-	62	-	-	31	-	-
Admin/Community services	83	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>10,467</u>	<u>9,161</u>	<u>9,397</u>	<u>8,283</u>	<u>9,526</u>	<u>8,780</u>	<u>8,381</u>	<u>13,913</u>	<u>16,576</u>	<u>14,236</u>

**City of Los Altos
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting amounts expressed in thousands)**

	FISCAL YEAR									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Business-type activities:										
Charges for services:										
Sewer	\$ 6,347	\$ 6,328	\$ 6,986	\$ 6,703	\$ 6,369	\$ 6,467	\$ 7,942	\$ 7,126	\$ 8,282	\$ 8,849
Solid waste	754	786	752	774	812	841	847	861	929	979
Storm drain	12	2	-	-	-	-	-	-	-	-
Total business-type activities program revenues	7,113	7,116	7,738	7,477	7,181	7,308	8,789	7,987	9,211	9,829
Total primary government program revenues	\$ 17,580	\$ 16,277	\$ 17,135	\$ 15,760	\$ 16,707	\$ 16,088	\$ 17,170	\$ 21,900	\$ 25,787	\$ 24,065
Net (expense)/revenue:										
Governmental activities	\$ (21,439)	\$ (25,170)	\$ (25,657)	\$ (26,091)	\$ (32,212)	\$ (31,263)	\$ (40,172)	\$ (30,327)	\$ (43,911)	\$ (29,517)
Business-type activities	2,008	1,766	2,755	284	1,749	1,570	2,836	2,325	1,219	590
Total primary government net (expense)/revenue	\$ (19,431)	\$ (23,404)	\$ (22,902)	\$ (25,807)	\$ (30,463)	\$ (29,693)	\$ (37,336)	\$ (28,002)	\$ (42,692)	\$ (28,927)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 15,586	\$ 17,480	\$ 18,776	\$ 19,863	\$ 21,429	\$ 23,792	\$ 25,787	\$ 28,464	\$ 30,086	\$ 32,644
Sales taxes	2,809	2,943	3,196	3,278	3,244	3,461	3,373	2,996	3,738	3,686
Utility users taxes	2,600	2,523	2,672	2,680	2,732	2,744	2,839	2,917	3,094	3,215
Other taxes	3,542	3,732	3,909	4,330	4,535	4,514	3,598	2,304	3,546	4,110
Franchise fees	1,905	1,808	2,029	2,083	2,207	2,222	2,287	2,215	2,339	2,516
Sale of Capital Assets-net	2,846	-	-	-	-	-	-	-	-	-
Interest income	99	200	438	233	320	2,226	2,595	173	(1,342)	506
Miscellaneous	212	1,124	435	454	452	456	418	428	486	515
Transfers	(152)	(196)	-	-	-	-	-	-	669	259
Total governmental activities	29,447	29,614	31,455	32,921	34,919	39,415	40,897	39,497	42,616	47,451
Business-type activities:										
Interest income	-	-	-	-	-	-	579	47	(471)	169
Miscellaneous	28	40	96	40	70	477	-	-	44	-
Transfers	152	196	-	-	-	-	-	-	(669)	(259)
Total business-type activities	180	236	96	40	70	477	579	47	(1,096)	(90)
Total primary government	\$ 29,627	\$ 29,850	\$ 31,551	\$ 32,961	\$ 34,989	\$ 39,892	\$ 41,476	\$ 39,544	\$ 41,520	\$ 47,361
Change in Net Position										
Governmental activities	\$ 8,008	\$ 4,444	\$ 5,798	\$ 6,830	\$ 2,707	\$ 8,152	\$ 725	\$ 9,170	\$ (1,295)	\$ 17,934
Business-type activities	2,188	2,002	2,851	324	1,819	2,047	3,415	2,372	123	500
Total primary government	\$ 10,196	\$ 6,446	\$ 8,649	\$ 7,154	\$ 4,526	\$ 10,199	\$ 4,140	\$ 11,542	\$ (1,172)	\$ 18,434

Source:
City of Los Altos Finance Department

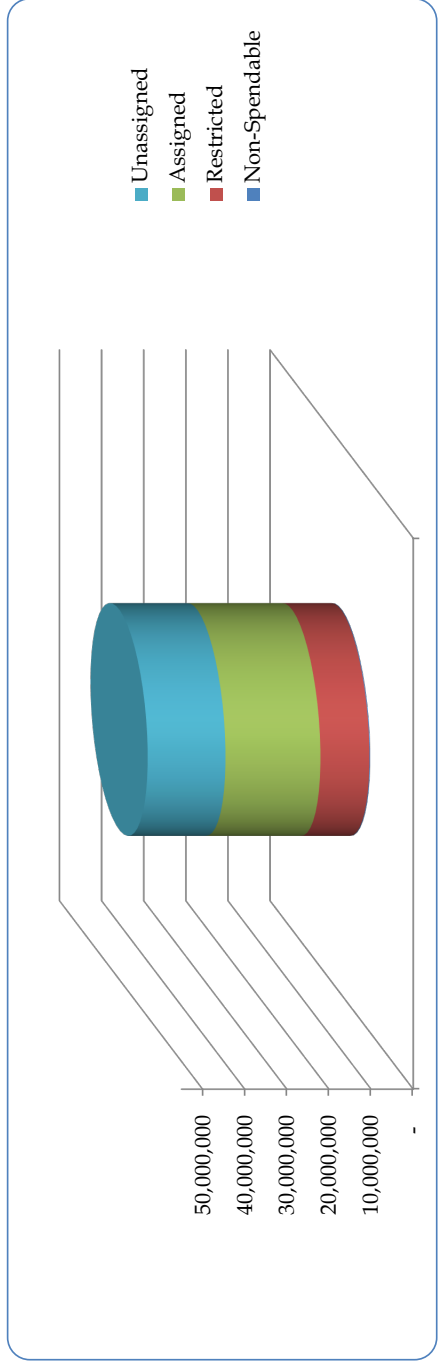
City of Los Altos
 Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting; amounts expressed in thousands)

	FISCAL YEAR									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
General fund										
Non-Spendable	\$ 35	\$ 445	\$ 524	\$ 38	\$ 1,932	\$ 1,882	\$ 1,836	\$ 1,859	\$ 214	\$ 190
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	27,161	29,565	29,064	37,630	38,040	39,020	25,773	15,937	10,337	10,008
Unassigned/Unrestricted	1,433	4,789	8,535	6,148	5,422	6,841	7,861	4,928	9,059	18,682
Total general fund	<u>\$ 28,629</u>	<u>\$ 34,799</u>	<u>\$ 38,123</u>	<u>\$ 43,816</u>	<u>\$ 45,394</u>	<u>\$ 47,743</u>	<u>\$ 35,470</u>	<u>\$ 22,724</u>	<u>\$ 19,610</u>	<u>\$ 28,880</u>
All other governmental funds										
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	10,008	10,614	9,969	9,645	10,107	9,939	10,890	12,149	14,427	11,635
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	7,621	7,201	4,477	1,993	1,335	1,495	4,529	11,872	12,535	12,532
Unreserved/Unrestricted	-	-	-	(140)	(823)	(53)	(53)	(532)	(236)	(213)
Total all other governmental funds	<u>17,629</u>	<u>17,815</u>	<u>14,446</u>	<u>11,498</u>	<u>10,619</u>	<u>11,381</u>	<u>15,366</u>	<u>23,489</u>	<u>26,726</u>	<u>23,954</u>
Total all governmental funds	<u>\$ 46,258</u>	<u>\$ 52,614</u>	<u>\$ 52,569</u>	<u>\$ 55,314</u>	<u>\$ 56,013</u>	<u>\$ 59,124</u>	<u>\$ 50,836</u>	<u>\$ 46,213</u>	<u>\$ 46,336</u>	<u>\$ 52,833</u>

Source:
 City of Los Altos Finance Department

City of Los Altos
 Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting; amounts expressed in thousands)
 (GASB 54 Presentation - 2022-23)

	General Fund	In Lieu Park Land	Measure B	Capital Projects	Other Govt Funds	Total
Inventory & Prepaids	\$ (189,936)	-	\$ -	-	\$ -	(189,936)
Notes Receivable	-	-	-	-	-	-
Non-Spendable	(189,936)	-	-	-	-	(189,936)
Debt Service	-	-	-	-	(374,359)	(374,359)
Special Revenue Programs and Projects	-	(7,920,808)	-	-	(3,339,864)	(11,260,672)
Restricted	-	(7,920,808)	-	-	(3,714,223)	(11,635,031)
General Fund Reserve	(8,757,349)	-	-	-	-	(8,757,349)
Veteran Memorial	(8,615)	-	-	-	-	(8,615)
OPEB & PERS	-	-	-	-	-	-
Technology	(1,242,318)	-	-	-	-	(1,242,318)
Capital and Equipment	-	-	-	-	(632,607)	(632,607)
CIP Reserve	-	-	-	(11,899,296)	-	(11,899,296)
Capital Project Reserve - Community Center	-	-	-	-	-	-
Assigned	(10,008,282)	-	-	(11,899,296)	(632,607)	(22,540,185)
Unrealized Gain/(Loss)	1,035,042	-	-	-	-	1,035,042
Unassigned	(19,716,846)	-	-	-	213,483	(19,503,363)
Total Unassigned Fund Balance	(18,681,804)	-	-	-	213,483	(18,468,321)
Total Fund Equity	\$ (28,880,022)	\$ (7,920,808)	\$ -	\$ (11,899,296)	\$ (4,133,347)	\$ (52,833,473)



Source: City of Los Altos Finance Department

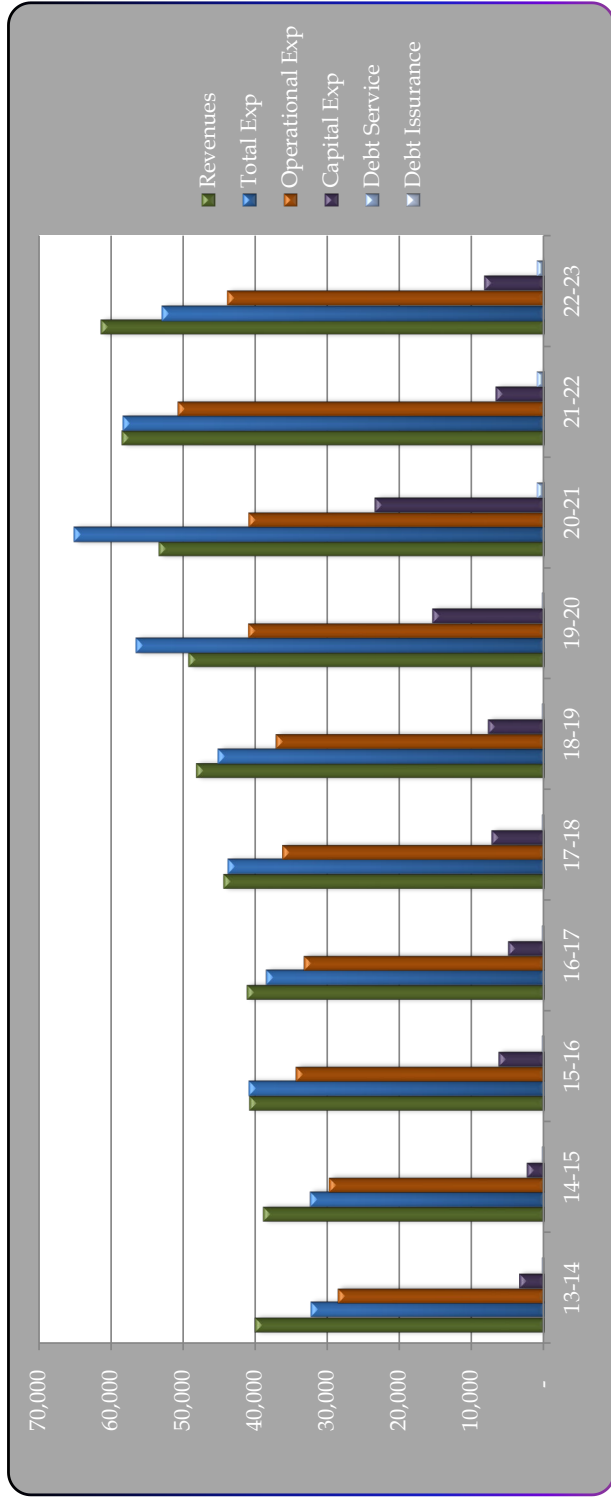
**City of Los Altos
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting; amounts expressed in thousands)**

	Fiscal Year									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Revenues										
Taxes	\$ 21,950	\$ 26,690	\$ 28,565	\$ 30,151	\$ 31,939	\$ 34,511	\$ 35,597	\$ 36,684	\$ 40,464	\$ 43,655
License, permits and park-in-lieu	4,531	3,925	3,784	3,786	4,195	4,207	4,209	4,545	4,919	5,811
Intergovernmental	4,861	1,027	973	742	2,087	1,557	1,358	4,155	5,836	3,681
Grants and donations	788	873	1,863	1,214	928	396	1,368	4,017	541	265
Charges for services	4,572	4,698	4,659	4,577	4,620	4,850	3,751	3,221	4,095	7,134
Fines and forfeitures	214	161	264	213	178	191	195	138	184	175
Interest and rentals	159	291	558	230	360	2,269	2,681	233	(1,303)	568
Other	2,989	1,306	187	291	137	214	119	418	3,786	140
Total revenues	40,064	38,971	40,853	41,204	44,444	48,195	49,278	53,411	58,522	61,429
Expenditures										
General government										
Public Safety										
Police	8,891	9,167	9,976	9,968	10,744	11,107	11,465	11,673	13,225	12,533
Fire Services	5,714	5,961	6,219	6,473	6,722	7,011	7,331	7,717	7,893	8,217
Public works	4,353	4,307	4,859	5,299	5,784	5,535	5,469	5,617	6,134	5,940
Recreation	2,186	2,389	2,423	2,343	2,509	2,469	2,313	1,782	2,540	2,847
Community development	3,885	4,221	6,087	4,653	5,747	5,361	5,896	6,445	6,967	6,567
Administration/Community services	3,552	3,770	4,852	4,567	4,773	5,673	8,515	7,702	13,969	7,763
Utility and sustainability	-	-	-	-	-	-	-	-	-	-
Capital improvements	3,492	2,435	6,313	4,992	7,299	7,756	15,428	23,343	6,714	8,299
Debt service										
Principal	95	100	105	105	110	120	120	628	534	554
Interest and fiscal charges	72	69	64	60	56	52	47	239	308	242
Total expenditures	32,240	32,419	40,898	38,460	43,744	45,084	56,584	65,146	58,284	52,962
Excess (deficiency) of revenues over (under) expenditures	7,824	6,552	(45)	2,744	700	3,111	(7,306)	(11,735)	238	8,467
Other financing sources (uses)										
Debt issuance	-	-	-	-	-	-	-	10,000	-	-
Payment to refunded bonded escrow agent	-	-	-	-	-	-	-	-	-	-
Proceeds from Lease	-	-	-	-	-	-	-	-	-	-
Transfers in	2,119	3,632	1,752	760	5,714	8,243	17,747	31,551	10,136	10,312
Transfers out	(2,685)	(3,828)	(1,752)	(760)	(5,714)	(8,243)	(18,729)	(31,551)	(10,251)	(11,989)
Total Other financing sources (uses)	(566)	(196)	-	-	-	-	(982)	10,000	(115)	(1,677)

**City of Los Altos
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting; amounts expressed in thousands)**

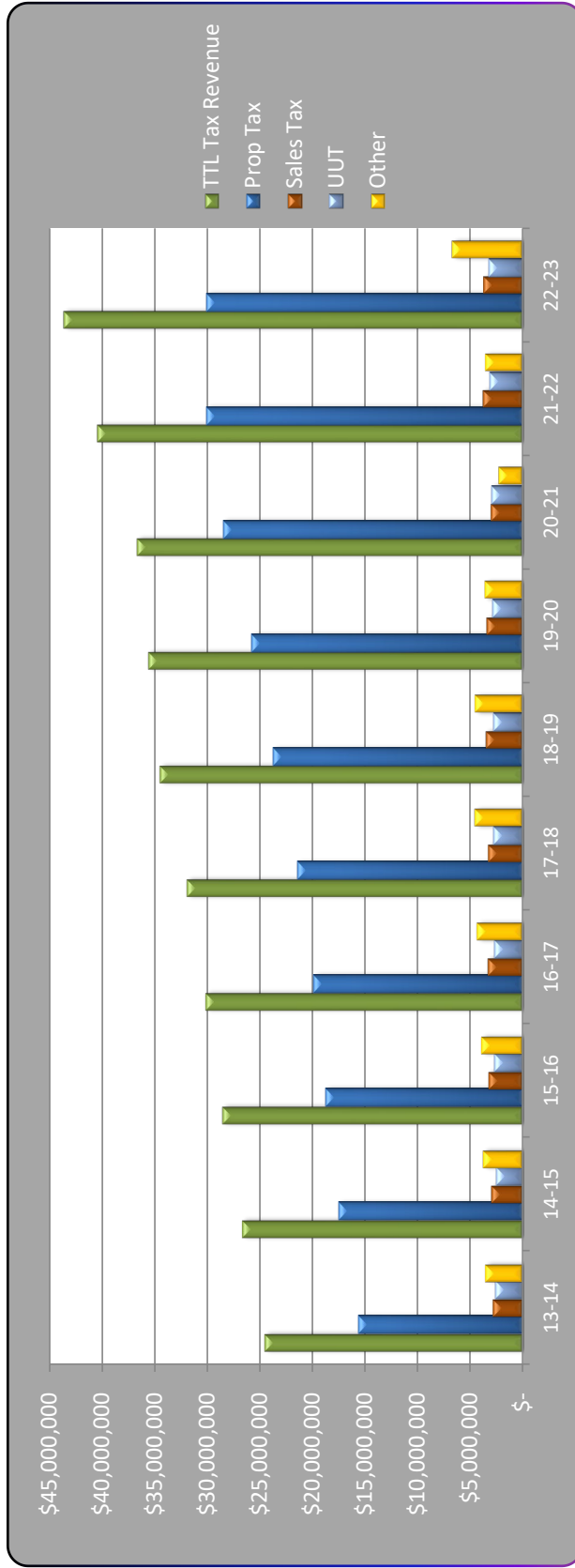
	Fiscal Year									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Special items										
CalPERS Side Fund Pay Down	-	-	-	-	-	-	-	-	-	-
Sale of capital assets-net	-	-	-	-	-	-	-	-	-	-
Total special items	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 7,258	\$ 6,356	\$ (45)	\$ 2,744	\$ 700	\$ 3,111	\$ (8,288)	\$ (1,735)	\$ 123	\$ 6,790
Debt service as a percentage of non-capital expenditures	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.4%	2.1%	1.6%	1.8%

Source:
City of Los Altos Finance Department



City of Los Altos
 Tax Revenues by Source - Governmental Funds
 Last Ten Fiscal Years

Fiscal Year	Sales Tax		Business Licenses		Utility Users		Transient Occupancy		Real Estate Transfer Tax		Motor Vehicle License Tax		Building Development		Special Assessments		Total
	Property	Tax	Licenses	Users	Occupancy	Transfer Tax	License Tax	Development	Assessments	Total							
2013-14	15,586,329	2,809,489	475,298	2,600,034	2,168,556	583,581	12,639	314,271	-	24,550,197							
2014-15	17,479,882	2,942,764	453,201	2,522,536	2,450,488	616,500	12,281	212,187	-	26,689,839							
2015-16	18,775,472	3,195,628	520,687	2,672,236	2,608,368	617,355	12,119	162,981	-	28,564,846							
2016-17	19,863,197	3,278,430	539,989	2,679,961	2,985,201	668,242	14,046	122,071	-	30,151,137							
2017-18	21,428,501	3,243,554	547,065	2,732,325	3,072,982	732,409	16,530	165,900	-	31,939,265							
2018-19	23,791,531	3,461,298	540,262	2,743,570	3,166,067	679,424	15,054	113,589	-	34,510,795							
2019-20	25,786,599	3,373,391	517,818	2,838,664	2,359,762	579,948	24,686	115,994	-	35,596,861							
2020-21	28,464,193	2,996,325	537,089	2,917,252	662,132	931,856	22,646	150,170	-	36,681,663							
2021-22	30,086,157	3,738,113	612,218	3,093,784	1,778,966	996,702	35,247	121,242	-	40,462,429							
2022-23	32,644,256	3,686,148	471,808	3,214,718	2,830,943	636,503	32,459	136,986	-	43,653,821							



Source:
 City of Los Altos Finance Department

City of Los Altos
 Assessed Value of Taxable Property
 Last Ten Fiscal Years

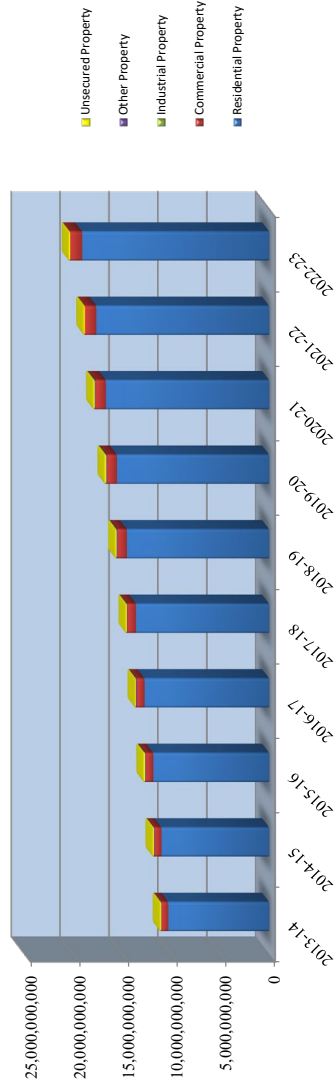
Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Unsecured Property	Less Tax-Exempt Property	Net Taxable Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value (2)	Assessed Value as a Percentage of Actual Value
2013-14	10,318,249,580	676,252,209	-	67,682,916	97,506,301	-	11,159,691,006	1.000000	-	-	-
2014-15	11,017,386,476	685,084,415	-	83,121,563	109,149,891	-	11,894,742,345	1.000000	-	-	-
2015-16	11,848,840,720	750,708,212	-	106,506,870	125,355,972	-	12,831,411,774	1.000000	-	-	-
2016-17	12,754,487,484	771,705,270	-	106,158,405	80,739,845	-	13,713,091,004	1.000000	-	-	-
2017-18	13,600,334,963	880,225,920	-	90,338,436	83,250,683	-	14,654,150,002	1.000000	-	-	-
2018-19	14,551,466,831	936,831,320	-	119,120,564	112,813,483	-	15,720,232,198	1.000000	-	-	-
2019-20	15,563,770,279	1,003,212,732	-	110,061,604	131,971,942	-	16,809,016,557	1.000000	-	-	-
2020-21	16,685,985,691	1,045,789,993	-	116,124,083	127,343,780	-	17,975,243,547	1.000000	-	-	-
2021-22	17,660,710,167	1,176,998,446	917,222	316,378,008	130,730,093	507,152,078	18,778,581,858	1.188560	42,924,835,863	2.285840	43.75%
2022-23	19,117,618,781	1,252,605,172	935,563	361,042,159	106,554,514	506,466,970	20,332,289,219	1.158400	48,389,284,987	2.379923	42.02%

Source:

Santa Clara County Assessor data, MumServices, LLC. / Avenu Insights & Analytics
 2021-22 and Prior Years, previous Published ACFR Report. (-) Data not available

(1) Total direct tax rate is represented by TRA 11-000.

(2) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.



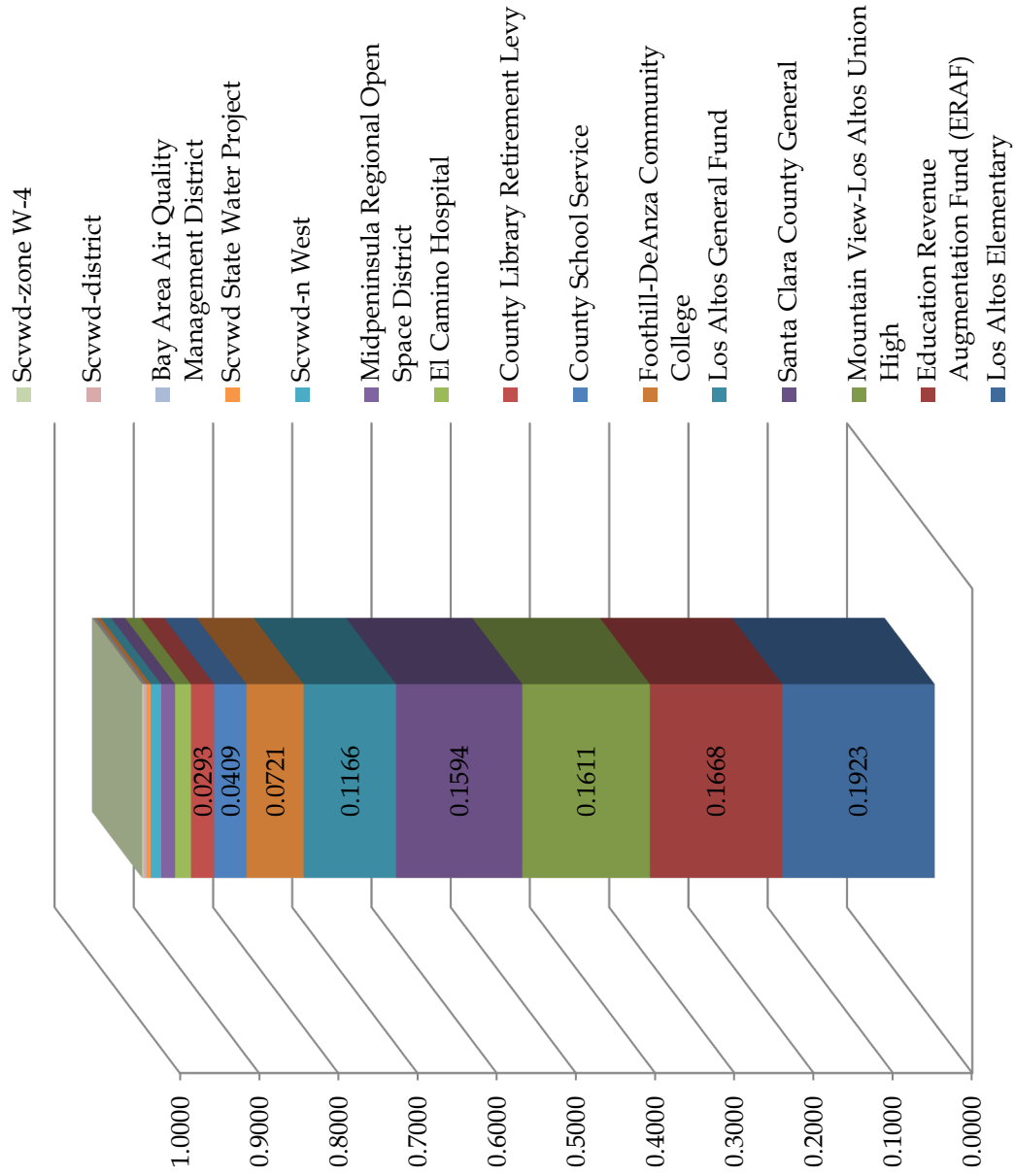
**City of Los Altos
Assessed Value of Property By Use Code
Last Two Fiscal Years**

Category	2021-22	2022-23
Residential	\$ 17,660,710,167	\$ 19,117,618,781
Commercial	1,176,998,446	1,252,605,172
Institution	195,945,908	199,622,422
Vacant	39,484,106	85,832,871
Social	54,964,365	48,424,279
Transportation	15,348,765	16,164,927
Public	4,714,699	5,107,910
Agriculture	4,549,755	4,491,933
Recreational	1,370,410	1,397,817
Industrial	917,222	935,563
Unknown	-	-
Gross Secured Value	19,155,003,843	20,732,201,675
Unsecured Value	130,730,093	106,554,514
<i>Less Exemptions</i>	507,152,078	506,466,970
Net Taxable Value	\$ 18,778,581,858	\$ 20,332,289,219

Source:

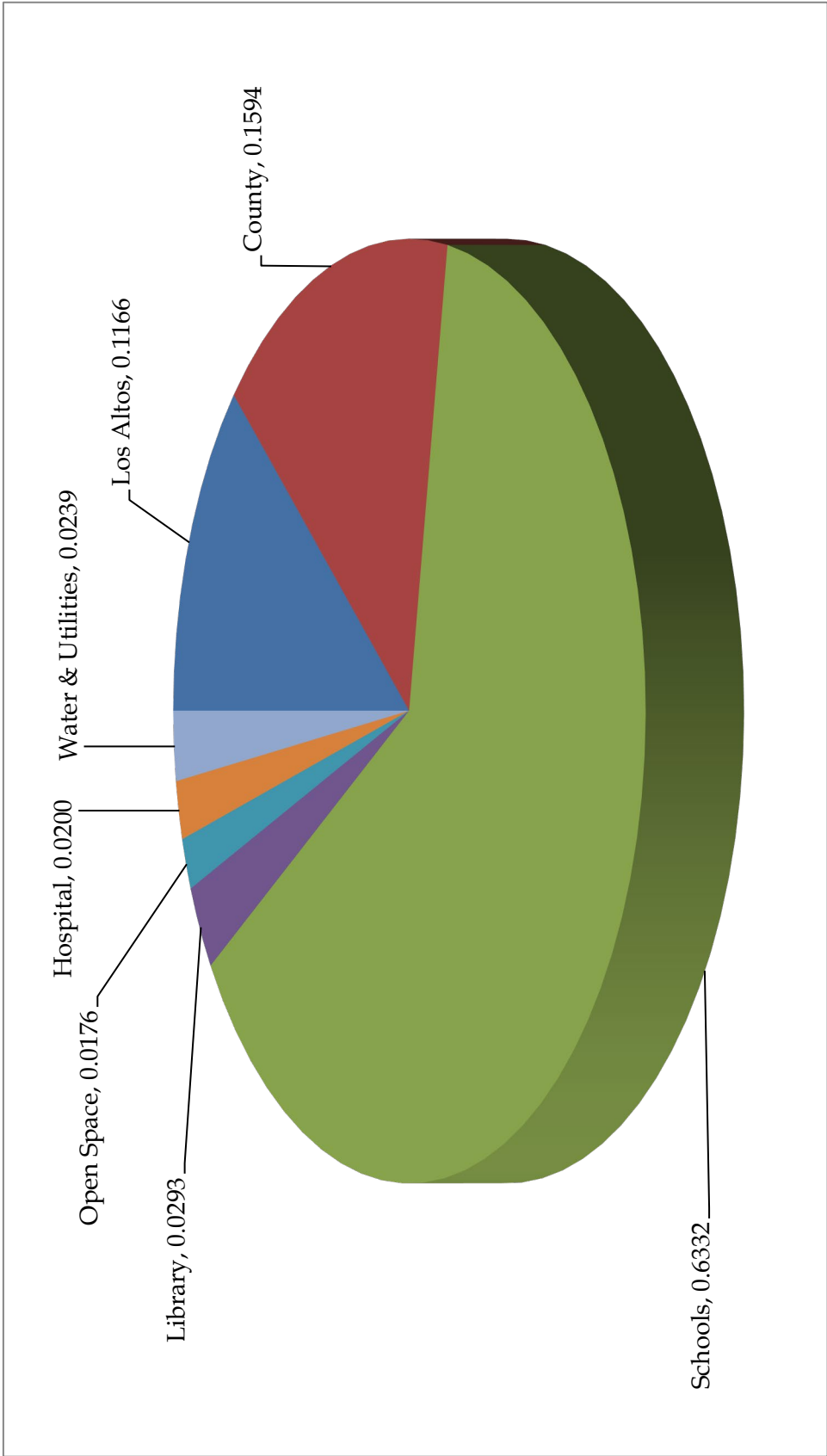
Santa Clara County Assessor data, MuniServices, LLC, / Avenu Insights & Analytics
Use code categories are based on Santa Clara County Assessor's data

**City of Los Altos
Property Tax Dollar Breakdown
June 30, 2023**



Source:

**City of Los Altos
Property Tax Dollars By Recipient Group
June 30, 2023**



Source:
HdL Coren & Cone

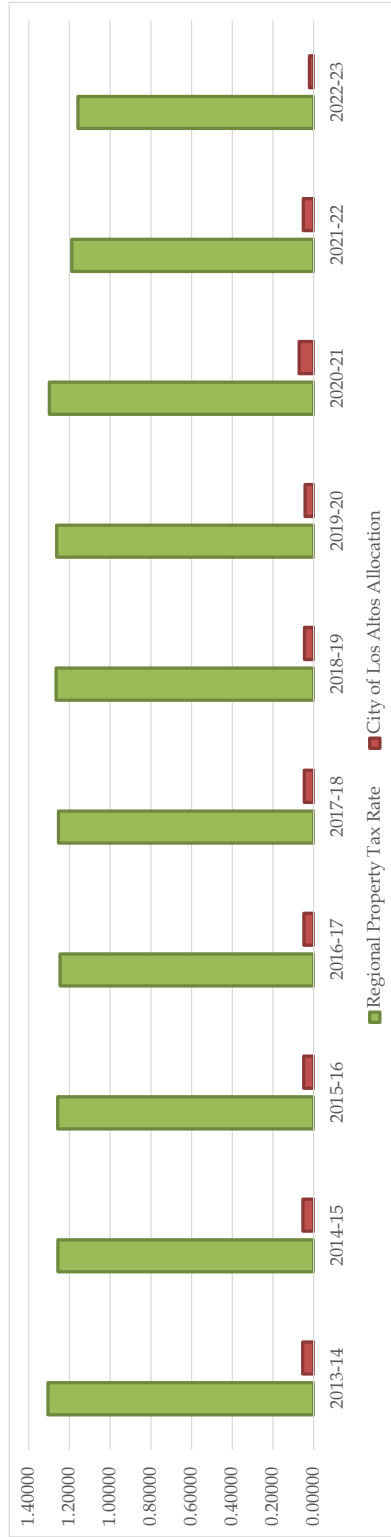
City of Los Altos
 Direct and Overlapping Tax Rates
 Last Ten Fiscal Years
(rate per \$100 of taxable value)

Fiscal Year	Overlapping Rates (1)																	Total
	Basic County-Wide	Santa Clara Retirement	County Library Retirement	Los Altos Elementary School	Mountain View Elementary School	Cupertino Elementary School	Whisman School Bond	Foothill-De Anza College	Los Altos High School	Mountain View High School	Fremont Union High School	Santa Clara Valley District	Mid Peninsula Open Space	County Housing Bond	County Hospital Bonds	El Camino Hospital		
2013-14	1.0000	0.0388	0.0024	0.0534	0.0276	0.0525	0.0254	0.0290	0.0121	0.0405	0.0070	-	-	-	0.0035	0.0129	1.3051	
2014-15	1.0000	0.0388	0.0024	0.0524	-	0.0540	-	0.0276	0.0133	0.0396	0.0065	-	-	-	0.0091	0.0129	1.2566	
2015-16	1.0000	0.0388	0.0024	0.0485	-	0.0519	-	0.0240	0.0119	0.0525	0.0057	0.0008	-	-	0.0088	0.0129	1.2582	
2016-17	1.0000	0.0388	0.0024	0.0479	-	0.0509	-	0.0234	0.0112	0.0403	0.0086	0.0006	-	-	0.0086	0.0129	1.2456	
2017-18	1.0000	0.0388	0.0024	0.0463	-	0.0496	-	0.0220	0.0107	0.0464	0.0062	0.0009	0.0127	-	0.0082	0.0100	1.2542	
2018-19	1.0000	0.0388	0.0024	0.0449	-	0.0397	-	0.0217	0.0409	0.0430	0.0042	0.0018	0.0105	-	0.0072	0.0100	1.2651	
2019-20	1.0000	0.0388	0.0024	0.0418	-	0.0415	-	0.0208	0.0365	0.0479	0.0041	0.0016	0.0100	-	0.0069	0.0100	1.2623	
2020-21	1.0000	0.0388	0.0024	0.0713	-	0.0403	-	0.0364	0.0400	0.0478	0.0037	0.0015	-	-	0.0069	0.0100	1.2991	
2021-22	1.0000	0.0388	0.0024	0.0511	-	-	-	0.0331	0.0278	-	0.0051	0.0015	0.0127	-	0.0061	0.0100	1.1886	
2022-23	1.0000	0.0388	0.0024	0.0208	-	-	-	0.0291	0.0355	-	0.0044	0.0013	0.0108	-	0.0063	0.0090	1.1584	

Source:

Santa Clara County Auditor data, MuniServices, LLC, / Avenu Insights & Analytics

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Los Altos; however, not all of these overlapping rates apply to all Los Altos property owners.



City of Los Altos
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2022-23			2013-14		
	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue
RLJ R Los Altos LP	\$ 70,220,283	1	0.35%	\$ 58,166,639	1	0.52%
Los Altos Gardens II LP	59,478,914	2	0.29%			
Imperial Hornet Developers LLC	57,814,818	3	0.28%			
St Paul Fire & Marine Insurance Compar	55,699,341	4	0.27%	42,159,926	2	0.38%
5150 ECR Los Altos LLC	47,260,844	5	0.23%			
Spieker Richard T Trustee & Et Al	36,164,868	6	0.18%			
Springwood Apartments LLC	34,870,097	7	0.17%	28,109,342	3	0.25%
199 First Street Owner LLC	31,159,612	8	0.15%			
Safeway Inc	27,529,305	9	0.14%			
Toyota Research Institute Inc	26,156,031	10	0.13%			
Compass Grand Los Altos LLC	-		0.00%	22,276,509	4	0.20%
KRC Los Altos LP	-		-	21,587,143	5	0.19%
4 Seasons Assocs LLC	-		-	19,512,969	6	0.18%
Village Court Partners	-		-	15,933,383	7	0.14%
240 3rd St Asscs LLC	-		-	15,715,735	8	0.14%
Menlo Land & Capital III LLC	-		-	11,832,000	9	0.11%
170 State Street LLC	-		-	11,235,278	10	0.10%
Top Ten Total	\$ 446,354,113		2.20%	246,528,924		2.22%
City Total	\$ 20,332,289,219			\$ 11,106,338,406		

Source:

Santa Clara County Assessor data, MuniServices, LLC, / Avenu Insights & Analytics

**City of Los Altos
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Santa Clara County						
	Total Tax Levy	Current Tax Collections	Levy Collected	Levy Collected of the Total Levy	Current Collections of the Levy	Delinquent Tax Collections	
2013-14	4,165,019,181	349,740,765	316,325,898	7.59%	90.45%	2.59%	
2014-15	4,463,179,149	344,291,093	339,731,930	7.61%	98.68%	0.98%	
2015-16	4,944,651,360	330,545,207	326,823,894	6.61%	98.87%	1.13%	
2016-17	5,278,067,434	359,152,852	346,454,876	6.56%	96.46%	1.89%	
2017-18	5,719,021,680	355,579,401	345,863,202	6.05%	97.27%	1.86%	
2018-19	6,070,435,575	402,557,998	394,623,618	6.50%	98.03%	1.46%	
2019-20	6,512,388,164	385,721,931	378,492,815	5.81%	98.13%	1.74%	
2020-21	6,920,087,868	422,454,897	413,409,481	5.97%	97.86%	1.80%	
2021-22	7,314,546,442	388,627,914	381,445,431	5.21%	98.15%	1.72%	
2022-23	7,864,532,264	442,920,966	419,645,159	5.34%	94.74%	1.90%	

Source:

County of Santa Clara

Note:

The actual tax levy data for the City of Los Altos is not available because the Santa Clara County uses a factor known as the AB8 factors to apportion the 1 % portion of the tax levies/collections to each of the jurisdictions within the county. The City's AB8 factors range from 0.0029 to 0.0033 for the past 10 years. Additionally, the City and the County adopted the "alternative method of property tax distributions" that authorizes the County to allocate 100% of the secured property tax based on levy instead of collection, and to retain all delinquent penalties and interest.

**City of Los Altos
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities						Per Capita	Per Personal Income (2)
	General Obligation Bond	Certificates of Participation (1)	Capital Lease (1)	Total	Population (2)	Per Capita		
2013-14	\$ -	\$ 1,665,000	\$ -	\$ 1,665,000	29,969	\$ 56	\$ 79,102	
2014-15	\$ -	\$ 1,565,000	\$ -	\$ 1,565,000	29,884	\$ 52	\$ 83,041	
2015-16	\$ -	\$ 1,460,000	\$ -	\$ 1,460,000	31,353	\$ 47	\$ 80,407	
2016-17	\$ -	\$ 1,355,000	\$ -	\$ 1,355,000	31,402	\$ 43	\$ 86,558	
2017-18	\$ -	\$ 1,245,000	\$ -	\$ 1,245,000	31,361	\$ 40	\$ 93,010	
2018-19	\$ -	\$ 1,125,000	\$ -	\$ 1,125,000	31,190	\$ 36	\$ 96,333	
2019-20	\$ -	\$ 1,005,000	\$ -	\$ 1,005,000	30,876	\$ 33	\$ 104,649	
2020-21	\$ -	\$ 880,000	\$ 9,496,863.00	\$ 10,376,863	30,510	\$ 340	\$ 115,433	
2021-22	\$ -	\$ 750,000	\$ 9,092,251.00	\$ 9,842,251	31,526	\$ 312	\$ 132,589	
2022-23	\$ -	\$ 610,000	\$ 8,678,374.00	\$ 9,288,374	31,021	\$ 299	\$ 154,652	

Sources:

(1) City of Los Altos Finance Department

(2) MuniServices, LLC, / Avenu Insights & Analytics, U.S. Census Bureau

Note: Special Assessment Debt is no longer presented as they involve limited obligation bonds that are secured by ad valorem assessments and carry no city obligation.

**City of Los Altos
Schedule of Direct and Overlapping Bonded Debt
June 30, 2023**

2022-23 Assessed Valuation: \$20,377,566,619

	<u>Total Debt</u> <u>6/30/2023</u>	<u>%</u> <u>Applicable (1)</u>	<u>City's Share of</u> <u>Debt 6/30/23</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Santa Clara County	\$ 1,041,125,000	3.292%	\$34,273,835
Foothill-De Anza Community College District	603,653,754	9.337%	56,363,151
Fremont Union High School District	771,685,088	3.973%	30,659,049
Mountain View-Los Altos Union High School District	250,148,487	23.664%	59,195,138
Cupertino Union School District	258,383,303	7.281%	18,812,888
Los Altos School District	134,380,000	52.515%	70,569,657
El Camino Hospital District	105,480,000	16.426%	17,326,145
Midpeninsula Regional Park District	82,680,000	5.349%	4,422,553
Santa Clara Valley Water District Benefit Assessment District	38,900,000	3.292%	1,280,588
City of Los Altos 1915 Act Bonds	455,000	100.000%	455,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$293,358,004
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Clara County General Fund Obligations	\$ 1,120,404,570	3.292%	36,883,718
Santa Clara County Pension Obligation Bonds	329,741,844	3.292%	10,855,102
Santa Clara County Board of Education Certificates of Participation	935,000	3.292%	30,780
Foothill-De Anza Community College District Certificates of Participation	20,645,000	9.337%	1,927,624
Mountain View-Los Altos Union High School District General Fund Obligat	1,810,475	23.664%	428,431
Los Altos School District General Fund Obligations	1,457,488	52.515%	765,400
City of Los Altos General Fund Obligations	9,289,040	100.000%	9,289,040
Midpeninsula Regional Park District General Fund Obligations	91,570,600	5.349%	4,898,111
Santa Clara County Vector Control District Certificates of Participation	1,230,000	3.292%	40,492
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 65,118,698
Less: Santa Clara County supported obligations			346,326
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 64,772,372
TOTAL DIRECT DEBT			\$ 9,289,040
TOTAL GROSS OVERLAPPING DEBT			\$ 349,187,662
TOTAL NET OVERLAPPING DEBT			\$ 348,841,336
GROSS COMBINED TOTAL DEBT			\$ 358,476,702 (2)
NET COMBINED TOTAL DEBT			\$ 358,130,376

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

City of Los Altos
 Legal Debt Margin
 Last Ten Fiscal Years

Fiscal Year	Assessed Valuation (1)	Debt Limit 15% of Assessed Valuation	Debt Applicable to Limit	Legal Debt Margin
2013-14	11,159,691,006	1,673,953,651	-	1,673,953,651
2014-15	11,894,742,345	1,784,211,352	-	1,784,211,352
2015-16	12,831,411,774	1,924,711,766	-	1,924,711,766
2016-17	13,713,091,004	2,056,963,651	-	2,056,963,651
2017-18	14,654,150,002	2,198,122,500	-	2,198,122,500
2018-19	15,720,232,198	2,358,034,830	-	2,358,034,830
2019-20	16,809,016,557	2,521,352,484	-	2,521,352,484
2020-21	17,975,243,547	2,696,286,532	-	2,696,286,532
2021-22	18,825,558,858	2,823,833,829	-	2,823,833,829
2022-23	20,377,566,619	3,056,634,993	-	3,056,634,993

Source:
 City of Los Altos Finance Department
 MuniServices, LLC

**City of Los Altos
Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	City Population (1)	Per Capita		County Unemployment Rate (%) (3)	Median Age (4)	% with High School Degree (4)	% with Bachelors Degree (4)	Public School Enrollment (5)
		Personal Income (2)	Personal Income (2)					
2013-14	29,969	2,370,608	79,102	6.8%	46.1	98.70%	77.40%	8,303
2014-15	29,884	2,481,597	83,041	3.8%	46.2	98.80%	78.70%	8,284
2015-16	31,353	2,521,001	80,407	4.2%	46.2	98.70%	79.00%	8,666
2016-17	31,402	2,718,094	86,558	3.8%	45.7	98.70%	80.00%	8,606
2017-18	31,361	2,916,887	93,010	2.6%	45.7	98.70%	80.90%	8,685
2018-19	31,190	3,004,626	96,333	2.1%	45.9	98.60%	82.30%	8,610
2019-20	30,876	3,231,143	104,649	11.0%	45.8	98.60%	82.60%	8,513
2020-21	30,510	3,521,861	115,433	7.0%	46.1	98.40%	84.20%	7,693
2021-22	31,526	4,179,995	132,589	1.8%	45.7	98.50%	87.60%	7,886
2022-23	31,021	4,797,450	154,652	3.2%	45.8	99.00%	85.90%	7,803

Source: MuniServices, LLC, / Avenu Insights & Analytics, U.S. Census Bureau

Source: 2022 and prior, previously published ACFR Report

- 1.) Population Projections are provided by the California Department of Finance Projections.
- 2.) Per Capita Income Data is provided by the United States Census Data and is adjusted for inflation.
- 3.) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department.
- 4.) Data provided by the United States Census Data Sets Tables.
- 5.) Student Enrollment reflects the total number of students enrolled in Los Altos Elementary and Mountain View-Los Altos Union High.

**City of Los Altos
Principal Employers
Current Year and Four Years Ago**

Employer	2022-23			2017-2018 (Latest Available)		
	Number of Employees (1)	Rank	% of Total City Employment	Number of Employees	Rank	% of Total City Employment
Los Altos School District	434	1	2.93%	568	1	4.26%
Los Altos Sub-Acute & Rehabilitation Center	257	2	1.74%	-	-	-
Los Altos High School	212	3	1.43%	217	2	1.63%
Toyota Research Institute (HQ)	210	4	1.42%	-	3	-
Whole Foods Market	185	5	1.25%	242	-	1.81%
Compass (formerly Alain Pinel Realtors)*	166	6	1.12%	107	8	0.80%
The David and Lucile Packard Foundation	149	7	1.01%	100	9	0.75%
City of Los Altos	130	8	0.88%	133	5	1.00%
Palo Alto Medical Foundation - Los Altos Center*	110	9	0.74%	135	7	1.01%
Adobe Animal Hospital	109	10	0.74%	129	4	0.97%
Coldwell Banker	-	-	-	130	6	0.97%
Trader Joes	-	-	-	71	10	0.53%
Top Ten Total	1,962		13.26%	1,832		13.73%
Total City Labor Force	14,800 (1)			13,341		

Source: MuniServices, LLC, / Avenu Insights & Analytics
 Source: 2018 data, from prior published ACFR. Historical data unavailable
 Results based on direct correspondence with city's local businesses.
 (1) Total City Labor Force provided by EDD Labor Force Data.

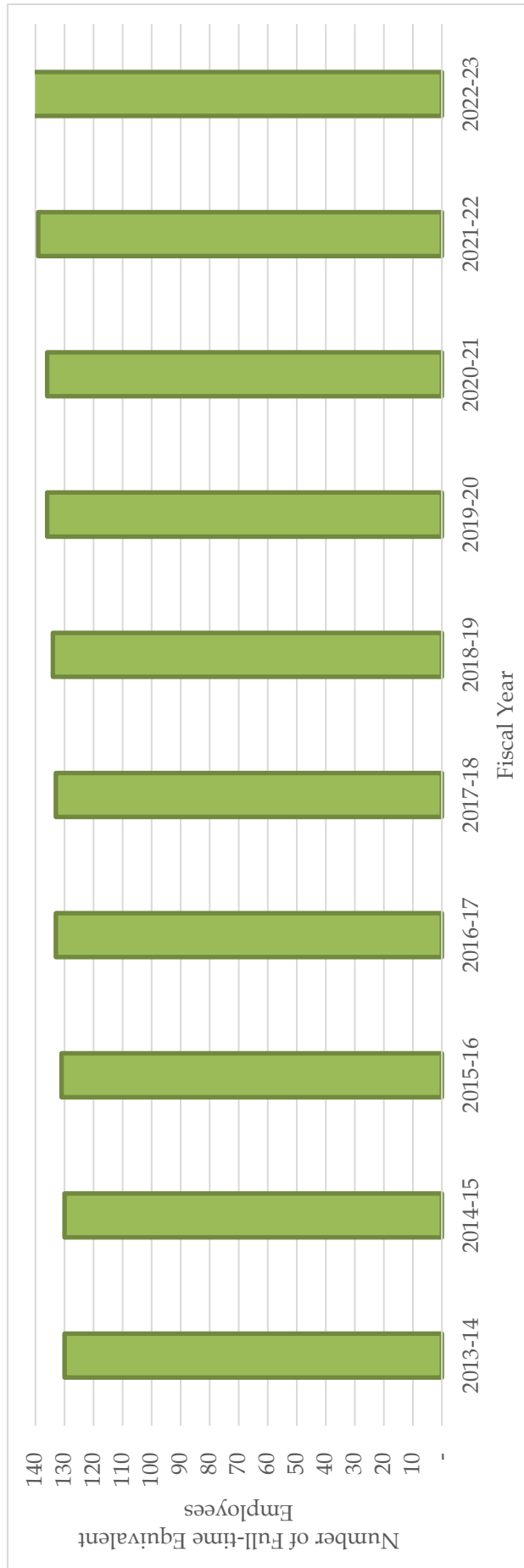
Notes:
 *Employer has not responded to Avenu's employee count inquires, prior year count applied.

**City of Los Altos
Full-time Equivalent City Employees by Function/Program
Last Ten Fiscal Years**

Function/Program	FISCAL YEAR									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<i>Public Safety</i>										
Police Operations	32.00	32.00	31.00	31.00	31.00	31.00	30.00	30.00	29.00	29.00
Police Traffic Safety	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Communications	11.00	11.00	11.00	11.00	11.00	11.00	13.00	13.00	13.00	13.00
<i>Maintenance Services</i>										
Maintenance Services	29.50	29.50	29.50	29.50	29.50	28.00	27.00	27.00	27.00	26.00
<i>Recreation</i>										
Recreation	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	10.00	11.00
<i>Community Development</i>										
Planning & Building	14.00	14.00	14.00	15.00	15.00	14.00	15.00	15.00	16.00	16.00
Engineering	9.00	9.00	9.00	10.00	10.00	12.25	13.25	13.25	12.25	13.75
Economic Development	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<i>Administration</i>										
City Management	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00	6.00	7.00
Administration & Finance	10.00	10.00	12.00	12.00	12.00	11.00	11.00	11.00	13.00	17.00
<i>Sewer</i>										
Sewer	6.25	6.25	6.25	6.25	6.25	7.50	7.50	7.50	7.50	5.00
<i>Solid Waste</i>										
Solid Waste	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<i>Storm Drain</i>										
Storm Drain	1.00	1.00	-	-	-	-	-	-	-	0.00
Total	<u>130.00</u>	<u>130.00</u>	<u>131.00</u>	<u>133.00</u>	<u>133.00</u>	<u>134.00</u>	<u>136.00</u>	<u>136.00</u>	<u>139.00</u>	<u>143.00</u>

Source: City of Los Altos Finance Department

**City of Los Altos
Full-time Equivalent City Employees
Last Ten Fiscal Years**



Source:
City of Los Altos

**City of Los Altos
Operating Indicators by Function/Program
Last Ten Fiscal Years**

Function/Program	FISCAL YEAR									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Police:										
Arrests	283	312	222	210	211	717	893	347	132	148
Moving citations issued	1,069	1,555	1,757	982	1,203	2,517	1474	1053	510	649
Parking citations issued	2,559	2,266	3,138	2,431	1,879	1,338	1573	543	1483	1,425
Municipal code violations issued	161	109	103	25	115	116	54	54	31	20
Public Works:										
Crack sealing in lineal feet	2,112	113,784	101,040	110,000	174,040	-	120,000	45,536	80,446	40,300
Street sign installed and replaced	949	596	457	100	320	1,025	1200	411	398	285
Recreation:										
Classes/programs	2,738	2,713	2,107	2,349	2,724	1,803	1559	1298	2164	3,749
Facility rentals	3,501	5,648	5,378	5,927	4,141	4,044	2246	1269	1108	1,321
Field/gymnasium permits	2,945	4,509	2,795	3,433	3,556	3,109	2383	1935	2633	1,667
Planning:										
Plan applications submitted	716	757	800	675	686	988	493	935	938	743
Building:										
Permits issued	1,757	1,751	1,927	1,769	1,795	1,939	1,695	2,036	1,897	2,068
Plan checks submitted	649	582	599	619	569	619	883	991	1036	2,325
Inspections	7,682	7,227	7,517	6,445	6,479	7,967	7,920	8,862	9,054	9,980
Sewer:										
Cleaning and flushing in lineal feet	667,415	683,552	759,456	585,273	713,795	585,095	601,543	768,557	681,779	511,577
Storm Drain:										
Catch basin/storm drain cleaned (measured in storm inlets cleaned)	1,898	1,350	1,350	1,350	1,350	1,350	2,000	1,350	1,500	1,500

Sources:

City of Los Altos Quarterly Reports.

Data for all fiscal years was provided by the corresponding departments.

Note:

- (1) Data reflect uses instead of reservation.
- (2) Change in reporting from reported to issued

**City of Los Altos
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

Function/Program	FISCAL YEAR									
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Public Safety:										
Police Station	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Recreation:										
Number of Parks	10	10	10	10	10	10	10	10	10	10
Park Acreage	38	38	38	38	38	38	38	38	38	38
Number of Libraries	2	2	2	2	2	2	2	2	2	2
Number of History Museums	1	1	1	1	1	1	1	1	1	1
Maintenance Services:										
Miles of Streets	127	127	127	127	127	127	127	127	127	127
Number of Traffic Signals	13	13	13	13	16	16	16	16	16	16
Sewer:										
Miles of Sewer Mains	141	141	141	141	141	141	141	141	141	141
Storm Drain:										
Miles of Storm Drain Mains	58	58	58	58	58	58	58	58	58	58

Source:
City of Los Altos

City of Los Altos
Trust and Agency Debt Administration
Last Ten Fiscal Years

Non-City Obligation Debt
Special Assessment Debt Service

Fiscal Year	Avalon Dr. Curb & Gutter		Raymundo Curb & Gutter		Blue Oak Lane Sewer		Total Special Assessment Debt Service			
	Special	Principal	Special	Principal	Special	Principal	Special	Principal		
2013-14	10,044	8,000	1,276	18,000	7,487	10,000	31,629	36,000	40,392	1.10
2014-15	-	18,620	783	19,000	6,626	15,000	31,241	52,620	38,650	0.85
2015-16	-	-	-	20,000	5,719	15,000	30,741	35,000	36,460	1.09
2016-17	-	-	-	21,000	4,766	15,000	30,197	36,000	34,963	1.10
2017-18	-	-	-	21,000	3,790	15,000	29,610	36,000	33,400	1.10
2018-19	-	-	-	22,000	2,790	15,000	28,971	37,000	31,761	1.12
2019-20	-	-	-	23,999	1,721	15,000	28,341	38,999	30,062	1.09
2020-21	-	-	-	25,000	581	15,000	27,648	40,000	28,229	1.09
2021-22	-	-	-	-	-	15,000	26,926	15,000	26,926	1.14
2022-23	-	-	-	-	-	15,000	26,185	15,000	26,185	1.27

Source:

City of Los Altos Finance Department

Note : This chart presents Limited Obligation Debt that the City Administers on a trust and Agency Basis. This debt does not represent City Obligations.



This Page Left Intentionally Blank

CITY OF LOS ALTOS
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2023

This Page Left Intentionally Blank

**CITY OF LOS ALTOS
MEMORANDUM ON INTERNAL CONTROL
For The Year Ended June 30, 2023**

Table of Contents

	<u>Page</u>
<i>Memorandum on Internal Control</i>	1
Schedule of Significant Deficiency	3
Schedule of Other Matters	5
Status of Prior Years Schedule of Significant Deficiency.....	11
Status of Prior Years Schedule of Other Matters.....	13

This Page Left Intentionally Blank



MEMORANDUM ON INTERNAL CONTROL

To the City Council of
the City of Los Altos, California

In planning and performing our audit of the basic financial statements of the City of Los Altos (City) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control included on the Schedule of Significant Deficiency to be significant deficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Significant Deficiency. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with Government Auditing Standards, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California
March 15, 2024

This Page Left Intentionally Blank

SCHEDULE OF SIGNIFICANT DEFICIENCY

2023-01 **Timeliness of Year-End Close**

Criteria: Effective organizations develops plans to ensure that adequate resources are available to analyze the City’s general ledger to ensure that all accounts are accurate and timely for the reporting year. These resources need to be in place throughout the fiscal year to ensure proper accounting processes and procedures and allow time for the analysis of account balances and activities.

Condition: During the audit, City staff proposed numerous post-closing journal entries, which caused the audit team to reprocess and reanalyze the trial balance. City staff had difficulty completing closing entries prior to providing the trial balance for audit in various areas, which affected the year-end closing process and many of the City’s funds. As a result, the year-end audit was adversely affected.

Cause: The tight labor market directly impacted the City’s recruitment causing multiple vacancies in the finance department.

Potential Effect: The above condition delayed the completion of the year-end closing process, which increases the risk that errors or misstatements may go undetected and corrections may not be made in a timely manner.

Recommendation: The City should analyze staff resources to ensure the financial data is processed correctly and timely. In addition, the City should develop procedures to ensure that accounts are analyzed throughout the fiscal year to ensure a timely closing.

Management Response:

The City remains actively engaged in recruitment efforts. In January 2024, the Finance Department successfully hired one CIP/Finance manager, two accounting technicians, and one special project manager for ERP implementation. Additionally, it is projected that the Finance Manager position will be filled by May 2024.

This Page Left Intentionally Blank

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking effect in the next few years. We have cited them here to keep you abreast of developments:

EFFECTIVE FISCAL YEARS 2022, 2023 and 2024:**GASB 99 – Omnibus 2022**

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements.

SCHEDULE OF OTHER MATTERS

GASB 99 – Omnibus 2022 (Continued)

- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
- Terminology used in Statement 53 to refer to resource flows statements.

The Requirements of this Statement are Effective as Follows:

The requirements in paragraphs 26–32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by individual topic.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2023/24:

GASB 100 – Accounting for Changes and Error Corrections

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2024/25:

GASB 101 – Compensated Absences

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Recognition And Measurement

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

SCHEDULE OF OTHER MATTERS

GASB 101 – Compensated Absences (Continued)

Notes to Financial Statements

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

How the Changes in this Statement Will Improve Financial Reporting

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

This Page Left Intentionally Blank

STATUS OF PRIOR YEARS SCHEDULE OF SIGNIFICANT DEFICIENCY

2020-01: Timely Preparation of Bank Reconciliations and Investment Reconciliations

Bank and investment reconciliations are an important element of the City’s internal control and bank reconciliations and related adjustments should be completed after month end, generally within 30-45 days.

During our testing of internal controls over bank and investment reconciliations, we selected bank and investments reconciliations for the months of January and February 2021 to test, however, these reconciliations were not ready as of August 2021. The June 2021 bank reconciliations were not completed until late December 2021, six months later.

According to the Finance staff, the delay was due to the staff shortage and turnover.

Without the timely completion of bank and investment reconciliations, errors or unauthorized transactions in these accounts might not be detected and remedied in a timely manner.

We recommend that the City ensure that the bank and investment reconciliations are prepared and reviewed timely within 30 to 45 days of the end of the reporting period.

Current Status:

The City completed the bank reconciliations for June 30, 2023 timely. However, the cash clearing accounts the Finance utilized to keep track of the details of the cash and investments was not reconciled with the general ledger until January 2024.

Management Response on Current Status:

In October 2023, the City conducted an update to its ERP software system, resulting in a discrepancy between the cash clearing accounts and the detailed general ledger accounts. Finance staff resolved the discrepancy and rectified the ERP software error in January 2024.

This Page Left Intentionally Blank

STATUS OF PRIOR YEARS SCHEDULE OF OTHER MATTERS

2022-01: Fund Type

GAAP provide that enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services.

It appears Storm Drain Enterprise Fund has not charged fees to external users since FY2018.

This Fund might not longer qualify as a enterprise fund type.

We recommend the City evaluate the Storm Drain Fund and consider merging it into General Fund if it no longer qualifies as an enterprise fund, as applicable in the future years.

Current Status:

The City merged the Storm Drain into the General Fund in the fiscal year 2023.

2021-01: Timely Invoice payments

The City should pay vendor invoices in a timely manner, within 30-45 days of receiving the invoices.

During our interim audit sampling testing, we noted that the City did not pay three invoices sampled in a timely manner. According to the Finance staff, the delay was due to the delayed approval by the Department.

Accounting records may not be properly reflected in the correct reporting periods if the invoices were not processed in a timely manner. Expenditures may be under stated and cash available may be overstated due to the delay.

We recommend the City should communicate with the other departments in the City and establish corresponding standard procedures to ensure timely submission of invoices to Finance.

Current Status:

No exceptions were noted during the fiscal year 2023 audit.

Management Response:

The City has introduced internal controls for the year-end closing process. Departments submitted their invoices in a timely manner during fiscal year 2023.

STATUS OF PRIOR YEARS SCHEDULE OF OTHER MATTERS

2021-03: Information System Risk Management Policy

Risk management policy is to provide guidance regarding the management of risk to support the achievement of the City’s objectives, protect staff and business assets and ensure financial sustainability.

During the information system review with the City, we noted that the IT department has no written risk management policy.

Without specific Risk Management Policy, the City is leaving the determination of how to deal with cyberattacks to individual employees, which could impede financial statement reporting.

We recommend that the City to set up a formal written Information System Risk Management Policy to ensure the security of the financial system and be well prepared for unexpected cyberattacks.

Current Status:
Implemented

Management Response:

The City staff has finalized the policy and conducted the risk management audit in fiscal year 2023.

STATUS OF PRIOR YEARS SCHEDULE OF OTHER MATTERS

2020-03: Journal Entries Preparation and Posting

Segregation of duties is an integral part in maintaining adequate effectiveness in an entity’s internal control environment. Journal entries are an important transaction cycle that affects all aspects of accounting and financial reporting. Prudent internal control concepts dictate that no single employee should have the ability to process a transaction without the involvement of another employee.

During our testing of journal entries, we noted that both the Financial Services Manager and Administrative Services Director can prepare and post the journal entries to the finance system directly.

It appeared that the Finance System was set up to allow both staff to prepare and post the journal entries.

Allowing the preparer to post their own journal entries, even after review by a 2nd staff, could subject the City to the potential risk of the journal entries being manipulated or altered with further verification.

We recommend that the City establish proper procedures to ensure the segregation of duties to mitigate the potential risk of journal entries being altered without verification.

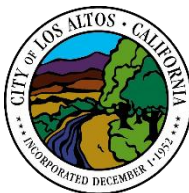
Current Status:

No exceptions were noted during the fiscal year 2023 audit.

Management Response on Current Status:

The City has employed temporary staff to fill vacancies, ensuring timely posting in fiscal year 2023.

This Page Left Intentionally Blank



AGENDA REPORT SUMMARY

Meeting Date: March 26, 2024

Subject: Adoption of FY24/25 Development Services Cost of Services (User Fees)

Prepared by: Nick Zornes, Development Services Director

Reviewed by: Jolie Houston, City Attorney

Reviewed by: Jon Maginot, Assistant City Manager

Approved by: Gabriel Engeland, City Manager

Attachment(s):

1. Report on Development Services Cost of Services (User Fee) Study prepared by Matrix Consulting Group
2. Draft Resolution 2024-XX Adopting FY24/25 Development Services Cost of Services

Initiated by:

Adopted 6th Cycle Housing Element – Program 3.D

Fiscal Impact:

On June 27, 2023, the Los Altos City Council authorized Professional Services Agreement with Matrix Consulting Group in an amount not-to-exceed \$198,885.00 and up to 10% contingency funds not-to-exceed \$19,888.50 for a total of \$218,773.50. The current funds expended for this study are within the original contract amount.

Environmental Review:

City staff has evaluated the potential environmental impacts of the adoption of the proposed Consumer Price Index annual escalation, Development Services Department Fee Schedule, and the Comprehensive User Fee Study Report pursuant to the California Environmental Quality Act (“CEQA”). City staff has determined that these actions do not constitute a “project” under CEQA pursuant to CEQA Guidelines Section 15378(b)(4) because these actions involve the creation of a government funding mechanism which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. In addition, City Staff has determined that these actions are statutorily exempt from CEQA under CEQA Guidelines Sections 15273(a)(1) and (a)(2) because these actions are establishing fees and charges to meet operating expenses, including employee wage rates and fringe benefits, and to purchase and/or lease supplies, equipment, and materials.

Reviewed By:

City Manager

City Attorney

GE

JH



Subject: Adoption of FY24/25 Development Services Cost of Services (User Fees)

Prior Consideration:

On March 12, 2024, the Los Altos City Council conducted a Study Session to review and discuss the findings of the Report on Development Services Cost of Services (User Fee) Study prepared by Matrix Consulting Group; concurrently the findings of the study were made available to the public. At conclusion of the Study Session the City Council directed the Development Services Director to return at its next regularly scheduled meeting (March 26, 2024) with the Fee recommendations contained within the Matrix Consulting Group study and the articulated deviations in alignment with City Council priorities.

Summary:

The City of Los Altos has not previously conducted an external evaluation of its development fees. The Comprehensive Development Services Cost of Services (User Fee) Study was initiated in Summer 2023 with Matrix Consulting Group. Upon completion of the study, it was found that the City has been under collecting (subsidizing) all development related fees; on average the City is only collecting 66% of development related fees or under collecting by \$1.9million annually.

Staff Recommendation:

Action #1: Adopt a Resolution of the City Council of the City of Los Altos Setting Certain Fees and Charges to be collected in FY2024/25 and find that this action is statutorily exempt from CEQA under CEQA Guidelines Sections 15273(a)(1) and (a)(2).

Action #2: Direct staff to amend the City’s Finance Policy to include a provision for annual adjustments to the Master Fee Schedule based upon CPI.

Purpose

Typically, it is best practice to conduct a comprehensive fee update every 3-5 years (completed by an outside and independent consultant to ensure validity) to account for market conditions and changes in organizational structure (if any). Beyond best practices to ensure that the city is not under collecting or unnecessarily subsidizing development related fees, the Adopted 6th Cycle Housing Element Program 3.D identifies the evaluation of a comprehensive fee study to begin in August 2023, and modify fees no later than December 2024.

Background

The City of Los Altos last reviewed and updated its development-related fees in 2015 (internally completed). As there have been many changes since the previous fee study, the city is interested in updating its fees to be reflective of current organizational structures and costs. The Matrix Consulting Group analyzed the cost-of-service relationships that exist between fees for service activities in the following areas: Planning, Building, Fire Prevention, and Engineering.



Subject: Adoption of FY24/25 Development Services Cost of Services (User Fees)

Analysis

Results of the Development Services Cost of Services (User Fee) Study are presented as follows (broken down by discipline or category):

Building Division

The Building Division collects fees for inspections, plan checks, and mechanical, electrical, and plumbing permits, among others. The total cost calculated for each service includes direct City staff costs, Departmental, and Citywide overhead. The current cost recovery for the Building Division is the highest of all revenue generating streams within the Development Services Department, currently 79%. Although the Building Division is the highest for cost recovery, the current fee structure results in an annual under collection (or loss of revenue) of \$700k.

As a part of the review, the Building Division proposes creation of new fees for the following:

- ADU Plan Check
- Water Heater
- Water Line, Sewer Line
- Photovoltaic (PV/Solar)
- Single Family EV Charging Stations

Engineering Division

The Engineering Division ensures public safety through construction inspections, the review of private development and renovation plans, and the issuance of permits for utility work and encroachment permits, among other services. The current cost recovery for the Engineering Division is collecting just over half of the necessary revenue within the Development Services Department, currently 57%. Although the Engineering Division is in the middle of the road for cost recovery, the current fee structure results in an annual under collection (or loss of revenue) of just over \$500k.

Planning Division

The Planning Division is responsible for the development of the General Plan, land use decisions and development review, and policy documents such as the City’s Zoning Ordinance. Fees examined in this study relate to development review and include conditional use permits, variances, and design reviews. The current cost recovery for the Planning Division is the lowest of all revenue generating streams within the Development Services Department, currently 34%. Given the Planning Division is the lowest for cost recovery, the current fee structure results in an annual under collection (or loss of revenue) of \$666k.

As a part of the review, the Planning Division proposes creation of new fees for the following:

- Historic Alteration Permit
- Historic Resource/Landmark Designation



Subject: Adoption of FY24/25 Development Services Cost of Services (User Fees)

- Home Occupation Permits
- Mills Act Contract
- Temporary Use Permit
- Consulting Arborist

General Plan Maintenance Fee

A General Plan Maintenance fee is meant to account for updates to the general plan, zoning ordinance, housing elements, and other long-range planning activities that are part of the larger General Plan.

The General Plan Maintenance fee is governed by Government Code Section 66014(b), which states that fees “may include the costs reasonably necessary to prepare and revise the plans and policies that a local agency is required to adopt before it can make any necessary findings and recommendations.” This code states that fees can be charged against zoning changes, zoning variances, use permits, building inspections, and filing applications. More typically, the fee is charged during the building permit phase so as to ensure any development project, which gets to that phase, makes enough of an impact to require the need for an update to the Zoning Code or the General Plan. This fee should only be applied to major building permits (when a building/permit valuation is calculated), building permits for standalone permits such as Solar, EV and Water Heaters would be excluded from this surcharge.

Previously, the city most recently expended close to \$600k on the Housing Element Update. Currently, the city will spend close to \$100k for the Safety Element Update. Additional General Plan Elements will be required to be updated in coming years in order for the city to develop and implement other desired masterplans and regulatory documents within the city. The General Plan Maintenance fee will create a funding mechanism to ensure the General Plan is updated accordingly.

Table 12: General Plan Maintenance Fee – Comparative Survey

Jurisdiction	Fee Amount
Campbell	0.0016% of Building Valuation
Los Gatos	0.5% of Building Valuation
Menlo Park	3% of Permit Fee
Morgan Hill	15% of Permit Fee
Mountain View	0.26% of Building Valuation
Palo Alto	0.00117% of Building Valuation
Saratoga	0.285% of Building Valuation

As part of this analysis, the project team conducted a comparative survey of other local jurisdictions and their assessment of the General Plan Maintenance Fee. Like other comparative efforts, the survey below shows the fees charged by the jurisdiction and does not include the basis



Subject: Adoption of FY24/25 Development Services Cost of Services (User Fees)

upon which the other jurisdictions calculated or developed their fee. The following table shows the results of this comparative analysis:

The General Plan Maintenance fees charged by the surveyed jurisdictions are either based on building valuation or building permit costs. The City of Los Altos’ full cost fee of **7%** of the building permit falls between Menlo Park and Morgan Hill’s fee calculation.

Technology Surcharge Fee

A Technology Fee allows the city to support the costs associated with the City’s permitting system, staff time for managing the systems, acquiring the system, mobile devices used for permitting, etc. The City of Los Altos currently assesses a Technology surcharge fee as 8% of all development-related fees.

As part of this analysis, the project team conducted a comparative survey of other local jurisdictions and their assessment of a Technology Fee. Like other comparative efforts, the survey below shows the fees charged by the jurisdiction and does not include the basis upon which the other jurisdictions calculated or developed their fee. The following table shows the results of this comparative analysis:

Table 15: Technology Fee – Comparative Survey

Jurisdiction	Fee Amount
Campbell	0.0004% of Building Valuation
Los Gatos	4.0% of Permit Fee
Menlo Park	3.0% of Permit Fee
Morgan Hill	5.0% of Permit Fee
Mountain View	4.0% of Permit Fee
Palo Alto	Built into permit fees
Saratoga	8.1% of Permit Fee

With the exception of Palo Alto, which does not individually charge a technology fee, all surveyed jurisdictions charge their technology fee as a percentage of the permit. The City of Saratoga, at 8.1%, most closely matches Los Altos’ current surcharge of 8%, whereas the full cost of **5%** is more in alignment with Los Gatos, Mountain View, and Morgan Hill.

General Plan Maintenance and Technology Surcharge Fee

It is a best practice to collect and account for General Plan Maintenance and Technology surcharges in separate accounts, as doing so ensures compliance with funding requirements, enables appropriate allocation of funds to general plan or technology related activities, and mitigates any potential issues with the comingling of funds.

Discussion

As mentioned, Development Services Cost of Services (User Fee) on average the city is only collecting 66% of development related fees or under collecting by \$1.9million annually. The



Subject: Adoption of FY24/25 Development Services Cost of Services (User Fees)

following table identifies specific fee revenues, and the annual cost associated with the development review process, and the difference which reflects an under collection or loss of revenue across all disciplines.

Category	Current Fee Revenue	Annual Cost	Difference	Cost Recovery %
Building	\$2,673,949	\$3,373,448	(\$699,499)	79%
Planning	\$346,470	\$1,012,499	(\$666,030)	34%
Engineering	\$666,813	\$1,178,495	(\$511,681)	57%
Total	\$3,687,233	\$5,564,433	(\$1,877,210)	66%

As graphically shown in the above table, the City of Los Altos is under collecting by nearly \$1.9million in activities directly related to current development within the jurisdiction.

Annual Adjustment Recommended

Conducting a comprehensive analysis of fee-related services and costs annually would be cumbersome and costly. The general guideline for comprehensive fee analyses is between three and five years. This allows for jurisdictions to ensure they account for organizational changes such as staffing levels, as well as process efficiencies, code or rule changes, or technology improvements.

Developing annual update mechanisms allows jurisdictions to maintain current levels of cost recovery while accounting for increases in staffing or expenditures related to permit services. The two most common types of update mechanisms are the Consumer Price Index (CPI) and Cost of Living Adjustment (COLA) factors. The following points provide further detail on each of these mechanisms.

- COLA / Personnel Cost Factor: Jurisdictions often provide staff with annual salary adjustments to account for increases in local cost of living. These increases are not tied to merit or seniority but rather meant to offset rising costs associated with housing, gas, and other livability factors.
- CPI Factor: A common method of increasing fees is to look at regional cost indicators, such as the Consumer Price Index. These factors are calculated by the Bureau of Labor Statistics, put out at various intervals within a year, and are specific to states and regions. (the City of Los Altos has historically applied the CPI Factor in prior years)

Staff recommends adopting a CPI Factor for the annual fee increase mechanism. CPI has historically been the method of increase that has been executed to achieve annual adjustments.



Subject: Adoption of FY24/25 Development Services Cost of Services (User Fees)

Regardless of the recommendation tonight the City Council annually must affirm the new fee schedule with the adjustments at a public meeting. Staff further recommends amending the City’s Financial Policy to reflect the intent of the City Council to incorporate annual increases consistent with staff’s recommendation.

Permit Specific Recommendation

ADU Building Permit: as contained in the Adopted 6th Cycle Housing Element Program 2.D, to increase the number of ADU’s constructed, at the completion of the comprehensive fee study, the City will adopt a zero cost (\$0.00) permit fee for ADUs to incentivize the creation of ADUs.

Photovoltaic/Solar (50kw or less): currently the city collects the maximum of \$450.00 per permit as allowed by Government Code Section 66015 for installations 50kw or less (the typical residential installation is under 20kw). In order to support City Council Priority #3 (CAAP) the recommended permit cost is \$300/per permit for installations of 50kw or less.

Photovoltaic/Solar (50kw or greater): currently the city collects the maximum of \$1,000.00 per permit as allowed by Government Code Section 66015 for installations 50kw or greater. In order to support City Council Priority #3 (CAAP) the recommended permit cost is \$500/per permit for installations of 50kw or greater.

Electric Vehicle (EV) Charging: currently the city collects EV permit fees based on valuation which can range substantially based on installation method, and cost of installation. In order to support City Council Priority #3 (CAAP) the recommended permit cost is \$300/per terminal EV charging port.

Battery Storage: currently the city collects battery storage permit fees based on valuation which can range substantially based on installation method, and cost of installation. In order to support City Council Priority #3 (CAAP) the recommended permit cost is \$400/per permit.

Water Heater: currently the city collects water heater permit fees based on valuation which can range substantially based on installation method, and cost of installation. In order to streamline the permitting process for what is commonly found to be a flat rate fee in other jurisdictions the recommended permit cost is \$150/per installation.

Tree Removal Permit: the City Council recently approved a modification of the previous Tree Removal Permit which goes into effect on March 14, 2024. The previous Tree Removal Permit was \$86.75/per permit (no limit on trees removed under each permit), and as approved on February 13, 2024, the new Tree Removal Permit will be \$300/for the first tree, and \$150/for each additional tree removed under the same permit. The fee study results show the actual cost of a Tree Removal Permit is \$868.00. There is no recommended change at this time, however it is important to note



Subject: Adoption of FY24/25 Development Services Cost of Services (User Fees)

that prior and recently approved permit fees are still significantly under collecting from the actual cost burden to the City.

Appeals: appeals are allowed as prescribed in Title 14 – Zoning of the Los Altos Municipal Code. The current fee for appeals filed is \$691.00. The fee study results show the actual cost of an Appeal is \$3,905.00. Appeals are generally under collected in jurisdictions in order to allow access to the ability to appeal a project with a legitimate claim. The recommended cost of an appeal is \$1,000.00 which would allow for access for the public to make a file of appeal with the city, and still subsidize the community’s access to an appeal by almost 75%.

Deviation from Fee Study Results

The following deviations are based upon prior City Council action and align with existing policies and priorities of the City of Los Altos.

FEE NAME/TITLE	PERMIT COST
ADU Building Permit	\$0.00
Photovoltaic/Solar (50kw or less)	\$300.00
Photovoltaic/Solar (50kw or greater)	\$500.00
Electric Vehicle (EV) Charging	\$300.00
Battery Storage	\$400.00
Water Heater	\$150.00
Tree Removal Permit	\$300.00 (first tree) \$150.00 (each additional tree) \$0.00 (invasive species)
Appeals	\$1,000.00

**Report on Development Services Cost of Services
(User Fee) Study**

CITY OF LOS ALTOS, CALIFORNIA

FINAL REPORT

February 2024



Table of Contents

1. Introduction and Executive Summary	1
2. Legal Framework and Policy Considerations	4
3. User Fee Study Methodology	7
4. Results Overview	9
5. Building	10
6. Engineering	14
7. Planning	17
8. Development Services Surcharge	21
9. Cost Recovery Considerations	25
Appendix – Comparative Survey	29

1. Introduction and Executive Summary

The report, which follows, presents the results of the Cost of Services (User Fee) Study conducted by the Matrix Consulting Group for development-related fees for the City of Los Altos, California.

Project Background and Overview

The City of Los Altos last reviewed and updated its development-related fees in 2015. As there have been many changes since the previous fee study, the City is interested in updating its fees to be reflective of current organizational structures and costs. The Matrix Consulting Group analyzed the cost-of-service relationships that exist between fees for service activities in the following areas: Planning, Building, Fire Prevention, and Engineering. The results of this study provide a tool for understanding current service levels and the cost of those services.

General Project Approach and Methodology

The methodology employed by the Matrix Consulting Group is a widely accepted “bottom-up” approach to cost analysis, where time spent per unit of fee activity is determined for each position within a Department or Program. Once time spent on a fee activity is determined, all applicable city costs are then considered in the calculation of the “full” cost of providing each service. The following table provides an overview of the types of costs applied in establishing the “full” cost of services provided by the City:

Table 1: Overview of Cost Components

Cost Component	Description
Direct	Fiscal Year 2024 Budgeted salaries, benefits, and allowable expenditures.
Indirect	Program, departmental, clerical, and Citywide support.

Together, the cost components in the table above comprise the calculation of the total “full” cost of providing any particular service, regardless of whether a fee for that service is charged.

The work accomplished by the Matrix Consulting Group in the analysis of the proposed fees for service involved the following steps:

- **Department / Program Staff Interviews:** The project team interviewed department / program staff regarding their needs for clarification to the structure of existing fee items, deletion of unused fees, and addition of new fee items.

- **Data Collection:** Data was collected for each permit / service, including time estimates. In addition, all budgeted costs and staffing levels for Fiscal Year 2024 were entered into the Matrix Consulting Group’s analytical software model.
- **Cost Analysis:** The full cost of providing each service included in the analysis was established.
- **Review and Approval of Results with City Staff:** Department management has reviewed and approved these documented results.

A more detailed description of user fee methodology, as well as legal and policy considerations, are provided in subsequent chapters of this report.

Summary of Results

When comparing FY24 fee-related budgeted expenditures with fee-related revenue, the City is under-recovering its costs by approximately 1.9 million dollars or recovering 66% of its development-related costs. The following table shows by major service area, the revenue collected, the total annual cost, the resulting difference, and the resulting cost recovery percentage.

Table 2: Annual Cost Recovery Analysis

Service Area	Total Revenue	Total Annual Cost	Difference	Cost Recovery %
Building	\$2,673,949	\$3,373,448	(\$699,499)	79%
Planning	\$346,470	\$1,012,499	(\$666,030)	34%
Engineering	\$666,813	\$1,178,495	(\$511,681)	57%
Total	\$3,687,233	\$5,564,443	(\$1,877,210)	66%

The Building and Planning divisions show the largest deficits (approximately \$1.4 million of the \$1.9 million). Building’s deficit is due to the valuation-based fees, whereas Planning’s deficit is driven by the under-recovery of tree removal fees and design reviews of single-family projects.

The detailed documentation of this study will show an over-collection for some fees (on a per unit basis) and an undercharge for most others. The results of this analysis will provide the City with guidance on how to right-size their fees to ensure that each service unit is set at an amount that does not exceed the full cost of providing that service. The cost recovery figures shown in this report are meant to provide a basis for policy development discussions for Council and City staff and do not represent a recommendation for where or how the Council should act. The setting of the “rate” or “price” for services, whether at 100 percent full cost recovery or lower, is a policy decision to be made only by the Council, with input from City staff and the community.

Considerations for Cost Recovery Policy and Updates

The Matrix Consulting Group recommends that the City use the information contained in this report to implement a formal Cost Recovery Policy, including a mechanism for the annual update of fees for service.

1 Adopt a Formal Cost Recovery Policy

The Government Finance Officers Association's (GFOA) best practices for *Establishing Government Charges and fees* state that governmental entities should adopt formal policies regarding charges and fees, which include the jurisdiction's intention to recover the full cost or partial costs of providing services, set forth circumstances under which the jurisdiction might set a charge or fee at less than or more than 100% of full cost and outlines the considerations that might influence the jurisdiction's pricing decision.

The Matrix Consulting Group strongly recommends that the Council adopt a formalized, individual cost recovery policy for each service area included in this Study. Whenever a cost recovery policy is established at less than 100% of the full cost of providing services, a funding gap is created. This gap must then be reconciled through other revenue sources (i.e., taxes, general funds transfers, grants, etc.). The Matrix Consulting Group considers a formalized cost recovery policy for various fees for service an industry Best Management Practice.

2 Adopt an Annual Fee Update / Increase Mechanism

The purpose of a comprehensive update is to completely revisit the analytical structure, service level estimates, and assumptions and to account for any major shifts in cost components or organizational structures that have occurred since the City's previous analysis. It's recommended the City continue the practice of conducting comprehensive analyses every five to seven years as this practice captures changes to organizational structure and processes, as well as any new service areas.

In between comprehensive updates, the City should continue to utilize published industry economic factors such as the Consumer Price Index (CPI) or other regional factors to update the cost calculations established in the Study on an annual basis. Utilizing an annual increase mechanism ensures that the City receives appropriate fee increases that reflect growth in costs.

2. Legal Framework and Policy Considerations

This section of the report is intended to provide an overview of legal rules and regulations as well as general policy considerations regarding fees for service. A “user fee” is a charge for a service provided by a governmental agency to a public citizen or group. In California, several constitutional laws such as Propositions 13, 4, and 218, State Government Codes 66014 and 66016, and more recently, Prop 26 and the Attorney General’s Opinion 92-506 set the parameters under which the user fees typically administered by local government are established and administered. Specifically, California State Law, Government Code 66014(a), stipulates that user fees charged by local agencies “...may not exceed the estimated reasonable cost of providing the service for which the fee is charged”.

General Principles and Philosophies Regarding User Fees

Local governments are providers of many types of general services to their communities. While all services provided by local government are beneficial to constituents, some services can be classified as globally beneficial to all citizens, while others provide more of a direct benefit to a specific group or individual. The following table provides examples of services provided by local government within a continuum of the degree of community benefit received:

Table 3: Services in Relation to Benefit Received

“Global” Community Benefit	“Global” Benefit and an Individual or Group Benefit	Individual or Group Benefit
<ul style="list-style-type: none"> • Police • Park Maintenance • Fire Suppression 	<ul style="list-style-type: none"> • Recreation / Community Services • Fire Prevention 	<ul style="list-style-type: none"> • Building Permits • Planning and Zoning Approval • Engineering Development Review • Facility Rentals

Funding for local government is obtained from a myriad of revenue sources such as taxes, fines, grants, special charges, user fees, etc. In recent years, alternative tax revenues, which typically offset subsidies for services provided to the community, have become increasingly limited. These limitations have caused increased attention on user fee activities as a revenue source that can offset costs otherwise subsidized (usually) by the general fund. In Table 3, services in the “global benefit” section tend to be funded primarily through voter-approved tax revenues. In the middle of the table, one typically finds a mixture of taxes, user fees, and other funding sources. Finally, in the “individual /

group benefit” section of the table are the services provided by local government that are typically funded almost entirely by user fee revenue.

The following are two central concepts regarding the establishment of user fees:

- **Fees should be assessed according to the degree of individual or private benefit gained from services.** For example, the processing and approval of a land use or building permit will generally result in monetary gain to the applicant, whereas Police services and Fire Suppression are examples of services that are essential to the safety of the community at large.
- **A profit-making objective should not be included in the assessment of user fees.** In fact, California laws require that the charges for service be in direct proportion to the costs associated with providing those services. Once a charge for service is assessed at a level higher than the actual cost of providing a service, the term “user fee” no longer applies. The charge then becomes a tax subject to voter approval.

Therefore, it is commonly accepted that user fees are established at a level that will recover up to, and not more than, the cost of providing a particular service.

General Policy Considerations Regarding User Fees

Undoubtedly, there are programs, circumstances, and services that justify a subsidy from a tax-based or alternative revenue source. However, it is essential that jurisdictions prioritize the use of revenue sources for the provision of services based on the continuum of benefits received.

Within the services that are typically funded by user fees, the Matrix Consulting Group recognizes several reasons why City staff or the Council may not advocate the full cost recovery of services. The following factors are key policy considerations in setting fees at less than 100 percent of cost recovery:

- **Limitations posed by an external agency.** The State or an outside agency will occasionally set a maximum, minimum, or limit the jurisdiction’s ability to charge a fee at all. An example includes time spent copying and retrieving public documents and / or transportation permits.
- **Encouragement of desired behaviors.** Keeping fees for certain services below full cost recovery may provide better compliance from the community. For example, if the cost of a permit for charging a water heater in a residential home is higher than the cost of the water heater itself, many citizens will avoid pulling the permit.

- **Benefit received by user of the service and the community at large is mutual.** Many services that directly benefit a group or individual equally benefit the community as a whole. Examples include Planning Design Reviews, historical dedications, and certain types of special events.

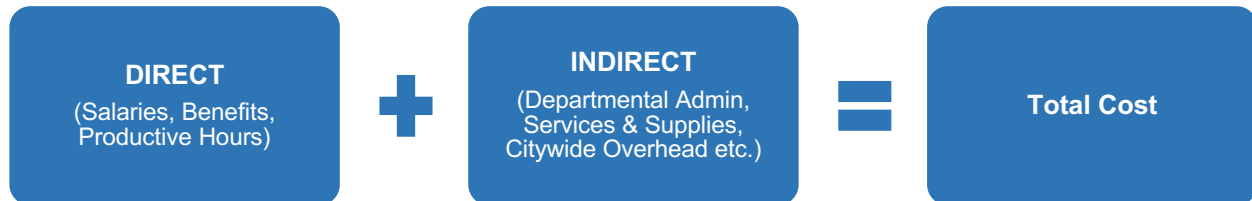
The Matrix Consulting Group recognizes the need for policies that intentionally subsidize certain activities. The primary goals of a User Fee Study are to provide a fair and equitable basis for determining the costs of providing services and ensure that the City complies with State law.

Summary of Legal Restrictions and Policy Considerations

Once the full cost of providing services is known, the next step is to determine the “rate” or “price” for services at a level that is up to and not more than the full cost amount. The Council is responsible for this decision, which often becomes a question of balancing service levels, funding sources, and community priorities. The placement of a service or activity within the continuum of benefit received may require extensive discussion and, at times, fall into a “grey area.” However, with the resulting cost of services information from a User Fee Study, the Council can be assured that the adopted fee for service is reasonable, fair, and legal. The City will need to review all fees for service in this analysis, and where subsidies are identified, increase them to reduce the deficit, and where over-recoveries are identified, the fee must be reduced to be in compliance with the law.

3. User Fee Study Methodology

The Matrix Consulting Group utilizes a cost allocation methodology commonly known and accepted as the “bottom-up” approach to establishing User Fees. The term means that several cost components are calculated for each fee or service. These components then build upon each other to comprise the total cost of providing the service. The following chart describes the components of a full cost calculation:



The general steps utilized by the project team to determine allocations of cost components to a particular fee or service are:

- Calculate fully burdened hourly rates by position, including direct & indirect costs;
- Develop time estimates for the average time spent to deliver each service included in the study;
- Distribute the appropriate amount of the other cost components to each fee or service based on the staff time allocation basis, or another reasonable basis.

The results of these allocations provide detailed documentation for a reasonable determination of the actual cost of providing each service.

One of the key study assumptions utilized in the “bottom-up” approach is the use of time estimate averages for the provision of each fee-related service. Utilization of time estimates is a reasonable and defensible approach, especially since experienced staff members who understand service levels and processes unique to the City developed these estimates.

The project team worked closely with City staff in developing time estimates with the following criteria:

- Estimates are representative of average times for providing services. Extremely difficult or abnormally simple projects are not factored in the analysis.

- Estimates reflect the time associated with the position or positions that typically perform a service.
- Estimates provided by staff are reviewed and approved by the department / program and often involve multiple iterations before a Study is finalized.
- Estimates are reviewed by the project team (e.g., Matrix) for “reasonableness” against their experience with other agencies.
- Estimates were not based on time in motion studies, as they are not practical for the scope of services and time frame for this project.
- Estimates match the current or proposed staffing levels to ensure there is no over-allocation of staff resources to fee and non-fee-related activities.

The Matrix Consulting Group believes that while the use of time estimates is not perfect, it is the best option available for setting a standard level of service on which to base a jurisdiction’s fees for service and meets the requirements of California law.

The alternative to time estimating is actual time tracking, often referred to as billing on a “time and materials” basis. Except in the case of anomalous or sometimes very large and complex projects, the Matrix Consulting Group believes this approach is not cost effective or reasonable for the following reasons:

- Accuracy in time tracking is compromised by the additional administrative burden required to track, bill, and collect for services in this manner.
- Additional costs are associated with administrative staff’s billing, refunding, and monitoring deposit accounts.
- Customers often prefer to know the fees for services in advance of applying for permits or participating in programs.
- Departments can better predict revenue streams and staffing needs using standardized time estimates and anticipated permit volumes.

Situations arise where the size and complexity of a given project warrants time tracking and billing on a “time and materials” basis. The Matrix Consulting Group has recommended taking a deposit and charging Actual Costs for such fees as appropriate and itemized within the current fee schedule.

4. Results Overview

The motivation behind a cost of services (User Fee) analysis is for Council and City staff to maintain services at a level that is both accepted and effective for the community, and also to maintain control over the policy and management of those services.

It should be noted that the results presented in this report are not a precise measurement. In general, a cost-of-service analysis takes a “snapshot in time,” where a fiscal year of financial and operational information is utilized. Changes to the structure of fee names, along with the use of time estimates, only allow for a reasonable projection of subsidies and revenue. Consequently, the Council and staff should rely conservatively upon these estimates to gauge the impact of implementation going forward.

Discussion of results in the following chapters is intended as a summary of extensive and voluminous cost allocation documentation produced during the Study. Each chapter will include detailed cost calculation results for each major permit category, including the following:

- **Modifications:** discussions regarding any proposed revisions to the current fee schedule, including elimination or addition of fees.
- **“Per Unit” Results:** comparison of the full cost of providing each unit of service to the current fee for each unit of service (where applicable).
- **Annualized Results:** utilizing the volume of activity estimates, annual subsidies and revenue impacts were projected.

The full analytical results were provided to City staff under separate cover from this summary report.

5. Building

The City of Los Altos' Building Division is responsible for architectural and structural plan checks, building inspections, and other activities related to the construction and demolition of buildings and structures. This division also enforces state and municipal building codes. The following subsections discuss the proposed fee schedule modifications, the detailed per unit results, and revenue impacts.

Fee Schedule Modifications

The Building fee schedule consists of both flat fees and valuation-based fees, both of which were studied. The project team worked with the Building Division to streamline the current fee schedule by modifying the structure and adding new flat fees. The following points highlight the proposed changes:

- **Removed Fees:** The following fees were removed because these services cannot be charged per California law:
 - 'Property Research – Residential'
 - 'Property Research – Commercial'
- **Added Fees:** The following fees were added to fully capture the division's scope of services:
 - 'ADU Plan Check'
 - 'Water Heater'
 - 'Water Line, Sewer Line'
 - 'Photovoltaic'
 - 'Single Family EV Charging Stations'

Identifying and implementing these changes to the Building fee structure will help to clarify the fee schedule, increase the consistency of fee application, and reduce the complexity in relation to both internal staff and applicants determining the full fees associated with a project.

Detailed Results

The Building Division collects fees for inspections, plan checks, and mechanical, electrical, and plumbing permits, among others. The total cost calculated for each service includes direct City staff costs, Departmental, and Citywide overhead. The following table

details the fee name, current fee, total cost, and the difference associated with providing each service.

Table 4: Total Cost Per Unit Results – Building Flat Fees

Fee Name	Current Fee	Total Cost	Difference
Building Permit			
\$1.00 - \$3,000	\$121.00	\$240.21	(\$119.21)
\$3,001 - \$25,000			
First \$3,000	\$121.00	\$240.21	(\$119.21)
Each Additional \$1000	\$24.15	\$30.99	(\$6.84)
\$25,001 - \$50,000			
First \$25,000	\$652.30	\$921.88	(\$269.58)
Each Additional \$1000	\$18.15	\$31.92	(\$13.77)
\$50,001 - \$100,000			
First \$50,000	\$1,106.05	\$1,719.82	(\$613.77)
Each Additional \$1000	\$12.15	\$17.35	(\$5.20)
\$100,001 - \$500,000			
First \$100,000	\$1,713.55	\$3,472.20	(\$1,758.65)
Each Additional \$1000	\$10.50	\$7.59	\$2.91
\$500,001 - \$1,000,000			
First \$500,000	\$5,913.55	\$7,549.02	(\$1,635.47)
Each Additional \$1000	\$9.10	\$12.33	(\$3.23)
\$1,000,001 and up			
First \$1,000,000	\$11,699.00	\$14,276.78	(\$2,577.78)
Each Additional \$1000	\$8.55	\$6.17	\$2.38
Electrical, Mechanical or Plumbing Permit			
\$1 - \$3,000	\$121.00	\$204.01	(\$83.01)
\$3,001 - \$25,000			
First \$3,000	\$121.00	\$389.92	(\$268.92)
Each Additional \$1000	\$33.60	\$24.18	\$9.42
\$25,001 - \$50,000			
First \$25,000	\$860.20	\$921.88	(\$61.68)
Each Additional \$1000	\$24.15	\$25.51	(\$1.36)
\$50,001 - \$100,000			
First \$50,000	\$1,463.95	\$1,559.68	(\$95.73)
Each Additional \$1000	\$16.80	\$52.47	(\$35.67)
\$100,001 and up			
	1.60%	1.62%	-0.02%
Plan Check			
ADU Plan Check	New	\$741	N / A
Building Plan Check	65%	135%	-70%
Energy Plan Check (Title 24)	25%	25%	0%
Solar/Photovoltaic Permit (Residential/ Commercial)			
Residential			
15 kw or less	\$450	\$450	\$0
15kw - 50kw	\$450	\$450	\$0
Per kw above 15kw	\$15	\$15	\$0
51-250kw	\$1,000	\$1,000	\$0
Per kw above 50 kw	\$7	\$7	\$0
250+ kw	\$2,393	\$2,393	\$0
Per kw above 250kw	\$5	\$5	\$0

Fee Name	Current Fee	Total Cost	Difference
Commercial			
50 kw or less	\$1,000	\$1,000	\$0
50kw-250kw	\$1,000	\$1,000	\$0
Per kw above 50 kw	\$7	\$7	\$0
250+ kw	\$2,400	\$2,400	\$0
Per kw above 250kw	\$5	\$5	\$0
Standalone Permits			
Water Heater	New	\$178	N / A
Water Line, Sewer Line	New	\$302	N / A
Photovoltaic	New	\$302	N / A
Single Family EV Charging Stations	New	\$356	N / A
Building Code Compliance Review	\$576	\$148	\$427
Demolition Permit			
Single Family	\$518.45	\$233	\$286
Commercial/Multiple-Family	\$852.25	\$356	\$496
Duplicate Permit Request	\$94.50	\$109	(\$14)
Re-Inspection Request	\$147.45	\$248	(\$100)
Street Address Change	\$575.95	\$726	(\$150)
Temporary Certificate of Occupancy	\$554.80	\$653	(\$98)
Inspections outside of normal business hours (minimum charge - 2 hours)	\$425.25	\$576	(\$150)
Stop Work Penalties	2-4x Plan Review and Permit Fees		
In House Review	\$129.50	\$296	(\$167)
Consultant Review	Consultant Cost		
Expired Permit Fees	Based on original permit fees		
Certificate of Occupancy	\$162.35	\$109	\$54
Alternative Means and Methods Request	\$403.20	\$444	(\$41)

The City is currently under-recovering its costs for Building fees. The largest under-recovery is in the fee for building permits for projects with a valuation of over \$1 million. It is important to note that the total cost reflected in the table is inclusive of all city staff and includes Planning and Engineering staff time spent on reviewing and inspecting building permits.

Revenue Impact

The project team worked with City staff to gather permit workload information for the past fiscal year (FY22-23). The workload information is multiplied against the city's current fee to calculate the current revenue, and it is multiplied by the total cost to calculate the total annual cost. Based upon that calculation, the Building division is annually under-recovering its costs by approximately \$699,000. The following table shows by major fee category, the current fee revenue, the total cost, and the resulting difference:

Table 5: Annual Results – Building

Fee Category	Current Revenue	Total Annual Cost	Difference
Building Permits	\$1,988,241	\$2,612,199	(\$623,958)
MEP Permits	\$236,427	\$342,409	(\$105,982)
Other Misc. Fees	\$449,281	\$418,840	\$30,441
Total	\$2,673,949	\$3,373,448	(\$699,499)

The deficit related to Building services is approximately \$700,000, reflecting a cost recovery level of 79%. The largest drivers of this deficit are the valuation-based Building Permits, more specifically, projects that are valued at \$100,000 or higher, which represent the majority of the plan review and inspection workload for the Division. Reviewing and adjusting the valuation-based fees to be more reflective of staff time and effort will help the City adjust this deficit.

6. Engineering

The Engineering Division ensures public safety through construction inspections, the review of private development and renovation plans, and the issuance of permits for utility work and encroachment permits, among other services. The following subsections discuss the proposed modifications to the fee schedule, the per unit results, and revenue impacts.

Fee Schedule Modifications

Based upon discussions with Engineering staff, no modifications to the current fee schedule were needed. The Engineering Division’s fee schedule already accurately reflects the scope of services being provided by the City.

Detailed Results

The Engineering Division collects fees for sewer and stormwater, as well as public right-of-way fees. The total cost calculated for each service includes direct staff costs, Departmental, and Citywide overhead. The following table details the fee name, current fee, total cost, and difference associated with each service offered.

Table 6: Total Cost Per Unit Results - Engineering

Fee Name	Current Fee	Total Cost	Difference
Public Works/Environmental Services and Utilities			
County Sewer Plan Check	\$691.25	\$1,793	(\$1,102)
Encroachment Permit			
Parking Stall			
Base	\$114.10	\$291	(\$177)
Per Stall Per Day	\$34.15	\$34	\$0
Other Permits			
Special	\$489.50	\$705	(\$215)
Miscellaneous	\$288.00	\$1,192	(\$904)
Miscellaneous Permits			
Final Subdivision Map Check			
Base	\$1,347.75	\$4,693	(\$3,345)
City Land Surveyor Deposit	\$2,000.00	\$2,000	\$0
Public Works Inspection	6%	6%	0%
Lot-Line Adjustment	\$633.65	\$2,717	(\$2,083)
Sewer Dye Test	\$167.00	\$191	(\$24)
Stormwater Management Plan Check	\$460.85	\$1,873	(\$1,412)
Temporary Lane Closure Permit			
Application	\$604.75	\$628	(\$23)
Each additional day	\$68.35	\$93	(\$25)

Fee Name	Current Fee	Total Cost	Difference
Utility Street Cut Permit	2%	4%	-2%
Additional Inspection Visit (for existing permit)	\$184.10	\$352	(\$168)
Sewer Permit			
City	\$138.10	\$724	(\$586)
County	\$259.10	\$1,594	(\$1,335)
Sewer Tap-in	\$57.60	\$145	(\$88)
Transportation Permit			
Single	\$28.65	\$16	\$13
Annual	\$28.65	\$90	(\$61)
Public Works Plan Check (Actual Cost)		Actual Cost	
Transportation Plan Check (Actual Cost)		Actual Cost	
Vacating Easement/Right-of-way	\$5,761	\$11,143	(\$5,382)

Most of the Engineering Division’s fees are under-recovering, ranging from a low of \$23 for ‘Temporary Lane Closure Permit – Application’ to a high of \$5,382 for the ‘Vacating Easement/Right-of-way’.

Revenue Impact

The project team worked with City staff to capture workload for the last fiscal year (FY22-23). Based on this workload data, the project team calculated the revenue at the current fee by taking the workload for each fee category and multiplying it by the current fee amount. The full cost was calculated by taking that same workload and multiplying it by the total cost. The difference between current revenue and the full cost is approximately \$512,000. The following table shows by major fee category, the current revenue, the total cost, and the difference.

Table 7: Annual Results - Engineering

Fee Category	Current Revenue	Total Annual Cost	Difference
Encroachment Permits	\$139,139	\$452,219	(\$313,081)
Public Works Inspection	\$16,887	\$16,887	\$0
Temporary Lane Closures	\$379,994	\$448,131	(\$68,138)
Utility Street Cut Permits	\$130,564	\$261,128	(\$130,564)
Transportation Permit	\$229	\$128	\$101
Total	\$666,813	\$1,178,495	(\$511,681)

Approximately \$313,000 of Engineering’s deficit is due to Encroachment Permits, specifically the miscellaneous encroachment permits. The current per unit deficit for that fee category is approximately \$904, and the City processes approximately 339 of those permits annually. Reviewing and adjusting that fee category will have a significant impact on the City’s revenue.

7. Planning

The Planning Division is responsible for the development of the General Plan, land use decisions and development review, and policy documents such as the City's Zoning Ordinance. Fees examined in this study relate to development review and include conditional use permits, variances, and design reviews. The following subsections discuss any proposed fee schedule modifications, detailed per unit results, and revenue impacts.

Fee Schedule Modifications

In discussions with Planning staff, the following modifications to the current fee schedule were proposed:

- **Added Fees:** The following fees highlight new services offered by this Division or services already offered for which the Division would like to assess a fee:
 - Historic Alteration Permit
 - Historic Resource/Landmark Designation
 - Home Occupation Permits
 - Mills Act Contract
 - Temporary Use Permit
 - Consulting Arborist
- **Expanded Fees:** To capture staff time and effort more accurately, the 'Conditional Use Permit' was expanded into Regular and 'Non-Profit' categories

The adjustments and additions proposed will provide applicants with a better reflection of the services being provided by the Planning Division.

Detailed Results

The Planning Division collects fees for conditional use permits, subdivision maps, and sign reviews, among other services. The following table lists all Planning Division fees and details the fee name, current fee, total cost¹, and difference associated with each service offered.

¹ The total cost includes Planning Division, Building Division, and Engineering staff review as well as departmental and citywide overhead.

Table 8: Total Cost Per Unit Results – Planning Fees

Fee Name	Current Fee	Total Cost	Difference
Annexation	\$576	\$18,001	(\$17,425)
Appeal	\$691	\$3,905	(\$3,214)
Application Extension			
Single-Family	\$369	\$1,012	(\$644)
Commercial/Multiple-Family	\$691	\$1,703	(\$1,012)
Application Modification			
Single-Family	\$691	\$2,341	(\$1,650)
Commercial/Multiple-Family	\$2,074	\$5,127	(\$3,053)
Certificate of Compliance	\$1,969	\$4,003	(\$2,034)
Conditional Use Permit			
New Use Permit or Modification	\$5,761	\$9,180	(\$3,419)
New Use Permit or Modification (Non-Profit)	\$5,761	\$8,809	(\$3,048)
Design Review			
Single-Family			
Administrative (<150 sq. ft.)	\$87	\$691	(\$604)
Administrative (>150 sq. ft.)	\$325	\$3,469	(\$3,143)
Zoning Administrator	\$2,304	\$6,415	(\$4,110)
Commercial/Multiple-Family			
Administrative	\$1,603	\$7,131	(\$5,528)
Planning Commission	\$10,939	\$14,825	(\$3,886)
Development Agreement Fee	\$5,761	\$13,986	(\$8,225)
	Actual		
Environmental Initial Study	Cost	\$4,608	N / A
General Plan and / or Zoning Map Amendment	\$6,337	\$4,608	\$1,728
Historic Alteration Permit	New	\$7,172	N / A
Historic Resource/Landmark Designation	New	\$4,275	N / A
Home Occupation Permits	New	\$461	N / A
Flood Hazard Letter	\$81	\$691	(\$610)
Mills Act Contract	New	\$6,579	
Parklet Permit			
Initial Application	\$500.00	\$553	(\$53)
Annual Renewal	\$3.00	\$3	\$0
Planned Unit Development	\$8,640.80	\$15,747	(\$7,106)
Preliminary Project Review			
Staff Review	\$1,267.35	\$6,649	(\$5,382)
Planning Commission Study Session	\$1,728.15	\$11,068	(\$9,340)
Public Notification - Single-Family	\$57.60	\$88	(\$31)
Public Notification - All Other	\$1.05	\$2	(\$0)
Outdoor Display Permit	\$100.00	\$1,152	(\$1,052)
Reversion to Acreage	\$1,967.95	\$7,279	(\$5,311)
Sidewalk Dining Permit			
Initial Application	\$250.00	\$553	(\$303)
Annual Renewal	\$500.00	\$357	\$143
Sign Review			
Modification of Existing Sign	\$115.25	\$461	(\$346)
New/Modification of Sign Program	\$921.70	\$1,382	(\$461)
New Sign	\$230.45	\$691	(\$461)

Fee Name	Current Fee	Total Cost	Difference
Single-Story Overlay Rezoning			
Neighborhood Approval and Election	\$311.60	\$10,998	(\$10,687)
Zoning Map Amendment	\$3,686.75	\$14,265	(\$10,579)
Temporary Use Permit	New	\$451	
Tentative Subdivision Map Review			
Tract Map	\$5,760.55	\$10,546	(\$4,785)
Parcel Map	\$5,760.55	\$10,546	(\$4,785)
Urban Lot Split	\$5,760.55	\$5,987	(\$226)
Lot Line Adjustment / Lot Merger	\$1,967.95	\$5,020	(\$3,052)
Tentative Subdivision Map Extension/Modification			
Administrative	\$1,967.95	\$3,728	(\$1,760)
PC/CC	\$3,168.30	\$6,674	(\$3,506)
Tree Removal	\$86.75	\$868	(\$781)
Consulting Arborist			Actual Cost
Variance Review			
Single Family	\$2,304.25	\$10,595	(\$8,291)
Commercial/Multi-family	\$4,608.45	\$12,900	(\$8,291)
Zoning Compliance / Verification Letters	\$576.00	\$691	(\$115)

The majority of the Planning Division’s fees are under-recovering, ranging from a low of \$31 for ‘Preliminary Project Review - Public Notification - Single-Family’ to a high of \$17,425 for ‘Annexation’.

Revenue Impact

The project team worked with City staff to gather permit workload information for the past fiscal year (FY22-23). The workload information is multiplied against the city’s current fee to calculate the current revenue, and it is multiplied by the total cost to calculate the total annual cost. Based upon that calculation, the Planning division is annually under-recovering its costs by approximately \$666,000. The following table shows by major fee category, the current fee revenue, the total cost, and the resulting difference:

Table 9: Annual Results – Planning

Fee Category	Current Revenue	Total Annual Cost	Difference
Appeal	\$691	\$3,905	(\$3,214)
Certificate of Compliance	\$3,938	\$8,007	(\$4,069)
Conditional Use Permit	\$5,761	\$9,180	(\$3,419)
Design Review	\$267,236	\$658,508	(\$391,272)
Sign Review	\$2,305	\$6,912	(\$4,608)
Temporary Use Permit	\$0	\$451	(\$451)
Tentative Subdivision Map Reviews	\$53,290	\$278,778	(\$225,488)
Tree Fees	\$21,080	\$210,957	(\$189,876)
Variance	\$11,521	\$44,6868	(\$33,165)

Fee Category	Current Revenue	Total Annual Cost	Difference
Zoning Verification / Compliance	\$1,728	\$2,074	(\$346)
Total	\$346,470	\$1,102,499	(\$666,030)

The deficit related to Planning is approximately \$666,000 and represents a cost recovery level of 34%. This deficit is due to Design Review and Tentative Subdivision Maps. Within Design Review, the deficit is primarily due to single-family projects greater than 150 sq. ft. Reviewing those two fee categories will be critical for the City when determining where and how to evaluate fees.

8. Development Services Surcharge

There are two typical surcharges assessed as part of the development review process – General Plan Maintenance Fee and Technology fee. Currently, the City of Los Altos charges a Technology fee but not a General Plan Maintenance Fee. The following subsections discuss the calculation of the General Plan Maintenance Fee and Technology Fee.

General Plan Maintenance Fee

A General Plan Maintenance fee is meant to account for updates to the general plan, zoning ordinance, housing elements, and other long-range planning activities that are part of the larger General Plan.

The General Plan Maintenance fee is governed by Government Code Section 66014(b), which states that fees “may include the costs reasonably necessary to prepare and revise the plans and policies that a local agency is required to adopt before it can make any necessary findings and recommendations.” This code states that fees can be charged against zoning changes, zoning variances, use permits, building inspections, and filing applications.

More typically, the fee is charged during the building permit phase so as to ensure any development project, which gets to that phase, makes enough of an impact to require the need for an update to the Zoning Code or the General Plan. This fee should only be applied to major building permits (i.e., new or remodel / tenant improvements) rather than standalone permits for water heaters or electrical outlets.

A common methodology for assessing a General Plan Maintenance fee is to set it as a percentage of the building permit fee, meaning the fee is assessed as a percentage of the total building permit fee assessed to a project.

The project team calculated and evaluated the full cost of General Plan Maintenance based on the Building Permit Fee methodology.

Table 10: General Plan Maintenance Fee Cost Components

Cost Category	Estimated Cost	Years	Annual Cost
Housing Element	\$600,000	8.00	\$75,000
Safety Element	\$150,000	5.00	\$30,000
Other Elements	\$1,200,000	15.00	\$80,000
Total Annual Cost			\$185,000

The annual cost to the City for updating its general plan is approximately \$185,000. The largest component of this cost is the annual staff cost associated with long-range activities.

Table 11: General Plan Maintenance Fee Calculation

Category	Building Permit Fee
Total Annual Cost	\$185,000
General Plan Fee Basis	\$2,612,199
General Plan Maintenance Fee	7%

The full cost of the General Plan Maintenance Fee is 7% of the Building Permit Fee. The City can choose whether or not to charge this fee, but either way the fee calculated as part of this study is the maximum justifiable fee that the City can assess to help recover for its general plan maintenance related costs.

As part of this analysis, the project team conducted a comparative survey of other local jurisdictions and their assessment of the General Plan Maintenance Fee. Like other comparative efforts, the survey below shows the fees charged by the jurisdiction and does not include the basis upon which the other jurisdictions calculated or developed their fee. The following table shows the results of this comparative analysis:

Table 12: General Plan Maintenance Fee – Comparative Survey

Jurisdiction	Fee Amount
Campbell	0.0016% of Building Valuation
Los Gatos	0.5% of Building Valuation
Menlo Park	3% of Permit Fee
Morgan Hill	15% of Permit Fee
Mountain View	0.26% of Building Valuation
Palo Alto	0.0017% of Building Valuation
Saratoga	0.285% of Building Valuation

The General Plan Maintenance fees charged by the surveyed jurisdictions are either based on building valuation or building permit costs. The City of Los Altos’ full cost fee of 7% of the building permit falls between Menlo Park and Morgan Hill’s fee calculation.

Technology Surcharge Fee

A Technology Fee allows the City to support the costs associated with the City’s permitting system, staff time for managing the systems, acquiring the system, mobile devices used for permitting, etc. The City of Los Altos currently assesses a Technology surcharge fee as 8% of all development-related fees.

The project team worked with City staff to gather information on the different types of software systems that are in use. The following table shows by cost category the annual cost:

Table 13: Annual Technology Cost Calculation

Cost Category	Estimated Cost	Years	Annual Cost
Bluebeam	\$10,000	1	\$10,000
GIS	\$80,000	1	\$80,000
Annual TrakiT	\$36,000	1	\$36,000
Trakit Deployment	\$1,500,000	10	\$150,000
Total Technology Costs			\$276,000

The annual technology-related costs are approximately \$276,000 for the City of Los Altos. The City is already utilizing the most defensible methodology for assessing the fee, which is based proportionately on the percentage of the permit fee, as the greater the permit fee, the greater the Technology Fee, as there is more software utilization and storage space for larger projects. Therefore, the project team took the total Annual Technology Cost and divided it by the annual fee-related revenue associated with Building, Planning, and Engineering. The following table shows this calculation:

Table 14: Technology Fee Calculation

Category	Amount
Total Technology Annual Cost	\$276,000
Total Fee-Related Cost	\$5,564,443
Technology Fee as % of Permit Fee	5%

Based upon this calculation, the City’s full cost Technology Fee would be 5% of all Building, Planning, and Engineering permit fees. It is recommended that this fee would be assessed on all permits and applications. Therefore, if a permit fee were \$100, the technology fee collected would be \$5.00, whereas if a permit fee were \$1,000, the Technology fee collected would be \$50.00. This type of structure enables the Technology fee to be more proportionately distributed based on the projects and their impact on the system.

As part of this analysis, the project team conducted a comparative survey of other local jurisdictions and their assessment of a Technology Fee. Like other comparative efforts, the survey below shows the fees charged by the jurisdiction and does not include the basis upon which the other jurisdictions calculated or developed their fee. The following table shows the results of this comparative analysis:

Table 15: Technology Fee – Comparative Survey

Jurisdiction	Fee Amount
Campbell	0.0004% of Building Valuation
Los Gatos	4.0% of Permit Fee
Menlo Park	3.0% of Permit Fee
Morgan Hill	5.0% of Permit Fee
Mountain View	4.0% of Permit Fee
Palo Alto	Built into permit fees
Saratoga	8.1% of Permit Fee

With the exception of Palo Alto, which does not individually charge a technology fee, all surveyed jurisdictions charge their technology fee as a percentage of the permit. The City of Saratoga, at 8.1%, most closely matches Los Altos’ current surcharge of 8%, whereas the full cost of 5% is more in alignment with Los Gatos, Mountain View, and Morgan Hill.

Surcharge Funds

It is a best practice to collect and account for General Plan Maintenance and Technology surcharges in separate accounts, as doing so ensures compliance with funding requirements, enables appropriate allocation of funds to general plan or technology-related activities, and mitigates any potential issues with the comingling of funds.

9. Cost Recovery Considerations

The following sections provide guidance regarding how and where to increase fees, determine annual update factors, and develop cost recovery policies and procedures.

Fee Adjustments

This study seeks to document and outline on a fee-by-fee basis where the City is under and over collecting for its fee-related services. City Council and staff should review the results of the study and adjust fees in accordance with Departmental and City philosophies and policies. The following bullet points outline the major options the city has in adjusting its fees.

- **Over-Collection:** Upon review of the fees that were shown to be over-collecting for costs of services provided, the City should reduce the current fee to be in line with the full cost of providing the service.
- **Full Cost Recovery:** For fees that show an under-collection for costs of services provided, the City may decide to increase the fee to full cost recovery immediately.

The City will need to review the results of the fee study and associated cost recovery levels and determine how best to adjust fees.

Based on the permit or review type, the City may wish to increase the fee to cover the full cost of providing services. Certain permits may be close to cost recovery already, and an increase to full cost may not be significant. Other permits may have a more significant increase associated with full cost recovery.

Increasing fees associated with permits and services that are already close to full cost recovery can potentially raise a department's overall cost recovery level. Often, these minimal increases can provide necessary revenue to counterbalance fees that are unable to be increased. (e.g., appeals).

The City should consider increasing fees for permits for which services are rarely engaged to full cost recovery. These services often require specific expertise and can involve more complex research and review due to their infrequent nature. As such, setting these fees at full cost recovery will ensure that when the permit or review is requested, the City is recovering the full cost of its services.

Annual Adjustments

Conducting a comprehensive analysis of fee-related services and costs annually would be cumbersome and costly. The general guideline for comprehensive fee analyses is between three and five years. This allows for jurisdictions to ensure they account for organizational changes such as staffing levels, as well as process efficiencies, code or rule changes, or technology improvements.

Developing annual update mechanisms allows jurisdictions to maintain current levels of cost recovery while accounting for increases in staffing or expenditures related to permit services. The two most common types of update mechanisms are the Consumer Price Index (CPI) and Cost of Living Adjustment (COLA) factors. The following points provide further detail on each of these mechanisms.

- **COLA / Personnel Cost Factor:** Jurisdictions often provide staff with annual salary adjustments to account for increases in local cost of living. These increases are not tied to merit or seniority but rather meant to offset rising costs associated with housing, gas, and other livability factors. Sometimes, these factors vary depending on the bargaining group of a specific employee. Generally, these factors are around two or three percent annually.
- **CPI Factor:** A common method of increasing fees is to look at regional cost indicators, such as the Consumer Price Index. These factors are calculated by the Bureau of Labor Statistics, put out at various intervals within a year, and are specific to states and regions.

The City of Los Altos should review its current options internally (COLA) as well as externally (CPI) to determine which option better reflects its goals. If choosing a CPI factor, the City should outline which CPI should be used, including specific region, and adoption date. If choosing an internal factor, again, the City should be sure to specify which factor if multiple exist.

Policies and Procedures

This study has identified areas where the City is under-collecting the cost associated with providing services. This known funding gap is, therefore, being subsidized by other City revenue sources.

Development of cost recovery policies and procedures will serve to ensure that current and future decision makers understand how and why fees were determined and set, as well as provide a road map for ensuring consistency when moving forward. The following

subsections outline typical cost recovery levels and discuss the benefits associated with developing target cost recovery goals and procedures for achieving and increasing cost recovery.

1 Typical Cost Recovery

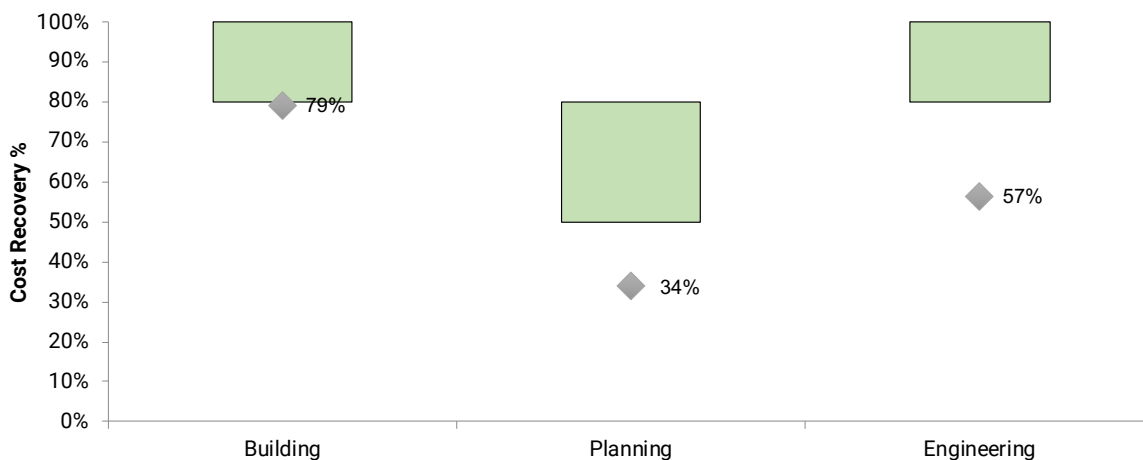
The Matrix Consulting Group has extensive experience in analyzing local government operations across the United States and has calculated typical cost recovery ranges. The following table outlines these cost recovery ranges by major service area.

Table 16: Typical Cost Recovery Ranges by Department

Department / Program	Typical Cost Recovery Ranges
Building	80 – 100%
Planning	50 – 80%
Engineering	80 – 100%

Information presented in the table above is based on Matrix Consulting Group’s experience in analyzing local governments’ operations across the United States and within California and reflects *typical* cost recovery ranges observed by local adopting authorities. The following graph depicts how Los Altos compares to industry cost recovery range standards.

Current Revenue Cost Recovery vs. Typical Revenue Cost Recovery



None of Los Altos’ Development Services divisions are within the typical cost recovery ranges. Building is close to the typical cost recovery, but still slightly under recovering.

2 Development of Cost Recovery Policies and Procedures

The City should review the current cost recovery levels and adopt a formal policy regarding cost recovery. This policy can be general in nature and can apply broadly to the City as a whole or to each department and division specifically. A department specific cost recovery policy would allow the City to better control the cost recovery associated with different types of services being provided and the community benefit received. It should be noted that a jurisdiction may choose not to set all their fees at one hundred percent cost recovery in order to benefit the community.

Appendix – Comparative Survey

As part of the Development Cost of Services (User Fee) Study for the City of Los Altos, the Matrix Consulting Group conducted a comparative survey of development service fees. The City identified seven (7) Northern California jurisdictions to be included in the comparative survey: Mountain View, Palo Alto, Menlo Park, Los Gatos, Campbell, and Saratoga. The project team then reviewed public documents (i.e., agenda items, staff reports, budgets, fee schedules, and ordinances) and / or contacted jurisdictions to get comparative information.

The following sections outline key factors to consider when reviewing the comparative survey, as well as graphical comparisons of current fees and total calculated costs for various permits issued or services provided.

Factors to Consider When Reviewing Comparative Survey Results

While this report provides a reasonable estimate and understanding of the true costs of providing services, many jurisdictions also wish to consider the local “market rates” for services as a means for assessing what types of changes in fee levels their community can bear. A comparative survey does not provide adequate information regarding the relationship between a jurisdiction’s cost and its fees. The following points highlight various factors to consider when reviewing comparative survey results.

- **Economic Factors:** Three important economic factors to consider when comparing fees across multiple jurisdictions are: population, budget, and workforce size. These factors can impact how and when fees are administered, as a jurisdiction with a smaller population may choose not to charge a fee, or a smaller workforce size may inhibit their ability to administer a fee.
- **Recency Factors:** Recency is two-fold; when did a jurisdiction last update their fee schedule and when did they last undergo a comprehensive fee analysis. It is important to note that even though jurisdictions may have conducted fee studies, fees are not always adopted at full cost recovery. The comparative results only show the adopted fee for the surveyed jurisdiction, not necessarily the full cost associated with the comparable service.
- **Cost Recovery Factors:** Each jurisdiction and its fees are different, and many are not based on the actual cost of providing services as various policy decisions may subsidize services.

- Fee Variance Factors:** The same “fee” with the same name may include different steps or sub-activities. In addition, jurisdictions provide varying levels of service and have varying levels of costs associated with providing services, such as staffing levels, salary levels, indirect overhead costs, etc.

In addition to the factors noted, market surveys can also run the risk of creating a confusing excess of data that will obscure rather than clarify policy issues. Because each jurisdiction is different, the Matrix Consulting Group recommends that the information contained in the market comparison of fees be used as supporting information rather than a tool for establishing an acceptable price point for services.

The following subsections provide contextual information regarding the jurisdictions included in the comparative survey.

1. Economic Factors

To provide additional context to the comparative survey information, the project team collected economic factors for the jurisdictions included. The following tables rank each jurisdiction from smallest to largest based on population, budget, and FTE.

Table 17: Ranking of Jurisdictions by Population

Jurisdiction	2021 Population
Mountain View	81,516
Palo Alto	66,680
Morgan Hill	45,342
Campbell	42,754
Los Gatos	30,767
Los Altos	30,700
Menlo Park	30,229
Saratoga	30,163

Table 18: Ranking of Jurisdictions by Citywide Total Budget²

Jurisdiction	FY24 Budget
Palo Alto	\$965,945,000
Mountain View	\$477,721,195
Morgan Hill	\$205,479,142
Menlo Park	\$131,496,718
Campbell	\$105,827,111
Los Gatos	\$56,100,000
Los Altos	\$51,161,309
Saratoga	\$33,395,681

² To ensure appropriate comparisons, full operating budget (all funds) has been used for all jurisdictions.

Table 19: Ranking of Jurisdictions by FTE

Jurisdiction	FY24 FTE
Palo Alto	1017.85
Mountain View	698
Menlo Park	296.5
Morgan Hill	203.75
Campbell	177.5
Los Gatos	162.83
Los Altos	149
Saratoga	56.5

Based on the data shown in the previous tables, the City of Los Altos generally ranks on the lower end in terms of budget, staffing, and population.

2. Recency Factor

While the previous comparative information provides some perspective when comparing the City of Los Altos’ population, budget, and staffing with surveyed jurisdictions, other key factors to consider are when a jurisdiction’s fee schedule was last updated and when the last comprehensive analysis was completed. The following tables detail when each surveyed jurisdiction last updated its fee schedule and last conducted a fee study.

Table 20: Last Fee Schedule Updated

Jurisdiction	Response
Campbell	2023
Los Altos	2023
Los Gatos	2023
Menlo Park	2022
Morgan Hill	2023
Mountain View	2023
Palo Alto	2023
Saratoga	2023

Table 21: Last Fee Study Conducted

Jurisdiction	Response
Campbell	N / A
Los Altos	2020
Los Gatos	2019
Menlo Park	2020
Morgan Hill	N / A
Mountain View	2018
Palo Alto	2013
Saratoga	2023

All of the surveyed jurisdictions have published new fees, and of those surveyed, four have conducted a fee study in the last five years.

It is important to note that even though jurisdictions may have conducted fee studies, fees are not always adopted at full cost recovery. The comparative results will only show the adopted fees for the surveyed jurisdictions, not necessarily the full cost associated with the comparable service.

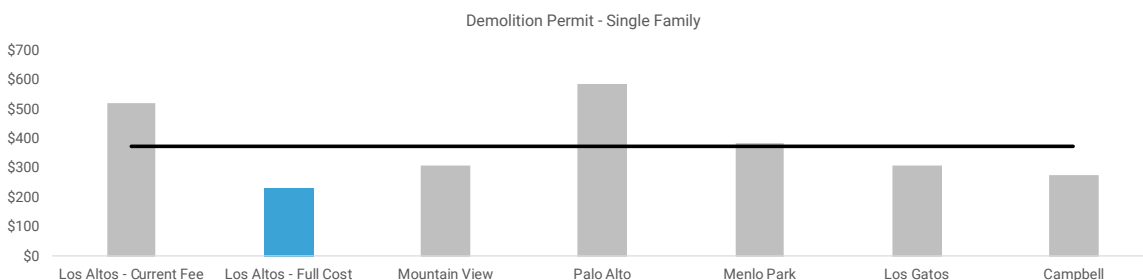
Market surveys can run the risk of creating a confusing excess of data that will obscure rather than clarify policy issues. Because each jurisdiction is different, the Matrix Consulting Group recommends that the information contained in the market comparison of fees be used as a secondary decision-making tool rather than a tool for establishing an acceptable price point for services.

Comparative Survey Results

As part of this study, the project team conducted a survey of how the City’s current user fees and calculated full cost compared to other identified jurisdictions. The following subsections provide a comparative look at several fee-related services provided by the City versus the surveyed jurisdictions.

1 Demolition Permit - Single Family

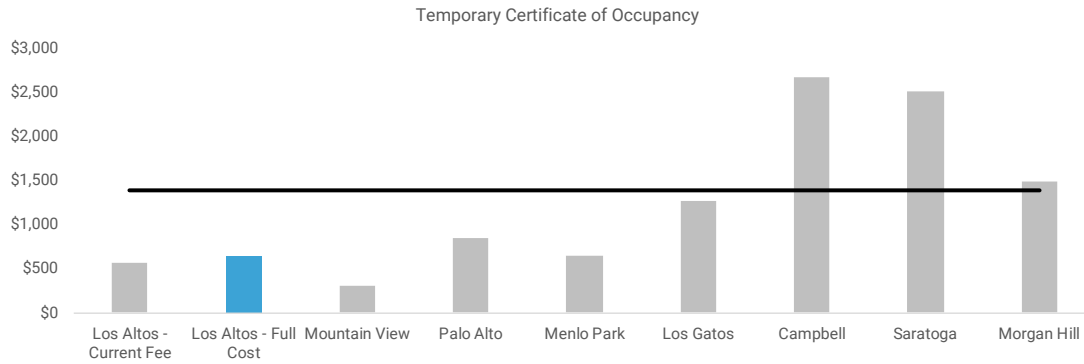
The City of Los Altos currently assesses a fee of \$518.45 for a Demolition Permit. Through this study, the project team calculated the full cost to be \$233. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis, the City’s current fee is higher than the jurisdictional average of \$371, while the full cost fee is lower. The City’s current fee is most closely aligned with Palo Alto’s.

2 Temporary Certificate of Occupancy

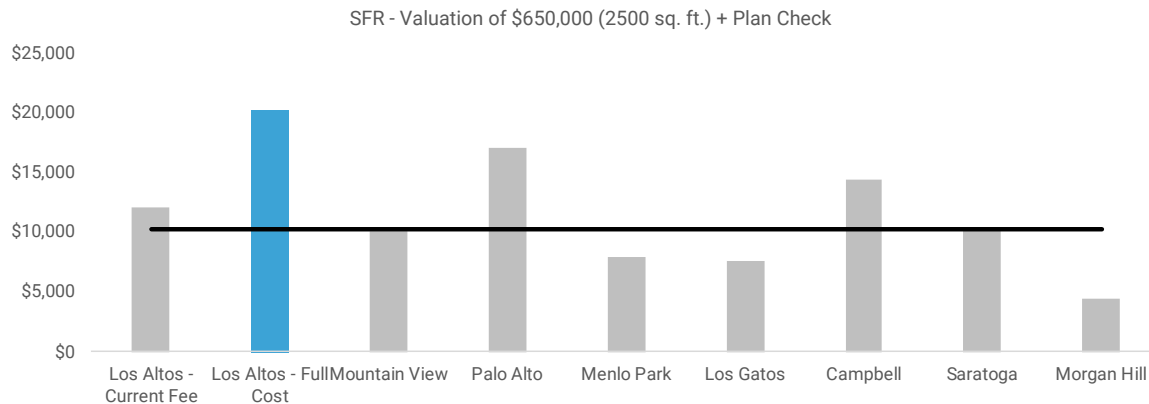
The City of Los Altos currently assesses a fee of \$554.80 for a Temporary Certificate of Occupancy. Through this study, the full cost was calculated at \$653. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, the City’s current and full cost fee are lower than the jurisdictional average of \$1,386. The city’s current fee and full cost are comparable to the fee charged by Menlo Park. However, the cities of Campbell and Saratoga have high fees.

3 SFR - Valuation of \$650,000 (2500 sq. ft.) + Plan Check

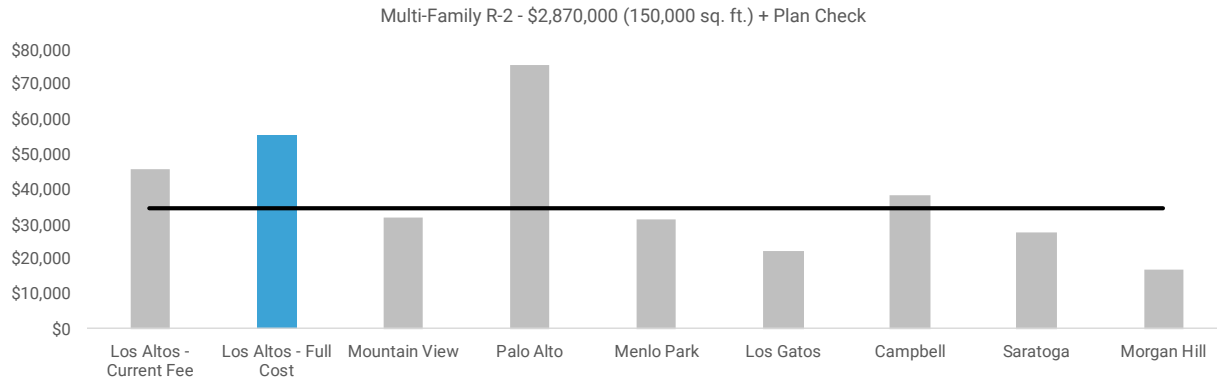
The City of Los Altos currently assesses a fee of \$12,010 for the plan review and inspection of a Single-Family Residential Project valued at \$650,000. Through this study, the project team calculated the full cost to be \$20,208. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, the City’s current fee and full cost are above the jurisdictional average of \$10,223. The City’s full cost fee at \$20,208 is closest to the City of Palo Alto’s fee of \$17,063.

4 Multi-Family R-2 - \$2,870,000 (150,000 sq. ft.) + Plan Check

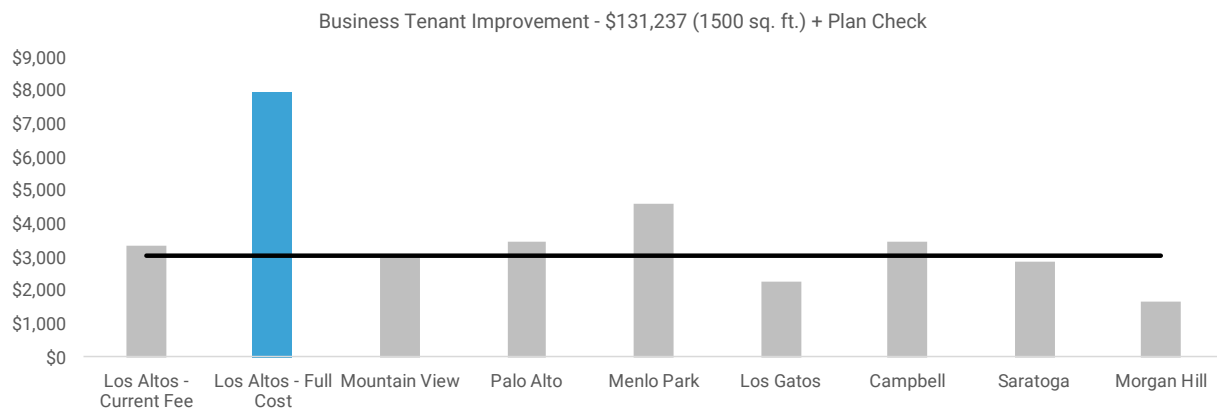
The City of Los Altos currently assesses a fee of \$45,648 for the plan review and inspection of a Multi-Family Residential Project valued at \$2,87 million, and the full cost was calculated at \$55,487. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, the City’s current fee and full cost are above the jurisdictional average of \$34,778. The City’s current and full cost fee are still below the fee assessed by the City of Palo Alto (\$75,337).

5 Business Tenant Improvement (B-Occupancy TI) - \$131,237 (1500 sq. ft.) + Plan Check

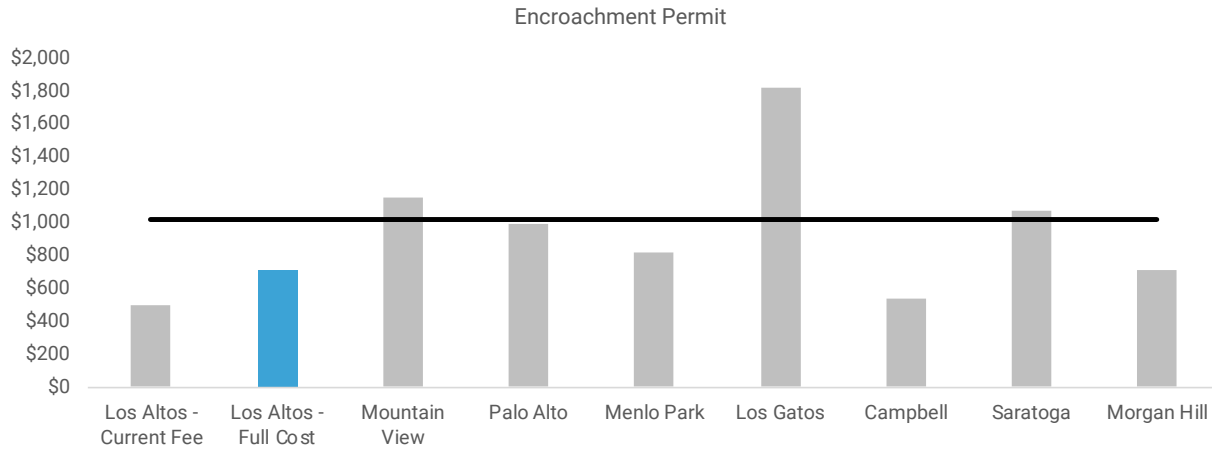
The City of Los Altos currently assesses a fee of \$3,369 for the plan review and inspection of a Business Tenant Improvement Project valued at \$131,237. Through this study, the project team calculated the full cost to be \$7,975. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, the City’s current fee is below the jurisdictional average of \$3,047, while the full cost fee is significantly above.

6 Encroachment Permit

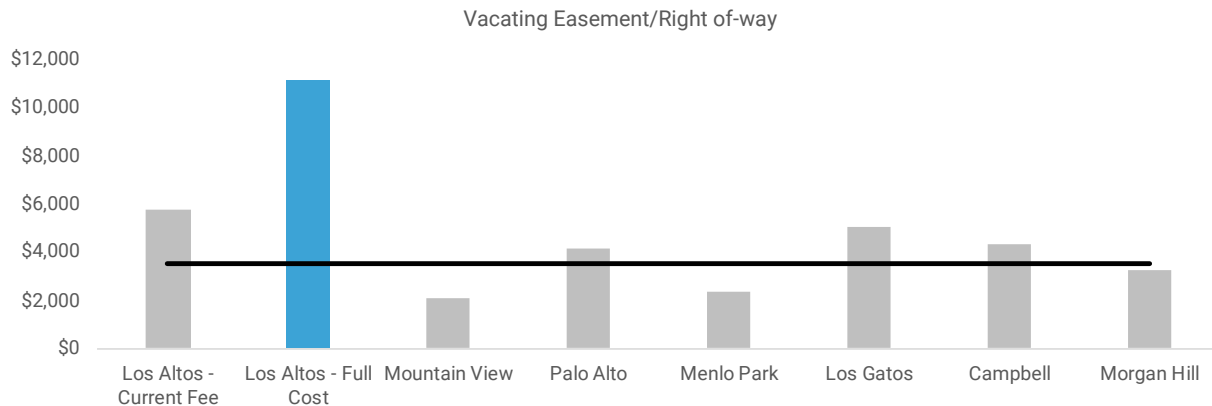
The City of Los Altos currently assesses a fee of \$489.50 for an Encroachment Permit. Through this study, the project team calculated the full cost to be \$705. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, the City’s current fee and full cost are below the jurisdictional average of \$1,011. The City’s current fee is the lowest of all surveyed jurisdictions and most closely aligned with Campbell and Morgan Hill.

7 Vacating Easement/Right-of-way

The City of Los Altos currently assesses a fee of \$5,760 for a Vacating Easement/Right-of-Way permit. Through this study, the project team calculated the full cost to be \$11,142. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.

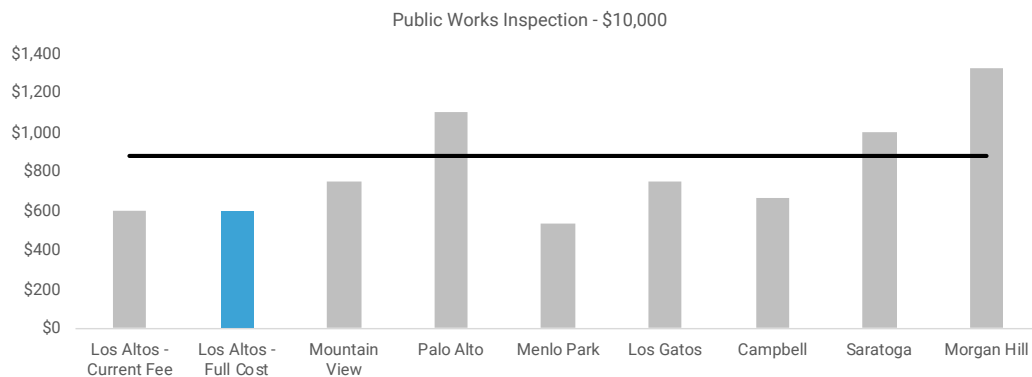


Based on the comparative analysis conducted, the City’s current and full cost fee are above the jurisdictional average of \$3,509. The city’s current fee is the highest being charged of the surveyed jurisdictions and is closest in value to Los Gatos’s fee.

8 Public Works Inspection - \$10,000

The City of Los Altos currently assesses a fee of \$600 for a Public Works inspection of a project valued at \$10,000. Through this study, the project team calculated the full cost to

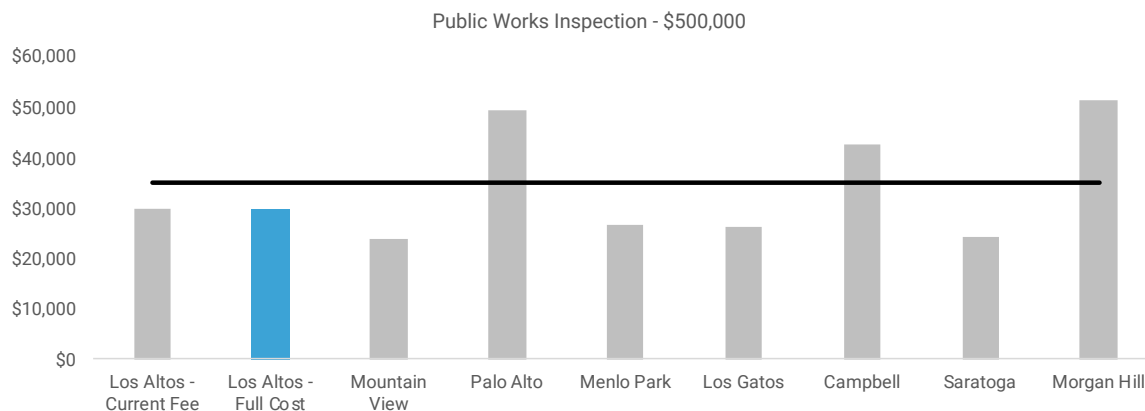
be \$600. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, both the City’s current and full cost fee are below the jurisdictional average of \$876 and are lower than all other surveyed jurisdictions, except for Menlo Park (\$535).

9 Public Works Inspection - \$500,000

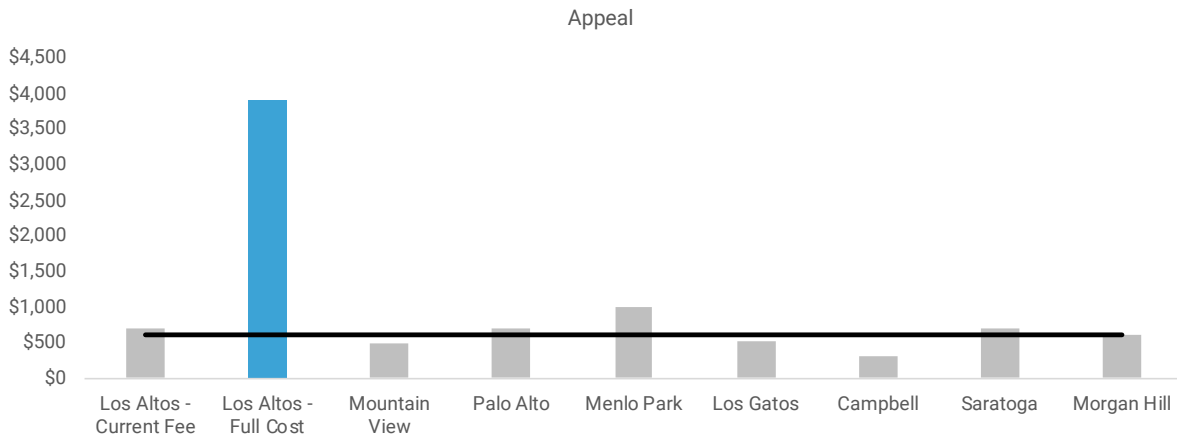
The City of Los Altos currently assesses a fee of \$30,000 for a Public Works inspection of a project valued at \$500,000. Through this study, the project team calculated the full cost to also be \$30,000. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, the City’s current and full cost fee are below the jurisdictional average of \$34,944. The City’s current and full cost fees are generally in alignment with the other jurisdictions.

10 Appeal

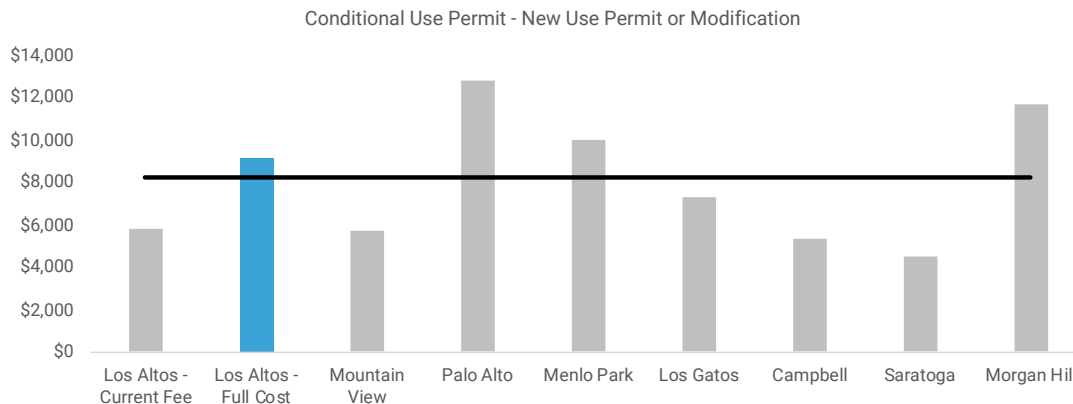
The City of Los Altos currently assesses a fee of \$691 for an appeal. Through this study, the project team calculated the full cost to be \$3,905. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, the City’s current fee is below the jurisdictional average of \$615, while its full cost is significantly above the average. The City’s current fee is most comparable to the appeal fees that Palo Alto and Saratoga are charging. Appeal fees are typically the most commonly subsidized fees as such many other jurisdictions typically have lower fees.

11 Conditional Use Permit - New Use Permit or Modification

The City of Los Altos currently assesses a fee of \$5,761 for a conditional use permit. Through this study, the full cost was calculated at \$9,180. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, the City’s current fee is below the jurisdictional average of \$8,195 and is in alignment with the fees Mountain View and Campbell are charging. The City’s full cost is slightly above the average.

12 Sign Review - New

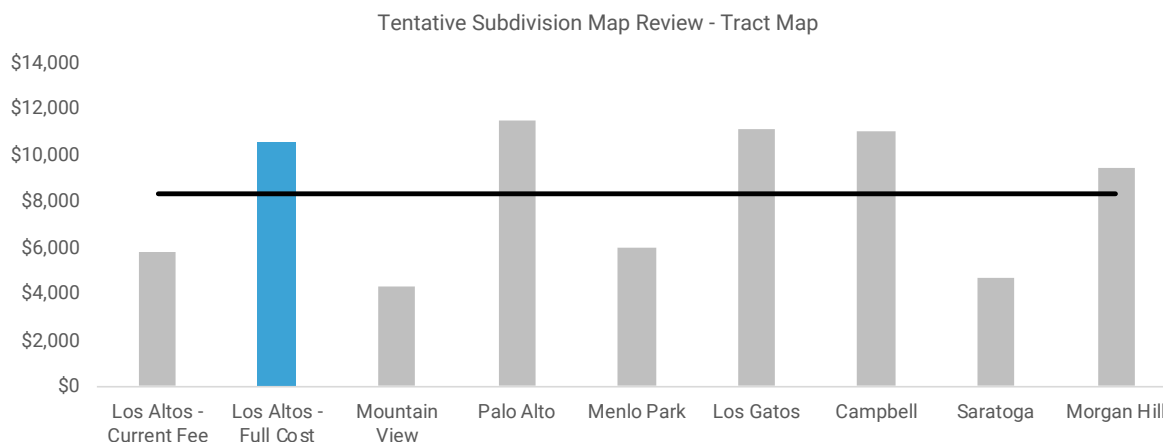
The City of Los Altos currently assesses a fee of \$230.45 for a new sign review. Through this study, the project team calculated the full cost to be \$691. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, the City’s current fee is below the jurisdictional average of \$349 and the second lowest of the surveyed jurisdictions. Its full cost fee of \$691 is most in alignment with Mountain View (\$544) and Campbell (\$539).

13 Tentative Subdivision Map Review - Tract Map

The City of Los Altos currently assesses a fee of \$5,761 for a Tentative Subdivision Map Review - Tract Map. Through this study, the project team calculated the full cost to be \$10,546. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.

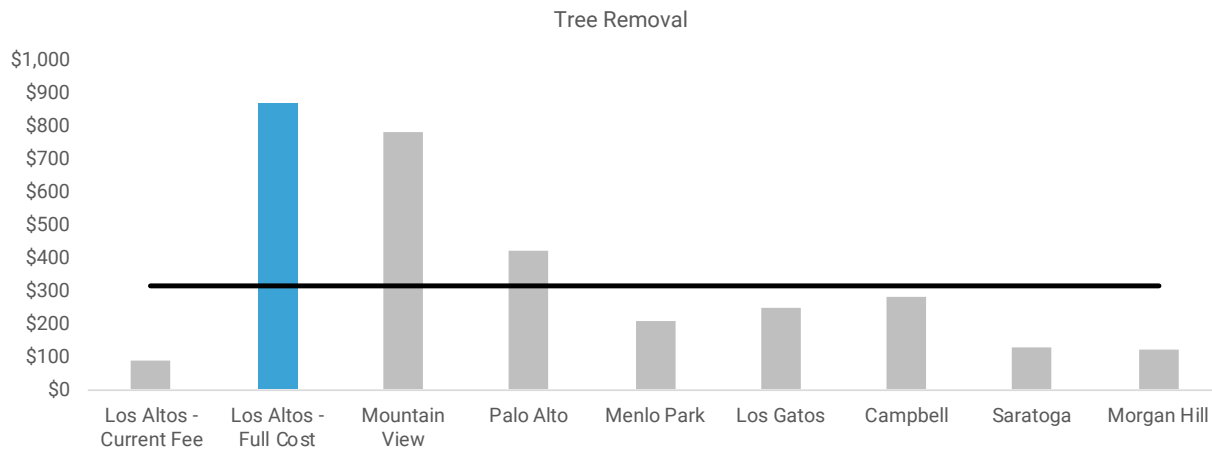


Based on the comparative analysis conducted, the City’s current fee is below the jurisdictional average of \$8,286. The full cost fee is higher than the average and aligns

with the fees charged by Palo Alto (\$11,463), Los Gatos (\$11,130), and Campbell (\$11,021).

5 Tree Removal

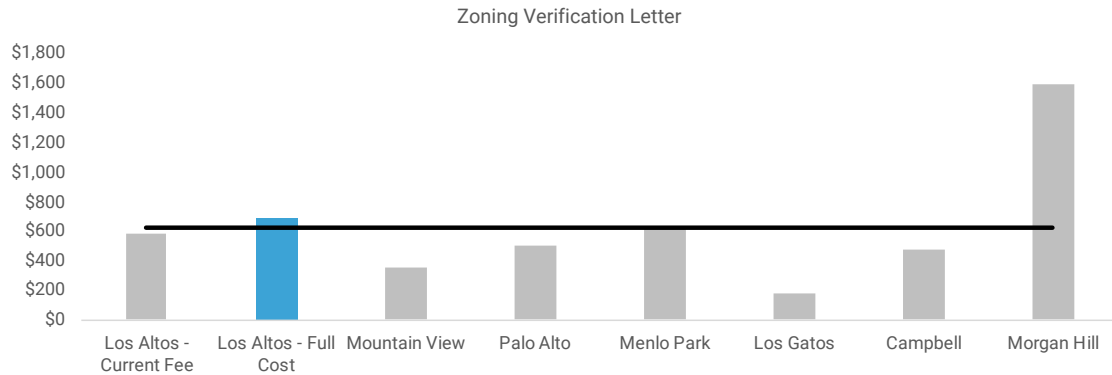
The City of Los Altos currently assesses a fee of \$86.75 for a Tree Removal permit. Through this study, the project team calculated the full cost to be \$868. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, the City’s current fee is below the jurisdictional average of \$314, while its full cost is more than double that. The City charges the lowest fee of all the jurisdictions and is most closely aligned with Morgan Hill and Saratoga. Its full cost fee of \$868 is closest to the City of Mountain View’s fee of \$778.

6 Zoning Verification Letter

The City of Los Altos currently assesses a fee of \$576 for a Zoning Verification Letter. Through this study, the project team calculated the full cost to be \$691.23. The following graph compares the City’s current and full cost fee to those of the surrounding jurisdictions.



Based on the comparative analysis conducted, the City’s current fee and full cost are closely aligned with the jurisdictional average of \$616. However, the City of Morgan Hill’s fee at \$1,581 is an outlier. If this fee is removed, the jurisdictional average decreases to \$423. Based on that, the City’s current and full cost fee is higher. Its full cost fee is most in alignment with Menlo Park.

Results Summary

Overall, the City of Los Altos’ current fees are on the lower end of the fees being surveyed, and their full cost helps bring the city more in alignment with other jurisdictions. It is important to note that the results of this survey only show the fees adopted by the council, not the cost recovery policy decisions for departments or a jurisdiction. As such, the results of this survey should be used as a secondary decision-making tool.

RESOLUTION NO. 2024-xx

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
ADOPTING DEVELOPMENT SERVICES COST OF SERVICES (USER FEES)
AND CHARGES TO BE COLLECTED IN FY 2024/2025**

WHEREAS, the Los Altos Municipal Code specifies that certain fees and charges shall be set by Resolution of the City Council; and

WHEREAS, these fees and charges should be in amounts sufficient to recover the costs incurred by the City with respect to the functions to be performed by the City.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby adopts the fees and charges set forth in the attached FY 2024/2025 Fee Schedule for the City and these fees shall become effective July 1, 2024, and shall remain in effect until a new Resolution amending the same is adopted by the City Council.

BE IT FURTHER RESOLVED that all other fees previously established by other City Council Resolution or Ordinance remain in effect.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the 26th day of April, 2024 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jonathan D. Weinberg, MAYOR

Attest:

Melissa Thurman, CITY CLERK

DEVELOPMENT SERVICES FY2024/2025	
BUILDING DIVISION	
Building Permit	
Valuation based on price per square foot of construction. Minimum valuation for new residential and commercial construction is \$564.00 per square-foot.	
Total Valuation	
\$1.00 - \$3,000.00	\$240.21
\$3,001.00 - \$25,000.00	
First \$3,000	\$240.21
Each Additional \$1,000	\$30.99
\$25,001.00 - \$50,000.00	
First \$25,000	\$921.88
Each Additional \$1,000	\$31.92
\$50,001.00 - \$100,000.00	
First \$50,000	\$1,719.82
Each Additional \$1,000	\$17.35
\$100,001.00 - \$500,000.00	
First \$100,000	\$3,472.20
Each Additional \$1,000	\$7.59
\$500,001.00 - \$1,000,000.00	
First \$500,000	\$7,549.02
Each Additional \$1,000	\$12.33
\$1,000,001.00 and up	
First \$1,000,000	\$14,276.78
Each Additional \$1,000	\$6.17
ADU Building Permit	\$0.00
Electrical, Mechanical or Plumbing Permit	
\$1.00 - \$3,000.00	\$204.01
\$3,001.00 - \$25,000.00	
First \$3,000	\$389.92
Each Additional \$1,000	\$24.18
\$25,001.00 - \$50,000.00	

First \$25,000	\$921.88
Each Additional \$1,000	\$25.51
\$50,001.00 - \$100,000.00	
First \$50,000	\$1,559.68
Each Additional \$1,000	\$52.47
\$100,001.00 and up	1.62%
ADU Electrical, Mechanical or Plumbing Permit	\$0.00
Plan Check	
ADU Plan Check	\$0.00
Building Plan Check	135%
Energy Plan Check (Title 24)	25%
Solar/Photovoltaic Permit	
Residential	
15 kw or less	\$300.00
15kw - 50kw	\$300.00
Per kw above 15kw	\$10.00
51kw - 250kw	\$500.00
Per kw above 50kw	\$5.00
250+ kw	\$500.00
Per kw above 250kw	\$5.00
Commercial	
50kw or less	\$300.00
50kw - 250kw	\$500.00
Per kw above 50 kw	\$5.00
250+ kw	\$500.00
Per kw above 250 kw	\$5.00
Standalone Building Permits	

Water Heater	\$150.00
Water Line/Sewer Line	\$302.00
Electric Vehicle (EV) Charging Station	\$300.00
Energy Storage System	\$400.00
Demolition Permit	
Single Family	\$233.00
Commercial/Mixed-Use/Multifamily	\$356.00
Inspections	
Re-inspection Request	\$248.00
Inspections Outside of Normal Business Hours (Minimum Charge of 2 hours)	\$576.00
Each Additional Hour	\$288.00
Expired Permits	
Expired Permit Fees	Based on Original Permit Fees
Penalty for Expired Permits	
0 to 30 days	\$0.00
31st day through 60th day	\$200.00/per day
61st day through 120th day	\$400.00/per day
121st day and everyday thereafter	\$800.00/per day
Misc. Building Fees	
Alternate Means and Methods Request (AMMR)	\$444.00
Certificate of Occupancy	\$109.00
Temporary Certificate of Occupancy	\$653.00
Duplicate Permit Request	\$109.00

Street Address Change	\$726.00
Stop Work Penalties	2-4x All Plan review and Permit Fees
In House Plan Check Review	\$296.00/per hour
Consultant Review	Actual Cost
Building Code Compliance Review	\$148.00
Fees Assessed at Time of Building Permit Issuance	
California Green Building Fund	Assessed at the rate of \$4.20 per \$100,000 in valuation, with appropriate fractions thereof, but not less than \$1.00 per every \$25,000 in valuation
Construction Tax (Established per LAMC Chapter 3.24)	
Single Family	\$0.41/per Square Foot
Commercial/Multifamily	\$0.68/per Square Foot
Strong Motion and Seismic Hazard Mapping	
Strong Motion Instrumentation & Seismic Hazard Mapping Fees – SMIP (1-3 Story Residential)	Valuation Amount x 0.00013 (Minimum Fee \$0.50)
Strong Motion Instrumentation & Seismic Hazard Mapping Fees – SMIP (Over 3 story residential & all commercial)	Valuation Amount x 0.00028 (Minimum Fee \$0.50)
General Plan Maintenance Fee (Charged based Building Permit Fee)	7%
Technology Surcharge Fee (Charged based Building Permit Fee)	5%
ENGINEERING DIVISION	
Encroachment Permit	
Parking Stall	
Base	\$291.00

Per Stall Per Day	\$34.00
Special	\$705.00
Miscellaneous	\$1,192.00
Plan Check	
County Sewer Plan Check	\$1,793.00
Public Works Plan Check	Actual Cost
Stormwater Management Plan Check	\$1,873.00
Transportation Plan Check	Actual Cost
Sewer Permit & Fees	
City	\$724.00
County	\$1,594.00
Sewer Tap-in	\$145.00
Sewer Dye Test	\$191.00
Transportation Permits	
Transportation Permits	
Single	\$16.00
Annual	\$90.00
Inspection	
Engineering Inspection Fee (Based on Construction Costs)	6%
Additional Inspection Visit	\$352.00
Mapping Fees	
Final Subdivision Map Check	
Base	\$4,693.00
City Land Surveyor (Minimum Deposit)	\$2,000.00

Lot-Line Adjustment	\$2,717.00
Misc. Engineering Fees	
Vacating Easement/Right-of-Way	\$11,143.00
Utility Street Cut Permit (Based on Construction Costs)	4%
Temporary Lane Closure Permit	
Application	\$628.00
Fees Assessed at Time of Engineering Permit Issuance	
Technology Surcharge Fee (Charged based Engineering Permit Fee)	5%
PLANNING DIVISION	
General Applications	
Annexation	\$18,001.00
Appeal	\$1,000.00
Application Modification	
Single Family	\$1,012.00
Commercial/Multi-Family	\$1,703.00
Applicaton Modification	
Single-Family	\$2,341.00
Commercial/Multi-Family	\$5,127.00
Development Agreement	\$13,986.00
Environmental Review (Deposit)	Actual Cost
Flood Hazard Letter	\$691.00
Home Occupation Permit	\$461.00
Preliminary Project Review	
Staff Review	\$6,649.00

Planning Commission	\$11,068.00
Zoning Compliance/Verification Letter	\$691.00
Conditional Use Permit	
New Use Permit or Modification	\$9,180.00
New Use Permit or Modification (Non-Profit)	\$8,809.00
Temporary Use Permit	\$451.00
Design Review	
Single Family	
Administrative (<150 sq. ft.)	\$691.00
Administrative (>150 sq. ft.)	\$3,469.00
Zoning Administrator	\$6,415.00
Commercial/Multi-Family	
Administrative	\$7,131.00
Planning Commission	\$14,825.00
Historic Permit	
Alteration Permit	\$7,172.00
Resource/Landmark Designation	\$4,275.00
Mills Act	\$6,579.00
Sign Review	
Modification of Existing Sign	\$461.00
New/Modification of Sign Program	\$1,382.00
New Sign	\$691.00
Public Notification	
Public Notice	\$2.00/per resident or occupant within notification boundary

Tree Removal	
Tree Removal Permit	
First Tree	\$300.00
Each Additional Tree	\$150.00
Invasive Species (subject to verification)	\$0.00
In-Lieu Tree Replacement Fee	
	\$1,200.00
Consulting Arborist	
	Actual Cost
Long Range Planning	
General Plan Amendment (Deposit)	
	Actual Cost
Zone Change	
	Actual Cost
Zone Text Amendment (Deposit)	
	Actual Cost
Map Amendment (Deposit)	
	Actual Cost
Planned Unit Development (PUD)	
	Actual Cost
Single-Story Overlay Zone	
	Actual Cost
Parklet Permit	
Initial Application	
	\$553.00
Annual Fee (Calculated per Square Foot of Parklet Area)	
	\$3.00/sq. ft.
Sidewalk Dining	
Sidewalk Permit	
Initial Applciation	\$553.00
Annual Review	\$357.00
Outdoor Display Permit	
Outdoor Display Permit	
	\$1,152.00

Subdivision Review	
Certificate of Compliance	\$4,003.00
Reversion to Acreage	\$7,279.00
Tentative Subdivision Map Review	
Tract Map	\$10,546.00
Parcel Map	\$10,546.00
Urban Lot Split	\$5,987.00
Lot Line Adjustment/Lot Merger	\$5,020.00
Map Extension or Modification	
Administrative	\$3,728.00
Planning Commission/City Council	\$6,674.00
Variance	
Variance	
Single Family	\$10,595.00
Commercial/Multi-Family	\$12,900.00
Fees Assessed at Time of Planning Project/Permit Submittal	
Technology Surcharge Fee (Charged based Planning Project/Permit Fee)	5%



AGENDA REPORT SUMMARY

Meeting Date: March 26, 2024

Subject: Housing Element Annual Progress Report for Calendar Year 2023, and Housing Element Implementation Status

Prepared by: Nick Zornes, Development Services Director

Approved by: Gabriel Engeland, City Manager

Attachment(s):

1. Draft Resolution No. 2024-XX
2. Housing Element Annual Progress Report (Final PDF Copy)
3. Housing Element Implementation Calendar (Chronological Order)

Initiated by:

Government Code Section 65400

Fiscal Impact:

None.

Environmental Review:

The Housing Element Annual Progress Report is a reporting document and does not create or alter policy. The content is provided for information purposes only and is exempt from the requirements of the California Environmental Quality Act (CEQA) per CEQA Guidelines Section 15378(b)(5), which exempts organizational or administrative activities of government that will not result in direct or indirect physical changes in the environment. This informational item provides a means to monitor the implementation of the City of Los Altos' RHNA Allocation.

Summary:

- Provides the progress made to implementation of the adopted housing element in calendar year 2023, which includes additional housing stock created.

Staff Recommendation:

Adopt a Resolution of the City Council of the City of Los Altos Accepting the Housing Element Annual Progress Report for Calendar Year 2023 and Authorizing Staff to Submit the Report to the California Department of Housing and Community Development and find that this action is exempt from the requirements of the California Environmental Quality Act (CEQA) per CEQA Guidelines Section 15378(b)(5).

Reviewed By:

City Manager

GE

Development Services Director

NZ



Subject: 2023 Housing Element Annual Progress Report

Purpose

Government Code section 65400 requires the planning agency to provide this report to the legislative body (City Council) and HCD by April 1 of each year. The statute does not specify in which order they be provided, and HCD does not require the report to be submitted to the legislative body prior to submitting it to HCD. HCD recommends you provide the report to your legislative body prior to sending it to HCD. Staff are providing the City Council the opportunity to review the Annual Progress Report prior to submission.

Background

The California Department of Housing and Community Development (HCD) requires jurisdictions to submit the Housing Element Annual Progress Report (APR), on prescribed tables, directly to HCD which also covers activities and accomplishments from the calendar year (2023). Timely submission of the annual report to HCD fulfills statutory requirements to report certain housing information, including the local agency’s progress in meeting its share of regional housing needs and local efforts to remove governmental constraints to the development of housing. Additionally, the annual report gives the State of California the opportunity to identify statewide trends in land use decision making and how local planning and development activities relate to statewide planning goals and policies.

Analysis

The Los Altos 2023 APR is attached. To ensure accountability with respect to housing production, each site is identified by assessor’s parcel number, and all milestones occurring in 2023 are indicated by date including submittal for planning entitlements, approval of planning entitlements, issuance of building permits, and issuance of certificates of occupancy/final inspections. The report also tracks affordability and if units are deed restricted to specified affordability levels. Progress on Housing Element program implementation is summarized toward the end of the APR. Housing element programs are listed with a brief explanation regarding progress made in the reporting year.

In calendar year 2023, the City of Los Altos issued Building Permits for a total of 120 new dwelling units, almost twice as many from the prior year. That number is the number of units that will be accounted for the city’s 6th Cycle RHNA Allocation.

For reporting year 2023 the following is being reported to HCD:



Subject: 2023 Housing Element Annual Progress Report

Building Permits Issued (for new units only):

Building Permits Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	0
Low	Deed Restricted	0
	Non-Deed Restricted	1
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		119
Total Units		120

Comprehensive accounting of all progress towards RHNA in calendar year 2023:

Units by Structure Type	Entitled	Permitted	Completed
Single-family Attached	0	0	0
Single-family Detached	3	3	0
2 to 4 units per structure	8	8	0
5+ units per structure	0	0	0
Accessory Dwelling Unit	109	109	49
Mobile/Manufactured Home	0	0	0
Total	120	120	49

Discussion

This Housing Element contains actions intended to significantly increase the amount and types of housing for all income levels in Los Altos. These efforts are expected to be initiated throughout the planning period, which is from January 31, 2023, to January 31, 2031. In accordance with State law, the City will also evaluate the progress and effectiveness of Housing Element programs on an annual basis. Together, these actions reflect the City’s commitment to increasing affordable housing and improving existing housing conditions.

The following programs and actions have been **completed** by the City in its due diligence to implement the adopted 6th Cycle Housing Element:

- Program 1.A: Rezone for RHNA shortfall.
- Program 1.B: Facilitate higher density housing in the Commercial Thoroughfare (CT) District.
- Program 1.C: Allow housing in the Office Administrative (OA) District.
- Program 1.E: Update the Loyola Corners Specific Plan.
 - Rescinded Loyola Corners Specific Plan in its entirety



Subject: 2023 Housing Element Annual Progress Report

- Program 1.F: Rezone Village Court parcel.
 - Rezone Village Court parcel to allow for housing development by-right, no discretionary review. Removed outdated PUD zoning restriction from parcel.
- Program 1.G: Rezone housing sites from previous Housing Elements.
- Program 2.B: Establish an affordable housing in-lieu fee and commercial linkage fee.
 - Adoption of Inclusionary Housing In-Lieu Fee
- Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).
 - RFP-Permit Ready ADU Plans
 - Budgeted and Hired New Development Services Technician for streamlined review of Planning Permits
- Program 2.E: Conduct annual ADU rental income surveys.
 - Budgeted and Hired Housing Manager
- Program 2.F: Water and Sewer Service Providers.
- Program 3.A: Prepare a Downtown parking plan and update citywide parking requirements.
 - Comprehensive Parking Ordinance Update
- Program 3.B: Modify building height in mixed-use zoning districts.
- Program 3.C: Remove floor-to-area ratio (FAR) restriction at Rancho Shopping Center and Woodland Plaza.
- Program 3.F: Reduce Conditional Use Permit requirement for residential mixed-use and multi-family.
- Program 3.G: Amend Conditional Use Permits findings applicable to housing developments.
- Program 3.H: Amend design review process and requirements.
 - Eliminate 3rd Party Architectural Review
 - Eliminate Design Review Commission
 - Designate discretionary review of projects five or fewer units to the Zoning Administrator
 - Reduced number of hearings allowed from 5 to 3
 - Developed standard conditions of approval for all discretionary projects
 - Assigned final action authority to the Zoning Administrator and Planning Commission and moved City Council to approval authority for appeals only
 - Clarified that appeals shall be based on objective standards consistent with State law and shall be filed within 14 days of final action
 - Amended zoning code to ensure housing developments and emergency shelters are only reviewed on objective standards contained within the code
- Program 3.I: Allow residential care facilities consistent with State law.
- Program 3.J: Explicitly allow manufactured homes consistent with State law.
- Program 3.K: Standardize multimodal transportation requirements.
 - Bicycle Storage and Charging Regulations



Subject: 2023 Housing Element Annual Progress Report

- Remove CSC Review of Housing Developments
- Program 3.L: Eliminate the requirement of story poles.
- Program 3.M: Modify parking requirements for emergency shelters consistent with State law.
- Program 3.N: Modify standards in the R3 zoning districts.
- Program 4.C: Allow Low Barrier Navigation Centers consistent with AB 101.
- Program 4.D: Allow transitional and supportive housing consistent with State law.
- Program 4.E: Allow employee/farmworker housing consistent with State law.
- Program 4.F: Reasonably accommodate disabled persons’ housing needs.
- Program 4.J: Facilitate alternate modes of transportation for residents.
 - Adopt VMT Policy & Transportation Demand Management Plan

The following programs and actions are **in-progress** with the City in its due diligence to implement the adopted 6th Cycle Housing Element:

- Program 1.H: Facilitate housing on City-owned sites.
 - Financial feasibility analysis underway
- Program 2.B: Establish an affordable housing in-lieu fee and commercial linkage fee.
 - Commercial Linkage Fee under study for essential nexus
- Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).
 - Amend ADU Ordinance to be consistent with State law
 - In development of Permit Ready Accessory Dwelling Unit Plans designed by the City of Los Altos
- Program 3.A: Prepare a Downtown parking plan and update citywide parking requirements.
 - Downtown Parking Strategy well underway with W-Trans Consulting
- Program 3.D: Evaluate and adjust impact fees.
 - Comprehensive Development Impact Fee Study
- Program 6.G: Housing mobility
 - Allow more than one JADU (at least two per site); amendments forthcoming

The following programs and actions are **forthcoming** with the City in its due diligence to implement the adopted 6th Cycle Housing Element:

- Program 1.D: Allow housing on certain Public and Community Facilities District sites and facilitate housing on religious institution properties.
- Program 1.I: Incentivize Downtown lot consolidation.
- Program 4.H: Provide additional density bonuses and incentives for housing that accommodates special needs groups.



Subject: 2023 Housing Element Annual Progress Report

- Program 4.I: Allow senior housing with extended care facilities in multi-family and mixed-use zoning districts.
- Program 4.J: Facilitate alternate modes of transportation for residents.
 - Capital Improvement Project for above head pedestrian crossing signals on San Antonio Road near Downtown Los Altos
- Program 5.F: Incentivize the creation of play areas for multi-family housing projects.
- Program 6.C: Target housing development in highest resource areas.
- Program 6.G: Housing mobility
 - Allow housing on all religious sites within the City

Additional Streamlining Efforts & Upcoming Work

- February 2024, application for Prohousing Designation to HCD for review.
- February 2024, Safety Element Update – Project Kick-off
- March 2024, Accessory Dwelling Unit – Comprehensive Code Update
- March 2024, Comprehensive Development Fee Schedule Update
- April 2024, Comprehensive Development Impact Fee Update
- April 2024, SB9 Guidelines – Planning Commission Study Session
- May 2024, Accessory Dwelling Unit – City Standard Plans

Transition to Development Services Department

In addition to the various regulatory changes to implement the housing development, the Development Services Department has effectively reorganized to streamline the development review process for both internal and external customers. The Development Services Department is now structured to efficiently provide services for all Land Use as it relates to private property development and maintenance. The following chart depicts the organizational changes over the last almost two years:

MAY 2022	JULY 2022	NOVEMBER 2022	JANUARY 2023	JULY 2023
Building & Safety	Building & Safety	Building & Safety	Building & Safety	Building & Safety
Planning & Zoning	Business Licensing	Business Licensing	Business Licensing	Business Licensing
Sustainability	Planning & Zoning	Code Enforcement	Code Enforcement	Code Enforcement
(3) Divisions	(3) Divisions	Planning & Zoning	Housing	Housing
		(4) Divisions	(4) Divisions	Land Development Engineering
				Planning & Zoning
				Sustainability
				(7) Divisions

RESOLUTION NO. 2024-XX

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
ACCEPTING THE HOUSING ELEMENT ANNUAL PROGRESS REPORT FOR
CALENDAR YEAR 2023 AND AUTHORIZING STAFF TO SUBMIT THE REPORT TO
THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT**

WHEREAS, California Government Code Section 65400(2) requires the planning agency to provide an annual report to the City Council, and the State Department of Housing and Community Development (HCD) regarding progress toward implementation of the housing element of the general plan; and

WHEREAS, planning staff has prepared an annual progress report for the calendar year 2023, utilizing the prescribed forms and instructions provided by the State Department of Housing and Community Development; and

WHEREAS, the City Council held a duly noticed public meeting on March 26, 2024; and

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby receives and accepts the annual progress report on the Housing Element, attached and incorporated by reference herein, and authorizes staff to forward the report to the State Department of Housing and Community Development pursuant to Government Code Section 65400(2).

I HEREBY CERTIFY that the foregoing is a true and correct copy of a resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the 26th day of March 2024 by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

Jonathan D. Weinberg, MAYOR

Attest:

Melissa Thurman MMC, City Clerk

Please Start Here

General Information	
Jurisdiction Name	Los Altos
Reporting Calendar Year	2023
Contact Information	
First Name	Nick
Last Name	Zornes
Title	Development Services Director
Email	nzornes@losaltosca.gov
Phone	6509472625
Mailing Address	
Street Address	1 North San Antonio Road
City	Los Altos
Zipcode	94022

Optional: Click here to import last year's data. This is best used when the workbook is new and empty. You will be prompted to pick an old workbook to import from. Project and program data will be copied exactly how it was entered in last year's form and must be updated. If a project is no longer has any reportable activity, you may delete the project by selecting a cell in the row and typing ctrl + d.

[Click here to download APR Instructions](#)

Click here to add rows to a table. If you add too many rows, you may select a cell in the row you wish to remove and type ctrl + d.

v_2_15_24

Optional: This runs a macro which checks to ensure all required fields are filled out. The macro will create two files saved in the same directory this APR file is saved in. One file will be a copy of the APR with highlighted cells which require information. The other file will be list of the problematic cells, along with a description of the nature of the error.

Optional: Save before running. This copies data on Table A2, and creates another workbook with the table split across 4 tabs, each of which can fit onto a single page for easier printing. Running this macro will remove the comments on the column headers, which contain the instructions. Do not save the APR file after running in order to preserve comments once it is reopened.

Optional: This macro identifies dates entered that occurred outside of the reporting year. RHNA credit is only given for building permits issued during the reporting year.

Link to the online system: <https://apr.hcd.ca.gov/APR/login.do>

Toggles formatting that turns cells green/yellow/red based on data validation rules.

Submittal Instructions
<p>Please save your file as Jurisdictionname2023 (no spaces). Example: the city of San Luis Obispo would save their file as SanLuisObispo2023</p> <p>Housing Element Annual Progress Reports (APRs) forms and tables must be submitted to HCD and the Governor's Office of Planning and Research (OPR) on or before April 1 of each year for the prior calendar year; submit separate reports directly to both HCD and OPR pursuant to Government Code section 65400. There are two options for submitting APRs:</p> <ol style="list-style-type: none">1. Online Annual Progress Reporting System - Please see the link to the online system to the left. This allows you to upload the completed APR form into directly into HCD's database limiting the risk of errors. If you would like to use the online system, email APR@hcd.ca.gov and HCD will send you the login information for your jurisdiction. <i>Please note: Using the online system only provides the information to HCD. The APR must still be submitted to OPR. Their email address is opr.apr@opr.ca.gov.</i>2. Email - If you prefer to submit via email, you can complete the excel Annual Progress Report forms and submit to HCD at APR@hcd.ca.gov and to OPR at opr.apr@opr.ca.gov. Please send the Excel workbook, not a scanned or PDF copy of the tables.

Jurisdiction	Los Altos	
Reporting Year	2023	(Jan. 1 - Dec. 31)
Housing Element Planning Period	6th Cycle	01/31/2023 - 01/31/2031

Building Permits Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	0
Low	Deed Restricted	0
	Non-Deed Restricted	1
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		119
Total Units		120

Note: Units serving extremely low-income households are included in the very low-income permitted units totals

Units by Structure Type	Entitled	Permitted	Completed
Single-family Attached	0	0	0
Single-family Detached	3	3	0
2 to 4 units per structure	8	8	0
5+ units per structure	0	0	0
Accessory Dwelling Unit	109	109	49
Mobile/Manufactured Home	0	0	0
Total	120	120	49

Infill Housing Developments and Infill Units Permitted	# of Projects	Units
Indicated as Infill	114	120
Not Indicated as Infill	0	0

Housing Applications Summary	
Total Housing Applications Submitted:	79
Number of Proposed Units in All Applications Received:	130
Total Housing Units Approved:	40
Total Housing Units Disapproved:	0

Use of SB 35 Streamlining Provisions - Applications	
Number of SB 35 Streamlining Applications	0
Number of SB 35 Streamlining Applications Approved	0

Units Constructed - SB 35 Streamlining Permits			
Income	Rental	Ownership	Total
Very Low	0	0	0
Low	0	0	0
Moderate	0	0	0
Above Moderate	0	0	0
Total	0	0	0

Streamlining Provisions Used - Permitted Units	# of Projects	Units
SB 9 (2021) - Duplex in SF Zone	0	0
SB 9 (2021) - Residential Lot Split	0	0
AB 2011 (2022)	0	0
SB 6 (2022)	0	0
SB 35 (2017)	0	0

Ministerial and Discretionary Applications	# of Applications	Units
Ministerial	76	76
Discretionary	3	54

Density Bonus Applications and Units Permitted	
Number of Applications Submitted Requesting a Density Bonus	1
Number of Units in Applications Submitted Requesting a Density Bonus	33
Number of Projects Permitted with a Density Bonus	0
Number of Units in Projects Permitted with a Density Bonus	0

Housing Element Programs Implemented and Sites Rezoned	Count
Programs Implemented	59
Sites Rezoned to Accommodate the RHNA	324

Jurisdiction	Los Altos	
Reporting Year	2023	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	01/31/2023 - 01/31/2031

ANNUAL ELEMENT PROGRESS REPORT Housing Element Implementation

Note: "*" indicates an optional field
Cells in grey contain auto-calculation formulas

Table C Sites Identified or Rezoned to Accommodate Shortfall Housing Need and No Net-Loss Law																	
Project Identifier				Date of Rezone	RHNA Shortfall by Household Income Category				Rezone Type	Sites Description							
1				2	3				4	5	6	7	8	9	10	11	
APN	Street Address	Project Name*	Local Jurisdiction Tracking ID*	Date of Rezone	Very Low-Income	Low-Income	Moderate-Income	Above Moderate-Income	Rezone Type	Parcel Size (Acres)	General Plan Designation	Zoning	Minimum Density Allowed	Maximum Density Allowed	Realistic Capacity	Vacant/Nonvacant	Description of Existing Uses
Summary Row: Start Data Entry Below						670	270	2195							3135		
17039053	475 S SAN ANTONIO RD			11/28/2023				3	Shortfall of Sites	0.13	Downtown Commercial	OA	20 units/acre	30 units/acre	3	Non-Vacant	General office
17041065	241 S SAN ANTONIO RD			11/28/2023				4	Shortfall of Sites	0.22	Downtown Commercial	OA	20 units/acre	30 units/acre	4	Non-Vacant	General office
17038066	105 FREMONT AV			11/28/2023				6	Shortfall of Sites	0.31	Neighborhood Commercial	OA	20 units/acre	30 units/acre	6	Non-Vacant	General office
18916013	811 ALTOS OAKS DR			11/28/2023			7	7	Shortfall of Sites	0.33	Neighborhood Commercial	OA	20 units/acre	30 units/acre	7	Non-Vacant	Medical, Dental, Veterinary
17038062	129 FREMONT AV			11/28/2023				3	Shortfall of Sites	0.15	Neighborhood Commercial	OA	20 units/acre	30 units/acre	3	Non-Vacant	R-1 Converted to office
17041086	289 S SAN ANTONIO RD			11/28/2023				12	Shortfall of Sites		Downtown Commercial		20 units/acre	30 units/acre	12	Non-Vacant	Multi-tenant (title company, financial services, pool and spa) and surface parking lot
17041014	40 HAWTHORNE AV			11/28/2023			6	6	Shortfall of Sites	0.62	Downtown Commercial	OA	20 units/acre	30 units/acre	6	Non-Vacant	General office
17041037	29 HAWTHORNE AV			11/28/2023				4	Shortfall of Sites	0.19	Downtown Commercial	OA	20 units/acre	30 units/acre	4	Non-Vacant	R-1 Converted to office
17041068	195 S SAN ANTONIO RD			11/28/2023				5	Shortfall of Sites	0.24	Downtown Commercial	OA	20 units/acre	30 units/acre	5	Non-Vacant	General office
17040072	301 S SAN ANTONIO RD			11/28/2023			5	5	Shortfall of Sites	0.26	Downtown Commercial	OA	20 units/acre	30 units/acre	5	Non-Vacant	General office
18916012	827 ALTOS OAKS DR			11/28/2023			7	7	Shortfall of Sites	0.33	Neighborhood Commercial	OA	20 units/acre	30 units/acre	7	Non-Vacant	Medical, Dental, Veterinary

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

Jurisdiction	Los Altos		
Reporting Year	2023	(Jan. 1 - Dec. 31)	
Table D			
Program Implementation Status pursuant to GC Section 65583			
Housing Programs Progress Report			
Describe progress of all programs including local efforts to remove governmental constraints to the maintenance, improvement, and development of housing as identified in the housing element.			
1	2	3	4
Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
Program 1.A Rezone for RHNA Shortfall.	The City will amend the Zoning Map and/or Zoning Code to create the opportunity for at least 19 above moderate-income housing units; proposed rezoning would accommodate an assumed capacity of 64 above-moderate income housing units.	Jan-24	Completed amending the Zoning Code to create opportunity for at least 19 above moderate-income housing units in October and November 2023.
Program 1.B Facilitate higher density housing in the Commercial Thoroughfare (CT) District.	Approve housing development projects along El Camino Real at densities above 38 units per acre anticipating at least 80 total housing units with at least 20 low-income units.	Dec-24	Completed amending the Zoning Code to facilitate higher density housing in the CT District in November 2023.
Program 1.C Allow housing in the Office Administrative (OA) District.	Permit housing on OA District parcels during the planning period comprising at least 40 total housing units with at least eight low-income units in the highest resource areas of the city.	Dec-24	Completed amending the Zoning Code to allow housing in the OA District in November 2023.

<p>Program 1.D Allow housing on certain Public and Community Facilities Distrct sites and facilitate housing on religious institution properties.</p>	<p>Facilitate an application for at least 20 units of housing for lower income and/or special needs households on religious institution site(s) during the planning period.</p>	<p>December 2025; outreach at least every 2 years (Decemebr 2025, 2027, and 2029) or until housing applications are received</p>	<p>In progress</p>
<p>Program 1.E: Update the Loyola Corners Specific Plan.</p>	<p>Eliminate restrictive development standards within Loyola Corners Specific Plan for density, height, and unit size no later than December 2024. Also eliminate any subjective design standards applicable to residential no later than December 2024. Permit housing units in the Loyola Corners Specific Plan above the current 20-unit cap and with a mixture of unit sizes during the planning period. Target approval of at least 40 total housing units with at least eight low-income units.</p>	<p>Dec-24</p>	<p>Completed amending the Zoning Code to update the Loyola Corners Specific Plan in November 2023.</p>
<p>Program 1.F: Rezone Village Court parcel.</p>	<p>To facilitate housing, the Village Court parcel at 4546 El Camino Real (APN 16712042) will be rezoned from R1-10 to Commercial Thoroughfare (CT), and modifications made to the Planned 21 City of Los Altos 2023-2031 Housing Element Unit Development (62-PUD/C7), as necessary for consistency with the CT District.</p>	<p>Dec-25</p>	<p>Completed amending the Zoning Code to rezone the Village Court parcel in November 2023.</p>
<p>Program 1.G: Rezone housing sites from previous Housing Elements.</p>	<p>Rezone housing sites from previous Housing Elements which sites are indentified in the 6th Cycle Housing Element.</p>	<p>Jan-24</p>	<p>Completed amending the Zoning Code to rezone housing sites from previous Housing Elements in November 2023.</p>

<p>Program 1.H: Facilitate housing on City-owned sites.</p>	<p>The City will enter into a public-private partnership for development of housing on at least one of the City's Downtown parking plazas.</p>	<p>Financial analysis for Parking Plaza 7 and 8 by independent third-party consultant by the end of 2023; release request for proposals by December 2023; complete entitlements within one (1) year of application if not sooner (by December 2026)</p>	<p>Financial analysis for Parking Plaza 7 and 8 by independent third-party consultant in progress and draft request for information in progress as well as of March 2024.</p>
<p>Program 1.I: Incentivize Downtown lot consolidation.</p>	<p>Facilitate at least two Downtown lot consolidations by January 2031. If by January 2027, this objective is not on track to be met (i.e., 50 percent of objective), the City will offer additional and increased incentives no later than July 2027.</p>	<p>Jul-26</p>	<p>Adoption of incentives and amendment of Community Design & Historic Resources Element by July 2026; promotion to occur annually thereafter.</p>
<p>Program 1.J: Produce annual housing status reports.</p>	<p>Provide an annual status report to the City Council and California Department of Housing and Community Development (HCD) on the status of the General Plan housing programs and their implementation as required by State law. This status report will also address no net loss requirements as necessary throughout the planning period.</p>	<p>Annually by April 1</p>	<p>APR to be submitted by April 1, 2024</p>

<p>Program 1.K: Participate in regional housing needs planning efforts.</p>	<p>The City will actively participate in the Association of Bay Area Governments (ABAG) Regional Housing Needs Determination and other regional discussions about meeting housing needs. The City will meet with ABAG staff to provide land use, housing, employment, and other information related to the RHNA formula to ensure that the allocation accurately represents Los Altos' fair share of the region's housing needs.</p>	<p>Ongoing</p>	<p>Ongoing</p>
<p>Program 1.L: General Plan amendments.</p>	<p>To ensure consistency between the City's General Plan and the Zoning Code, the City will amend the General Plan to allow the uses and densities as proposed in all Housing Element programs.</p>	<p>See various rezoning programs above.</p>	<p>General Plan consistent with allowed uses and density thresholds.</p>
<p>Program 1.M: SB 9 implementation.</p>	<p>Approve at least four SB 9 applications by January 31, 2031.</p>	<p>31-Jan-31</p>	<p>Ongoing; Three (3) SB9 entitlement applications were approved in 2023 and two (2) building permits</p>

<p>Program 1.N: Facilitate and monitor pipeline housing projects.</p>	<p>To ensure completion of the entitled or proposed (i.e., pipeline) projects identified in Table B-3 of Appendix B of the Housing Element: Sites Inventory & Methodology within the planning period (by January 31, 2031), the City will monitor progress of these projects and will coordinate with applicants to facilitate remaining approvals and permits. In addition to not allowing entitlements to expire, the City will offer expedited permit review for pipeline projects and assistance with securing funding if the project is eligible under Program 2.C. If a pipeline project is not approved, the City will ensure adequate capacity for the remaining RHNA is provided through monitoring of no net loss during annual reporting and rezoning if necessary to comply with State law (see Program 1.J).</p>	<p>Annual review and assessment of no net loss by April 1; if rezoning action is necessary to comply with no net loss, the City will take rezoning action within the time period specified in State law.</p>	<p>Ongoing</p>
<p>Program 2.A: Continue to implement and enhance inclusionary housing requirements.</p>	<p>Inclusionary housing unit production of at least 50 moderate-income units, 40 low-income units, and 10 very low-income units.</p>	<p>Dec-23</p>	<p>Third-party consultant completed inclusionary housing feasibility study in December 2023 recommending no changes to the current inclusionary housing requirements. City continuing to monitor and evaluate the inclusionary housing program.</p>

<p>Program 2.B: Establish an affordable housing in-lieu fee and commercial linkage fee.</p>	<p>The City will conduct a feasibility analysis to support the establishment of an affordable housing in-lieu fee for residential developments and a commercial linkage fee for affordable housing. Based on this analysis, the City will adopt such fees. Said analysis will also ensure that the in-lieu fees adopted are not a constraint to housing development. As a part of the establishment of an affordable housing in-lieu fee and commercial linkage fee the City will conduct outreach to all stakeholders including residents, property owners, and housing and commercial developers.</p>	<p>Adopt housing in-lieu fee by the end of 2023; begin commercial linkage fee for affordable housing by end of year 2025.</p>	<p>Third-party consultant completed inculsionary housing feasibility study in December 2023 recommending affordable housing in-lieu fees which were adopted in January 2024. Third-party consultant preparing commercial linkage fee analysis to be completed and new fees to be adopted by City Council in summer 2024.</p>
<p>Program 2.C: Assist in securing funding for affordable housing projects.</p>	<p>Facilitate the development of at least 80 below-market-rate units in Los Altos by January 2031. If by January 2027, this objective is not on track to be met (i.e., 50 percent of objective), the City will establish and offer additional incentives no later than July 2027.</p>	<p>Ongoing; developers roundtable annually; see Program 3.D for timing of modification of impact fees.</p>	<p>Ongoing</p>

<p>Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).</p>	<p>Adopt and provide City Standard Permit Ready ADU Plans (2024). 322 ADUs by the end of the planning period with at least 80 percent of ADUs (260 ADUs) located in the highest resource areas of the city.</p>	<p>Ongoing; if ADU targets are not being met by January 2027, the City will review and revise efforts to increase ADU construction no later than July 2027. Outreach will occur annually, targeting single-family households and neighborhoods. Additional planning staff position will be budgeted and hired by the end of 2022. The City will release an RFQ by July 2023 for permit ready standard ADU plans; by the end of year 2024 the City will have adopted standard ADU design plans. The City will adopt amendments to the ADU ordinance six months from receipt of HCD's formal comment letter</p>	<p>Ongoing; additional Planning staff hired in 2022; RFQ released in summer 2023 to prepare permit ready standard ADU plans which are on schedule to be adopted by end of year 2024.</p>
--	--	--	---

<p>Program 2.E: Conduct annual ADU rental income surveys.</p>	<p>The City will conduct annual ADU rental income surveys whereby each property owner may voluntarily share the rental income for the unit for the City to use in its annual progress reports consistent with Zoning Code Section 14.14.090. The City will provide additional staff support by the onboarding of a Housing Manager or look to consultant services to provide this support at the appropriate capacity needed.</p>	<p>Annually, March 2023 to provide funding for in-house staff or consultant services.</p>	<p>Development Services Housing Manager staff hired in November 2023 and first annual ADU surveys conducted in January 2024.</p>
<p>Program 2.F: Water and Sewer Service Providers.</p>	<p>Pursuant to Chapter 727, Statutes of 2004 (SB 1087), the City of Los Altos upon completion of an amended or adopted housing element, is responsible for immediately distributing a copy of the housing element to area water and sewer providers. The legislation allows for coordination between the City and water and sewer providers when considering approval of new residential projects. Water and sewer providers must grant priority for service allocations to proposed developments that include housing units affordable to lower-income households. Chapter 727 was enacted to improve the effectiveness of the law in facilitating housing development for lower-income families and workers.</p>	<p>Dec-23</p>	<p>Completed</p>

<p>Program 3.A: Prepare a Downtown parking plan and update citywide parking requirements.</p>	<p>Revise parking standards citywide for commercial (mixed-use) and multi-family residential zones to implement a sliding scale based on unit size (number of bedrooms). Multi-family parking ratios shall be reduced to be consistent with State Density Bonus Law (Government Code §65915(p)) and consistent with AB 2097, the City will update its parking regulations to remove minimum parking requirements on any residential, commercial, or other development projects within one half-mile of public transit (as defined in AB 2097) unless required findings are made as specified in State law. Additionally, the City will prepare a Downtown parking plan assessing parking demand, requirements, and strategies.</p>	<p>Dec-24</p>	<p>Zoning Code amendments to the citywide parking requirements were made in January 2024 and the Downtown parking plan has commenced preparation and is scheduled to be completed late 2024.</p>
<p>Program 3.B: Modify building height in mixed-use zoning districts</p>	<p>Zoning Code amended to increase allowed building heights to heights noted in this Program for both Downtown and CN zoning districts.</p>	<p>Dec-24</p>	<p>Completed amending the Zoning Code to modify building height in mixed-use zoning districts in October 2023.</p>
<p>Program 3.C: Remove floor-to-area ratio (FAR) restriction at Rancho Shopping Center and Woodland Plaza.</p>	<p>Remove site-specific 0.35 floor-to-area ratio (FAR), and create development standards that require both commercial and residential uses for the Rancho Shopping Center and Woodland Plaza properties to incorporate needed housing units and preserve essential shopping services.</p>	<p>Dec-24</p>	<p>Completed amending the Zoning Code to remove FAR restriction at Rancho Shopping Center and Woodland Plaza in October 2023.</p>

<p>Program 3.D: Evaluate and adjust impact fees.</p>	<p>The City will evaluate applying the park in-lieu and traffic impact fees on a per square foot basis rather than per unit to encourage the development of higher densities and smaller, more affordable housing units. Based on this evaluation, the City will modify impact fees in accordance with Assembly Bill 602 (AB 602) with completion of the comprehensive fee evaluation.</p>	<p>Dec-24</p>	<p>In progress</p>
<p>Program 3.E: Ensure that the density bonus ordinance remains consistent with State law.</p>	<p>The City will continue to annually monitor the effectiveness and appropriateness of existing adopted policies and update the ordinance as needed and will ensure that its local ordinance remains consistent with State law, but will apply current state law even before local amendments are adopted. The City will update its Appendix to the Affordable Housing Ordinance (Municipal Code Chapter 14.28, Article 2) to comply with State law.</p>	<p>Amend Appendix to Affordable Housing Ordinance by December 2023, and thereafter annually review the Affordable Housing Ordinance and Appendix (each December) and make necessary amendments no later three months after the review (i.e., March of the following year).</p>	<p>Ongoing</p>
<p>Program 3.F: Reduce Conditional Use Permit requirement for residential mixed-use and multi-family.</p>	<p>By allowing the residential use by-right the time for City review of and action on residential mixed-use and multi-family developments will be shortened compared to typical processing times of a conditional use permit (see Appendix C, Table C-8).</p>	<p>Sep-24</p>	<p>Completed amending the Zoning Code to reduce Conditional Use Permit requirement for residential mixed-use and multi-family in October 2023.</p>

<p>Program 3.G: Amend Conditional Use Permits findings applicable to housing developments.</p>	<p>CUP findings will be amended so that only objective findings and standards are applicable to housing developments, including single-room occupancy units, consistent with State law. Additionally, the City will designate the review and approval of conditional use permits for housing developments to the Authority of the Development Services Director.</p>	<p>Mar-24</p>	<p>Completed amending the Zoning Code to revise Conditional Use Permits findings applicable to housing developments in October 2023.</p>
<p>Program 3.H: Amend design review process and requirements</p>	<p>The time for City review of and action on residential, mixed-use and multi family developments will be shortened compared to typical processing times with the reduction of discretionary reviews and commissions.</p>	<p>Dec-23</p>	<p>Design Review Commission duties dismissed and reassigned to Development Services Director and third-party independent architect review removed. Evaluate progress and take additional action if improvements in the design review process have not resulted by January 2027.</p>
<p>Program 3.I: Allow residential care facilities consistent with State law.</p>	<p>City will amend the Zoning Code to permit residential care facilities for six or fewer persons in all residential zoning districts, as well as districts where single-family homes are allowed by-right and treat them as a residential use. The Zoning Code will also be amended to allow large residential care facilities (seven or more persons) in all residential zones without discretionary review (i.e., subject only to objective standards). Residential care facilities will not be limited to individuals of 60 years of age or over, and a barrier-free definition of “family” that encompasses unrelated individuals living together as a single residential unit will be added consistent with State law</p>	<p>Mar-24</p>	<p>Completed amending the Zoning Code to allow residential care facilities consistent with State law in November 2023.</p>

<p>Program 3.J: Explicitly allow manufactured homes consistent with State law.</p>	<p>The City will amend the Zoning Code to explicitly allow manufactured homes on a permanent foundation, subject to the same regulations as single-family homes and in the same zones as single-family homes.</p>	<p>Mar-24</p>	<p>Completed amending the Zoning Code to allow manufactured homes consistent with State law in November 2023.</p>
<p>Program 3.K: Standardize multimodal transportation requirements.</p>	<p>The City will streamline the Development Review process for multi-family housing projects by adoption of Development Standards for multimodal transportation such as bicycle, pedestrian, parking traffic and public transportation issues. The development of standards will no longer require housing development projects to be reviewed by the Complete Streets Commission.</p>	<p>Dec-23</p>	<p>Complete Streets Commission duties dismissed and reassigned to Development Services Director. Evaluate progress and take additional action if improvements in the design review process have not resulted by January 2027.</p>
<p>Program 3.L: Eliminate the requirement of story poles.</p>	<p>The requirement of story poles adds subjectivity, extends the review process of all development, and adds to the additional cost of a project. Existing submittal requirements include, renderings and 3D Modeling which effectively provide the same information story poles would (the relationship of the proposed building heights). The requirement of story poles installations will be eliminated for all development applications.</p>	<p>Mar-23</p>	<p>Completed</p>
<p>Program 3.M: Modify parking requirements for emergency shelters consistent with State law.</p>	<p>The City will amend its Zoning Ordinance to only require parking necessary for emergency shelter staff consistent with Government Code §65583(a)(4)(A).</p>	<p>Dec-24</p>	<p>Zoning Code amendments to the citywide parking requirements were made in January 2024.</p>

<p>Program 3.N: Modify standards in the R3 zoning districts.</p>	<p>The City will amend its Zoning Ordinance to allow building heights of 35 feet and three stories in all R3 zoning districts (i.e., R3-5, R3-4.5, R3-3, R3-1.8, and R3-1). The City will also increase allowed site coverage in all R3 zoning districts to ensure maximum densities can be achieved.</p>	<p>Dec-26</p>	<p>Completed amending the Zoning Code to modify standards in the R3 zoning districts in October 2023.</p>
<p>Program 4.A: Support efforts to fund homeless services.</p>	<p>The City continues to transfer its CDBG funds to the County to support local housing programs, including programs to support people experiencing homelessness. In addition, the City will continue to pursue funding from available sources for homeless services and will also assist community groups that provide homeless services and assist such groups in applying for funding from other agencies. Moreover, the City will consider applying for grants where appropriate or will encourage/partner with local and regional nonprofit organizations that wish to apply for such grants. Lastly, the City will promote the availability of these services on its website, social media, by email, and with handouts.</p>	<p>Ongoing</p>	<p>Ongoing</p>

<p>Program 4.B: Continue to participate in local and regional forums for homelessness, supportive, and transitional housing.</p>	<p>Continue to participate in regional efforts as coordinated with other adjacent cities to address homeless and emergency and transitional housing issues and potential solutions. In addition to transferring its CDBG funds to the County (see Program 4.A), the City provides funding for the Community Services Agency (CSA) of Mountain View and Los Altos that provides various housing services.</p>	<p>Ongoing</p>	<p>Ongoing</p>
<p>Program 4.C: Allow Low Barrier Navigation Centers consistent with AB 101.</p>	<p>The Zoning Code does not address low barrier navigation centers (LBNCs), defined as Housing First, low-barrier, service enriched shelters focused on moving people into permanent housing that provide temporary living facilities while case managers connect individuals experiencing homelessness to income, public benefits, health services, shelter, and housing (GovernmentCode §65660). State law requires LBNCs to be permitted by-right in areas zoned for mixed-use and nonresidential zones permitting multifamily uses provided they satisfying the provisions established by AB 101 (see Government Code §65662). This would allow LBNCs in the CD/R3, CN, CD, CRS, CT, and CRS-OAD districts. The City will amend its Zoning Code to explicitly allow LBNCs as provided by State law.</p>	<p>Dec-23</p>	<p>Completed amending the Zoning Code to allow Low Barrier Navigation Centers consistent with AB 101 in September 2023.</p>

<p>Program 4.D: Allow transitional and supportive housing consistent with State law</p>	<p>Allow transitional and supportive housing by right in all zones which allow residential uses, subject only to those restrictions and standards that apply to other residential dwellings of the same type in the same zone, consistent with State law. Additionally, transitional and supportive housing that qualifies under AB 2162 will be allowed by right in zones where multi-family and mixed uses are allowed, including nonresidential zones that allow multi-family uses, consistent with AB 2162 (Government Code §65651).</p>	<p>Dec-23</p>	<p>Completed amending the Zoning Code to allow transitional and supportive housing consistent with State law in September 2023.</p>
<p>Program 4.E: Allow employee/farmworker housing consistent with State law.</p>	<p>The City will amend the Zoning Code to allow employee housing consistent with Health and Safety Code §17021.5 and 17021.6.</p>	<p>Dec-23</p>	<p>Completed amending the Zoning Code to allow employee/farmworker housing consistent with State law in September 2023.</p>
<p>Program 4.F: Reasonably accommodate disabled persons' housing needs.</p>	<p>The City will adopt a reasonable accommodation ordinance and process request as submitted with the target of approving at least three reasonable accommodation requests by January 31, 2031.</p>	<p>Dec-23</p>	<p>Completed adopting reasonable accommodation ordinance for disabled persons' housing in September 2023.</p>

<p>Program 4.G: Assist seniors to maintain and rehabilitate their homes.</p>	<p>Seek, maintain, and publicize a list of resources or service providers to help seniors maintain and/or rehabilitate their homes. Specifically, the City will update (as needed) and regularly promote the Age Friendly Design (design that promotes the mobility and welfare of aging population) Elements handout and require larger lower income developments to utilize Universal Design (allows for equitable use, flexibility in use, simple and intuitive use, etc.) standards.</p>	<p>Update Age Friendly Design handout by July 2026; publicize list of service providers annually.</p>	<p>In progress</p>
<p>Program 4.H: Provide additional density bonuses and incentives for housing that accommodates special needs groups.</p>	<p>Provide density bonus increases and incentives beyond that required by State law for projects that provide senior housing or housing for extremely low-income households or people with disabilities, including developmental disabilities, in multi-family or mixed-use zones. Specifically, the City will codify the additional density bonus and incentives for senior-only projects.</p>	<p>Dec-25</p>	<p>In progress</p>
<p>Program 4.I: Allow senior housing with extended care facilities in multi-family and mixeduse zoning districts.</p>	<p>The City will amend Zoning Code to clearly allow senior housing under the multi-family use and residential care facilities consistent with State law.</p>	<p>Dec-25</p>	<p>In progress</p>

<p>Program 4.J: Facilitate alternate modes of transportation for residents.</p>	<p>Adopt VMT policy and transportation demand management plan (by June 2023) and provide walkable and safe modes of transportation to all residents. Funding for above head pedestrian crossing signals will be completed no later than December 2027 and installation no later than December 2028. Funding for Los Altos Loop improvements in the area northeast of San Antonio Road and Almond Avenue secured no later than December 2028 with improvements underway no later than July 2030.</p>	<p>December 2023 and ongoing</p>	<p>Completed adoption of VMT policy and transportation demand management plan by June 2023 and continuing to work on funding for above head pedestrian crossing signals to be done by December 2027.</p>
<p>Program 5.A: Monitor condominium conversions.</p>	<p>Deny condominium conversions unless compliant with the Ordinance.</p>	<p>Ongoing</p>	<p>Ongoing</p>
<p>Program 5.B: Continue to administer the City's affordable housing programs.</p>	<p>Maintain accurate records of the City's affordable housing inventory and waitlists, and report annually to the City Council.</p>	<p>Ongoing</p>	<p>Completed funding and hiring of full-time Housing Manager in November 2023 and ongoing administration of the City's affordable housing programs by the Housing Manager and qualifid entity.</p>
<p>Program 5.C: Restrict commercial uses from displacing residential neighborhoods.</p>	<p>Continue to restrict commercial uses in residential neighborhoods so as to prevent potential future displacement of residents, while continuing to allow home occupations in residential zones, consistent with the Zoning Code.</p>	<p>Ongoing</p>	<p>Ongoing</p>
<p>Program 5.D: Implement voluntary code inspection program.</p>	<p>Continue the voluntary code inspection program encompassing code compliance, rehabilitation, energy conservation, and minimum fire safety standards. Use the code inspection programs to promote available rehabilitation programs and services (see Program 5.E).</p>	<p>Ongoing</p>	<p>Ongoing</p>

<p>Program 5.E: Help secure funding for housing rehabilitation and assistance programs.</p>	<p>Rehabilitation of six units for low-income households during the planning period.</p>	<p>Promote available programs and funding sources annually (handouts, Los Altos Senior Center, Woodland Branch Library, email, social media, City website); ongoing</p>	<p>Ongoing</p>
<p>Program 5.F: Incentivize the creation of play areas for multi-family housing projects.</p>	<p>The City will develop incentives for the creation of play areas for multi-family housing projects to help address the needs of children and families. Incentives could be a reduction in Park In-Lieu Fees or waiving the entire fee completely in connection to the development of improvements onsite.</p>	<p>Dec-27</p>	<p>Ongoing</p>

<p>Program 6.A: Assist residents with housing discrimination and landlord-tenant complaints.</p>	<p>The City will continue to promote fair housing practices, refer fair housing complaints appropriately, and raise awareness of such services. The City will advertise available services through the City’s newsletters, website, email blasts, social media, cable television channel as well as handouts at City Hall and other public buildings and facilities. The City will track awareness of fair housing services through surveys of the community and increase awareness of such services over the planning period, adjusting outreach methods based on survey results, but will ensure that outreach is conducted at least annually starting in May 2023. The City’s aim is to have 100 survey respondents in the first year, and to increase survey participation by five percent with each survey and show a five percent increase in awareness of available services by survey respondents with each survey.</p>	<p>Ongoing</p>	<p>Ongoing</p>
<p>Program 6.B: Maintain and expand an inventory of affordable housing funding sources.</p>	<p>The City will update and maintain the inventory of affordable housing funding sources, make it available to developers, and apply for, when appropriate, funding sources to support affordable housing activities.</p>	<p>Prepare inventory of funding sources by December 2023; inform developers of funding sources available (annually); evaluate notices of funding availability (annually); submit grant applications (at least one every three years)</p>	<p>Finalizing inventory list of funding sources and ongoing notifications to developers regarding funding sources available and evaluation of notices of funding availability. Also planning to submit grant application in Summer 2024 for Prohousing Designation Program funding.</p>

<p>Program 6.C: Target housing development in highest resource areas.</p>	<p>Support the development of below market rate housing (i.e., lower or moderate-income housing) in Los Altos; if the City has not received an application for a below market rate project by December 2026, the City will enhance efforts under programs that support funding or partnerships to achieve affordable housing production. The City aims to facilitate the approval of 60 low-income units and 30 moderate-income units in highest resource area(s) (also see Program 1.H).</p>	<p>Initial outreach and information on the City's website by September 2023; follow up outreach after completion of various zoning modifications and providing updated information on the City's website by September 2025</p>	<p>Finalizing information on City's website and mailed informational letters to all the zoning districts within the City that had zoning modifications to support the increased development of housing in February 2024.</p>
<p>Program 6.D: Promote Housing Choice (Section 8) rental assistance program.</p>	<p>The City will advertise availability of the Housing Choice Rental Assistance Program on its website, newsletters, email blasts, social media, cable television channel as well as handouts at City Hall and other public buildings and facilities. Since Housing Choice vouchers are portable, the number of vouchers used in the city will vary over time, but the City's objective is to increase the number of households participating in the Section 8 program from the current level of six to 18 households.</p>	<p>SCCHA Housing Choice Rental Assistance Program link on the City's website by September 2023; promote the Program via newsletters, email blasts, social media, and other methods annually; track number of Section 8 participants annually and modify outreach efforts if target number of households is not achieved.</p>	<p>SCCHA Housing Choice Rental Assistance Program link being added on the City's website and ongoing promotion of the Housing Choice (Section 8) rental assistance program.</p>

<p>Program 6.E: Prepare and distribute anti-displacement information.</p>	<p>The City will produce anti-displacement materials and conduct outreach to notify potentially at-risk households of such resources. The City will hold at least one inperson event every two years (starting by December 2023) on fair housing rights and resources; this event will be hosted in a location where at-risk households are more easily reached and will be determined with local organizations and groups to be most effective. The goal is to educate at least 40 households or prevent at least 40 households from displacement.</p>	<p>Materials produced and translated into multiple languages and initial communication campaign by September 2023; continue to distribute materials on an annual basis.</p>	<p>Materials are being produced for upcoming inperson event in 2024 to provide fair housing rights and resources information.</p>
<p>Program 6.F: Affirmatively market physically accessible units.</p>	<p>Affirmative marketing conducted for 100 percent of affordable housing units approved and permitted in Los Altos from 2023 to 2031.</p>	<p>Ongoing as applications are processed</p>	<p>Ongoing</p>

<p>Program 6.G: Housing Mobility</p>	<p>Provide 150 housing opportunities affordable to lower income households by January 2031.</p>	<p>Annually review overall progress and effectiveness in April and include information in annual report to HCD. If the City is not on track to meet its 150 affordable housing unit goal for the 8-year RHNA cycle by 2027 (i.e., 75 affordable units built or in process by 2027), the City will consider alternative land use strategies and make necessary amendments to zoning or other land use documents to facilitate a variety of housing choices, including but not limited to, strategies that encourage missing middle zoning (small-scale multi-unit projects), adaptive reuse, and allowing additional ADUs and/or JADUs, within six months, if sufficient progress toward this quantified objective is not being met.</p>	<p>Ongoing</p>
---	--	--	-----------------------

PROGRAM	SUB PROJECT	INITIATION DATE	HEU COMPLETION DATE	STATUS
Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).	Budget & Hire Planning Technician		December 31, 2022	COMPLETED
Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).	Amend ADU Ordinance based upon HCD's letter		6 months or less	IN-PROGRESS
Program 6.G: Housing mobility	Allow more than one JADU (at least two per site)		with ADU Ordinance Update	IN-PROGRESS
Program 3.H: Amend design review process and requirements.	Eliminate 3rd Party Architectural Review		February 28, 2023	COMPLETED
Program 3.H: Amend design review process and requirements.	Dismiss Design Review Commission		February 28, 2023	COMPLETED
Program 3.L: Eliminate the requirement of story poles.			March 31, 2023	COMPLETED
Program 2.E: Conduct annual ADU rental income surveys.	Budget & Hire Housing Manager	March 31, 2023		COMPLETED
Program 4.J: Facilitate alternate modes of transportation for	Adopt VMT Policy &		June 30, 2023	COMPLETED
Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).	RFP-Permit Ready ADU Plans		July 31, 2023	COMPLETED
Program 1.H: Facilitate housing on City-owned sites.	Financial Analysis	July 1, 2023	December 31, 2023	IN-PROGRESS
Program 3.D: Evaluate and adjust impact fees.		August 1, 2023	December 31, 2024	IN-PROGRESS
Program 1.H: Facilitate housing on City-owned sites.	Release RFP	December 31, 2023		DEVELOPING RFI/RFP
Program 6.C: Target housing development in highest resource areas.	Initial Outreach		September 31, 2023	
Program 6.D: Promote Housing Choice (Section 8) rental assistance program.			September 31, 2023	
Program 2.A: Continue to implement and enhance inclusionary housing requirements.			December 31, 2023	ONGOING
Program 2.B: Establish an affordable housing in-lieu fee and commercial linkage fee.	Housing in-lieu fee.		December 31, 2023	COMPLETED
Program 2.F: Water and Sewer Service Providers.			December 31, 2023	COMPLETED
Program 3.B: Modify building height in mixed-use zoning districts.	Downtown Districts		December 31, 2023	COMPLETED

Program 3.E: Ensure that the density bonus ordinance remains consistent with State law.			December 31, 2023	ONGOING
Program 3.H: Amend design review process and requirements.	Code Amendments		December 31, 2023	COMPLETED
Program 3.K: Standardize multimodal transportation requirements.	Bicycle Storage and Charging Regulations		December 31, 2023	COMPLETED
Program 3.K: Standardize multimodal transportation requirements.	Remove CSC Review of Housing Developments		December 31, 2023	COMPLETED
Program 4.C: Allow Low Barrier Navigation Centers consistent with AB 101.			December 31, 2023	COMPLETED
Program 4.D: Allow transitional and supportive housing consistent with State law.			December 31, 2023	COMPLETED
Program 4.E: Allow employee/farmworker housing consistent with State law.			December 31, 2023	COMPLETED
Program 4.F: Reasonably accommodate disabled persons' housing needs.			December 31, 2023	COMPLETED
Program 6.B: Maintain and expand an inventory of affordable housing funding sources.	Prepare Inventory.		December 31, 2023	
Program 6.E: Prepare and distribute anti-displacement information.			December 31, 2023	
Program 1.A: Rezone for RHNA shortfall.			January 31, 2024	COMPLETED
Program 1.G: Rezone housing sites from previous Housing Elements.			January 31, 2024	COMPLETED
Program 3.G: Amend Conditional Use Permits findings applicable to housing developments.			March 31, 2024	COMPLETED
Program 3.I: Allow residential care facilities consistent with State law.			January 31, 2024	COMPLETED
Program 3.J: Explicitly allow manufactured homes consistent with State law.			January 31, 2024	COMPLETED
Program 3.F: Reduce Conditional Use Permit requirement for residential mixed-use and multi-family.			September 31, 2024	COMPLETED
Program 1.B: Facilitate higher density housing in the Commercial Thoroughfare (CT) District.			January 31, 2024	COMPLETED

Program 1.C: Allow housing in the Office Administrative (OA) District.			January 31, 2024	COMPLETED
Program 1.E: Update the Loyola Corners Specific Plan.			January 31, 2024	COMPLETED
Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).	Adopt-Permit Ready ADU Plans		December 31, 2024	IN-PROGRESS
Program 3.A: Prepare a Downtown parking plan and update citywide parking requirements.	Downtown Parking Plan		December 31, 2024	IN-PROGRESS
Program 3.A: Prepare a Downtown parking plan and update citywide parking requirements.	Comprehensive Parking Ordinance Update		December 31, 2024	COMPLETED
Program 3.B: Modify building height in mixed-use zoning districts.	Neighborhood (CN) District		December 31, 2024	COMPLETED
Program 3.C: Remove floor-to-area ratio (FAR) restriction at Rancho Shopping Center and Woodland Plaza.			December 31, 2024	COMPLETED
Program 3.M: Modify parking requirements for emergency shelters consistent with State law.			December 31, 2024	COMPLETED
Program 2.B: Establish an affordable housing in-lieu fee and commercial linkage fee.	Commercial linkage fee.	December 31, 2025		IN-PROGRESS
Program 1.D: Allow housing on certain Public and Community Facilities District sites and facilitate housing on religious institution properties.			December 31, 2025	
Program 6.G: Housing mobility	Allow housing on all religious sites within the City		December 31, 2025	
Program 1.F: Rezone Village Court parcel.			January 31, 2024	COMPLETED
Program 4.H: Provide additional density bonuses and incentives for housing that accommodates special needs groups.			December 31, 2025	
Program 4.I: Allow senior housing with extended care facilities in multi-family and mixed-use zoning districts.			December 31, 2025	
Program 1.I: Incentivize Downtown lot consolidation.			July 31, 2026	

Program 4.G: Assist seniors to maintain and rehabilitate their homes.			July 31, 2026	
Program 6.C: Target housing development in highest resource areas.	Follow-up Outreach		September 31, 2026	
Program 1.H: Facilitate housing on City-owned sites.	Entitlement Review		December 31, 2026	
Program 3.N: Modify standards in the R3 zoning districts.			December 31, 2026	COMPLETED
Program 4.J: Facilitate alternate modes of transportation for residents.	Capital Improvement Project for above head pedestrian crossing signals on San Antonio Road near Downtown Los Altos		December 31, 2027	
Program 5.F: Incentivize the creation of play areas for multi-family housing projects.			December 31, 2027	
Program 1.K: Participate in regional housing needs planning efforts.			Ongoing	
Program 1.L: General Plan amendments.			Ongoing	
Program 1.M: SB 9 implementation.			Ongoing	
Program 1.N: Facilitate and monitor pipeline housing projects.			Ongoing	
Program 2.C: Assist in securing funding for affordable housing projects.			Ongoing	
Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).			Ongoing	
Program 2.E: Conduct annual ADU rental income surveys.	Annual Survey		Annually	ONGOING
Program 4.A: Support efforts to fund homeless services.			Ongoing	
Program 4.B: Continue to participate in local and regional forums for homelessness, supportive, and transitional housing.			Ongoing	
Program 5.A: Monitor condominium conversions.			Ongoing	

Program 5.B: Continue to administer the City's affordable housing programs.			Ongoing	
Program 5.C: Restrict commercial uses from displacing residential neighborhoods.			Ongoing	
Program 5.D: Implement voluntary code inspection program.			Ongoing	
Program 5.E: Help secure funding for housing rehabilitation and assistance programs.			Ongoing	
Program 6.A: Assist residents with housing discrimination and landlord-tenant complaints.			Ongoing	
Program 6.B: Maintain and expand an inventory of affordable housing funding sources.	Inform, Evaluate Apply/Submit		Ongoing	
Program 6.F: Affirmatively market physically accessible units.			Ongoing	
Program 7.A: Promote energy and water conservation and greenhouse gas reduction through education and awareness campaigns.			Ongoing	
Program 7.B: Monitor and implement thresholds and statutory requirements of climate change legislation.			Ongoing	



AGENDA REPORT SUMMARY

Meeting Date: March 26, 2024

Subject: Commission Outreach Discussion

Prepared by: Anthony Carnesecca, Assistant to the City Manager

Approved by: Jon Maginot, Assistant City Manager

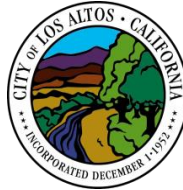
Initiated by:
City Council

Fiscal Impact:
None

Environmental Review:
Not applicable

Purpose
Discuss Commission outreach

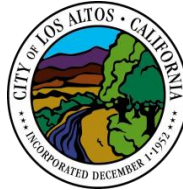
Background
At the February 13, 2024 meeting, Council member Lee Eng requested to discuss how Commissions conduct outreach during Future Agenda Items. This was seconded by Vice Mayor Dailey.



City of Los Altos 2024 Tentative Council Agenda Calendar

April 9, 2024 Closed Session: TBD Study Session: Downtown Park		
AGENDA TITLE:	DEPARTMENT:	PRIORITY:
<u>SPECIAL ITEMS:</u>		
<u>CONSENT:</u>		
Community Center Café	Parks and Rec.	General Govt.
<u>PUBLIC HEARING:</u>		
Introduction of ADU Ordinance	Dev. Svcs.	Housing
<u>DISCUSSION ITEMS:</u>		
Kindergarten and Pre-K Enrichment RFP	Parks and Rec.	General Govt.

All items and dates are tentative and subject to change unless a specific date has been noticed for a legally required Public Hearing. Items may be added or removed from the shown date at any time and for any reason prior to the publication of the agenda.



City of Los Altos 2024 Tentative Council Agenda Calendar

April 30, 2024 Closed Session: TBD Study Session: Development Impact Fees		
AGENDA TITLE:	DEPARTMENT:	PRIORITY:
<u>SPECIAL ITEMS:</u>		
<u>CONSENT:</u>		
Adoption of ADU Ordinance	Dev. Svcs.	Housing
<u>PUBLIC HEARING:</u>		
<u>DISCUSSION ITEMS:</u>		

Remaining 2024 City Council agenda calendar items are pending and will be published at a later date.

All items and dates are tentative and subject to change unless a specific date has been noticed for a legally required Public Hearing. Items may be added or removed from the shown date at any time and for any reason prior to the publication of the agenda.

PROGRAM	SUB PROJECT	INITIATION DATE	HEU COMPLETION DATE	STATUS
Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).	Budget & Hire Planning Technician		December 31, 2022	COMPLETED
Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).	Amend ADU Ordinance based upon HCD's letter		6 months or less	
Program 3.H: Amend design review process and requirements.	Eliminate 3rd Party Architectural Review		February 28, 2023	COMPLETED
Program 3.H: Amend design review process and requirements.	Dismiss Design Review Commission		February 28, 2023	COMPLETED
Program 3.L: Eliminate the requirement of story poles.			March 31, 2023	COMPLETED
Program 2.E: Conduct annual ADU rental income surveys.	Budget & Hire Housing Manager	March 31, 2023		IN-PROGRESS
Program 4.J: Facilitate alternate modes of transportation for	Adopt VMT Policy &		June 30, 2023	COMPLETED
Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).	RFP-Permit Ready ADU Plans		July 31, 2023	PLANS IN DEVELOPMENT
Program 1.H: Facilitate housing on City-owned sites.	Financial Analysis	July 1, 2023	December 31, 2023	DEVELOPING RFP
Program 3.D: Evaluate and adjust impact fees.		August 1, 2023	December 31, 2024	IN-PROGRESS
Program 1.H: Facilitate housing on City-owned sites.	Release RFP	December 31, 2023		
Program 6.C: Target housing development in highest resource areas.	Initial Outreach		September 31, 2023	
Program 6.D: Promote Housing Choice (Section 8) rental assistance program.			September 31, 2023	
Program 2.A: Continue to implement and enhance inclusionary housing requirements.			December 31, 2023	IN-PROGRESS
Program 2.B: Establish an affordable housing in-lieu fee and commercial linkage fee.	Housing in-lieu fee.		December 31, 2023	IN-PROGRESS
Program 2.F: Water and Sewer Service Providers.			December 31, 2023	COMPLETED
Program 3.B: Modify building height in mixed-use zoning districts.	Downtown Districts		December 31, 2023	IN-PROGRESS
Program 3.E: Ensure that the density bonus ordinance remains consistent with State law.			December 31, 2023	ONGOING
Program 3.H: Amend design review process and requirements.	Code Amendments		December 31, 2023	COMPLETED

Program 3.K: Standardize multimodal transportation requirements.	Bicycle Storage and Charging Regulations		December 31, 2023	COMPLETED
Program 3.K: Standardize multimodal transportation requirements.	Remove CSC Review of Housing Developments		December 31, 2023	COMPLETED
Program 4.C: Allow Low Barrier Navigation Centers consistent with AB 101.			December 31, 2023	COMPLETED
Program 4.D: Allow transitional and supportive housing consistent with State law.			December 31, 2023	COMPLETED
Program 4.E: Allow employee/farmworker housing consistent with State law.			December 31, 2023	COMPLETED
Program 4.F: Reasonably accommodate disabled persons' housing needs.			December 31, 2023	COMPLETED
Program 6.B: Maintain and expand an inventory of affordable housing funding sources.	Prepare Inventory.		December 31, 2023	
Program 6.E: Prepare and distribute anti-displacement information.			December 31, 2023	
Program 1.A: Rezone for RHNA shortfall.			January 31, 2024	TO BE COMPLETED BY 1/31/2024
Program 1.G: Rezone housing sites from previous Housing Elements.			January 31, 2024	TO BE COMPLETED BY 1/31/2024
Program 3.G: Amend Conditional Use Permits findings applicable to housing developments.			March 31, 2024	IN-PROGRESS
Program 3.I: Allow residential care facilities consistent with State law.			March 31, 2024	TO BE COMPLETED BY 1/31/2024
Program 3.J: Explicitly allow manufactured homes consistent with State law.			March 31, 2024	TO BE COMPLETED BY 1/31/2024
Program 3.F: Reduce Conditional Use Permit requirement for residential mixed-use and multi-family.			September 31, 2024	IN-PROGRESS
Program 1.B: Facilitate higher density housing in the Commercial Thoroughfare (CT) District.			December 31, 2024	TO BE COMPLETED BY 1/31/2024
Program 1.C: Allow housing in the Office Administrative (OA) District.			December 31, 2024	TO BE COMPLETED BY 1/31/2024

Program 1.E: Update the Loyola Corners Specific Plan.			December 31, 2024	TO BE COMPLETED BY 1/31/2024
Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).	Adopt-Permit Ready ADU Plans		December 31, 2024	
Program 3.A: Prepare a Downtown parking plan and update citywide parking requirements.			December 31, 2024	CONTRACT SIGNED
Program 3.B: Modify building height in mixed-use zoning districts.	Neighborhood (CN) District		December 31, 2024	IN-PROGRESS
Program 3.C: Remove floor-to-area ratio (FAR) restriction at Rancho Shopping Center and Woodland Plaza.			December 31, 2024	IN-PROGRESS
Program 3.M: Modify parking requirements for emergency shelters consistent with State law.			December 31, 2024	
Program 2.B: Establish an affordable housing in-lieu fee and commercial linkage fee.	Commercial linkage fee.	December 31, 2025		
Program 1.D: Allow housing on certain Public and Community Facilities District sites and facilitate housing on religious institution properties.			December 31, 2025	
Program 1.F: Rezone Village Court parcel.			December 31, 2025	TO BE COMPLETED BY 1/31/2024
Program 4.H: Provide additional density bonuses and incentives for housing that accommodates special needs groups.			December 31, 2025	
Program 4.I: Allow senior housing with extended care facilities in multi-family and mixed-use zoning districts.			December 31, 2025	
Program 1.I: Incentivize Downtown lot consolidation.			July 31, 2026	
Program 4.G: Assist seniors to maintain and rehabilitate their homes.			July 31, 2026	
Program 6.C: Target housing development in highest resource areas.	Follow-up Outreach		September 31, 2026	
Program 1.H: Facilitate housing on City-owned sites.	Entitlement Review		December 31, 2026	

Program 3.N: Modify standards in the R3 zoning districts.			December 31, 2026	IN-PROGRESS
Program 4.J: Facilitate alternate modes of transportation for residents.	Capital Improvement Project for above head pedestrian crossing signals on San Antonio Road near Downtown Los Altos		December 31, 2027	
Program 5.F: Incentivize the creation of play areas for multi-family housing projects.			December 31, 2027	
Program 1.K: Participate in regional housing needs planning efforts.			Ongoing	
Program 1.L: General Plan amendments.			Ongoing	
Program 1.M: SB 9 implementation.			Ongoing	
Program 1.N: Facilitate and monitor pipeline housing projects.			Ongoing	
Program 2.C: Assist in securing funding for affordable housing projects.			Ongoing	
Program 2.D: Encourage and streamline Accessory Dwelling Units (ADUs).			Ongoing	
Program 2.E: Conduct annual ADU rental income surveys.	Annual Survey		Annually	
Program 4.A: Support efforts to fund homeless services.			Ongoing	
Program 4.B: Continue to participate in local and regional forums for homelessness, supportive, and transitional housing.			Ongoing	
Program 5.A: Monitor condominium conversions.			Ongoing	
Program 5.B: Continue to administer the City's affordable housing programs.			Ongoing	
Program 5.C: Restrict commercial uses from displacing residential neighborhoods.			Ongoing	
Program 5.D: Implement voluntary code inspection program.			Ongoing	

Program 5.E: Help secure funding for housing rehabilitation and assistance programs.			Ongoing	
Program 6.A: Assist residents with housing discrimination and landlord-tenant complaints.			Ongoing	
Program 6.B: Maintain and expand an inventory of affordable housing funding sources.	Inform, Evaluate Apply/Submit		Ongoing	
Program 6.F: Affirmatively market physically accessible units.			Ongoing	
Program 7.A: Promote energy and water conservation and greenhouse gas reduction through education and awareness campaigns.			Ongoing	
Program 7.B: Monitor and implement thresholds and statutory requirements of climate change legislation.			Ongoing	