

FINANCIAL COMMISSION MEETING AGENDA

6:00 PM - Monday, January 27, 2025

***Community Center- 97 Hillview Ave, Los Altos, CA
94022***

PARTICIPATION: Members of the public may participate by being present at the Los Altos Community Center Apricot Room located at 97 Hillview Avenue Los Altos, CA 94022 during the meeting. Public comment is accepted in person at the physical meeting location, or via email to financialcommissionmeeting@losaltosca.gov

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. Public comment will be taken in-person, and members of the public may provide written public comment by following the instructions below.

Telephone: 1-669-444-9171 | Zoom Webinar ID: 859 5171 5210 | Passcode: 806627

<https://losaltosca-gov.zoom.us/j/85951715210>

SUBMIT WRITTEN COMMENTS: Verbal comments can be made in-person at the public hearing or submitted in writing prior to the meeting. Written comments can be mailed or delivered in person to the City Clerk's Office or emailed to financialcommissionmeeting@losaltosca.gov

Correspondence must be received by 2 PM on the day of the meeting to ensure distribution prior to the meeting. Comments provided after 2 PM will be distributed the following day and included with public comment in the packet.

ESTABLISH QUORUM

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Members of the audience may bring to the Commission's attention any item that is not on the agenda. Please complete a "Request to Speak" form and submit it to the Staff Liaison. Speakers are generally given two or three minutes, at the discretion of the Chair. Please be advised that, by law, the Commission 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 noticed on the agenda before any discussion or action.

ITEMS FOR CONSIDERATION/ACTION

- [1. Commission Minutes:](#) Approve the minutes of the October 21, 2024 Financial Commission meeting
- [2. Election of Chair and Vice Chair:](#) Nominate and elect members to serve as Chair and Vice Chair

3. Tyler ERP Project implementation update: Receive an update on the Financial Enterprise System implementation
4. Preliminary Audit Results: Receive an update and preliminary report of audit results
5. Annual Commission Training: Receive the 2025 Commission Update Training
6. Commission Work Plan: Review and update the Commission Work Plan and form subcommittees as needed to accomplish the various tasks of the Commission
7. 2025 Commission Meeting Schedule: Approve the 2025 Meeting Schedule

COMMISSIONERS' REPORTS AND COMMENTS

POTENTIAL FUTURE AGENDA ITEMS

ADJOURNMENT

SPECIAL NOTICES TO 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 at least 48 hours prior to the meeting at (650) 947-2720.

Agendas, Staff Reports and some associated documents for Financial Commission items may be viewed on the Internet at <http://www.losaltosca.gov/meetings>.

If you wish to provide written materials, please provide the Commission Staff Liaison with **10 copies** of any document that you would like to submit to the Commissioners in order for it to become part of the public record.

For other questions regarding the meeting proceedings, please contact the City Clerk at (650) 947-2720.

**MINUTES OF THE MEETING OF THE FINANCIAL COMMISSION OF
THE CITY OF LOS ALTOS, HELD ON MONDAY, OCTOBER 21, 2024,
AT 6:00 P.M. HELD AT 97 HILLVIEW AVENUE, LOS ALTOS,
CALIFORNIA 94022**

ROLL CALL

PRESENT: Chair Richmond, Commissioners Claras, Fowler, Jain, Zhang

ABSENT: Vice Chair Kalbach, Commissioner Ottoes

PLEDGE OF ALLEGIANCE

Chair Richmond led the Pledge of Allegiance.

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

None

ITEMS FOR CONSIDERATION/ACTION

1. Introduction of new Financial Commissioner

Commissioner Ken Fowler introduced himself as a new member of the Financial Commission.

2. Commission minutes: Approve the minutes of the September 9, 2024 Financial Commission meeting

Action: Upon a motion by Commissioner Claras, seconded by Commissioner Jain, the Commission approved the minutes of the September 9, 2024 Financial Commission meeting by the vote of 5-0 (Kalbach and Ottoes absent).

3. 115 Trusts: Receive a presentation from Public Agency Retirement Services (PARS) regarding 115 Trusts and potential impact on City's pension obligations

Jennifer Meza and Hoddy Fritz, from Public Agency Retirement Services presented information regarding 115 Trusts and the potential impact on the City's pension obligations.

4. City of Los Altos PERS Reserve: Discuss the City's pension obligations and plan to manage expected future increases in pension costs

Staff provided an update on information presented at the September 9, 2024 Commission meeting. Commissioners discussed the potential options to address the City's unfunded accrued liability and the need to consider options as part of the City's overall financial position, particularly future capital expenditures.

5. Financial Enterprise System implementation: Receive an update on the implementation of new Financial Enterprise System

Staff provided a brief update on the implementation of the City's new Financial Enterprise System.

6. Commission Work Plan: Review and update the Commission Work Plan and form subcommittees as needed to accomplish the various tasks of the Commission

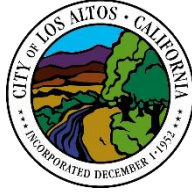
The Commission reviewed the Work Plan and formed a subcommittee of Commissioners Claras, Jain and Ottoes to work with staff to develop key performance indicators for the City to monitor financial performance.

POTENTIAL FUTURE AGENDA ITEMS

None

ADJOURNMENT

Chair Richmond adjourned the meeting at 7:34 p.m.



TO: Financial Commission
FROM: Jon Maginot, Staff Liaison
SUBJECT: Election of Chair and Vice Chair

RECOMMENDATION:

Nominate and elect members to serve as Chair and Vice Chair

BACKGROUND

The election of Chair and Vice Chair is governed by the Commission and Committee Handbook. Any member of the Commission may serve as either Chair or Vice Chair. The current Chair will ask for nominations for the position of Chair. Any member may nominate another to serve. Nominations do not require a second. Once a member has been nominated for Chair, the Commission will vote. If a majority of members approve, that member will be deemed Chair. The process will then repeat for the election of Vice Chair.

Upon the conclusion of the election process for Chair and Vice Chair, the person elected Chair will take over as president of the meeting.



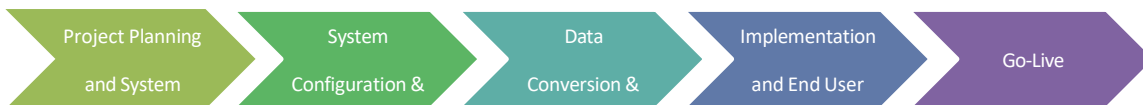
TO: Finance Commission
FROM: Stephanie Beauchaine, Consultant
SUBJECT: Tyler ERP Project implementation update

RECOMMENDATION:

Receive an update on the Financial Enterprise system implementation

Background

On December 29, 2022 the city contracted with Tyler Technologies, Inc. for the purchase of the Tyler Enterprise Resource Planning (ERP) software. Included in this purchase are products and services related to the design and implementation of software modules and features related to conversion, support and training services, as well as recurring licensing agreement costs. The elements of system design, data conversion, implementation serve as pillars that structure the project plan of which milestones, deliverables and deadlines are set and ultimately lay the foundation for the project timeline.



The Tyler ERP Project implementation process is ongoing. The implementation team includes SDI Presence, LLC serving as Project Manager, Geoff Thomas, Senior Project Accountant, and Beauchaine Consulting Group, LLC serving as technical lead, alongside KOA Hills who is performing data conversion services.

Implementation is ongoing with a planned “Go-live” date of July 1, 2025.

Discussion/Analysis

Project progress continues to move forward rapidly, and the team has made strides with current and future state analysis, data configuration, system configuration, power user training and process refinement, and RBAC/Roles and User Permissions has begun as follows:

FY2024-25 Q2

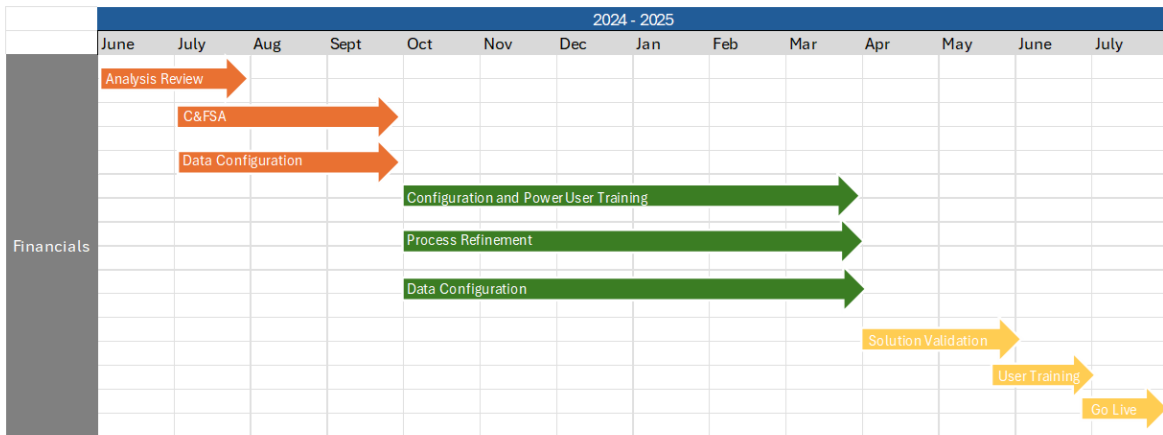
- Configuration refinement and power user training continues

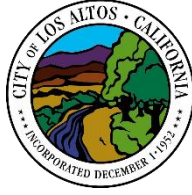
- Process refinement is underway
- Data configuration: Financial Actuals for FY 21-23, and vendors are loaded
- RBAC Roles, Permissions, and Users design and build

FY2024-25 Q3

- RBAC, Roles, Permissions, and Users testing
- Chart of Accounts training for Finance and External departments
- Data configuration: Load Financial Actuals and Budget for FY24
- Process refinement and Power User Training will continue

ERP Project Schedule





TO: Financial Commission
FROM: Jon Maginot, Staff Liaison
SUBJECT: Preliminary audit results

RECOMMENDATION:

Receive an update and preliminary report of audit results

BACKGROUND

The City has contracted with Badawi & Associates to conduct the City's audit for FY 2023/24. This is the first year Badawi has conducted the City's audit. The majority of the work for the audit has been completed. Staff is presenting a preliminary update on the results of the audit. The final audit and Annual Comprehensive Financial Report (ACFR) will be presented to the Financial Commission at a future meeting.

Preliminary Audit Results

The City has received the draft financials from the auditors. Staff does not anticipate the draft numbers to change significantly. Additionally, staff anticipates the audit receiving a clean opinion. Although there will be a few comments on internal controls, we do not anticipate any issues that would change the audit opinion.

Internal Controls and Accounts Payable: While no material weaknesses have been identified, a few minor recommendations are anticipated. Some of the recommendations have already been implemented and the remaining should not cause a significant burden to the City.

Discussion/Analysis

1. Financial Stability and Reserves

- Total Assets increased from \$58.3 million in FY2023 to \$68.8 million in FY2024, reflecting 18.2% growth. The General Fund accounted for \$41.4 million of these assets, up 31.4% from \$31.5 million in FY2023.
- Liabilities decreased slightly from \$5.5 million to \$5.4 million, reducing the liabilities-to-assets ratio from 9.3% to 7.9%.

- General Fund Balance grew by \$9.3 million to \$38.1 million. The unassigned fund balance rose to \$28.1 million, representing 58.4% of expenditures, significantly exceeding the GFOA’s recommended range of 10% to 25%.

<Table 1>

BALANCE SHEET

Governmental Funds	General Fund	In-Lieu Park Land	Capital Projects	Los Altos Community Center lease	Other Governmental Funds	Total Governmental Funds	(million)
Total Assets	41.4	8.0	12.0	0.5	6.9	68.8	
Total Liabilities	3.3	-	1.2	0.5	0.4	5.4	
Total Fund Balances	38.1	8.0	10.8	-	6.5	63.4	

2. Revenue and Expenditure Trends

- Total Revenues increased by \$2.0 million to \$63.4 million. Key drivers:
 - Property Taxes increased by \$1.8 million to \$34.4 million.
 - Interest and Rental Income grew by \$2.5 million due to higher yields on investments.
 - Charges for Services declined by \$2.2 million, offsetting some revenues in other areas.
- Expenditures decreased slightly from \$53.0 million to \$52.3 million. Major changes include:
 - Public Safety expenditures rose by \$1.3 million to \$22.1 million, driven by service enhancements.
 - Capital Improvements spending fell from \$8.3 million to \$2.7 million, reflecting the completion of major projects in FY2023.

3. General Fund Performance

- The General Fund realized an operating surplus of \$11.5 million. Revenue surplus came from increases in property tax of \$1.8 million and interest and rental income of \$2.1 million. These increases were offset by reduced charges for services by \$2.2 million.
- Transfers included \$1.4 million to the Capital Projects Fund to support the rehabilitation and replacement of the City’s infrastructure, including pavement restoration, architectural enhancements, public art preservation, safety and security system upgrades, tree services, and the modernization of essential systems and facilities to ensure sustainable and efficient operations. General Fund also transferred \$2.4 million to Internal Service Funds to pay for supportive services.
- The General Fund revenues increased by \$2.4 million to \$59.6 million, while expenditures increased by \$4.5 million to \$48.1 million.

<Table 2>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (million)

Governmental Funds	General Fund	In-Lieu Park Land	Capital Projects	Los Altos Community Center lease	Other Governmental Funds	Total Governmental Funds
Total revenues	59.6	0.9	0.5	-	2.4	63.4
Total expenditures	48.1	-	2.8	0.6	0.8	52.3
Operating Surplus	11.5	0.9	(2.3)	(0.6)	1.6	11.1
Other Financing Sources (Uses)	(2.3)	(0.8)	1.2	0.6	0.8	(0.5)
Net change in fund balances	9.3	0.1	(1.1)	0.0	2.4	10.6

<Table 3>

FUND BALANCE (million)

Governmental Funds	General Fund	In-Lieu Park Land	Capital Projects	Los Altos Community Center lease	Other Governmental Funds	Total Governmental Funds
Beginning of year	28.9	7.9	11.9	-	4.1	52.8
Net change in fund	9.3	0.1	(1.1)	0.0	2.4	10.6
End of year	38.1	8.0	10.8	0.0	6.5	63.5

4. Fund Balances

- Total governmental fund balances equaled \$63.5 million at fiscal year-end, an increase of \$10.6 million from prior year’s fund balance of \$52.8 million.
- The In-Lieu Park Land Fund ended the year with a fund balance of \$8.0 million with revenues of \$0.9 million and transfers out of \$0.8 million spent on eligible projects and debt service payments.
- General government capital spending totaled \$2.7 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 2024, the Capital Improvements Projects Fund balance ended the year with \$10.8 million.
- Other Non-Major Governmental Funds ended the fiscal year 2024 with a total combined fund balance of \$6.5 million, an increase of \$2.4 million from \$4.1 million in fiscal year 2023.

5. Enterprise and Internal Service Funds

- Sewer operations ended the year with a net position of \$28.7 million. Operating revenue increased by \$1.6 million from \$8.8 million in fiscal year 2023 to \$10.4 million in fiscal year 2024.

- Solid waste operations ended the year with a net position of \$3.3 million. Operating expenses decreased by \$0.4 million from \$2.2 million in fiscal year 2023 to \$1.8 million in fiscal year 2024, primarily due to \$0.8 million decrease in pension expenses in current year, offset by increase of service and supplies.
- Internal Service Funds ended the year with a total combined net position of \$3.6 million in fiscal year 2024, an increase of \$0.4 million from \$3.2 million in fiscal year 2023.

<Table 4>

STATEMENT OF NET POSITION					(million)
Proprietary Funds	Sewer	Solid Waste	Business-type Total	Internal Service Funds	
Total Assets	31.4	4.3	35.7	8.1	
Deferred Outflows	1.1	0.5	1.6	-	
Total Liabilities	3.5	1.3	4.8	4.5	
Deferred Inflows	0.3	0.1	0.5	-	
Net Position	28.7	3.3	32.0	3.6	

<Table 5>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION					(million)
Proprietary Funds	Sewer	Solid Waste	Business-type Total	Internal Service Funds	
Total revenues	10.4	0.9	11.3	5.0	
Total expenditures	8.2	1.8	10.0	5.8	
Operating Surplus	2.2	(0.9)	1.3	(0.8)	
Non Operating & Transfers	(0.3)	0.2	(0.1)	1.2	
Change in Net Position	1.9	(0.7)	1.2	0.4	

<Table 6>

NET POSITION					(million)
Proprietary Funds	Sewer	Solid Waste	Business-type Total	Internal Service Funds	
Beginning of year	26.8	4.0	30.8	3.2	
Net change in fund	1.9	(0.7)	1.2	0.4	
End of year	28.7	3.3	32.0	3.6	

6. Summary

The City demonstrated strong financial performance in FY2024, with healthy reserves, growing fund balances, and a manageable liabilities-to-assets ratio. Strategic use of surplus funds for infrastructure and operational needs aligns with long-term goals.

- Revenue Stability: Property tax and interest income are strong contributors, but declining charges for services warrant exploration of new revenue opportunities.
- Reserve Levels: With an unassigned General Fund balance of \$28.1M (58.4% of expenditures), the City is well-positioned to address future economic uncertainties.

- Capital Investment: Lower capital spending in FY2024 reflects completed projects but also an area of focusing for maintaining long-term infrastructure priorities.

Financial Commission Updates

Jon Maginot
Staff Liaison



Financial Commission

The Financial Commission shall:

- A. Annual review of the investment policy;
- B. Annual review of independent financial audit;
- C. Review of auditor selection process;
- D. Review of financial projections and assumptions. This especially relates to review of revenue projections provided in the annual mid-year report which are used biennially as the basis for the service and financial plan;
- E. Special projects as directed by the Council, City Manager or Finance Director; and
- F. Submission of an annual report to the City Council.



Election of Chair and Vice Chair

- Commission appoints Chair and Vice Chair annually
- No member of a Commission may serve consecutive terms as the chair so they must change annually



Attendance and Participation

- Majority of members required in person for meeting to take place
- Commissioners must attend 75% of regularly scheduled meetings
- Commissioner must let liaison know at least one week in advance of meeting that they will attend remotely
 - Commissioners may attend no more than 20% of meetings remotely



Reporting

- Commissions provide a workplan for approval to Council in 1st Quarter of each calendar year
- Commissions provide an annual plan to Council at joint meeting



Ad Hoc Subcommittees

- Must be Ad Hoc, cannot be standing
- A Commission may appoint Ad Hoc subcommittees, consisting of less than a majority of the body, to work on specific tasks. Ad Hoc subcommittees should be focused on one specific topic and shall not last more than one year.
- Ad Hoc Subcommittees must comply with all aspects of the Brown Act, but do not require meetings to be posted or staff support.



Ad Hoc Subcommittees

- Must have specific topic and timeframe
- Cannot be an area of continuing jurisdiction
- Cannot be established in multiple years
- Must report findings out to full Commission
- Commissioners can only serve on one subcommittee at a time



Ad Hoc Subcommittees

The motion of establishment must include that the Ad Hoc Subcommittee:

1. Is comprised solely of members of the Commission establishing the Ad Hoc Subcommittee,
2. Consists of less than a quorum of the Commission,
3. Includes a defined purpose and the timeframe to accomplish that purpose and is less than one year in duration,
4. Will automatically terminate when a final report is given to the Commission, or when the timeframe established by the Commission is met, unless extended by the Commission at a public meeting,
5. Will not be re-established or renewed in multiple years, and
6. Is advisory in nature and is not established to work on an item where continuing jurisdiction exists



Current Ad Hoc Subcommittees

- Development of Key Performance Indicators
 - Claras, Jain, Ottoes



Working Pairs

- Unlike Ad Hoc Subcommittees which require a formal approval and are limited in time duration and scope, the Commission may assign Commissioners into working groups to provide research, information, fact gathering, prioritizing, or other activities related to the Commissions work plan.
- Working groups may consist of 1 or 2 Commissioners who are able to meet to discuss topics of interest to the Commission, prior to reporting back at an open meeting to the full Commission.
- The Commission may take action on the report or simply receive it.



Working Pairs

- Working groups are designed to allow Commissions to work in a more flexible manner, to respond to requests, initiatives, or direction from Council, or to move work plans forward.
- There is no limit to the amount of working pairs a Commissioner can participate in at one time.



What's the difference?

Ad-Hoc Subcommittee

- Formal
- Focused on project
- Workplan development
- Example: Main Library Improvements

Working Pairs

- Informal
- Component of plan or project
- Example: Flyer for New Library Feature



Council Liaisons

- Council liaison will meet with Commission Chair and staff liaison once per year at a minimum as well as at joint meeting
- Council liaisons shall not direct, guide or unduly influence the policy making work of the City's advisory bodies



Conflict of Interest

- Perceived Conflict of Interest
- Incompatible Activities



Perceived Conflict of Interest

- A perceived conflict of interest for a Commissioner may arise from personal relationships, financial interests, serving on bodies or boards that have shared or overlapping subject matter jurisdiction as those under the jurisdiction of the Commission, or when it appears that the Commissioner's private interests impact the official duties of the Commissioner, or influence his/her decision-making.



Perceived Conflict of Interest

- Commissioners must notify Staff liaison
- Commissioner must disclose perceived conflict of interest before participating in discussion
- Commissioner will seek out advice from City Attorney or FPCC



Conflict of Interest

- Per state law, a public official, including commissioners, may not engage in any activity for compensation that is inconsistent, incompatible, or in conflict with their official duties with the City.



Conflict of Interest

- It is ultimately the responsibility of the Commission member to identify whether they may be engaging in incompatible activities or have a perceived conflict of interest.
- The City Attorney should be consulted as early as possible on any matters regarding incompatible activities or perceived conflicts of interest.



Questions

- If any commissioners have questions, concerns, or are unclear on anything, please contact the staff liaison or Council liaison.



Draft Financial Commission 2024/25 Work Plan

Goal	Projects	Assignments	Frequency	Target Date(s)	Status
Recurring Goals					
#1	Investment Performance	Review Investment Performance	Quarterly	Ended Jan 2025 – Mar 2025 Ended Apr 2025 – Jun 2025 Ended Jun 2025 – Sep 2025 Ended Oct 2025 – Jan 2026	
#2	Operating Budget	Current year Mid- Year Review and Annual Budget Review for the next fiscal year	Annually	FY25 Mid- Year Review – Feb 2025 FY26 Annual Budget-May 2025	
#3	Financial Communication_ New Financial System Progress	Update on the new Financial System (Tyler Munis) Implementation process.	Quarterly or as needed	October 2024 February 2025 May 2024	
#4	Annual Audit for Current Fiscal Year (FY25)	Review the Audit planning and priorities with auditors.	Annually	Audit Premeeting- May 2025	
#5	Annual Comprehensive Financial Report For FY24	Review draft ACFR	Annually	ACFR draft- February 2025	
#6	PERS Unfunded Liability	Evaluate PERS Unfunded Liability; re-evaluate prepay only or investment plan	Annually	November 2024	In progress
#7	Five- Year Capital Improvement and Major Maintenance Program Budget	Review Capital Spending	Annually	April 2025	
#8	Five- Year Capital Improvement and Major Maintenance Program Budget	Annual Budget Review for the next fiscal year (FY26), focus on the method of project selection and cost estimation	Annually	FY26 Project review- May/June 2025	

#9	Financial Policies	Review/update City's Financial Policy	Annually	April/ May 2025	
#10	Investment Policy	Review/update City's Investment Policy	Annually	February/March 2025	
#11	Cross Commission Collaboration	Finance Commission responds to requests from other commissions	Ad hoc	As needed	
Non-recurring Goals					



TO: Financial Commission
FROM: Jon Maginot, Staff Liaison
SUBJECT: 2025 Commission Meeting Schedule

RECOMMENDATION:

Approve the 2025 Meeting Schedule

BACKGROUND

Per the Los Altos Municipal Code, the Financial Commission meets twice quarterly. These meetings are typically held on the third Monday of the month beginning at 6:00 p.m. at the Los Altos Community Center.

The following is the schedule of Commission meetings for 2025:

January 27, 2025
February 10, 2025
February 25, 2025 – Joint meeting with City Council (held at Los Altos City Hall)
April 21, 2025
May 19, 2025
June 16, 2026
September 15, 2025
October 20, 2025
November 17, 2025