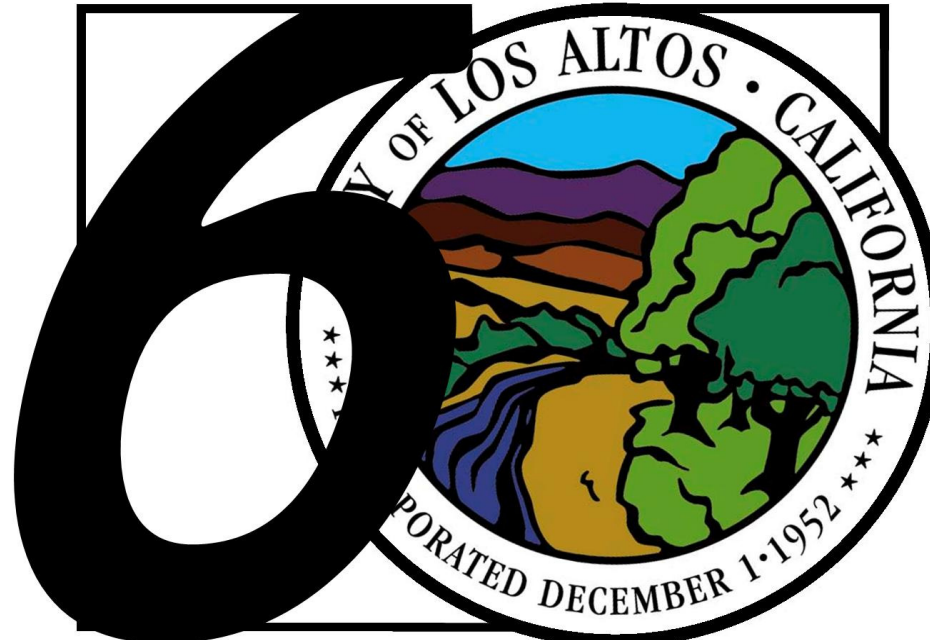


60TH ANNIVERSARY



CITY OF LOS ALTOS 1952
2012

A great place to live and raise a family for over sixty years.

2011-2013 **ADOPTED
BIENNIAL
BUDGET**
Issues & Options Policy Papers

CITY OF LOS ALTOS



Mayor Ron Packard



Mayor Pro Tem Val Carpenter



Councilmember David Casas



Councilmember Jarrett Fishpaw



Councilmember Megan Satterlee

ELECTED OFFICIALS & EXECUTIVE STAFF

ELECTED OFFICIALS		TERM ENDS
Mayor	Ron Packard	November 2012
Mayor Pro Tem	Val Carpenter	November 2014
City Council Members	David Casas	November 2012
	Jarrett Fishpaw	November 2014
	Megan Satterlee	November 2012

EXECUTIVE TEAM

City Manager	Douglas J. Schmitz
Assistant City Manager/Human Resources	J. Logan
Assistant City Manager/Community Development	James Walgren
City Attorney	Jolie Houston
City Clerk	Lee Price
Chief of Police	Tuck Younis
Director of Finance	Russell J. Morreale
Director of Recreation	Beverly Tucker
Special Projects Manager	Dave Brees
Engineering Services Manager	Jim Gustafson
Maintenance Services Manager	Brian McCarthy

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THANK YOU!!!!

As Council is aware, we have ended recent fiscal years with surpluses. Even though a threshold for expenditures has been adopted, the Department Directors have continuously during the most trying economic times in decades, brought expenses in well beneath their authorized limits. Kudos to our Department Directors! And, we are on a glide path towards another successful end of the year balance when 30 June arrives.

This group of Directors works as a Budget Team, not just with the evolution or monitoring of the numbers, but in watching out for each other. At mid-year review and at our preparation of the annual budget meetings, they are willing to forego an item in their budget if a colleague makes the case that his or her budget needs some dollars for a specific purpose.

So, thanks to the Team of Russ Morreale and Jon Maginot, J. Logan and James Walgren, Tuck Younis and Beverly Tucker, Brian McCarthy and Jim Gustafson, Dave Brees and Lee Price. We also acknowledge Fran Vella for her effective professional review of the documents drafted herein.

Special appreciation goes to Russ who keeps us “in the black” but also on the “straight and narrow.”

We also acknowledge those employees who assist their Directors in the preparation of the budget and then with their ongoing monitoring of expenses and revenues throughout the fiscal year.

As we prepare to celebrate Los Altos’ sixtieth anniversary, thanks to Beverly Tucker for the Biennial Budget and CIP cover.

BUDGET MESSAGE



Mr. Ronald D. Packard, Mayor
Members of the City Council
Citizens of Los Altos
City Hall
1 North San Antonio Road
Los Altos, California 94022

“On motion of Mr. Witt duly seconded and unanimously carried, it was resolved that Meetings of the City Council until further action and notice will be held on Monday of each week at 8:00 o’clock P.M. in the San Antonio School on San Antonio Avenue in the City of Los Altos with Special Meetings to be held, if required, under the provisions of the Government Code of the State of California.”

City Council Minutes
1 December 1952

Dear Mayor Packard, Members of the City Council and Citizens of Los Altos,

What were their dreams, hopes and visions as they took office that first winter’s evening and inaugurated a new city of “approximately 10,000 inhabitants?” While the matters at hand were bountiful – selection of a city clerk, insurance protections, fire service, interim zoning and building regulations, establishment of a Planning Commission – did Messieurs Estill, Fortunato, Riggs, Witt and Conner contemplate a future municipality of 28,976 and its contemporary issues? What did they foresee as the future of this embryonic hamlet? Time clarifies the sharpness of important events and strips away the vocal volume of dissent that usually accompanies a historic moment.

In 1952, Los Altos voters were fulfilling the words of Aristotle that “men come together in cities to live but remain there to live the good life.” But to live at all, early pioneers must establish a basic civic order – pure water, a supply of food, the efficient removal of wastes, protection of persons and properties, transportation routes, ways to build and where...or where not. All of these efforts take money.

Budgeting is the one similarity that has weaved its existence through the past six decades, from year to year, from Council to Council, from project to project. So, let us begin anew with the financial estimates.

NEW BUSINESS: Tentative Budget for 1953-54 Fiscal Year was submitted by the City Clerk-Chief Administrative Officer. It was moved and seconded that said Tentative Budget be taken under advisement by Council, for action at the Regular Meeting of August 4, 1953. Following discussion, motion was withdrawn and it was moved, seconded and unanimously carried that the Council set a Public Hearing for said Tentative Budget for the regular meeting of July 7th, 1953."

City Council Minutes
29 June 1953

We commence this biennial budgetary period just eighteen months before the celebration of the City's sixtieth anniversary of incorporation.

With the sun setting of the current fiscal year on 30 June, there will be no lapse and no severance in our continuance to provide municipal services to the citizens and businesses of Los Altos.

The budget makes a break from recent practice. During the previous two fiscal years, the volatility of the international financial world and the upheaval to our local revenues caused us to retreat to one-year budgets rather than the multi-year plans of contemporary practice. With a now more pacific setting, we are returning to a two-year budgetary plan covering 2011-2013 and continuing the five-year capital blueprint.

With this budget, we have streamlined the internal preparatory process as well as the final public text. A multi-year document is an efficiency effort since only nominal adjustments reflecting changed information or circumstances will be proposed in June 2012 at the commencement of the second year. The core of the 2011-2012 presented text will remain operative in 2012-2013. Inclusive in the budget for the first time is a multi-year forecast stretching beyond the biennial period. Thus, Council has a multi-year snapshot of the financial future as well as the traditional three-year flashback of actual/budgeted numbers. This budget format is also austere in size compared to past years and, thus, more user friendly.

There are no significant changes from recent years; this is a budget of continuity with both forthcoming years balanced. Some personnel positions are kept frozen, although not always the same positions as in the recent past. Except for three expenses beyond our control – PERS, health benefits and the contract for services with Santa Clara County Fire - our departmental costs increase only nominally. These costs increased by \$550,000, \$93,000 and \$130,000 respectively making up 3/4 of the general operating fund increases. Revenues show a small upward tick and we continue building towards our operational goal of a 20% reserve endorsed three years ago by Council. We continue to add to the OPEB reserve as required. We propose transfers from the General Fund to the CIP and to the Equipment Fund.

“Mr. Witt reported that an account had been established at the First National Bank of Los Altos and deposits totaling \$565.52 had been made.”

City Council Minutes

10 March 1953

HIGHLIGHTS---what the Budget does and what it contains:

- Two-Year Budget – 2011-2013
- Balanced in both years
- Eight positions frozen v. nine in 2010-2011

ISSUES AND OPTIONS POLICY PAPERS

The Council is presented five Issues and Options Policy Papers covering four matters of significance to the Biennial period. The fifth I/O paper is the traditional “Financial Warning Lights” of matters of future concern.

- 1) Recommends pay down of PERS side fund of \$1,700,000 over the biennium
- 2) Decision on PERS Pre-payment option
- 3) Recreation Facility Free Users
- 4) Fund Balance Classifications
- 5) Financial Warning Lights

RESERVES

- \$210,000 to the Operational Reserve, bringing balance to 18% towards 20% goal
- Additional \$100,000 payment into OPEB fund bringing balance to \$300,000
- Maintains State Revenue Stabilization Fund of \$1.025 Million

REVENUES--GENERAL FUND

- General Fund increases by 3.09% or \$858,200

- Property Tax increases by 3.89% or \$497,000
- Sales Tax projected growth of 3.99% or \$94,180
- TOT increases by 12% or \$150,000
- Planning and Building income grows by \$356,120
- No monies expected from State for COPS program---\$100,000
- No monies expected from State for TDA to offset Capital Fund Transfers -----\$254,000

“Garbage Rates: They may be charged by a scavenger for services under this Ordinance such rates as may be established by Resolution by the City Council of Los Altos.”

City Council Minutes
20 January 1953

EXPENSES---GENERAL FUND DEPARTMENTS

LEGISLATIVE AND ADMINISTRATION

- Moves \$150,000 from Finance & Technology to City Clerk for cable casting
- Includes \$175,000 for election(s) in 2011-2012

“It was moved and seconded that the Proposed Budget for the 1953-54 fiscal year be accepted as a guide to Council in making expenditures until precise Budget is adopted.”

City Council Minutes
7 July 1953

FINANCE AND TECHNOLOGY

- Departmental budget decreases by \$150,000 due to transfer of cable and election costs to City Clerk’s budget

HUMAN RESOURCES

- Transfer of monies from vacant HR Manager position to Engineering for Transportation Projects Manager

“Police Committee: It was reported that three patrolmen had been hired, to be put on the payroll as soon as they have given their present employers sufficient notice, which will probably be the first of April.”

City Council Minutes
17 March 1953

PUBLIC SAFETY

- Includes \$65,000 for Los Altos’ portion of four cities shared services study
- Contract with Santa Clara County Fire increases \$93,170

“Mr. Estill suggested that we ask Mr. Haas to get the Planning Commission organized as soon as possible. He also suggested that one member of the Council, and one of the Planning Commission attend their opposite business meetings thereby keeping in close touch with each other’s progress.”

City Council Minutes
13 January 1953

COMMUNITY DEVELOPMENT

- Includes FY2010-2011 mid-year authorization to fill one frozen Building Inspector position
- Engineering reflects addition of Transportation Projects Manager

MAINTENANCE SERVICES

- Includes first full year of City payments for municipal trash pickup by Mission Trail
- Funds one previously frozen Maintenance Worker I position

“Following a brief report by Dr. Robert Morris, Chairman of the Recreation Committee, Council ordered by unanimous consent that a joint meeting of the City Council and the Board of Trustees, Los Altos Elementary School District, be set up to discuss the matter of administration of the pool as proposed by the Recreation Committee.”

City Council Minutes
4 August 1953

RECREATION

- Revenues include full year of income from newly renovated San Antonio Club facility
- Continues toward full direct cost recovery (excluding teens and Senior programs per Council’s June 2010 directives)

TRANSFERS

- \$700,000 to CIP
- \$100,000 to Equipment Fund

“A petition signed by twenty residents of Hollingsworth Drive, Los Altos, and nine residents of Spargur Drive, Los Altos, requesting investigation into a bad fly problem in that area. It was moved, seconded and unanimously carried that the City Clerk write to the County Health Officer, and make a report on this matter and advise Council as to what action can be taken.”

City Council Minutes
21 April 1953

OTHER FUNDS

The Budget’s most significant non-General funds – Sewer, Solid Waste, Storm Water – reflect the steady continuance of operations and funding as in recent years despite some minor adjustments.

The Sewer Fund reflects the proposed five percent rate increase which the Council will consider beyond the June adoption. This is the first rate adjustment since 2008. The City has made significant strides the past several years with implementing the capital projects detailed in the adopted master plan and the rate adjustment will keep the implementation effort on-going.

The Solid Waste Fund has been reduced from its recent levels in recognition of the first full year of the new franchise agreement and the transfer of dumping fees to the franchisee.

As has been mentioned annually since 2009, the Storm Water Fund has been reliant each year on carry forward balances and on transfers from the General Fund. The balance forward has continued to decline and the General Fund supplement has continued to grow. The future of this fund is discussed in more detail in the Issues and Options Policy Paper “Financial Warning Lights.”

“Mayor Conner reported on the meeting in San Jose of city and county engineers and the County Planning Commission regarding streets used largely for through traffic. It was proposed to make San Antonio, Santa Maria, Fremont and Springer Roads into 4-lane highways with 120 foot right of ways.....”

City Council Minutes

13 January 1953

CAPITAL IMPROVEMENT PROJECTS

The list for each of the five years commences with the same nine, identical annual projects.

The CIP includes phasing implementation of the Blach School Area Traffic Study recommendations. The active CIP list, which contains 64 projects and is a different document from the CIP booklet, already lists one of the recommended Blach School area projects, a traffic signal at Miramonte and Covington, in the amount of \$250,000. This project was funded in 2009. With Councils’ acceptances and approvals of the recommended CIP with the staggered allocation of design and construction monies for the other Blach School area projects, the already funded signal marks the initial implementation effort.

Due to the number of projects previously approved for each of the five CIP years and the reality of how much the CIP implementation team can realistically undertake and/or complete in a year, the Blach School area projects (other than the Miramonte/Covington signal) have been bifurcated into design work in one year and construction in the successive year.

The first year of the five-year plan, 2011-2012, contains three new recommendations for inclusion and one for deletion. The project description sheets in the CIP detail the purposes for these recommendations.

Unlike recent years, no projects have been proposed for any additional downtown studies in the five-year plan.

As has been mentioned in recent years in the Issues and Options Policy Paper on “Financial Warning Lights,” the CIP does not have an independent funding source and is reliant on excess operational budget monies. Its previous primary source of sustenance, the UUT, is not generating the level of funding that it was prior to the Great Recession.

PERSONNEL

Due to economic conditions, for the past two years the Budget has withheld funding for certain sanctioned positions. Staff was authorized to exchange positions which became vacant during the year with positions that had been designated as frozen at the time of budget adoption. Leaving positions vacant resulted in annual savings of approximately \$1,000,000. During the past fiscal year, nine positions were held frozen.

At mid-year budget review/adjustment in January, the Council authorized the filling of one previously frozen Building Inspector position due to the volume of private construction either underway or in the land use or building review entitlement process.

As we climb towards international financial stability and renewed local revenue growth, we are able to begin filling some of the positions previously frozen during the darkest economic times. The presented Budget proposes that one previously frozen allotment be filled during the first year of the biennial period; eight positions would remain frozen although the positions are not necessarily the same as were left unfunded in 2010-2011. Due to the staff exchanging frozen positions with ones that became vacant post-budget adoption, over half of the positions are different from those frozen during the current fiscal year.

As a cost saving measure, the Budget proposes that the position of City Clerk be filled on an interim part-time basis vs. a full-time municipal employee.

The Human Resources personnel allocation is reduced by one FTE with the reassignment of the dollars that were previously assigned to the Human Resources Manager’s position having been transferred during the current fiscal year to the Engineering Division for the new position of Transportation Projects Manager.

CONCLUSION

“A city, too, like an individual, has a work to do, and that city which is best adapted to the fulfillment of its work is to be deemed the greatest” wrote Aristotle in Poetics. The budget plan presented herein outlines our “work to do” over the next twenty-four months. For

the past three years, through economic crisis and revenue constraint, the municipality of Los Altos fulfilled and upheld its commitments to its citizens, businesses and employees and carried forth with its duties.

The fledgling economic recovery gives hope that we can, over the next few years, fill most of the previously authorized positions that were left idled due to the economy. Time produces new needs and the organization must therefore move in new directions.

With the volume of private and public work underway in Los Altos and projects in the entitlement phase or in a concept sphere, significant change is upon our community. It is of a magnitude that Messieurs Estill, Fortunato, Riggs, Witt and Conner could not have foreseen or imagined when they first took their Councilmanic seats that December evening six decades ago. Liebling wrote that “every city has one period of magnificence but it takes a real city to keep renewing itself.” As we proceed towards our sixtieth anniversary, may it be said that Los Altos has had its periods of magnificence, but is again renewing itself.

Respectfully Submitted,

Douglas J. Schmitz
City Manager
June 28, 2011

ISSUES & OPTIONS POLICY PAPERS INDEX



*Due note was had that
the Board of Supervisors
of Santa Clara County
had duly declared
the City of Los Altos
Incorporated*

*1 December, 1952 City Council
Minutes*

- I. PERS SIDE FUND PAY DOWN
- II. PERS PRE-PAYMENT ARBITRAGE
- III. FREE USERS OF RECREATION FACILITIES
- IV. FUND BALANCE CLASSIFICATIONS
- V. FINANCIAL WARNING LIGHTS

ISSUES & OPTIONS POLICY PAPER #2

SUBJECT: PERS Pre-Payment Arbitrage

BUDGETED? YES X NO

RECOMMENDATION: Adopt Option #2

FISCAL IMPACT: \$85,000 Savings over two years

DESCRIPTION:

PERS allows a pre-payment option that results in a rate discount if a full year of employer contributions are made up front. A decision to take advantage of this option is dependent upon the relative interest earnings that can be earned on excess cash weighed against the cost savings realized under a contribution pre-payment scenario. In essence, an organization that selects such an option is making a calculated arbitrage decision based upon current known interest rates, the earnings rate of the investment portfolio, and an assumption about the movements of rates in the short to near term.

Over the past two years, the City has realized a material drop in interest income as the national economy has suffered through the lowest rates in over forty years. This condition is persisting and staff estimates that it will take two to three years to build a portfolio up to an average rate over 2 to 3%. At the time that this IO paper is being crafted, the City is earning 1/2 of one percent in LAIF (the current cash investment pool) and about 1.25% on investments made under the new managed investment model. Given the unfavorable nature of the yield curve, the PERS pre-payment option is attractive to the extent that it can influence expenditure savings at a rate well in excess of our current interest earnings capability. In a nutshell – the City can realize a 3.5% discount on its employer contribution that results in \$85,000 in cash outlay savings over the course of the two- year budget.

This \$85,000 in savings will flow to each City department in proportion to their employee and gross salary base.

OPTIONS: (Option #2 Approved By City Council at the June 28, 2011 Adoption)

- 1) Do not make any pre-payment based on the belief that rates will make strong gains.
- 2) Authorize a PERS pre-payment in year one of the two-year budget and re-evaluate the option in year two.
- 3) Authorize a PERS pre-payment in both year one and year two of the biennial budget.

OPTIONS: (Option #3 Approved By City Council at the June 28, 2011 Adoption)

- 1) Instruct staff that there will no longer be unpaid usage of Recreation facilities by community groups; inform the groups and initiate renting the rooms at the facilities.
- 2) Determine that continued free usage of the facilities by these community groups is important to Los Altos and continue the current practice, acknowledging the lost revenue impacts the full direct cost recovery goal.
- 3) Continue this matter until Council's review of the updated Cost Allocation Study.

The City shall strive to use the most restricted fund balances prior to utilizing those that are less restricted. The following order of use reflects this guideline:

- a. Nonspendable (if funds become spendable)
- b. Restricted
- c. Committed
- d. Assigned
- e. Unassigned.

Only the General Fund has an unassigned category since money remaining in any other fund is automatically designated or assigned to the purposes of that fund. Under the new GASB 54 rules, if the balance of a Special Revenue Fund is not formally restricted or committed by fiscal year end, then it must be reported as part of the General Fund for fiscal year end audited financial statement purposes. For some of the City's special revenue funds, this necessitates the City Council to provide direction on the intended use of resources for the future. Staff recommends that the City Council adopt the following list of the City's Special Revenue Funds and their expected ending fund balance classifications:

Vehicle Impound Fund - Restricted to Public Safety Use
Supplemental Law Enforcement Fund - Restricted by State Statute
Gas Tax Funds - Restricted by State Statute
Proposition 1B - Restricted by State Statute
Storm Drain Deposits - Restricted by Council Intent
Community Development Block Grants - Restricted by Federal/State Statute
Downtown Parking Fund - Restricted by Council Intent
In-Lieu Park Fee - Restricted by State Statute
Traffic Impact Fee - Restricted by State Statute
Estate Donation Fund - Restricted by Council Intent
TDA Funds - Restricted by State Statute

In addition, GASB 54 allows the City Council authority to "assign" ending fund balances or bestow this authority to a City officer or designee. To provide the City with the most flexibility in financial reporting, staff is recommending that the City Manager be given authority to assign resources and ending fund balances if applicable.

Updated Government Fund Definitions

Governmental Fund Type Definitions

Governmental fund types include the general fund, special revenue funds, capital projects funds, debt service funds and permanent funds. GASB has clarified the definitions of these funds as follows:

General Fund

The General Fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

Capital Projects Funds

Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

Debt Service Funds

Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest, even if it is being accumulated for future years' payments. Debt service funds should be used to report resources if legally mandated.

Permanent Funds

Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

GASB 54 Introduced Fund Balance Classifications and Definitions (Previously introduced as part of the City's Financial Policy)

Non-spendable Fund Balance: Amounts that cannot be spent due to form. These are amounts that must be maintained intact legally or contractually.

Restricted Fund Balance: Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed Fund Balance: Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources. Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned Fund Balance: For all governmental funds other than the general fund, any remaining positive amounts not classified as non-spendable, restricted or committed. For the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Amount reported as assigned should not result in a deficit in unassigned fund balance.

Unassigned Fund Balance: For the general fund, amounts not classified as non-spendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.

Not all governments will have all five components of fund balance. Governments should review their current policies and procedures to determine if resources would meet the definition of committed or assigned. Additional policies may need to be adopted or revised to be consistent with the new definitions.

Fund Balance Policies

Purpose

The City of Los Altos (City) has enacted the Fund Balance policies in an effort to ensure financial security through the maintenance of a healthy reserve fund that guides the creation, maintenance, and use of resources for financial stabilization purposes. The City's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The City also seeks to maintain the highest possible credit ratings which are dependent, in part, on the City's maintenance of a healthy fund balance.

General Fund

The fund balance of the City's General Fund has been accumulated to meet this purpose, to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

The target is to maintain an unrestricted fund balance within the range of not less than 17% of annual operating expenditures for the fiscal year and City Council has set a multi-year goal of achieving a 20% unrestricted fund balance level in the near term. The level of coverage includes General Fund balance amounts specifically committed for annual Emergency Operating and Fund Stabilization contingencies as discussed and defined further below:

The City's basic goal is to maintain annual expenditure increases at a sustainable growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain an unrestricted fund balance (inclusive of Emergency Operating and Fund Stabilization balances) of not less than 17% of operating expenditures stems from the following:

- This amount provides adequate funding to cover approximately two (2) months of operating expenses with the goal of achieving three months coverage in the long term.

- This amount provides the liquidity necessary to accommodate the City's uneven cash flow, which is inherent in its periodic tax collection schedule.
- This amount provides the liquidity to respond to contingent liabilities.
- The Government Finance Officers Association recommends the minimum General Fund unrestricted fund balance to be maintained should be no less than either two (2) months of regular operating revenues or expenditures.

Emergency and Operating Fund Balances

These balances are hereby defined as committed by the City Council and designed to allow the City to weather unpredicted cyclical and rapid downturns in the economy. These funds would be available for use in such conditions to mitigate negative economic fiscal impacts 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% 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 reserves.

Stabilization Fund Balances

These balances are hereby defined as committed by the City Council and are designed to mitigate the unanticipated revenue take-away or re-direction by the State legislature in the course of any one budget session. This fund balance is designed to be activated if and when state subvention of customary revenue stream dollars are deferred or cut off at the State level.

OPTIONS: (Option #2 Approved By City Council at the June 28, 2011 Adoption)

- 1) Instruct staff to bring back other defining options or policy standards.
- 2) Implement the above listed recommendations and include them in the final FY2012-2013 Adopted Budget as integrated within the City's Financial Policy.

prospective projects. The Parks Plan 2011 does not list estimated costs but does have up to 35 identified projects to be attended to. The Bicycle Master and Traffic Calming Plans also introduce several million dollars in additional capital costs. The Pedestrian Plan has yet to be compiled.

The CIP each year lists annual maintenance-oriented projects---street resurfacing, concrete repair, NTMP, etc. In the amended CIP for 2011-2015, for the first three years (2011-2014) the annual non-sewer expenses total \$2,800,000, more than our transfers to the CIP from the General Fund the past three years. There are no monies for non-annual occurring projects. The situation is exacerbated by the addition of the millions of dollars for new master plan originating projects.

Unless the City's annual revenues, especially to the UUT, increase to 2005-2008 levels, the CIP will be for maintenance-only projects.

STORM WATER FUND

In the annual budgets for 2009-2010 and for 2010-2011, the paramount concerns about the need for the establishment of independent funding for a storm water utility to fund the Storm Water Fund has been raised. Currently, and in the past, the Fund has relied on the General Fund for its sustenance. With enhanced environmental regulations regarding storm water and its treatment, our maintenance and capital costs will soon soar. As previously mentioned, the draft Storm Drain Master Plan identifies projects totaling \$13,100,000. Examples of the projects are: enlargement of catch basins, conveyance pipe defects, undersized pipes, and fallen walls adjacent to conveyance systems that impede flows.

We began 2010-2011 with a beginning fund balance of \$136,000. Utilizing a \$150,000 transfer from the General Fund, the Storm Fund budget was \$286,000. At the end of this fiscal year, the projected ending fund balance will be an estimated \$49,600. Thus, the General Fund transfer for the upcoming year, 2011-2012, will be approximately \$201,000.

The 2009-2010 Budget Message and Issues & Options Policy Paper No. XII discussed presenting to the electorate the formation of a Storm Water Utility and cited the then recent example of the City of Burlingame and its formation of a utility. No action was taken at that time.

With maintenance and capital costs increasing, the reallocation of services within the General Fund will need to be made in order to continue to subsidize the Storm Water Fund or an independent funding source will need to be secured.

A discussion of funding options is contained in the draft Storm Drain Master Plan which Council is expected to receive in September 2011.

Fiscal Plan Highlights

A Multi-Year Focus

Capital Projects

\$3.5M Total
\$0.9M CIP Fund
\$0.6M Grants
\$2.0M Sewer Fund

Enterprise Funds

Sewer Fund Remains Healthy
Storm Fund Reserves Depleted
Waste Fund Calibrated

**Accountable
Responsible
Responsive
Proactive**

General Fund

Balanced
Services Maintained
Modest Equipment Purchases
Fee Study Updated

Human Capital

No Staffing Increases
8 Vacancies Frozen
Labor Contracts In Place
Strategic Hiring
PERS Side Fund Pay-down
Pension Reform

HIGHLIGHTS

Two-Year Budget Including a Multi-Year Forecast
Departments Contain Operating Costs
OPEB Funding Continued
General Fund Reserves @ 18%
State Revenue Stabilization Reserve Maintained
Capital Projects Fund Seeded

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What We Have



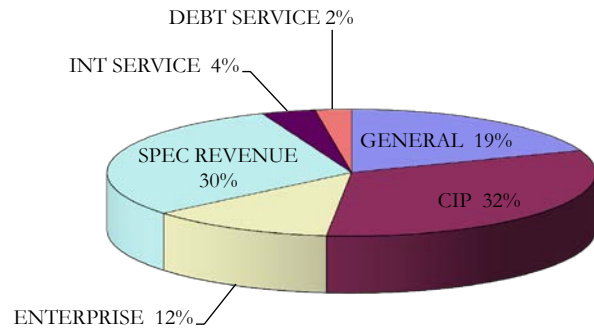
PROJECTED FUND BALANCES AND RESERVES

FUNDS	BEG. BALANCE	REVENUE	EXPENSES	CAPITAL PROJECTS	TRSFERS	PRIOR YR CIPS	USE OF FY 10-11 RESERVES	UNRESTRICTED BALANCE	RESTRICTED BALANCE
GENERAL FUND									
- Unreserved	2,119,112	28,604,170	(28,594,265)	0	(421,151)	0	(1,650,000)	57,867	0
- Operating Commitments	0				0	0	0	0	0
- Operating Reserve	3,936,228				210,000	0	0	0	4,146,228
- State Revenue Stabilization Reserve	1,025,000				0	0	0	0	1,025,000
- OPEB Reserve	200,000				100,000	0	0	0	300,000
- PERS Reserve								0	0
TOTAL GENERAL FUND	7,280,340	28,604,170	(28,594,265)	0	(111,151)	0	(1,650,000)	57,867	5,471,228
CAPITAL PROJECTS FUND	11,741,533	395,000	0	(890,000)	249,147	(10,230,774)	700,000	1,964,906	0
EQUIPMENT REPLACEMENT FUND	4,327,583	0	(86,000)	0	0	(734,000)	100,000	0	3,607,583
COMMUNITY FACILITY RENEWAL FUND	3,665,592	0	0	0	0	0	0	3,665,592	0
TOTAL CAPITAL IMPROVEMENT FUNDS	19,734,708	395,000	(86,000)	(890,000)	249,147	(10,964,774)	800,000	5,630,498	3,607,583
SEWER FUND	8,649,123	5,862,269	(4,029,819)	(2,022,000)	0	(6,176,494)	0	0	2,283,078
SOLID WASTE FUND	837,191	854,723	(463,911)	0	0	0	0	0	1,228,002
STORM FUND	49,684	0	(250,785)	0	201,151	0	0	0	50
TOTAL ENTERPRISE FUNDS	9,535,997	6,716,992	(4,744,515)	(2,022,000)	201,151	(6,176,494)	0	0	3,511,131
REAL PROPERTY PROCEEDS FUND	6,495,166	73,170	0	0	0	0	0	0	6,568,336
VEHICLE IMPOUND FUND	0	45,000	0	0	(45,000)	0	0	0	0
SUPPLEMENTAL LAW ENFORCEMENT FUND	0	0	0	0	0	0	0	0	0
GAS TAX FUNDS	395,847	493,300	0	(300,000)	(459,147)	(130,000)	0	0	(0)
PROPOSITION 1B FUND	410,605	5,000	0	0	0	(358,708)	0	0	56,897
STORM DRAIN DEPOSIT FUND	56,086	0	0	0	0	0	0	0	56,086
COMMUNITY DEV BLOCK GRANT FUND	15,360	115,000	0	(115,000)	0	0	0	0	15,360
TRANSPORTATION DEVELOPMENT ACT FUND	13,226	0	0	0	0	0	0	0	13,226
TRAFFIC IMPACT FEE FUND	630,233	3,000	0	0	0	(423,278)	0	0	209,955
IN LIEU PARK FEES FUND	596,747	1,537,000	0	(200,500)	0	(395,000)	0	0	1,538,247
DOWNTOWN PARKING FUND	155,267	40,200	(50,000)	0	0	0	0	0	145,467
ESTATE DONATION FUND	12,510	140	0	0	0	0	0	0	12,650
TOTAL SPECIAL REVENUE FUNDS	8,781,048	2,311,810	(50,000)	(615,500)	(504,147)	(1,306,986)	0	0	8,616,225
DENTAL PLAN FUND	159,582	97,800	(99,000)	0	0	0	0	0	158,382

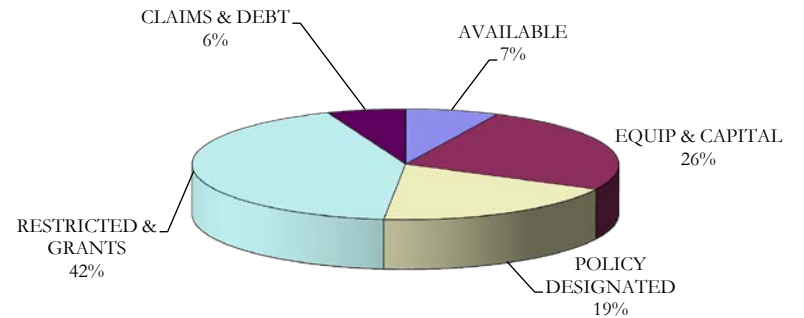
PROJECTED FUND BALANCES AND RESERVES

FUNDS	BEG. BALANCE	REVENUE	EXPENSES	CAPITAL PROJECTS	TRSFERS	PRIOR YR CIPS	USE OF FY 10-11 RESERVES	UNRESTRICTED BALANCE	RESTRICTED BALANCE
UNEMPLOYMENT FUND	48,418	75,000	(70,000)	0	0	0	0	0	53,418
WORKERS COMPENSATION FUND	487,368	642,000	(560,000)	0	0	0	0	0	569,368
LIABILITY FUND	222,291	415,000	(400,000)	0	0	0	0	0	237,291
TOTAL INTERNAL SERVICE FUNDS	917,659	1,229,800	(1,129,000)	0	0	0	0	0	1,018,459
GENERAL DEBT FUND	313,992	400	(164,400)	0	165,000	0	0	0	314,992
AVALON DR. CURB & GUTTER A.D.	49,105	14,100	(13,000)	0	0	0	0	0	50,205
RAYMUNDO CURB & GUTTER A.D.	36,911	27,800	(28,000)	0	0	0	0	0	36,711
BLUE OAK LANE SEWER	281,943	47,600	(44,375)	0	0	0	0	0	285,168
TOTAL DEBT SERVICE FUNDS	681,950	89,900	(249,775)	0	165,000	0	0	0	687,075
GRAND TOTAL	46,931,702	39,347,671	(34,853,555)	(3,527,500)	0	(18,448,254)	(850,000)	5,688,365	22,911,700

FUND BALANCE BY CATEGORY



FUND BALANCE AVAILABILITY

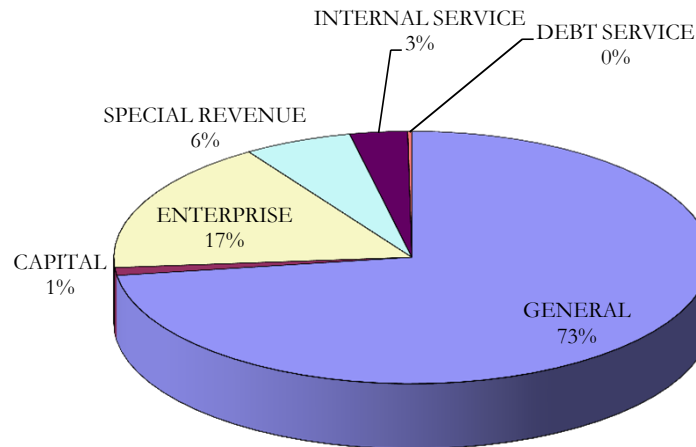


Revenue Sources



REVENUE BY FUND TYPE

FUNDS	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	10-11 to 11-12 CHANGE %
GENERAL	27,291,629	27,787,918	27,745,970	28,604,170	29,917,092	858,200	3.09%
CAPITAL	667,732	1,059,670	786,500	395,000	136,000	(391,500)	-49.78%
ENTERPRISE	7,648,580	7,123,282	6,301,585	6,716,991	6,901,220	415,406	6.59%
SPECIAL REVENUE	1,368,583	3,766,443	2,280,759	2,311,810	972,511	31,051	1.36%
INTERNAL SERVICE	1,149,223	1,216,125	1,192,800	1,229,800	1,229,800	37,000	3.10%
DEBT SERVICE	43,613	877,427	94,800	89,900	94,790	(4,900)	-5.17%
GRAND TOTAL	\$ 38,169,360	\$ 41,830,865	\$ 38,402,414	\$ 39,347,671	\$ 39,251,413	\$ 945,257	2.46%



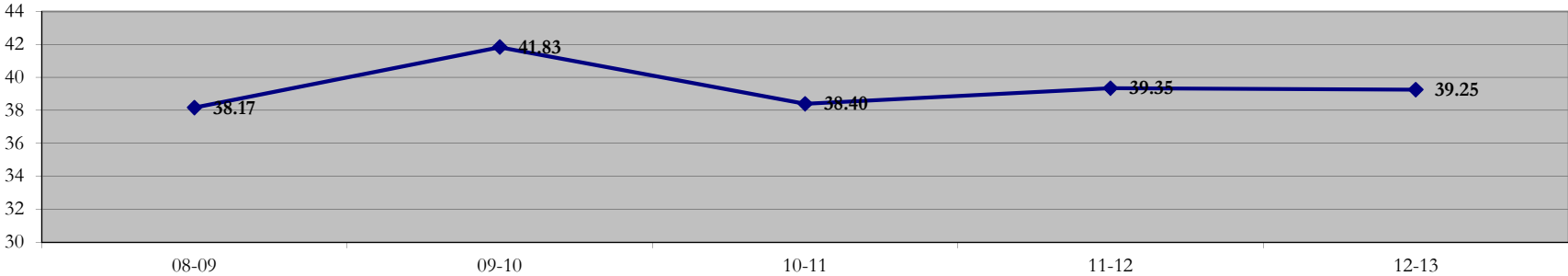
REVENUE BY FUND

FUNDS	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	CHANGE %
GENERAL FUND	27,291,629	27,787,918	27,745,970	28,604,170	29,917,092	858,200	3.09%
TOTAL GENERAL FUND	27,291,629	27,787,918	27,745,970	28,604,170	29,917,092	858,200	3.09%
CAPITAL PROJECTS FUND	667,732	1,059,670	786,500	395,000	136,000	(391,500)	-49.78%
FACILITY FUND	0	0	0	0	0	0	-
COMMUNITY FACILITY RENEWAL FUND	0	0	0	0	0	0	-
TOTAL CAPITAL IMPROVEMENT FUNDS	667,732	1,059,670	786,500	395,000	136,000	(391,500)	-49.78%
SEWER FUND	5,944,437	5,460,210	5,554,654	5,862,269	6,045,026	307,615	5.54%
SOLID WASTE FUND	1,704,143	1,663,072	746,931	854,723	856,195	107,792	14.43%
STORM FUND	0	0	0	0	0	0	-
TOTAL ENTERPRISE FUNDS	7,648,580	7,123,282	6,301,585	6,716,991	6,901,220	415,406	6.59%
REAL PROPERTY PROCEEDS FUND	155,580	2,301,887	30,929	73,170	80,487	42,241	136.57%
VEHICLE IMPOUND FUND	56,647	37,760	45,000	45,000	45,000	0	0.00%
SUPPLEMENTAL LAW ENFORCEMENT FUND	100,000	100,000	100,000	0	100,000	(100,000)	-100.00%
GAS TAX FUND	474,996	468,113	494,000	493,300	493,390	(700)	-0.14%
PROPOSITION 1B FUND	432,421	3,344	1,000	5,000	5,500	4,000	400.00%
STORM DRAIN DEPOSIT FUND	0	0	0	0	0	0	-
COMMUNITY DEV BLOCK GRANT FUND	47,732	56,023	129,000	115,000	115,000	(14,000)	-10.85%
TRANSPORTATION DEVELOPMENT ACT FUND	0	127,683	254,000	0	0	(254,000)	-100.00%
TRAFFIC IMPACT FEE FUND	33,816	158,017	51,000	3,000	3,300	(48,000)	-94.12%
IN LIEU PARK FEES FUND	19,685	475,869	1,137,000	1,537,000	89,300	400,000	35.18%
DOWNTOWN PARKING FUND	47,443	37,654	38,800	40,200	40,380	1,400	3.61%
ESTATE DONATION FUND	263	91	30	140	154	110	366.67%
TOTAL SPECIAL REVENUE FUNDS	1,368,583	3,766,443	2,280,759	2,311,810	972,511	31,051	1.36%

REVENUE BY FUND

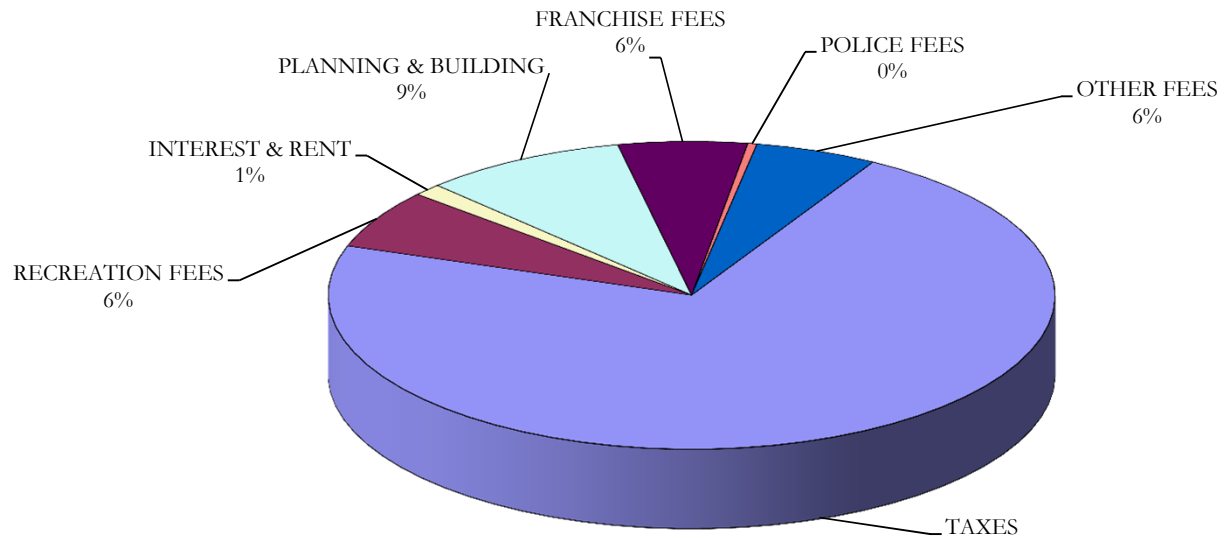
FUNDS	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	10-11 to 11-12 CHANGE %
DENTAL PLAN FUND	98,378	93,988	97,800	97,800	97,800	0	0.00%
UNEMPLOYMENT FUND	3,370	78,015	75,000	75,000	75,000	0	0.00%
WORKERS COMPENSATION FUND	635,670	609,000	1,020,000	642,000	642,000	(378,000)	-37.06%
LIABILITY FUND	411,805	435,122	0	415,000	415,000	415,000	-
TOTAL INTERNAL SERVICE FUNDS	1,149,223	1,216,125	1,192,800	1,229,800	1,229,800	37,000	3.10%
GENERAL DEBT FUND	1,171	29	6,000	400	440	(5,600)	-93.33%
AVALON DR. CURB & GUTTER A.D.	14,325	13,512	13,700	14,100	14,150	400	2.92%
RAYMUNDO CURB & GUTTER A.D.	28,117	28,124	27,600	27,800	27,840	200	0.72%
BLUE OAK LANE SEWER	0	835,762	47,500	47,600	52,360	100	0.21%
TOTAL DEBT SERVICE FUNDS	43,613	877,427	94,800	89,900	94,790	(4,900)	-5.17%
GRAND TOTAL	38,169,360	41,830,866	38,402,414	39,347,671	39,251,413	945,257	2.46%

ALL FUNDS REVENUE TREND



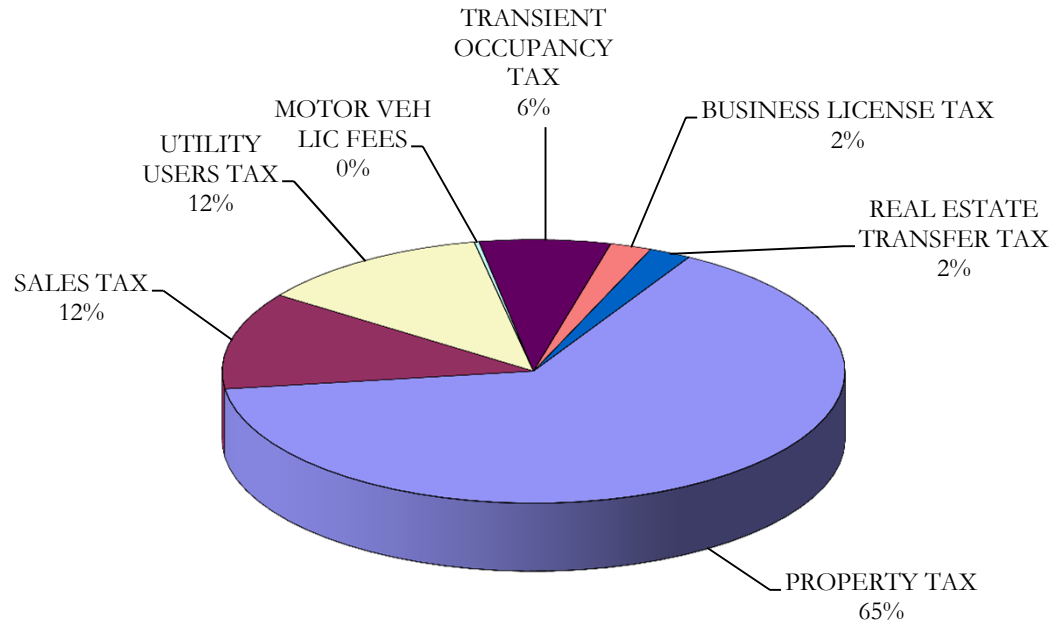
GENERAL FUND REVENUE SOURCES

GENERAL FUND		08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	CHANGE %
TAXES	-	20,041,390	20,054,688	19,769,710	20,553,320	21,578,867	783,610	3.96%
RECREATION FEES	-	1,471,977	1,498,156	1,939,240	1,770,270	1,814,527	(168,970)	-8.71%
INTEREST & RENT	-	725,454	343,923	458,000	364,000	435,200	(94,000)	-20.52%
PLANNING & BUILDING	-	1,921,650	2,439,645	2,243,060	2,599,180	2,680,108	356,120	15.88%
FRANCHISE FEES	-	1,458,445	1,436,928	1,628,120	1,643,120	1,692,414	15,000	0.92%
POLICE FEES	-	104,888	92,606	95,650	116,210	116,210	20,560	21.50%
OTHER FEES	-	1,567,825	1,921,972	1,612,190	1,558,070	1,599,767	(54,120)	-3.36%
TOTAL		27,291,629	27,787,918	27,745,970	28,604,170	29,917,092	858,200	3.09%



GENERAL FUND TAX REVENUE SOURCES

GENERAL FUND	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	10-11 to 11-12 CHANGE %
PROPERTY TAX	12,758,916	13,051,308	12,760,000	13,257,000	13,905,660	497,000	3.89%
SALES TAX	2,697,494	2,255,526	2,362,410	2,456,590	2,598,300	94,180	3.99%
UTILITY USERS TAX	2,530,162	2,514,881	2,499,000	2,499,000	2,598,960	0	0.00%
MOTOR VEHICLE LICENSE FEES	96,264	83,767	48,540	50,970	52,499	2,430	5.01%
TRANSIENT OCCUPANCY TAX	1,289,722	1,345,854	1,250,000	1,400,000	1,498,000	150,000	12.00%
BUSINESS LICENSE TAX	403,338	413,054	400,000	440,000	453,200	40,000	10.00%
REAL ESTATE TRANSFER TAX	265,493	390,298	449,760	449,760	472,248	0	0.00%
TOTAL	20,041,390	20,054,687	19,769,710	20,553,320	21,578,867	783,610	3.96%

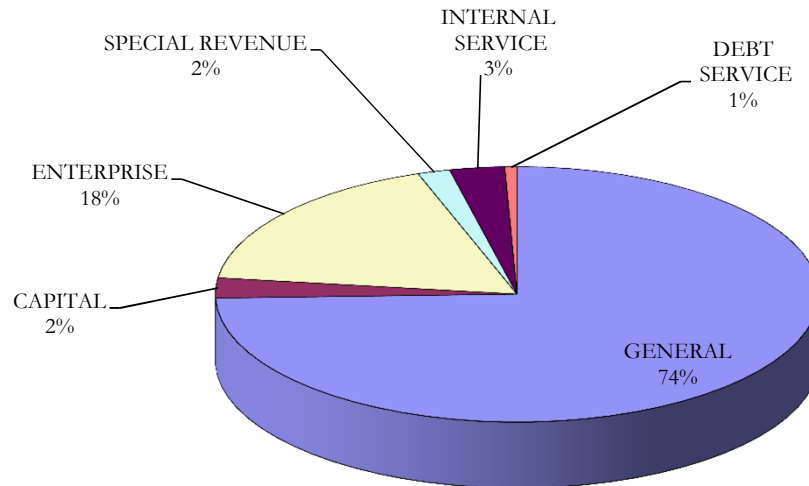


Revenue Uses



EXPENDITURES BY FUND TYPE

FUNDS	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	10-11 to 11-12 CHANGE %
GENERAL	26,282,745	25,309,617	27,452,920	28,594,265	29,415,629	1,141,344	4.16%
CAPITAL	3,069,701	4,383,254	1,841,000	976,000	1,215,000	(865,000)	-46.99%
ENTERPRISE	6,395,866	6,326,550	8,079,752	6,766,515	6,786,775	(1,313,237)	-16.25%
SPECIAL REVENUE	49,244	104,899	718,000	665,500	1,074,000	(52,500)	-7.31%
INTERNAL SERVICE	1,104,711	1,793,725	1,104,000	1,129,000	1,129,000	25,000	2.26%
DEBT SERVICE	203,698	303,358	248,500	249,775	252,500	1,275	0.51%
GRAND TOTAL	\$ 37,105,964	\$ 38,221,403	\$ 39,444,172	\$ 38,381,055	\$ 39,872,904	\$ (1,063,118)	-2.70%



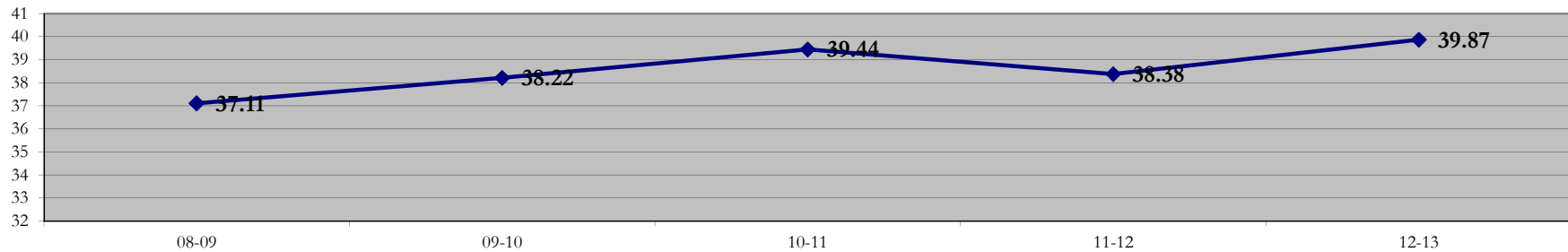
EXPENDITURES BY FUND

FUNDS	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	CHANGE %
GENERAL FUND	26,282,745	25,309,617	27,452,920	28,594,265	29,415,629	1,141,344	4%
TOTAL GENERAL FUND	26,282,745	25,309,617	27,452,920	28,594,265	29,415,629	1,141,344	4%
CAPITAL PROJECTS FUND	3,069,701	4,383,254	1,780,000	890,000	1,215,000	(890,000)	-50%
EQUIPMENT REPLACEMENT FUND	0	0	61,000	86,000	0	25,000	41%
FACILITY FUND	0	0	0	0	0	0	-
COMMUNITY FACILITY RENEWAL FUND	0	0	0	0	0	0	-
TOTAL CAPITAL IMPROVEMENT FUNDS	3,069,701	4,383,254	1,841,000	976,000	1,215,000	(865,000)	-47%
SEWER FUND	4,673,988	4,301,795	7,050,127	6,051,819	6,088,989	(998,308)	-14%
SOLID WASTE FUND	1,573,347	1,825,616	792,330	463,911	440,311	(328,419)	-41%
STORM FUND	148,532	199,139	237,295	250,785	257,475	13,490	6%
TOTAL ENTERPRISE FUNDS	6,395,866	6,326,550	8,079,752	6,766,515	6,786,775	(1,313,237)	-16%
REAL PROPERTY PROCEEDS FUND	0	0	0	0	0	0	-
VEHICLE IMPOUND FUND	0	0	0	0	0	0	-
SUPPLEMENTAL LAW ENFORCEMENT FUND	0	0	0	0	0	0	-
GAS TAX FUNDS	0	0	300,000	300,000	300,000	0	0%
PROPOSITION 1B FUND	0	0	0	0	0	0	-
STORM DRAIN DEPOSIT FUND	0	0	0	0	0	0	-
COMMUNITY DEV BLOCK GRANT FUND	47,732	56,355	129,000	115,000	115,000	(14,000)	-11%
TRAFFIC DEVELOPMENT ACT FUND	0	13,756	254,000	0	0	(254,000)	-100%
TRAFFIC IMPACT FEE FUND	0	0	0	0	0	0	-
IN LIEU PARK FEES FUND	0	0	0	200,500	609,000	200,500	-
DOWNTOWN PARKING FUND	1,512	34,788	35,000	50,000	50,000	15,000	43%
ESTATE DONATION FUND	0	0	0	0	0	0	-

EXPENDITURES BY FUND

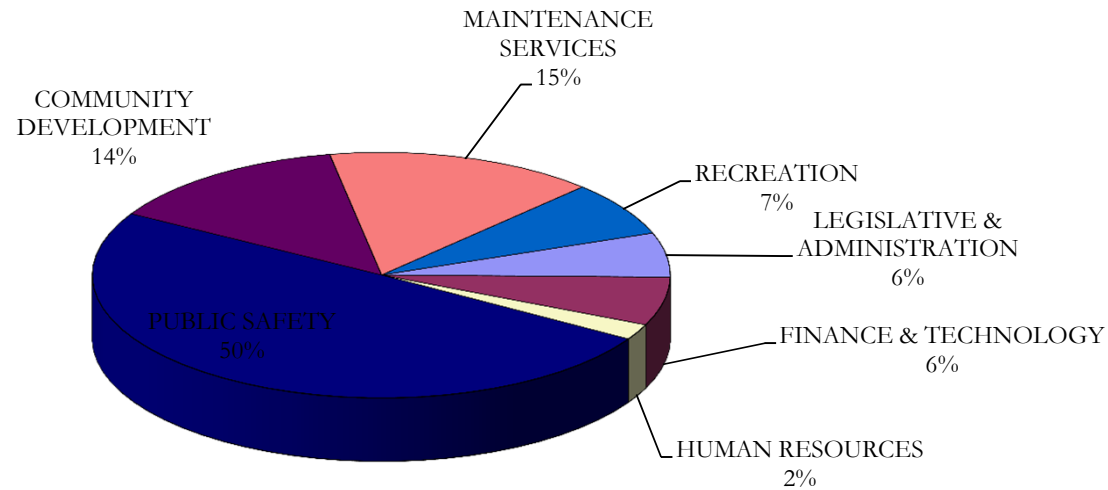
FUNDS	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	CHANGE %
TOTAL SPECIAL REVENUE FUNDS	49,244	104,899	718,000	665,500	1,074,000	(52,500)	-7%
DENTAL PLAN FUND	112,691	111,342	99,000	99,000	99,000	0	0%
UNEMPLOYMENT FUND	30,892	33,104	45,000	70,000	70,000	25,000	56%
WORKERS COMPENSATION FUND	542,489	1,091,276	560,000	560,000	560,000	0	0%
LIABILITY FUND	418,639	558,003	400,000	400,000	400,000	0	0%
TOTAL INTERNAL SERVICE FUNDS	1,104,711	1,793,725	1,104,000	1,129,000	1,129,000	25,000	2%
GENERAL DEBT FUND	162,644	166,181	165,000	164,400	167,300	(600)	0%
AVALON DR. CURB & GUTTER A.D.	13,155	12,873	10,000	13,000	13,000	3,000	30%
RAYMUNDO CURB & GUTTER A.D.	27,900	28,360	26,000	28,000	28,000	2,000	8%
BLUE OAK LANE SEWER	0	95,944	47,500	44,375	44,200	(3,125)	-7%
TOTAL DEBT SERVICE FUNDS	203,698	303,358	248,500	249,775	252,500	1,275	1%
GRAND TOTAL	37,105,965	38,221,403	39,444,172	38,381,055	39,872,904	(1,063,118)	-3%

TOTAL EXPENDITURE TREND



GENERAL FUND EXPENDITURES BY DEPARTMENT

DEPARTMENT	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	CHANGE %
LEGISLATIVE & ADMINISTRATION	1,692,903	1,517,881	1,347,843	1,667,647	1,526,027	319,804	23.73%
FINANCE & TECHNOLOGY	1,404,866	1,482,727	1,906,525	1,823,588	1,929,760	(82,938)	-4.35%
HUMAN RESOURCES	287,037	426,104	655,228	589,653	724,915	(65,576)	-10.01%
PUBLIC SAFETY	13,127,784	12,993,671	13,917,756	14,185,650	14,574,635	267,894	1.92%
COMMUNITY DEVELOPMENT	3,381,978	3,376,281	3,541,751	3,945,259	4,070,245	403,508	11.39%
MAINTENANCE SERVICES	4,083,947	3,617,955	4,083,160	4,327,287	4,497,945	244,127	5.98%
RECREATION	2,304,230	1,894,998	2,000,657	2,055,182	2,092,103	54,525	2.73%
GENERAL FUND	26,282,745	25,309,617	27,452,920	28,594,265	29,415,629	1,141,344	4.16%



EXPENDITURES BY PROGRAM

PROGRAM	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	CHANGE %
CITY COUNCIL	158,418	96,201	172,340	163,310	160,660	(9,030)	-5%
EXECUTIVE	846,545	828,544	537,634	627,315	609,213	89,681	17%
CITY ATTORNEY	380,016	267,331	257,975	258,100	258,100	125	0%
CITY CLERK	268,269	261,418	335,047	571,812	450,894	236,765	71%
VOLUNTEERS	39,655	64,387	44,847	47,110	47,160	2,263	5%
LEGISLATIVE & ADMINISTRATION	1,692,903	1,517,881	1,347,843	1,667,647	1,526,027	319,804	24%
FINANCE	791,457	874,021	936,468	977,570	1,024,385	41,102	4%
INFORMATION TECHNOLOGY	342,323	336,147	416,997	516,468	447,275	99,471	24%
CENTRAL SERVICES	48,529	43,721	36,500	42,250	41,600	5,750	16%
CABLE TELEVISION	138,654	126,399	151,560	0	0	(151,560)	-100%
NON DEPARTMENTAL	83,903	102,439	365,000	287,300	416,500	(77,700)	-21%
FINANCE & TECHNOLOGY	1,404,866	1,482,727	1,906,525	1,823,588	1,929,760	(82,938)	-4%
HUMAN RESOURCES	287,037	426,104	655,228	589,653	724,915	(65,576)	-10%
HUMAN RESOURCES	287,037	426,104	655,228	589,653	724,915	(65,576)	-10%
ADMINISTRATION	6,805,416	1,311,601	1,445,680	1,486,075	1,505,040	40,395	3%
PATROL SERVICES	0	3,403,700	3,771,789	3,836,315	3,955,670	64,526	2%
FIRE SERVICES	4,899,925	5,119,093	5,344,780	5,437,950	5,709,850	93,170	2%
SUPPORT SERVICES	1,163,917	1,365,582	1,444,582	1,556,545	1,531,158	111,964	8%
INVESTIGATIVE SERVICES	0	1,102,643	1,208,839	1,222,723	1,257,668	13,884	1%
TRAFFIC OPERATIONS	243,179	690,371	692,710	612,538	581,130	(80,173)	-12%
EMERGENCY PREPAREDNESS	15,347	681	9,376	33,505	34,120	24,129	257%
PUBLIC SAFETY	13,127,784	12,993,671	13,917,756	14,185,650	14,574,635	267,894	2%
PLANNING	927,565	971,977	1,007,492	1,080,393	1,118,120	72,901	7%
BUILDING INSPECTION	1,069,979	955,041	1,005,401	1,148,430	1,183,368	143,029	14%
ENGINEERING	1,144,825	1,070,582	1,107,001	1,316,605	1,310,657	209,604	19%
ECONOMIC DEVELOPMENT	55,685	162,843	188,307	153,492	202,985	(34,815)	-18%
TRAFFIC	183,925	215,838	233,550	246,340	255,115	12,790	5%
COMMUNITY DEVELOPMENT	3,381,978	3,376,281	3,541,751	3,945,259	4,070,245	403,508	11%
ADMINISTRATION	461,037	468,763	502,930	549,215	556,378	46,285	9%
FLEET MAINTENANCE	202,804	169,874	204,231	112,255	114,728	(91,976)	-45%
STREET MAINTENANCE	898,939	802,984	917,431	927,120	967,207	9,689	1%
PARKS & STREET LANDSCAPING	1,855,538	1,669,645	1,642,759	1,851,650	1,957,118	208,892	13%
FACILITY MAINTENANCE	665,629	506,689	815,810	887,047	902,515	71,237	9%
MAINTENANCE SERVICES	4,083,947	3,617,955	4,083,160	4,327,287	4,497,945	244,127	6%
ADMINISTRATION	773,905	392,953	386,235	388,732	393,788	2,497	1%
FACILITIES	307,275	413,268	347,496	356,610	365,990	9,114	3%

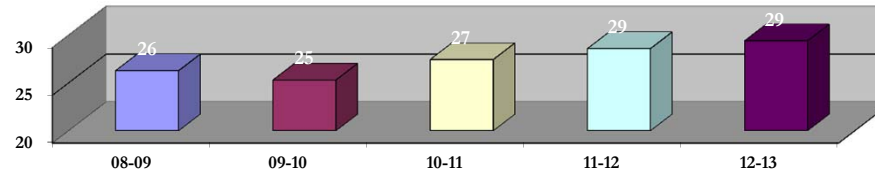
EXPENDITURES BY PROGRAM

PROGRAM	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	CHANGE %
LIFE LONG LEARNING	820,965	598,254	591,439	594,988	599,425	3,549	1%
HEALTH & WELLNESS	60,234	150,570	347,158	350,165	357,220	3,007	1%
SENIOR PROGRAMS	152,397	159,891	154,331	157,259	160,696	2,927	2%
TEEN PROGRAMS	117,298	125,129	115,753	126,175	133,730	10,422	9%
PERFORMING ARTS	51,598	40,765	39,476	39,474	39,474	(2)	0%
COMMUNITY EVENTS	20,558	14,168	18,769	41,780	41,780	23,011	123%
RECREATION	2,304,230	1,894,998	2,000,657	2,055,182	2,092,103	54,525	3%
TOTAL GENERAL FUND	26,282,745	25,309,617	27,452,920	28,594,265	29,415,629	1,141,344	4%
CAPITAL PROJECTS FUND	3,069,701	4,383,254	1,780,000	890,000	1,215,000	(890,000)	-50%
EQUIPMENT REPLACEMENT FUND	0	0	61,000	86,000	0	25,000	41%
FACILITY FUND	0	0	0	0	0	0	-
COMMUNITY FACILITY RENEWAL FUND	0	0	0	0	0	0	-
TOTAL CAPITAL PROJECTS FUNDS	3,069,701	4,383,254	1,841,000	976,000	1,215,000	(865,000)	-47%
SEWER SYSTEM ADMINISTRATION	3,819,353	3,533,493	3,167,083	3,242,553	3,250,253	75,470	2%
SEWER SYSTEM MAINTENANCE	0	0	1,107,544	787,266	815,736	(320,278)	-29%
SEWER CIPS	854,635	768,302	2,775,500	2,022,000	2,023,000	(753,500)	-27%
TOTAL SEWER FUNDS	4,673,988	4,301,795	7,050,127	6,051,819	6,088,989	(998,308)	-14%
SOLID WASTE	1,573,347	1,825,616	792,330	463,911	440,311	(328,419)	-41%
TOTAL SOLID WASTE FUND	1,573,347	1,825,616	792,330	463,911	440,311	(328,419)	-41%
URBAN RUNOFF PROGRAM	145,943	154,803	192,355	204,435	209,615	12,080	6%
STORM DRAIN	2,589	44,336	44,940	46,350	47,860	1,410	3%
TOTAL STORM DRAIN FUNDS	148,532	199,139	237,295	250,785	257,475	13,490	6%
REAL PROPERTY PROCEEDS	0	0	0	0	0	0	-
VEHICLE IMPOUND	0	0	0	0	0	0	-
SUPPLEMENTAL LAW ENFORCEMENT	0	0	0	0	0	0	-
GAS TAX	0	0	300,000	300,000	300,000	0	0%
PROPOSITION 1B	0	0	0	0	0	0	-
STORM DRAIN DEPOSIT	0	0	0	0	0	0	-
COMMUNITY DEV BLOCK GRANT	47,732	56,355	129,000	115,000	115,000	(14,000)	-11%
TRAFFIC DEVELOPMENT ACT	0	13,756	254,000	0	0	(254,000)	-100%
TRAFFIC IMPACT FEE	0	0	0	0	0	0	-
IN LIEU PARK FEES	0	0	0	200,500	609,000	200,500	-
DOWNTOWN PARKING	1,512	34,788	35,000	50,000	50,000	15,000	43%
ESTATE DONATION	0	0	0	0	0	0	-
TOTAL SPECIAL REVENUE FUNDS	49,244	104,899	718,000	665,500	1,074,000	(52,500)	-7%
DENTAL PLAN	112,691	111,342	99,000	99,000	99,000	0	0%

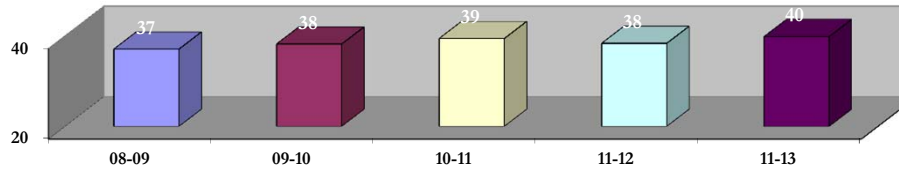
EXPENDITURES BY PROGRAM

PROGRAM	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
	ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
UNEMPLOYMENT	30,892	33,104	45,000	70,000	70,000	25,000	56%
WORKERS COMPENSATION LIABILITY	542,489	1,091,276	560,000	560,000	560,000	0	0%
LIABILITY	418,639	558,003	400,000	400,000	400,000	0	0%
TOTAL INTERNAL SERVICE FUNDS	1,104,712	1,793,725	1,104,000	1,129,000	1,129,000	25,000	2%
GENERAL DEBT	162,644	166,181	165,000	164,400	167,300	(600)	0%
AVALON DR. CURB & GUTTER A.D.	13,155	12,873	10,000	13,000	13,000	3,000	30%
RAYMUNDO CURB & GUTTER A.D.	27,900	28,360	26,000	28,000	28,000	2,000	8%
BLUE OAK SEWER	0	95,944	47,500	44,375	44,200	(3,125)	-7%
TOTAL DEBT SERVICE FUNDS	203,699	303,359	248,500	249,775	252,500	1,275	1%
GRAND TOTAL	37,105,967	38,221,404	39,444,172	38,381,055	39,872,904	(1,063,118)	-3%

GENERAL FUND EXPENDITURE TREND



ALL FUNDS EXPENDITURE TREND



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2011-2012 Capital Improvement Projects

Project	Traffic		Park-In-Lieu	Gas Tax	SR2S	TDA	CDBG	OTHER	TOTAL
	Sewer Fees	Impact Fee							
Annual Street Resurfacing (increased by \$200K)				\$225,000					\$650,000
Annual Street Striping				75,000					75,000
Annual Concrete Repair (increased by \$50K)									200,000
Annual Sewer Main Repair	369,000								369,000
Annual Sewer Main Video	379,000								379,000
Annual Sewer Root Foaming	332,000								332,000
Annual ADA Accessibility							115,000		115,000
Annual NTMP Projects									75,000
Annual Special Projects and Studies									50,000
Sewer Collection System Upgrade	942,000								942,000
Climate Action Plan									75,000
Traffic Sign Replacement									50,000
HRI Phase IV (newly proposed)									15,000
Shoup/Redwood Grove Path (newly proposed)			103,500						103,500
Rosita Park Playground (newly proposed)			97,000						97,000
TOTAL	\$2,022,000	\$0	\$200,500	\$300,000	\$0	\$0	\$115,000	\$0	\$3,527,500
City Facility Repairs (evaluated at FY11-12 mid year)									\$95,000
NPDES Compliance Construction (to FY12-13)									\$190,000
Intersection Bicycle Loops (to FY12-13)									\$115,000
SA Road Phase II (deleted - was \$50K + \$900K private)									\$50,000

2012-2013 Capital Improvement Projects

Project	Traffic			Gas Tax	SR2S	TDA	CDBG	OTHER	TOTAL
	Sewer Fees	Impact Fee	Park-In-Lieu						
Annual Street Resurfacing (increased by \$300K)				\$225,000					\$775,000
Annual Street Striping				75,000					75,000
Annual Concrete Repair (increased by \$65K)									200,000
Annual Sewer Main Repair	369,000								369,000
Annual Sewer Main Video	379,000								379,000
Annual Sewer Root Foaming	332,000								332,000
Annual ADA Accessibility							115,000		115,000
Annual NTMP Projects									75,000
Annual Special Projects and Studies									50,000
Biennial Street Slurry Seal									125,000
Skate Park (From current to FY12-13)			382,000						382,000
Dog Park (From current to FY12-13)			227,000						227,000
Sewer Collection System Upgrade	943,000								943,000
Community Center - Phase I *									-
Traffic Sign Replacement									25,000
Intersection Bicycle Loops (from FY11-12)									\$115,000
NPDES Compliance Construction (from FY11-12)									\$190,000
TOTAL	\$2,023,000	\$0	\$609,000	\$300,000	\$0	\$0	\$115,000	\$0	\$4,377,000

Grant Road Bicycle Lane (to FY14-15)									65,000
Miramonte Avenue Path (to FY14-15)						1,324,800			\$1,656,000

* In order to implement the Community Center Master Plan, it is anticipated that the City will self-fund the \$16,000,000 City Hall of Phase I of the Master Plan. Currently, there is \$3,700,000 in a facility replacement fund for the Community Center redevelopment. An estimated \$6,400,000 plus \$3,400,000 could be available from other assets. Approximately \$2,500,000 will need to be attained from another source which may include internal debt financing.

Department Budgets



Legislative & Administration

Effective, equitable and representative leadership with a focus on results in achieving the City's vision to maintain a superior quality of life within a safe and nurturing environment

PROGRAM EXPENDITURES	FUND	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
		ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
CITY COUNCIL	Gen	158,418	96,200	172,340	163,310	160,660	(9,030)	-5.24%
EXECUTIVE	Gen	846,545	828,544	585,671	627,315	609,213	41,644	7.11%
CITY ATTORNEY	Gen	380,016	267,331	257,975	258,100	258,100	125	0.05%
CITY CLERK	Gen	268,269	261,418	287,009	571,812	450,894	284,803	99.23%
VOLUNTEERS	Gen	39,656	64,387	44,847	47,110	47,160	2,263	5.05%
LEGISLATIVE & ADMINISTRATION		1,692,903	1,517,881	1,347,843	1,667,647	1,526,027	319,804	23.73%

Snapshot

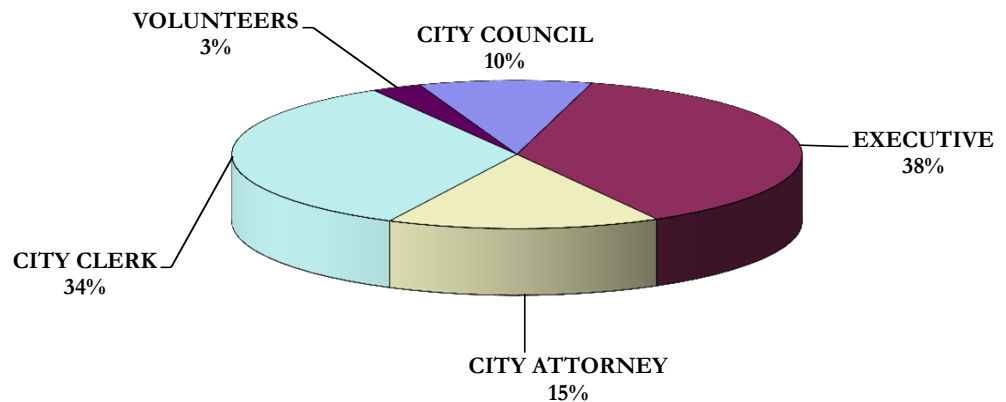
PERS rate increases of 3% for general employees

\$150,000 cable broadcasting costs shifted from Non-Departmental to the City Clerk Budget

\$175,000 placed into the FY2011-2012 City Clerk budget for potential election costs

City Clerk position held vacant and frozen with interim services engaged

\$23,000 of additional part-time hours included in Executive to assist with special projects



Resources

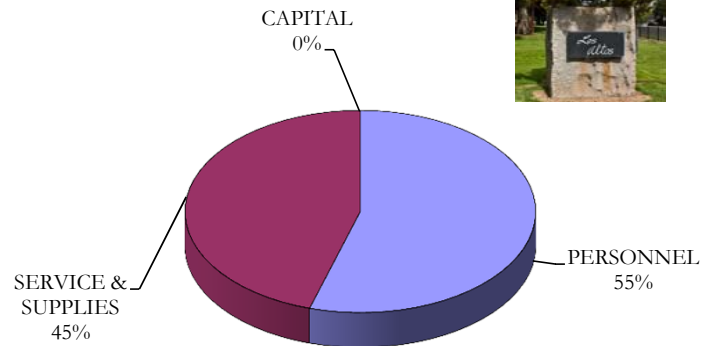
COST CATEGORY	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
	ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
PERSONNEL SERVICES	1,098,660	1,102,332	884,630	911,662	904,172	27,032	3.06%
SERVICE AND SUPPLIES	573,301	415,359	463,213	755,985	621,855	292,772	63.20%
CAPITAL OUTLAY	20,942	191	0	0	0	-	-
	1,692,903	1,517,881	1,347,843	1,667,647	1,526,027	319,804	23.73%

POSITIONS	08-09	09-10	10-11	11-12	12-13	CHANGE \$	CHANGE %
CITY COUNCIL	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
EXECUTIVE	4.00	3.50	2.50	2.00	2.00	(0.50)	-20.00%
CITY ATTORNEY	0.00	0.00	0.00	0.00	0.00	0.00	-
CITY CLERK	1.50	1.50	1.50	2.00	2.00	0.50	33.33%
VOLUNTEERS	0.75	0.75	0.75	0.75	0.75	0.00	0.00%
	11.25	10.75	9.75	9.75	9.75	0.00	0.00%



City Council has established several goals supporting the City's mission to keep Los Altos a great place to live and raise a family. These goals include: 1) Maintaining sound fiscal policies and stewardship; 2) Maintaining prudent oversight over core municipal functions; 3) Continuing progress in the completion of identified City infrastructure projects; 4) Enhancing the effectiveness of traffic management and pedestrian and bicycle transportation; 5) Completing the beautification of downtown Los Altos and the surrounding pathways; 6) Enhancing community outreach and public information accessibility; 7) Developing a sound financing plan for a new Community and Civic Center; 8) Pursuing new park and open space land in North Los Altos; and 9) Completing the downtown parking opportunity study and setting action plans in place.

This budget was developed to match the allocation of resources to those goals set forth above. It reflects a focus on community safety with over 50% of the general fund applied to police and fire resources. Nearly 20% of resources are allocated to streets, parks and infrastructure maintenance, 14% to the preservation of the City's community building standards and 7% to recreation activities.



Finance & Technology

Providing Exceptional Financial, Technology & Information Reporting Services

PROGRAM EXPENDITURES	FUND	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
		ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
FINANCE	Gen	791,457	874,021	936,468	977,570	1,024,385	41,102	4.39%
INFORMATION TECHNOLOGY	Gen	342,323	336,147	416,997	516,468	447,275	99,471	23.85%
CENTRAL SERVICES	Gen	48,529	43,721	36,500	42,250	41,600	5,750	15.75%
CABLE TELEVISION	Gen	138,654	126,398	151,560	0	0	(151,560)	-100.00%
NON-DEPARTMENTAL	Gen	83,903	102,440	365,000	287,300	416,500	(77,700)	-21.29%
FINANCE & TECHNOLOGY		1,404,866	1,482,727	1,906,525	1,823,588	1,929,760	(82,938)	-4.35%

Snapshot

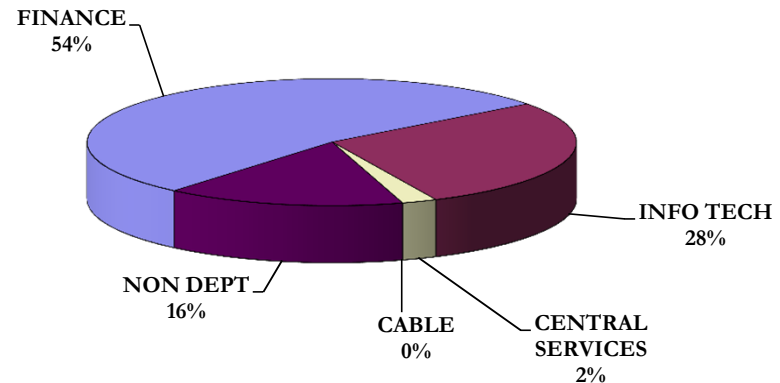
PERS rate increases of 3% for general employees

\$150,000 cable broadcasting costs shifted out of Non-Departmental to the City Clerk Budget

\$75,000 of contingent election costs reallocated to the City Clerk Budget in FY2011-2012

\$30,000 in new web site design costs rolled forward from the prior year and \$60,000 for Technology initiatives focused on system maintenance, security, citizen outreach and key systems

Includes added contract services in Finance to assist with staffing vacancies



Resources

COST CATEGORY	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
	ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
PERSONNEL SERVICES	933,139	1,033,753	1,090,645	1,088,098	1,144,050	(2,548)	-0.23%
SERVICE AND SUPPLIES	416,068	437,987	736,880	569,490	704,710	(167,390)	-22.72%
CAPITAL OUTLAY	55,659	10,987	79,000	166,000	81,000	87,000	110.13%
	1,404,866	1,482,727	1,906,525	1,823,588	1,929,760	(82,938)	-4.35%

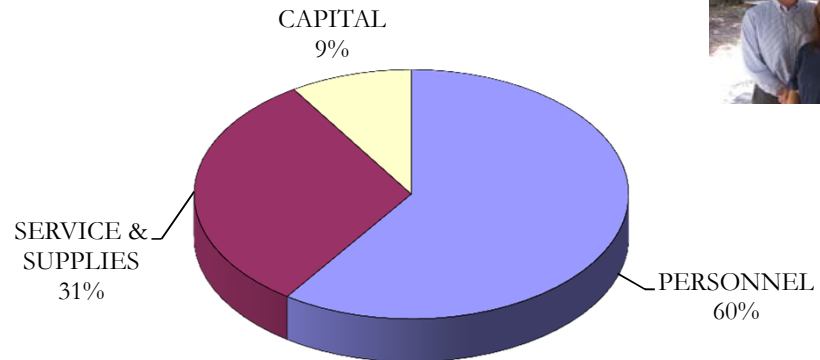
POSITIONS	08-09	09-10	10-11	11-12	12-13	CHANGE \$	CHANGE %
	FINANCE	6	6	6	6	6	0
INFORMATION TECHNOLOGY	2	2	2	2	2	0	0%
CENTRAL SERVICES	0	0	0	0	0	0	0
CABLE TELEVISION	0	0	0	0	0	0	0
NON-DEPARTMENTAL	0	0	0	0	0	0	0
	8	8	8	8	8	0	0%

Finance & Technology (FIT) is responsible for maintaining a high level of financial reporting and customer service, audit compliance, citywide information systems support, developing internal controls and processing fiscal transactions in the furtherance of our fiduciary duties.

FIT serves internal and external customers, coordinates the completion of annual independent financial and compliance audits, develops an annual fiscal plan, supports citywide desktop and mission critical applications, distributes month-end status reports, manages centralized cashiering, processes payroll and receivables, reviews and pays all citywide bills.

This budget year remains fairly level with a notable transfer of the cable broadcasting cost to the City Clerk budget as a more appropriate matching of resources and functionality. \$75,000 of election costs were reallocated to the City Clerk for use in FY2011-2012. In addition, the City Clerk budget includes \$100,000 for a total potential election budget of \$175,000.

Technology continues the replacement costs for citywide servers, pcs and monitors, and includes \$60,000 in additional dollars to fund technology initiatives.



Human Resources

Developing People
and Managing Risk

PROGRAM EXPENDITURES	FUND	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
		ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
HUMAN RESOURCES	GEN	287,037	426,104	655,228	589,653	724,915	(65,576)	-10.01%
HUMAN RESOURCES		287,037	426,104	655,228	589,653	724,915	(65,576)	-10.01%

Snapshot

PERS pension rate increases of 3% and general benefit increases impact all City departments

Transfer of vacant Human Resources Manager position to Community Development to fund a Transportation Project Manager - Additional contract services in Human Resources to assist with reduced full-time staffing levels

Carryforward of \$35,000 of current year ABAG grant dollars - offset by revenue commensurately

\$18,000 increase in citywide training with an emphasis on staff development and mentoring

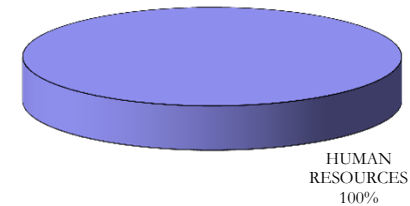
HR Technician position reallocated to Human Resources from a frozen position in the Police Department in FY2012-2013

PERS Pension Reforms completed for all employees
2-Tier Retirement Plan for new hires: 2% @ 60 for misc. and 3% @ 55 for sworn employees; 3 year highest salary formula, new employees pay 7% or 9% retirement contribution respectively.

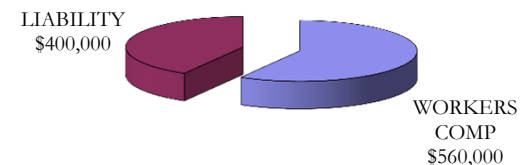
1% per year contribution by current employees to retirement plan

MOU for Teamsters Local 350, July 1, 2010-June 30, 2013

MOU for Peace Officers Association, July 1, 2011-June 30, 2014



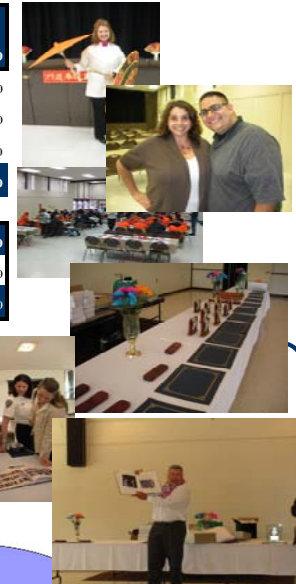
Insurance Funds Annual Budget



Resources

COST CATEGORY	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
	ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
PERSONNEL SERVICES	220,530	277,549	533,128	375,783	505,405	(157,346)	-29.51%
SERVICE AND SUPPLIES	52,812	65,454	72,100	113,870	119,510	41,770	57.93%
CAPITAL OUTLAY	13,696	83,101	50,000	100,000	100,000	50,000	100.00%
	287,037	426,104	655,228	589,653	724,915	(65,576)	-10.01%

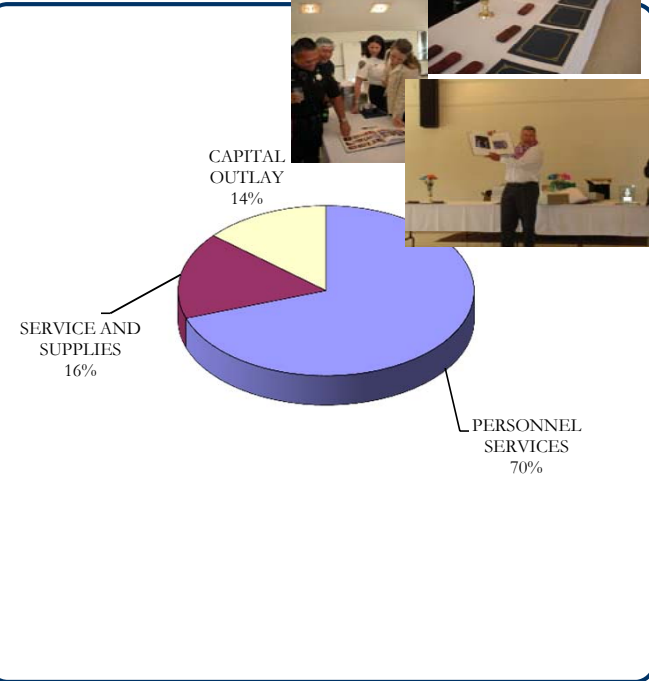
POSITIONS	08-09	09-10	10-11	11-12	12-13	CHANGE \$	CHANGE %
	HUMAN RESOURCES	2	2	3	2	3	-1
	2	2	3	2	3	(1)	-33%



Human Resources is responsible for Recruitment, Compensation and Classification, Labor Relations, Employee Development and Training, Employee Recognition, Benefits Administration, Workers' Compensation and Risk Management. Human Resources provides guidance and assistance to 129 full-time staff, as well as part-time staff and volunteers. 2011-2013 initiatives will be to strengthen and implement citywide a Professional Development Program for employees. In addition, HR will be expanding performance of HR systems with Finance and City Departments. The Department will review, analyze and realign workforce vacancies to meet City goals and budget constraints. Human Resources is responsible for monitoring, reviewing and updating Personnel Regulations, Administrative Instructions and HR Ordinances. The Department provides proactive and flexible customer services that address the needs of the City workforce with relevant and timely information, communication, and skillful assistance in support of City employees and the public.

The Risk Management program utilizes Risk Management and Safety Committees to achieve its goals and coordinates safety training, progress reviews, monthly Workers' Compensation review conferences with plan administrators, quarterly meetings of committee members, and implements practices that align with the ABAG-PLAN scorecard and best practices. Dollars for this activity can be found in the Workers' Compensation and General Liability Funds. The Risk Management program has successfully reduced severity and frequency of claims for both General Liability and Workers' Compensation.

An HR Technician position is reallocated from the Police Department in FY2012-2013.



Public Safety

Fostering and maintaining community partnerships which promote an enhanced quality of life for our community and ensure that the City of Los Altos remains a safe place to live and raise a family

PROGRAM EXPENDITURES	FUND	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
		ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
ADMINISTRATION	Gen	6,805,416	1,311,601	1,445,680	1,486,075	1,505,040	40,395	2.79%
PATROL SERVICES	Gen	0	3,403,700	3,771,789	3,836,315	3,955,670	64,526	1.71%
FIRE SERVICES	Gen	4,899,925	5,119,093	5,344,780	5,437,950	5,709,850	93,170	1.74%
SUPPORT SERVICES	Gen	1,163,917	1,365,582	1,444,582	1,556,545	1,531,158	111,964	7.75%
INVESTIGATIVE SERVICES	Gen	0	1,102,643	1,208,839	1,222,723	1,257,668	13,884	1.15%
TRAFFIC OPERATIONS	Gen	243,179	690,371	692,710	612,538	581,130	(80,173)	-11.57%
EMERGENCY PREPAREDNESS	Gen	15,347	681	9,376	33,505	34,120	24,129	257.34%
PUBLIC SAFETY		13,127,784	12,993,671	13,917,756	14,185,650	14,574,635	267,894	1.92%

Snapshot

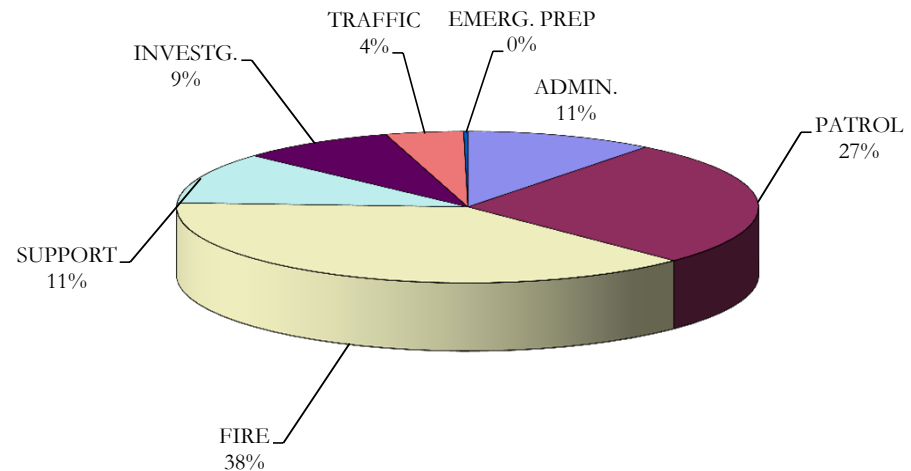
Reflects a 5% PERS rate increase for Public Safety over last year. Other employees experienced a 3% increase in PERS rates

Fire Services reflects a 4% increase in contract costs over the prior year effective January 2012

\$65,000 increase in Support Services for a Shared Services Study with adjoining cities in 2011-2012

\$20,000 of additional training dollars placed into Emergency Preparedness - provided by County Fire

Traffic Engineer position held frozen for 2011-2012, reallocated to Human Resources in 2012-2013



Resources

COST CATEGORY	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	CHANGE %
PERSONNEL SERVICES	6,929,063	6,835,918	7,455,987	7,401,285	7,568,485	(54,702)	-0.73%
SERVICE AND SUPPLIES	6,072,784	6,092,528	6,461,769	6,784,365	7,006,150	322,596	4.99%
CAPITAL OUTLAY	125,937	65,225	-	-	-	-	-
	13,127,784	12,993,671	13,917,756	14,185,650	14,574,635	267,894	1.92%

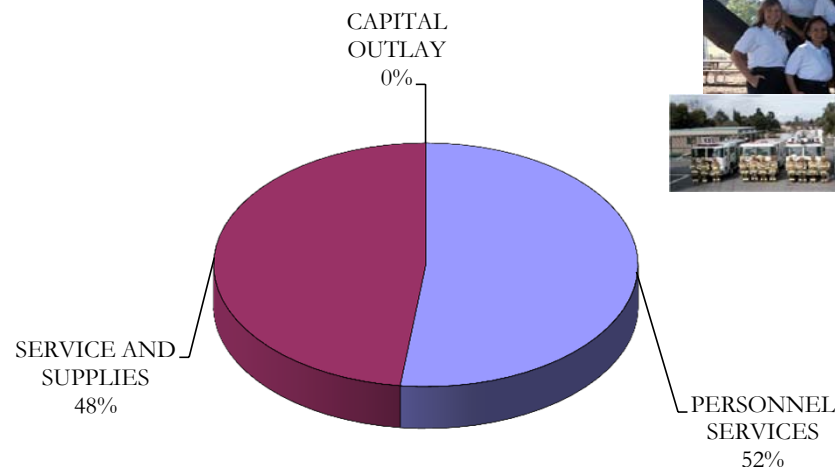


POSITIONS	08-09	09-10	10-11	11-12	12-13	CHANGE \$	CHANGE %
ADMINISTRATION	35.50	5.00	5.00	5.00	5.00	0.00	0.00%
PATROL SERVICES	0.00	19.00	19.00	19.00	19.00	0.00	0.00%
FIRE SERVICES	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
SUPPORT SERVICES	8.50	11.00	11.00	11.00	11.00	0.00	0.00%
INVESTIGATIVE SERVICES	0.00	7.00	7.00	7.00	7.00	0.00	0.00%
TRAFFIC OPERATIONS	2.00	5.00	5.00	5.00	4.00	0.00	0.00%
EMERGENCY PREPAREDNESS	1.00	1.00	1.00	1.00	1.00	0.00	0.00%
ANIMAL CONTROL	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
	47.00	48.00	48.00	48.00	47.00	0.00	0.00%



Los Altos continues to be one of the safest cities in the Bay Area. In 2010, the City experienced an overall 24% reduction in crime, based on comparison data from the FBI Uniform Crime Report. While violent crimes against persons remained low in 2010, there were noteworthy reductions in property crimes with Burglary and Larceny declining 38% and 15% respectively.

This two-year budget maintains current service levels. The core services provided by the Department are: response to emergency and nonemergency calls for service; proactive identification of criminal activity, traffic safety, investigation of crime and prosecution of criminals, 911 call taking and emergency dispatch services, training of personnel, crime prevention and community outreach, code enforcement, maintenance of records, and property and evidence control.



Community Development

Promoting the orderly development of the community, preserving and enhancing the City's appearance, distinct character, economic viability, and ensuring that development occurs in compliance with City's General Plan, Specific Plans, Zoning Regulations, and the community goals and objectives

PROGRAM EXPENDITURES	FUND	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
		ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
PLANNING	Gen	927,564	971,977	1,007,492	1,080,393	1,118,120	72,901	7.2%
BUILDING INSPECTION	Gen	1,069,978	955,041	1,005,401	1,148,430	1,183,368	143,029	14.2%
ENGINEERING	Gen	1,144,825	1,070,581	1,107,001	1,316,605	1,310,657	209,604	18.9%
ECONOMIC DEVELOPMENT	Gen	55,684	162,843	188,307	153,492	202,985	(34,815)	-18.5%
TRAFFIC	Gen	183,926	215,838	233,550	246,340	255,115	12,790	5.5%
COMMUNITY DEVELOPMENT		3,381,978	3,376,281	3,541,751	3,945,259	4,070,245	403,508	11.39%
FEE BASED PROGRAM REVENUE		1,921,650	2,439,645	2,243,060	2,599,180	2,339,262	356,120	15.88%
DIRECT RECOVERY PERCENTAGE		96%	127%	111%	117%	102%		

Snapshot

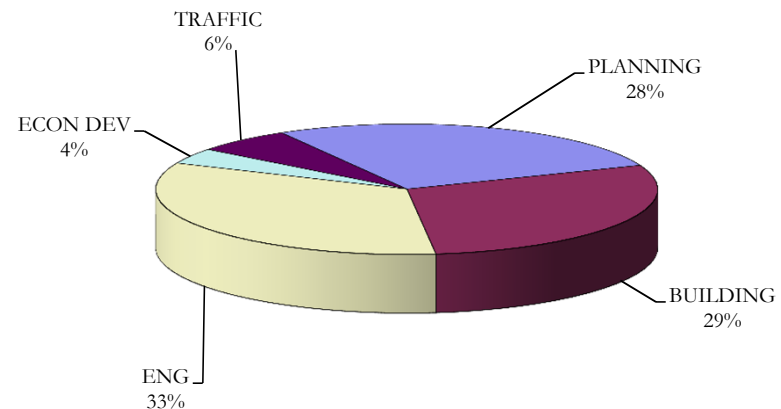
PERS rate increases of 3% for general employees

A previously frozen Building Inspector position was approved in the Building Division for FY2011-2012

A newly approved Transportation Project Manager position was reallocated from Human Resources to Engineering

The Economic Development Manager position is expected to realize a 1/4 year savings in FY2011-2012 given expected recruitment timing

This Department will manage over \$3 million in Capital Projects adopted as part of this budget as well as over 60 ongoing projects



Resources

COST CATEGORY	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
	ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
PERSONNEL SERVICES	2,685,993	2,795,598	2,896,679	3,240,589	3,351,800	343,910	11.87%
SERVICE AND SUPPLIES	674,702	580,683	609,930	694,670	708,445	84,740	13.89%
CAPITAL OUTLAY	21,282	-	35,142	10,000	10,000	(25,142)	-71.54%
	3,381,978	3,376,281	3,541,751	3,945,259	4,070,245	403,508	11.39%

POSITIONS	08-09	09-10	10-11	11-12	12-13	CHANGE \$	CHANGE %
	PLANNING	6	6	6	6	6	0
BUILDING INSPECTION	7	7	7	7	7	0	0.00%
ENGINEERING	9	8	8	9	9	1	12.50%
ECONOMIC DEVELOPMENT	1	1	1	1	1	0	0.00%
TRAFFIC	0	0	0	0	0	0	-
	23	22	22	23	23	1	4.55%

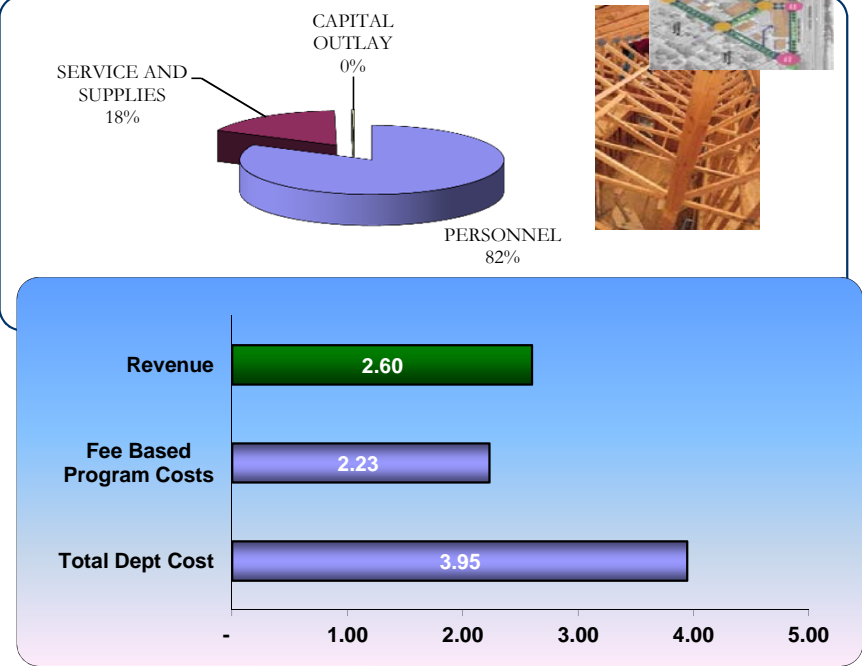


Community Development is responsible for Planning, Building, Engineering and Development services.

Planning is responsible for the development and administration of programs guiding the physical development of Los Altos, utilizing the General Plan, a variety of neighborhood Specific Plans, and the City's Zoning Ordinance. It also provides design and environmental review of development proposals and general public information services, staff support to the Architecture and Site Review Committee, the Board of Adjustments, the Historical Commission, the Planning Commission and the City Council.

The Building Inspection program is responsible for performing architectural and structural plan checks, scheduling and performing building inspections and providing general customer information services.

Engineering maintains the continuity of project delivery, providing knowledgeable counter service at City Hall, developing budget appropriate solutions to street and facility improvement requirements, exploring and taking advantage of appropriate financial grant opportunities and promoting Council goals in engineering projects.



Maintenance Services

Maintain the City's infrastructure to the highest possible standards for the enjoyment and enrichment of our community

PROGRAM EXPENDITURES	FUND	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
		ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
ADMINISTRATION	Gen	461,038	468,763	502,930	549,215	556,378	46,285	9.20%
FLEET MAINTENANCE	Gen	202,804	169,874	204,231	112,255	114,728	(91,976)	-45.04%
STREET MAINTENANCE	Gen	898,938	802,983	917,431	927,120	967,207	9,689	1.06%
PARKS & STREET LANDSCAPING	Gen	1,855,538	1,669,645	1,642,759	1,851,650	1,957,118	208,892	12.72%
FACILITY MAINTENANCE	Gen	665,629	506,689	815,810	887,047	902,515	71,237	8.73%
MAINTENANCE SERVICES		4,083,947	3,617,955	4,083,160	4,327,287	4,497,945	244,127	5.98%

Snapshot

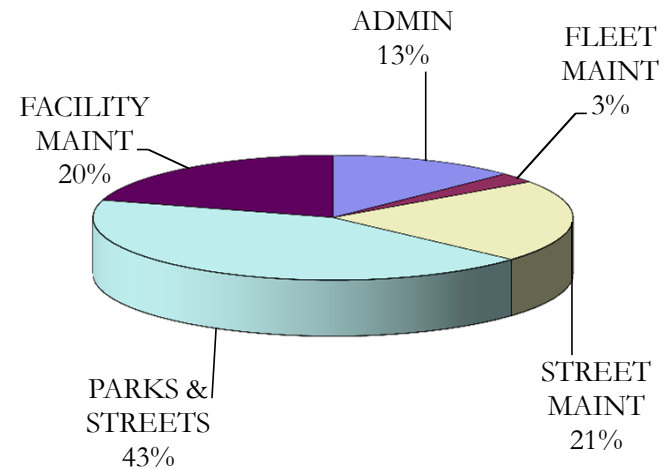
PERS rate increases of 3% for general employees

A frozen position in the Parks Division was exchanged for a facilitator position in Fleet in this budget cycle

A previously frozen maintenance position in the Parks Division was activated in FY2011-2012

Parks & Streets utility and fuel costs have increased by \$50,000 given hikes in commodity rates

Building and Grounds maintenance costs increased by \$60,000 to reflect a full year of City trash service costs as built into the Mission Trail contract



Resources

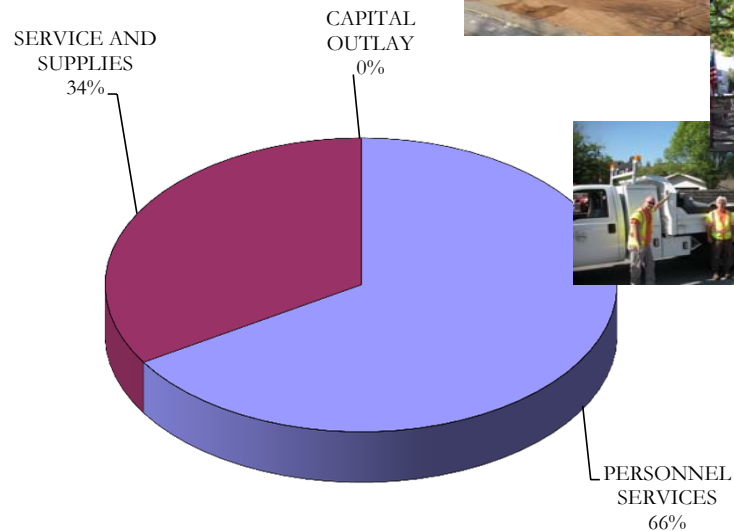
COST CATEGORY	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
	ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
PERSONNEL SERVICES	2,641,386	2,501,498	2,820,258	2,862,607	3,033,470	42,349	1.50%
SERVICE AND SUPPLIES	1,071,076	1,063,302	1,244,920	1,464,680	1,464,475	219,760	17.65%
CAPITAL OUTLAY	371,485	53,155	17,982	-	-	(17,982)	-100.00%
	4,083,947	3,617,955	4,083,160	4,327,287	4,497,945	244,127	5.98%

POSITIONS	08-09	09-10	10-11	11-12	12-13	CHANGE \$		CHANGE %	
ADMINISTRATION	3.0	3.0	3.0	3.0	3.0	0.0	0.00%		
FLEET MAINTENANCE	2.0	2.0	2.0	2.0	2.0	0.0	0.00%		
STREET MAINTENANCE	7.5	8.0	8.0	8.0	8.0	0.0	0.00%		
PARKS & STREET LANDSCAPING	12.5	12.5	12.5	12.5	12.5	0.0	0.00%		
FACILITY MAINTENANCE	4.0	4.0	4.0	4.0	4.0	0.0	0.00%		
	29.0	29.5	29.5	29.5	29.5	0.0	0.00%		



Maintenance Services provides for the maintenance of parks, streets, wastewater collection/storm drainage collection systems, building facilities, fleet and equipment. The Municipal Service Center, located at 707 Fremont Avenue, is home for Parks and Streets Landscaping, Maintenance, Sewer Collection System Maintenance, Streets and Storm Water Maintenance and Facility Maintenance.

- Fleet provides automotive/equipment maintenance and repairs for 71 vehicles for all divisions
- Streets Division staff maintain 104 miles of City streets to ensure safe conditions for motorists, bicyclists and pedestrians, respond to potholes, stop and yield sign repairs within 24 hours, inspect all storm drain outfalls and address flow line and drainage problems
- The Parks Division maintains 52.5 acres of City Parks and 42 acres of City landscape boulevards
- Sewer maintains 108 miles of sewage collection system and responds on a 24 hour basis to all residential and commercial users
- Facility Maintenance maintains 136,000 square feet of buildings/facilities for all City buildings. It provides all preventative maintenance services on schedule and corrective maintenance on a priority basis and ensures buildings meet Fire Department and Health Department requirements



Recreation

The Los Altos Recreation Department strives to enrich community members through active participation in life long learning, health and wellness, community involvement, and recreational activities

PROGRAM EXPENDITURES	FUND	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	CHANGE %
ADMINISTRATION	Gen	773,904	392,953	386,235	388,732	393,788	2,497	0.65%
FACILITIES	Gen	307,275	413,268	347,496	356,610	365,990	9,114	2.62%
LIFE LONG LEARNING	Gen	820,964	598,254	591,439	594,988	599,425	3,549	0.60%
HEALTH & WELLNESS	Gen	60,233	150,570	347,158	350,165	357,220	3,007	0.87%
SENIOR PROGRAMS	Gen	152,400	159,891	154,331	157,259	160,696	2,927	1.90%
TEEN PROGRAMS	Gen	117,298	125,129	115,753	126,175	133,730	10,422	9.00%
PERFORMING & VISUAL ARTS	Gen	51,598	40,765	39,476	39,474	39,474	(2)	-0.01%
COMMUNITY EVENTS	Gen	20,558	14,168	18,769	41,780	41,780	23,011	122.60%
RECREATION		2,304,230	1,894,998	2,000,657	2,055,182	2,092,103	54,525	2.73%
FEE BASED PROGRAM REVENUE		1,404,628	1,447,269	1,775,920	1,713,670	1,766,778	(62,250)	-3.51%
DIRECT RECOVERY PERCENTAGE		66%	84%	97%	92%	93%		

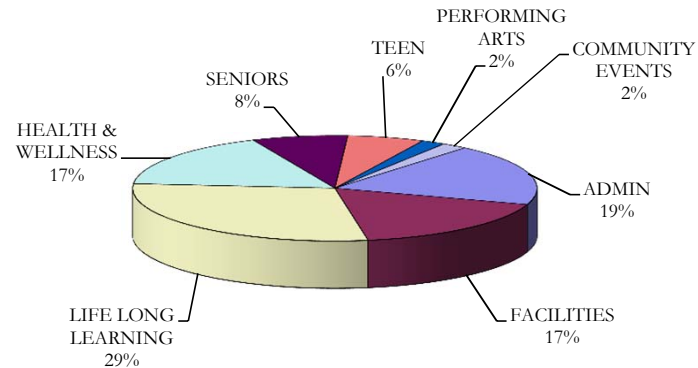
Snapshot

PERS rate increases of 3% for general employees

Expenses have been adjusted to reflect full operations of the newly remodeled San Antonio Club facility

Revenues for the Department were adjusted to align experience noted in Fiscal Year 2010-2011 and near term cost recovery goals projected to be over 90% direct cost recovery after deducting non-fee generating activities

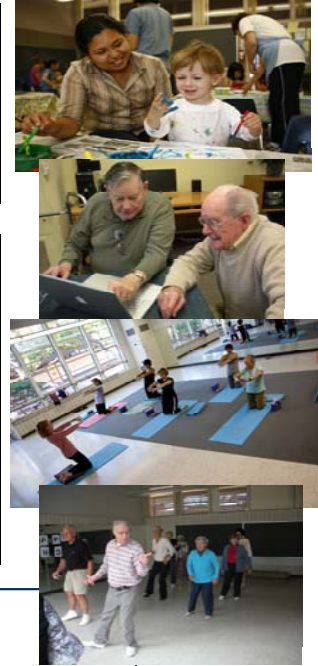
Issues & Options Policy Papers raise the policy discussion of free space rentals at the recreation facilities



Resources

COST CATEGORY	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
	ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
PERSONNEL SERVICES	921,623	995,774	971,393	957,765	994,383	(13,628)	-1.40%
SERVICE AND SUPPLIES	1,379,775	898,885	1,029,265	1,097,417	1,097,720	68,152	6.62%
CAPITAL OUTLAY	2,832	-	-	-	-	-	-
	2,304,230	1,894,659	2,000,657	2,055,182	2,092,103	54,525	2.73%

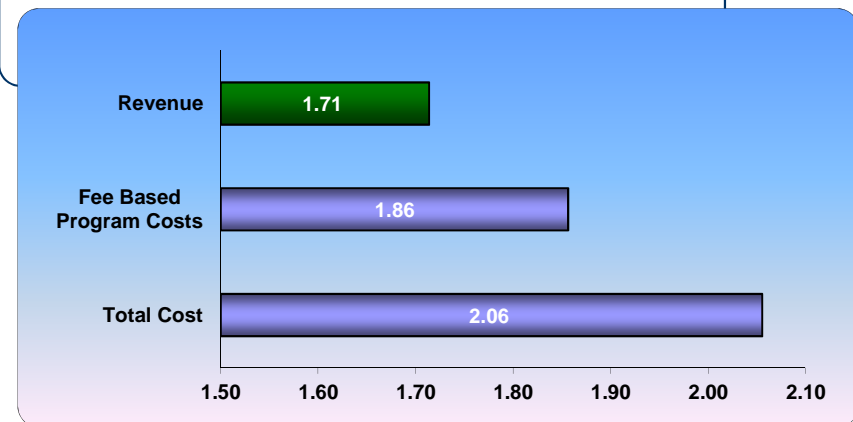
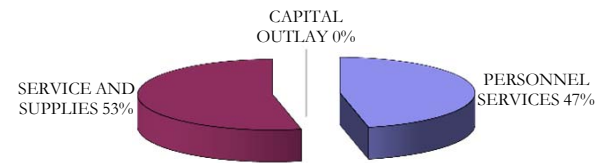
POSITIONS	08-09	09-10	10-11	11-12	12-13	CHANGE \$	CHANGE %
ADMINISTRATION	6	1	1	1	1	0	0.00%
FACILITIES	0	1	1	1	1	0	0.00%
LIFE LONG LEARNING	0	2	2	2	2	0	0.00%
HEALTH & WELLNESS	0	1	1	1	1	0	0.00%
SENIOR PROGRAMS	1	1	1	1	1	0	0.00%
TEEN PROGRAMS	0	1	1	1	1	0	0.00%
PERFORMING & VISUAL ARTS	0	0	0	0	0	0	-
COMMUNITY EVENTS	0	0	0	0	0	0	-
	7	7	7	7	7	0	0.00%



Recreation provides comprehensive multi-age recreation and leisure service programs including: facilities, life long learning, health and wellness, seniors, teens, performing and visual arts and community events. The Department operates in a professional, cost-effective manner with outstanding customer service while keeping pace with changing community needs and priorities.

This budget continues the redesign and new presentation for the City's Recreation Department. The Department restructuring included allocating FTE and registration costs across program areas to better reflect deliverables: facilities, life long learning, health and wellness, seniors, teens, performing and visual arts, and community events. This cost allocation improves the matching of revenues with expenses. Furthermore, rate adjustments have been proposed within the Department-wide budget to achieve overall full recovery of direct and support overall costs for all fee-based programs.

The budget remained flat as proposed with the expectation that the San Antonio facility will be fully activated in the budget term allowing for a full compliment of programming at that location.



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Other Services



Enterprise & Other Funds

PROGRAM EXPENDITURES	FUND	08-09 ACTUAL	09-10 ACTUAL	10-11 BUDGET	11-12 ADOPTED	12-13 ADOPTED	10-11 to 11-12 CHANGE \$	CHANGE %
GENERAL CAPITAL PROJECTS	CIP	3,069,701	4,383,254	1,780,000	890,000	1,330,000	(890,000)	-50.00%
EQUIPMENT	Equip	0	0	61,000	86,000	0	25,000	40.98%
CAPITAL		3,069,701	4,383,254	1,841,000	976,000	1,330,000	(865,000)	-46.99%
SEWER SERVICES	Ent	3,819,353	3,533,493	4,274,627	4,029,819	4,065,989	(244,808)	-5.73%
SEWER CAPITAL PROJECTS	Ent	854,635	768,302	2,775,500	2,022,000	2,023,000	(753,500)	-27.15%
SOLID WASTE	Ent	1,573,347	1,825,616	792,330	463,911	440,311	(328,419)	-41.45%
STORM DRAIN	Ent	148,532	199,139	237,295	250,785	257,475	13,490	5.68%
ENTERPRISE OPERATIONS		6,395,866	6,326,551	8,079,752	6,766,515	6,786,775	(1,313,237)	-16.25%
SPECIAL REVENUE	Spec Rev	49,244	104,899	718,000	665,500	1,074,000	(52,500)	-7.31%
INTERNAL SERVICE	Int	1,104,712	1,793,725	1,104,000	1,129,000	1,129,000	25,000	2.26%
DEBT SERVICE	Debt	203,699	303,359	248,500	249,775	252,500	1,275	0.51%
TOTAL OTHER FUNDS		1,357,655	2,201,982	2,070,500	2,044,275	2,455,500	(26,225)	-1.27%
TOTAL		10,823,222	12,911,787	11,991,252	9,786,790	10,572,275	(2,204,462)	-18.38%

Snapshot

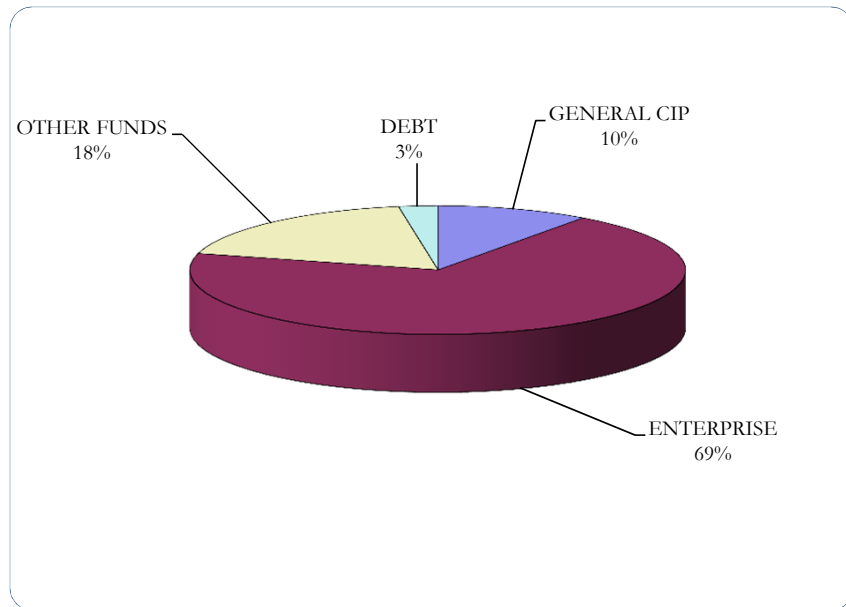
Capital Project changes are variable based upon their allotment with the five-year CIP plan

Sewer service costs are lower given the prior year approval and purchase of a new Sewer Vacuum Truck

Solid waste total costs are lower now that they are aligned with the new Waste Contract model

Storm Drain funds remain fairly level in the short term and are fully dependent on General Fund transfers as indicated in the Issues & Options Policy Papers

No new debt issued in the biennial term



Resources

COST CATEGORY	08-09	09-10	10-11	11-12	12-13	10-11 to 11-12	
	ACTUAL	ACTUAL	BUDGET	ADOPTED	ADOPTED	CHANGE \$	CHANGE %
PERSONNEL SERVICES	739,030	847,443	978,633	994,703	1,041,363	16,070	1.64%
SERVICE AND SUPPLIES	5,956,157	6,609,109	5,139,619	4,928,812	4,901,412	(210,807)	-4.10%
CAPITAL EQUIPMENT	0	320	369,000	86,000	0	(283,000)	-76.69%
CAPITAL PROJECTS	3,924,336	5,151,556	5,255,500	3,527,500	4,377,000	(1,728,000)	-32.88%
DEBT	203,699	303,359	248,500	249,775	252,500	1,275	0.51%
ENTERPRISE COMBO	10,823,222	12,911,787	11,991,252	9,786,790	10,572,275	(2,204,462)	-18.38%

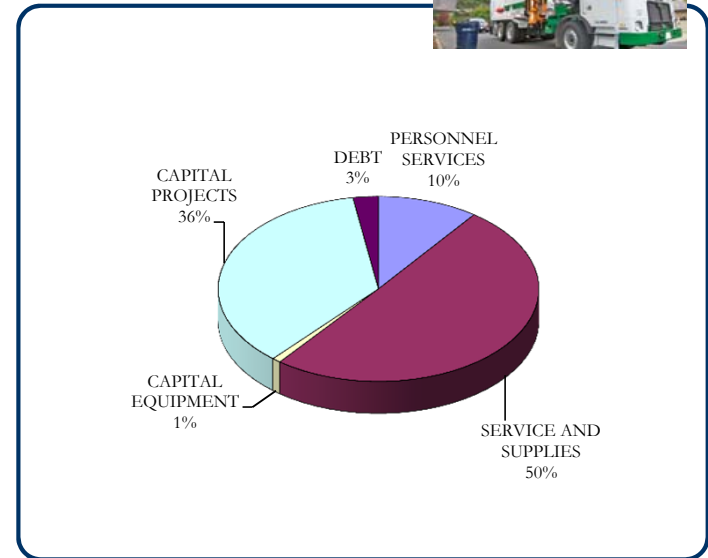
POSITIONS	08-09	09-10	10-11	11-12	12-13	CHANGE \$	CHANGE %
SEWER	6.75	6.25	6.25	6.25	6.25	0.00	0.00%
SOLID WASTE	0.25	0.25	0.25	0.25	0.25	0.00	0.00%
STORM WATER	1.00	1.00	1.00	1.00	1.00	0.00	0.00%
	8.00	7.50	7.50	7.50	7.50	0.00	0.00%



This fund group is made up of several separate funds including the Capital Projects Fund, the Equipment Replacement Fund, the newly formed Community Facility Renewal Fund, Enterprise, Internal Service and Debt Service Funds.

The Capital Projects Fund holds long-term capital funding reserves and accounts for all revenue and costs associated in managing the construction of new and replacement infrastructure for the City's governmental activity. This fund targets the maintenance and replacement of all City facilities, roadways, parks, and general public right-of-way improvements. Finding funding sources for infrastructure remains a challenge for most cities which have limited ability to increase the level of revenue streams necessary for these material project costs.

Enterprise Funds include Sewer, Solid Waste and Storm Drain. Internal Service Funds include all Gas Tax, grant, State provided funds, special revenue proceeds and debt funds.



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FORECAST - ASSUMPTIONS

Revenue Assumptions

- 1 Major General Fund revenue sources will grow between 3 to 5% per year in the forecast term assuming moderate growth
- 2 Interest earning rates will remain in the 1 to 3% range for the projected term
- 3 No further State takeaways
- 4 Sales tax remains stable with no major retail relocations or additions taking place
- 5 Property Tax begins recovering after FY2011-2012
- 6 Transient Occupancy Tax rates will remain at current levels and growth will return in the out years
- 7 No Storm Water Assessment District funding is assumed in the near term - Storm is fully General Fund dependent
- 8 All recreation facilities are assumed to be available throughout the development cycles of the master plan

Expenditure Assumptions

- 1 No increase in full time positions and authorized vacancies re-activated over the forecast term
- 2 Citywide salary and benefits costs are assumed to be controlled within sustainable COLA rates annually
- 3 PERS contribution rate hikes are mitigated by an offsetting phased in increase in employee contribution rates
- 4 Impact of the newly introduced second-tier PERS plans is not material in this forecast year term
- 5 No debt issuance is anticipated beyond levels established in FY2006-2007
- 6 Annual surplus fund transfers from the Gas Tax exceed \$200,000 per year
- 7 Material and service costs are assumed to increase at CPI rate of 3% annually
- 8 No land purchases anticipated in the forecast term
- 9 Workers' Compensation and Liability costs remain stable in the out years
- 10 Equipment and vehicle replacement costs assumed to remain at average levels for years 2 through 5



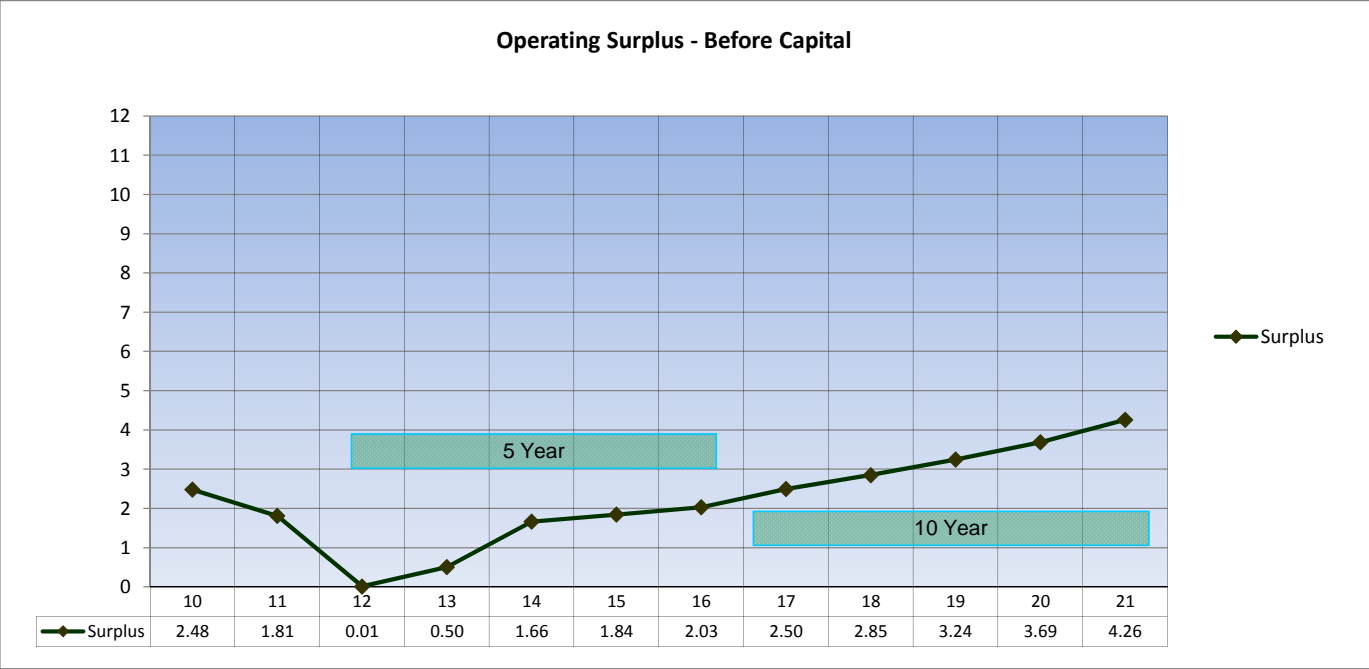
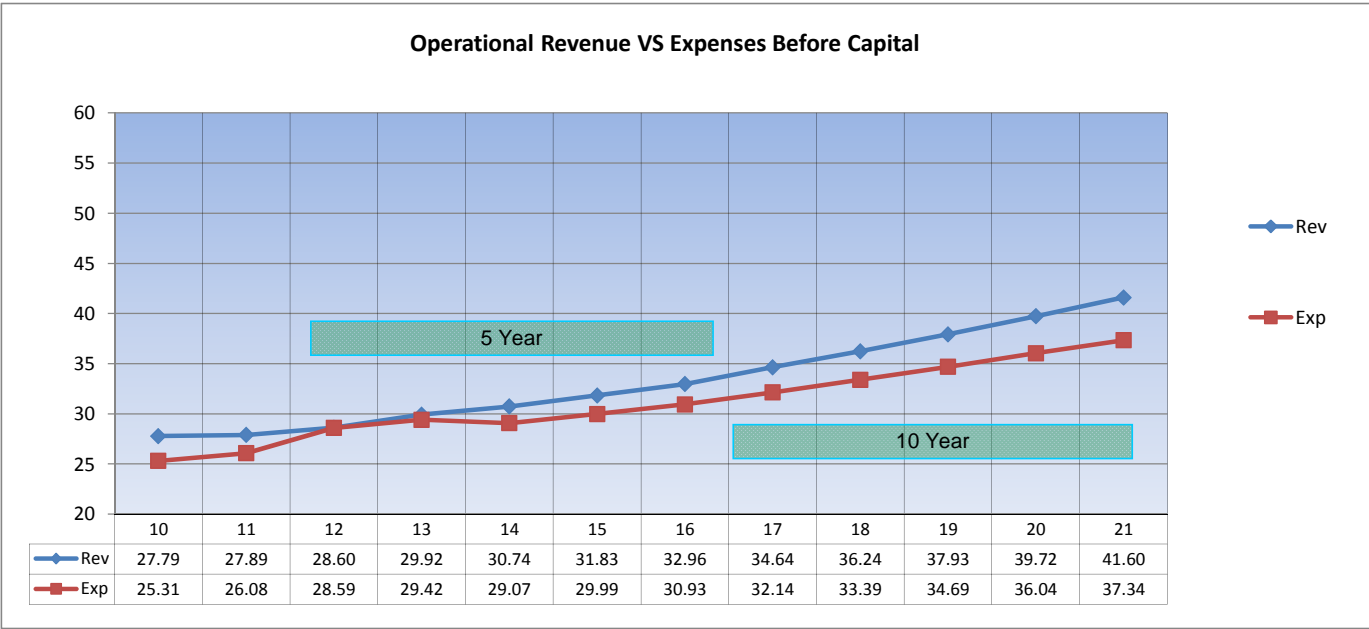
“The only reason for time is so that everything doesn't happen at once.”



Albert Einstein

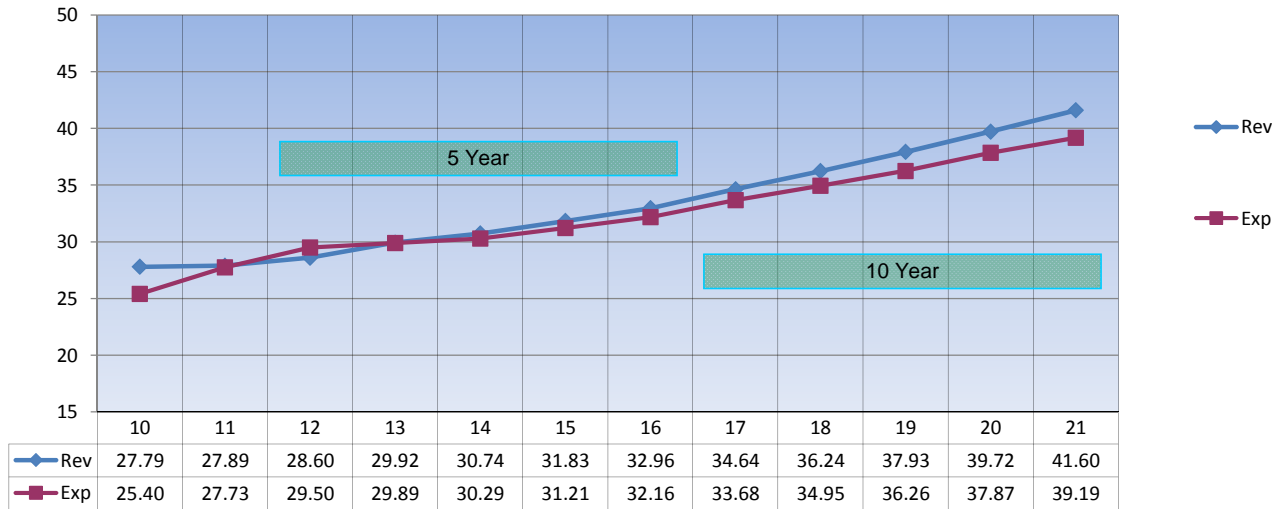


FORECAST - OPERATIONAL PERFORMANCE

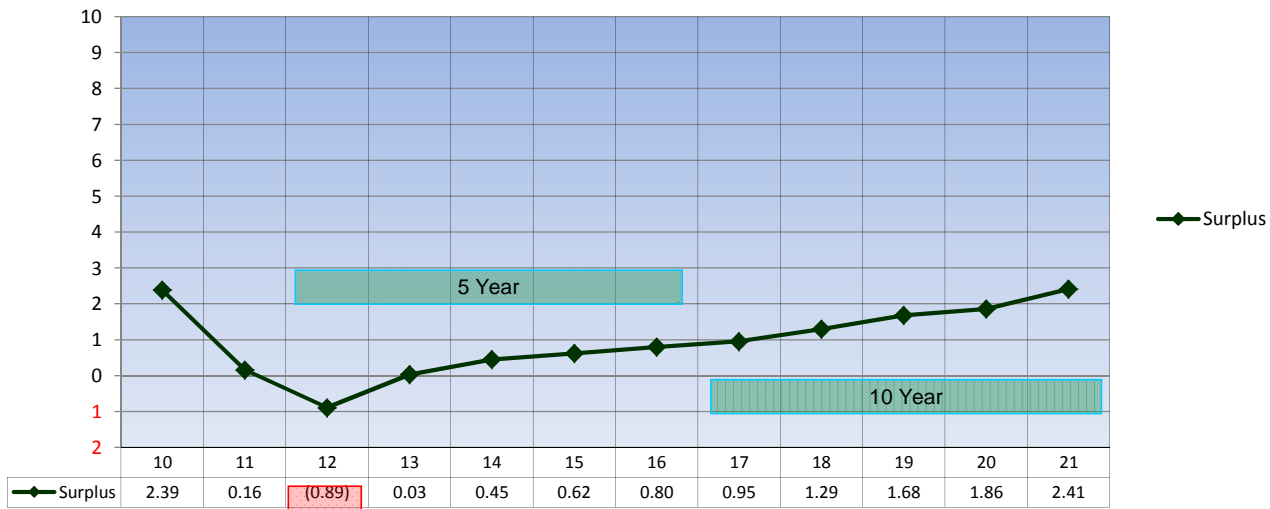


FORECAST - TOTAL OUTLAYS

Income VS Outlays - Including Capital & Storm Transfers

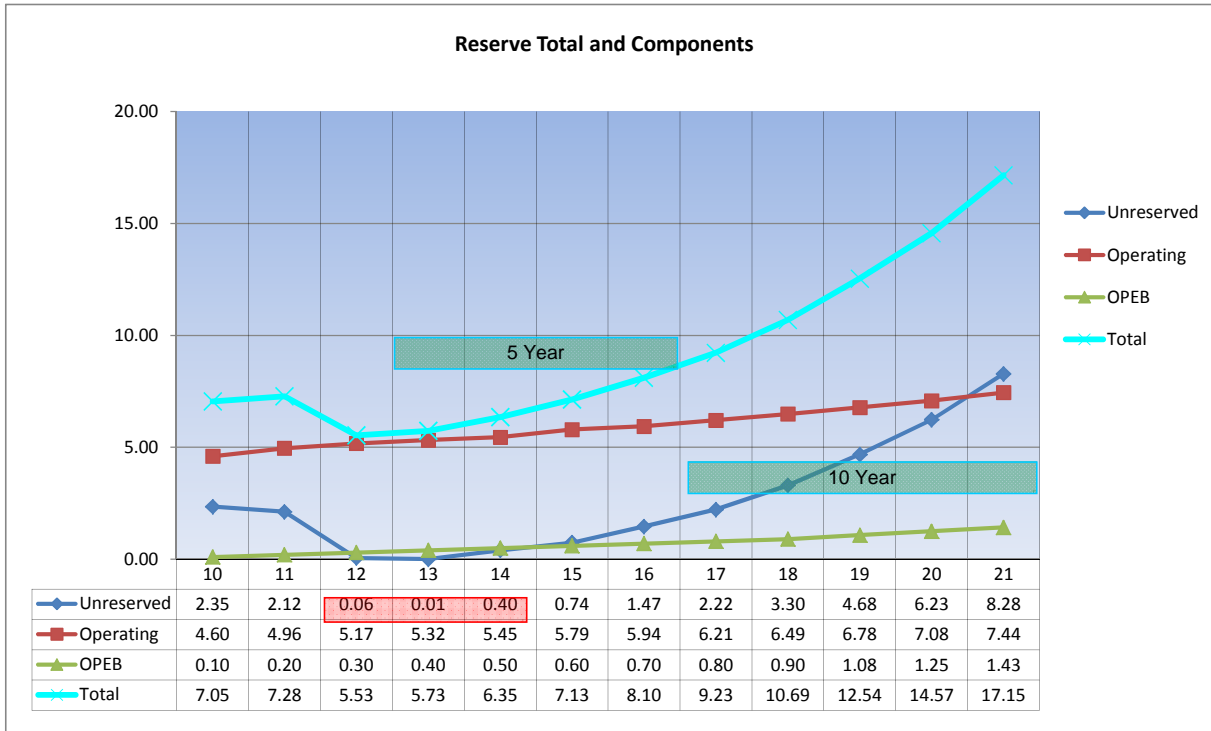


Income over Outlays - Including CIPS & Storm Transfers

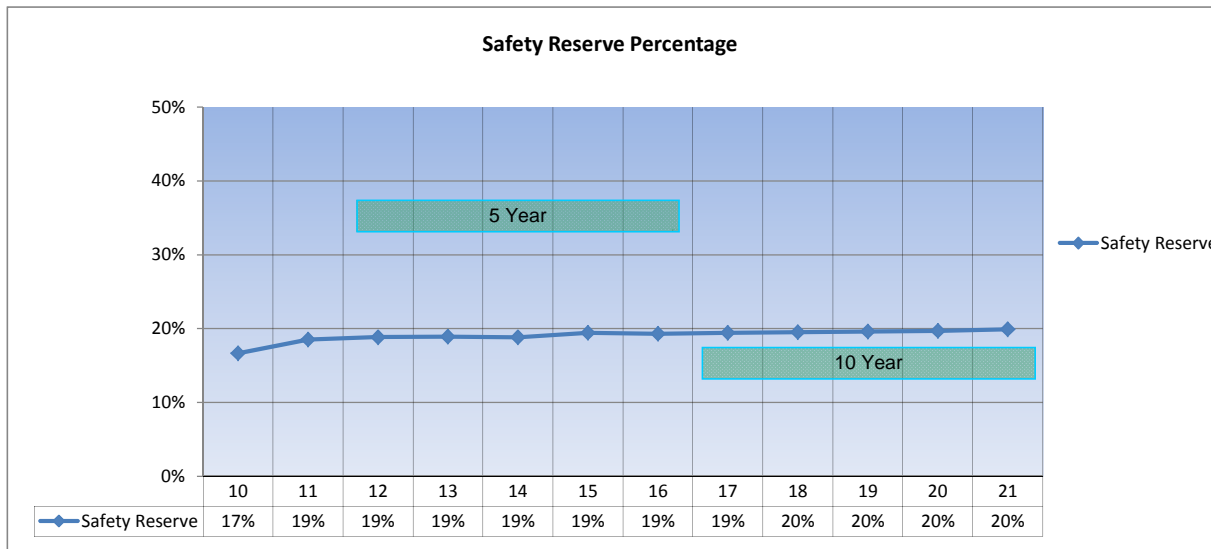


The negative results in FY2011-2012 and low balance in FY2012-2013 reflect the use of excess General Fund dollars for Capital Projects and Storm Fund transfers. The General fund in these years is balanced operationally. This chart reflects the impact of the use of available balances after transfers in any one year

FORECAST - RESERVES



The low level of unreserved balances in fiscal years ending 2013, 2014 and 2015 reflect the use of cash for the PERS Side Fund pay down, Capital Projects and Storm Water funding.



FORECAST - STRENGTHS - WEAKNESSES - OPPORTUNITIES

Strengths

- 1 Los Altos continues a cost containment profile
- 2 Major Revenue sources - Property Tax - Sales Tax - Hotel Tax are relatively stable
- 3 Los Altos is home to outstanding educational institutions
- 4 Los Altos is characterized by a high level of safety and environmental consciousness
- 5 City staffing levels reflect operational efficiency
- 6 Contract outsourcing is deployed where possible to take full advantage of external skill sets and specialized expertise
- 7 Los Altos remains highly rated from a credit quality perspective
- 8 Los Altos enjoys a tremendous amount of citizen participation, support and volunteerism
- 9 Los Altos is located in the heart of a robust California center of commerce and technology
- 10 The City enjoys a tradition of strong leadership, operational and financial management, and workforce collaboration

Weaknesses

- 1 Local Government has limited to no influence on major income streams
- 2 Economic cycles are best addressed through long-term planning and policy setting
- 3 The City remains susceptible to legislative revenue takeaways given budget weaknesses at the State level
- 4 Cost Control especially in the arena of labor and benefits is a vital part of a long-term strategy
- 5 Reform of pension costs and models is foundational in the long-term
- 6 Developing a strong capital project dedicated funding source remains a challenge
- 7 Monitoring and enhancing citywide cost recovery performance is a continuous but worthy effort
- 8 Facility renewal and maintenance remains a substantial challenge as City facilities age and become operationally outdated
- 9 The financial model presumes normalized health care and insurance costs
- 10 Master Plan identified costs such as - Storm Water - Traffic Calming - Pedestrian Systems remain to be addressed

Opportunities

- 1 Continue to invest dollars back into the community
- 2 Continue to pursue cost efficiency measures and develop sustainable levels of operation
- 3 Build community support for much needed facility improvement funding for - safety - recreation - library - fields
- 4 Enhance technology to provide even better, faster and more accessible services
- 5 Continue in the efforts to create a vibrant downtown and integrated Civic Center
- 6 Continue economic development efforts citywide with a focus on our City's varied areas of commerce
- 7 Consider the viability of creating business improvement and/or parking district funding and maintenance mechanisms
- 8 Pursue State or Federal grants wherever possible
- 9 Be fully responsive to consumer-driven activities through targeted marketing and facility upgrades
- 10 Study the viability of establishing a self-sustaining storm drain assessment district to provide General Fund relief



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Authorized Full Time Equivalent Position List

Legislative & Administration	08-09	09-10	10-11	11-12	12-13
City Manager	1	1	1	1	1
Assistant City Mgr	1	1	-	-	-
Special Projects Mgr	1	1	1	1	1
City Clerk	1	1	1	1	1
Deputy City Clerk	-	-	1	1	1
Economic Dev Coord	0.5	-	-	-	-
Executive Assistant	1	1	0	0	0
Office Assistant II	0.75	0.75	0.75	0.75	0.75
Total FTE	6.25	5.75	4.75	4.75	4.75

Finance & Technology	08-09	09-10	10-11	11-12	12-13
Finance Director	1	1	1	1	1
Financial Services Mgr	1	1	1	1	1
Accounting Technician	1	1	0	0	0
Accounting Technician I	-	-	1	1	1
Accounting Technician II	-	-	2	2	2
Acct Office Asst I	2	2	1	1	1
Acct Office Asst II	1	1	0	0	0
Info Technology Mgr	1	1	1	1	1
Info Technology Analyst	1	1	1	1	1
Total FTE	8	8	8	8	8

Human Resources	08-09	09-10	10-11	11-12	12-13
Assistant City Mgr	-	-	1	1	1
Human Resources Mgr (Senior)	1	1	0	0	0
Human Resources Mgr	0	0	0	1	1
Human Resources Tech	1	1	1	0	1
Total FTE	2	2	2	2	3

Public Safety	08-09	09-10	10-11	11-12	12-13
Police Chief	1	1	1	1	1

Authorized Full Time Equivalent Position List

Police Captain	1	1	1	1	1
Police Service Mgr	1	1	1	1	1
Executive Assistant	1	1	1	1	1
Police Sergeant	6	6	6	6	6
Police Agent	6	5	6	6	6
Police Officer	16	17	16	16	16
Community Serv Offcr	5	5	5	5	5
Lead Communications Offcr	1	1	1	1	1
Communications Offcr	5	5	5	5	5
Lead Record Specialist	1	1	1	1	1
Records Specialists	3	3	3	3	3
Transportation Engineer	-	1	1	1	0
Total FTE	47	48	48	48	47

Community Development	08-09	09-10	10-11	11-12	12-13
Assistant City Manager	1	1	1	1	1
Public Works Dir	-	-	-	-	-
Asst Public Works Dir	-	-	-	-	-
Engineering Srv Mgr	1	1	1	1	1
Planning Services Mgr	1	1	1	1	1
Senior Planner	-	-	-	1	1
Associate Planner	1	1	1	0	0
Assistant Planner	2	2	2	2	2
Executive Assistant	3	3	3	3	3
Building Official	1	1	1	1	1
Building Inspector	4	4	4	4	4
Building Technician	1	1	1	1	1
Economic Dev Coord/Mgr	0.5	1	1	1	1
Assoc Civil Engineer	2	2	2	2	2
Asst Civil Engineer	2	2	2	2	2
Engineering Tech	2	2	2	2	2
Senior Engineer	1	1	1	1	1

Authorized Full Time Equivalent Position List

Junior Civil Engineer	1	1	1	1	1
Transportation Engineer	1	-	-	-	-
Transportation Projects Manager	-	-	1	1	1
Total FTE	24.5	24	25	25	25

Maintenance Services	08-09	09-10	10-11	11-12	12-13
Maint Services Mgr	1	1	1	1	1
Maint Supervisor	3	3	3	4	4
Office Assistant II	1	1	1	1	1
Equipment Mechanic	1	1	1	1	1
Fleet Facilitator	1	1	1	1	1
Maint Lead Worker	6	6	6	5	5
Maint Worker I	9	9	9	9	9
Maint Worker II	11	11	11	11	11
Maint Tech	2	2	2	2	2
Chief Custodian	-	-	-	-	-
Total FTE	35	35	35	35	35

Recreation	08-09	09-10	10-11	11-12	12-13
Recreation Director	1	1	1	1	1
Recreation Supervisor	2	1	1	1	1
Sr. Recreation Supervisor	-	1	1	1	1
Office Assistant II	1	1	1	1	1
Recreation Coordinator	1	3	3	3	3
Total Full Time	5	7	7	7	7

Grand Total - All Funds	127.75	129.75	129.75	129.75	129.75
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GLOSSARY OF TERMS

Administrative Charge: A transfer of monies to the General Fund to reimburse the General Fund for work performed in other funds by an employee whose salary is budgeted in the General Fund.

Appropriation: Legal authorization by the City Council to make expenditures and to incur obligations for specific purposes.

Appropriations Limit: Article XIII B, of the California Constitution, was amended by Proposition 4, "The Gann Initiative," in 1979. This Article limits growth in government spending to changes in population and inflation, by multiplying the limit for the prior year, by the percentage change in the cost of living (or per capita personal income, whichever is lower); then multiplying the figure resulting from the first step, by the percentage change in population. The base year limit (FY1978-1979) amount consists of all tax proceeds appropriated in that year. The Appropriations Limit calculation worksheet can be found in the Appendix of the budget.

Assessed Valuation: The dollar value assigned to real estate or other property, by Santa Clara County for the purpose of levying property taxes.

Beginning Fund Balance: The balance of a fund including restricted, assigned, committed and unassigned values carrying over into the following year.

Bond: A city may raise capital by issuing a written promise to pay a specified sum of money called the face value, or principal amount, at a specified date or dates in the future, together with periodic interest, at a special rate.

Budget: The financial plan for the operation of a program or organization that includes an estimate of proposed expenditures for a given period of time and the proposed means of financing those expenditures.

Budget Message: A general outline of the budget which includes comments regarding the City's financial status at the time of the message and recommendations regarding the financial policies for the coming period.

Capital Improvement Plan (CIP): A financial plan of proposed capital improvement projects. CIP projects typically improve City-owned assets such as buildings, parks, streets and other infrastructure components. Capital projects often span more than one fiscal year.

Capital Outlay: A budget category which budgets major equipment purchases and capital improvement projects.

Capital Improvement Projects: Significant infrastructure improvements that have a useful life of one year or more and selected studies related to such activities that are expected to lead to a capital project. Examples include constructing a new park, street resurfacing, building remodels/repairs and construction of water mains.

Capital Projects Funds

Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

Debt Service: Annual principal and interest payments owed on money the City has borrowed.

Debt Service Funds

Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest, even if it is being accumulated for future years' payments. Debt service funds should be used to report resources if legally mandated.

Department: An organizational unit comprised of divisions or programs. The City of Los Altos has seven departments: Legislative & Administration, Finance & Technology, Human Resources, Public Safety, Community Development, Maintenance Services and Recreation.

Division: A common purpose combination of programs or activities within a department, which furthers the objectives of the City Council by providing services or a product.

Encumbrances: Financial commitments related to unperformed contracts for goods or services for which part of an appropriation is reserved. Encumbrances end when the obligations are paid or otherwise terminated.

Enterprise Funds: Funds established to account for the total costs of those governmental facilities and services that are operated in a manner similar to private enterprise. These programs are entirely or predominately self-supporting.

Expenditure: The cost of goods received or services rendered for the government unit.

Fiscal Year: A 12-month period of time to which an annual operating budget applies. The City of Los Altos fiscal year is July 1 through June 30.

Fund: A self-balancing set of accounts. Governmental accounting information is organized into funds, each with separate revenues, expenditures and fund balances. The major types of funds include: General, Proprietary, Special Revenue, Capital, Debt Service, Permanent and Trust & Agency.

Fund Balance Classifications: Fund balance is defined as the difference between assets and liabilities. Beginning in FY2010-2011, the City is required to reclassify fund balances into the following five categories to comply with the Governmental Accounting Standards Board Statement (GASB) No. 54, Fund Balance and Governmental Fund Types.

Nonspendable: This is a portion of fund balance not available for appropriations by its nature or external restriction. Examples are inventories and donations that require intact principal values.

Spendable: Restricted: The restricted portion of fund balance is subject to externally enforceable legal restrictions. Examples are Gas Tax revenues and grant proceeds.

Committed: The committed portion of fund balance is constrained by the limitations imposed through formal City Council action. Only formal City Council action can remove or modify a previously committed amount.

Assigned: The Assigned portion of fund balance is established for intended use by either the City Council or its designee, such as the City Manager. No formal City Council action is needed to remove the intended use. GAAP required reserves, such as the Other Post-Employment Benefits (OPEB) reserve, belong to this category. The Fiscal Policy and State Revenue Stabilization policy balances belong to this category.

Unassigned: The Unassigned portion of fund balance is that remaining after the non-spendable, the restricted, the committed, and the assigned fund balances are identified and recorded.

General Fund: The primary fund of the City used to account for all revenues and expenditures of the City not legally required to be accounted for in another fund.

Grant: Contributions, or gifts of cash or other assets from another entity. Grants are typically to be used or expended for a specific purpose.

Infrastructure: The underlying foundation or basic framework of a system or organization, such as the roads, sewers and storm drains, etc.

Internal Service Fund: The City of Los Altos operates four internal service funds: Workers Compensation, General Liability, Unemployment and Dental Plan.

Line-item: Refers to any individual expenditure object or appropriation detailed in the department's budget.

Materials & Services: This budget category accounts for all non-personnel and non-capital expenses. Such expenditures include building maintenance, contract services, equipment maintenance, office supplies and utility costs.

Municipal Code: The collection of City Council approved ordinances currently in effect. The Municipal Code defines City policy in various categories (i.e., building regulations, planning and zoning regulations, sanitation and health standards, and traffic regulations).

OPEB Reserve (General Fund Other Post-Employment Benefits): The City conducted an actuarial study to comply with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits and to determine the City's obligation for the other post-employment benefits (OPEB). The study concluded that the City should set aside annual funding for this obligation that accrues to the City given its participation in the CalPERS health plans. The City participates at a minimum benefit level and the has initiated internal funding of OPEB obligations for this purpose. Additionally, the City will conduct an actuarial update every two to three years to maintain the current status of this valuation.

Operating Budget: The financial plan for the operation of a program or organization that includes an estimate of proposed expenditures for a given period of time and the estimated means of financing those expenditures.

Operating Reserve: These balances are hereby defined as assigned by the City Council to allow the City to weather unpredicted cyclical and rapid downturns in the economy. These funds would be available for use in such conditions to mitigate negative economic fiscal impacts 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.

Ordinance: A formal legislative enactment by the City Council. An ordinance has the full force and effect of law within the City boundaries, unless it is in conflict with any higher form of law, such as a State statute or constitutional provision. An ordinance has a higher legal standing than a resolution.

Overhire: An authorized position without monies budgeted for salary and fringe benefits. The overhire concept assumes that a department (particularly Public Safety) experiences several position vacancies during a fiscal year, and that the salary and fringe benefit savings from these vacancies will off-set the cost of the overhire personnel. The overhire personnel in-turn ensures that the department will not be forced to limit operations because of staffing shortages and can better control overtime expenditures.

Permanent Funds

Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

PERS: A short name for the California Employee Retirement System.

Personnel Services: A budget category, which accounts for full-time and part-time employees, salary and benefits, overtime expenses, and fringe benefits.

Program: An activity or division, within a department, which furthers the objectives of the City Council, by providing services or a product.

Reserve: Used to earmark a portion of the fund balance as segregated for a specific use.

Resolution: A special order of the City Council, which requires less legal formality than an ordinance in terms of public notice and the number of public readings prior to approval. A resolution has lower legal standing than an ordinance. The Operating Budget is approved by resolution and requires a majority vote of the Council Members present.

State Revenue Stabilization Reserve: These balances are hereby defined as committed by the City Council to mitigate the unanticipated revenue take-away or re-direction by the State legislature in the course of any one budget session. This fund balance can be activated if and when state subvention of customary revenue stream dollars are deferred or cut off at the State level.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or

assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

Transfer: Monies appropriated from one fund to another, in order to reimburse the fund for expenses or to finance the operation of the other fund. Transfers between a Proprietary Fund and a Governmental Fund are budgeted as revenues and expenditures in the various funds, to comply with governmental accounting principles.

Resolutions



RESOLUTION NO. 2011-21

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
ADOPTING THE FY2011-2013 OPERATING BUDGET**

WHEREAS, it has been determined that the adoption of an Operating Budget is an effective and prudent management tool.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The City of Los Altos FY2011-2013 Biennial Operating Budget has been presented and reviewed by City Council with regard to the approval of estimated revenues, appropriations, capital projects, and transfers for all City funds in accordance with adopted Financial Policies; and
2. City programs, services, and activities will be provided and maintained within the confines of this Operating Budget in a manner consistent with adopted Financial Policies; and
3. The City Council adopt the Operating Budget and the proposed amendments for FY2011-2013 as provisionally submitted and summarized per **Exhibit 1-A** and inclusive of CIPs presented in **Exhibit 1-B**; and
4. Funds are deemed appropriated for those purposes and in amounts contained in said Operating Budget and the City Manager is authorized to approve appropriations and transfers of these funds to the extent allowed by law and Financial Policies in implementing the work programs incorporated within the adopted budget; and
5. This budget acts upon a City Council set goal to strengthen Operating Reserves up to a 20% level over the course of five years through the additional use of annual operational savings realized as a result of the approved “PERS Side Fund” pay down and includes the transfer of General Fund available balances into the Capital project fund pending a review of final current-year results; and
6. Encumbrances, active capital improvement projects, and active grant awards that have not been completed or received at the end of each fiscal year shall be carried forward and re-appropriated into the next fiscal year.

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 28th day of June, 2011, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Ronald D. Packard, MAYOR

Attest:

Lee Price, MMC
CITY CLERK

Exhibit 1-A
Schedule of Revenues, Appropriations, CIPs, Transfers and Fund Balances FY2011-2012

CITY FUNDS	FISCAL POLICY RESERVE	STATE REVENUE STABILIZATION	OPEB RESERVE	OTHER	PRIO YEAR ON-GOING PROJECTS	EST. REVENUE	EST. EXPENSES	CAPITAL PROJECTS	TRANSFERS	UNRESERVED	TOTAL FUND BALANCE
GENERAL FUND											
Projected Ending Balance Before Transfers - June 30, 2011	3,936,228	1,025,000	200,000							2,119,112	7,280,340
2009-2010 Projected Use of Surplus:											
Increase Operating Reserve By PERS Savings										0	0
Increase State Budget Stabilization Reserve										0	0
Continued OPEB Funding										0	0
Transfer to CIP Fund										0	0
Replenish Equipment Replacement Fund										0	0
Projected Beginning Balance - July 1, 2011	3,936,228	1,025,000	200,000	0						2,119,112	7,280,340
2010-2011 Estimated Revenue											
Property tax						13,257,000				13,257,000	
Sales tax						2,456,590				2,456,590	
Utility users tax						2,499,000				2,499,000	
Motor veh lic fees						50,970				50,970	
Transient occupancy tax						1,400,000				1,400,000	
Business license tax						440,000				440,000	
Real estate transfer tax						449,760				449,760	
Recreation fees						1,770,270				1,770,270	
Interest & rent						364,000				364,000	
Planning & building						2,599,180				2,599,180	
Franchise fees						1,643,120				1,643,120	
Police fees						116,210				116,210	
Other fees						1,558,070				1,558,070	
TOTAL GENERAL FUND REVENUE						28,604,170	0			28,604,170	28,604,170
2010-2011 Appropriations:											
Legislative & administration							(1,667,647)			(1,667,647)	
Finance & technology							(1,823,588)			(1,823,588)	
Human resources							(589,653)			(589,653)	
Public safety							(14,185,650)			(14,185,650)	
Community development							(3,945,259)			(3,945,259)	
Maintenance services							(4,327,287)			(4,327,287)	
Recreation							(2,055,182)			(2,055,182)	
TOTAL GENERAL FUND EXPENDITURES							0	(28,594,265)		(28,594,265)	(28,594,265)
2010-2011 TRANSFERS & FUND DESIGNATIONS											
TRANSFERS											
Tsfr from Vehicle Impound Fund									45,000	45,000	45,000
Tsfr from Supplemental Law Enforcement Fund									0	0	0
Tsfr from Gas Tax Funds									210,000	210,000	210,000
Tsfr to CIP									(700,000)	(700,000)	(700,000)
Tsfr to Equip Replacement									(100,000)	(100,000)	(100,000)
Tsfr to Storm Fund									(201,151)	(201,151)	(201,151)
Tsfr to General Debt Fund									(165,000)	(165,000)	(165,000)
PERS Side Fund Paydown (IO Paper #1)									(850,000)	(850,000)	(850,000)
Increase operating reserves from projected PERS savings	210,000									(210,000)	0
Fund State Budget Stabilization Reserve From - FY10-11 Surplus										0	0
Fund OPEB Reserve From - FY10-11 Surplus			100,000							(100,000)	0
TOTAL GENERAL FUND	4,146,228	1,025,000	300,000	0		28,604,170	(28,594,265)	0	(1,761,151)	57,867	5,529,095
CAPITAL PROJECTS FUND											
Projected Ending Balance Before Transfers - June 30, 2011										11,741,533	11,741,533
Prior Year On-Going Projects					0						(10,230,774)
Transfer to CIP Fund											0
Activity						395,000		(890,000)			(495,000)
TRANSFERS											0

Exhibit 1-A
Schedule of Revenues, Appropriations, CIPs, Transfers and Fund Balances FY2011-2012

CITY FUNDS	FISCAL POLICY RESERVE	STATE REVENUE STABILIZATION	OPEB RESERVE	OTHER	PRIOR YEAR ON-GOING PROJECTS	EST. REVENUE	EST. EXPENSES	CAPITAL PROJECTS	TRANSFERS	UNRESERVED	TOTAL FUND BALANCE
Tsfr from General Fund Surplus									700,000		700,000
Tsfr from Gas Tax Fund - Annual Street Resurfacing									249,147		249,147
TOTAL CAPITAL PROJECTS FUND	0	0	0	0	0	395,000	0	(890,000)	949,147	11,741,533	1,964,906
EQUIPMENT REPLACEMENT FUND											
Projected Beginning Balance										4,327,583	4,327,583
Prior Year On-Going Projects											(734,000)
Activity							(86,000)				(86,000)
TRANSFERS											
Tsfr from General Fund Surplus									100,000		100,000
TOTAL EQUIPMENT REPLACEMENT FUND	0	0	0	0	0	0	(86,000)	0	100,000	4,327,583	3,607,583
COMMUNITY FACILITY RENEWAL FUND											
Projected Beginning Balance										3,665,592	3,665,592
Activity											
TOTAL COMMUNITY FACILITY RENEWAL FUND	0	0	0	0	0	0	0	0	0	3,665,592	3,665,592
SEWER FUND											
Projected Beginning Balance										8,649,123	8,649,123
Prior Year On-Going Projects											(6,176,494)
Activity						5,862,269	(4,065,819)	(2,022,000)			(225,550)
TRANSFERS											
TOTAL SEWER FUND	0	0	0	0	0	5,862,269	(4,065,819)	(2,022,000)	0	8,649,123	2,247,078
SOLID WASTE FUND											
Projected Beginning Balance										837,191	837,191
Activity						854,723	(463,911)				390,812
TOTAL SOLID WASTE FUND	0	0	0	0	0	854,723	(463,911)	0	0	837,191	1,228,002
STORM WATER FUND											
Projected Beginning Balance										49,684	49,684
Activity						0	(250,785)		201,151		(49,634)
TRANSFERS											
Tsfr from General Fund											50
TOTAL STORM WATER FUND	0	0	0	0	0	0	(250,785)	0	201,151	49,684	50
REAL PROPERTY PROCEEDS											
Projected Beginning Balance										6,495,166	6,495,166
Activity						73,170	0				73,170
TOTAL REAL PROPERTY PROCEEDS FUND	0	0	0	0	0	73,170	0	0	0	6,495,166	6,568,336
VEHICLE IMPOUND											
Projected Beginning Balance										0	0
Activity						45,000	0				45,000
TRANSFERS											
Tsfr to General Fund									(45,000)		(45,000)
TOTAL VEHICLE IMPOUND FUND	0	0	0	0	0	45,000	0	0	(45,000)	0	0
SUPPLEMENTAL LAW ENFORCEMENT											
Projected Beginning Balance										0	0
Activity											
TRANSFERS											
Tsfr to General Fund											
TOTAL SUPPLEMENTAL LAW ENFORCEMENT FUND	0	0	0	0	0	0	0	0	0	0	0
GAS TAX											
Projected Beginning Balance										395,847	395,847
Prior Year On-Going Projects											(130,000)
Activity						493,300	0	(300,000)			193,300
TRANSFERS											
Tsfr to General Fund									(210,000)		(210,000)
Tsfr to CIP Fund									(249,147)		(249,147)

Exhibit 1-A
Schedule of Revenues, Appropriations, CIPs, Transfers and Fund Balances FY2011-2012

CITY FUNDS	FISCAL POLICY RESERVE	STATE REVENUE STABILIZATION	OPEB RESERVE	OTHER	PRIOR YEAR ON-GOING PROJECTS	EST. REVENUE	EST. EXPENSES	CAPITAL PROJECTS	TRANSFERS	UNRESERVED	TOTAL FUND BALANCE
TOTAL GAS TAX FUND	0	0	0	0	0	493,300	0	(300,000)	(459,147)	395,847	(0)
PROPOSITION 1B											
Projected Beginning Balance										410,605	410,605
Prior Year On-Going Projects											(358,708)
Activity						5,000	0				5,000
TOTAL PROPOSITION 1B FUND	0	0	0	0	0	5,000	0	0	0	410,605	56,897
STORM DRAIN DEPOSIT											
Projected Beginning Balance										56,086	56,086
Activity						0	0				
TOTAL STORM DRAIN DEPOSIT FUND	0	0	0	0	0	0	0	0	0	56,086	56,086
TRANSPORTATION DEVELOPMENT ACT											
Projected Beginning Balance										13,226	13,226
Activity						0	0				
TOTAL TRANSPORTATION DEVELOPMENT ACT FUND	0	0	0	0	0	0	0	0	0	13,226	13,226
COMMUNITY DEVELOPMENT BLOCK GRANT											
Projected Beginning Balance										15,360	15,360
Activity						115,000	0	(115,000)			0
TRANSFERS											
TOTAL CDBG FUND	0	0	0	0	0	115,000	0	(115,000)	0	15,360	15,360
TRAFFIC IMPACT FEE											
Projected Beginning Balance										630,233	630,233
Prior Year On-Going Projects											(423,278)
Activity						3,000	0	0			3,000
TOTAL TRAFFIC IMPACT FEE FUND	0	0	0	0	0	3,000	0	0	0	630,233	209,955
PARK-IN-LIEU											
Projected Beginning Balance										596,747	596,747
Prior Year On-Going Projects											(395,000)
Activity						1,537,000	0	(200,500)			1,336,500
TRANSFERS											
Trsfr to CIP Fund											
TOTAL PARK IN-LIEU FUND	0	0	0	0	0	1,537,000	0	(200,500)	0	596,747	1,538,247
DOWNTOWN PARKING											
Projected Beginning Balance										155,267	155,267
Activity						40,200	(50,000)				(9,800)
TOTAL DOWNTOWN PARKING FUND	0	0	0	0	0	40,200	(50,000)	0	0	155,267	145,467
ESTATE DONATION											
Projected Beginning Balance										12,510	12,510
Activity						140	0				140
TOTAL ESTATE DONATION FUND	0	0	0	0	0	140	0	0	0	12,510	12,650
DENTAL PLAN											
Projected Beginning Balance										159,582	159,582
Activity						97,800	(99,000)	0			(1,200)
TOTAL DENTAL PLAN FUND	0	0	0	0	0	97,800	(99,000)	0	0	159,582	158,382
UNEMPLOYMENT											
Projected Beginning Balance										48,418	48,418
Activity						75,000	(70,000)				5,000
TOTAL UNEMPLOYMENT FUND	0	0	0	0	0	75,000	(70,000)	0	0	48,418	53,418
WORKERS COMPENSATION											
Projected Beginning Balance										487,368	487,368
Activity						642,000	(560,000)	0			82,000
TOTAL WORKERS COMPENSATION FUND	0	0	0	0	0	642,000	(560,000)	0	0	487,368	569,368
LIABILITY											
Projected Beginning Balance										222,291	222,291

Exhibit 1-A
Schedule of Revenues, Appropriations, CIPs, Transfers and Fund Balances FY2011-2012

CITY FUNDS	FISCAL POLICY RESERVE	STATE REVENUE STABILIZATION	OPEB RESERVE	OTHER	PRIOR YEAR ON-GOING PROJECTS	EST. REVENUE	EST. EXPENSES	CAPITAL PROJECTS	TRANSFERS	UNRESERVED	TOTAL FUND BALANCE
Activity						415,000	(400,000)				15,000
TOTAL LIABILITY FUND	0	0	0	0	0	415,000	(400,000)	0	0	222,291	237,291
GENERAL DEBT											
Projected Beginning Balance										313,992	313,992
Activity						400	(164,400)	0			(164,000)
TRANSFERS											
Trsf from General Fund									165,000		165,000
TOTAL GENERAL DEBT FUND	0	0	0	0	0	400	(164,400)	0	165,000	313,992	314,992
AVALON CURB AND GUTTER											
Projected Beginning Balance										49,105	49,105
Activity						14,100	(13,000)	0			1,100
TOTAL AVALON CURB AND GUTTER FUND	0	0	0	0	0	14,100	(13,000)	0	0	49,105	50,205
RAYMUNDO CURB AND GUTTER											
Projected Beginning Balance										36,911	36,911
Activity						27,800	(28,000)				(200)
TOTAL RAYMUNDO CURB AND GUTTER FUND	0	0	0	0	0	27,800	(28,000)	0	0	36,911	36,711
BLUE OAK LANE											
Projected Beginning Balance										281,943	281,943
Activity						47,600	(44,375)				3,225
TOTAL BLUE OAK LANE	0	0	0	0	0	47,600	(44,375)	0	0	281,943	285,168
TOTAL ALL CITY FUNDS	4,146,228	1,025,000	300,000	0	0	39,347,671	(34,889,555)	(3,527,500)	(850,000)	39,709,228	28,564,064

2011-2012 Capital Improvement Projects (Exhibit 1-B)

Project	CIP Fund	Sewer Fees	ParkIn Lieu	Gas Tax	CDBG	Other	Total
Annual Street Resurfacing (increased by \$200K)	\$425,000			\$225,000			\$650,000
Annual Street Striping				75,000			75,000
Annual Concrete Repair (increased by \$50K)	200,000						200,000
Annual Sewer Main Repair		369,000					369,000
Annual Sewer Main Video		379,000					379,000
Annual Sewer Root Foaming		332,000					332,000
Annual ADA Accessibility					115,000		115,000
Annual NTMP Projects	75,000						75,000
Annual Special Projects and Studies	50,000						50,000
Sewer Collection System Upgrade		942,000					942,000
Climate Action Plan	75,000						75,000
Traffic Sign Replacement	50,000						50,000
HRI Phase IV (newly proposed)	15,000						15,000
Shoup/Redwood Grove Path (newly proposed)			103,500				103,500
Rosita Park Playground (newly proposed)			97,000				97,000
TOTAL	\$890,000	\$2,022,000	\$200,500	\$300,000	\$115,000	\$0	\$3,527,500
City Facility Repairs (evaluated at FY11-12 mid year)	95,000						\$95,000
NPDES Compliance Construction (to FY12-13)	190,000						\$190,000
Intersection Bicycle Loops (to FY13-14)	115,000						\$115,000
SA Road Phase II (deleted - was \$50K + \$900K private)	50,000						\$50,000

RESOLUTION NO. 2011-22

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
SETTING THE FY2011-2012 TRANSIENT OCCUPANCY TAX RATE

WHEREAS, on Tuesday, November 6, 2001 the voters approved an increase in the Transient Occupancy Tax from 8% to a maximum of 11%;

WHEREAS, the Los Altos Municipal Code requires that each year, following adoption of the City’s budget, the City Council will determine the rate to be charged for the Transient Occupancy Tax, and shall set that rate in an amount not to exceed the rate authorized by the ordinance; and

WHEREAS, the City Council adopted the budget on June 28, 2011.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of Los Altos authorizes the following:

1. Adopt the Transient Occupancy Tax of 11% pursuant to Section 3.36.020; and
2. Maintain this rate to fund general governmental operational expenses as necessary.

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 28th day of June 2011, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Ronald D. Packard, MAYOR

Attest:

Lee Price, MMC
CITY CLERK

RESOLUTION NO. 2011-23

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
ESTABLISHING THE FY2011-2012 UTILITY USERS TAX RATE**

WHEREAS, the rate of tax for each of the Utility Users Taxes imposed in Section 3.40.070, 3.40.090, and 3.40.110, of the Los Altos Municipal Code does hereby remain fixed and levied at 3.5 percent until further action of the City Council;

WHEREAS, the Los Altos Municipal Code requires that each year, following adoption of the City’s budget, the City Council will determine the rate to be charged for the Utility Users Tax and shall set that rate in an amount not to exceed the rate authorized by the ordinance; and

WHEREAS, the City Council adopted the budget on June 28, 2011.

NOW, THEREFORE, BE IT HEREBY RESOLVED that:

1. The rate of tax for each of the utility users taxes imposed in Sections 3.40.070, 3.40.090, and 3.40.110, of the Los Altos Municipal Code does hereby remain fixed and levied at 3.5 percent until further action of the City Council; and
2. Maintain this rate to fund general governmental operational expenses as necessary.

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 28th day of June 2011, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Ronald D. Packard, MAYOR

Attest:

Lee Price, MMC
CITY CLERK

RESOLUTION NO. 2011-24

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
ESTABLISHING THE FY2011-2012 APPROPRIATIONS LIMIT**

WHEREAS, California Constitutional Article 13B limits the total annual appropriations of cities; and

WHEREAS, it is the desire of this Council to establish its appropriations limit pursuant to Article 13B.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Los Altos that said Council hereby determines that said City's appropriations limit (as presented in calculation format in **Exhibit 4-A**), pursuant to Article 13B of the California Constitution using the annual percent change in population for Santa Clara County and the percent change in California for per capita personal income, is as follows:

FY2011-2012 \$25,389,182

I HEREBY CERTIFY that the foregoing resolution was adopted by the City Council of the City of Los Altos at a meeting of said Council held on the 28th day of June 2011, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Ronald D. Packard, MAYOR

Attest:

Lee Price, MMC
CITY CLERK

Exhibit 4-A

GANN LIMIT CALCULATION - FY2011-2012

DESCRIPTION	AMOUNT	TAXES	"NON-TAXES"
GENERAL FUND			
TAXES			
Property Tax	13,257,000	13,257,000	0
Sales Tax	2,456,590	2,456,590	0
Motor Vehicle	50,970	50,970	0
Utility Users Tax	2,499,000	2,499,000	0
Business License Tax	440,000	440,000	0
Documentary Trans.	449,760	449,760	0
Building Dev. Tax	198,000	198,000	0
Transient Occ. Tax	1,400,000	1,400,000	0
Off-Hwy Motor Veh.	500	500	0
LICENSES/PERMITS			
Engineering Fees	147,630		147,630
Building Permits	1,054,840		1,054,840
Electrical Permits	204,620		204,620
Plumb/Mech Permits	336,350		336,350
Plan Checking	398,440		398,440
Other Comm Dev Fees	457,300		457,300
CHARGE FOR SERVICE			
Police Fees	116,210		116,210
Expressway Landscape.	27,450		27,450
Street Sweeping	4,950		4,950
Signal Agreements	2,160		2,160
Special Event Appl	31,500		31,500
Weed Abatement	0		0
Fire Dept Fees	3,750		3,750
Sale of Publications	0		0
RECREATION FEES			
Recreation Fees	1,770,270		1,770,270
FRANCHISE FEES			
Franchise Fees	1,643,120		1,643,120
USE OF MONEY/PROPERTY			
Rental Income	8,000		8,000
Auction	18,000		18,000
FINES/FORFEITURES			
Traffic Fines	123,500		123,500
Parking Citations	68,200		68,200
Court Fines	2,250		2,250
ENTERPRISE/CAPITAL ADMIN			
Sewer Admin.	769,860		769,860
Solid Waste Admin.	88,440		88,440
MISCELLANEOUS			
Misc./Other	26,510		26,510
CDBG Admin Reimb	0		0
Mandated Cost Reimbursement	0		0
Misc Grants/Donations	2,250		2,250
Museum Curator Contrib.	0		0
Booking Fee Refund	0		0
Police & Other Grants	190,750		190,750
Arrest Tow Fees	0		0
Payroll Savings	0		0
SUBTOTAL	28,248,170	20,751,820	7,496,350
Interest	356,000	261,527	94,473
GENERAL FUND TOTAL	28,604,170	21,013,347	7,590,823

CAPITAL PROJECTS

Exhibit 4-A

GANN LIMIT CALCULATION - FY2011-2012

DESCRIPTION	AMOUNT	TAXES	"NON-TAXES"
SLES Police Grants	0		0
Other Capital Grants	395,000		395,000
Vehicle Impound Fees	45,000		45,000
In Lieu Park Land	1,537,000		1,537,000
Transportation Development Act	0		0
Downtown Parking Fund	40,200		40,200
Traffic Impact Fee	3,000		3,000
Safe Routes to School	0		0
Community Contributions	0		0
Prop 1B Grants	5,000		5,000
CDBG	115,000		115,000
GAS TAX FUNDS			
Congestion Management	0		0
Gas Tax	491,000		491,000
Interest	2,300		2,300
SUBTOTAL	2,633,500	0	2,633,500
GRAND TOTAL	31,237,670	21,013,347	10,224,323

Total City Governmental Revenue	31,237,670
Less: Non Proceeds of taxes	(10,224,323)
Proceeds of Taxes	21,013,347
Exclusions: Debt Service before Prop 4	0
Capital Debt Service - 401 Rosita Ave	(165,000)
Add: Excess User Fees	0
Appropriations Subject to Limitation	20,848,347
2011-12 Appropriations Limit	25,389,182
Difference	4,540,835
Percent under limit	17.88%

2011-12 Appropriations Limit Calculation	
2011-12 Appropriations Limit	24,481,088
Change in Calif. per capita income	1.0251
Change in population in County	1.0117
Change Factor	1.0371
	25,389,182

RESOLUTION NO. 2011-25

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
TO ADOPT THE JULY 10, 2011-JULY 7, 2012 AND JULY 8, 2012-JULY 6, 2013
FULL TIME EQUIVALENT (FTE) EMPLOYEE SALARY SCHEDULES**

WHEREAS, the City annually reviews and may revise employee compensation and the salary schedule ranges; and

WHEREAS, Council authorized salary adjustments for FY2011-2012 and FY2012-2013 as part of a two-year budget; and

WHEREAS, employees classified as represented employees receive updated compensation and salary schedule range increases in accordance with their respective collectively bargained agreement for the new fiscal years; and

WHEREAS, employees classified as non-represented employees require Council action to update their annual compensation and salary schedule ranges; and

WHEREAS, historically, two regular part-time employees also receive the same increase as non-represented FTE employees; for FY2011-2013 two regular part-time employees will receive a 1% increase; and

WHEREAS, increases in salary ranges on the FY2011-2012 and FY2012-2013 FTE Salary Schedules are to take effect in the first full pay period in July.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby adjusts the salary ranges on the FY2011-2012 and the FY2012-2013 Salary Schedules as listed on **Exhibits 5-A and 5-B**.

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 28th day of June, 2011 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Ronald D. Packard, MAYOR

Attest:

Lee Price, MMC
CITY CLERK

**EXHIBIT 5-A
RESOLUTION NO. 2011-25
CITY OF LOS ALTOS, CA**



**FULL TIME EQUIVALENT
BI-WEEKLY SALARY SCHEDULE
EFFECTIVE JULY 10, 2011 - JULY 7, 2012**

<u><i>Position Classification</i></u>	<u><i>Salary Range</i></u>				
	A	B	C	D	E
Accounting Office Assistant I	1,732	1,818	1,909	2,005	2,105
Accounting Office Assistant II	1,876	1,970	2,068	2,171	2,280
Accounting Office Assistant III	1,969	2,067	2,171	2,279	2,393
Accounting Technician I ³	1,969	2,067	2,171	2,279	2,393
Accounting Technician II ⁴	2,267	2,380	2,499	2,624	2,755
Assistant Civil Engineer	2,880	3,024	3,176	3,334	3,501
Assistant Planner	2,784	2,923	3,069	3,223	3,384
Associate Civil Engineer	3,258	3,421	3,592	3,771	3,960
Associate Planner	3,077	3,231	3,392	3,562	3,740
Building Inspector	2,746	2,883	3,028	3,179	3,338
Building Official	3,939	4,136	4,343	4,560	4,788
Building Technician	2,206	2,317	2,433	2,554	2,682
Childcare Teacher	1,547	1,624	1,705	1,790	1,880
Communications Officer	2,722	2,858	3,001	3,151	3,309
Community Programs Coordinator	2,917	3,063	3,216	3,377	3,546
Community Service Officer	2,184	2,293	2,408	2,529	2,655
Deputy City Clerk ⁵	2,209	2,319	2,435	2,557	2,685
Economic Development Coordinator	3,379	3,548	3,725	3,911	4,107
Economic Development Manager ¹	3,886	4,080	4,284	4,498	4,723
Engineering Technician	2,494	2,618	2,749	2,887	3,031
Equipment Mechanic	2,160	2,268	2,381	2,500	2,625
Executive Assistant	2,140	2,247	2,359	2,477	2,601
Financial Services Manager	3,782	3,971	4,170	4,378	4,597
Fleet Facilitator	1,840	1,932	2,028	2,130	2,236
Human Resources Manager II ⁷	3,436	3,607	3,788	3,977	4,176
Human Resources Manager ⁸	2,749	2,887	3,031	3,183	3,342
Human Resources Technician	2,267	2,380	2,499	2,624	2,755
Information Technology Analyst	3,172	3,331	3,498	3,672	3,856
Information Technology Manager	3,733	3,919	4,115	4,321	4,537
Junior Civil Engineer	2,619	2,750	2,887	3,031	3,183
Lead Communications Officer	2,995	3,145	3,302	3,468	3,641
Lead Records Specialist	1,997	2,097	2,201	2,311	2,427
Maintenance Leadworker	2,160	2,268	2,381	2,500	2,625
Maintenance Supervisor	2,793	2,933	3,079	3,233	3,395

Maintenance Technician	2,160	2,268	2,381	2,500	2,625
Maintenance Trainee I	998	1,048	1,100	1,155	1,213
Maintenance Trainee II	1,295	1,360	1,428	1,499	1,574
Maintenance Worker I	1,733	1,819	1,910	2,006	2,106
Maintenance Worker II	1,959	2,057	2,160	2,268	2,381
Maintenance Worker III	2,057	2,160	2,268	2,381	2,500
Office Assistant I	1,549	1,627	1,708	1,793	1,883
Office Assistant II ⁹	1,724	1,811	1,901	1,996	2,096
Planning Services Manager	3,939	4,136	4,343	4,560	4,788
Police Agent	3,150	3,308	3,473	3,647	3,829
Police Captain	4,515	4,741	4,978	5,227	5,488
Police Officer	3,000	3,150	3,308	3,473	3,647
Police Officer Trainee	2,856	2,999	3,149	3,307	3,472
Police Sergeant	3,541	3,718	3,904	4,099	4,304
Police Services Manager	4,063	4,266	4,480	4,704	4,939
Records Specialist	1,813	1,904	1,999	2,099	2,204
Recreation Coordinator	2,058	2,160	2,268	2,382	2,501
Recreation Supervisor	2,710	2,845	2,988	3,137	3,294
Senior Accounting Office Assistant	1,992	2,091	2,196	2,306	2,421
Senior Engineer	3,734	3,921	4,117	4,323	4,539
Senior Human Resources Manager ⁶	4,327	4,544	4,771	5,010	5,260
Senior Leadworker	2,215	2,325	2,442	2,564	2,692
Senior Office Assistant	1,996	2,096	2,200	2,310	2,426
Senior Planner	3,647	3,829	4,021	4,222	4,433
Senior Recreation Supervisor	2,849	2,991	3,141	3,298	3,463
Site Coordinator/Childcare	1,928	2,024	2,125	2,231	2,343
Transportation Engineer	3,258	3,421	3,592	3,771	3,960
Transportation Projects Manager ²	3,258	3,421	3,592	3,771	3,960

Executive

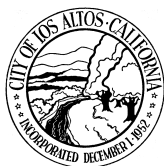
	Min.	Max.
Department Head	3,720	7,027 (Resolution 2008-31)
City Manager		8,038

Numerical order by chronological event

1. Added Economic Development Manager classification to be alternately staffed with Economic Development Coordinator
2. Added Transportation Projects Manager Classification
3. Added Accounting Technician I
4. Replaced Accounting Technician with Accounting Technician II
5. Added Deputy City Clerk
6. Replaced Human Resources Manager with Senior Human Resources Manager
7. Added Human Resources Manager II
8. Adjusted Human Resources Manager salary
9. As an exception to the salary schedule two regular part time office assistant positions are increased by 1%.

Revised 6-20-11

**EXHIBIT 5-B
RESOLUTION NO. 2011-25
CITY OF LOS ALTOS, CA**



**FULL TIME EQUIVALENT
BI-WEEKLY SALARY SCHEDULE
EFFECTIVE JULY 8, 2012 - JULY 6, 2013**

<u>Position Classification</u>	<u>Salary Range</u>				
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Accounting Office Assistant I	1,784	1,873	1,966	2,065	2,168
Accounting Office Assistant II	1,932	2,028	2,130	2,236	2,348
Accounting Office Assistant III	2,028	2,129	2,236	2,348	2,465
Accounting Technician I ³	2,028	2,129	2,236	2,348	2,465
Accounting Technician II ⁴	2,335	2,452	2,574	2,703	2,838
Assistant Civil Engineer	2,967	3,115	3,271	3,434	3,606
Assistant Planner	2,868	3,011	3,162	3,320	3,486
Associate Civil Engineer	3,356	3,524	3,700	3,885	4,079
Associate Planner	3,169	3,328	3,494	3,669	3,852
Building Inspector	2,828	2,970	3,118	3,274	3,438
Building Official	4,058	4,260	4,473	4,697	4,932
Building Technician	2,272	2,386	2,505	2,630	2,762
Childcare Teacher	1,593	1,672	1,756	1,844	1,936
Communications Officer	2,749	2,887	3,031	3,183	3,342
Community Programs Coordinator	3,005	3,155	3,312	3,478	3,652
Community Service Officer	2,206	2,317	2,433	2,554	2,682
Deputy City Clerk ⁵	2,276	2,389	2,509	2,634	2,766
Economic Development Coordinator	3,480	3,654	3,837	4,029	4,230
Economic Development Manager ¹	4,002	4,203	4,413	4,633	4,865
Engineering Technician	2,568	2,697	2,832	2,973	3,122
Equipment Mechanic	2,225	2,336	2,453	2,575	2,704
Executive Assistant	2,204	2,314	2,430	2,551	2,679
Financial Services Manager	3,895	4,090	4,295	4,510	4,735
Fleet Facilitator	1,895	1,989	2,089	2,193	2,303
Human Resources Manager II ⁷	3,538	3,715	3,901	4,096	4,301
Human Resources Manager ⁸	2,832	2,973	3,122	3,278	3,442
Human Resources Technician	2,335	2,452	2,574	2,703	2,838
Information Technology Analyst	3,268	3,431	3,603	3,783	3,972
Information Technology Manager	3,844	4,037	4,239	4,450	4,673
Junior Civil Engineer	2,697	2,832	2,973	3,122	3,278
Lead Communications Officer	3,025	3,176	3,335	3,502	3,677
Lead Records Specialist	2,057	2,160	2,268	2,381	2,500
Maintenance Leadworker	2,225	2,336	2,453	2,575	2,704

Maintenance Supervisor	2,877	3,021	3,172	3,330	3,497
Maintenance Technician	2,225	2,336	2,453	2,575	2,704
Maintenance Trainee I	1,028	1,079	1,133	1,190	1,249
Maintenance Trainee II	1,334	1,400	1,470	1,544	1,621
Maintenance Worker I	1,784	1,874	1,967	2,066	2,169
Maintenance Worker II	2,017	2,118	2,224	2,335	2,452
Maintenance Worker III	2,118	2,224	2,336	2,452	2,575
Office Assistant I	1,595	1,675	1,759	1,847	1,939
Office Assistant II ⁹	1,776	1,865	1,958	2,056	2,159
Planning Services Manager	4,058	4,260	4,473	4,697	4,932
Police Agent	3,181	3,340	3,507	3,683	3,867
Police Captain	4,651	4,883	5,127	5,384	5,653
Police Officer	3,030	3,182	3,341	3,508	3,683
Police Officer Trainee	2,885	3,029	3,181	3,340	3,507
Police Sergeant	3,576	3,755	3,943	4,140	4,347
Police Services Manager	4,185	4,394	4,614	4,845	5,087
Records Specialist	1,868	1,961	2,059	2,162	2,270
Recreation Coordinator	2,119	2,225	2,337	2,453	2,576
Recreation Supervisor	2,791	2,931	3,078	3,231	3,393
Senior Accounting Office Assistant	2,052	2,154	2,262	2,375	2,494
Senior Engineer	3,846	4,038	4,240	4,452	4,675
Senior Human Resources Manager ⁶	4,457	4,680	4,914	5,160	5,418
Senior Leadworker	2,281	2,395	2,515	2,641	2,773
Senior Office Assistant	2,056	2,159	2,267	2,380	2,499
Senior Planner	3,756	3,944	4,141	4,349	4,566
Senior Recreation Supervisor	2,935	3,081	3,235	3,397	3,567
Site Coordinator/Childcare	1,985	2,084	2,189	2,298	2,413
Transportation Engineer	3,356	3,524	3,700	3,885	4,079
Transportation Projects Manager ²	3,356	3,524	3,700	3,885	4,079

Executive

	Min.	Max.
Department Head	3,720	7,027 (Resolution 2008-31)
City Manager		8,038

Numerical order by chronological event

1. Added Economic Development Manager classification to be alternately staffed with Economic Development Coordinator
2. Added Transportation Projects Manager Classification
3. Added Accounting Technician I
4. Replaced Accounting Technician with Accounting Technician II
5. Added Deputy City Clerk
6. Replaced Human Resources Manager with Senior Human Resources Manager
7. Added Human Resources Manager II
8. Adjusted Human Resources Manager salary
9. As an exception to the salary schedule two regular part time office assistant positions are increased by 2%.

Revised 6-20-11

RESOLUTION NO. 2011-26

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS PROVIDING FOR THE PAYMENT AND REPORTING OF THE VALUE OF EMPLOYER PAID MEMBER CONTRIBUTIONS (EPMC) WITH TIME-IN-GRADE EXCEPTION FOR NEWLY HIRED LOCAL SAFETY EMPLOYEES

WHEREAS, the Governing Body of the City of Los Altos has previously elected to pay and report the value of all or part of the normal member contributions to the California Public Employees' Retirement System (CalPERS) pursuant to Government Code Sections 20636(c)(4) and 20691, and applicable labor policies or agreements;

WHEREAS, the Governing Body of the City of Los Altos may elect a Time-In-Grade Exception to said EPMC benefit within a given group or class of employees as defined in Government Code Section 20636(e)(1) and as specifically authorized in Title 2, Section 571 of the California Code of Regulations;

WHEREAS, the Governing Body of the City of Los Altos has identified the following conditions for the application of said Exception:

- This Exception shall apply to represented employees classified as local safety members, including local police officer members of CalPERS;
- During FY2011-2012, the City of Los Altos elects to pay 8% of the normal contributions required for current employees as EPMC and report the same percentage of compensation as compensation earnable;
- During FY2012-2013, the City of Los Altos elects to pay 7% of the normal contributions required for current employees as EPMC and report the same percentage of compensation as compensation earnable;
- During FY2013-2014, the City of Los Altos elects to pay 6% of the normal contributions required for current employees as EPMC and report the same percentage of compensation as compensation earnable;
- Newly hired employees, as defined in Title 2, Section 569 of the California Code of Regulations, hired on or after January 1, 2012, will pay 100% of any member contributions required by CalPERS. EPMC for newly hired employees shall be zero;
- Once a newly-hired employee accrues five (5) years of total service with the City of Los Altos (either on a continuous or cumulative basis), he or she shall be entitled to payment of EPMC on the same terms to apply to all other employees in the group or class. In so resolving, the City of Los Altos intends to agree to abide by Section 569, the terms of which are incorporated-by-reference as if fully set forth herein;
- The effective date of this Resolution with respect to newly hired local safety employees will be January 1, 2012.

NOW, THEREFORE, BE IT RESOLVED, that the City of Los Altos elects a Time-In-Grade Exception to its payment of EPMC, as set forth above.

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 28th day of June, 2011 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Ronald D. Packard, MAYOR

Attest:

Lee Price, MMC
CITY CLERK

RESOLUTION NO. 2011-27

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS PROVIDING FOR THE PAYMENT AND REPORTING OF THE VALUE OF EMPLOYER PAID MEMBER CONTRIBUTIONS (EPMC) WITH TIME-IN-GRADE EXCEPTION FOR NEWLY HIRED MISCELLANEOUS EMPLOYEES OF THE PEACE OFFICERS' ASSOCIATION (POA)

WHEREAS, the Governing Body of the City of Los Altos has previously elected to pay and report the value of all or part of the normal member contributions to the California Public Employees' Retirement System (CalPERS) pursuant to Government Code Sections 20636(c)(4) and 20691, and applicable labor policies or agreements;

WHEREAS, the Governing Body of the City of Los Altos may elect a Time-In-Grade Exception to said EPMC benefit within a given group or class of employees as defined in Government Code Section 20636(e)(1) and as specifically authorized in Title 2, Section 571 of the California Code of Regulations;

WHEREAS, the Governing Body of the City of Los Altos has identified the following conditions for the application of said Exception:

- This Exception shall apply to all employees classified as miscellaneous members of CalPERS in the following bargaining unit(s): Peace Officers' Unit;
- During FY2011-2012, the City of Los Altos elects to pay 7% of the normal contributions required for current employees as EPMC and report the same percentage of compensation as compensation earnable;
- During FY2012-2013, the City of Los Altos elects to pay 6% of the normal contributions required for current employees as EPMC and report the same percentage of compensation as compensation earnable;
- During FY2013-2014, the City of Los Altos elects to pay 5% of the normal contributions required for current employees as EPMC and report the same percentage of compensation as compensation earnable;
- Newly hired employees, as defined in Title 2, Section 569 of the California Code of Regulations, hired on or after July 1, 2011, will pay 100% of any member contributions required by CalPERS. EPMC for newly hired employees shall be zero;
- Once a newly-hired employee accrues five (5) years of total service with the City of Los Altos (either on a continuous or cumulative basis), he or she shall be entitled to payment of EPMC on the same terms to apply to all other employees in the group or class. In so resolving, the City of Los Altos intends to agree to abide by Section 569, the terms of which are incorporated-by-reference as if fully set forth herein;
- The effective date of this Resolution shall be July 1, 2011.

NOW, THEREFORE, BE IT RESOLVED, that the City of Los Altos elects a Time-In-Grade exception to its payment of EPMS, as set forth above.

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 28th day of June, 2011 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Ronald D. Packard, MAYOR

Attest:

Lee Price, MMC
CITY CLERK

RESOLUTION NO. 2011-28

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS PROVIDING FOR THE PAYMENT AND REPORTING OF THE VALUE OF EMPLOYER PAID MEMBER CONTRIBUTIONS (EPMC) WITH TIME-IN-GRADE EXCEPTION FOR NEWLY HIRED MISCELLANEOUS EMPLOYEES OF THE TEAMSTER LOCAL 350 AND UNREPRESENTED UNITS

WHEREAS, the Governing Body of the City of Los Altos has previously elected to pay and report the value of all or part of the normal member contributions to the California Public Employees' Retirement System (CalPERS) pursuant to Government Code Sections 20636(c)(4) and 20691, and applicable labor policies or agreements;

WHEREAS, the Governing Body of the City of Los Altos may elect a Time-In-Grade Exception to said EPMC benefit within a given group or class of employees as defined in Government Code Section 20636(e)(1) and as specifically authorized in Title 2, Section 571 of the California Code of Regulations;

WHEREAS, the Governing Body of the City of Los Altos has identified the following conditions for the application of said Exception:

- This Exception shall apply to all employees classified as miscellaneous members of CalPERS in the following bargaining units: Teamster unit and Unrepresented employee unit;
- During FY2011-2012, the City of Los Altos elects to pay 7% of the normal contributions required for current employees as EPMC and report the same percentage of compensation as compensation earnable;
- During FY2012-2013, the City of Los Altos elects to pay 6% of the normal contributions required for current employees as EPMC and report the same percentage of compensation as compensation earnable;
- Newly hired employees, as defined in Title 2, Section 569 of the California Code of Regulations, hired on or after July 1, 2011, will pay 100% of any member contributions required by CalPERS. EPMC for newly hired employees shall be zero;
- Once a newly hired employee accrues five (5) years of total service with the City (either on a continuous or cumulative basis), he or she shall be entitled to payment of EPMC on the same terms to apply to all other employees in the group or class. In so resolving, the City of Los Altos intends to agree to abide by Section 569, the terms of which are incorporated-by-reference as if fully set forth herein;
- The effective date of this Resolution shall be July 1, 2011.

NOW, THEREFORE, BE IT RESOLVED, that the City of Los Altos elects a Time-In-Grade exception to its payment of EPMC, as set forth above.

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 28th day of June, 2011 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Ronald D. Packard, MAYOR

Attest:

Lee Price, MMC
CITY CLERK

RESOLUTION NO. 2011-29

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
PROVIDING FOR THE PAYMENT AND REPORTING OF THE VALUE OF
EMPLOYER PAID MEMBER CONTRIBUTIONS (EPMC) FOR
UNREPRESENTED EMPLOYEES**

WHEREAS, the Governing Body of the City of Los Altos previously adopted Resolution No. 94-15 electing to pay all or a part of the normal member contributions to the California Public Employees' Retirement System (CalPERS) pursuant to Government Code Section 20691 and to report these payments as additional compensation pursuant to Government Code Section 20636(c)(4);

WHEREAS, the Governing Body of the City of Los Altos has adopted written labor policies or agreements which specifically amend the amount of EPMC that the City of Los Altos shall pay and report as additional compensation for its represented employees based on date of hire which supersede the terms of Resolution No. 94-15 as to those represented employees;

WHEREAS, the governing body of the City of Los Altos now amends the terms of Resolution No. 94-15 to provide for the payment and reporting of EPMC for unrepresented employees in accordance with the following conditions:

- During FY2011-2012, the City of Los Altos elects to pay 7% of the normal contributions required for current unrepresented miscellaneous employees as EPMC and report the same percentage of compensation as compensation earnable;
- During FY2011-2012, the City of Los Altos elects to pay 8% of the normal contributions required for current unrepresented local safety employees as EPMC and report the same percentage of compensation as compensation earnable;
- During FY2012-2013, the City of Los Altos elects to pay 6% of the normal contributions required for current unrepresented miscellaneous employees as EPMC and report the same percentage of compensation as compensation earnable;
- During FY2012-2013, the City of Los Altos elects to pay 7% of the normal contributions required for current unrepresented local safety employees as EPMC and report the same percentage of compensation as compensation earnable;
- Newly hired unrepresented miscellaneous and local safety employees hired on or after July 1, 2011, will pay 100% of any member contribution required by CalPERS. EPMC for newly hired employees shall be zero;

- The effective date of this Resolution shall be July 1, 2011.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos elects to pay and report the value of EPMC for its current and newly hired unrepresented employees, as set forth above.

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 28th day of June, 2011 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

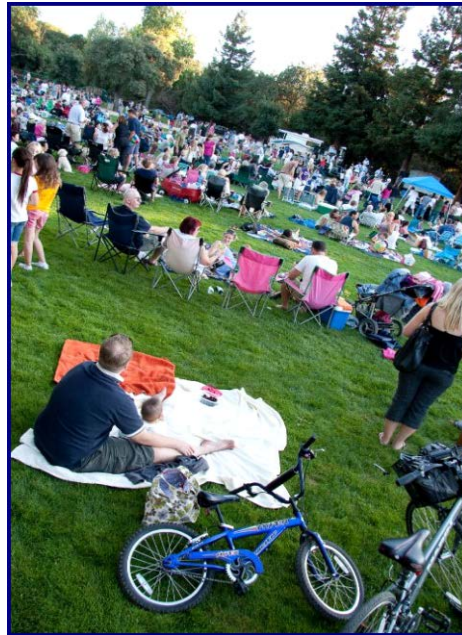
Ronald D. Packard, MAYOR

Attest:

Lee Price, MMC
CITY CLERK

Financial Policy





CITY OF LOS ALTOS FINANCIAL POLICY

JUNE 2011

OVERVIEW

This document establishes policies of overall financial management, budget development, and fiscal administration for the City of Los Altos. Included herein are statements and principles designed to guide the City in maintaining its financial stability.

Formal adopted financial policies assist elected officials and staff in the development of fiscal management practices, save time and energy in making financial decisions, promote public confidence, and provide continuity over time. While these policies will be updated periodically, they provide the basic framework for many of the financial decisions that the City will address. They support long-term planning and enhance the City's effectiveness.

This document discusses the most important elements of financial management in one comprehensive centralized format and is organized into the following areas of discussion:

- General Financial Principles
- Operating Budget
- Capital Improvements Program
- Revenues
- Expenditures
- Cash Management
- Debt Management
- Fund Balances
- Financial Reporting
- Annual Review and Update
- Exhibits

GENERAL FINANCIAL PRINCIPLES

It is the overall policy of the City of Los Altos to:

- Provide financial information in a relevant, thorough, timely fashion, and in a format that effectively communicates financial status to Council, citizens, and City employees.
- Manage its financial resources in a responsible and planned manner.
- Establish and maintain prudent fund balance levels.
- Maintain financial reporting in compliance with current governmental accounting standards.
- Promote and implement a relevant and strong system of internal financial controls to manage significant risks and monitor the reliability and integrity of financial and

operating reporting.

- Promote constructive and proactive financial decision making.
- Integrate operating and capital resources planning.
- Allow for uncertainties and maintain a posture of financial flexibility.
- Develop programs in a manner that supports the City's long-term ability to cover costs and provide the level and quality of service required by its citizens.
- Manage debt responsibly.
- Establish and maintain investment policies in accordance with State law.

OPERATING BUDGET

- The budget will be adopted by the City Council no later than June 30th of each year.
- The City Manager may develop and present a biennial budget.
- The City should strive to develop a multi-year financial plan (a five-year forecast) that is updated as part of the budget process.
- A balanced provisional operating budget will be presented to City Council for review and adoption with total projected expenditures not exceeding total estimated revenues. Should it be necessary, City Council may approve a planned use of accumulated fund balances in prior years for inclusion in the budget.
- Funds may not be expended for a new fiscal year until the budget for that fiscal year has been adopted by City Council.
- One-time revenue sources are not to be relied upon to fund ongoing operations.
- Budgetary control is maintained at the fund level:
 - The City Manager may make budget transfers between programs or departments as long as those changes do not increase overall appropriations within a given fund. Transfers between funds, overall increases in fund appropriations, and overall increases in project budgets can only be made through City Council action.
 - Department heads are held directly responsible and accountable for developing and managing their operational budgets. Their level of control is held at the department level. Departments that operate programs among different funds are limited to the appropriation levels within any one fund.
- Operating expenditure appropriations not spent during the fiscal year lapse at year-end, except for:
 - Encumbrances or commitments made during the fiscal year that have not been completed at year-end.
 - Appropriations for capital improvement projects and ongoing grants with a life-cycle beyond one year.

- Governmental funds use the modified accrual basis of accounting while proprietary and fiduciary fund types are budgeted on a full accrual basis of accounting. The Comprehensive Annual Financial Report (CAFR) presents City's finances on a generally accepted accounting principles (GAAP) basis and the City's budget is prepared in conformance with these standards.
- The City budget must comply with the annual determination of the City's appropriations limit calculated in accordance with Article XIII B of the Constitution of the State of California and adopt an annual resolution to this effect.

CAPITAL IMPROVEMENTS PROGRAM

- The City will develop and maintain a five-year capital improvement project plan (CIP) to be updated annually in conjunction with the operating budget. The CIP should reflect the current and changing needs of the community as well as enhance the quality of the community's quality of life.
- All projects within the CIP are to be tracked systematically and reported to management no less than quarterly. CIP tracking reports should clearly display budget-to-actual performance by project, fund category, and project status.
- Capital improvements that specifically benefit a select group of users and/or are fee-for-service based are to be financed through user fees, service charges, special assessments and taxes, or development impact fees.
- Capital improvements that specifically benefit a fee-for-service enterprise operation (such as Sewer) are to be financed through the service fees generated within that operation and fund.
- Transfers of resources into the CIP fund will be evaluated on an annual basis dependent upon the existence of available surplus dollars.
- The City should strive to maximize the use of capital grants and state subventions in funding capital improvements before tapping general revenue sources.

REVENUES

- The City will strive to maintain a diversified and stable revenue base to minimize the impact of economic fluctuation.
- The City will seek out, apply for, and effectively administer federal, state, and other grants that address the City's current operating and capital priorities.
- Independent user-fee studies should be performed and updated periodically (three to five years) to ensure the proper balance of costs and service charges. The City should strive to cover the full cost of providing non-tax and discretionary fee-based service operations except to the extent that City Council approves defined subsidy levels by program area.
- Operating departments are to review public services to identify and determine those appropriate for fee collection. Recommendations for new fees are to be presented to the City Council at least annually.

- Operating departments are to review existing fees periodically and recommend adjustments, if necessary, to ensure they reflect all direct and reasonable indirect costs of providing such services.
- Enterprise operations will be self-supporting and shall reimburse the General Fund for any and all material and services provided on their behalf.

EXPENDITURES

- Expenditures are to be budgeted and controlled so as to not exceed estimated revenues plus the approved and planned use of fund balances accumulated in prior years.
- The City will conduct a mid-year financial status review annually to determine if projected revenues and expenditures meet the target level. If an operating deficit is projected at year-end, the City should evaluate the need for immediate corrective and/or mitigating actions, including operating or capital expenditure reductions and/or activate the use of established contingency balances. The deferral of necessary and scheduled operational expenditures into the following fiscal year or the use of short-term loans and transfers to balance the budget should be avoided.
- The City should implement a formal purchasing system, principles, and guidelines to ensure that expenditure levels are kept in check in the course of any fiscal year.

CASH MANAGEMENT

- The Financial Commission will review the City's investment policy annually and make recommendations to the City Council when appropriate.
- The responsibility of investing City funds rests with the Finance Director who is to exercise due diligence to adhere to the investment policy. The Finance Director will present to the City Council quarterly investment reports presenting a summary of the portfolio status and compliance with the conditions set forth in the investment policy.

DEBT MANAGEMENT

- The City should plan the use of debt in a manner that sustains financing payments at manageable levels.
- The City will seek to maintain a high credit rating through sound financial practices as a basis for minimizing borrowing costs.
- The City will make every effort to use pay-as-you-go financing for capital improvement projects. Debt financing for a project can be used if the overall project cost exceeds anticipated available resources and/or if the cost of financing is favorable as compared to the use of City investment holdings over the financing term.
- The City will monitor all forms of debt annually in conjunction with the budget preparation process and report concerns and remedies, if necessary, to City Council. The City will diligently monitor its compliance with bond covenants.
- The City will not issue long-term debt to finance current operations. Debt financing should only be used for long-term capital improvement projects with a useful life

exceeding the term of the financing and for which the project revenues or specific identified revenue sources are sufficient to service the long-term debt.

- The City will use a lease-purchase method of financing for equipment if the lease rates are more favorable than the City's expected overall investment rate of return. Equipment may also be leased if the lease terms are more favorable when compared to the total life-cycle cost of the equipment.
- The City will not incur general obligation indebtedness for public improvements which exceed in aggregate 15% of the assessed value of all real and personal property of the City as specified in the California Government Code Section 43605.

FUND BALANCES

Government Fund Definitions

Governmental Fund Type Definitions

Governmental fund types include the general fund, special revenue funds, capital projects funds, debt service funds and permanent funds. GASB has clarified the definitions of these funds as follows:

General Fund

The General Fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

Capital Projects Funds

Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

Debt Service Funds

Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest, even if it is

being accumulated for future years' payments. Debt service funds should be used to report resources if legally mandated.

Permanent Funds

Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

Fund Balance Classifications

Fund balance is defined as the difference between assets and liabilities. Beginning in FY2010-2011, the City is required to reclassify fund balances into the following five categories to comply with the Governmental Accounting Standards Board Statement (GASB) No. 54, Fund Balance and Governmental Fund Types.

Nonspendable: This is a portion of fund balance not available for appropriations by its nature or external restriction. Examples are inventories and donations that require intact principal values.

Spendable: Restricted: The restricted portion of fund balance is subject to externally enforceable legal restrictions. Examples are Gas Tax revenues and grant proceeds.

Committed: The committed portion of fund balance is constrained by the limitations imposed through formal City Council action. Only formal City Council action can remove or modify a previously committed amount.

Assigned: The Assigned portion of fund balance is established for intended use by either the City Council or its designee, such as the City Manager. No formal City Council action is needed to remove the intended use. GAAP required reserves, such as the Other Post-Employment Benefits (OPEB) reserve, belong to this category. The Fiscal Policy and State Revenue Stabilization policy balances belong to this category.

Unassigned: The Unassigned portion of fund balance is that remaining after the non-spendable, the restricted, the committed, and the assigned fund balances are identified and recorded.

Governing Body Order of Fund Utilization and Special Revenue Classifications

Order of Utilization

The City of Los Altos will use GASB's definitions of fund balance for the annual financial reports (audits) and for all other financial reporting. For all financial planning purposes, the term Budgetary Fund Balance will be used and will include any portion of the fund balance that is available for appropriation. Portions of the fund balance not

available for appropriation will be identified as follows.

The City of Los Altos policy establishes the order of use of unrestricted resources as follows:

The City shall strive to use the most restricted fund balances prior to utilizing those that are less restricted. The following order of use reflects this guideline:

- a. Nonspendable (if funds become spendable)
- b. Restricted
- c. Committed
- d. Assigned
- e. Unassigned.

Special Revenue Classifications

Only the General Fund has an unassigned category since money remaining in any other fund is automatically designated or assigned to the purposes of that fund. Under the new GASB 54 rules, if the balance of a Special Revenue Fund is not formally restricted or committed by fiscal year end, then it must be reported as part of the General Fund for fiscal year end audited financial statement purposes. For some of the City's special revenue funds, this necessitates the City Council to provide direction on the intended use of resources for the future. Staff recommends that the City Council adopt the following list of the City's Special Revenue Funds and their expected fund balance classifications:

Vehicle Impound Fund - Restricted to Public Safety Use
Supplemental Law Enforcement Fund - Restricted by State Statute
Gas Tax Funds - Restricted by State Statute
Proposition 1B - Restricted by State Statute
Storm Drain Deposits – Restricted To Storm Drain Use
Community Development Block Grants - Restricted by Federal/State Statute
Downtown Parking Fund - Restricted by Council Action
In-Lieu Park Fee - Restricted by State Statute
Traffic Impact Fee - Restricted by State Statute
Estate Donation Fund - Restricted by Council Intent
TDA Funds - Restricted by State Statute

In addition, GASB 54 allows the City Council authority to "assign" ending fund balances or bestow this authority to a City officer or designee. To provide the City with the most flexibility in financial reporting, staff is recommending that the City Manager be given authority to assign resources and ending fund balances.

Fund Balance Policy Levels

Purpose

The City of Los Altos (City) has enacted the Fund Balance policies in an effort to ensure financial security through the maintenance of a healthy fund contingency balance that guides the creation, maintenance, and use of resources for financial stabilization

purposes. The City's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The City also seeks to maintain the highest possible credit ratings which are dependent, in part, on the City's maintenance of a healthy fund balance.

General Fund

The City's fiscal goal is to maintain annual expenditure increases at a sustainable growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The Council directed target is to maintain an unrestricted fund balance within the range of not less than 17% of annual operating expenditures for the fiscal year with a multi-year goal of achieving a 20% unrestricted fund balance level for the reasons noted below. This level of coverage includes General Fund balance amounts specifically assigned for annual Emergency Operating and Fund Stabilization contingencies as discussed and defined further below:

- To provide funding to cover approximately two (2) months of operating expenses with the goal of achieving three months coverage in the long term.

- To provide the liquidity necessary to accommodate the City's uneven cash flow, which is inherent in its periodic tax collection schedule.

- To provide the liquidity to respond to contingent liabilities.

- To adhere to Government Finance Officers Association (GFOA) recommendation that a minimum General Fund unrestricted fund balance to be maintained of no less than either two (2) months of regular operating revenues or expenditures.

Emergency and Operating Balances

These balances are hereby defined as assigned by the City Council to allow the City to weather unpredicted cyclical and rapid downturns in the economy. These funds would be available for use in such conditions to mitigate negative economic fiscal impacts 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.

Stabilization Fund Balances

These balances are hereby defined as committed by the City Council to mitigate the unanticipated revenue take-away or re-direction by the State legislature in the course of any one budget session. This fund balance can be activated if and when state subvention of customary revenue stream dollars are deferred or cut off at the State level.

General Fund Other Post-Employment Benefits Balances

The City conducted an actuarial study to comply with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits* and to determine the City's obligation for the other post-employment benefits (OPEB). The study concluded that the City should set aside annual funding for this obligation and the City has initiated internal funding of OPEB obligations for this purpose. Additionally, the City will conduct an actuarial update every two to three years to maintain the current status of this valuation.

Sewer Fund Balances

The City should maintain the balances in the Sewer Fund at a level sufficient to accommodate operating and capital needs. This level of funding should be established pursuant to the performance of a utility fund fee-study and/or master plan and are to be used for unanticipated operating and capital needs, and to level future rate increases. Multi-year fee studies for this fund should be updated periodically as a basis for defining the revenue sources necessary to maintain system infrastructure and required services levels. As a result of the periodic fee or master plan studies, adjustments to user charges may be necessary to maintain recommended fund balance levels.

Workers' Compensation and Liability Insurance Funding

Periodic actuarial studies of self-insured workers' compensation and general liabilities will be conducted to ensure that proper levels of liabilities are accrued for claims and that rates charged to operating departments are appropriate.

Equipment Replacement Funding

An equipment replacement fund will be maintained to provide for the timely replacement of vehicles and other operating capital equipment. This fund is to be reviewed on an annual basis and rates charged to the using departments based on the depreciation guidelines established in this policy.

FINANCIAL REPORTING

- The City's accounting and financial reports are to be maintained in conformance with GAAP.
- An annual financial audit will be performed by an independent public accounting firm familiar with municipal government activities. The independent auditor will issue an audit opinion to be included in the City's Comprehensive Annual Financial Report (CAFR). Additionally, the auditor will present the CAFR and discuss audit findings to the Financial Commission.
- The City is encouraged to submit the Annual CAFR to State and/or National Government Finance Professional organizations (Government Finance Officers' Association's Certification of Achievement for Excellence in Financial Reporting - California Society of Municipal Finance Officers CAFR Award) for independent

review and evaluation.

- Internal financial status reports are to be issued on a periodic and timely basis – no less than quarterly and be made readily available citywide.
- The City is to record the depreciation equipment, buildings and facilities, and infrastructure as follows and in line with internally established capitalization guidelines:

Capitalization Thresholds

Land purchases at any value

Equipment - \$5,000

Buildings and facility improvements - \$25,000

Infrastructure - \$100,000

Depreciation

Depreciation will be recorded on a straight-line basis over the following estimated useful lives:

Equipment	3 - 10 years
Site Improvements other than buildings	30 - 50 years
Buildings	50 years
Infrastructure	30 - 100 years

ANNUAL REVIEW AND UPDATE

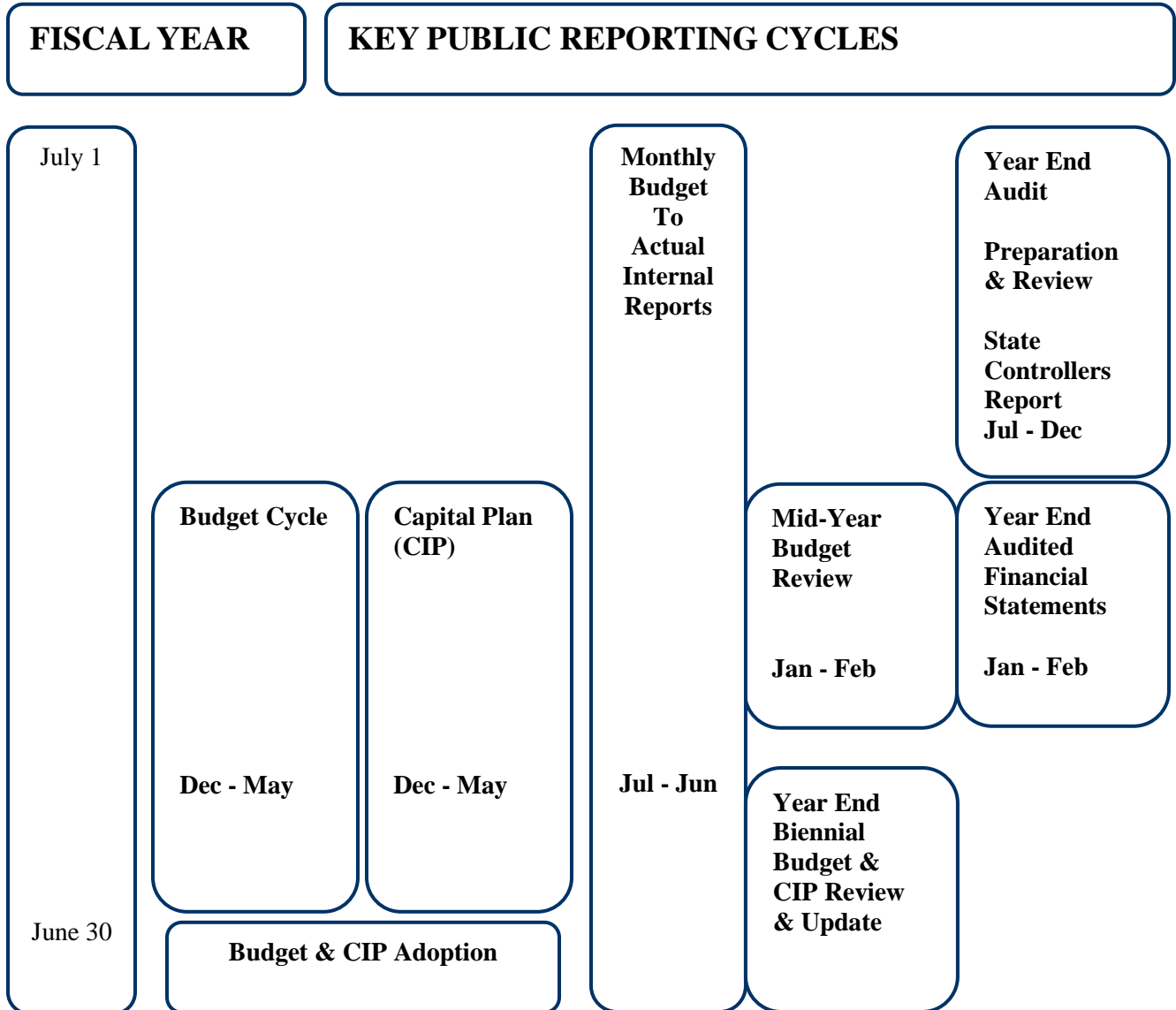
This financial policy will be reviewed periodically and updated, if necessary, to reflect any changing requirements.

EXHIBITS

Exhibit 1 - Key Financial Reporting Timelines

Exhibit 1

Key Financial Reporting Timelines



California Society of Municipal Finance Officers

Certificate of Award

***Excellence in Operating Budget
Fiscal Year 2010-2011***

Presented to the

City of Los Altos

For meeting the criteria established to achieve the Excellence Award in the Operating Budget.

February 24, 2011



Ronnie Campbell

**Ronnie Campbell
CSMFO President**

Chu Thai

**Chu Thai, Chair
Professional Standards and
Recognition Committee**

Dedicated Excellence in Municipal Financial Reporting