



City Council Agenda Report

Meeting Date: June 10, 2025

Prepared By: Jessie Kim

Approved By: Gabe Engeland

Subject: Proposed FY 2025-26 Operating Budget and FY2026-30 Five-Year Capital & Major Maintenance Program

COUNCIL PRIORITY AREA

- ☒ Public Safety
- ☒ Business Communities
- ☒ Circulation Safety and Efficiency
- ☒ Environmental Sustainability
- ☒ Housing
- ☒ General Government

RECOMMENDATION

Staff recommends the City Council adopt the following items:

1. City of Los Altos Resolution - FY25-26 Appropriations Limit
2. City of Los Altos Resolution - FY25-26 Fee Schedule
3. City of Los Altos Resolution - FY25-26 Salary Schedule
4. City of Los Altos Resolution - FY25-26 Utility User Tax
5. City of Los Altos Resolution - FY25-26 Transient Occupancy Tax
6. City of Los Altos Resolution - FY25-26 Park in-lieu
7. City of Los Altos Resolution - FY25-26 Operating Budget
8. City of Los Altos Resolution - FY26-30 Capital Improvement and Major Maintenance Program (CIMMP)
9. Purchasing Policy

POLICY QUESTION(S) FOR COUNCIL CONSIDERATION

Does the FY2025-26 Proposed Budget and FY2025-30 Capital Improvement and Major Maintenance Program (CIMMP) align with the City Council's strategic goals?

FISCAL IMPACT

Adoption of the attached resolution will establish appropriations limits, fees, salaries, utility user tax, transient occupancy tax, the operating budget, and the capital improvement and major maintenance program from the 2025-26 Fiscal Year.

ENVIRONMENTAL REVIEW

These resolutions are exempt from environmental review pursuant to Section 15061(b)(3) of the State Guidelines implementing the California Environmental Quality Act of 1970, as amended.

PREVIOUS COUNCIL CONSIDERATION

The City Council considers adoption of these resolutions at least annually.

DISCUSSION/ANALYSIS

The City Council will consider the attached resolutions which will approve the Appropriations Limit, the FY2025-26 Fee Schedule, the FY2025-26 Salary Schedule, FY2025-26 Utility User Tax, FY2025-26 Transient Occupancy Tax, FY2025-26 Park in-lieu, FY2025-26 Operating Budget, and FY2026-30 Capital Improvement and Major Maintenance Program (CIMMP), and Purchasing Policy. Together, these financial plans authorize the City to continue delivering essential services and making investments that reflect the community's needs and priorities.

BACKGROUND

The City of Los Altos, under the policy direction of the City Council, presents the annual budget with the following considerations in mind:

To align with the stated council priority areas and incorporate resident feedback, while addressing the external pressures that uniquely shape municipal budgets this year.

As the council is aware: the City of Los Altos, like most California cities, relies in part on agreed-upon federal funds and return of local tax dollars to balance its budget. As has been robustly communicated in the public arena, one-time federal funds are no longer available, and additional federal cuts, which will both directly and indirectly impact Los Altos, are expected.

At the State level, with a \$12 Billion budget deficit to address, Sacramento is continuing its past practice of state takeaways of local funds- leaving Los Altos tax funds that were expected to be returned to address local Los Altos priorities remaining at the State.

In addition, the city has increased fire safety and 911 communication needs, including but not limited to updated and maintained police facilities and technology to maintain 9-1-1 dispatch, crime fighting and investigation services, keep neighborhoods safe, and ensure operations during an emergency, and to be better prepared to quickly respond to wildfires like those in Los Angeles earlier this year.

Given the need to be more self-sufficient in future, city staff have prioritized investments in public safety where possible, while initiating community outreach on long-term service priorities to inform the City's long term fiscal planning.

Annual Budget Format and Process

The FY25-26 Operating Budget is presented as an annual budget, continuing the shift away from the previous biennial format. This annual structure allows the City to more effectively respond to changing conditions and better reflect the Council's strategic goals, which are reviewed and updated each year.

In developing the budget, the City applied zero-based budgeting approach, requiring departments to justify every line item based on need and alignment with community outcomes. This method ensured that all proposed costs were evaluated from the ground up rather than carried over from prior years.

The resulting budget and capital plan reflect Los Altos' broader mission: to be a sustainable, vibrant, and inclusive community where people can live, work, visit, and play. They translate the Council's most recently adopted Strategic Goals into action by allocating resources that support equity, fiscal responsibility, and long-term service delivery outcomes as directed by the Council.

Strategic Priorities and Implementation

The FY2025-26 Budget reflects the City Council's Strategic Goals by directing resources to initiatives that support the community's values and long-term vision. The financial plan is structured to ensure that key areas identified by the Council receive sustained attention, with investments distributed across programs and services in alignment with the City's overarching values: equity, sustainability, and fiscal responsibility.

Public Safety

The FY2025-26 Budget supports public safety as one of the City's core responsibilities. It maintains funding for police services, emergency response, and contracted fire protection. The budget reflects updates to service contracts and provides for expanded parking enforcement and installation of safety technology, such as the Flock camera system. In addition, planning is underway for long-term facility needs, including design work for a future Police Department building and improvements to existing fire stations. These investments ensure that public safety services remain strong, reliable, and responsive to the community.

Business Communities

Support for the local business community remains a key focus. The budget includes investments that advance the Downtown Vision Plan and promote economic vitality throughout the city. Improvements such as upgraded lighting, new park spaces, and EV charging stations are aimed at enhancing public spaces and encouraging foot traffic. In parallel, staff will continue integrating economic development into broader planning initiatives, including zoning updates and Housing Element implementation, to foster a healthy, accessible business environment.

Circulation Safety and Efficiency

The FY2025-26 Budget continues to prioritize circulation safety and mobility throughout the City. Funding is allocated to implement key elements of the Complete Streets Master Plan, including pedestrian and bicycle improvements, street resurfacing, traffic calming, and signage upgrades. These investments promote safer travel for all modes of transportation, including vehicles, bicycles, and pedestrians. The Safe Routes to School program remains a focus, with projects targeting improved student access through upgraded crosswalks, traffic calming near school zones, and systemwide visibility enhancements.

Environmental Sustainability

The FY2025-26 Budget supports the City's efforts to operate sustainably and prepare for long-term environmental needs. Funding includes new solar panels and battery storage at Grant Park, backup generators with lower emissions, and upgrades to stormwater infrastructure. These projects are guided by the City's Climate Action and Adaptation Plan and are designed to improve energy use, reduce environmental impacts, and strengthen community resilience. Together, they reflect a practical approach to sustainability, focused on reliable infrastructure and responsible resource management. Additionally, in collaboration with SVCE and PG&E, the City is preparing for

municipal fleet electrification by deploying EV charging infrastructure at the MSC site (707 Fremont Ave). The project includes “behind-the-meter” improvements by the City and “front-of-meter” utility upgrades by PG&E under the Make-Ready Incentive Program.

Housing

The FY2025-26 Budget reflects the City’s continued implementation of its certified Housing Element. Resources are dedicated to zoning and General Plan updates, public engagement, and support for development applications. These include playground renovations at Grant and Shoup Parks, improvements to community gathering areas, and continued work on the Downtown Park. Together, these investments enhance livability, expand community access to shared spaces, and support a high quality of life for all residents.

Fiscal Responsibility and Internal Reserves

The FY2025-26 Budget supports the City’s long-term financial stability through targeted reserve contributions. It includes a \$2.0 million allocation to the CalPERS Reserve Fund, following a \$6.0 million contribution in FY2024-25, of which \$5.0 million will be applied toward an Additional Discretionary Payment (ADP) to CalPERS. This continued funding strategy is intended to reduce future pension obligations.

At fiscal year-end, the General Fund is projected to reflect a balance of \$13.5 million in the Facility Maintenance Fund and \$1.07 million in the Fleet Vehicle Fund to support ongoing infrastructure and equipment needs. The Emergency and Operating Reserve will remain fully funded at 20% of General Fund operating expenditures, or \$11.4 million. After these designations, the General Fund is expected to retain an unassigned balance of \$16.9 million, maintaining flexibility for future Council priorities.

General Fund Revenues and Expenditures

General Fund revenue for FY2025-26 is projected at \$65.1 million. Property tax remains the largest source, totaling \$38.2 million, or 59% of the total. Other key revenues include Community Development Fees (\$7.1 million), Utility Users Tax (\$4.1 million), Sales Tax (\$3.6 million), and other sources. These revenues support a broad range of City functions and priorities.

General Fund operating expenditures are budgeted at \$56.8 million. Increases reflect higher personnel costs, pension contributions, insurance, and key service contracts. The City expects an operating surplus of approximately \$8.3 million, which will support reserve contributions and overall financial strength.

Enterprise Operations

The FY2025-26 Budget includes continued investment in the City’s enterprise operations, which support essential services in wastewater and solid waste management. The Sewer Fund projects \$12.5 million in revenue and \$11.6 million in expenses, including costs for local system upgrades and the City’s share of operations at the regional wastewater treatment facility. The Solid Waste Fund includes \$1.2 million in revenue and \$2.4 million in expenses, including costs for franchise services, street sweeping, regulatory compliance, hazardous waste programs, receptacle improvements, and emergency cleanup efforts.

Capital Improvement and Major Maintenance Program

The City of Los Altos prepares the Capital Improvement and Major Maintenance Program (CIMMP) each year as part of the annual budget. The program provides a structured approach to funding both one-time capital projects, such as new facilities, park improvements, and street upgrades, and recurring major maintenance that preserves the condition and function of existing assets. Capital projects typically exceed \$10,000 and may span multiple years, while major maintenance addresses routine upgrades to buildings, transportation systems, and infrastructure.

For FY2025-26, the City has appropriated \$25.0 million for capital and major maintenance projects, which includes \$8.0 million in rollover funding from FY2024-25. Of the total, \$12.1 million is funded by the General Fund, with the remainder supported by special revenue funds, the Sewer Fund, and other sources. Projects are selected and prioritized based on safety, regulatory needs, cost-effectiveness, and community benefit. Key priorities in the upcoming year include Annual Street Resurfacing, the San Antonio Road Complete Streets Project, installation of Downtown EV charging infrastructure, enhancements to Hillview and McKenzie Dog Parks, facility upgrades at Grant Park, and improvements to the Emergency Operations Center.

CIMMP project areas cover civic facilities, parks and trails, downtown development, wastewater and stormwater systems, technology systems, fleet and equipment replacements, and traffic safety improvements. Capital investments typically deliver long-term benefits and address infrastructure expansion or modernization. Major maintenance focuses on recurring repairs and upgrades to meet code, improve safety, and extend asset life. Together, these efforts help maintain a safe, resilient, and high-quality environment for residents, businesses, and visitors.

Purchasing Policy Updates

As part of the City's ongoing effort to review and modernize its Purchasing Policy, staff has implemented several updates to enhance clarity, improve operational efficiency, and align with current administrative practices. General wording and formatting throughout the policy have been revised to improve readability, correct grammatical and typographical issues, and streamline procedural descriptions to ensure consistency with compliance standards. The threshold for requiring a formal Purchase Order has been increased from \$5,000 to \$10,000 to reduce the administrative workload associated with routine purchases. In addition, the City Manager's signing authority has been raised from \$100,000 to \$125,000, providing greater flexibility to approve contracts and agreements necessary to support efficient City operations.

Summary of Updates from the May 27, 2025 Study Session

At the May 27, 2025, City Council Study Session, staff received input and direction on several key budget-related items. As a result, some adjustments have been incorporated into the FY2025-26 Proposed Operating Budget and FY2026-30 Capital Improvement and Major Maintenance Program (CIMMP), while others remain pending further Council direction:

- An updated ADA parking map and cost estimate for McKenzie Park was developed. An additional \$87,400 has been added to the McKenzie/Hillview project to expand ADA parking improvements.
- A list and map of completed and planned Safe Routes to School (SRTS) projects are attached for Council's reference.

- Proposed changes to University Avenue, based on a public request, were reviewed. The total estimated cost of \$294,250 has not been added to the budget and is contingent on Council direction.
- The caretaker unit project is a carryover item. It was budgeted in FY25 and will roll forward to FY26; therefore, no new appropriation is required this year.
- A corridor assessment for ADA ramp and sidewalk improvements along El Camino Real was added to the budget with an allocation of \$95,000.
- A beautification and landscape plan for the Police Department substation at 999 Fremont Avenue, including limited enhancements in the Loyola area, was added to the CIMMP with a preliminary budget of \$44,500.
- Staff reviewed the existing Foothill Expressway maintenance agreement, which currently totals \$209,116 annually through June 30, 2026. In addition, staff explored hardscape improvement options totaling \$148,000, including replacing open median areas with concrete or aggregate and removing existing concrete to install mulch or decorative rock. These enhancements have not been added to the budget and are awaiting Council direction.
- Additionally, a Councilmember requested funds be added for emergency “Go Bags” to be distributed to the community. At that time, staff informed Council that funds were already included in the budget to be provided to Resilient Los Altos (RLA) for this purpose. The proposed budget will provide 500 “Go Bags” for distribution by RLA. In addition, the Council approved a funding request from Compassion Week which includes an additional 120 “Go Bags” to be distributed through Community Services Agency (CSA).

ATTACHMENTS

1. Council Priorities Budget Detail
2. Draft Fiscal Year 2025-26 Budget General Fund
3. Draft Fiscal Year 2025-26 Budget Enterprise Funds
4. Draft Fiscal Year 2026-30 CIMPP Detail
5. FY2025-26 Fee Schedule
6. FY2025-26 Salary Schedule
7. A list of completed and planned Safe Routes to School (SRTS) projects
8. Purchasing Policy
9. City of Los Altos Resolution - Appropriations Limit
10. City of Los Altos Resolution - Fee Schedule
11. City of Los Altos Resolution - Salary Schedule
12. City of Los Altos Resolution - Utility User Tax
13. City of Los Altos Resolution - Transient Occupancy Tax
14. City of Los Altos Resolution - Park in-lieu
15. City of Los Altos Resolution - Operating Budget
16. City of Los Altos Resolution - Capital Improvement and Major Maintenance Program (CIMMP)