Town of Los Altos Hills – Financial Investment Committee (FIC)
Draft Regular Meeting Minutes – May 1, 2026

1. Call to Order & Roll Call 4:00 PM

Members Present: Allan Epstein, Dominique Grau, Kjell Karlsson, Sean McGraw, Michele Raffin, Vatsal Sonecha, and Amy Young

Members Absent: Jeanne Seeley

Associate Members: Absent, Jim Lai, Frank Lloyd and Roddy Sloss

Council Present: Rajiv Bhateja - Mayor

Staff Present: Cody Einfalt, Acting City Manager, Thomas Leung, Finance Director; Jay Bradford, Community Development Director, WooJae Kim, Public Works Director, joined the meeting for the Building and Planning Fee discussion. Varsha Srinivasan- Management Analyst, Finance, Behrouz Amirbadvy-Management Analyst, Planning

Guests Present: Nicole Kissam-NBS; –Justin Resuello-PFM

Public Present- none

2. Approval of April 6, 2026 Regular Meeting Minutes Committee members reviewed the draft minutes. One typo was noted. Motion to approve; passed unanimously.

3. Presentation from the Floor: none

4. Quarterly Investment Report, – Justin Resuello, PFM

Justin reported significant macroeconomic volatility driven by the unexpected war with Iran, affecting interest rates and market behavior. Key points: Yield curve normalized, 1-year inflation expectations increased due to tariff impacts and Strait of Hormuz disruptions and 5-year expectations remained flat. Unemployment remains below long-term averages; national forecasts show no major imbalance.

Portfolio Activity & Performance - $2.8M in new purchases during March, corporates 4.4% coupon, and U.S. Treasury 4.25% to 2031. Duration extended to 2.58 years (benchmark: 2.47). Interest earned: $201,000 for the quarter. Market value decline: – $146,000 due to rate increases. Net quarterly return: +$55,000, outperforming benchmark by 4 bps; Realized gains: $8,000; total quarterly earnings: $250,000. Annualized run rate: ~$1Million

Committee questions were asked and answered.

4. Budget Discussion – FY27 Finance Director Leung

Budget Preparation Timeline-Budget document to be released **May 8**; Possible additional FIC meeting **May 11**; Joint FIC–Council meeting **May 15**; and Council adoption scheduled for **June 18**.

Participatory Budget Priority Survey Results- Town performed an online survey and received 50 completed responses **Top priority:** Public safety

FY'27 General Fund Outlook

Revenues: $19.8M; Expenditures: $19.6M; Surplus: ~$200K, significantly lower than prior years. Structural deficits projected beginning Year 5.

Revenue Trends: Property tax growth: ~4.3% annually (6.6% this year due to reassessments + ERAF). Charges for services: Increase from $1.3M → $2.6M due to fee restructuring. Investment earnings expected to decline slightly;

Expenditure Trends: Salaries: +4% annually; health insurance: +7%; Sheriff's contract: +25% next year, +5% thereafter; City Attorney contract: +26% last year; CPI thereafter. Contract services: $6M → $6.6M (mostly Sheriff); Personnel budget: $5.5M → $6.2M due to two new positions: Principal Planner and Code Enforcement Officer (replacing rising CSG contract)

Operational Notes AI adoption has increased productivity, bank reconciliation PRA review automation pilot underway; Code enforcement caseload remains high

Capital Improvement Program (CIP): New project: Heritage House Native Garden. Re-scoped projects: Parks & Recreation building replacement (prefab). Council Chambers HVAC improvements. Rule 28 undergrounding- No new allocation, existing $300K CIP + $685K credits remain unassigned. Western Barn roof condition flagged for review.

Committee questions were asked and answered. details to follow with budget book.

5. Development Services Fee Study – NBS & Staff

Overview of Fee Study & Cost Allocation Plan- Staff and NBS presented updates to the cost allocation plan and user fee schedule: Outdated fees removed; categories reorganized; some new categories added due to state law; Fees applied based on tiered valuation not straight-lined; Plan check administration costs separated for transparency, and indirect costs integrated into hourly rates.

Building Valuation Methodology- ICC valuation tables currently used without multiplier; Local analysis shows ICC's **$175/sq ft** baseline must be multiplied by **~2.07** to reflect actual Los Altos Hills construction costs, which will be applied to new construction and remodels to ensure consistent valuation and prevent under-collection.

New Fees & Adjustments Highlights- Planning review fee: one hour added to every building permit (~+$200K annual revenue); **Engineering review fees:** New charges for planning-related engineering review (~+$130K); Additional engineering fees for ADUs, erosion control, and other permit types (~$350K combined), and New **building permit administration fee** (28% of building permit fee) to recover permit technician costs.

Committee Concerns- Some major development project fees appear **lower** than current fees despite overall revenue increases; Committee requested recalculation and clearer homeowner-facing fee examples; Concern that Council will struggle to understand fee structure without simplified explanation.

6. Scheduling & Next Steps

Next Meeting

May 11, 2026, at 4:00 PM Focus areas: Final budget review; Revenue assumptions (volume + fee recovery); Updated fee comparison tables; Clarification of permit cost methodology

Deliverables Requested by Committee- Revised fee comparison table[, Updated CAP and fee study documents; Clear explanation of valuation multiplier and administrative fee; Summary of assumptions used in revenue projections; Contingency planning considerations for long-term deficits

7. Adjournment- Meeting adjourned at 6 PM.

8. Meeting Recording, Agenda, and Attachments

Recording: **https://losaltoshillsca.portal.civicclerk.com/event/4525/media**

Agenda & Files: **https://losaltoshillsca.portal.civicclerk.com/event/4525/files/agenda/8833**

Respectfully submitted Allan Epstein, acting Secretary.