



**TOWN OF LOS GATOS
FINANCE COMMISSION SPECIAL MEETING AGENDA
MAY 1, 2023
110 EAST MAIN STREET AND TELECONFERENCE
TOWN COUNCIL CHAMBERS
LOS GATOS, CA
5:00 PM**

*Rick Tinsley, Chair
Phil Koen, Vice Chair
Stacey Dell, Commissioner
Andrew Howard, Commissioner
Linda Reiners, Commissioner
Maria Ristow, Mayor
Rob Rennie, Council Member*

IMPORTANT NOTICE

This is a hybrid meeting and will be held in-person at the Town Council Chambers at 110 E. Main Street and virtually through the Zoom webinar application (log-in information provided below). Members of the public may provide public comments for agenda items in-person or virtually through the Zoom webinar by following the instructions listed below. The live stream of the meeting may be viewed on television and/or online at www.LosGatosCA.gov/TownYouTube.

The meeting will be teleconferenced pursuant to Government Code Section 54953(b)(3). Commissioner Phil Koen will be participating from a teleconference location at 27440 N. Alma School Parkway, Scottsdale, AZ, 85262. This teleconference location shall be accessible to the public and the agenda will be posted at the teleconference location 24 hours before the meeting.

PARTICIPATION

To provide oral comments in real-time during the meeting:

- **Zoom webinar:** Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join: <https://losgatosca.gov.zoom.us/j/86026787365?pwd=aHljckc5MWwwSzF2SO9hejRkM0VTUT09>
Passcode: 784144. You can also type in 860 2678 7365 in the "Join a Meeting" page on the Zoom website at <https://zoom.us/join> and use passcode: 784144.
 - When the Chair announces the item for which you wish to speak, click the "raise hand" feature in Zoom. If you are participating by phone on the Zoom app, press *9 on your telephone keypad to raise your hand.
- **Join by telephone:** Join by Telephone: Dial: USA 877 336 1839 US Toll-free or 636 651 0008 US Toll. Conference code: 686100.
 - If you are participating by calling in, press #2 on your telephone keypad to raise your hand.
- **In-Person:** If you wish to speak during the meeting, please complete a "speaker's card" located on the back of the chamber benches and return it to the Town Clerk. If you wish to speak to an item on the agenda, please list the item number. If you wish to speak on an item NOT on the agenda, please list the subject and you may speak during the "Verbal Communications" period. The time allocated to speakers may change to better facilitate the Finance Commission meeting.

When called to speak, you may be asked to provide your full name and your town/city of residence. This identifying information is optional and not a requirement for participation. Please limit your comments to three (3) minutes, or such other time as the Chair may decide, consistent with the time limit for speakers at a Commission meeting. If you wish to speak to an item or items on the Consent Calendar, please state which item number(s) you are commenting on at the beginning of your time.

RULES OF DECORUM AND CIVILITY

To conduct the business of the community in an effective and efficient manner, please follow the meeting guidelines set forth in the Town Code and State law.

The Town does not tolerate disruptive conduct, which includes but is not limited to:

- Addressing the Finance Commission without first being recognized;
- Interrupting speakers, Finance Commissioners, or Town staff;
- Continuing to speak after the allotted time has expired;
- Failing to relinquish the microphone when directed to do so;
- Repetitiously addressing the same subject.

Town Policy does not allow speakers to cede their commenting time to another speaker. Disruption of the meeting may result in a violation of Penal Code Section 403.

MEETING CALLED TO ORDER

ROLL CALL

CONSENT ITEMS *(Items appearing on the Consent Items are considered routine Town business and may be approved by one motion. Any member of the Commission may request to have an item removed from the Consent Items for comment and action. Members of the public may provide input on any or multiple Consent Item(s) when the Chair asks for public comments on the Consent Items. If you wish to comment, please follow the Participation Instructions contained on Page 2 of this agenda. If an item is removed, the Chair has the sole discretion to determine when the item will be heard.)*

1. Approve Draft Minutes of the April 17, 2023, Finance Commission Special Meeting.
2. Discussion of FY 2022/23 Third Quarter Key Performance Indicators (KPIs).

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Finance Commission on any matter that is not listed on the agenda. To ensure all agenda items are heard and unless additional time is authorized by the Chair this portion of the agenda is limited to 30 minutes and no more than three (3) minutes per speaker. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment.)*

OTHER BUSINESS *(Up to three minutes may be allotted to each speaker on any of the following items.)*

3. Discuss, Comment, and Begin to Make Recommendations to the Town Council Regarding the Proposed Fiscal Year (FY) 2023/24 Proposed Operating and Capital Budgets.

ADJOURNMENT

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT THE CLERK DEPARTMENT AT (408) 354-6834. NOTIFICATION 48 HOURS BEFORE THE MEETING WILL ENABLE THE TOWN TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING [28 CFR §35.102-35.104]



**TOWN OF LOS GATOS
FINANCE COMMISSION
AGENDA REPORT**

MEETING DATE: 5/01/2023

ITEM NO: 1

Item 1.

**DRAFT
Minutes of the Finance Commission Special Meeting
April 17, 2023**

The Finance Commission of the Town of Los Gatos conducted a Special meeting in person and utilizing teleconferencing means on Tuesday, March 13, 2023, at 5:00 p.m.

THE MEETING WAS CALLED TO ORDER AT 5:00 P.M.

ROLL CALL

Present: Chair Rick Tinsley, Vice Chair Phil Koen (remote), Commissioner Andrew Howard, Commissioner Linda Reiners, Mayor Maria Ristow (arrived at 5:48 p.m.), and Council Member Rob Rennie.

Absent: Commissioner Stacey Dell

Town Staff Present: Town Manager Laurel Prevetti, Finance Director Gitta Ungvari, Public Works Director Nicholle Burnham, and Town Clerk Wendy Wood.

CONSENT ITEM (TO BE ACTED UPON BY A SINGLE MOTION)

1. Approve Draft Minutes of the March 13, 2023, Finance Commission Meeting.
2. Receive the Monthly Financial and Investment Report (February 2023).

MOTION: Motion by Commissioner Howard to approve the consent items. **Seconded** by Commissioner Reiners.

VOTE: Motion passed 4-0 by roll call vote. (Commissioner Dell was absent)

VERBAL COMMUNICATIONS

There were no verbal communications.

OTHER BUSINESS

2. Begin Discussion on the Proposed Fiscal Year (FY) 2023/24 Operating Budget and Proposed FY 2023/24 – 2027/28 Capital Improvement Program

Town Manager Laurel Prevetti introduced the item and Finance Director Gitta Ungvari provided additional information.

Commissioners discussed the item and asked questions.

PAGE 2 OF 2

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of April 17, 2023

DATE: April 18, 2023

Staff addressed Commissioners' questions.

Opened Public Comment.

Jak Van Nada

- Asked where the budget documents were located.

Catherine Somers

- Commented on separating American Rescue Plan Act (ARPA) funds from the General Fund and asked about funding for the holiday lights celebration.

Closed Public Comment.

Staff requested Commissioners submit their questions in writing to the Finance Director by the closed of business on Tuesday, April 25, 2023.

Commissioners Reiners, Howard, and Vice Chair Koen stated they are not able to attend the April 24 special meeting, and therefore the meeting will not be held due to a lack of quorum.

ADJOURNMENT:

The meeting adjourned at 6:15 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the April 17, 2023 meeting as approved by the Finance Commission.

Wendy Wood, Town Clerk



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 05/01/2023

ITEM NO: 2

Item 2.

DATE: April 27, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discussion of FY 2022/23 Third Quarter Key Performance Indicators (KPIs)

RECOMMENDATION:

Discussion of FY 202/23 third quarter (Q3) key performance indicators.

DISCUSSION:

Attachment 1 contains the updated KPIs for the third quarter of the fiscal year. In addition, slides with historic data for salary and benefit expenses and staffing remain for additional context. Per prior Commission guidance, staff has identified current potential headwinds to the Town's financial picture.

Attachment:

1. KPIs Q3

PREPARED BY: Gitta Ungvari
Finance Director

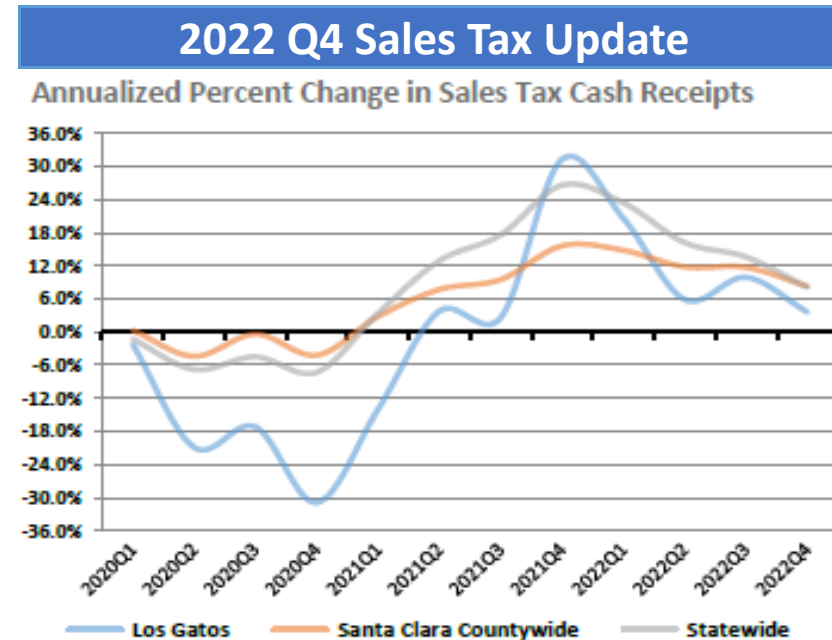
Reviewed by: Town Manager and Town Attorney

Town General Fund Revenues

	FY 2020/21 Actual	FY 2022/23 Adjusted Budget	FY 2022/23 Actual	FY 2022/23 Adopted Budget	FY 2022/23 Q3
Property Tax	\$15,826,162	\$16,969,226	\$16,899,618	\$ 16,551,544	\$10,728,368
VLF Backfill	4,052,672	4,556,000	4,229,462	4,356,350	2,277,850
Sales & Use Tax	6,794,218	7,559,566	7,177,597	7,860,988	4,817,119
Measure G District Tax	1,139,386	1,277,690	1,306,076	1,313,956	825,148
Franchise Fees	2,499,463	2,716,470	2,822,515	2,493,870	1,688,633
Transient Occupancy Tax	1,044,820	2,000,000	1,895,064	1,642,460	1,566,550
Other Taxes	1,386,943	2,444,000	1,481,667	1,387,500	2,118,822
Licenses & Permits	3,018,786	2,852,574	4,814,650	2,735,029	2,531,676
Intergovernmental	1,573,697	1,273,910	1,263,352	1,051,814	925,997
Town Services	4,816,887	4,837,189	5,460,613	4,257,261	4,832,716
Fines & Forfeitures	103,467	226,750	319,170	201,750	262,866
Interest	96,061	432,947	(1,404,527)	432,947	1,932,142
Other Sources	3,576,238	5,805,959	360,343	3,287,749	2,520,755
Total Revenues	45,928,800	52,952,281	\$ 46,625,600	47,573,218	37,028,642
Transfers In:	1,833,218	538,536	4,047,313	538,536	102,000
Total Revenues & Transfers In	\$47,762,018	\$53,490,817	\$50,672,913	\$50,005,467	\$37,130,642

Economically Sensitive Revenues

SALES TAX	FY 2020/21 Actual	FY 2021/22 Actual	FY 2022/23 Actual
1Q	\$1,863,996	\$1,726,453	\$1,877,426
2Q	1,135,409	1,758,763	\$1,999,376
3Q	1,589,990	1,756,251	\$940,317
4Q	2,204,823	1,883,504	
Total	\$6,794,218	\$7,124,971	\$4,817,119



MEASURE G TAX	FY 2020/21 Actual	FY 2021/22 Actual	FY 2022/23 Actual
1Q	\$300,599	\$316,317	\$314,614
2Q	261,746	324,525	\$335,398
3Q	249,733	295,671	\$175,136
4Q	327,308	204,736	
Total	\$1,139,386	\$1,141,249	\$825,148

TOT	FY 2020/21 Actual	FY 2021/22 Actual	FY 2022/23 Actual
1Q	\$316,515	\$513,536	\$664,278
2Q	203,807	428,880	\$513,587
3Q	176,030	320,077	\$388,684
4Q	348,466	\$632,571	
Total	\$1,044,818	\$1,895,064	\$1,566,550

Department Expenditures

	FY 2020/21 Actual	FY 2022/23 Adjusted Budget	FY 2022/23 Actual	FY 2022/23 Adopted Budget	FY 2022/23 Q3
Expenditures					
Police Department	\$16,570,836	\$19,253,136	\$16,451,190	\$19,225,986	\$13,290,984
Parks & Public Works	\$8,175,987	\$ 10,074,618	\$8,605,457	\$9,798,966	\$6,315,575
Non-Departmental	\$7,882,762	\$ 4,024,930	\$2,792,859	\$3,584,526	\$2,756,270
Community Dev	\$4,994,391	\$ 6,417,341	\$6,313,511	\$5,772,005	\$3,698,103
Admin Services	\$4,667,995	\$ 5,376,990	\$5,441,604	\$5,298,493	\$3,901,891
Library Services	\$2,828,873	\$ 3,247,731	\$2,752,397	\$3,139,450	\$2,159,996
Town Council	\$192,280	\$ 217,238	\$189,569	\$217,238	
Town Attorney	\$537,296	\$ 811,426	\$ 629,936	\$707,554	\$139,247
Total General Fund	\$46,612,586	\$49,423,410	\$43,176,523	\$47,744,218	\$32,787,672
Department Expenditures					

Salary & Benefit Expenses

	FY 2021/22 Actual	FY 2022/23 Adopted Budget	FY 2022/23 Adjusted Budget	FY 2022/23 Estimated	FY 2023/24 Proposed Budget
Expenditures (millions)					
Salary	\$19.8	\$23.2	\$23.0	\$22.5	\$23.2
CalPERS Benefits	\$6.4	\$7.7	\$7.7	\$6.8	\$8.2
All Other Benefits	\$3.7	\$4.6	\$4.6	\$3.9	\$4.7
OPEB Pay as You Go	\$1.4	\$1.5	\$1.6	\$1.6	\$1.6
Salary & Benefit Expenditures	\$31.3	\$37.0	\$36.9	\$34.8	\$37.7
	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual	FY 2019/20 Actual	FY 2020/21 Actual
Expenditures (millions)					
Salary	\$14.8	\$16.0	\$17.9	\$19.3	\$20.2
CalPERS Benefits	\$3.9	\$4.3	\$5.3	\$6.1	\$6.40
All Other Benefits	\$3.2	\$3.3	\$3.6	\$3.6	\$3.70
OPEB Pay as You Go	\$1.0	\$1.1	\$1.2	\$1.2	\$1.30
Salary & Benefit Expenditures	\$22.9	\$24.7	\$28.0	\$30.2	\$31.6

Salary & Benefit Expenses



Since FY 16/17 Salary has increased 60.81%

Since FY 16/17 CalPERS and other benefits have increased 87.65%

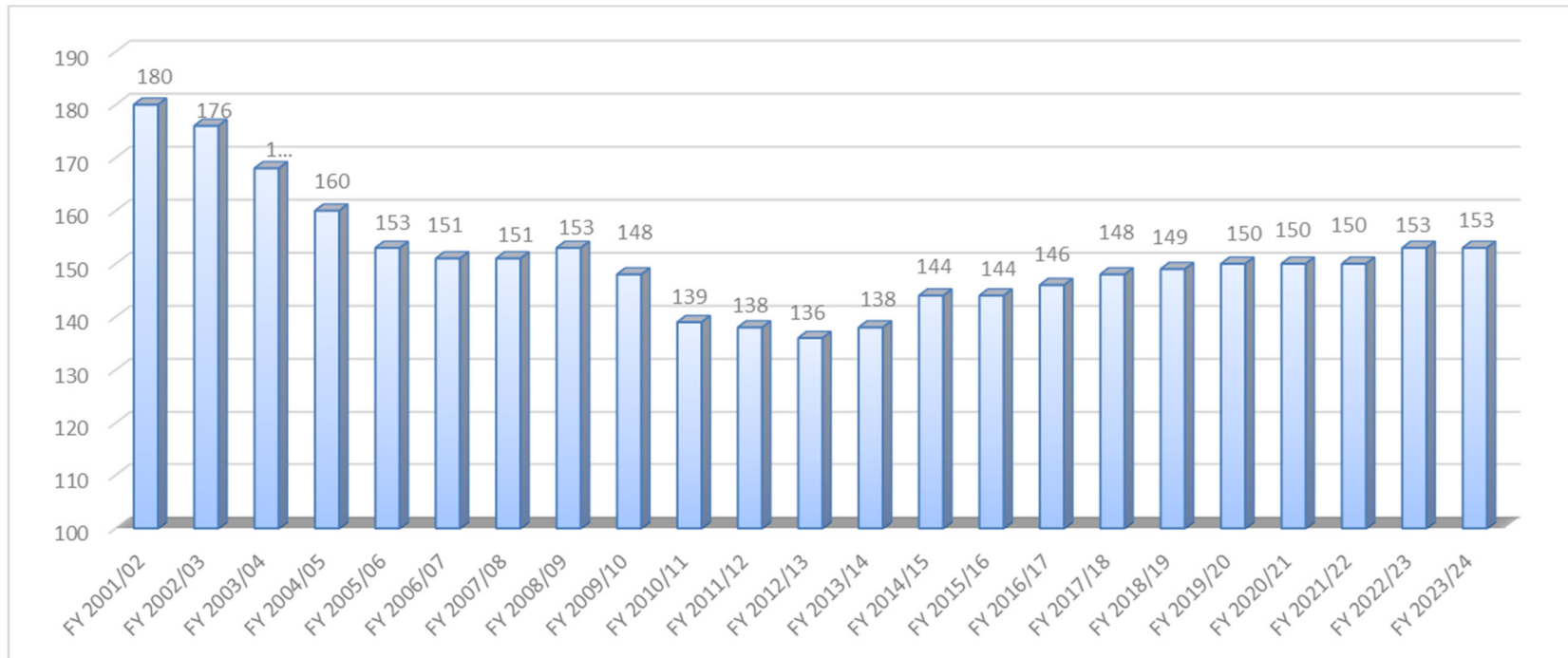
Organizational Staffing

DEPARTMENTS	FY 2021/22 Funded Positions	FY 2021/22 Filled as of 6/30/2022	FY 2022/23 Funded Positions	FY 2022/23 Filled as of 3/31/2023	FY 2023/24 Funded Positions
Town Attorney	2	2	2	2	2
Town Manger	5.25	4.25	5.25	4.25	5.25
Human Resources	3	3	3	2	3
Finance	7	7	7	6	7
Clerk	3	3	3	3	3
Information Technology	3	2	3	3	3
Community Development	19.75	19.75	20	20	20
Police Department	60.00	50	60.00	51	60.00
Parks & Public Works	34.75	31.75	36.75	32.75	35.75
Library	12.50	11.5	13.50	13.5	13.50
Total Benefited Positions	150.25	134.25	153.5	137.50	152.50
All Dept Temporary Staff Converted to Hourly	11.09		11.46		10.33
Total Positions	161.03		162.33		164.71

NUMBER OF WC

7/1/21—3/31/23 = 27

Organizational Staffing



Organizational Staffing

Department	Position		Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Town Attorney	Legal Admin Assistant	Separation	Filled with Temp	Filled - Permanent							
Clerk	Deputy Clerk	Separation	Vacant							Filled - Permanent	
Admin Services	Emergency Manager - Temp	Separation	Filled - Permanent				Vacant				
Admin Services	Finance Director	Retirement	Filled Interim			Filled - Permanent					
Admin Services	Finance Manager	Promotion	Vacant								
Admin Services	IT Technician	Separation	Vacant	Filled - Permanent							
Admin Services	Events and Mark Specialist	Separation	Vacant		Filled - Permanent						
Admin Services	Assistant Town Manager	Separation	Filled - Permanent							Vacant	
Admin Services	Accountant	Separation	Filled - Permanent								
Admin Services	HR Analyst	Separation	Filled - Permanent								
Community Development	Associate Planner	Separation	Vacant			Filled - Permanent					
Community Development	Permit Technician	Retirement	Filled - Permanent		Vacant		Filled - Permanent				
Police	Police Dispatcher	Separation	Filled - Permanent			Vacant					
Police	Police Dispatcher	Separation	Vacant						Filled - Permanent		
Police	Police Dispatcher	Separation	Filled - Permanent			Vacant					
Police	Police Dispatcher	Separation	Vacant								
Police	Police Officer	Separation	Vacant				Filled - Permanent				
Police	Police Officer	Separation	Filled - Permanent	Vacant			Filled				
Police	Police Officer	Retirement	Filled - Permanent								
Police	Police Officer	Retirement						Filled			
Police	Police Officer	Retirement						Filled			
Police	Police Officer	Separation	Filled - Permanent			Vacant					
Police	Police Corporal	Separation								Vacant	Filled
Police	Police Officer	Promotion	Filled - Permanent								Vacant
Police	Police Officer	Separation	Filled - Permanent								Vacant
Police	Police Officer	Separation									Vacant
Police	Police Captain	Promotion	Vacant	Filled - Permanent							
Police	Records & Com Manager	Separation	Vacant								
Police	Police Record Specialist	Promotion	Vacant				Filled - Permanent				
Police	Police Record Specialist	Separation	Filled - Permanent				Vacant	Filled - Permanent			
Police	Senior Parking Control Officer	Retirement	Vacant	Filled - Permanent							
Parks & Public Works	Parks & Public Works Director	Separation	Filled Interim	Filled - Permanent							
Parks & Public Works	Senior Civil Engineer	Separation	Vacant				Filled - Permanent				
Parks & Public Works	Transport and Mob Manager	Separation	Filled - Permanent		Vacant			Filled - Permanent			
Parks & Public Works	Town Engineer	Separation	Filled - Permanent					Vacant			
Parks & Public Works	Assistant Engineer	Separation	Filled - Permanent						Vacant		
Parks & Public Works	Lead Maintenance Worker	Separation	Filled - Permanent								Vacant
Library	Senior Library Page	Separation	Filled with Temp	Filled - Permanent							
Library	Librarian	Separation	Vacant			Filled - Permanent					

Potential Headwinds

Netflix will shut down its DVD rental business in September

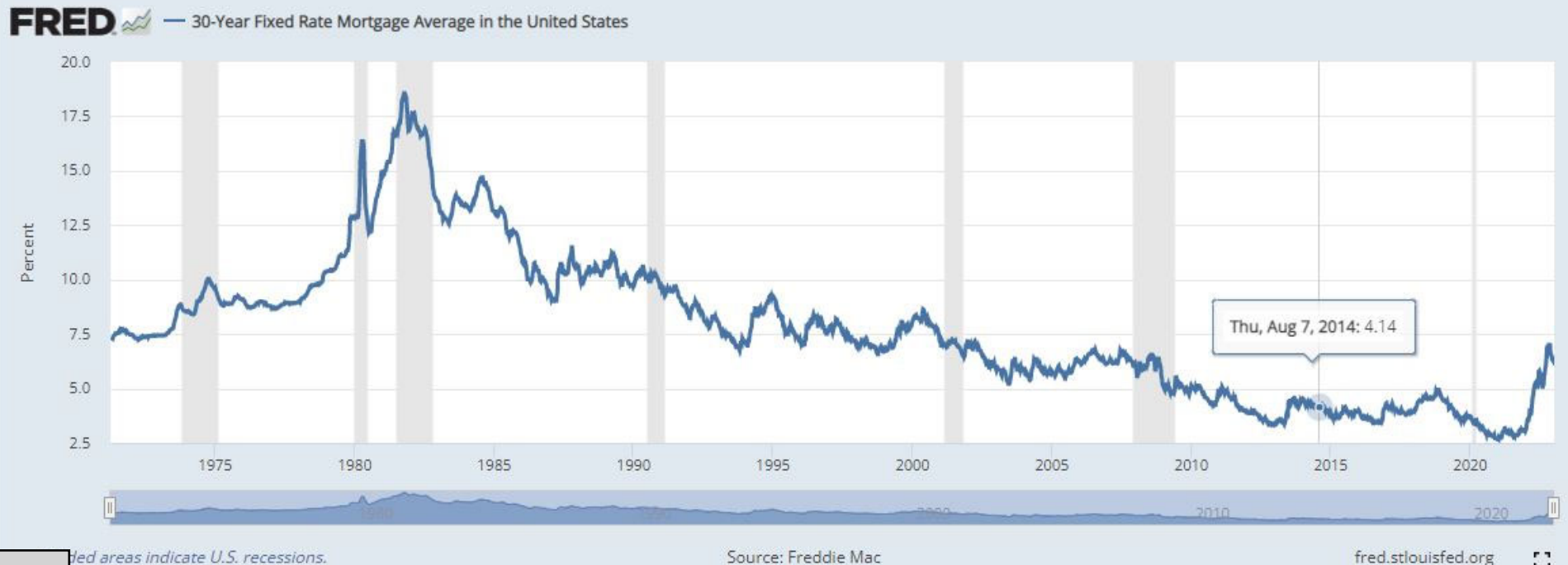
The company's original business is coming to an end.

Potential Headwinds

NOTE 16 - FRANCHISE FEES

The California Supreme Court recently issued an opinion in a case challenging the franchise fees that the city of Oakland charges to certain waste hauling companies. In *Zolly v. City of Oakland*, the court concluded that it did not have enough evidence to rule as a matter of law that the fees are exempt from the voter approval requirements that apply to taxes under Proposition 26, Article XIII C of the California Constitution.

However, there are several exceptions to the general rule that a tax must be approved by the voters. One exception (Article IIIC, section 1 (e)(1)) is for “a charge imposed for a specific benefit conferred or privileged granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.” In the event the Town is unable to utilize one of the exceptions, the potential impact is a loss of approximately \$2.4 million annually.





TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 05/01/2023

ITEM NO: 3

Item 3.

DATE: April 26, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss, Comment, and Begin to Make Recommendations to the Town Council Regarding the Proposed Fiscal Year (FY) 2023/24 Proposed Operating and Capital Budgets

RECOMMENDATION:

Discuss, comment, and begin to make recommendations to the Town Council regarding the Proposed FY 2023/24 Proposed Operating and Capital Budgets.

BACKGROUND:

With the passage of Measure A, the Finance Commission has been tasked with several mandated duties as described in the provisions of the adopted Ordinance. Section 2.50.225. – Duties states that:

(a) The Finance Commission shall:

(2) Review the Town Manager's annual proposed budget prepared in accordance with section 2.30.295(6) of the Town Code. and provide written comments and recommendations to the Town Council.

(A) The Finance Commission's comments and recommendations shall include a recommendation about whether the Town Council should approve or disapprove the proposed budget. The Finance Commission may make a recommendation of approval of the budget conditional upon the Town Council's acceptance of one or more of the Finance Commission's recommendations.

(B) The Town Manager must provide a proposed budget to the Finance Commission at least twenty (20) business days before the first meeting at which the proposed budget is considered by the Town Council.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

PAGE 2 OF 2

SUBJECT: Proposed FY 2023/24 Operating and Capital Budgets

DATE: April 26, 2023

DISCUSSION:

On April 17, 2023, the Proposed FY 2023/24 Operating and Capital Budgets were posted to the Town's website and the links were provided to the Finance Commission. For Commissioners who were interested in hard copies, the documents were provided. On that same day, the Finance Commission held a special meeting. Staff gave a brief introductory presentation on the Proposed Operating and Capital Budgets, and answered the Commissioners' preliminary questions. Per Measure A, the Finance Commission received the Proposed Budgets 21 business days before May 16, 2023, which is the first meeting at which the Proposed Budgets will be considered by the Town Council.

Finance Commissioners had an opportunity to submit written questions to staff. The deadline to submit the questions was April 25th at the end of business day. All of the questions received before the deadline were posted with answers on the Town website (see Attachments 1 and 2). Commissioners' questions provided after April 25, 2023 at 5 p.m. will be responded to the extent feasible in a Desk Item on Monday, May 8, 2023. In addition, staff provided a list of corrections to the Proposed Budget based on staff and Commissioners review and observations as listed in Attachment 4.

At the Finance Commission special meeting on May 1, 2023, staff will continue to address the Commissioners' questions. The Finance Commission should continue its discussions and begin to formulate its comments and recommendations to the Town Council. To facilitate this work, the Commission has one additional meeting on the Proposed Budgets at its regular meeting on May 8, 2023.

At the conclusion of the regular Finance Commission meeting on May 8th, the Finance Commission is expected to compile and provide the Town Manager with its final comments and recommendations to be transmitted to the Town Council for its May 16, 2023 public hearing on the Budgets.

CONCLUSION:

Staff looks forward to the Commission's questions, discussion, comments, and recommendations.

Attachments:

1. Frequently Asked Questions Posted on April 25, 2023
2. Frequently Asked Questions Posted on April 26, 2023
3. Correction to the Proposed FY 2023/24 Operating and Capital Budgets

Question: Please provide actual vacancies per Department.

Answer: The Town has started to track actual vacancies per Departments since the prior Fiscal Year. In the chart below, the adopted budgeted positions are provided as well as the fiscal year end vacancies for each Department. For comparisons, the proposed FY 2023/24 positions are listed Please note that the vacancies reflect point in time data.

Departments	FY 2021/22 Budgeted	FY 2021/22 Filled as of 6/30/2022	FY 2022/23 Budgeted	FY 2022/23 Filled as of 3/31/2023	FY 2023/24 Proposed
Town Attorney	2	2	2	2	2
Town Manager	5.25	4.25	5.25	4.25	5.25
Human Resources	3	3	3	2	3
Finance	7	7	7	6	7
Clerk	3	3	3	3	3
Information Technolgy	3	2	3	3	3
Community Development	19.75	19.75	20	20	20
Police Department	60	50	60	51	60
Parks & Public Works	34.75	31.75	36.75	32.75	35.75
Library	12.5	11.5	13.5	13.5	13.5
Total	150.25	134.25	153.5	137.5	152.5

Question: On page A-11, it is reported that the GF revenue is estimated to be \$49.2m. On page C-24, the schedule shows total GF Revenues of \$53,592,360. Could you please provide a detail reconciliation between \$49.2m and \$53.5m.

Answer: Please see reconciliation table below:

Total General Fund Net Operating Revenues	\$ 54,130,896	See Page C-22
Less:		
Town Debt Payments	\$ 1,894,550	
Pension Trust	390,000	
Transfers In	538,536	
Total General Fund Revenues	\$ 51,307,810	See Page C-22
Less:		
One- Time OPEB Trust Withdrawal	\$ 1,608,226	See Reference on Page C -29
Pass Through - ARPA Replacement Revenue Tracking	525,000	
General Fund Revenue - Referenced on Page A-11	\$ 49,174,584	

Question: On page C-24, please provide a detail breakout of other sources revenue of \$5,381,814. I know that the number includes \$1,894,550 lease revenue. What is the detail that makes up the remaining \$3,487,264?

Answer: The Other Category contains various items. The most significant ones include one-time OPEB Trust withdrawal (\$1.6 million), ARPA (\$0.5 million) and Measure G (\$0.6 million). These are pass-through revenues set up for tracking purposes. This category also includes all miscellaneous items such

as the Friends of the Library contribution toward Library operations, credit card merchant fees, Police Foundation contributions, insurance reimbursements, dedicated funding for Community Emergency Response Team or Americans with Disability Act training, and donations for benches to name a few.

Question: *On page C-29 the footnote mentions \$1,608,226 is included in "Revenues and transfers in". Where on the GF revenue schedule shown on C-24 is this amount shown? Note on D-76 a different number is being reported. Which one is correct?*

Answer: \$1,608, 226 is the correct amount. Staff will update the narrative section on page D-76.

Question: *On page C-30, \$746,000 is shown as being deducted from the GF reserve. What is the other side of the entry? This same number is discussed on D-77 but the discussion is unclear as to where the \$746,000 is reported on the schedule found on D-78.*

Answer: \$746,000 included in the Pass Through expenditures as listed on page D-77.

The following table summarizes the FY 2020/21 and FY 2021/22 actual spending on Council Priorities from leveraging the ARPA allotment.

ARPA Funds Lost Revenue Recognized During FY 2021/22	\$ 3,614,872
Less Actual and Estimated Spending	
FY 2020/21 Actual Spending	200,911
FY 2021/22 Actual Spending	1,348,659
Balance to Capital/Special Project Reserve at FY 2021/22 Close	2,065,302

On Page C-30, \$2,065,302 moved from the Capital/Special Project Reserve to Council Priorities-Economic Recovery Reserve to able to track the Council priorities leveraging the ARPA allotment. In addition, FY 2022/23 Recognized ARPA proceeds of \$3,614,872 was placed in the same reserve. FY 2022/23 and FY 2023/24 Estimated Spending including the \$746,000 drawn down from the Reserve as listed on C-40 and C-41. The following table illustrates the \$746,000 spending by fund.

Proposed FY 2023/24 Spending of ARPA Replacement Revenue	
General Fund	
One-Time Community Grant (Council Action 2-21-2023)	\$ 150,000
One-Time to LGS REC 55+ Program (Council Action 2-21-2023)	225,000
One-Time to KCAT Producers (Council Action 2-21-2023)	100,000
One-Time Unhoused Residents Efforts (Council Action 2-21-2023)	25,000
One-Time Unhoused Residents Efforts (Council Action 4-4-2023)	25,000
Total General Fund	\$ 525,000
Facilities Maintenance Fund	
One-Time Rent Forgiveness LGS REC (Council Action 3-21-2023)	\$ 200,000
One-Time Rent Forgiveness NUMU (Council Action 3-21-2023)	21,000
Total Facilities Maintenance Fund	\$ 221,000
Total General Fund and Facilities Maintenance Fund	\$ 746,000

Question: Page C-23: What are Non-Departmental Expenditures? It is the only category that is substantially decreasing relative to 2022/23 Estimated. Also why the \$3.8M increase in Non-Departmental Expenditures from the 22/23 Adjusted to 22/23 Estimated?

Answer: Appropriated funds are provided in the Non-Department Program to account for a variety of Town services and activities not specifically attributable to individual Departments. Non-Departmental Employee and retiree expenditures, Town-wide organizational costs, Town memberships, and joint-agency agreements benefiting the entire Town are also contained in the Non-Departmental Program.

In addition, staff is tracking American Rescue Plan Act (ARPA) replacement revenue spending via pass through revenues and expenditures (Pass Through revenues are equal to Pass Through Expenditures, with no effect on the fund balance). There is a significant difference between the estimated FY 2023/23 (\$4 million) and proposed FY 2023/24 (\$0.6 million) spending on the ARPA item as shown on page C-40. The FY 2022/23 pension contribution is \$690,000, while the FY 2023/24 proposed contribution is \$390,000.

As is the Town's practice, Council will consider FY 2022/23 Budget adjustments at the June 6, 2023 Council meeting to align FY 2022/23 estimated revenues and expenditures with the adjusted budget.

Question: Page C-26 There are a couple of typos on this page in the S & B and Op Ex paragraphs where "FY 2023/24 adjusted" should be "FY 2022/23 adjusted". In the Salary and Benefits paragraph, you indicate the FY2023/24 increased by 2.6% compared to previous BUDGET. But if compared to the more accurate Estimated 2022/23, Salaries and Benefits are increasing by 8.8%. Please add this to the paragraph. It is misleading to compare to previous budgeted numbers when we have more accurate Estimated (or Actual) numbers.

Answer: The typo related to the FY 2022/23 Adjusted Budget is noted and corrected in the Proposed Budget. The paragraph has already included the comparison to both to the FY 2022/23 Adjusted and the FY 2022/23 Estimated Budget as referenced above. Current year estimated numbers are the best estimates available at the point in time of the preparation of the budget, and final numbers will be determined at the final close of the fiscal year.

Question: Page C27 - the population for Los Altos is wrong - it should be ~31,625 rather than 8400 which is the Los Altos Hills population. As a result, all the per capita figures for Los Altos are wrong. Perhaps the averages are as well.

Answer: Noted. The Los Altos population number was keyed in wrong. The table is corrected and replaced in the Proposed Budget.

Question: Please explain how the requested \$140,000 Capital budget and \$25,000 Operating budget requests for Emergency Preparedness/Emergency Communications were incorporated into the Proposed FY 2023/24 operating and Capital Budgets.

Answer: The Proposed Capital Budget includes a project named Emergency Preparedness (CIP No. 821-2012). The project is proposed to be funded with \$61,780. The total project cost requested was \$240,000 and the remaining costs will be funded in future years. The Town expects to fill its Emergency Management Coordinator position in the beginning of the next fiscal year and this individual will help deliver the improvements. The initial request from the community regarding emergency preparedness also included \$60,000 in General Fund operating costs to support recruitment of new Community

Emergency Response Team members. This was not able to be included in the Proposed 2023-2024 Operating Budget but will be considered for future years.

Staff continues to review the proposed budget documents for errors and typos.

The following correction were made on the posted document on the Town's website on 4/18/2023:

Proposed Operating & Capital Summary Budget FY 2023/24

Page A – 7 – Update 5- Year Forecast: FY 2023/24 Proposed Budget Column: Operating Expenditure \$9.5 million to \$8.9 million; and Capital Transfer Out to GFAR from \$1 million to \$1.6 million (total expenditure did not change)

Page C – 30 – Update chart to include the correct heather for General Fund balance as of June 30, 2023 and the Estimated General Fund Balance as of June 30, 2024.

The following correction were made on the posted document on the Town's website on 4/21/2023:

Proposed Operating & Capital Summary Budget FY 2023/24

Page A – 16 – Update chart header from FY 2022/23 Authorized/Funded Town Staff Position to FY 2023/24 Authorized/Funded Town Staff Position.

The following correction were made on the posted document on the Town's website on 4/25/2023 based on a Commissioner comment.

Proposed Operating & Capital Summary Budget FY 2023/24

Page D – 76 – Update the OPEB Trust withdrawal amount from \$1,609,200 to \$1,608,226.

The following correction were made on the posted document on the Town's website on 4/26/2023 based on a Commissioner comment.

Proposed Operating & Capital Summary Budget FY 2023/24

Page C – 26 – Update “The FY 2023/24 salaries and benefits increased by 2.6% when compared to the FY 2023/24 adjusted budget, and 8.8% compared to the FY 2022/23 estimates.” To “The FY 2023/24 salaries and benefits increased by 2.6% when compared to the FY 2022/23 adjusted budget, and 8.8% compared to the FY 2022/23 estimates.”

Page C – 27 – Update Los Altos Population number from 8,400 to 31,190. Los Altos per capita numbers are updated in the table.



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 05/01/2023

Item 3.

ITEM NO: 3

ADDENDUM

DATE: April 28, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss, Comment, and Begin to Make Recommendations to the Town Council Regarding the Proposed Fiscal Year (FY) 2023/24 Proposed Operating and Capital Budgets

REMARKS:

The purpose of this addendum is to correction a date listed on page two in paragraph two. There is a typographical error in the sentence "Commissioners' questions provided after April 25, 2023 at 5 p.m. will be responded to the extent feasible in a Desk Item on Monday, May 8, 2023." The date for the Desk Item should state May 1, 2023.

Attachments received with the Staff Report:

1. Frequently Asked Questions Posted on April 25, 2023
2. Frequently Asked Questions Posted on April 26, 2023
3. Correction to the Proposed FY 2023/24 Operating and Capital Budgets

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 05/01/2023

Item 3.

ITEM NO: 3

DESK ITEM

DATE: April 26, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discuss, Comment, and Begin to Make Recommendations to the Town Council Regarding the Proposed Fiscal Year (FY) 2023/24 Proposed Operating and Capital Budgets

RECOMMENDATION:

Discuss, comment, and begin to make recommendations to the Town Council regarding the Proposed FY 2023/24 Proposed Operating and Capital Budgets.

REMARKS:

Attachment 5 contains answers to the Commissioner's questions received after the end of business day Tuesday, April 25, 2023, and before 11:00 a.m. and on Friday, April 28, 2023. Responses to the questions 39 through 42 received on Monday, May 1, 2023, will be provided on Wednesday, May 3, 2023.

Staff looks forward to the Commission's questions, discussion, comments, and recommendations.

Attachments previously received with the Staff Report:

1. Frequently Asked Questions Posted on April 25, 2023
2. Frequently Asked Questions Posted on April 26, 2023
3. Correction to the Proposed FY 2023/24 Operating and Capital Budgets

Attachments received with this Desk Item:

4. Frequently Asked Questions Posted on May 1, 2023
5. Finance Commission Communication

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager

1. Question: Page A-4: *Head Count* Since FY 2013 FTE headcount has increased from 136 to 153 budgeted for FY 24. This is an increase of 17 FTE's. Please provide detail of the FTE increase.

Answer: Every year, the Adopted Budget explains the changes from the prior year in detail both in the Departmental Narrative sections and in the Summary of Personnel Changes in the Financial Summary Sections. Please see the FY 2023/24 Proposed Budget from page C-48 to C-55 for the change from the prior year. It is not feasible to provide detailed historical changes from 2013 given other workload priorities.

2. Question: Page A-21/C-9: *Property Tax* Why is property tax forecasted to increase only \$0.7 from prior year estimates if the SCC Assessor is projecting a 6.14% increase in the FY 23/24 assessor roll? Why wouldn't property taxes increase by this amount?

Answer: The Town receives a quarterly update from the Santa Clara County Assessor's Office (SCCAO) that is based on actual receipts. Property Tax has many different elements, current year secured, current year unsecured, ERAF, and property transfer tax. While most of the elements are estimated to grow by 3%, ERAF and property tax estimates are different and will change the overall total percentage growth. Staff used the most recent estimates (January 2023) for the Property Tax base. In addition, staff had additional estimates related to the North 40 regarding unit sales and ERAF that all fold into the total property tax estimates as described on page A-21.

3. Question: Page A-21/C-9: *ERAF* Preliminary estimate for FY 24 excess ERAF distribution is \$2.2m for the Town. How much is in the FY 24 budget? Is this included in the Property tax number?

Answer: Please refer to page A-21 "SCCAO recommends 70% of the 2022/23 anticipated proceeds" due to the outstanding lawsuit. ERAF is included in the total property tax number. FY 2022/23 estimates are \$1.6 million and FY 2023/24 estimates are \$1.5 million based on information provided by the SCCAO.

4. Question: Page A-21 *Franchise Fee* Please provide the supporting detail for FY 24 franchise fees of \$2,116,470. Please explain decrease from FY 23 \$2,716,470

Answer: Please refer to pages A-21, C-5, and C-25 regarding Franchise Fees and Solid Waste Contract pages D-216- D-218. The decrease is due to anticipated partial proceeds from the Garbage Franchise Fee from July 2023 until Feb 2023 instead of the full fiscal year.

5. Question: Page A-21: *Garbage Franchise Fee* The new Solid Waste Management agreement calls for LG to receive \$1,594,375 in various fees other than franchise fees. Where are these fees recorded? Is the garbage fee in addition of these fees? Why is it reasonable to assume there will be \$0 from the franchise fee?

Answer: The Town's current agreement will expire at the end of February 2024. Under the current agreement, Town receives franchise fees, annual fees, Household Hazardous Waste (HHW) Management Fees, Street Sweeping Fees, and Vehicle Impact Fees. HHW and Street Sweeping Fee are programmed in Parks and Public Works Programs. Please refer to pages D-215 – D-230. The vehicle Impact Fee is programmed directly to the Annual Street Maintenance Capital project. (Please refer to pages A-5 and C-5 of the Capital Budget). The Garbage franchise fee is an additional fee. Staff assumed a \$1.2 million garbage franchise fee for FY 2023/24 and \$0.9 million annually over the five years of the forecast period as can be seen on page A-21.

6. Question: PageA-22: *Transient Occupancy Tax*. What is the basis for a 3% increase from prior year's actual? Other cities in SCC are using estimates of 5% - 11%. Please explain.

Answer: Staff considers current proceeds coupled with historical occupancy rate. The Town's the historical highest Transient Occupancy Tax collection was \$2.6 million. The TOT already predicted a decrease slightly before the pandemic. The current assumptions almost take the Town back to the pre-pandemic level.

7. Question: Page A-23: *Salaries*. Are all positions programmed for a step increase in addition to a COLA?**Answer:** Please refer to page A-23 as it describes the personnel budgeting assumptions.

8. Question: PageA-23: *Operating Expenditures*. What are the 3 biggest components of operating expenditures and what are the inflation assumptions for each?

Answer: There are close to 200 items in this category. Most of the items are increased by 3% in the forecast, and the Proposed FY 2023/24 reflects all contractual increases. Please note that there are items that are cyclical in nature, such as election fees that occur every other year in the forecast. All the pass-through items are housed in this category, and usually, those items remain flat in the budget and the forecast. With each estimated pass-through expenditure an equal pass-through revenue is recorded. Pass-throughs do not have an effect on the fund balance.

9. Question: Page C-6: *Salaries*. Please provide a schedule showing the salary increases planned in FY 24 of each separate bargaining unit and the non-represented group showing Base, COLA, and step increases vs. FY 23 actuals

Answer: Please refer to assumptions as described on page A-23. There is no staff capacity to provide the requested analysis that would involve separating out the impact on Base, COLA, and step increases by bargaining units.

10. Question: PageC-9: *Other Sources*. Please provide details of \$3,487,264 other sources of revenue and explain the decrease from FY 23 estimated \$5,887,554.

Answer: Please refer to FAQs posted on April 24, 2023, regarding Other Sources.

11. Question: Page C-9: *Other Taxes*. What other taxes are included in the \$2,440,766?

Answer: Other Tax refers to Business License Tax.

12. Question: PageC-9: *Interest*. Please provide the actual mark to market adjustment recorded for FY 22.

Answer: FY 2021/22 Mark to Market Adjustment is negative\$438,333 reversing the FY 2020/21 entry and FY 2021/22 adjustment of negative \$1,577,168.

13. Question: PageC-9: *Salaries/Benefits*. Please provide the detail for FY 24 budget of \$36,166,293 and FY 23 estimate of \$33,229,787 broken into base salary, overtime, retirement and other benefits. Please refer to the Mid-Year Review schedule of Salaries and Benefits shown on page 13 as an example. Please provide a detail explanation of the year over year increase of \$2,936,506. What are the cost drivers of this increase? How much is because of increase in headcount vs. COLA vs. step merit vs reduction in OT? Is overtime budgeted separately?

Answer: Staff provided multiple historical analyses for both the Finance Commission and the Town Council during the last couple of years. Historical and current year information is available on salaries, pension benefits, and other benefits in the Proposed Budget, please refer to pages A-7 to A-8. In addition, pages A-3 to A-5, and C-6 to C-7 provides detailed descriptions of the cost drivers of salaries and benefits.

14. Question: PageC-9: *Operating Expenditures* Please explain the \$3,374,655 decrease from FY 23 estimate.

Answer: Please refer to the first question of the FAQs published on 4-26-2023.

15. Question: PageC-9: *Internal Service Funds* Please explain the \$728,613 increase from FY 23 estimate.

Answer: The increase is related to the planned replacement activity, higher workers' compensation, and Town liability insurance premiums. Please refer to pages C-26, D-17, D-81, D-245, and D-246.

16. Question: PageC-9: *Operating Margin* The GF FY 24 is budgeting a structural deficit of \$(3,417,763). This is computed by subtracting normalized revenues of \$49,174,584 from normalized operating expenditures of \$52,592,347. Please confirm this is correct.

Answer: Staff estimated FY 2023/24 deficit is \$1.6 million as referenced on page A-5 in the Proposed Budget.

17. Question: PageC-24: *Other Sources* Please provide the detail that makes up \$5,381,814 and explain the decrease from \$7,781,267.

Answer: Please refer to FAQs posted on April 24, 2023, regarding Other Sources for the primary driver of the decrease.

18 Question: Separate from these questions, I do think we need to have a discussion regarding how the ARPA funds are being accounted for. I do not understand why the Staff stopped using the ARPA Fund as the primary control mechanism to track and report ARPA revenues and expenditures. I question whether GAAP is being followed. I look forward to having that discussion.

Answer: Staff did not stop using the ARPA Special Revenue fund to account for the grant proceeds and following all the accounting guidelines. Please refer to pages A-15, C-15, C-17, C-40 and C-41 of the Proposed Budget and to the ACFR. The Town will recognize the revenue with the ARPA fund during the period of the qualifying expenditure that occurs for public safety costs under the revenue loss categories, the same way as it did in FY 2021/22. The Town will fully expend the ARPA grant proceeds and fulfill Federal Requirements. This enables the organization to leverage the proceeds and fund Council Economic Recovery and Capital priorities. In addition, staff is tracking the \$7.2 million proceeds already recognized as loss revenue spending via pass-through revenues and expenditures (Pass -Through revenues are equal to Pass-Through Expenditures with no effect on the fund balance).

19. Question: PageC-29/C-32D-77: *ARPA Funds* \$746,000 is shown being transferred from a new GF Reserve - Council Priorities. This is ARPA funds. Where is the \$746,000 being transferred to?

Answer: Please refer to FAQs published on 4-25-2023.

20. Question: PageC-32 *ARPA Fund* What is the rational for zeroing out the \$1,645,281 ARPA Fund Balance as of FY 23? Is this consistent with GAAP?

Answer: Please refer to previous answers.

21. Question: PageC-32 *General Fund Reserve* Why not establish a unassigned GF Reserve to be used to fund unplanned expenditures? Historically the Capital/Special Projects reserve has been tapped.

Answer: By changing the General Fund Reserve Policy, Council can establish an unassigned or assigned General Fund Reserve for unplanned expenditures.

22. Question: Page C-35 *GFAR* Please explain why the GFAR Fund Balance has increased 40% from \$12,400,872 in FY 20 to an estimate of \$17,462,275 in FY 24?

Answer: Prior Year Actual Fund Balances reflect the actual capital projects completed. FY 2022/23 estimates do not include carry forward activities. Actual fund balances will be determined at the close of the fiscal year. Additional funding programmed that the Capital Program but not fully expended on the project will contribute to the increased fund balances. One of the additional sources was the \$2.9 million ARPA.

23. Question: PageC-36 *Patrol* Please explain the decrease of \$2,927,088 in FY 24 revenue from FY 23 estimate patrol revenue

Answer: The primary driver of the decrease is that the ARPA revenue will be fully recognized for public safety services in FY 2022/23.

24. Question: Page C-40 *ARPA Spending* Please provide the detail behind the FY 23 estimated ARPA spending of \$4,034,893. As of the end of April, how much has actually been spent? Under GAAP, funding should be reported as unearned revenue until eligible costs have been incurred. No expenditure under the revenue loss standard allowance

Answer: Please refer to the answers above. Staff is tracking the \$7.2 million spending for the Council's Priorities for the use of the funding. The ARPA Federal Proceeds will be fully spent for public safety expenditures under loss revenue categorized following the Treasury guideline.

For tracking purposes, staff anticipates that all items earmarked by Council on Parklets, Rent Waivers, CUP/ADA Fee waivers, Destination Marketing, K-Rails, Direct Grants, and Enhanced Senior Services up to FY 2022/23 will be spent or transferred to the Capital Program by the end of FY 2022/23 as shown in page C-40. The total of those items is \$5.5 million, deducting FY 2020/21 (\$ 0.2 million), and FY 2021/22 (\$1.3 million) spending will result in \$4 million as detailed on page C-40.

25. Question: PageC-41 *ARPA Capital Spending* Why were these projects identified as the best use of ARPA funds?

Answer: These projects were established by prior Council actions. Please refer to page C-41 and to the Proposed Capital Improvement Plan

26. Question: PageC-42 *Market Rate* Is the \$3.70 market rate per sq. ft. per month validated by actual FMV transactions for like property leases in LG?

Answer: The market rate per square foot is determined by the corresponding agreements, please see page C-42.

27. Question: PageC-43-C-44 *Impact Fees* When the impact fee is paid, where is the money recorded? Is it recorded as a deposit? When is the money recognized as revenue?

Answer: The Traffic Mitigation Impact Fee is recognized in a deposit account and the revenue is recognized when qualifying expenditures occur. Traffic Impact Fee recognized directly to the Annual Street Repair and Resurfacing Program (see page C-5 of the Proposed Capital Improvement Plan).

28. Question: Page C-50 *Overtime* How much was paid in overtime in FY 22 and FY 23? How much is budgeted for FY 24? Please explain "the departments absorb the additional overtime expenses from anticipated salary savings". How much anticipated salary savings is budgeted in FY 24?

Answer: Please refer to page C-50 regarding the FY2023/24 budgeted overtime. The FY 2021/22 overtime was \$1.1 million. The FY 2022/23 estimated overtime is \$1.6 million due to vacancies, protected leaves, and current storm activities. Staff fully fund all vacant positions and there is no anticipated salary savings is budgeted.

29. Question: PageC-51 *Workers Comp* The balance of the Workers Comp Fund at the end of FY 24 is \$56,696. Why is Staff comfortable with this low balance? In FY 22 the balance was \$1,295,185. This suggests that the Internal Service Charge for Worker's Comp does not reflect true loss experience.

Answer: Please refer to D-181.

30. Question: PageD-13 *Operating Expense* Why has operating expenditures increased from approximately \$30,000 per year to a FY 24 budget of \$275,856?

Answer: The increase is attributable to increased outside legal consulting services needed.

31. Question: Page D-18 *Operating Expense* How was the operating expense for the liability self-insurance program determined? As mentioned above, the fund balance is abnormally low.

Answer: Please refer to page D-17 third paragraph.

32. Question: Page D-77 *Unfunded Pension* In what revenue line on C-24 is the \$390,000 recorded?

Answer: The \$390,000 is recorded under other sources.

33. Question: Page D-78 *Other Sources* Please provide a detail breakout of the \$1,801,830. Why has this increased from \$513,418?

Answer: Non-Departmental Other Sources includes credit card merchant fees, OPEB Trust Withdrawal, and ARPA tracking pass-through revenues. The significant decrease is because FY 2022/23 estimated revenue does not include an OPEB Trust withdrawal.

34. Question: Page D-78 *Pass Throughs* Please provide a detail breakout of \$1,971,600. Why has this decreased from \$4,034,893?

Answer: Please refer to FAQs published on April 26, 2023.

35. Question: Page D-78 *BMP in-lieu Fees* What is the current balance of the BMP in-lieu deposits held by the Town?

Answer: The Town Monthly Financial and Investment Report (Page 7) includes the estimated Below Market Housing (BMP) deposit account balance. The most recent report was presented to the Finance Commission on April 17, 2023, under Item 2, and to the Town Council on April 18, 2023, under Item 7. The reports are also listed on the Town website at the following link:

<https://www.losgatosca.gov/2401/Monthly-Financial-and-Investment-Reports>

The estimated BMP deposit account balance was \$3,698,538 as of February 28, 2023.

36. Question: Page D-119 *General Plan Fees* What is the current balance of General Plan Fees deposits held by the Town?

Answer: The Town Monthly Financial and Investment Report (Page 7) includes the estimated General Plan Update deposit account balance. The most recent report was presented to the Finance Commission on April 17, 2023, under Item 2, and to the Town Council on April 18, 2023. The reports are also listed on the Town website at the following link: <https://www.losgatosca.gov/2401/Monthly-Financial-and-Investment-Reports>

The estimated General Plan Update deposit account balance was \$933,628 as of February 28, 2023.

37. Question: PageD-129 *Other Revenues* Why has the FY 24 budget decreased from \$3,673,313?

Answer: Please refer to the answer to Question 23.

38. Question: PageD-280 *Total Revenues* Where is the FY 24 lease payment to the Town from the Friends of Library bookstore recorded?

Answer: The Friends of the Library lease and utility payment are recorded in the Facilities Maintenance Program.

Responses to Question 39 through Question 42 will be posted as FAQs on Wednesday, May 3, 2023.

39. Question: What is the budgeted total capital outlay (as defined by GAAP) planned for FY 24? The transmittal letter and schedule B-4 shows \$37,771,823 as the FY 24 Capital Plan. However, that does not reflect what is planned to be spent as capital outlays in FY 24. On schedule C-33 in the Operating Plan capital expenditures are shown as \$10,125,131. But that looks like the total of new funding being requested for all projects and not a budget for FY 24 capital outlay. Where can I find for FY 24 the planned capital outlay (eg cash disbursement) for each capital project? Is there a robust capital project tracking and reporting mechanism in place which can show actual cash vs the budget and provide percentage of completion status in place?

40. Question: On schedule B-5 Project 9901 is shows an estimated carryforward of \$4,748,250 for FY 24 and a total Budgeted of \$45,569,868. On schedule C-5 the carryforward is shown as \$4,928,250 and total Budgeted as \$48,266,496 – which is almost \$3m more. Which is correct? Please also provide additional information regarding the Footnote comment on C-5 regarding “making it challenging to clearly define the annual spending”? Why is it challenging?

41. Question: Since FY 20 the total annual budget for Project 9901 has increased from \$5,969,299 to \$8,352,226. Why has this happened? Has the scope of work expanded by 40% or has the cost materially increased? Can the Town spend wisely \$8,352,226 in a year? Are the projects clearly outlined for the \$8,352,226 programmed? Frankly this doesn't look right.

42. Question: Why don't the detail project descriptions for each project include necessary information to help the TC under the entirety of the current state of the capital project? For instance, the project summary could include the following – date project was first approved, first approved budget, first completion date estimate, current completion status based on engineering estimates, total spent to date on project and estimate to spend to complete. A good example of where this information would be useful would be for project 813-0227 Traffic Signal Modernization. That project was first opened in FY 17 for a total project cost of \$1,685,790 and a target completion date of Spring 2017. Target completion date is now Summer of 2023 with a target cost of \$2,622,973. The project detail provides no explanation as to why the project is 6 years late and \$1 million more in estimated cost. This would be helpful to understand.

From: [Phil Koen](#)
To: [Wendy Wood](#); [Gitta Ungvari](#); [Laurel Prevetti](#)
Cc: [Mary Badame](#); [Rick Tinsley](#)
Subject: Discussion Items for today's FC
Date: Monday, May 1, 2023 8:09:35 AM
Attachments: [Deficit Strategy.xlsx](#)
[FY 24 Budget - Structural Deficit.xlsx](#)

[EXTERNAL SENDER]

Wendy,

Could you please include these schedules in the desk item for today's FC meeting.

Thank you,

Phil Koen

General Fund
Strategies to Close Deficit
FY 2024

Deficit of Revenues	(4,056,036)
---------------------	-------------

Adjustments

Revenue:

6.2% Growth Secured/Unsecured	411,566
6% Growth VLF	136,680
Estimated FY 24 ERAF - \$2,200,000	660,000
5% TOT Growth	46,975
Franchise Garbage Fee	300,000
> Total	1,555,221

Expenditures:

Vacancy - 7 positions	1,547,000
-----------------------	-----------

Total Budget Adjustments	3,102,221
--------------------------	-----------

Transfer In	538,536
Pension Trust	390,000
>Total	928,536

Total	4,030,757
-------	-----------

Adjusted Deficit	(25,279)
------------------	----------

General Fund Structural Deficit FY 2024	Page Ref	Amount
Total Revenues	C-9	54,130,896
Less:		
> Debt reimbursement	C-9	1,894,550
>Transfer In	C-9	538,536
>Pension Trust	C-22	390,000
>OPEB Trust Withdrawal	C-29	1,608,226
>ARPA Pass Through	FAQ	525,000
>1/2 Measure G Revenue	CIP B-10	638,273
Total Adjustments		5,594,585
Normalized Revenues		48,536,311
Total Expenditures	C-9	56,101,897
Less:		
>Debt Service	C-9	1,894,550
>Transfer Out	C-9	1,615,000
Total Adjustments		3,509,550
Normalized Expenditures		52,592,347
Excess/(Deficit) Revenues		(4,056,036)