



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 1/17/2023

ITEM NO: 14

DESK ITEM

DATE: January 17, 2023
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review and Approve the Town's Response to the 2022 Civil Grand Jury of Santa Clara County Report Entitled, "Show Me the Money: Financial Transparency Needed" and the Changes to the Town's Operating Portfolio Investment Policy as Reviewed by the Finance Commission

REMARKS:

On January 16, 2023, Finance Commission Vice Chair Phil Koen sent a request to Vice Mayor Badame to refer the proposed Investment Policy item back to the Finance Commission (see Attachment 4). The Vice Mayor requested that staff respond to the points in his email.

For its January 10th meeting, the Finance Commission was provided the Grand Jury Report, a staff report explaining the recommended response (though not the draft letter as that is for Council to consider), and a recommended change to the Town's Investment Policy. The Commission discussed the matter and the Chair provided suggested edits to the Investment Policy which have been forwarded to the Council for consideration for tonight. To provide some additional context to the meeting, provided below are comments from Chair Tinsley:

"I absolutely agree Phil but that's not what's on the agenda today. We have an item on the agenda today because we are noncompliant with the law and we need to become compliant with it. I totally agree, I like Saratoga's report a lot more than our own. I like seeing all those Internal Service funds, the monthly transactions, and Internal Service funds and capital projects. That would be very illuminating so I think we should talk about this. This should be a part of our workplan which we were not going to have time to talk about tonight, but we will in the next meeting. This should be part of our workplan to review the format of the report, but for now this specific item on the agenda just deals with complying with the law. And so, I would suggest

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

SUBJECT: Operating Portfolio Investment Policy Review and Recommendation to Town Council

DATE: January 17, 2023

we update the Investment Policy to comply specifically with 41004 and in the future work ideas this year let's talk about improving the report format in a more general sense. Which I think is a much bigger topic and I agree Phil much more important but it's not on the agenda tonight."

In addition, in response to a question from Commissioner Koen, the Town Attorney has opined that Government Code Section 41004 requires that the Town file a document showing the Town's "disbursements, receipts, and fund balances" with the Town Clerk monthly. The Town Attorney reviewed the Town's investment report and it includes this information. The Grand Jury Report also states that the investment report satisfies the criteria of Government Code Section 41004. For these reasons, while there may be additional documents that would satisfy the requirement, staff proposes to currently use the Town's investment report to comply with Government Code Section 41004.

Staff informed the Finance Commission that it welcomes a future conversation about potential additional changes to the Investment Policy, including additional reporting as noted in the Report to the Town Council.

It is important to note, the Civil Grand Jury found the Town's report compliant with State law; however, it was the frequency of reporting that concerned the Grand Jury. The Town Investment Report includes the Town's Cash Fund Balances, the money that is available for investment.

In regards to the suggested iterative process between staff and the Finance Commission, it is not practical given the lean resources of the Town to have every staff report that summarizes the work of the Finance Commission to be reviewed by the Commission prior to Council consideration. Members are welcome to provide additional information in the form of public comment which can then be forwarded to the Town Council, such as the one from Vice Chair Koen dated January 16, 2023. This is the Town's practice with all of its Boards, Committees, and Commissions.

It is inefficient for the Town's limited resources to revisit or refer issues back to the Finance Commission that have already come before the Finance Commission. For example, the Finance Commission has important work to do at its February meeting, including a review of the Mid-Year Budget Report, Five-Year Forecast, and its budget recommendations to Town Council. Because of Measure A, the Town is under a compressed schedule to post a complete and balanced Proposed Operating and Capital Budget by mid-April. To meet this deadline, the Finance Commission should complete its work on these three February items as Council is scheduled to consider them on Feb. 21.

SUBJECT: Operating Portfolio Investment Policy Review and Recommendation to Town Council

DATE: January 17, 2023

In addition, Vice Chair Koen has submitted two other communications to staff after the January Finance Commission meeting requesting information that was provided at the meeting as well as additional data (Attachment 4). The Town does not have the financial resources to repeat what was stated at the meeting as the meeting recordings are available for the public and Finance Commission members, nor to address additional matters in between the monthly Finance Commission meetings while meeting the Measure A requirements.

Additional public comment from a resident is also included in Attachment 4.

Attachments previously distributed with the Staff Report:

1. 2021-22 Civil Grand Jury Report "Show Me the Money: Financial Transparency Needed"
2. Town Council Policy 4-02: Investment Policy - Redlined
3. Staff Response to the Civil Grand Jury Report "Show Me the Money: Financial Transparency Needed"

Attachment distributed with this Desk Item:

4. Public Comments received before 11:01 a.m. Tuesday January 17, 2023