



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 04/28/2024

ITEM NO: 1

DATE: April 24, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Review and Discuss the Preliminary Proposed FY 2025-26 Operating and Capital Summary Budget. Provide Preliminary Comments and Recommendations Regarding the Proposed Budget, Including Budget Balancing Approaches

RECOMMENDATION:

Discuss, comment, and begin to make recommendations to the Town Council regarding the Proposed FY 2025-26 Operating and Capital Summary Budget, including budget balancing approaches.

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.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager and Town Attorney

- (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.

DISCUSSION:

On April 21, 2025, the Proposed FY 2025-26 Operating and Capital Budgets were posted to the Town's website, and the links (listed below) were provided to the Finance Commission. Per Measure A, the Finance Commission received the Proposed Budgets 21 business days before May 20, 2025, the first meeting at which the Town Council will consider the Proposed Budgets.

Proposed Operating Budget:

<https://www.losgatosca.gov/2987/Proposed-FY-2025-26-Operating-Budget>

CIP Budget:

<https://www.losgatosca.gov/2988/Proposed-FY-2025-26-Capital-Budget>

On April 22, 2025, a Town Budget Study session was held where the Town Council discussed direction on the preparation of the budget and potential direction to the Finance Commission for their review of the Proposed Budget, including the budget-balancing approaches. One of the budget-balancing strategies proposed is to use the entire Measure G Proceeds for public safety operations rather than a split between 50% operations and 50% being reserved for future capital as well as tiered reductions prepared by the Town's executive team.

The 2025-26 Budget Staff Report and corresponding Attachments from the Budget Study Session are included as Attachment 1 to this Staff Report.

Attachment 2 includes the FY 2025-26 Five-Year Forecast, including historical information.

The Council discussed how prior-year financial projections vary from actual revenues and expenditures at year-end closure and the desire to understand the Town's shorter-term and longer-range financial condition. Staff recommended hiring an independent outside consultant and started discussing the Scope of such a Study with the Finance Commission earlier this month. Council members also commented on the different tiers of the budget-balancing solutions that are presented in Attachment 1.

Staff is seeking input from the Finance Commission on how much to rely on reserves versus other budget-balancing solutions in the FY 2025–26 budget. It would be beneficial for the Finance Commission to review the financial foundation of the budget, including the revenue and expenditure assumptions, and evaluate them with respect to the prior year's actuals and current estimates.

Pursuant to Municipal Code Section 2.50.225(6), the Finance Commission shall review proposed expenditures and advise the Town Council whether such expenditures meet the Town Council's objective for the Measure G tax. One of the proposed budget-balancing strategies is to allocate all Measure G proceeds to support public safety operations. This approach supports the following Measure G objectives: (a) maintaining and enhancing neighborhood police patrols and local crime prevention programs, and (d) maintaining the Town's long-term financial stability. Staff requests the Finance Commission's review and recommendation regarding the proposed allocation of Measure G funds.

To further assist the Commission work, staff included Attachment 3 to reconcile the General Fund FY 2021-22, FY 2022-23, and FY 2023-24 **Actual** Revenues and Expenditures (page C-8 of the FY 2025-26 Proposed Budget) to the **Actual Numbers** according to Annual Comprehensive Reports' General Fund Statement of Revenues, Expenditures and Changes in Fund Balances Budget, and Actual (GAAP) for the Fiscal Year ended June 30, 2022, June 30, 2023, and June 30, 2024. The referenced documents are available on the Town's website. The reconciliation schedules and the referenced pages are included in Attachment 3.

In addition, staff included an alternate presentation (Attachment 4) of the forecast based on prior feedback from a Commissioner.

At its special meeting on April 28, 2025, the Finance Commission will begin discussing and identifying comments and recommendations to the Town Council regarding the Proposed Budgets. To facilitate the Commission's work on the Proposed Budgets, the Commission has scheduled an additional special meeting on May 5, 2025, and will continue the discussion at its regular meeting on May 12, 2025.

At the conclusion of the regular Finance Commission meeting on May 12, 2025, the Finance Commission is expected to finalize its comments and recommendations and provide them to the Town Manager, which will be transmitted to the Town Council on the May 20, 2025, public hearing.

A Council and Finance Commission Joint Study Session meeting, led by experts of the Government Finance Officers Association (GFOA), is scheduled for May 19, 2025, to provide Local Government Financial Management Training in budgeting and financial reporting.

CONCLUSION:

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

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SUBJECT: Proposed FY 2025-26 Operating and Capital Summary Budget

DATE: April 24, 2025

Attachments:

1. Council Budget Study Session April 22, 2025 Staff Report with Attachments
2. FY 2025-26 Forecast including Historical Information
3. Reconciliation to General Fund Budget and ACFR Presentation
4. FY 2025-26 Forecast – Alternative Presentation