



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 06/13/2022

ITEM NO: 2

DATE: June 8, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Budget Update and Report Out on Council Budget Actions, and
Provide any Additional Recommendations to the Town Council

RECOMMENDATION:

Receive budget update and report out on Council budget actions, and provide any additional recommendations to the Town Council.

BACKGROUND:

On April 18, 2022, the Proposed FY 2022/23 Operating and Capital Budgets were posted to the Town's website. Per Measure A, the Finance Commission received the Proposed Budgets 21 business days before May 17, 2022, which is the first meeting at which the Proposed Budgets were considered by the Town Council. The Finance Commission held three public meetings at which Commissioners discussed the Proposed Budgets and provided recommendations to the Town Council per Measures A and G. On May 17, 2022, the Town Council conducted a public hearing on the proposed FY 2022/23 Operating and Capital Summary Budget and Proposed FY 2022/23 – 2026/27 Capital Improvement Program. The Town Council considered public testimony, discussed both documents, considered the Finance Commission recommendations, and directed staff to bring back the documents for final approval incorporating the Council recommendations.

On June 7, 2022, staff presented a report to the Town Council which included Resolutions for adoption of Operating and Capital budgets and approval of GASB 54 fund balances (Attachment 1). The budget adoption resolution included recommended changes from the May 17 budget meeting, revenue adjustments, capital transfers, carry-forward appropriations, and minor corrections. In addition, the budget resolution included expenditure adjustments associated with recent labor agreements and corresponding revenue adjustments.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager and Finance Director

DISCUSSION:

Given that the recommended budget adjustments associated with labor had not previously been reviewed by the Finance Commission, the Council voted to refer the item back to the Finance Commission and continue the item to June 21, 2022.

Since the initial review by the Finance Commission and consideration of the Proposed Operating Budget on May 17, 2022, the Town successfully completed negotiations with all bargaining units (Attachment 2). A summary of the terms and costing associated with those agreements is included in Attachment 3. With the addition of the labor agreement expenditures, staff included recommended corresponding revenue adjustments per our obligation to present a balanced budget. After previously adopted budget balancing recommendations and other revenue adjustments, staff balanced the remaining approximate \$900,000 deficit associated with labor utilizing the OPEB 115 Trust to fund budgeted retiree Pay Go healthcare expenses. Utilization of the OPEB 115 Trust had previously been identified as a viable budget balancing strategy during the FY 2020/21 budget deliberations (Attachment 4).

At the June 7th Town Council meeting, staff also recommended administrative American Rescue Plan Act (ARPA) budget adjustments to comport with final Treasury guidance and audit documentation. A summary of the ARPA budget recommendation is included in Attachment 5.

CONCLUSION:

Receive budget update and report out on Council budget actions and provide any additional recommendations to the Town Council.

Attachments:

1. June 7 2022 Council Staff Report and Resolutions
2. Labor Agreements
3. Labor Agreement Summary
4. FY 2020/21 and 2021/22 Budget Balancing Options
5. ARPA Administration