
Subject: Please Include these public comments for 2-18-20 Council Meeting, Item 8
Attachments: Comments on the mid-year report.pdf

From: jvannada@gmail.com <jvannada@gmail.com>

Sent: Sunday, February 16, 2020 9:44 AM

To: Laurel Prevetti <LPrevetti@losgatosca.gov>; Stephen Conway <sconway@losgatosca.gov>; Arn Andrews <aandrews@losgatosca.gov>

Subject: Please Include these public comments for 2-18-20 Council Meeting, Item 8

Thank you,

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Jak VanNada -

Los Gatos Community Alliance

Facts Matter; Transparency Matters; Honesty Matters

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ATTACHMENT 3

February 16, 2020

Dear Honorable Mayor and Council Members,

We have reviewed the midyear budget performance report and would like to offer our comments for your consideration:

1. The current fiscal year projection for FY 2020 reflects a surplus of operating revenues of \$589,172, not \$1,127,708 as reported. The Town's operating surplus is determined by subtracting from the Town's operating revenues (taxes, grants, fees, fines and interest) the Town's operating expenses (departmental and non-departmental expenses). All fund transfers and the use of general fund reserve balances are not included in this calculation, which is consistent with the CAFR reporting. The Staff has included \$538,536 of other "non-revenue" sources (funds transfers and use of general fund reserves) in computing the \$1,127,708. By including fund transfers or the use of general fund reserves in "revenues", the "excess of revenues" as defined by the Staff is overstated and will not reflect the true underlying operating performance of the Town. Using the CAFR approach, the FY 2020 adopted budget had a deficit of \$417,000. The midyear budget improvement is due to the midyear net revenue adjustments totaling \$1.1m which are attributable to higher property tax and sales tax collections.

2. The report states that "estimated figures do not include analysis on potential salary and other expenditure savings (page 131)". The purpose of this report is to project the best estimate of full year results and increase transparency of the Town's finances. By not factoring in potential salary and other expenditure savings, the estimates are of limited value. We have attempted to determine the magnitude of these additional savings. Our analysis suggests there is potentially an additional \$2.0m of savings which has not been included in these projections. This is substantially due to salary and benefit savings arising from staff vacancies and budgeting salaries at the top step. The budget report states that at the mid-year point, salary expense is running at 45% of the adopted budget (see page 126). If that trend holds, the annual expense would be 90% of the adopted budget. This would result in a \$2m salary "savings", not including any additional benefit or operating savings that might also be realized.

3. We can further test this "\$2.0m additional savings" by comparing the actual first half of the FY 2020 operating expenditures to the second half projection. As shown on the General Fund Summary schedule (page 132) the first half total operating expenses were \$19.9m. The estimate for the total fiscal year is \$43.5m. This implies that the second half operating expenditures would be \$23.6m, which is a 19% increase over the first half. This magnitude of increase has never been seen in the recent years and suggests that the projected second half expenditures are too high by approximately \$1.7m to \$2.0m. A more reasonable full year operating expenditure estimate would be approximately \$41.5m.

Conclusion

The Town Council has expressed a desire to continue to emphasize the following areas “if budgetarily feasible”.

1. ADP’s toward pension obligations
2. Wildfire mitigation
3. Implementation of the parking study
4. Renewed sustainability efforts

Based on our analysis, there is approximately \$2.5m (\$.5m currently projected plus the \$2m of unreported potential savings) of additional funds available this year for the Council to spend toward these critical priorities. This budget could, and should, be more forthright as well as transparent to the citizens of Los Gatos.

We would recommend that the Council engage in a full and complete discussion with the Staff to ensure that the Council and residents have a realistic and transparent view to the financial standing of the Town. We would also recommend that going forward, the midyear budget performance report be reviewed in advance by the Finance Committee so resident experts would be able to provide the Council with their independent view point. Such input we believe would greatly assist the Council in their decision making.

Thank you,

Los Gatos Community Alliance

Subject: Should the Council decide to approve the revenue and expenditure budget adjustments.

From: "jvannada@gmail.com" <jvannada@gmail.com>

Date: February 17, 2020 at 8:13:23 PM PST

To: Laurel Prevetti <LPrevetti@losgatosca.gov>

Cc: Stephen Conway <sconway@losgatosca.gov>, Arn Andrews <aandrews@losgatosca.gov>

Subject: Should the Council decide to approve the revenue and expenditure budget adjustments.

The Staff memo for the midyear budget review requests the Council to “approve the revenue and expenditure budget adjustments”.

If the Council does this, they would be approving an adjusted revenue and expenditure budget which has:

1. Operating revenues (as defined by the CAFR) increasing 1.6% over prior year actuals
2. Salary and Benefit expenditures increasing 15.4% over prior year actuals
3. All other operating expenses increasing 13% over prior year actuals.

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