



TOWN OF LOS GATOS

DATE: May 10, 2023
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager on behalf of the Finance Commission
SUBJECT: Receive Recommendations from the Town Finance Commission per Measure A Regarding Fiscal Year (FY) 2023/24 Proposed Operating and Capital Budgets

RECOMMENDATION:

Receive recommendations from the Town Finance Commission per Measure A regarding Fiscal Year (FY) 2023/24 Proposed Operating and Capital Budgets.

BACKGROUND:

On April 17, 2023, the Town Manager's Proposed FY 2023/24 Operating and Capital Budgets were posted on the Town's website for the public's review and comment. The Proposed Budgets were published 21 business days before May 16, 2023 (Council's public hearing date on the Budgets), in accordance with Measure A.

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

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, and Town Attorney

BACKGROUND (continued):

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.

The Finance Commission established the following schedule to discuss and determine its recommendations on the Proposed Budgets and Measure G allocation (Agendas and Minutes available at: <https://losgatos-ca.municodemeetings.com/>):

- April 17, 2023 – Special Finance Commission meeting
- May 1, 2023 – Special Finance Commission meeting
- May 8, 2023 – Regular Finance Commission meeting

In addition, the meeting schedule provided ample opportunities for the public to engage in the process either through written comment, verbal comment through Zoom, or participating in person.

The discussion section of this report details the deliberations of the Finance Commission and its recommendations to the Town Council.

DISCUSSION:

Finance Commission Deliberations

Over the course of the Commission's budget proceedings, the Commission received presentations on the Proposed Operating and Capital Budgets, evolution of forecasted budget deficits, allocated/unallocated American Rescue Plan Act (ARPA) Replacement Revenue, and employee vacancies. In addition, staff provided responses to Commission and public inquiries throughout the process. All questions and responses are posted on the Town's website as Frequently Asked Questions (FAQs) at: <https://www.losgatosca.gov/2858/Proposed-FY-2023-24-Operating-Budget>

The Commission's deliberations coalesced around the following goals and observations:

- The Commission's interest for continued enhancement of transparency in budget development, budget assumptions, and budget presentation.
- The higher percentage increases in the primary expenditures of Salary and Benefits relative to revenues is constraining other investments.

DISCUSSION (continued):

- The Forecast projects deficits throughout the forecast period.

Based on the aforementioned areas of emphasis, the Commission ultimately made four recommendations to the Town Council.

Motion by Chair Tinsley to instruct staff to add a vacancy rate of 4.6% to the budget in order to more realistically forecast expected personnel expenses. **Seconded by Vice Chair Koen.**

Motion passed 3-0 (Commissioners Howard and Reiners were absent).

Motion by Vice Chair Koen to make a recommendation to the Town Council to adjust the Education Realignment Augmentation Fund (ERAF) revenue estimate for FY 2023/24 to \$2.2 million from the budgeted amount of \$1.5. **Seconded by Commissioner Howard.**

Motion passed 4-0 (Commissioner Reiners was absent).

Motion by Vice Chair Koen to make a recommendation to adjust the schedules C-9, C-10, C-14, C-26 to expand the salary benefits line to include salary, overtime, CalPERS Benefits, all other benefits and OPEB pay as you go benefits. **Seconded by Chair Tinsley.**

Motion passed 4-0 (Commissioner Reiners was absent).

Motion by Vice Chair Koen to make a recommendation to staff to revise the schedules on pages B-5 and B-6 to add a column showing the best estimate of funds to be spent within FY 2023/24 by project. **Seconded by Commissioner Dell.**

Motion passed 4-0 (Commissioner Reiners was absent).

CONCLUSION:

Per Measure A, this report provides written comments and recommendations to the Town Council regarding the Commission's review of the Proposed FY 2023/24 Operating and Capital Budgets.

COORDINATION:

This staff report was coordinated with the Town Manager, Town Attorney, and Finance Commission Chair.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.