

March 1, 2020

**Re: Response to Staff's recommendation regarding the Finance Commission Initiative
Item 10 – March 3, 2020 Council Meeting Agenda**

Dear Honorable Mayor and Council Members,

You have received a memo from the Town Manager that contains 3 specific recommendations regarding the Finance Commission Initiative.

You are also aware that the Registrar of Voters has certified that the petition has met the required sufficiency tests and the initiative has qualified to be included in the November, 2020 election.

The Staff memo recommends the Council take the following actions:

- Accept the elections official's certification of sufficiency
- Adopt a resolution calling the election, which Staff estimates will cost the Town approximately \$54,600 assuming the measure is only 6 pages
- Order an impartial analysis report (i.e. 9212 Report) which will determine potential fiscal impacts of the proposed initiative. Staff estimates the report will cost the Town \$50,000.

We agree with the first recommendation and disagree with the other two. We will endeavor to keep our response short but complete. Let us first address the last recommendation.

Order a 9212 Report which will cost the Town approximately \$50,000

We think it is important the Council have a complete historical view of the Finance Committee. We have attached a Staff memo dated February 13, 2017 that provides the first historical view of the Finance Committee. We will refer to this memo a number of times.

At the conclusion of the February 13 memo, the Staff states that "existing staff would continue to support the Council Finance Committee". The memo goes on to state "**At this time, the Finance Department is able to absorb additional fiscal impacts related to increased public participation**". This increased public participation is directly discussed in the memo where the Staff states "the Town Council has made the decision to increase public participation on the Finance Committee".

Subsequently, the Staff issued another memo dated February 28, 2017 which recommended the adoption of a "resolution establishing the Town Council Finance Committee". This resolution greatly expanded the function of the Committee beyond its historical purpose of meeting only once a year to review the CAFR. The resolution added for the first time 3 resident members in a non-voting role, materially increased the number of meetings per year, and established a broader function of the committee in an advisory capacity.

The expanded duties included but were not limited to reviewing the Town's investment policy, making recommendations to address the growing unfunded pension and OPEB liabilities, making recommendations regarding new revenue sources and to receive special projects as directed by the Town Council.

The Staff memo also contained an analysis of the fiscal impact of this resolution which concluded "**There is no fiscal impact associated with this item**". We have also attached both the resolution and the Staff memo for your review. The Council unanimously passed Resolution 2017-008.

After the passing the resolution which essentially "restructured" the prior Finance Committee, the new Committee met frequently over the next 2 years. The committee played a valuable role in advising the Town Council on a number matters including but not limited to reviewing the annual CAFR, advising on the strategies to pay down the Town's growing unfunded pension and OPEB liabilities, reviewing the Town's investment strategy and performance, and making substantive recommendations with regard to excess cash balances trapped in Internal Service funds which could be used to pay down unfunded pension liabilities. On a number of occasions, the Council publicly thanked the committee for the quality of work and completeness of recommendations

On January 10, 2019 the Staff wrote a third memo regarding the Finance Committee which recommended the Council "**rescind resolution 2017-008 and adopt a replacement resolution establishing the Town Council Finance Committee.**" The new resolution, which is attached to this memo, significantly reduced the scope of the Finance Committee's purview and explicitly restricted the Committee from advising the Council regarding the Town's budget and spending priorities. The proposed resolution came as a complete surprise to the resident members of the Finance Committee since it had never been disclosed to, or deliberated by, the Finance Committee prior to being placed on the agenda for the January 15, 2019 Council meeting.

To many the resolution seemed to have been driven by the Staff's desire to restrict the Finance Committee from advising the Council regarding the annual budget. The Staff never explained why excluding the Finance Committee from advising the Council on the annual budget and spending priorities would be beneficial to the Council or the residents. Furthermore this new position seemed to reverse their early position of endorsing a focus on the annual budget which was discussed in their February 13, 2017 memo.

The memo also stated that the report "**was coordinated between the Offices of the Town Manager and the Town Attorney and the Finance Department**". Unfortunately, the very committee which would have been impacted by this resolution was not consulted nor included in the process. Fortunately, the Council wisely unanimously rejected this proposal and again cited the value of the Finance Committee and the need to keep the existing scope of duties.

Lastly, the memo again stated, "**there is no fiscal impact associated with this item**". To be clear, every time the Staff has reviewed the fiscal impact of the Finance Committee, the conclusion they have reached has been consistent - **there is no fiscal impact.**

Being informed of this historical view and understanding that normally fiscal impact reports are used to determine the fiscal impact of proposed new taxes and or changes in land use, we believe that spending \$50,000 of the Town's money on an initiative that "**restructures**" **an existing advisory Finance**

Committee and mandates fewer meetings to be held than currently, would be a waste of the Town's resources. Furthermore, the Staff has never raised any concerns regarding a fiscal impact to the Finance Committee.

A fiscal impact report is **not required by election code section 9212** and it is up to the discretion of the Council to make an informed judgment if such a report would be useful. If the Council were to proceed with the fiscal impact report, the Council would still be left with only two options after reviewing the report – a) adopt the initiative without any amendments or b) adopt a resolution calling for the election. This is exactly where we are today.

In deciding this issue, the Council should also be aware of our efforts to engage the Staff in discussing the initiative. We met with the Town Manager and the Assistant Town Manager in mid-November 2019 and prior to launching the initiative process, with the intent of having a full-throated discussion of the proposed resolution. We provided the Staff with a copy of the initiative resolution prior to the meeting and were looking forward to a constructive conversation regarding our proposed changes to the existing Finance Committee.

At that meeting we were told by the Town Manager that the Staff had “no comments or questions” regarding the proposed initiative. **We called to Staff's attention that this was an ideal time to discuss any issues, including any potential fiscal impact.** The Town Manager declined to comment. We left that meeting specifically stating that based on the Staff's response it was our understanding there were no issues with regard to the Staff.

We are perplexed that the Town Manager is now making a recommendation to spend \$50,000 of the Town's money to determine if there are any fiscal impacts, when over the past 3 years, the Staff has never claimed ANY fiscal impact associated with the Finance Committee. Why is the Staff making this recommendation and why now? We are highly skeptical.

We recommend that the Council not spend \$50,000 of the Town's money when the Staff over the past three years has consistently stated that there were no fiscal impacts associated with the Finance Committee. It appears to us that the answer to the fiscal impact question is already well known.

Adopt a resolution calling the election and incurring \$54,600 in election fees

There is another alternative we believe the Council should consider and one that we are recommending. Namely, to **adopt the ordinance at the Council meeting without alteration.** The Staff states that they are not recommending this alternative only because **“any changes in the ordinance would require a vote of the people”.** There are no other reasons given.

The Staff is correct that the initiative states that the duties of the Finance Commission cannot be altered or abrogated in any way except by a majority vote of Town's voters.

This requirement is a byproduct of using the initiative process to pass the resolution and is meant to protect the will of the voters from future Councils or a Staff who might not like the role of the Finance Committee and want to reduce the Finance Commission's purview. The requirement of obtaining voter approval for any changes goes to the heart of a democratic process and is a good thing, contrary to how the Staff is portraying it.

Therefore, the only reason to not adopt the measure now without alteration would be because the Council does not feel comfortable in adopting the resolution and wants the voters to decide. While perhaps a valid point, the Council had no problem establishing the existing Finance Committee and did not seek a public vote in 2017.

This initiative has received broad voter support, with over 2,500 voters signing the initiative in approximately 60 days. Our voter survey, which is statistically valid, indicated that there is approximately 70% voter support for this initiative. **Please understand that the only substantive changes this initiative makes to the current advisor-only Finance Committee is to a) increase public participation by expanding the number of resident members to 5; b) expand the scope of the Committee to include a review the annual budget and c) to transfer the Sales Tax Oversight Committee powers and duties to the Finance Commission. The Finance Commission will remain an advisory body and the Council will still retain all decision-making authority over the budget and other financial issues.** These logical changes are in the best interest of the public and are something the Council should be comfortable making without seeking a costly public vote.

We would also like to point out that the Staff memo of February 13, 2017 listed as option #1 the exact model for meaningful public participation that is embodied in the initiative. In that memo the Staff presented 3 different models. The first of the three models was:

“...creation of a separate Finance Commission, comprised of public members appointed by the Council. The Commission would advise and make recommendations to the Town Council. Staff’s research shows that this model is often structured to focus on specific financial issues, such as **the budget** or monitoring **a tax measure**. The Commission is **advisory** to the Council. **This model was proposed by the Staff but rejected by Council**”.

Apparently, in 2017 the Staff was in favor of the model that is contained in the initiative but now has changed their view. We find this to be inconsistent with the excellent results that Finance Committee has achieved.

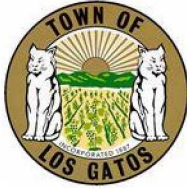
For all of these reasons, we believe the proper action is for the Council to adopt the resolution without alteration and save the Town \$54,600.

In summary, by adopting the two logical recommendations embodied in this letter, and reprinted below, the Council can easily save the Town over \$104,000; funds which can be put to far better use.

- Accept the elections official’s certification of sufficiency
- Adopt the ordinance at the Council meeting without alteration.

Los Gatos Community Alliance

Phil Koen, Jak VanNada, Rick Van Hoesen



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 02/21/2017

ITEM NO: 10

DATE: FEBRUARY 13, 2017
TO: MAYOR AND TOWN COUNCIL
FROM: LAUREL PREVETTI, TOWN MANAGER
SUBJECT: OPTIONS TO INCREASE PUBLIC PARTICIPATION ON THE COUNCIL FINANCE COMMITTEE

RECOMMENDATION:

Staff recommends that the Council review the options and select one to increase public participation on the Council Finance Committee.

BACKGROUND:

At the January 31, 2017 meeting of the Town Council Priority Setting Session, staff was directed to explore options for increasing public participation on the two-member Town Council Finance Committee. The direction from Council was the result of requests from the public to provide input and to share expertise on a variety of financial issues facing the Town. The issues include CalPERS pension liability, Other Post Retirement Benefits (OPEB), and the annual financial audit/Comprehensive Annual Financial Report (CAFR).

Historically, the Council Finance Committee met annually to discuss the Comprehensive Annual Financial Report (CAFR). Last year, the Committee also met to discuss the CalPERS unfunded liability. The Committee typically gives a member of the public three minutes to provide input.

Given that the unfunded liability with CalPERS pensions and Other Post-Employment Benefits (OPEB) is a Council Strategic Priority, staff intends to bring options and strategies to the Council Finance Committee in March for discussion and possible recommendation prior to a full Town Council discussion in April. Consequently, staff anticipates additional Council Finance Committee meetings in 2017.

The public's input, perspectives, and ideas are an important part of the Town's deliberation of financial concerns, particularly unfunded liabilities. Staff requests Council's direction regarding a preferred approach to increase public participation on the Council Finance Committee.

PREPARED BY: KAY WINER
Interim Assistant Town Manager

Reviewed by: Town Manager, Town Attorney, and Finance Director

DISCUSSION:

Options:

There are three primary models for meaningful public participation.

1. The first is creation of a separate Finance Commission, comprised of public members appointed by the Council. The Commission would advise and make recommendations to the Town Council. Staff's research shows that this model is often structured to focus on specific financial issues, such as the budget or monitoring a tax measure. The Commission is advisory to the Council. This model was proposed by staff, but rejected by Council.
2. The second is to add members of the public to the existing two-member Council Finance Committee after a formal application and interview process. To implement this approach, the Council would need to adopt a resolution which would: define the purpose and scope of the Finance Committee; determine if the public members can vote; identify the qualifications, if any, to serve on the Committee; specify the number of public members; and align the process and term for appointments to be consistent with other Town Commissions.
3. The third model is to welcome the public to participate in all Council Finance Committee meetings without formal appointment. The public would be invited to join the Council Committee members at the table and participate in the discussion of all agenda items without strict time limits. The Committee Chair would lead the agenda and facilitate the discussion. This approach is similar to the way the Council Policy Committee currently functions.

If the Council wishes to pursue approach #2 (adding public members to the Council Finance Committee), staff recommends that the following parameters be drafted in a resolution for adoption at the next Council meeting.

Council Finance Committee Purpose and Scope

Presently, the Council Finance Committee deals with a full range of finance-related issues facing the Town. The public members of the Finance Committee would participate in all meetings. The Council may wish to define the purpose and scope of the Committee. For example, the major issues that the public has already expressed interest in and a keen desire for participation, include CalPERS unfunded pension liability, OPEB, and the annual audit/Comprehensive Annual Financial Report (CAFR).

Voting

Another issue to consider is whether the public members of the Finance Committee would have voting rights or if their function is to provide input to the Council Committee members during deliberations.

Potential Qualifications to Serve as a Public Member of Finance Committee

1. Resident of Los Gatos and a registered voter;
2. Five years of experience in at least one of the following:
 - a. Financial experience in a corporate, business, or government setting;
 - b. Principal or officer at a financial auditing firm;
 - c. Investment banking;
 - d. Finance or budget management;
 - e. Certified public accountant (CPA)

Options for Number of Public Members

The Town Council would need to determine the number of public members to join the two Council members on the Committee.

Selection Process

Staff recommends that the appointment process follow the same procedures as described in the Town Council Policy entitled Commission Appointment Policy.

Term of Appointment

The Town Commissioners typically serve for three (3) years. Terms of appointment should be for at least three years to allow sufficient time for the public members to develop an in depth understanding of the financial policies and issues facing the Town to provide meaningful input. Appointees to the Finance Committee should have the opportunity to serve additional terms, consistent with other Commission appointments.

CONCLUSION:

The Town Council has made the decision to increase public participation on the Finance Committee. This report provides alternatives on the role and functions of the public members, appointment process, and length of service on the Finance Committee. Since this is a new process for the Council, it can be viewed as a "pilot," and evaluated after the first year of implementation, with any appropriate changes made at that time.

PAGE 4 OF 4

SUBJECT: OPTIONS TO INCREASE PUBLIC PARTICIPATION ON COUNCIL FINANCE
COMMITTEE

DATE: FEBRUARY 13, 2017

COORDINATION:

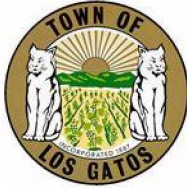
This report was coordinated with the Finance Department and Town Attorney's Office.

FISCAL IMPACT:

The existing staff would continue to support the Council Finance Committee. Staff has also met with members of the community to answer their questions and review Town financial documents. At this time, the Finance Department is able to absorb additional fiscal impacts related to increased public participation.

ENVIRONMENTAL ASSESSMENT:

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



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 03/07/2017

ITEM NO: 4

DATE: FEBRUARY 28, 2017
TO: TOWN COUNCIL
FROM: LAUREL PREVETTI, TOWN MANAGER
SUBJECT: ADOPT A RESOLUTION ESTABLISHING THE TOWN COUNCIL FINANCE COMMITTEE

RECOMMENDATION:

Adopt a resolution establishing the Town Council Finance Committee.

REMARKS:

At its February 21, 2017 meeting, the Town Council decided to appoint three residents to the Town Council Finance Committee who would serve three year terms as non-voting members and meet specific financial qualifications. This action is being memorialized in an enabling resolution for the Finance Committee (see Attachment 1).

FISCAL IMPACT:

There is no fiscal impact associated with this item.

ENVIRONMENTAL ASSESSMENT:

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

Attachment:

1. Draft enabling resolution

Reviewed by: Town Manager, Town Attorney, and Finance Director

DRAFT RESOLUTION

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS ESTABLISHING THE TOWN COUNCIL FINANCE COMMITTEE

WHEREAS, the Town Council of the Town of Los Gatos has determined that there is a need for adult resident input to Council and staff regarding financial policy issues, and to promote citizens participation and understanding regarding the financial condition of the Town; and

WHEREAS, the Town Council of the Town of Los Gatos does hereby establish the terms and conditions for citizen appointment to and conduct of the Town Council Finance Committee. The Committee is advisory to the Town Council and shall be formed, convened, and governed by the following bylaws as adopted by the Town Council:

- A. The Town Council Finance Committee shall consist of five (5) members – two (2) Town Council Members as voting members, appointed annually by the Mayor, and three (3) adult residents as non-voting members, appointed by the Town Council, whose term of office shall be for three (3) years with no limitations on reappointments.
- B. A quorum shall consist of the two voting Council Members. The resident members of the Finance Committee shall participate in all meetings.
- C. Resident applicants shall follow the Town’s standard recruitment and selection process and shall have the following qualifications to serve on the Council Finance Committee:
 1. Resident of Los Gatos and a registered voter;
 2. Five years of experience in at least one of the following:
 - a. Financial experience in a corporate, business, or government setting;
 - b. Principal or officer at a financial auditing firm;
 - c. Investment banking;
 - d. Finance or budget management;
 - e. Certified public accountant (CPA)
- D. The terms of office of the resident members shall be staggered and over lapped in such a manner that the terms of no more than one-third of the members expire each year.
- E. Resident members shall conform with all current Town Resolutions and Policies.
- F. The Town Council shall fill any resident member vacancies occurring during the term of the Committee.
- G. The members of the Committee shall serve without compensation, provided that with advance budgetary approval of the Town Council, the actual and necessary expenses (if any) incurred by the members in the conduct of Town business shall be reimbursable pursuant to the provisions of the current Administrative Policy.
- H. The Committee shall establish a regular time and location for its meetings and shall conduct its meetings in compliance with the provisions of the Ralph M. Brown Act (Government Code Sections 54950).
- I. Minutes of the actions taken during the Committee’s meetings shall be kept and shall be a public record.

ATTACHMENT 1

- J. The function of the Committee shall be to serve in an advisory capacity to the Town Council regarding the following:
1. Annual review of the Town's investment policy;
 2. Annual review of the independent financial audit (Comprehensive Annual Financial Report);
 3. Annual review of and potential recommendations to address the Town's CalPERS unfunded pension and Other Post-Employment Benefits (OPEB) liabilities;
 4. Annual review of proposals and make recommendations regarding new and increased revenue sources;
 5. Special projects as directed by the Town Council, Town Manager, or Finance Director.
- K. It is not the purpose of the Committee to advise on regular or routine financial administration, nor to become involved in other than the financial impact of the projects/programs they are asked to review.

NOW, THEREFORE, BE IT RESOLVED, that the Town Council Finance Committee is hereby established as an advisory committee to the Los Gatos Town Council.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 7th day of March, 2017, by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

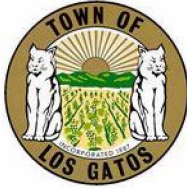
MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DATE: _____

ATTEST:

CLERK ADMINISTRATOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DATE: _____



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 01/15/2019

ITEM NO: 7

DATE: JANUARY 10, 2019
TO: TOWN COUNCIL
FROM: LAUREL PREVETTI, TOWN MANAGER
SUBJECT: RESCIND RESOLUTION 2017-008 AND ADOPT A REPLACEMENT RESOLUTION
ESTABLISHING THE TOWN COUNCIL FINANCE COMMITTEE

RECOMMENDATION:

Rescind Resolution 2017-008 and adopt a replacement resolution establishing the Town Council Finance Committee.

BACKGROUND:

For many years, the Council Finance Committee consisted of two Council Members who met annually with the Town's independent auditor to discuss the Comprehensive Annual Financial Report (CAFR) prior to its consideration by the full Town Council. During the January 2017 Strategic Priorities session, the Town Council directed staff to return with options for increased public participation in the Finance Committee.

On February 21, 2017, the Town Council considered several options for increasing public involvement on the Finance Committee (see Attachment 1) and directed staff to prepare an enabling resolution for the Finance Committee that would add three non-voting members of the public and clarify the scope of the Committee. On March 7, 2017, the Town Council adopted this enabling resolution for the Finance Committee (see Attachment 2).

Since that time, the Finance Committee has been primarily focused on addressing the Town's pension and Other Post-Employment Benefits (OPEB) obligations by recommending the formation of an IRS 115 Pension Trust, recommending initial investment strategies for both the Town's Pension and OPEB Trusts, and reviewing actuarial information and the Trusts' performance statements. Other activities included the annual review of the CAFR and the Town's Investment Policy among other items.

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

BACKGROUND (continued):

With the establishment of the Pension Trust, the Town Council also established the Town Pension and OPEB Trusts Oversight Committee, appointed the Council Members as Oversight Committee members, and adopted its governing Investment Policy. The Oversight Committee has primary fiduciary responsibilities for managing the assets of both Trusts in the interest of current and former employees who do or will receive retirement and/or retiree health benefits.

During much of 2018, the Finance Committee expressed interest in reviewing the Town's budget to determine if additional resources might be available to be redeployed to unfunded pension and OPEB obligations. Based on the existing Finance Committee Resolution, staff explained that such a review is outside the scope of the Finance Committee's purview. In addition, budget decisions are an appropriation of public funds and are one of the key roles of the Town Council as the governing body authorized to expend funds on behalf of and accountable to the residents of Los Gatos. Given the continued interest by the Committee, staff did provide information to the Committee on the Town's funds, their purposes, and target levels as a courtesy prior to the Town Council's consideration of this same information. The Committee had robust discussions, questioning municipal financing practices and suggesting that the Town has too many Internal Service Funds and Reserves which has led to "excess cash" being reserved instead of being put towards a more productive use such as pension and OPEB liabilities.

On December 18, 2018, the Town Council discussed the Internal Service Funds and Reserves and made several motions, including a motion to return with analysis regarding a possible Internal Service Fund Policy and a motion to use the Finance Committee as the venue for public comment prior to returning to Council for the policy discussion. Given that the latter motion is not consistent with the current enabling resolution for the Committee, the Council also requested to re-evaluate the purpose and composition of the Council Finance Committee to determine if any changes are needed.

ANALYSIS:

As the Town Council considers the role of the Finance Committee in its advisory capacity to the Council, the Council may wish to consider the following items:

- The establishment of the Oversight Committee memorialized the fiduciary responsibilities inherent in the management of the Pension and OPEB Trusts within this governing body. As such, the Oversight Committee should be the only body discussing investment strategies, asset allocations, and actuarial assumptions.

ANALYSIS (continued):

- If the goal of the Town Council is to broaden public involvement in the Town's budget process, a larger community effort would be more appropriate rather than a single Committee. While welcome, financial expertise is not required for participation on the priorities and services of the Town. If this is an area that the Council would like to explore, staff is prepared to provide additional information.
- Given the interest of the Council to engage the public in the discussion regarding a potential Internal Service Fund Policy, staff recommends conducting outreach on this topic outside of any Council Committee. If the Town Council would prefer a Council Committee host the discussion, then the Council Policy Committee would be the appropriate venue given its wide scope to consider all matters of policy. Known interested residents would be invited to participate with either approach and the Council would receive the input as part of its consideration of the policy issue.

With these considerations in mind, staff recommends that the Town retain a Council Finance Committee to advise the Town Council on revenue enhancement recommendations as well as to conduct an annual review of the CAFR and the Town's Investment Policy.

The Town Council should decide if the current composition of the Finance Committee is meeting its goals for public participation. Options include:

- Return to the former composition of two Council Members
- Re-establish the Finance Committee as a Finance Commission with resident members only
- Maintain the current hybrid of voting Council Members and non-voting resident members

Staff recommends maintaining the current hybrid composition with the revised purpose described above (see Attachment 3).

COORDINATION:

The preparation of this report was coordinated between the Offices of the Town Manager and the Town Attorney and the Finance Department.

FISCAL IMPACT:

There is no fiscal impact associated with this item.

PAGE 4 OF 4

SUBJECT: RESCIND RESOLUTION 2017-008 AND ADOPT A REPLACEMENT RESOLUTION
ESTABLISHING THE TOWN COUNCIL FINANCE COMMITTEE

DATE: JANUARY 10, 2019

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. February 21, 2017 Report on Public Participation Options for the Finance Committee
2. Resolution 2017-008 Establishing the Town Council Finance Committee
3. Draft Resolution

DRAFT RESOLUTION

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS AMENDING THE ENABLING RESOLUTION OF THE TOWN COUNCIL FINANCE COMMITTEE AND RESCINDING RESOLUTION 2017-008

WHEREAS, the Town Council of the Town of Los Gatos has determined that there is a need for an advisory Finance Committee to the Town Council; and

WHEREAS, the Town Council of the Town of Los Gatos does hereby establish the terms and conditions for citizen appointment to and conduct of the Town Council Finance Committee. The Committee is advisory to the Town Council and shall be formed, convened and governed by the following bylaws as adopted by the City Council:

- A. The Town Council Finance Committee shall consist of five (5) members – two (2) Town Council Members as voting members appointed annually by the Mayor, and three (3) adult residents as non-voting members, appointed by the Town Council, whose term of office shall be for three (3) years with no limitations on reappointments.
- B. A quorum shall consist of the two voting Council Members. The resident members of the Finance Committee shall participate in all meetings.
- C. Resident applicants shall follow the Town’s standard recruitment and selection process and shall have the following qualifications to serve on the Finance Committee:
 1. Resident of Los Gatos and a registered voter;
 2. Five years of experience in at least one of the following:
 - a. Financial experience in a corporate, business, or government setting;
 - b. Principal or officer at a financial auditing firm;
 - c. Investment banking;
 - d. Finance or budget management;
 - e. Certified public accountant (CPA)
- D. The terms of office of the resident members shall be staggered and overlapped in such a manner that the terms of no more than one-third of the members expire each year.

- E. Resident members shall conform with all current Town Resolutions and Policies.
- F. The Town Council shall fill any resident member vacancies occurring during the term of the Committee.
- G. The members of the Committee shall serve without compensation, provided that with advance budgetary approval of the Town Council, the actual and necessary expenses (if any) incurred by the members in the conduct of Town business shall be reimbursable pursuant to the provisions of the current Administrative Policy.
- H. The Committee shall establish a regular time and location for its meetings and shall conduct its meetings in compliance with the provisions of the Ralph M. Brown Act (Government Code Sections 54950).
- I. Minutes of the actions taken during the Committee's meetings shall be kept and shall be a public record.
- J. The function of the Committee shall be to serve in an advisory capacity to the Town Council regarding the following:
 - 1. Annual review of the Town's Investment Policy;
 - 2. Annual review of the independent financial audit (Comprehensive Annual Financial Report); and
 - 3. Review and recommendations regarding new and increased revenue sources.
- K. It is not the purpose of the Committee to advise on regular or routine financial administration, the Town's budget or spending priorities, nor to become involved in matters other than the financial impact of the projects/programs they are asked to review.

NOW, THEREFORE, BE IT RESOLVED, that the Town Council Finance Committee is hereby established as an advisory committee to the Los Gatos City Council.

BE IT FURTHER RESOLVED that Resolution 2017-008 is hereby rescinded.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 15th day of January 2019, by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DATE: _____

ATTEST:

CLERK ADMINISTRATOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DATE: _____

From: Phil Koen <pkoen@monteropartners.com>

Sent: Tuesday, March 03, 2020 7:34 AM

To: Marcia Jensen <MJensen@losgatosca.gov>; BSpector <BSpector@losgatosca.gov>; Marico Sayoc <MSayoc@losgatosca.gov>; Rob Rennie <RRennie@losgatosca.gov>

Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>; Jak Vannada

Subject: Finance Commission Initiative - Agenda Item #10

Dear Honorable Mayor and Council Members,

As previously stated in our letter to this Council, I am opposed to spending \$50,000 of the people's money on a fiscal impact report when the Staff has repeatedly stated there are no fiscal impacts associated with the Finance Committee.

However, if the Council is adamant about receiving this report, there is another alternative, namely have the Staff prepare it. I asked our counsel Sutton Law this very question and was told that normally in these circumstances these reports are prepared by the Staff.

Given the Staff's deep knowledge of the Finance Committee and the proposed initiative, the Staff should be in the best position to provide this report if the Council was adamant about receiving one. This is certainly a more cost effective and efficient solution especially given the 30 day reporting requirement.

If obtaining a fiscal impact report is strongly desired by the Council, then let's at least save \$50,000 and have the Staff prepare it. There is no legal requirement to have a third party consultant do the work, and the the Staff should be in the best position to provide this analysis on a timely basis.

Thank you.

Phil Koen