



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 03/03/2020

ITEM NO: 10

DESK ITEM

DATE: March 3, 2020
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Finance Commission Initiative

- a. Accept Elections Official's Certification of the Sufficiency of the Finance Commission Initiative Petition.
- b. Adopt a Resolution Calling the Election and Direct the Inclusion of the Preliminary Estimated Cost of the Election for the Finance Commission Initiative of \$54,200 in the Town Manager's Proposed Operating Budget for Fiscal Year 2020/21; or
- c. Order Report Pursuant to California Elections Code Section 9212.

REMARKS:

Attachment 5 includes public comment received between 11:01 a.m. Thursday, February 27, 2020 and 11:00 a.m. Tuesday, March 3, 2020.

Attachment 4 is an amended Resolution Calling the Election that amends the ballot question and adds Section 5 and 6 to incorporate the deadlines to file arguments for and against the measure.

In regard to the public comment received, staff disagrees with the statement " 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."

PREPARED BY: Robert Schultz, Town Attorney
Shelley Neis, Town Clerk

Reviewed by: Town Manager and Finance Director

REMARKS (continued):

The initiative substantially changes the duties and responsibilities of the current Finance Committee and includes a number of requirements that have the potential to have a fiscal impact on the Town. These new requirements include, but are not limited to, the following:

- Requires each member of the Town Council to appoint one Citizen Appointee to serve a four-year term with staggered terms. This is a different process from all other Town Commissions and Boards, and the initiative does not include the process of selection or removal for Commissioners. In addition, other provisions of the initiative are inconsistent and incompatible with the selection process. There will be a fiscal impact to implement this process, provide a legal opinion, and possibly defend litigation.
- Requires meetings to be determined by the Finance Commission and the Chair sets the agendas. This is a different process than all other Boards and Commissions, and even the Town Council. This will have a fiscal impact based upon the duties and responsibilities of the Finance Commission that are set forth in the initiative.
- Requires the Finance Commission to provide written comments and recommendations to the Town Council on the annual budget. There will be a fiscal impact on staff to prepare written comments and additional meetings will be required.
- Requires the proposed budget to be presented 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. There will be a fiscal impact on the Town organization to prepare a budget within this timeframe and additional meetings will be required.
- Requires the Finance Commission to provide written comments and recommendations to the Town Council on the CAFR. There will be a fiscal impact on staff to prepare written comments and additional meetings will be required.
- Requires the Town Manager to respond in writing to the Finance Commission providing his or her rationale for accepting or rejecting each of the Finance Commission's comments and recommendations prior to presenting the CAFR to the Town Council for formal consideration. There will be a fiscal impact on staff to prepare written comments and additional meetings will be required.
- Requires the Finance Commission to provide written comments and recommendations to the Town Council regarding the Director of Finance's summary of the Town's financial report. There will be a fiscal impact on staff to prepare written comments and additional meetings will be required.
- Requires the Finance Commission to provide written comments and recommendations to the Town Council regarding the Town's administrative financial policies and procedures manual. There will be a fiscal impact on the Town organization to prepare written comments and additional meetings will be required. In addition, Town Council currently does not review Administrative Policies, so this requirement imposes a duty and responsibility outside of Council's purview.

REMARKS (continued):

- Requires the Finance Commission to make recommendations to the Town Council regarding policies and programs to maximize the Town's revenues consistent with existing taxation structures and inter-governmental funding opportunities. This will require additional staff time and meetings.
- Requires the Finance Commission to make recommendations to the Town Council regarding policies and programs to maximize fee generation consistent with market rate charges for Town-provided services and market rate fees for utilization of Town-owned assets. This will require additional staff time and meetings. In addition, this section would violate state law as the Town cannot provide market rate charges.
- Requires the Finance Commission to make recommendations to the Town Council regarding policies and programs to minimize the Town's cost to provide core services and required activities, consistent with the desired service level for residents and other internal and external customers. This will require additional staff time and meetings.
- Requires the Finance Commission to make recommendations to the Town Council regarding policies and programs to set funding goals for reserves and review on-going progress related thereto. This will require additional staff time and meetings.
- Requires the Finance Commission to make recommendations to the Town Council regarding policies and programs to assess the risk associated with the structure and documentation of any proposed debt financing. This will require additional staff time and meetings.
- Requires the Finance Commission to make recommendations to the Town Council regarding the Town's long-term compensation and benefit program liabilities in the most responsible and cost-effective way. This will require additional staff time and meetings. This provision may violate state law.
- Requires the Finance Commission to provide written comments and recommendations to the Town Council regarding the selection of auditors for the CAFR. There will be a fiscal impact on staff to prepare written comments and additional meetings will be required. In addition, Town Council currently is not involved in the selection process of professionals hired by Town and would give the Finance Commission a role that the Council does not have in administrative matters.
- Requires the Finance Commission to participate in pre-audit meetings with auditors. This will require additional staff time and meetings.
- Requires the Finance Committee to review and monitor any events or issues which may affect the financial status of the Town. This will require additional staff time and meetings.

Based upon all of the new responsibilities and duties of the Finance Commission that are set forth in the initiative, it is staff's recommendation that Town Council order a report pursuant to California Elections Code Section 9212 to study and determine the exact fiscal impacts of the initiative.

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SUBJECT: Finance Commission Ballot Initiative

DATE: March 3, 2020

Attachments Previously Received with the Staff Report:

1. Proposed Initiative
2. Certification of Sufficiency
3. Resolution Calling the Election

Attachments Received with this Desk Item:

4. Amended Resolution Calling the Election
5. Public Comment