



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 4/16/2024

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DATE: April 5, 2024  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Discuss and Provide Direction Regarding the Finance Commission  
Recommendation to Issue a Request for Qualification (RFQ) for the  
Preparation of the Annual Comprehensive Financial Report (ACFR).

**RECOMMENDATION:**

Discuss and provide direction regarding the Finance Commission recommendation to issue a Request for Qualification (RFQ) for the preparation of the Annual Comprehensive Financial Report (ACFR).

**BACKGROUND:**

At the December 11, 2023 Finance Commission meeting, the Commissioners passed a motion to recommend that the Town Council adopt a practice to hire a separate entity to perform work necessary for the preparation of the Town's ACFR. The work includes preparing the financial statements, notes disclosures, supplemental information, the Management Discussion and Analysis (MD&A) template and tables, and statistical schedules that are derived from the financial statements. Currently, this work is performed by the Town's external auditor, Chavan & Associates, LLP.

**DISCUSSION:**

Based on staff research, most municipalities within Santa Clara County, with the exception of the City of San José, use their current audit firm to assist with compiling and preparing their Annual Comprehensive Financial Report. While management is responsible for the financial statements, the production of the Annual Comprehensive Financial Report involves the synchronization of the actual financial statements with the footnotes, supporting statistical and required supplementary data, Letter of transmittal, and the MD&A. This is a very time intensive effort for staff and can be done more efficiently through the use of a third party who has

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Finance Director

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

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SUBJECT: ACFR Preparation Services

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DISCUSSION (continued):

software dedicated for this purpose and has expertise providing ACFR preparation service to multiple local government clients. This approach is most time and cost efficient, taking advantage of economies of scale, allowing for lower cost of production, and saving staff resources for other Council and Finance Commission priorities.

If Council directs staff to hire a different firm to assist with the ACFR preparation, staff recommends that Council authorize the Town Manager to prepare and issue a Request for Qualifications (RFQ) for ACFR preparation. Staff anticipates the contract amount being within Town Manager's contract authority and would not need to return to Council to approve the consultant selection.

CONCLUSION:

Discuss and provide direction regarding the Finance Commission's recommendation to issue a Request for Qualification (RFQ) for the preparation of the Annual Comprehensive Financial Report (ACFR).

FISCAL IMPACT:

If Council approves the Finance Commission's recommendation, any additional cost beyond using our current external auditor (Chavan & Associates, LLP) will be included in the Proposed FY 2024/25 Operating Budget. The potential cost of the additional services is estimated at approximately \$10,000 to \$15,000 for the fiscal year FY 2023/24 ACFR, pending results of the RFQ submittals.

ENVIRONMENTAL ASSESSMENT:

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